

# Supply Chain Centralization Feedback

## Here is our vision:

The government is committed to making it easier and more efficient to deliver services and do business with Ontario. Our goal is to work with stakeholders to find innovative solutions that will unlock enormous savings, so the people of Ontario can get the best value for each public dollar that is spent.

We are creating a modern, collaborative and innovative public sector procurement system that is informed by stakeholder input and meets the needs of the people who use it. By centralizing the purchasing of goods and services across the Ontario Public Service and broader public sector, we will unlock savings to protect critical programs that the people of Ontario rely on every day.

1. Which of the following best describes you:

- I work for an industry association

2. Which of the following sectors do you support / are you a part of? Please select all that apply.

- Health

3. We want to improve how goods and services are purchased and achieve greater value for money across the public sector. Do you think our vision is clear about what we're trying to accomplish? Are there any elements missing that you believe we should add?

While the vision of the Ontario Government seems clear, the key missing element is that in relation to health care procurement, the appropriate use of value-based procurement methodologies is extremely important.

We all know as consumers that the cheapest car on the market does not necessarily provide the best “value”. If that were true – wouldn’t we all buy the cheapest car? When we go to buy a car, we consider many “value” factors such as fuel efficiency, number of passengers, cargo capacity, safety features, manufacturer reliability and quality, and the list goes on and on. In fact, there are a significant number of data points of evaluation we look at, and then we align those data points by priority for our needs, before we decide which car is the right one to purchase.

Why wouldn’t we do the same in health care? Or more importantly, how could we **NOT** do the same when it comes to technologies that impact both our personal health and the quality and sustainability of our publicly funded health care system?

The majority of RFPs issued in health care in Canada today, are primarily scored or given the highest weighted component of the score based on price alone. It would be beneficial if the procurement system would accurately assess the current and future market, evaluate proven or potential differences in products to establish value other than merely the quoted “price to buy”. A more expensive device may be a higher price and cost but may save on drug expense, staffing, time required in ICU, or other costs. Some products will reduce the length of stay or patient recovery time or allow patients to return to work sooner. Some technologies reduce the risk of infections, pain, or scar tissue for a patient. Some products or solutions may not even be considered in our current system because they are alternatives to the current offering and are unknown.

The impact of technologies and solutions on patient care and on the health care system are critically important in a publicly funded system and, by assessing the scenarios and using value-based procurement techniques and expertise, greater results, both fiscally and clinically, could be attained.

Procurement for health care products or solutions should be conducted through a model which maximizes the value received from the use of public funds. Ideally, procurement should employ different tactics and approaches to allow for clinical choice and the varied impact of medical technologies to the clinician and the overall system. Value-based methodologies should be considered when the products affect short and long-term patient outcomes, patient or caregiver experiences or health care system costs.

**4. Are you aware of an organization or company that uses an innovative procurement or supply chain approach? Please tell us about it. How is it innovative? How does it make the process better? What are some best practices you could recommend?**

Please follow this link for an article from Ontario Hospital News about Southlake Hospital in Newmarket that highlights an innovative procurement approach which would be used as an example of a best practice:

<https://hospitalnews.com/innovative-procurement-at-southlake-regional-health-centre/>

## 5. What is your top suggestion to help us streamline how the public sector buys goods and services?

Centralized policy management could streamline processes and create consistent contract terms, conditions and practices.

In Canada, vendors deal with multiple procurement groups and different procurement systems in each province group purchasing organizations, shared service organizations, long-term care homes, community care organizations, or other health care providers. Each time an RFP is issued, vendors are often reviewing a term or condition similar to, but slightly different than, a previous RFP from a different provider. Each nuance requires legal review and unique responses. Some terms and conditions may violate trade agreements or sales policies. Many procurements request “Value-adds” that compromise compliance regulations or lack transparency. Some procurements are duplicative in that they request the same documentation the vendor would have submitted for Health Canada approval or ISO certification. None of this creates a good business climate for small, medium or large suppliers.

An ideal procurement model should include greater consistency and accountability in contract terms and conditions and practices, even if only within the specific provincial jurisdiction. A collaborative process between suppliers and providers with central oversight could present an excellent opportunity to review and develop templates and standards that could be used across the jurisdiction for future procurements. This would save time and money for all parties involved, including the government and/or purchasing organization and is a more responsible use of taxpayer dollars. Also, and importantly, it would support a legally compliant business environment and encourage collaboration.

One cautionary note that we feel is vital to success, is that maintaining a healthy competitive business environment in Canada is very important for all stakeholders. Provincial, large group or centralized purchasing initiatives will need to be carefully evaluated and executed to avoid creating monopolies or barriers to entry for large or small competitors.

Provincial health care purchasing and supply chain models should include a central entity to set and enforce overall policy and help to streamline and create consistency in contract terms and conditions and standard practices. This could include mandates for use of templates, judicious use of value adds and/or funding, reduced duplication of documentation, etc.

## 6. Are you aware of digitized processes that work really well that you could share with us?

In May of 2018, Ivey International Centre for Health Innovation published a robust paper entitled “Models for Global Medical Device Supply Chain Standards: Best Practices for Nomenclature and Unique Device Identification (UDI) Standards for Canada”.

Unique Device Identification(UDI) is a digital product identifier, usually in the form of a barcode, which has standardized product information such as a device labeller, batch number, serial number, expiration date, and date of manufacture.

Nomenclature is a digital coding system used to describe medical device categories.

The global best practices in the paper are a good example of digitized processes that work really well, and should be followed in Ontario. The link to the paper is here:

<https://www.ivey.uwo.ca/cmsmedia/3781376/models-for-global-supply-chain-standards-may-2018.pdf>

## 7. Is there anything else that we should consider as we modernize procurement (e.g., strategies to achieve better outcomes for the people of Ontario, etc.)?

Clinical and sector input and expertise are required for procurement for health care providers

When purchasing technologies that have impact on, are used on, or in the care of patients, we believe it is critical that those managing and making the purchasing decisions have, or have access to, clinical and health care expertise. In all aspects of life, and in business, we turn to experts to provide advice and make critical decisions on our behalf. Your accountant to advise you on your finances, your lawyer to guide you through your legal strategies, your doctor to determine your medical care.

Medical technologies are used for the primary purpose of patient care, and secondarily for the purpose of creating efficiencies in the health care system. These technologies—some simple but many complex—should not be contracted without the purchaser having an elevated understanding of how those technologies affect patients and the overall health care system. Significant and robust clinical input and participation is essential.

This expertise will evolve, grow and sustain itself through a system where medical technologies are contracted through a purchasing organization with health care supply chain expertise and input from dedicated clinical professionals.

Procurement for clinical products used by health care providers should be initiated and managed by personnel with sector-specific knowledge and should include clinical input and choice. Comprehensive early market engagement and market assessments should be conducted regularly to understand new clinical development and improved technologies.

Another important recommendation is that Strategic Economic Development should be linked to Health care procurement.

Despite billions of dollars being spent in health care in Canada, no province currently has a strategy to link this investment with jobs and economic development in the province. Sometimes a company will have developed a product in Canada—often in partnership with a Canadian hospital—yet once developed are unable to get the product adopted into the Canadian health care system. In these cases, we are doing a poor job at strategically utilizing our health care system as a “first customer” for those companies, which in turn helps commercialize those technologies in other jurisdictions faster.

In other cases, increased sales for medical technologies that are manufactured in Canada may lead to more jobs and economic development opportunities for Canadians. Currently there is no

process and strategic link to procurement at the provincial levels of government to help achieve these economic development objectives. There are some federal programs that exist in other sectors that achieve similar goals, but with health care being delivered through the provinces, provincial governments must look to implement these types of strategic programs and evaluations of technologies.

This could all be linked to a value-based procurement model for health care in Canada that adds job growth and economic development to the evaluation criteria for the procurement of goods and services. This is particularly critical to small and medium Canadian-based companies, but also should apply to multinational organizations that contribute to growing the Canadian economy as well.

Procurement should strategically link healthcare spending to economic development targets and initiatives. This would ensure that the significant investment made by taxpayers into the support of the health care system contributes to the development of the national medical technology industry and overall economy.

## 8. What are some of the challenges that you have faced when dealing with government purchasing?

Procurement systems would benefit from central oversight, preferably by an independent body.

Currently some jurisdictions have no entity or process for third party oversight in procurement. This is problematic because if, for example, a company has an issue with the RFP process or cannot get adequate clarification, they are forced to challenge the very people who made the decision in the first place.

This process can be very costly for companies in terms of legal fees and other avoidable costs. As well, often medical technology suppliers feel that by questioning or expressing dissatisfaction to the GPOs or SSOs they may risk current and future business opportunities. On the provider or purchasing side of the equation, there is also no place for them to seek objective counsel or guidance if a supplier is providing challenges during a procurement process. They depend on the industry to supply products and solutions for the health care system.

It is important for both suppliers and providers to have an impartial and safe place to manage disputes and offer constructive feedback. This entity could help to manage dispute resolution, ensure fairness and transparency in debriefing and feedback and ensure accountability. It is also important that taxpayers feel confident in supporting a fair and transparent system for purchasing health care technologies.

Health care procurement should include a 3<sup>rd</sup> party mechanism which would allow all stakeholders an objective environment to review process, resolve disputes, get robust feedback and debriefing on procurements, and to ensure fairness, transparency and accountability for all parties.

NOTE: One reference model that could be examined is *Quebec's Public Market Authority* which oversees all public procurement in the province.

## 9. How can the government help make the procurement process easier, effective and efficient?

In an effort to make health care procurement more effective and efficient, the Ontario Government should set governance and promote transparency over the management and finances of purchasing organizations.

Whether a purchasing group is owned and run by the provincial government directly, or is governed by another mechanism (i.e. for-profit company such as HealthPro), or owned and operated by a group of hospitals such as Shared Service Organizations, the fact is that all of these organizations are essentially financed in a direct or indirect way through taxpayer dollars.

GPOs and some SSOs are primarily funded through volume rebates collected from suppliers based on contractual agreements and/or can be funded through payment by hospitals (or other health care providers) for their services. In many cases, hospitals purchase technologies through GPOs/SSOs and the GPOs/SSOs then receive rebates back from suppliers. The money collected is used to finance the GPO/SSO and then a remaining portion of the money collected may be sent back to the hospitals. Other SSOs are funded through hospitals paying for their services. Regardless of the business model – either directly or indirectly – all purchasing entities are ultimately funded through taxpayer dollars.

There is no public transparency or direct oversight over the finances of non-government run purchasing groups in Canada. For example:

- At one time, Ontario SSO employee salaries were listed, as applicable, on the Ontario Public Sector Salary Disclosure List. This practice is now inconsistent, with few reporting and appearing on the list.
- Unlike hospitals, long-term care or community care organizations, there is not currently a provincial auditing opportunity over SSOs/GPOs.
- Finances of SSOs in some provinces, such as Ontario, are not subject to audits by the Auditor General, unlike many other broader public sector organizations such as hospitals, colleges and universities, school board and children's air societies.

One of the key roles of Auditor Generals is to “assess whether government and broader public sector activities operate with due regard for economy and efficiency, and whether procedures to measure and report on the effectiveness of programs and organizations exist and function properly. This is known as the ‘value-for-money’ mandate.” In a publicly funded health care system, these checks and balances are a critical oversight piece when spending taxpayer dollars.

The Ontario Government should have line of sight over the finances of health care procurement groups either directly (i.e. through a government run procurement group) or indirectly (i.e. GPOs/SSOs/hospital purchasing groups operating with provincial government financial oversight). Procurement groups should be subject to audits by provincial Auditor Generals and Access to Information.

## 10. Are there any procurement “bottlenecks” that slow down the procurement process? Where are you experiencing red tape? How can the provincial government change that?

The Broader Public (BPS) Procurement Directive is not clearly understood at all levels of purchasing organizations within health care procurement in Ontario.

The BPS Directives were put in place in 2011 to govern procurement rules and standards in Ontario government organizations in order to increase transparency and accountability following the eHealth scandal of 2009. In 2019, selling into health care has become increasingly complicated with different levels of SSOs, GPOs and individual facilities, all of whom have a different perspective on BPS requirements.

As the scale and spend on contracts in Ontario health care increase through SSO groups and amalgamation, consideration should be given to ensure all sizes of enterprises are provided with equal opportunity to ensure best value for the patient and the system. As the new Ontario Health Agency evolves and the ‘back office’ functions that include Procurement, Logistics, Finance and Human Resources are established within this Agency, special consideration should be given to a review of the BPS Directives and their application within health care.

Examples:

### **Dollar Thresholds**

- Dollar thresholds that were relevant back in 2011 should be reviewed as Ontario wide product and services contracts and awards come into play and should also be consistent with CFTA standards.
- The possibility of a spike of RFP/RFQs due to old threshold amounts will dramatically increase the work required by both procurers and suppliers as the scale and dollar size of opportunities increases due to Province-wide initiatives.
- Whether it’s the Ontario Health Agency moving forward with back-office amalgamation or volunteered cooperation initiatives taken by Ontario’s SSOs, the scale and spend of contracts will increase as volumes are bundled with larger groups.

### **Training**

- Training around BPS Directives should also be standardized so that stakeholders have a clear knowledge of the Directives, Thresholds and Attestation opportunities as they present themselves.

The Ontario Government should create a working group to review the BPS Directives with a goal of reducing red tape and administrative burden. Small to medium companies and multinationals should be engaged in this discussion.

## **Objectives:**

- Create a centralized supply chain and purchasing system that is accessible, effective and useful for the people of Ontario.  
Streamline and digitize processes, leveraging sector expertise and

leading practices, to make supply chain services efficient, easy to access and tailored to the needs of suppliers and stakeholders. This will make Ontario a leader in adopting innovation, fostering growth and encouraging competition.

- Consolidate purchasing power across the public sector to deliver significant savings that contribute to the sustainability of provincial services.
- Leverage data to enable evidence-based and transparent decision making.
- Reduce burden and red tape for businesses of all sizes and geographic locations.
- Improve access, open the province to business and help grow our economy.