



Value-Based Procurement.

The New Imperative for Canada's Health Care

At a Glance

- The Conference Board of Canada's Strategic Procurement and Innovation: Opportunities for Improving Canada's Health Care Systems conference was a significant incentive and opportunity to connect with leading experts and organizations that use procurement to foster innovation, drive organizational efficiency, and improve health care.
- A number of examples and case studies from North America and Europe contained concrete lessons and insights that can help organizations transition toward more strategic and value-based procurement.
- This briefing presents the examples and key insights that emerged from the conference.

Innovations in technology and the management and provision of health care services can provide substantial benefits over the long term.

Executive Summary

The Conference Board of Canada's Strategic Procurement and Innovation: Opportunities for Improving Canada's Health Care Systems conference, held in Toronto on May 20 and 21, 2015, provided the opportunity to learn about several Canadian and international examples of a significant shift toward more strategic and value-based procurement in the global health care sector. Participants and attendees discussed what it means to successfully "procure for solutions." This briefing summarizes the insights shared at the conference in the form of four key lessons.

First, the ensemble of case studies and examples showed that a strategic, value-based approach to procurement means taking a longer-term view of success and basing the value of products and services on a broader range of quantitative and qualitative objectives—from containing or reducing costs to creating long-term organizational efficiencies and improving the patient experience. Innovations in technology and the management and provision of health care services can provide substantial benefits over the long term, and realize cost savings for both the implementing organization and the health system as a whole.

Second, several examples spoke to the importance of fostering collaboration between public and private stakeholders in health care and innovation to:

- reach a clear understanding of the factors that buyers could take into account—in addition to price—to determine value when procuring solutions;
- improve and accelerate the development, production, commercialization, adoption, and implementation of innovations.

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One case, involving the Imperial College Healthcare NHS Trust, used private–public collaboration to develop and implement innovations to provide and manage cardiac catheterization laboratory services. At the same time, they ensured that the quality of care remained consistent—or even improved—despite flat budgets.

Third, presenters and participants shared how engaging clinicians and other key opinion leaders in the procurement process is critical to enabling and accelerating adoption. The Hospital Universitario de Salamanca’s case study of how it dealt with a complex set of operational constraints in addition to budgetary pressures provided an instructive example of how clinicians play an important role in the success of strategic, value-based procurement.

Finally, strategic, value-based procurement was seen to be most successful when it is broadly adopted, aligned between all funders and buyers, and informed by relevant data. This point was illustrated in particular by coordination, alignment, and information-sharing efforts undertaken by Novation Inc. (with the help of its member councils), as well as by the Réseau des Acheteurs Hospitaliers (RESAH), which facilitated the adoption of value-based procurement across a diverse group of hospitals in Île-de-France and elsewhere in Europe.

Introduction

Over the past several years, decision-makers in the global health care sector have recognized the need to modernize procurement and make it more strategic and innovative. In fact, future-oriented health care systems, hospitals, and health care services companies throughout the world are increasingly seeking ways to leverage the procurement process, in collaboration with health care suppliers, to improve overall organizational and health system outcomes.

One particularly promising way this has been done is by shifting procurement’s traditional focus on short-term cost savings to a more holistic objective that includes health system performance and patient outcomes, giving preference to longer-term cost efficiencies, and working

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with suppliers to identify opportunities to develop more innovative products and services. In other words, procurement's contribution to the organization (or system) is seen as value-based (with an important role in effectively procuring collaborative innovation), rather than as primarily cost-based.

At its best, shifting toward value-based procurement transforms the health care system in a way that encourages suppliers to develop innovative solutions and enables health care providers to not only control their costs, but improve overall health system outcomes as well. The Conference Board of Canada's Strategic Procurement and Innovation: Opportunities for Improving Canada's Health Care Systems¹ conference, held in Toronto on May 20 and 21, 2015, provided several instructive examples of how this can be achieved.

During the conference, experts and leading practitioners from hospitals, shared services organizations (SSO), group purchasing organizations (GPO), health care service companies, and provincial ministries came together to discuss value-based procurement in Canada and the steps required to move ahead. Examples from the United States, Spain, the Netherlands, and elsewhere inspired attendees by demonstrating how other jurisdictions are thinking strategically about procurement and how they used it to drive innovation and increase efficiency.

Based on the proceedings of the conference, this briefing identifies the benefits of a more innovative, collaborative, and value-based approach to procurement. It also provides the key lessons from some of those who have implemented the concept and identified a tangible benefit from promoting collaborative innovation in the health care system.

1 The Conference Board of Canada, "Conference Agenda."

A large part of the Canadian health care system is working to transition to a more value-based procurement approach.

Value-Based Procurement on the Rise

The stakes of improving procurement strategies in Canada are clear. The Canadian health care system is struggling across a number of key performance indicators, which many believe speaks to a lack of innovation needed to adapt to today's challenges. At the national level, failing to continue the momentum toward value-based procurement would leave Canada further behind in the burgeoning, and increasingly globalized, health care market. It would also mean that health care continues to function as an economic burden rather than as an economic driver.

But there has been significant progress. A recent Ontario Health Innovation Council (OHIC) report, *The Catalyst: Towards an Ontario Health Innovation Strategy*,² provided a significant impetus to rethink value and has already motivated many fruitful discussions on strategic, value-based procurement.

Discussions at the Conference Board's Strategic Procurement and Innovation conference were evidence that a large part of the Canadian health care system is working to transition to a more value-based procurement approach, including SSOs, GPOs, and government advisory bodies like the OHIC. Many conference participants were already convinced that procurement has an important role to play in improving health care, and the examples presented at the conference lent considerable support to their conviction. In addition, conference attendees learned how strategic, value-based procurement can be successfully implemented in a variety of contexts.

The following is a short overview of the four primary examples of value-based procurement in action that yielded many of the lessons and insights presented in this briefing.

2 Ontario Health Innovation Council, *The Catalyst Towards an Ontario Health Innovation Strategy*.

The EU recently launched a new health partnership to bring successful innovations to patients.

Example 1—The EU's Innovation Union

The European Union's Innovation Union is a key component of the EU's 2020 strategy for smart, inclusive, and sustainable growth. One of its aims is to “revolutionise the way public and private sectors work together, notably through Innovation Partnerships”³ These Innovation Partnerships⁴ bring together EU, national, and regional stakeholders to modernize a particular sector or market, where government intervention is “clearly justified,” and drive research and innovation to increase economic and societal benefit. With respect to procurement, the partnerships work to “mobilise ‘demand’ in particular through better coordinated public procurement to ensure that any breakthroughs are quickly brought to market.” The EU recently launched a new health partnership, the European Innovation Partnership on Active and Healthy Ageing, with the “overarching target to increase the average healthy lifespan by two years by 2020.”⁵ The partnership aims to bring successful innovations to patients through the use of shared databases, assessment strategies, and regional partnerships. In particular, they bring public and private stakeholders into the R&D phase of development, enable purchasers to have a more direct role in incentivizing the market to develop solutions, and coordinate investment in potential pilot projects.

Another EU initiative under the umbrella of the Innovation Union is the Healthy Ageing—Public Procurement of Innovations (HAPPI) project.⁶ It is aimed at “linking European health public procurers to work together in order to detect and purchase innovative and sustainable solutions which will improve ageing well.” The project is coordinated by the Réseau des Acheteurs Hospitaliers (RESAH), one of the largest coordinating bodies of hospital purchases in the French region of Île-de-France,

3 European Commission, Innovation Union, *About IU*.

4 European Commission, Innovation Union, *European Innovation Partnerships*.

5 European Commission, Innovation Union, *European Innovation Partnership on Active and Healthy Ageing*.

6 Healthy Ageing—Public Procurement of Innovations, *home page*.

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including the city of Paris. Both initiatives are examples of how procurement and public–private partnerships are being used to foster innovation, create economic benefits, and address societal challenges.

Example 2—Imperial College Healthcare NHS Trust

The cardiology service of the Imperial College Healthcare NHS Trust in London (England) contended with rapidly aging equipment and a seven-year freeze on budget increases. Clinicians and administrators faced the challenge of ensuring up-to-date equipment and reliable cardiac catheterization laboratory services despite budgetary constraints. Rather than contracting with one vendor to purchase the cath lab equipment, they began a competitive dialogue process with several vendors to identify the best solution to their challenge. They eventually decided to enter into a long-term agreement with Medtronic in 2013. Under the £70-million agreement, Medtronic undertook to refurbish seven hospital cath labs over a seven-year period and assume full responsibility for the provision, commissioning, and maintenance of the capital equipment. The company also agreed to provide operational improvements over the lifespan of the agreement.

But, contrary to what had been done before, Imperial College Healthcare contracted for not just medical equipment and supplies, but also for per-patient services, which placed the supplier in charge of the cath laboratories. The hospitals, in turn, committed to helping Medtronic develop quality assessment tools. There have been some early positive results from this arrangement, including estimated revenue increases of around £100,000, no laboratory downtime, and an 18 per cent increase in the number of cases processed. Despite the decrease in funding, collaboration with the private sector in a competitive dialogue process helped to not only maintain, but increase the capacity of Imperial College’s cardiac services. The shift toward value-based procurement proved successful, and dialogue and collaboration in the tendering process led to considerable benefit for Imperial College Healthcare.

Through long-term partnerships, hospitals can better take advantage of the expertise of suppliers.

Example 3—Universitair Medisch Centrum Groningen (UMCG)

Another example of successful collaboration between hospitals and private vendors came from the Netherlands. As a result of a competitive dialogue process, the University Medical Centre Groningen (UMCG) recently entered into a 15-year contractual partnership with Siemens aimed “at improving current and at developing new diagnostic (imaging) algorithms to have serious impact on clinical practice in a 15 years perspective.”⁷ The Partnership of UMCG—Siemens for building the future of Health (PUSH) also includes “a long-term collaboration between UMCG and Siemens in the supply and maintenance of medical imaging technology for basic care, advanced care, and expert (research technology) care.” UMCG gave Siemens the responsibility to maintain and update the equipment as necessary, ensuring that clinicians continue to have access to the most up-to-date imaging technology. The PUSH agreement also commits the two parties to joint research groups and joint claim over the intellectual property rights that accrue from any medical imaging research they conduct together. This shift toward collaborative innovation in product development and services was made possible by challenging suppliers to help develop solutions, rather than simply defining what the hospital wanted in a traditional request for proposal. The opportunity of long-term partnerships, such as PUSH, is that hospitals are better able to take advantage of the expertise of suppliers and that both parties can work closely together to reduce risks inherent in the different stages of development, adoption, and implementation of new products and services.

7 Centre for Medical Imaging North East Netherlands, *Partnership UMCG Siemens—PUSH*.

Example 4—Novation

Novation is a group purchasing organization (GPO) in the United States that represents more than 100,000 health care members and affiliates of two national health care alliances (VHA Inc. and UHC), the Children's Hospital Association, and Provista LLC. The double objective of this health care services of this company is to help reduce costs and improve the quality of health care services among its member organizations.

In 2003, Novation launched the Innovative Technology Program and provided an online forum for members to learn about potential health care innovations. The program was created to respond to the concern of small and medium-sized enterprises that the primarily cost-focused methods used by GPOs could stifle competition and innovation.

Novation developed the online forum so that any supplier could submit an innovative product for a contract, that considerably improved the suppliers' market access and visibility. The Innovative Technology Program also allowed Novation to work with multiple member-led councils and task forces to identify and review new or innovative technology. Novation takes the innovations to various councils (such as its Respiratory Council), comprising clinicians and directors from member hospitals, for review. Once these teams evaluate the technology and determine that "it provides a clinical benefit over existing products, a contract for the innovative technology may be awarded outside of Novation's competitive bid cycle."⁸ This has resulted in many innovative technology contracts awarded over the years.

In addition, a particularly important and more recent part of this program is the Innovative Technology Expo, held annually in the fall since 2012. Here, invited vendors can demonstrate their products to a variety of key opinion leaders (KOL) from the Novation member councils. During the 2014 show, 200 member hospitals were able to provide 120 supplier organizations with rapid feedback on how innovative their products are, facilitating fair and transparent market access. Since the inception of the

8 Novation. *Novation Hosts First Annual Innovative Technology Supplier Expo*.

Under MEAT, price remains a factor, but only as one weighted measure alongside other, quality-based criteria.

Innovative Technology Program, Novation has had 1,987 submissions and has launched 174 contracts, demonstrating the considerable economic benefit of their accessible procurement process.

Creating Greater Value Together

Several conference presenters underscored the need to reconsider how we define value in procurement. They emphasized that moving beyond simply measuring price, costs, and short-term savings had the potential to better serve the patient interest.

Economically, it was demonstrated that a focus on short-term savings provides limited impact on health care affordability and sustainability, particularly with medical devices given that less than 3 per cent of hospital spending is allocated to these devices. Furthermore, the potentially shorter life spans of lower-cost items could necessitate earlier replacement. For patients, focus on costs has prevented Canadian hospitals from acquiring the latest medical tools to help diagnose and manage health care challenges. In short, defining value exclusively by the management of short-term prices and costs can seriously affect the quality of patients' lives. Recognizing the negative consequences of basing tendering practices exclusively on cost, the European Union launched a new directive in 2014 that made the use of MEAT (most economically advantageous tender) mandatory. This particular type of tender for health care procurement weighs evaluation criteria above price. For example, quality-based factors such as technical merit, accessibility, environmental characteristics, and innovative characteristics are explicitly identified and assessed when determining the successful bid. Price remains a factor, but only as one weighted measure alongside other, quality-based criteria.

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In Canada, the recent Ontario Health Innovation Council report *The Catalyst: Towards an Ontario Health Innovation Strategy*⁹ provided a significant impetus to rethink value and has already led to many discussions on the topic. The Council defined the value of innovative products and services as the total of three factors:

Value = Social Impact + Health System Benefits + Economic Impact.

OHIC considers these factors to include improved health system outcomes, better patient access, encouraging new investment, providing job opportunities, *and* reducing costs. The OHIC proposal thus aims to realize economic benefits and improve patient outcomes through value-based procurement. Representatives of procurement agencies and departments, including a range of GPOs and SSOs, are encouraged to move forward with an expanded definition of value.

The UMCG from the Netherlands presented one concrete way for procurers to rethink how to value their various supplies. The Centre drew on the Kraljic matrix,¹⁰ a tool that enables buyers to classify their supplies in terms of strategic importance and the complexity of the market in order to identify the appropriate purchasing approach. (See Exhibit 1.) The matrix divides purchases into four categories of descending importance: *strategic*, *bottleneck*, *leverage*, and *non-critical*. As a result of applying the Kraljic matrix to its purchases, UMCG ensured that *strategic* supplies were not procured simply on price, but also on their innovative qualities and contribution to improving patient outcomes—a clear example of value-based procurement. UMCG decided that it had to establish long-term partnerships with suppliers, like Medtronic and Philips, to realize these additional benefits. Using the Kraljic matrix to distinguish between various supplies enabled UMCG to direct collaboration with clinicians to where it was most beneficial. Specialists who wanted to be involved in the innovation process were included in the procurement process for specific *strategic* supplies, but

9 Ontario Health Innovation Council, *The Catalyst Towards an Ontario Health Innovation Strategy*.

10 Kraljic, “Purchasing Must Become Supply Management.”

“The Kraljic matrix helps buyers classify supplies in terms of strategic importance and complexity of the market.”

not in the purchasing process for *non-critical* supplies and services. The differentiation of procurement processes based on an assessment of overall strategic value and price helped UMCG think more rigorously about the expertise of the various suppliers they work with, and ensured that for many important products, procurement was not just driven by price.

Exhibit 1
The Kraljic Matrix



Source: Expert Program Management.

However, one of the main obstacles to deriving more value from procurement processes in Canada is the disjointedness of many of the key stakeholders in the Canadian health care system. Universities and innovators appear disjointed from government funds and companies that can develop and market their innovations. In turn, those companies can find it difficult to access the venture capital and bank finances needed to

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bring the innovations to clinicians and patients. The large number and diversity of specialized government agencies, SSOs, and GPOs create further challenges for innovators and vendors to access large parts of the health care market.

In Ontario, the launch of the Health Technology Exchange's (HTX) Resources for Evaluating, Adopting, and Capitalizing on Innovative Healthcare Technology (REACH) program¹¹ seeks to relieve some of this disjointedness for innovators. HTX REACH is designed to connect health care delivery organizations with innovators and to "foster a 'pull' model of technology development through innovation procurement; promoting a more seamless approach to the development and ultimate adoption of innovative medtech technologies and services geared at addressing current health system challenges."¹² MaRS EXCITE is another example of an initiative that aims to connect innovators with purchasers. (See "MaRS EXCITE.")

MaRS EXCITE: Linking People, Products, and Markets

MaRS EXCITE (Excellence in Clinical Innovation Technology Evaluation) is an Ontario initiative intended to bring innovations from the province's strong academic and private R&D organizations to market. As an organization linking the various stakeholders in health care, MaRS EXCITE serves as an example of how pre-commercial procurement is beginning to assist innovators in Canada, particularly those small and medium-sized enterprises that struggle to connect with purchasers in the Canadian health care market. Among other services, it provides essential analysis, including clinical trials and usability economic analyses. But, most importantly, MaRS EXCITE also performs a health-technology assessment as part of the pre-market process that helps to reduce the risk of failure and accelerates the adoption of innovative technologies in the Ontario health care market.

11 Health Technology Exchange, *What is REACH?*

12 Ibid.

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In addition to such targeted, government-supported initiatives, the challenge of realizing value beyond cost savings needs more collaboration between vendors and buyers in the public and private sectors. For example, buyers can incorporate collaborative components in their procurement processes, such as competitive dialogue¹³ or requests for information (RFI), to identify and define value expectations with potential suppliers prior to issuing requests for proposals (RFPs). Collaboration early in the procurement process provides a means for buyers to use the innovators' knowledge and experience to formulate a problem or challenge, as opposed to a list of requirements based solely on their own perspective.

Requesting information and increased dialogue with vendors before releasing RFPs is a frequently used procurement strategy in other sectors of the economy. And it is beginning to be used more in the health care sector as well. Novation, for example, uses RFIs in the vast majority of cases, and will decide whether or not to issue an RFP based on the response from suppliers. In Canada, Health Shared Services B.C. (HSSBC) has started using value analysis teams, made up of clinicians and administrators, to discuss priorities and standardization and gather evidence from suppliers prior to issuing their RFP.

We know that price is not a sufficient metric for measuring value in health care. Here, value is also expressed in the contribution a product or service is expected to make to an organization's long-term strategic outcomes, to health system efficiency, and to patients' lives. There are considerable structural challenges in Canadian health care procurement arising from the disjointedness of many organizations that shape the supply chain. But a spreading commitment to redefining value—based on the commonly held goals of improving patient lives and efficient,

13 Competitive dialogue is a particular tendering process for complex projects first introduced in the EU in 2004. Different versions have since found application in other countries as well, including Canada and New Zealand. The competitive dialogue process "allows agencies to thoroughly discuss each aspect of the procurement with suppliers before specifying the requirements and before inviting the suppliers to submit their full and final tenders or proposals." See: New Zealand Government, *Competitive Dialogue*.

We know that price is not a sufficient metric for measuring value in health care.

effective health care organizations—will bring them closer together and enable more strategic and value-based procurement of innovations in the health care system.

Engaging Key Opinion Leaders

Constant dialogue between procurement officials and clinicians is fundamental to the success of transforming health care procurement in Canada. Given the knowledge and experience of clinicians, they can make valuable contributions to the development process and inform the exploratory dialogue between purchasers and vendors. As purchasing becomes more regionally coordinated through GPOs and SSOs, engaging with clinicians, administrators, and other key opinion leaders (KOL) at individual hospitals and clinics becomes even more important to ensure newly procured innovations are adopted.

More dialogue between these groups regarding the objectives of strategic innovation also helps to reduce the level of risk aversion in the Canadian health care system. To a significant degree, innovation depends on learning from past failures. Engaging clinicians and administrators in the entire procurement process is an opportunity to appreciate the value of failure as a welcome part of the process that can improve innovation. It is often the catalyst for more creative thinking and an opportunity to develop more effective and efficient solutions.

Value-based procurement allows health care providers to define challenges and suppliers to work with the provider to find solutions to those challenges. It influences the supply chain, providing a framework for cooperation from invention to use, fostering a sense of collaboration between buyer and supplier, and enabling them to work together to find ways to minimize risks from failure or faulty or unwanted supplies. Such a collaborative approach remains new, and there are many challenges for actually fostering dialogue and cooperation between the different stakeholders. But the approach has certainly shown promise, and the cases presented at the conference gave a few examples of how to successfully engage key stakeholders.

Talking to clinicians can make procurement officials more aware of products and services.

Perhaps the simplest way to encourage greater engagement between procurement and clinicians is to have procurement officials increase their presence in the operative floors of hospitals. This can mean actually watching clinicians use the items they procure to gain a more tangible understanding of the supplies they are acquiring. It can also mean having frequent conversations where clinicians can tell procurement officials about their challenges and any existing innovations they know about. Talking to clinicians can make procurement officials more aware of products and services that they would not have discovered on their own. HSSBC has found that one-on-one conversations create a permissive space for clinicians to give opinions on products and procedures that they might hesitate to give in front of their peers. Frequent, direct access and conversation are two of the more readily implementable options for improving engagement with KOLs.

International examples provide more structural approaches to KOL engagement. For instance, the hospital staff of the Hospital Universitario de Salamanca in Spain faced severe budgetary constraints, aging equipment, an absence of key performance indicators, and low clinician morale. The hospital moved forward by identifying the KOLs (including clinicians as well as hospital and regional administrators) who could contribute to solutions to this extremely complex challenge. The physicians wanted to retain freedom of choice for the products they used, rather than just having certain products imposed on them. Without knowing exactly how to solve the problems they faced, the hospital engaged in a competitive dialogue process that led to a contract for a solution created in collaboration with an industry partner. The resulting four-year agreement will ensure broad support of the hospital, and intends to improve diagnostic and therapeutic capacity, optimize clinical processes, manage chronic patients, provide support for improving hospital marketing, and provide support for integrating management. A key success factor for this case was the participation of physicians in the process. The Hospital Universitario de Salamanca constitutes an important success story that illustrates the benefits of inviting clinicians as participants in and contributors to strategic, value-based procurement.

These benefits can also be seen in the work of Novation's member councils. Novation has 14 member councils with particular specializations (e.g., orthopedics). In these councils, clinicians, IT staff, administrators, and other interested parties exchange views on a range of procurement-related issues, such as the identification of priority needs, the evaluation process for clinical innovations, and the decision-making process that leads to the adoption and implementation of innovations. Member councils attract key opinion leaders (KOLs) by giving them the opportunity to have a decisive role in identifying needs and potential solutions and in the evaluative element of the procurement process. Council membership at Novation rotates frequently to keep ideas fresh and to reach as many people as possible. The group purchasing organization helps its councils come to decisions with a "decision algorithm" that provides pointed questions for whether a product offers improvements on available supplies, and if it contributes to patient care, patient safety, or health care worker safety. But the GPO ultimately leaves the decision of whether a product is truly innovative (and potentially valuable) to its expert councils. One key result of this process is that clinicians who have served on a council are more likely to accept Novation's procurement decisions and practices. Having clinician participation also enables member councils to work as change champions and break down a frequent misperception that procurement officers are inevitably working *against* clinician interests.

As mentioned above, engagement of key opinion leaders helps to address concerns about the level of risk involved in procuring new and innovative products and services. The University Medical Centre Groningen (UMCG) is one example of how buyers and vendors can collaborate, based on an expanded definition of value, to minimize both organizational and market risk. However, it is also important to move beyond the immediate vendor-buyer relationship to ensure that KOLs understand, accept, and contribute to risk-taking ventures in their hospitals. Because of uncertainties inherent in the development of new technologies, investments in innovations do not and cannot always result in successful market implementation. Steady communication with KOLs can help to manage the anxieties around failure and provide information

Staff must be willing and able to establish a more collaborative procurement process.

about what has been learned from spending on a failed innovation. Openness and transparency in the procurement process can help to overcome perceptions that the public sector is entirely risk-averse.

Engaging KOLs effectively will typically require rethinking procurement training and adding a dedicated component that focuses on their role in procurement. Conference attendees identified an opportunity to prepare their organizations to better manage change through procurement training that provides a more in-depth understanding of the entire supply chain and encourages increased collaboration between group purchasing organizations, shared services organizations, and key opinion leaders.

It will be necessary to develop and engage procurement staff who are willing and able to make the connections and have the conversations that will establish a more collaborative procurement process. This will mean working as change champions and building relationships with a broad range of key opinion leaders to help encourage and drive the value-based procurement of innovation.

Aligning Interests for Action

Presenters and conference attendees identified a pressing need and key opportunity in aligning the objectives of recipient purchasing groups, regional health care organizations, and individual providers with those of the government ministries and agencies that are moving toward strategic procurement. Key steps that various stakeholders in Canada can take to effectively transition to value-based procurement and capitalize on the existing initiatives are:

- learn from organizations across Canada and abroad that have adopted and implemented strategic, value-based procurement;
- develop standardized metrics and data to measure success relative to the expanded definition of value;
- encourage broad participation to transform the supply system.

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Shifts in government policy have created space for value-based procurement strategies in health care. For example, Supply Chain Ontario, a department of the Ministry of Government and Consumer Services, is driving the turn toward strategic procurement in the province. Since 2013, the Ministry has been encouraging efficiencies and innovation through the government's collaborative procurement vehicles. The Ontario Buys program has earmarked \$20 million for supporting innovative procurement in the health care sector and another \$20 million as part of the Ontario Health Innovation Council initiative.

Health care stakeholders, including SSOs and GPOs, have an opportunity to take advantage of this enhanced government interest in value-based procurement and align their own procurement practices with each other and the various government ministries to facilitate the creation of a more streamlined supply system. While this is a daunting challenge, developing shared metrics—drawing from national and international examples and governed by open and transparent procurement policies—can help to create a health care system that capitalizes on the considerable R&D that Canada already possesses, as well as the ingenuity of Canadian and foreign innovators.

Learn From Organizations Across Canada and Abroad

There are many GPOs and SSOs throughout the world that have seen a certain degree of centralization in the last few years, and there have been successes in coordinating their activities across jurisdictions. Conference participants all noted the broader applicability of Novation's member councils and Innovative Technology Expo. For instance, the Réseau des Acheteurs Hospitaliers (RESAH) has had success coordinating best practices for developing procurement contracts between their member hospitals in Île-de-France and hospitals in Germany, Spain, England, Belgium, and elsewhere. Despite the differences between the multiple health care and legal systems, RESAH has succeeded in sharing and using best practices from other hospitals to develop a broader definition of value that focuses not just on cost, but

Performance measurement is greatly facilitated by the collection and centralized aggregation of relevant data.

on patient outcomes. While these are early steps, the rapid spread of RESAH since its establishment in 2007 indicates that collaboration and information sharing at an international level will facilitate the development and proliferation of value-based procurement practices.

Develop Standardized Metrics and Data

Development of widely shared, patient-oriented metrics and standards to evaluate the utility of an innovation and the effectiveness of innovative procurement is essential for the success of strategic, value-based procurement. Performance measurement is greatly facilitated by the collection and centralized aggregation of relevant data, such as usage or implementation of innovative products and services in hospitals. For this purpose, Novation introduced a central assessment centre where data from over 2,600 facilities can be shared and evaluated. Similarly, Health Shared Services B.C. (Canada) shares information across its six regional boards that cover the entire province.

Data are at the heart of Ontario's Quality-Based Procedures (QBPs), which the province has been introducing as part of an effort to improve health care quality. The desired effect of QBPs is that "health care providers are reimbursed according to the types and quantities of patients they treat, using evidence-informed rates that are associated with the quality of care delivered."¹⁴ This is made possible through the collection, sharing, and analysis of information about a range of different services, and by enabling health care providers to share their best practices across the system. Participants of the conference saw QBPs as a powerful tool for hospitals and clinicians to learn from each other (to produce better patient outcomes) and for procurement officials to include KOLs to determine best practices and contribute to the value-based procurement practice.

14 Ontario Hospital Association, *Toolkit to Support the Implementation of Quality-Based Procedures*.

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Sharing data and developing standards that span across health care networks also help to promote value-based procurement practices and encourage others to think more strategically about procurement. Strategic procurement practices mean little if only a minority of health care institutions employs them. The greatest efficiencies result when a majority of stakeholders are engaged and actively share best practices in procurement, new approaches to patient care, and knowledge about innovative products and services.

Encourage Broad Participation to Transform the Supply System

Gaps between the various links of the supply chain—institutions committed to R&D, enterprises of all sizes, health care providers, and patients—contribute to a fractured and inefficient Canadian health care market. The Office of the Chief Health Innovation Strategist and the Innovation Brokers in Ontario are promising measures to help coordinate innovation adoption and implementation across the entire health care system in the province. However, conference participants underlined that continuous and transparent conversations between all of the different stakeholders in the supply system were needed for future success. While participants remained uncertain as to exactly what a superior supply structure for health care might look like, there was wide agreement that a successful structure needed to be based on a broad and shared commitment to more strategic, value-based procurement and improved patient outcomes. It will take a majority of stakeholders sharing and collaborating with longer-term value and patient experience in mind to successfully reshape the structure of health care procurement and make it more conducive to developing, adopting, and implementing innovations.

The importance of value-based procurement has been established; implementation is now imperative.

Conclusion

The message of The Conference Board of Canada's Strategic Procurement and Innovation: Opportunities for Improving Canada's Health Care Systems conference was clear: The importance of value-based procurement has been established; implementation is now imperative. Rapidly deploying tools to support this shift, such as the Ontario Hospital Association's *Toolkit to Support the Implementation of Quality-Based Procedures*, will help to ensure Canadians benefit from the latest in health care technologies and that innovators can bring their product to markets, driving economic benefits for Canada.

In several countries, financial and demographic challenges are already starting to be addressed through more strategic and value-based procurement. And many innovators, funders, buyers, and health care providers in Canada are starting to seize the opportunity as well. A number of case studies presented at the conference provided the following concrete lessons and insights that will help organizations transition toward more strategic and value-based procurement:

- take a longer term view of success and broaden the definition of value, including, for example, patient experience and longer term efficiencies;
- foster collaboration and cooperation between public and private stakeholders;
- engage clinicians and other key opinion leaders in the procurement process to enable and accelerate adoption;
- ensure that value-based procurement is broadly adopted, aligned between all funders and buyers, and informed by relevant data.

The conference evidenced and fostered the type of collaboration and information-sharing that is required to transform procurement and increase its value to the health care system. Experts and leading practitioners from hospitals, shared services organizations (SSO), group purchasing organizations (GPO), health care service companies, and representatives of provincial ministries agreed that Canadian stakeholders should take advantage of the initial steps taken by

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provincial governments toward value-based procurement. They should learn from organizations across Canada and abroad that have already adopted and begun to implement strategic, value-based procurement. The conference provided significant incentive and opportunity to connect with some of the leading organizations in value-based procurement in the health care sector and to identify transferable approaches and practices.

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APPENDIX A

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VALUE-BASED PROCUREMENT
The New Imperative for Canada's Health Care

APPENDIX B

Conference Agenda

For the complete agenda, please visit www.conferenceboard.ca/Libraries/CONF_PDFS_PUBLIC/15-0096.sflb.



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CONFERENCE **AGENDA**

MAY 20–21, 2015 • TORONTO

OPPORTUNITIES FOR IMPROVING
CANADA'S HEALTH CARE SYSTEMS

Strategic Procurement and Innovation.



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Value-Based Procurement: The New Imperative for Canada's Health Care

Gabriela Prada

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