

# How Innovation Procurement Delivers Value to the Canadian Healthcare System

April 3, 2019

# Introductions and Overview

# Session Facilitators



**Sarah Friesen**  
*Friesen Concepts Inc.*

Sarah Friesen leads Friesen Concepts Inc., an independent practice specializing in healthcare procurement solutions. Areas of focus include strategic sourcing transformation, innovation procurement and professional development.

Sarah has almost 20 years of experience in the healthcare sector, and she brings 17 years of strategic sourcing and supply chain experience from the private sector. Sarah supports healthcare organizations as they navigate the complexities of innovation procurement initiatives.

Sarah is a founding member of HSCN and a member of the Board of Directors. She recently acted as Project Manager for the Innovation Procurement Toolkit Expansion project. Sarah participates in various innovation initiatives, served as a member of the Ontario Health Innovation Council, and lectures on healthcare supply chain topics at various educational institutions and industry forums.

# Session Facilitators



**Pamela Robertson**  
*ACG Inc.*

Pamela is Principal at Airt Consulting Inc. and a Managing Director at ACG Inc. with over 25 years of experience in the healthcare field. Her expertise is operationalising Value-based Healthcare delivery in Canada through change management, value-based strategic procurement and business transformation.

Pamela has held increasingly senior positions at large pharmaceutical and then medical technology companies such as Alcon, Zimmer and Edwards Lifesciences. Her roles within these organisations encompassed sales leadership, business development, marketing and portfolio management and strategic stakeholder relations.

Pamela represents MEDEC as their Lead for Strategic Procurement, is on the Board of Directors at HSCN and works actively with suppliers, providers and government agencies to develop and advance tools which will support innovation, encourage value-based procurement and further Canadian value-based healthcare endeavours.

# Workshop Agenda

Time	Topics
1:30 – 1:35	Introductions
1:35 – 1:55	Value-Based Healthcare and Procurement
1:55 – 2:15	Breakout: Value-Based Procurement <ul style="list-style-type: none"><li>• 10 minutes table discussion</li><li>• 10 minutes open discussion</li></ul>
2:15 – 2:40	Innovation Procurement Outcome-Based Procurement Value-Based Evaluations
2:40 – 3:00	Breakout: Innovation Procurement <ul style="list-style-type: none"><li>• 10 minutes table discussion</li><li>• 10 minutes open discussion</li></ul>

# Overview: Value-based Healthcare and Procurement

Connecting the dots.....

# What are we going to talk about?

- Terminology and theories – level setting
- Defining Value and the context
- Measuring Costs not price
- Considering Outcomes for the patients

# Key questions for you..

- Where do I fit in this equation?
- What can I do to prepare?
- Who else should I/ we be engaging?
- Action plan needed?



# Value Based Healthcare: Do we know what we mean?

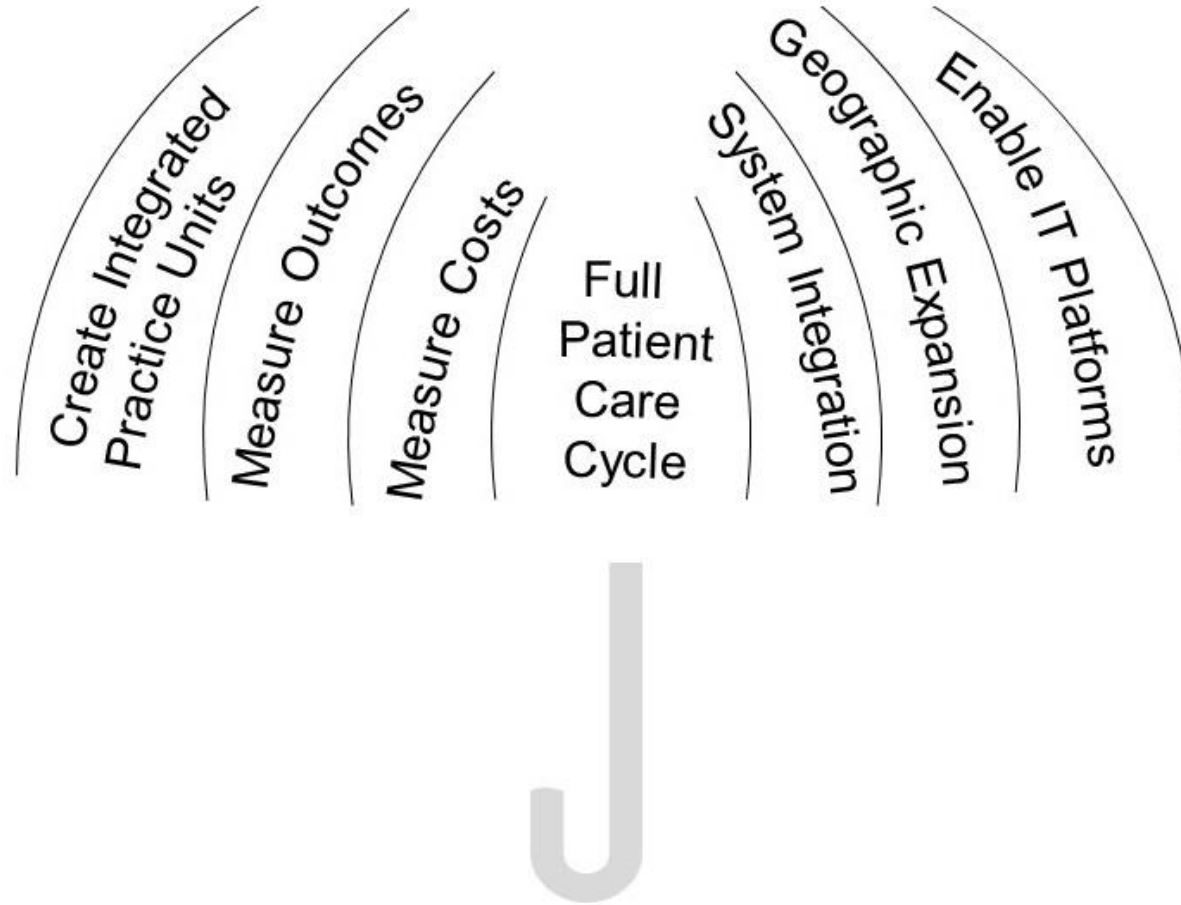
Looking for a common language....



# Value Based Healthcare

$$\text{Value} = \frac{\text{Outcomes}}{\text{Cost}}$$

# Value Based Healthcare



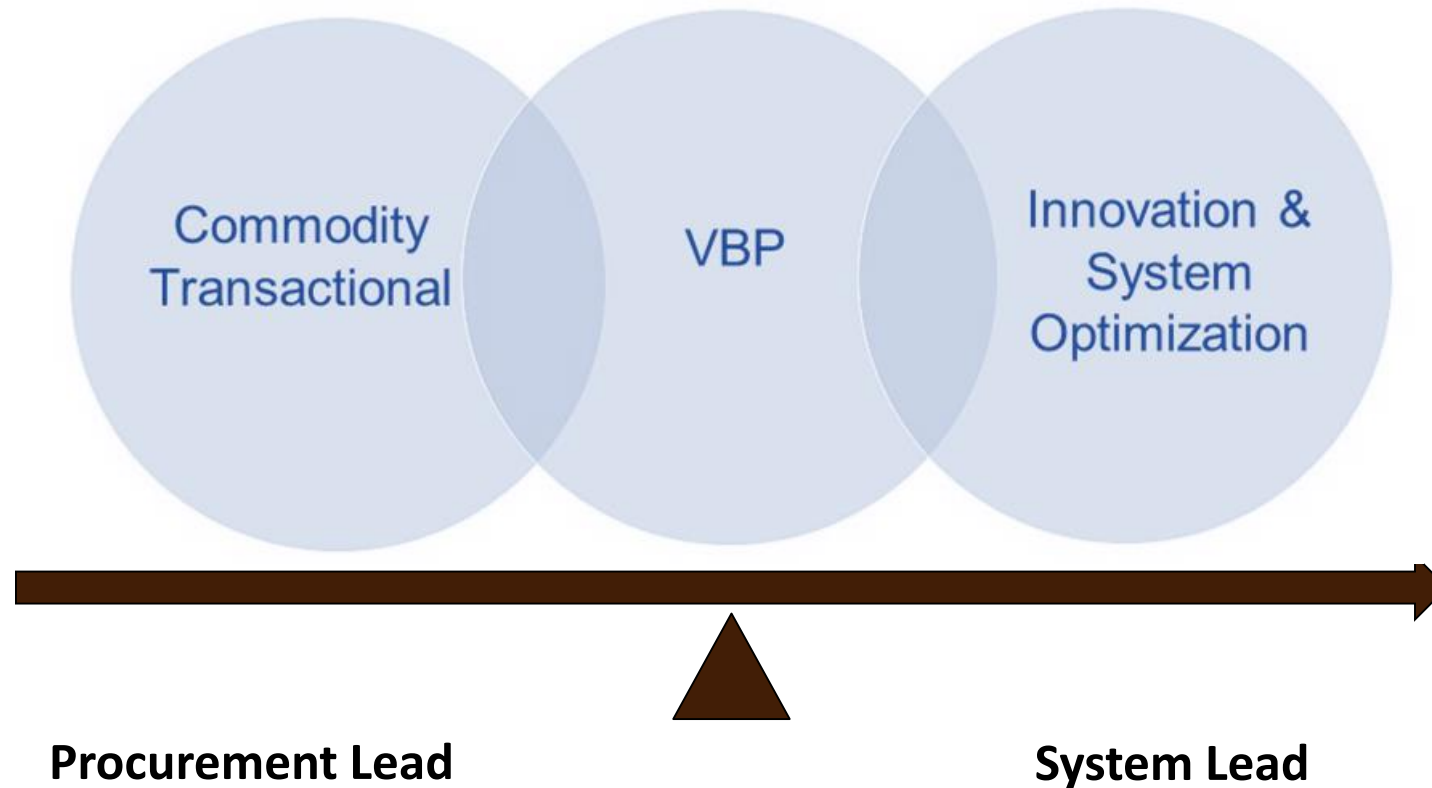
# Where does Value-based Procurement fit?

Good question.....

# “ Value-based procurement”

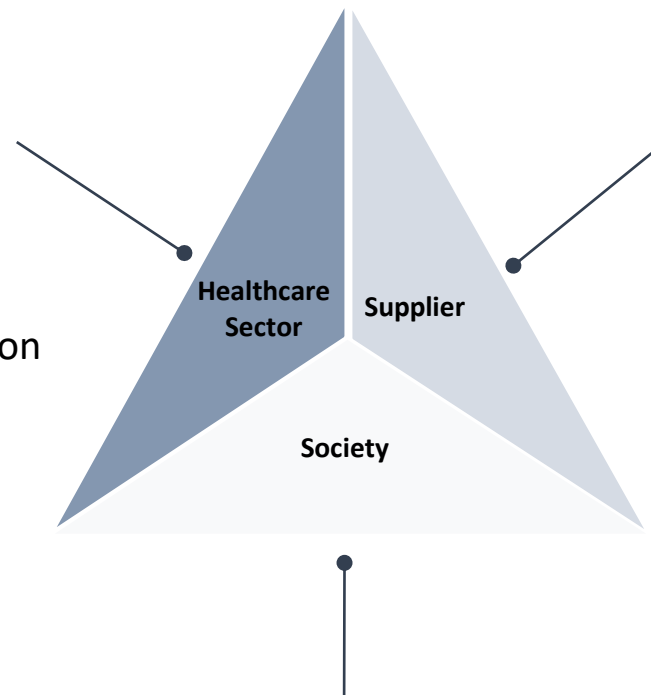
- Strategic Enabler of VBH
- Methodologies range on a broad continuum
- Helps to answer the key questions
  - Do we know what we want to buy?
  - Do we know what matters to us?
  - What are we willing to pay?

# One size does not fit all...



# Value and context

- Best fit-for-purpose solutions
- Reductions in wait times
- Better diagnosis
- Higher levels of end user satisfaction
- Potential total cost of ownership reduction



- Access to public sector clients
- Opportunity to apply research, testing and commercialize ideas
- Support for small and medium-sized enterprises
- Opportunity to develop new markets

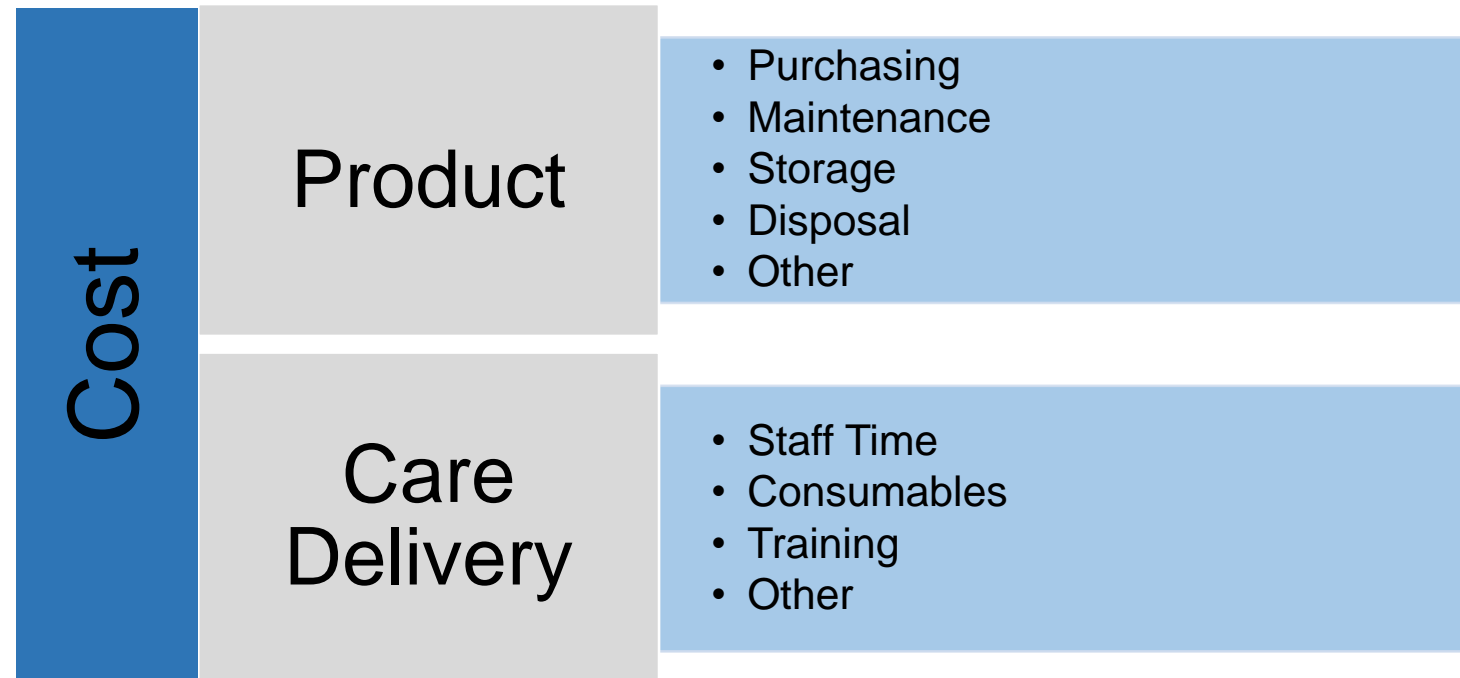
Improvements in patient outcomes and quality of life



# Outcomes

- Key area of focus and change in practice – the PATIENT
- In combination with very detailed and stakeholder validated criteria, costs, evidence and weighting, it can be a powerful indicator of value
- Measurement through a whole life cycle and pathway not just a silo of care
- Many groups doing work to establish metrics, benchmarking, standard sets. E.g. ICHOM, CMS
- Opportunities for partnership between providers and suppliers

# Costs versus price and complexity



Source : MedTech EU MEAT VBP framework  
Boston Consulting Group Inc.

# Discussion Moment

# Value-Based Procurement



# Overview: Innovation Procurement

# What is Innovation Procurement?

- “the purchase of solutions that do not exist in the market, or need to be adapted or improved to meet specified needs and create value for users and the procuring organization” (MGCS: BPS Primer on Innovation Procurement (Interim))
- When the potential exists for varied and various solutions to a stated problem, traditional specifications are typically inadequate
- The procuring organization must focus on the value the solution can bring, based on the desired outcomes
  - Thus innovation procurement models become enablers of value-based procurement, i.e. this optimizing value for a given set of circumstances, not focusing on price alone
- This requires new methodologies and approaches to procurement, and the development of new skills to manage the complexity

# Why is Innovation Procurement Different?

- The traditional Contract A/B process is rigid and adds more stringent fairness considerations
  - It is not suited to negotiation or dialogue with the suppliers to further refine the requirements
- Contract A
  - A binding agreement on both the organization that issues the RfX and each supplier who submits a compliant bid
  - Sets out the selection process, evaluation criteria and any other terms the parties must follow during the competitive process
  - Typically includes clearly defined specifications and/or technical requirements
  - Sets the terms for awarding Contract B
- Contract B
  - A contract between the organization and the supplier that was awarded the business
  - Sets out the terms of the procurement such as price, timeframe and any other terms that the parties must follow for the duration of the project
- Innovation procurement often requires a nimble process, which may include consultations
  - This arises because of the need to work with potential bidders to understand market capabilities, and to inform outcome-based specifications and value-based evaluation criteria

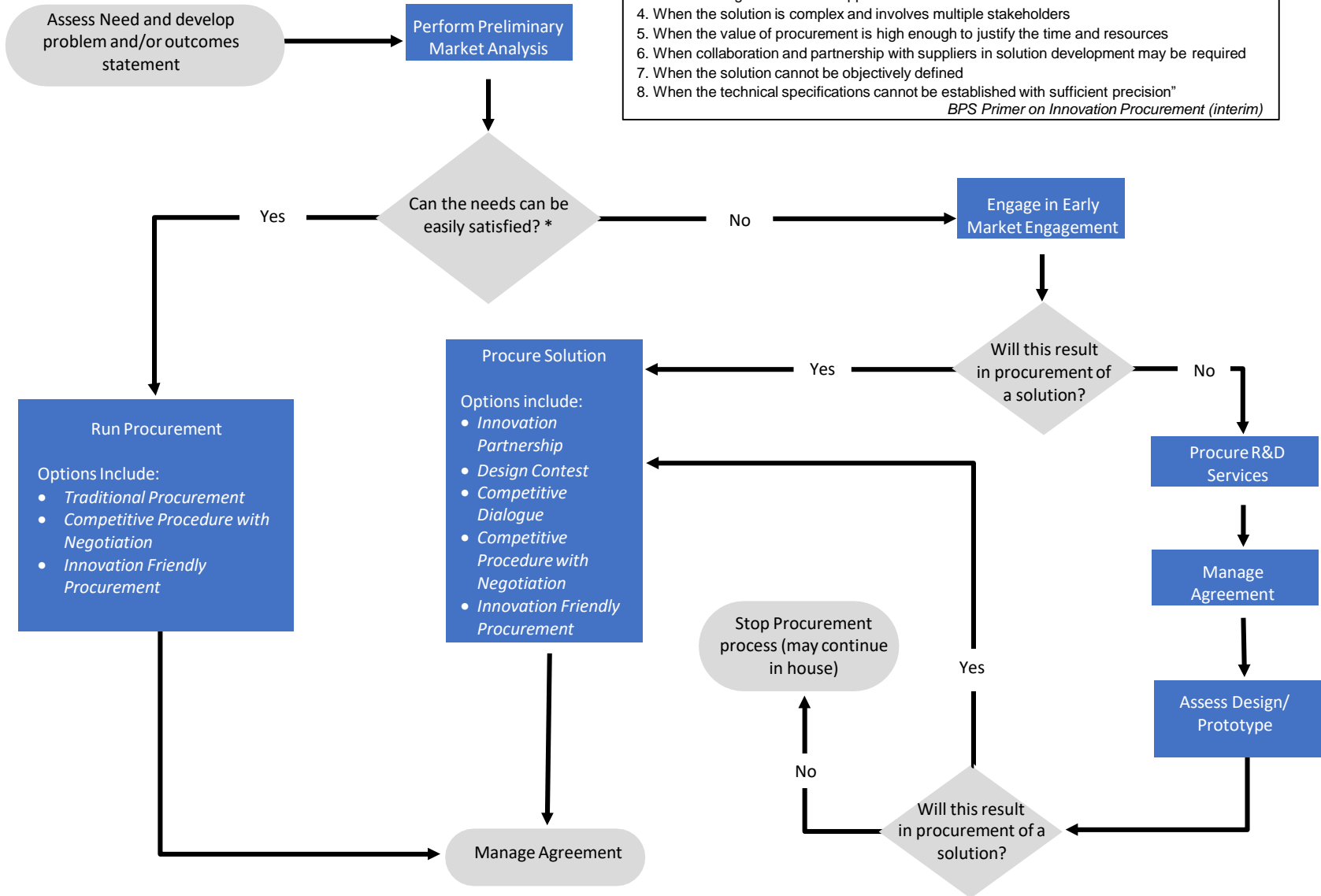
# When to Use Innovation Procurement?

## Innovation Procurement Decision Tree (example)

\* "The following are circumstances in which innovation procurement may be preferred to traditional procurement practices:

1. When there is no existing solution in the market
2. When needs cannot be met without significant modifications to existing solutions
3. When looking for alternative approaches
4. When the solution is complex and involves multiple stakeholders
5. When the value of procurement is high enough to justify the time and resources
6. When collaboration and partnership with suppliers in solution development may be required
7. When the solution cannot be objectively defined
8. When the technical specifications cannot be established with sufficient precision"

*BPS Primer on Innovation Procurement (interim)*

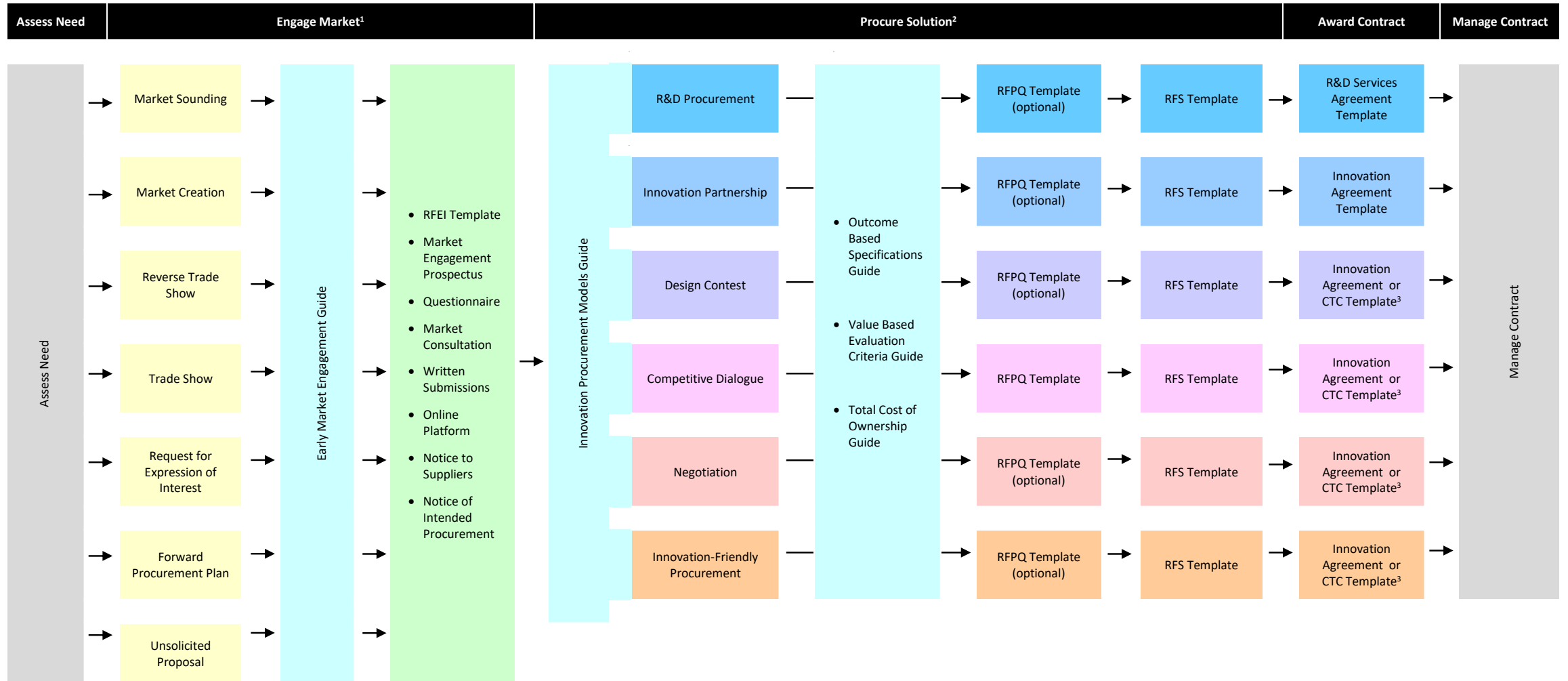




# Supporting Tools are Critical

- The Healthcare Supply Chain Network (HSCN) developed an Innovation Procurement Toolkit (IPT) aligned with the Ontario Ministry of Government and Consumer Services' (MGCS) *BPS Primer on Innovation Procurement (interim)*
- The Primer was developed in the context of MGCS's Innovation Procurement Initiative to provide guidance on planning, designing and implementing innovation procurement and includes
  - 7 early market engagement strategies
  - 6 innovation procurement models
- The HSCN Innovation Procurement Toolkit does not repeat the processes delineated in the Primer but rather includes
  - Tools and templates to help manage innovation procurement initiatives
  - Guidance documents to support processes described in the Primer

# Innovation Procurement Toolkit: Navigation Guide



<sup>1</sup> Consult the Interim BPS Primer on Innovation Procurement for a description of Early Market Engagement Strategies.

<sup>2</sup> Consult the Interim BPS Primer on Innovation Procurement for a description of Innovation Procurement Models.

<sup>3</sup> See the HSCN Common Tendering and Contracting Templates: the Equipment Purchase & Installation Agreement Template, the Goods Supply Agreement Template, or the Services Agreement Template.

Discussion Moment

# Innovation Procurement



# Outcome-Based Procurement and Value-Based Evaluations

# What is Outcome-Based Procurement?

- In a traditional procurement process, all proposals are evaluated against the specifications identified by the purchasing organization
  - The proposed solutions will typically be similar, and share many common elements because they are designed to meet a pre-determined set of specifications and requirements
  - The proposed solutions can then be compared directly to each other, and rated on very specific criteria appropriate for the type of solution
- In an outcome-based procurement process, the proposed solutions may vary significantly because there is no pre-determined scope
  - Instead, a set of desired outcomes are provided, describing the function or performance that a solution (equipment, goods, or services) must achieve
  - The focus is on the end not the means and suppliers respond by proposing a solution that will facilitate achievement of these outcomes
  - These solutions cannot be compared directly to each other, since they may not share any common features

# Outcome-Based Specifications (OBS) Guiding Principles

- Ensure specifications are as output-based as possible, stating desired output/outcomes but not prescribing how suppliers should achieve this
- Specify standards when necessary, rather than including as routine
- Ensure requirements are appropriate to size and complexity
- Ensure all of the elements included in the selection and award criteria are clearly explained and set out
- Consider how you will incorporate risk and reward related to achieving the outcomes
- Include performance metrics linked to the desired outcomes
- Ensure the specifications are S.M.A.R.T.
  - Specific, Measurable, Achievable, Realistic, Time Based

# Examples of Outcomes

- OBS should focus on outcomes that are important for the healthcare organization and reflect organizational or program priorities, e.g.
  - Clinical outcomes
  - Patient values
  - Value for money
  - Technological outcomes
  - Operational efficiencies
  - Organizational outcomes
  - Privacy and security



# Value-Based Evaluation

- In outcome-based procurement, each proposed solution is evaluated based on how it meets the desired outcomes, through a set of value-based evaluation criteria
  - the evaluation criteria must allow accurate evaluation of dissimilar proposals against the OBS
- This requires
  - establishing the balance between qualitative and quantitative benefits
  - determining the value proposition for the given set of circumstances
- Proposal evaluation criteria and processes must provide a fair, transparent, and accountable method for evaluating proponents' offers, clearly stating how they will be assessed
- Evaluation criteria should be developed early in the process, and may evolve as a result of information received during early market engagement
- Each innovation procurement will be unique, and the process must be adapted to fit the specific requirements of the process

# Value-Based Evaluation Criteria

- Value-based evaluation criteria should enable the purchasing organization to evaluate proposals by assessing the following:
  - Conformity with conditions for participation (mandatory requirements);
  - An appropriate level of conformity with rated elements;
  - The degree to which a proposal meets desirable non-cost criteria (e.g., patient value; organizational strategies and priorities; resource capabilities; development and implementation plans; scalability, feasibility and sustainability of the solution);
  - Total cost of ownership/value for money, including a range of costs such as: one-time, operating, training, system or software conversion, power consumption, life cycle, transportation; and
  - The level of risk associated with selecting a particular proposal, including risk associated with total cost of ownership and risk sharing agreements.

Discussion Moment

# Outcomes-based Procurement and Value-based evaluations

# Discussion



# Questions and Wrap-up