

## **Briefing Note - Healthcare Procurement in Ontario**

### **Issue – Healthcare Procurement Reform in Ontario**

#### **Why is healthcare procurement reform critical in Ontario?**

*“Procurement in health care organizations has typically focused on generating short-term savings in meeting day-to-day needs. A more strategic, value-based approach considers not only price but also other measures of value such as reduced service utilization (e.g., fewer hospital readmissions), increased quality of life, and economic benefits. By taking into account these wider dimensions of value, the Council believes strategic procurement can contribute to healthier populations, a more efficient health system, and the growth of Ontario’s health technology sector.”*

*– The Catalyst, Report by the Ontario Health Innovation Council to the Ontario government*

Our current system of procurement in healthcare has been acknowledged to be poorly designed, inefficient and not strategic in aligning with healthcare and health system priorities in Ontario. It also significantly lacks the requires transparency and oversight to ensure that taxpayer dollars are used effectively for the betterment of the healthcare system.

Not only did the Ontario Health Innovation Council identify these challenges, but many of the challenges were also identified during the diluted chemotherapy drug crisis/issue in Ontario and by the corresponding report from the Standing Committee on Social Policy entitled “Diluted Chemotherapy Drugs”.

### **Background**

#### **What are the key challenges in healthcare procurement in Ontario today?**

- Significant lack of transparency over the finances of procurement groups operating in Ontario (Shared Service Organizations and Group Purchasing Organization – SSOs and GPOs).
- High focus on “cheapest priced” goods and services, as opposed to purchasing for “value” – meaning, instead focusing purchasing on:
  - health benefits to patients
  - saving money across the health care system and contributions to health system sustainability
  - integrating services across the continuum of care and/or enabling shifts in care closer to home
  - improving the patient experience, ensuring high quality
  - ensuring high value technologies are available when required
  - strengthening innovation and medical technology industry in Ontario
- Procurement is still regarded largely as an administrative service, helping organizations meet their day-to-day requirements, instead of a “strategic” enabler for the health care system.
- Health system procurement provides limited opportunities for Ontario-based innovators to test new products, make sales to early adopters, and diffuse proven innovations to a broad base of customers.
- Ontario has a limited number of specialized staff with procurement expertise and/or clinical experience involved in today’s Ontario health system procurement organizations.

## What is MEDEC's Position on Healthcare Procurement Reform?

### 1) There is an urgent need for increased transparency and government oversight over the finances and accountabilities of purchase decision-making organizations (SSOs and GPOs). This could be achieved through:

- Providing the Ontario Minister of Health and Long-Term Care with authority and oversight over GPOs and SSOs that operate in the province. (similar legislation has recently been enacted in Quebec)
- All Shared Service Organizations (SSOs) and Group Purchasing Organizations (GPOs) should be subject to the Public Sector Salary Disclosure Act, 1996. (Most of the high-earners working for these groups are not currently on "The Sunshine List")
- Group Purchasing Organizations (GPOs) and Shared Service Organization (SSOs) should become subject to Audits by the Auditor General of Ontario.
- The government should set up a third-party arbiter for purchasing decision and process dispute resolution in Ontario. (a similar authority has recently been set up in Quebec)
- Rebates and value-adds in competitive tenders should always be optional (never mandatory) and that any request for a value-add should be related to the product(s) or service(s) requested in the tender. This would ensure that technologies are more fairly evaluated for the value they provide to patients and to the healthcare system – instead of being evaluated and chosen based on how much money from a contract flows back to the SSO or GPO that issued the RFP.

### 2) It is important to implement "value-based procurement" in healthcare in Ontario

- A "cheapest price" model works well when purchasing commodities, but healthcare technologies should generally not be considered commodities
- Medical technologies impact patient care and patient outcomes. These factors should be considered in the cost of purchasing medical technologies.
- Many medical technologies save money in the healthcare system but often that savings is not realized by the purchaser themselves (ie: a hospital department, individual community care provider, etc). There's only one taxpayer however and medical technologies should also be evaluated based on saving they provide the system as whole – not just the purchase price of the technology.

## MEDEC Position

- MEDEC would like the Ontario Government to establish an advisory/engagement mechanism for industry to work collaboratively with the Ontario Government to reform healthcare procurement in Ontario, with a focus on:
  - 1) Greater transparency and accountability for procurement groups (SSOs and GPOs)
  - 2) Shifting to Value-Based Procurement in healthcare in Ontario
  - 3) Using strategic procurement as a tool to end Hallway Medicine in Ontario