



Value-Based Procurement Principles

Introduction: Governments around the globe have recognized the shortcomings of continuing to focus on cost as the primary mechanism for awarding contracts. However, the focus on cost-based procurement in health care has not been successful in unlocking efficiency and quality. It has instead led to quality issues and poor results. Longer term focus on value, the ability to deliver results over time, using value-based procurement, has emerged as a better option. Increasingly, governments and institutions, including the World Bank, and the European Commission, have recognized the need to redesign procurement to incorporate value principles in medical technology procurement and are starting to do so. The EU has expressed its preference for value-based procurement in its most economically advantageous tender criteria, which aim to ensure the best value for money (rather than the lowest price), while taking into account the quality, as well as the complete price or life-cycle costs of the work, good or service in question. The intent is to place greater emphasis on quality, the environment and social considerations, as well as innovation.

The World Bank, with its longstanding experience in tendering in the widest variety of markets, recently completed a once-in-a-generation reform to move to its procurement to a value-based framework. We believe this framework is the benchmark standard, one that can be used successfully in emerging markets, to better ensure governments are able to conduct value-based procurement that incorporates improvements in quality outcomes, efficiency and access to care. The principles of this reform follow, with some explanation of each.

Procurement systems that focus on total value rather than cost are the way forward. The objectives for such systems should include the following:

- Combination of improved health outcomes, greater access to care, and better quality care;
- Use of modernized procurement approaches and methods -- ‘best practices’;
- Create greater transparency at all stages of the procurement process, but particularly with regard to the design of the procurement, to ensure that the clinical issue to be addressed is defined before the solicitation of bids;
- Strategic and transparent engagement with providers of goods and services to obtain their input and expertise for the purpose of enhancing the procurement process and results; and
- Incorporate innovation in the solutions offered.

Strategic planning approaches, appropriate procurement approaches/solutions, evaluation criteria and contract award. Contract award concepts include fit for purpose approach design,

life-cycle costs, incentive mechanisms, safety requirements as well as contract management. Contract management concepts include (enforcement of standards, long-term performance, and relationship management).

Key Differences Between Value-Based and Cost Based Procurement: By way of comparison, here are some of the elements present in modern value-based procurement that make it a more useful tool compared to traditional cost procurement --

- Upfront analysis/design – procurement is better thought out with input into design and specs for relevant stakeholders in a transparent methodology to receive this input;
- Value for money as a core procurement principle, including shift in focus from the lowest evaluated compliant bid;
- Providing options for more tailored procurement approaches, and hands on expanded implementation support as an option;
- Promotion of strategic engagements with providers;
- Enable sustainability in procurement;
- Implementation of robust mechanism to address complaints;
- Greater involvement in contract management to ensure better outcomes and rapid dispute resolution.

Best Practices for Procurement: We are in agreement with the value-based procurement principles that have been adopted as part of the World Bank’s revamp of its procurement processes. The following mechanisms are essential for ensuring the process results in better value for all stakeholders:

- ***Publicize Procurement Opportunities in Advance and Allow for Robust Early Market Engagement to Motivate the Best Providers to Bid***
 - a. Make procurement opportunities publicly available well in advance of the bidding process.**
 - Utilize Internet and large scale publication to advertise procurement opportunities in sufficient time to enable potential participants to engage with their best ideas and proposals, enhancing the quality of the responses.
 - b. Ensure procurements are well-planned to suit the circumstances of the project**
 - Work with industry to develop information to inform project preparation. This would include engaging industry experts to determine best practices and receiving expert input on specs that could be utilized effectively in specific types of procurement. It would also include obtaining industry and buyer consensus on defining the particular health care issues to be addressed, and scoping of potential mechanisms that would enable this.
 - Establish and maintain an accessible repository of information for specific equipment or types of health care products/solutions.

- c. **Enable Transparent Early Market Engagement**
 - Identify and maintain a framework for fair, transparent early market engagement/consultation with stakeholders. This would include experts familiar with the type and issues of the proposed procurement.
 - Conduct consultation in a fair and transparent manner.
 - Conduct horizon scanning, or analysis of prior procurements that may be able to inform on the current procurement or adapted to address the issues at hand. Analyze projects that may be suitable for a trial approach, for example utilizing CED or innovation trials.
 - Work with experts to plan for assistance for projects under consideration.
- ***Incorporate Value Concepts into Contract Award Processes***
 - a. Ensure contract specification are clear and unbiased
 - Engage with industry to identify specification standards (e.g. MRI)
 - Identify knowledge base to enable procurers to test the appropriateness of specifications
 - Establish a protocol to ensure standards and knowledge-base is utilized
 - b. Ensure Contract Award Decisions do not Focus on Price Alone
 - Utilize value for money concepts and principles in health care procurement
 - Test these in practical application on a consistent basis to ensure they are yielding good results
 - Utilize transparent industry input to incorporate practical changes to processes
 - c. Ensure there is Sufficient Technical Expertise to Properly Evaluate Bid Proposals and Handle Complaints Properly
 - Identify industry experts to provide unbiased technical support
 - Identify projects to trial and promote technical support options
 - Set up specific monitoring and evaluation of complaints with a clearly defined escalation process
- ***Build Capacity to Improve Procurement Practices***
 - a. Utilize Risk Allocation
 - Identify specific areas of concern and identify a best practice approach to balanced risk allocation
 - Reflect in bidding documents and contract terms conditions as necessary to facilitate risk allocation

- b. Attempt to Reduce Negotiation Times and Simplify Contractual Terms and Conditions
 - Identify specific contractual terms and conditions that have been an issue in past procurements
 - Attempt to simplify contracts and contractual terms used.
 - Engage medical technology industry and other experts for input into solutions for contractual terms and conditions
- c. Ensure Appropriate Technical Capability for Procurement Personnel
 - Develop training and targeted capacity building to increase expertise in procurement of medical technology.
 - Make available and promote technical support from industry.
- Additional Principles
 - a. Clarify Project/Procurement Pipelines to ensure that all potential qualified bidders are able to participate in tenders with sufficient notice;
 - b. Create a Panel of Experts to Develop and/or Review Specifications for contracts prior to using them in the process;
 - c. Produce Guidance Documents to ensure that standards and processes that will be used in tenders are consistent and clear and facilitate maximum engagement in the process by a variety of potential suppliers;
 - d. Develop and adhere to transparent processes to utilize pre-market engagement in a manner that it is known in advance and facilitates input from industry;
 - e. Develop Industry Specific Terms and Conditions that can be utilized consistently to minimize confusion and increase responsiveness of bids.

Conclusion

The World Bank has undertaken a massive effort to revitalize its procurement practices and focus on value. The principles referenced in this document are in alignment with those best practices and will work to ensure that procurement of medical technology in every market is able to deliver greater value. Implementation of these concepts and practices in real world procurement of medical technology will be of great advantage to markets that undertake to use them. Governments should undertake to implement these framework principles to ensure they are providing the best solutions and best value for patients.