



# Ontario Supply Chain Modernization Update

November 15, 2019

- The purpose of this presentation is to provide an overview of the alignment of the Ontario Government supply chain modernization strategy – with the Medtech Canada position on provincial supply chain centralization and transformation
- Our goals as Medtech Canada are as follows:
  1. Ensure alignment with our Medtech Canada position paper
  2. Ensure industry engagement and consultation throughout this transformation
  3. Be “at the table” with the government as a trusted stakeholder and source of information, to help shape relevant government policy

# Background

- In March 2019, the Ontario Government announced its intention to centralize and modernize all government and boarder public sector supply chain functions in the province
- This is a cross-sector initiative (ie: health, education, transportation, correctional services, etc) and is not exclusive to the health sector
- In response to and anticipation of these changes, Medtech Canada released a position paper in September 2019 entitled “Provincial Transformation and Centralization of Procurement: Medical Technology Industry Perspective

# Position Paper – 6 Recommendations

1. Clinical and health care sector input and expertise are required for procurement for health care.
2. Appropriate use of Value-Based Procurement methodologies is important.
3. Centralized policy and management could streamline processes and create consistent contract terms, conditions and practices.
4. Procurement systems would benefit from central oversight, preferably by an independent body.
5. Provincial governments should set governance and promote transparency over the management and finances of purchasing organizations.
6. Strategic economic development should be linked to health care procurement

Supply Chain Centralization

# Supply Chain Capabilities and Opportunities

November 2019



# Case for change

Imagine a public sector supply chain that maximizes value while delivering a seamless experience for users to get what they need, when they need it, and where they need it, with high service levels.

## Current Fragmented Public Sector Supply Chain

- Current ecosystem is managed in various and different ways
- Some collaborative purchasing practices exist, but the system is fragmented, and the results are varied

### Consequences:

- Public expenditure is not fully leveraged
- Pockets of excellence are not scaled
- Challenges for businesses in selling to public sector
- Limited ability for value-based procurement and innovation procurement



## Future Centralized Supply Chain

- Deliver supply chain excellence across the ecosystem providing what Ontarians need, when and where they need it
- Implement leading practices that remove burdens for businesses of all sizes and geographical locations
- Obtain savings for the province, and demonstrating fiscal responsibility

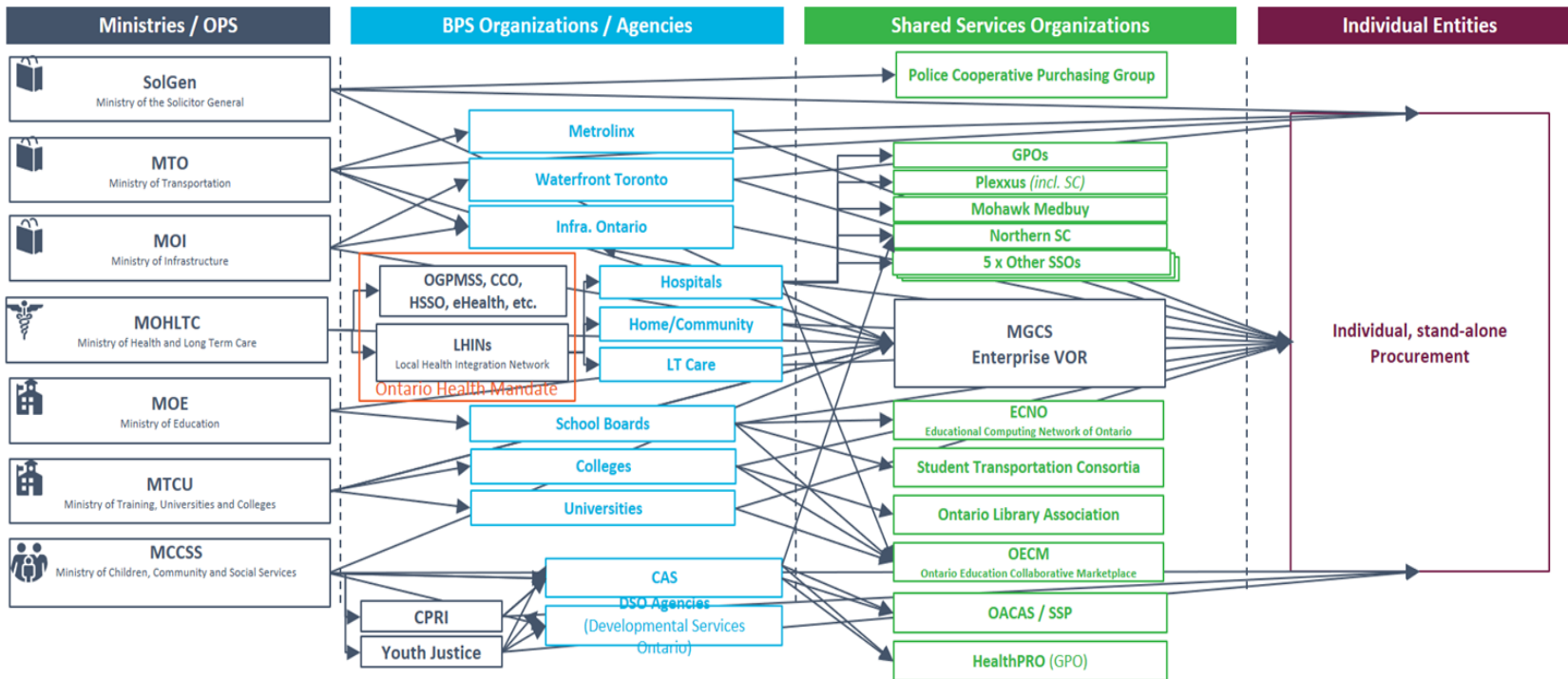
### Benefits:

- Public sector-wide leverage of procurement
- Leading supply chain capabilities support the entire public sector
- Improved outcomes for patients, students, citizens, etc.
- Public sector is a leading adopter of innovative solutions

Current State

# Our Understanding of the Current Landscape

The Ontario supply chain ecosystem is characterized by a number of uncoordinated procurement, governance and distribution models which creates a disaggregation of value.



Non-exhaustive - Expanded via sector workshops and ongoing consultation

**Governance:** Multiple levels & types of governance for overlapping solutions is one of the defining features of the Ontario supply chain landscape.

**Participation:** Currently, participation in shared services or collaboration in supply chain is voluntary, and a significant proportion of organizations do not participate as members or customers.

**Sustainability:** The Ontario model does not currently provide for ongoing investments in growth & innovation in supply chain & requires an ask for investment each year for specific initiatives. The ability to invest in growth/innovation is a distinguishing characteristic of the most successful organizations.

**Definition of Value and Maturity:** Supply chain success in Ontario is typically measured on savings and not value at a system level. Overall, Ontario's supply chain is relatively immature in comparison to other jurisdictions, although pockets of mature capabilities and excellence exist.



# Where do we Derive Benefits

There are a number of benefit drivers that can be addressed based on the capabilities chosen and invested in



Benefit Driver	Description
Purchase Price Improvement	Benefits come from a market perspective through competitive go-to-market exercises and vendor negotiations which can impact price, service and innovation from suppliers.
Process Improvement	Benefits come from improved efficiency and effectiveness on internal processes that may include the source-to-contract, procure-to-pay, usage, supply chain delivery or new product introduction processes.
Total Cost Management	Reduces or values hidden/related costs not always visible in the initial purchase of the equipment, supply or service. These can include opportunity cost, inventory carrying costs, processing cost, training, overheads, freight / accessory / maintenance, wastage or obsolescence.
Demand Management	Benefits from influencing demand including substitution, reducing consumption, utilization, policies to drive standardization or adherence to contracts or vehicles that can influence standardization. Complex due to required change management to obtain buy-in, especially for high preference items.
End User Benefit /Outcomes	Improvements that may have a positive impact on end user (i.e., patient, student, inmate, social services recipient) outcomes s but may create additional costs in the short-term or create value outside the walls of the organization.

# Supply Chain Requirements, Opportunities & Challenges

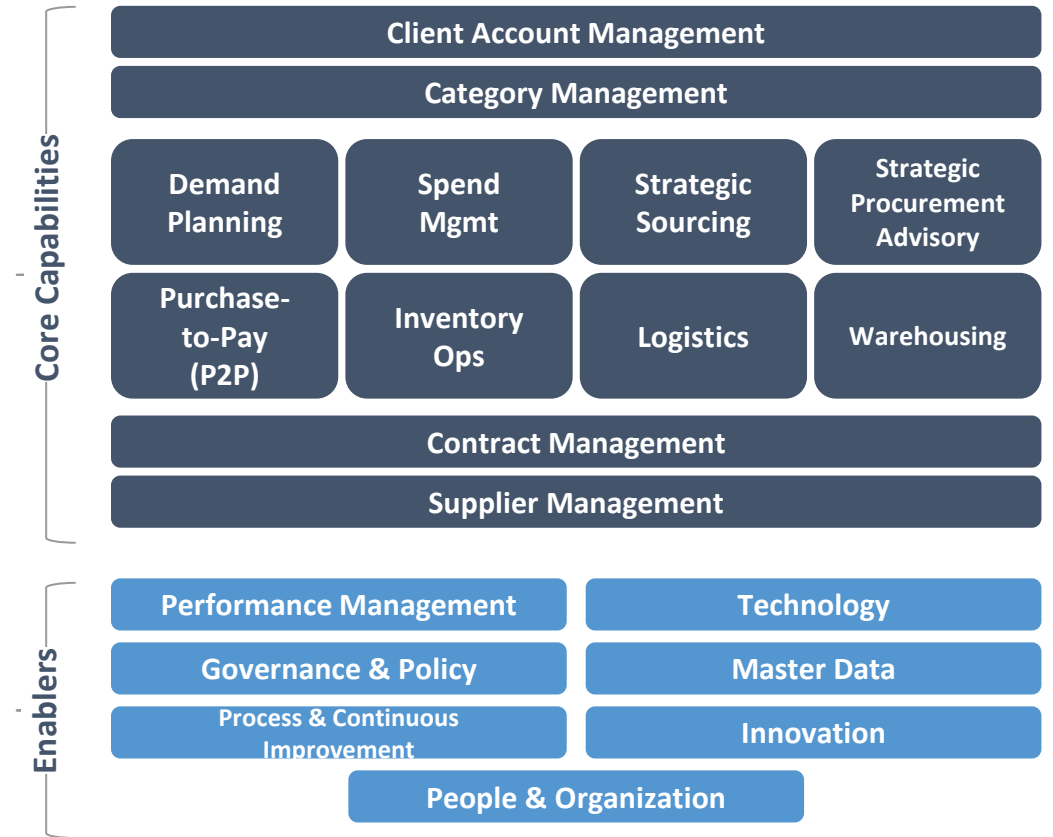
# What are leading supply chain capabilities?

**A capability is the ability to deliver a desired outcome through processes, tools, skills, behaviours, and organizational enablers.**

The first step is to understand what the desired outcome end users have and how that can be enabled through supply chain core and enabling capabilities.

Capabilities enable stakeholders to use the supply chain function to address the following considerations:

1. How are end user needs considered and met as central to all supply chain activities?
2. Did you understand my requirements for products and/or services? How are you planning around these requirements?
3. Can I easily get what I want when I want it?
4. How are products and/or services getting to the end user?



# Category management: Adopting leading practices for in-year savings and long-term value

## Contract Harmonization Opportunities Approach and Outcomes

Through contract harmonization, we can take advantage of the low-hanging fruit – achieving savings in the short term by moving everyone to the best contract where possible.

- **Key Levers:** Contract harmonization on pricing, rebates and discounts  
eg. If one organization has an existing contract for \$20 per month for each user, align additional organizations (on higher plans such as \$30/month) to get on the \$20 plan and generate savings
- **Benefit Realization Timelines:** By March 2020

## Category Management: New Ways of Working Approach and Outcomes

Category management – the new ways of working – is the search for new opportunities to procure together strategically to gain better value.

- **Key Levers:** Demand management, volume aggregation, total cost of ownership, strategic sourcing, supplier & performance management  
eg. For telecom plan, utilize volume across multiple organizations, conduct RFP and negotiate a plan for \$15/month for each user. Additional value considerations include data sharing opportunities, better demand management, improve supplier performance management across Ontario
- **Benefit Realization Timelines:** Benefits realized following implementation of category management strategies such as strategic sourcing (8-12 months period) and contract award

# Category management is an end-to-end process used in buying a grouping of similar items with a focus on maximizing long-term value



# Appendix

Health Sector Transformation  
background information

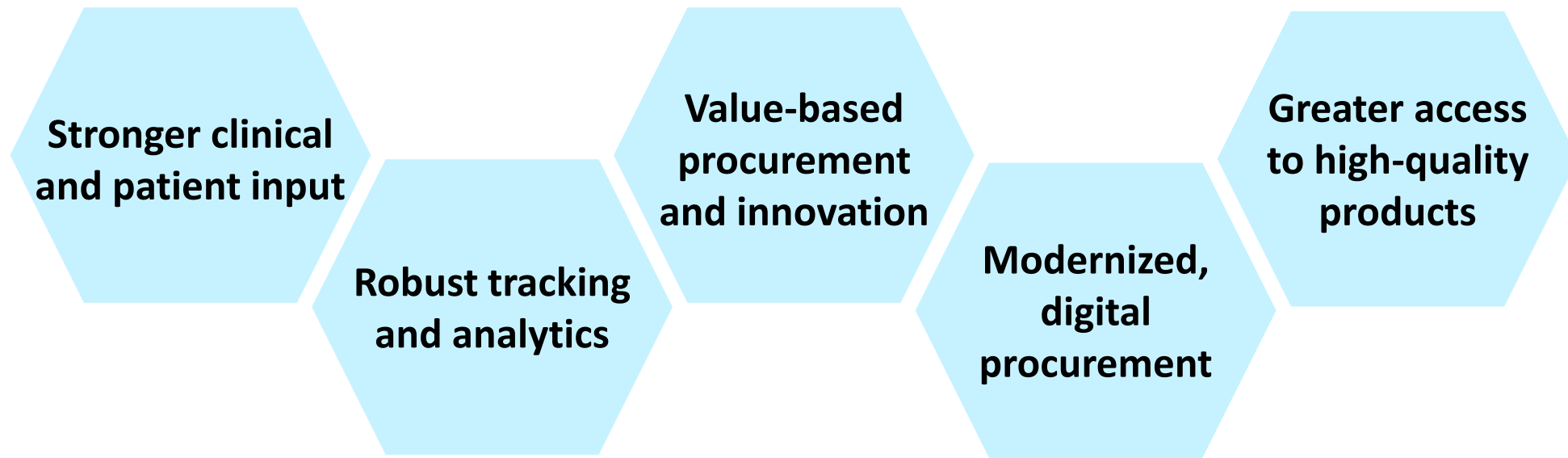
# Supply chain as part of Ontario's health system modernization



# Health sector supply chain transformation

Modernizing the supply chain to **optimize procurement practices**, achieve **greater value, improve care** and **reduce red tape** for suppliers

An integrated health sector supply chain should follow the patient journey, featuring:





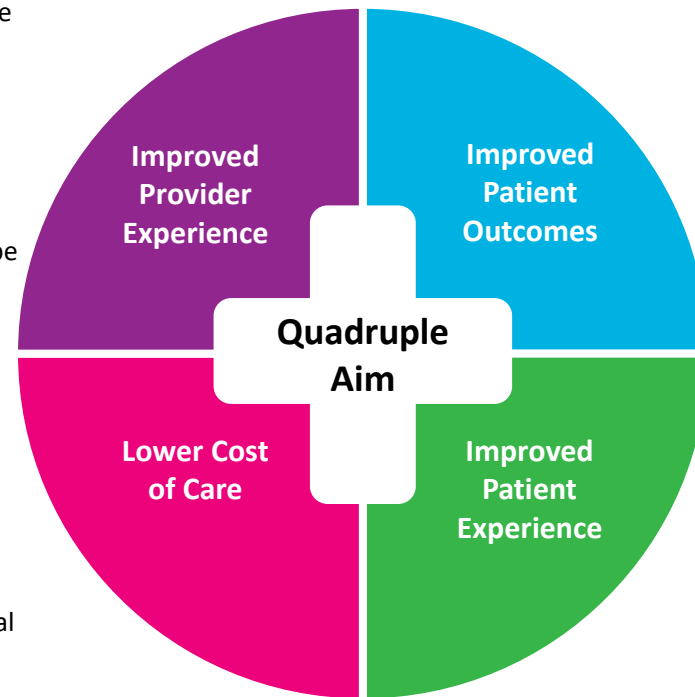
**World-class health care systems are supported by seamless, integrated and value-based supply chains. Going beyond the procurement of goods and services, robust supply chains deliver value and contribute to improved quality of patient care.**

ONTARIO HEALTHCARE SECTOR SUPPLY CHAIN STRATEGY EXPERT PANEL - 2017

Supply chain excellence requires a system that is organized around the patient and not the sectors where care is delivered. As the province moves towards greater integration of care in support of Quadruple Aim, supply chain can be an enabler.

The right products at the right time automatically at the point of care minimizing clinical time spent on supply chain activities. Access to leading edge products and innovations through innovation/value-based procurement and reducing red tape

Maximizing Ontario's scale by bringing unified spend to market. Integrated supply chains offer significant savings in pricing rates, standardization where clinically appropriate, utilization, and reducing waste by focusing on total cost of ownership or care at a system level



Cost and patient outcome data informs decisions on value, procurement, and clinical practice for solutions focused on patient care. Supply chain considers the cost of care over the patient's episode of care or life time and not the budget cycle

Supply chain organized around the patient ensures seamless experience of product or service wrapping around their care experience as opposed to where care is delivered

# Thank you!

**Questions or comments about Supply Chain Centralization?**

Contact - [doingbusiness@ontario.ca](mailto:doingbusiness@ontario.ca)

Visit the **Doing Business with Ontario** website to provide feedback on the Vision & Objectives

<https://www.doingbusiness.mgs.gov.on.ca/>



# Introduction of Enabling Legislation

**On November 6, 2019, the government introduced Bill 138, *Plan to Build Ontario Together Act, 2019*. Bill 138 includes the *Supply Chain Management Act (Government, Broader Public Sector and Health Sector Entities), 2019*.**

## Things to know

- The proposed legislation introduces the definition of “health sector entities” to more accurately reflect the full patient continuum of care that is impacted by supply chain activities in a publicly funded health system.
- The new category of health sector entities will include prescribed organizations that receive funding from a ministry or provincial agency to provide or support the provision of health services, in addition to their prescribed shared services organizations and group purchasing organizations.
- There are no immediate changes for the health sector. The legislation would only come into force with a specified regulation, and your input to the future development of these regulations is highly valued.

***Integrated care is dependent on an integrated supply chain, which will provide patients with the consistent, high-quality products and services they need, no matter where they are in their care journey.***

# Alignment with Medtech Canada Position Paper

- The Supply Chain Management Act, 2019 achieves fulfilment of recommendation #3:
  3. Centralized policy and management could streamline processes and create consistent contract terms, conditions and practices.
- It also partially addresses recommendations #4 & #5, and enables the government to address those recommendations
  4. Procurement systems would benefit from central oversight, preferably by an independent body.
  5. Provincial governments should set governance and promote transparency over the management and finances of purchasing organizations.

# Alignment with Medtech Canada Position Paper

The clear distinct “health care strategy” in the Ontario Government vision supports recommendations #1 & #2:

1. Clinical and health care sector input and expertise are required for procurement for health care.
2. Appropriate use of Value-Based Procurement methodologies is important.

Leaving only recommendation #6 from our position not currently addressed or partially addressed in public documents at this time:

6. Strategic economic development should be linked to health care procurement

*\*the government has indicated verbally however that they support this recommendation and are looking for was to implement a successful integrated supply chain and economic development strategy*

## Next Steps

- Ensure Medtech Canada members are educated and aware of the Ontario Government supply chain modernization strategy
- Ensure Medtech Canada members are aware of developments as they arise
- Ensure Medtech Canada and our members are “at the table” with the Ontario Government at all times in this process
- Support the Ontario Government in achieving the goals which are aligned with Medtech Canada positions
- Ensure Medtech Canada is informing next steps, further legislation, regulation, policy and implementation of the Ontario Government strategy to align with Medtech Canada positions