

# UNDERSTANDING VALUE BASED PROCUREMENT: A NEW APPROACH TO PURCHASING



VALUE-BASED  
PROCUREMENT

Partnering for patient-centric,  
sustainable health care

**resah**   
Réseau des Acheteurs Hospitaliers

***Understanding Value Based Procurement: a new approach to purchasing*** is an English translated version of "*Maîtriser le Value Based Procurement, nouvelle technique d'achat*" © Resah-Editions

© Resah-Editions  
47, rue de Charonne  
75011 PARIS  
[www.resah.fr](http://www.resah.fr)

**Publication Director:** Dominique LEGOUGE  
**Communications Director:** Sandrine BOURG  
**Editorial manager :** Jean-Marc BINOT

**Editorial contributors:**

Hans BAX, Senior Advisor, *MEAT-Value Based Procurement*;

François CAPITAIN, Purchasing and Logistics Manager, *Resah*;

Pierre LEBON, Business Development, Innovation and International Relations Director, *Resah*;

Louis POTEL, Head of international affairs & Project manager for demand driven innovation, *Resah*;

Yves VERBOVEN, Director Value, Access and Economic Policies, *MedTech Europe*.

**Illustrations :** ©adobestock ©freepick ©sophiedelouche

Any reproduction in full or in part of the content, cover or images by any process whatsoever shall be prohibited without the express authorisation of the publisher.

## Foreword

*As procurement organisations grow in maturity, traditional profit levers such as bulk buying and standardisation naturally start to reach their limits. Purchasing functions are still expected, however, to continue their efforts in improving the overall performance of hospitals and other healthcare facilities.*

*To purchase more efficiently, an alternative approach is gaining strong traction in the United States and Europe: Value Based Procurement. In other words, procurement that integrates the concept of value in the decision-making process.*

*The aim of this innovative method is to achieve the best possible outcome taking into account the perspectives of all the stakeholders: patient well-being, the working environment of Healthcare staff, the healthcare system's performance, the balanced development of suppliers, but also, more broadly speaking, the benefits to society and our planet.*

*This guide has been written by experts to present an outline of this new approach, its aims and its benefits. It includes advice and tools recommended to help you take your first steps towards adopting this new purchasing philosophy.*



# INTRODUCTION

The need for change in the healthcare system has prompted buyers to question their working practices. In Europe, price continues to be the deciding criterion for nearly three-quarters of tenders.

This seemingly cost-effective system can, in fact, lead to false economies when considerations such as actual performance, operating costs, restrictions on healthcare teams, lost time and pollution are factored in.

Furthermore, the predominance of acquisition value, which drives prices down, puts off many companies from submitting bids for public contracts. A further consequence of this approach is that it discourages innovation and companies investing in R&D.

The time has come to take a fresh approach to procurement practices. A paradigm shift that is actively encouraged by European regulations (directive 2014/24). On the industry side, we are noticing a gradual shift from promoting products to promoting value-added services. Assessing a procurement department solely on its cost-saving performance is proving to be increasingly unsatisfactory.

There is a new trend gaining momentum in numerous countries. Based on the theories of American academic Michael Porter and the concept of value based healthcare, Valued Based Procurement offers an alternative purchasing approach, one which evaluates all the benefits of a given solution, for all the stakeholders, in the tendering process: from the improvement of patient care to its environmental impact. In Scandinavia, the Netherlands and the UK, several pioneering healthcare facilities have already tested this approach with success.

Value Based Procurement implies making major changes to procurement procedures and is likely to profoundly transform the role of the buyer. It calls for working with users, procurers and suppliers in a cross-disciplinary and collaborative way, taking different expected values into consideration and translating them into selection criteria, and assessing the performance of a solution throughout the contract lifecycle.



# CONTENTS

**1** | **THE ORIGINS AND OBJECTIVES**  
OF VALUE BASED PROCUREMENT  
Page 7

**2** | **THE CONCEPTS** OF VALUE BASED  
PROCUREMENT IN FRANCE  
Page 17

**3** | **HOW TO APPLY THIS METHOD**  
WHEN MAKING A PURCHASE  
Page 29

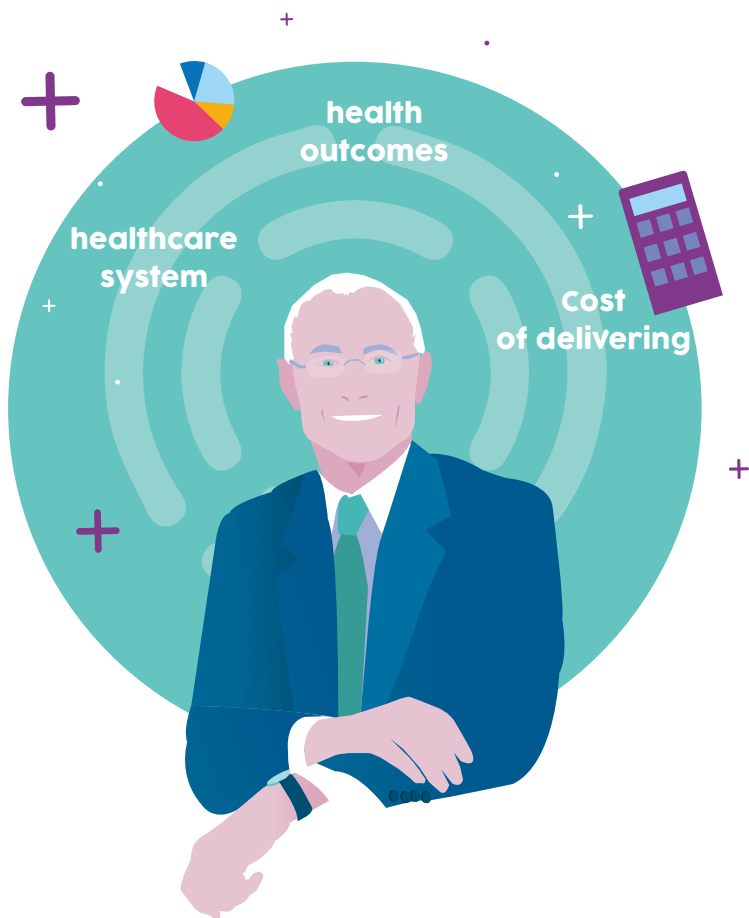
**4** | **A COMPLEMENTARY APPROACH**  
TO BEST PRACTICES  
Page 39

**5** | **SURGICAL GLOVES: AN EXAMPLE**  
OF AN ALTERNATIVE APPROACH  
Page 45

**EXPERIENCE TESTIMONIALS**  
Page 52

**GLOSSARY**  
Page 61

**TO FIND OUT MORE**  
Page 63







# **THE ORIGINS AND OBJECTIVES** OF VALUE BASED PROCUREMENT

### A struggling healthcare system requiring a fresh approach to procurement

The healthcare system today is in a difficult situation that demands solutions:

- Financially, the healthcare system is under enormous pressure to reduce overall costs;
- The outcomes of patient care, while good on average, are disparate and too often considered in silos rather than as an integral component of care pathways;
- Staff find themselves in situations where it is impossible to perform their duties as required, while the products and solutions they use are a source of dissatisfaction;
- Innovation is only partially implemented in hospitals;
- The patient experience is often undervalued and not factored into purchasing decisions as a matter of course.

To meet these needs, the purchasing function needs to become a solution provider and, therefore, change its approach to focus more on creating value.



### A favourable context to advance the use of Value Based Procurement

Several developments encourage the use of the Value Based Procurement methodology:

- The principle of the 'most economically advantageous tender' (MEAT) based on the best price quality ratio rather than the criterion of price at a minimum level of standards alone, implemented into the European directive on public tenders (Directive 2014/24/EU);
- A rising maturity of purchasing functions, which is set to further improve with the merging of purchasing functions;
- An increasingly mature offering from suppliers, who are aware of the importance of switching from a product-focused approach to an added-value service approach in order to stand out from the competition;
- In the conclusion to the findings of the task force for the evaluation and control of the Social Security financing system in their work on the hospital procurement policy (2019): 'Many hospital stakeholders interviewed by the task force cast doubt on the pertinence of the criteria of cost gains alone in assessing the performance of the purchasing function. The notion of procurement savings, from an accounting perspective, disregards the development of the quality of hospital services and patient care.';

- Hospital financing reforms are increasingly shifting the system away from activity-based payment to integrate the outcomes that matter to patients (beyond the resources implemented and measured via the HQSI\* or CAQES\*);

- The limitation of tenders primarily based on the price criterion that prevent any further lowering of purchase prices;

...and ever tighter budget conditions that are forcing buyers to procure differently... better.

\* refer to the glossary for terms in italics

## Value Based Healthcare

Over and above the purely 'procurement' aspect, numerous studies have been carried out to identify sources of value in the healthcare system and potential solutions. The concept of Value Based Healthcare in fact came about in the early 2000s inspired by the studies of Michael Porter and Elizabeth Olmsted Teisberg. The aim of their

research was to design a new, financially sustainable model for the American healthcare system by focusing on two factors: the value created for the patient along the entire care pathway and the benefits for the patient in relation to the total cost of care.

### WHO IS MICHAEL PORTER?



Michael Porter is a professor of business strategy at Harvard Business School born in 1947. He has worked on **economic theory and strategic concepts** including market competition and company strategy, economic development, the environment, and healthcare.

He is known for his **Five Forces Framework**, which explains how a company can gain an advantage by managing the forces that shape their environment better than its competitors.

Since the early 2000s, he has focused part of his research on developing an economic model of the healthcare system to maximise the value for the patient. (***Redefining Healthcare: Creating Value-based Competition on Results***, by Michael Porter and Elizabeth Olmsted Teisberg, 2006)



### **What Is Value in Healthcare?** *Michael E. Porter, Ph.D.* (*New England Journal of Medicine* 363; 23 December 2010)

Porter also believes that Healthcare outcomes for patients can be assessed according to a three-tier hierarchy (in decreasing importance):

- Health status achieved: survival rate, and degree of health or recovery;
- Process of recovery: time to recovery and return to normal activity, error rates, negligence;
- Sustainability of health: length of recovery status, side effects or long-term consequences of therapy.

## The concept of Value Based Procurement

***Porter's work has identified purchasing guidelines that have helped promote the Value Based Healthcare model. The healthcare system in the USA is bound by multiple constraints (as it is in many other countries) and results in unequal outcomes:***

- *Healthcare outcomes and the value created for patients vary between practitioners and healthcare facilities;*
- *Rising healthcare costs are becoming potentially unsustainable in the long term;*
- *A siloed approach causes inefficiencies with significant financial impact.*

This situation is caused by numerous factors across the entire healthcare and support services pathway. Regarding purchases in particular, the predominance of the purchase price, which is not taken into account in Porter's analyses, has prevented:

- giving a full-cost view of the service provided
- promoting access to innovation and new practices and technologies
- balancing quality of care and overall budget efficiency.

In this context, the healthcare system has serious room for progress in terms of the assessment and improvement of value-added delivered to patients, healthcare professionals and, more broadly, every stakeholder in the healthcare system.

Thus, applying Value Based Procurement can be an important tool for creating value and improving the efficiency of the health system.

Value Based Procurement can be regarded then as a key lever for implementing Value Based Healthcare. However, it can also be used independently to improve the value delivered to patients and other stakeholders in the healthcare system, as well as control expenditure more efficiently using a total cost approach.

Value can have different definitions depending on the scope given to the method. The first and simplest definition of value is the ratio between the health outcomes of patients and the overall healthcare costs:

VALUE

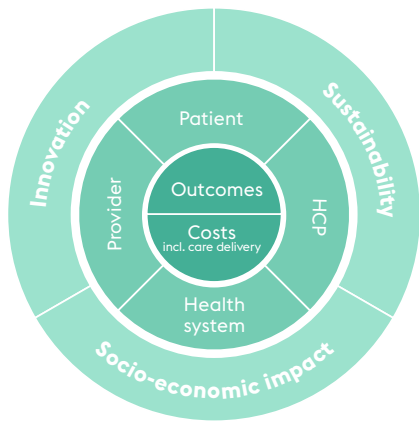
=

HEALTH OUTCOMES  
THAT MATTER TO PATIENTS

COST OF DELIVERING  
THE OUTCOMES

Regarding procurement from the broader perspective of the sustainability of the healthcare system's economic model and taking all of the stakeholders into account, value can be extended to other

aspects. The BCG and MedTech developed a new framework to conceptualise Value Based Procurement and show the different aspects of value derived from it.



- Core of value : outcomes & cost**  
Core value creation in terms of outcomes, that matter for patients vs. the related product/solution
- Other benefits for key stakeholders**  
secondary benefits for patients, healthcare professionals, providers and the health system as a whole
- Broader impact on society**  
Broader impact on society in terms of socio-economics, sustainability and innovation

(The Boston Consulting Group & Medtech Europe)

Furthermore, this vision takes into account healthcare providers and the impact on them and, at a broader, macroscopic level, the impact

on a national healthcare system (efficiency, socio-economic impact, etc.).

### Several recommendations emerge:

- The focus should be on increasing the value created for the patient and the other stakeholders and not only on reducing the purchase price;
- Full costs should be assessed, i.e. total lifecycle costs including internal costs (cleaning staff time, training, etc.);
- The assessment model should factor in 'important' criteria defined based on expected outcomes.



### This approach will prompt a number of changes to the procurement process:

- Procurers will have a stronger position in the purchasing process as they are central to defining value;
- The buyer will act as a project manager at the interface with various hospital departments (clinical and administrative) responsible for leading a project and not simply writing a tender brief;
- Tighter links with suppliers at each phase (sourcing, solution implementation, contract monitoring, assessment, etc.) within a co-construction approach;
- Definition of the outcomes and the resources for assessing them at the soonest opportunity;
- Closer monitoring through the contract lifecycle including checks on outcomes and their impact in terms of incentives and penalties.

### Value Based Procurement, an approach to healthcare performance and adapted reimbursement procedures: a trio of solutions for a more 'sustainable' healthcare system

A value based approach prioritises the value provided to the patient, healthcare staff and other stakeholders in the healthcare ecosystem and, more precisely, the ratio of outcomes to costs.

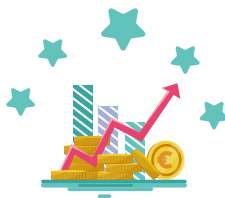
the French activity-based payment system, for example, readmissions are a potential source of income for a hospital but a cost for the healthcare system.

However, depending on the reimbursement conditions in place, the purely financial benefit may vary whether you look from the perspective of the healthcare facility or the healthcare system as a whole. In

**Consequently, the performance approach must be applied to all three variables in the equation:**



Healthcare performance



Economic performance



Performance-linked reimbursement



### Value Based Procurement, a comprehensive tool for managing and changing the paradigm

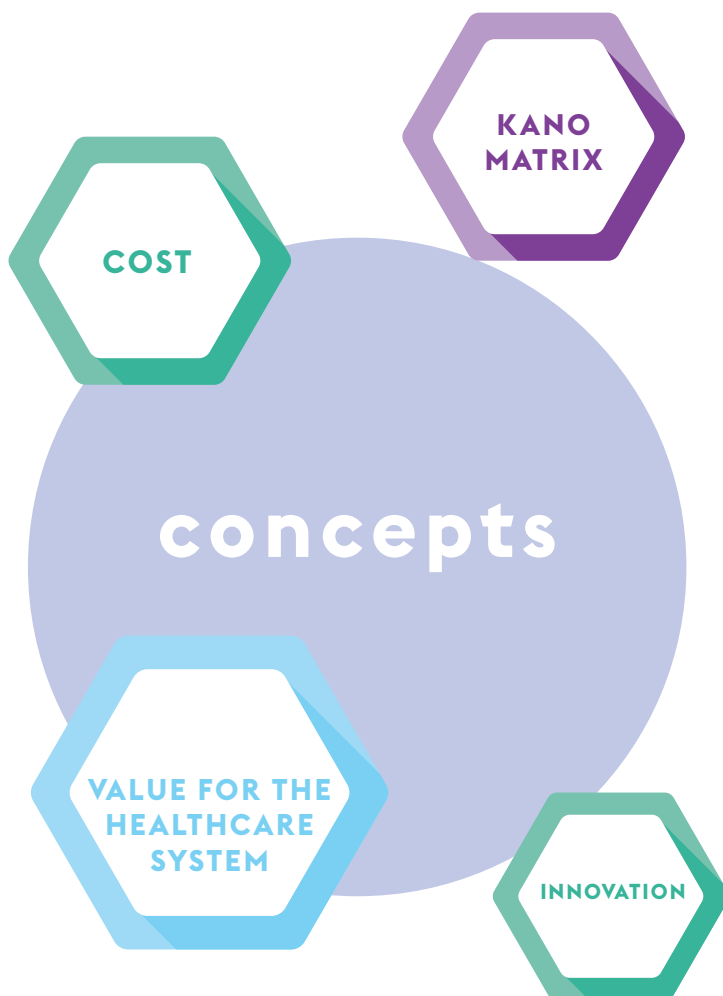
Beyond optimising procurement, a value based method can usher in a new approach to performance. Thanks to its focus on delivering value and an holistic approach to assessing outcomes, this method helps to align all the stakeholders with the strategic quality goals and within a budget envelope that is managed more efficiently (since the financial part is assessed at total cost).

In the same way that project management provides a framework for managing the quality of outcomes, the timetable for achieving them and the related costs, applying Value Based Procurement correlates outcomes with the associated costs and unites all the stakeholders around a common goal. A situation far from the traditional model in which the buyer focuses solely on bringing the price down and the procurer on searching for the ideal product or service.

#### TAKEAWAYS

**Value Based Procurement is an approach that focuses on the value produced while maximising the outcomes to cost ratio.**

As a methodology, it factors in the objectives of all the stakeholders in the healthcare ecosystem while simultaneously taking into account the needs of healthcare facilities (hospital strategy, budget restrictions, and so forth).



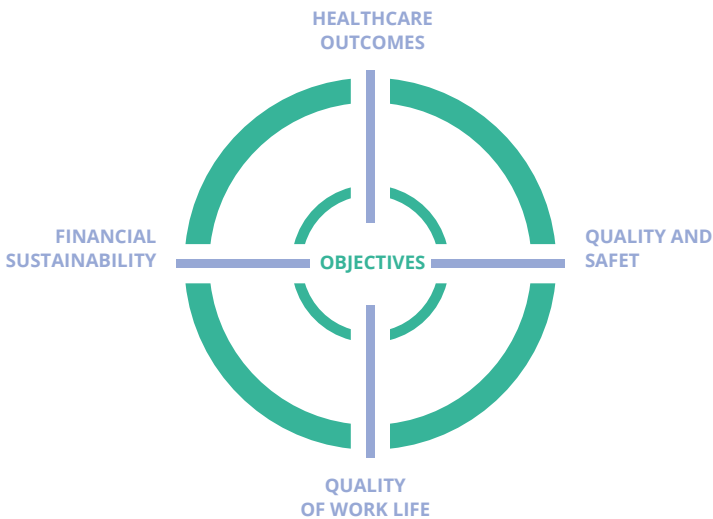


**THE CONCEPTS**  
OF VALUE BASED  
PROCUREMENT  
APPLICABLE TO THE FRENCH  
HEALTHCARE SYSTEM

Extending value for the patient to value  
for the healthcare system

Opening up the model to include a broader definition of value provides a more comprehensive way to address the challenges of the French healthcare system, which must meet a number of **objectives** that are important to take into account in order to improve it:

- healthcare outcomes;
- the financial sustainability of healthcare facilities and the healthcare system as a whole;
- quality of work life: an increasingly important factor to ensure hospital professions remain attractive;
- quality and safety of healthcare processes.



The procurement of any product or service should meet these objectives, for which an assessment model is necessary.

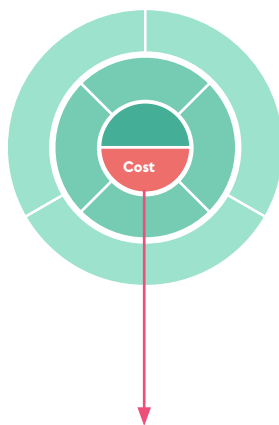
The model above indicates the different aspects taken into account to solve this equation.

# THE CONCEPTS OF VALUE BASED PROCUREMENT APPLICABLE TO THE FRENCH HEALTHCARE SYSTEM

## What should be factored into the cost part?

The objective is to focus on total cost and not just on acquisition cost. This means any assessment should be based on:

- acquisition costs (i.e. the price paid for equipment and related expenditure);
- operating costs (i.e. consumables, number of products used for one procedure, logistical costs, clinical staff time, etc.);
- maintenance costs;
- end-of-life costs.



<b>Purchasing</b>	Price of purchasing/renting product/solution
	Delivery and installation
	Conversion: staff training for new product
	Compatibility: upgrades to systems/infrastructure
<b>Maintenance</b>	Spare parts
	Technical staff time
	Service contract
<b>Storage</b>	Storage room/infrastructure
	Replacement at end of life
<b>Disposal</b>	Disposal/decommissioning
<b>Operating/ healthcare delivery</b>	Medical staff time using device
	Ongoing staff training
	Cost of consumables
	Unplanned usage: failure rate
	Infrastructure usage
	Power/gas usage
	Reprocessing cost

## FOCUS : HOW TO FACTOR IN TOTAL COSTS THREE CONCRETE EXAMPLES

While it is not always evident to take into account all the costs to calculate the actual TCO\*, it is possible to shift from simple acquisition costs to estimate the real cost of a product or service:

### **Example 1: factoring in a product's lifespan: delivery, installation, operation and maintenance of endoscopy equipment and materials (RESAH)**

For this tender, a scenario was defined to reflect actual operating costs over a five-year period:

'Over five years in operation, the maintenance costs for each endoscope were calculated based on: an annual inspection, three annual repairs (all types combined), and two annual breakdowns.'

### **Example 2: factoring in actual use for delivery of patient care**

In 2012, Stockholm's hospitals tendered for wound care products. Instead of concentrating on the unit price, they created three hypothetical patient cases and asked each bidder to submit a total cost that included the unit price, the number of products to be used, the time needed to administer the products (converted into costs), the logistical costs, and the risks of complications caused or avoided. The tender was awarded to the provider that offered the highest unit price but the lowest total cost, proven by clinical trials.



**Example 3: bundled payments per care episode: the example of the OrthoChoice programme in Sweden (information report no. 668 (2016-2017) by Jean-Marie Vanlerenberghe, on behalf of the task force for the evaluation and control of social security and the social affairs commission, submitted on 20 July 2017)**

*Source : Cnamts*

In its analysis of international practices that might offer lessons to France, the health insurance fund directed its general reporter to the OrthoChoice initiative developed in the County of Stockholm in Sweden.

From 2009, hip and knee replacements for patients in the County of Stockholm were reimbursed through bundled payments that covered several components of the care pathway (pre-hospital care, surgery and the prosthesis, inpatient care, physical therapy, and a five-year warranty in the event of complications related to surgery, etc.).

This programme combined bundled and pay-for-performance payments (up to 3.2% of the cost, based on outcomes reported by patients). Its objective was to reduce healthcare costs while improving the quality of care, reducing complications and decreasing waiting times.

An assessment carried out four years into the programme produced the following results:

- this programme covered 71% of patients receiving a hip or knee replacement; complex patients were initially excluded, but after consideration the bundled payment was modified to include them;
- participating healthcare facilities recorded a 16% gain in productivity, mainly from increasing the number of patients operated on per team and shortening the length of inpatient stays (by one day on average);
- the average cost paid per patient fell by 20% over a two-year period, primarily attributed to a reduction in the hospitalisation rate for complications and in the reoperation rate;



- quality of patient care indicators were marginally improved.

Similar programmes were introduced for other medical conditions (cataracts, spinal surgery).

### How can the interests of the other key stakeholders be integrated?

This aspect takes into account the needs and interests of the various stakeholders within the healthcare ecosystem: patients, healthcare professionals, the healthcare system and suppliers.

Regarding patients, these interests correspond to the complementary needs which must be addressed to improve patient 'satisfaction'. Drawing a parallel with Maslow's hierarchy of needs, the response to these needs corresponds to the upper levels of the pyramid (above the bottom level that corresponds to successful healthcare outcomes).

This may raise the question of the degree of importance given to this criterion in the decision-making process. While, on the whole, it is clear that any response should take secondary needs into account, it should be framed within a more strategic and marketing-minded approach.

**In that respect, it is important to consider what are the patient's actual needs?**

**What is the position of the competition?**

**Is the patient in a situation that poses a high risk for their survival?**

**Is there a risk of significant after-effects? etc.**



**In this case, the main focus should be on the health outcomes.**

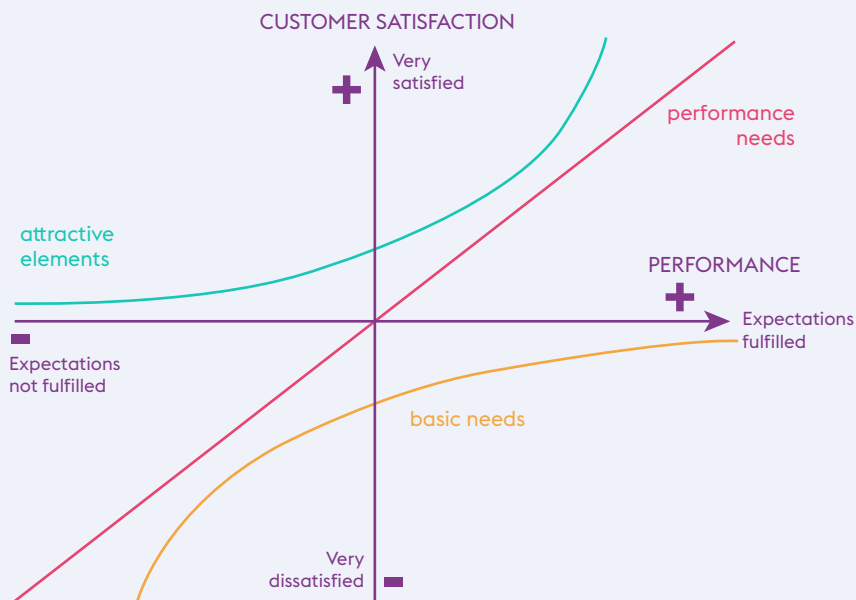
**If, on the contrary, the patient considers the treatment a basic need because the operation is benign and low risk, the rest then assumes greater importance.**

**Likewise, what is the position of the competition?**



## THE CONCEPTS OF VALUE BASED PROCUREMENT APPLICABLE TO THE FRENCH HEALTHCARE SYSTEM

The Kano matrix can inform this decision:



## THE CONCEPTS OF VALUE BASED PROCUREMENT APPLICABLE TO THE FRENCH HEALTHCARE SYSTEM

Can the health procedure be defined as attractive? Can we assume the healthcare facility is at the cutting-edge in the field? Does the patient have complex health needs? Or is it a basic need?

The importance of the secondary needs for the patient will be adapted to the response and the position of the healthcare facility.

The response to the expectations of healthcare professionals is an important challenge for healthcare facilities today. In an environment marked by staff shortages resulting in vacant positions, there is strong competition for jobs and the need to retain employed staff.

In this respect, Value Based Procurement can make a contribution by examining the expectations of these members of staff and translating them into factual elements.

In a fairly straightforward manner, the expectations of healthcare personnel with regard to purchases can be defined as follows:

- Having the necessary equipment (in terms of quantity and quality) to deliver healthcare
- Having equipment that allows a safe delivery of care:
  - for the patient
  - for the user*(This implies having easy-to-use equipment for which the healthcare professional has received training)*
- Working with equipment allowing an effective delivery of care (speed and efficiency)
- Having access to 'sustainable' equipment (low environmental impact, socially responsible, etc.)



### HOW TO FACTOR IN SECONDARY NEEDS: THE EXAMPLE OF BUYING CATHETERS IN NORWAY

A catheter procured during a previous tender was a source of dissatisfaction. Patients complained of feeling pain while healthcare professionals reported having difficulty inserting the catheter when administering injections (incurring extra costs). When the tender was renewed in 2011, the decision was

made to introduce criteria linked to 'ease of use' and 'perception of pain'. During a two-month testing period organised in hospitals, the devices were scored by both patients and staff.

## Improving relations with suppliers and opening access to innovation

As the third stakeholder, suppliers must also be taken into consideration in the interests of creating value and promoting the most economically advantageous performance.

The guiding principle here is paying for the end result rather than the 'means', which aims to bring the objectives of suppliers in line with those of the healthcare facility. Outcomes can be incentivised by including, for example, pay-for-performance or payment by use, payment models that can be useful to gain the most from a product or service. However, this approach should never be regarded as the ultimate solution. In fact, a number of adverse effects have been identified in other sectors where this approach has been implemented as part of a cost-cutting exercise. Even though the outcome is an important factor, cost might be too. Safeguards need to be established. To create real value, there still needs to be a link between the effort provided by the supplier and the price paid.

Similarly, risk-sharing can be a beneficial way to achieve a new level of performance or promote innovation. An innovative but inexperienced company, for instance, may struggle to demonstrate the performance of its products or services. The buyer may prefer to share the risk by asking for an extended guarantee as a way to procure a product or service safe in the knowledge that they are protected in the event of any potential problems. This means the supplier agrees to cover the cost of replacement and any additional costs incurred if an issue occurs.



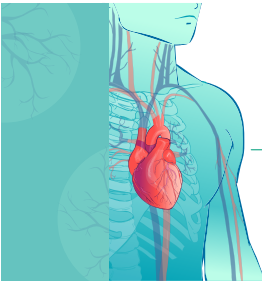


**FOCUS ▶ a Canadian tender promoting innovation**



The tender stipulated that suppliers must guarantee the minimum lifetime of implantable cardioverter defibrillators (ICD) and cardiac pacemakers.

As a result, the procurer purchased ICDs with longer lifetimes despite an absence of supporting data.



**The criteria in the Canadian tender between the buyer and the supplier included the lifetime of the ICD (batteries and electrodes).**

**A longer lifetime  
=> less frequent surgery**

**To resolve the lack of reliable data, the tender required that the suppliers shared the risk linked to the device's lifetime:**

- A penalty was included should the lifetime prove to be shorter than claimed;
- Often the only source of data was that provided by the supplier;
- The commitment encourages the supplier to provide realistic assumptions..

**The lifetime of the ICD was measured after the contract was signed**

- in the event of 'under-performance', the supplier would have to pay a fine to cover the cost of the new intervention..

**A longer lifetime resulted in better outcomes for the patients**

- Less time spent on replacement surgery;
- A lower total cost of care delivery by reducing surgery costs in the long term.

## TAKEAWAYS

**Value Based Procurement is defined as the outcome to cost ratio.**

Regarding the cost part, the objective is to apply a full cost approach in order to have a comprehensive view of total expenditure.

Regarding the outcome part, this can be multi-faceted, taking the entire ecosystem into account.

It is then the responsibility of the buyer and, more broadly, the healthcare facility to determine their priorities to best weigh up these indicators.



# 3

## **FIRST STEPS TO USING VALUE BASED PROCUREMENT**

### A usable approach before, during and after the purchasing process

Before you define the scope in which Value Based Procurement is to be applied, it is important to remember that while the main purpose of the approach is to choose the most economically advantageous tender, it also has a practical application before and after the contract is awarded.

Upstream, the approach can be used to align the purchasing strategy with the strategy of the healthcare facility or regional hospital group (RHG). In a more operation-

nal capacity, it gathers consensus by bringing the stakeholders together to share their expectations and objectives. The method can also be applied to draw up a list of pain points encountered during previous tenders if a contract is being renewed.

Downstream, the approach instigates a framework for monitoring and assessing the actual outcomes produced by the solution in an objective and qualitative manner.

### Choosing the best categories to focus on

The obvious question to ask first: should the planned purchase be procured using the traditional model or an innovative method, even if this results in a more protracted purchasing process?

An initial response might be to reserve these innovative techniques for 'leverage' or 'strategic' items as categorised by the Kraljic matrix\*. Nevertheless, even a seemingly basic product can be a vehicle for creating value and meeting the strategic objectives or expectations of healthcare staff.

Therefore, it is important to have a broad overview of your purchases

to identify the families or types of product that might warrant a value based approach.

You also need to align your procurement strategy with the strategy of the healthcare facility. Indeed, the directions taken in the RHG's joint medical plan and the hospital's strategic plan can inform the categories you want to include in your approach.

Thus, it is important to frame your decision-making within the context of the procurement policy and how it translates into the procurement strategy.



### Securing approval from the general management

A new approach to procurement will bring changes that will require prior approval from the general management.

- Regarding the budgetary aspect, the total cost approach must be approved since it can incur higher acquisition costs even though the lifecycle costs are ultimately lower (a cost reduction obtained either financially or in working hours);
- The approach is also collaborative, which means professionals outside the traditional 'buyers' group will have to allocate time to it.

The legal conditions for awarding contracts can be complex and different from traditional tenders;

- Managing the tendering process comes with its own set of challenges as it involves closely monitoring the supplier and the outcomes.



**THESE CHANGES TO THE EXISTING PROCUREMENT APPROACH AND PROCESSES MUST BE APPROVED AND SHARED WITH THE STAKEHOLDERS.**

It might also be a good idea to set up a community of practice within the healthcare facility to build on the initial experience gained and join wider commu-

nities (in France or internationally) that can provide insight into adopting and implementing these concepts.

### Forming a multidisciplinary team

When you have identified the categories and the process has been approved by the general management, the next step is to identify the key stakeholders to bring on board and form a multidisciplinary team.

This team will lead the project under the procurement department who will act as project manager. The team should include one or more representatives of the end users, healthcare providers (doctors, nurses and other medical professionals) and members of the finance department.

However, bear in mind that while clinicians are important stakehol-

ders, they might not necessarily be the end users of a given product or technology.

You might also want to consider having patients or patient representatives involved, especially when the secondary interests carry significant weight.

It is important that the team is fully trained on Value Based Procurement, both in terms of the concepts and working in project mode.



### Defining the assessment procedure and criteria

Once you have a clearly defined framework, the next step is to set out the need in the tender document and establish the criteria that will allow you to choose the right supplier.

For this part, the key question to keep top of mind is: “what needs and outcomes should the solution address?” and subsequently what value will be created by this solution.

This first part may prove difficult since several different objectives may arise from taking into account the interests of all the stakehol-

ders. **Thus, the expectations of value may vary:**

- the quality of the outcome produced by this solution;
- the minimisation of the total cost;
- the capacity for adaptation;
- the capacity to promote increased productivity;
- the satisfaction of patients and/or medical staff;
- etc.

And in certain cases, there may be insufficient knowledge of the solution to clearly delineate these expectations.

This calls for an initial phase of dialogue with both the internal hospital stakeholders and the suppliers to scope out what is possible in terms of objectives.

Based on the findings from these first exchanges, the team can then perform an analysis of the clinical, procedural and economic needs and any currently existing problems, and identify key performance indicators within the defined scope of application.

These discussions should focus mainly on the outcomes that matter most to patients. However, it is

also important to reflect the needs of the medical stakeholders as this will strengthen their interest in and commitment to the project.

Next, we recommend keeping the list of needs short (around three to five key requirements) and defining two to three criteria for each point (the number may increase as you gain more insight from conducting this new procurement procedure). Combined with the responses collected from suppliers during the preliminary tender consultation, these value criteria can finally be converted into applicable criteria in the tender document.

A framework with broad sets of flexible criteria

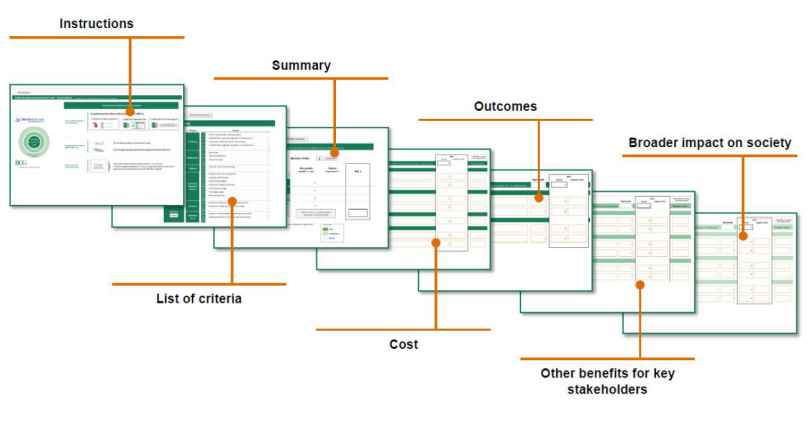
To help the buyer define these criteria, a framework has been designed for each of the three levels:

Cost	Product	Purchasing	Price of purchasing/renting product
			Compatibility: required upgrades to infrastructure
			Conversion: staff training for new product
		Maintenance	Spare parts
			Technical staff time
			Service contract
		Storage	Storage room/ infrastructure
			Replacement at end of shelf life
	Care delivery	Operating/ Healthcare delivery	Cost of consumables
			Time taken by healthcare professionals to use
Use of infrastructure			
Outcomes	Outcomes & evidence	Evidence of relevant outcomes improvement	
		Existance of high quality outcomes data	
	Outcomes Focus	Support in measuring and reporting on outcomes	
		Willingness to offer outcomes-dep, risk sharing	
Other benefits for key skateholders	Patient's secondary benefits	Patient and/or relative comfort and convenience	
		Patient flexibility & mobility	
		Impact on treatment adherence	
	HCP benefits	Secure usage for care providers	
		Ease-of-use/handling & functionality	
		Training and access to education	
	Provider benefits	Maintainability & technical service support	
		Support improving efficiency along patient	
		Alignment and support with reimburse structure	
		Support on admin., storage and logistics	
	Health system benefits	Strategic fit for provider and support of strategy	
		Reduced long term cost of treatment	
Reduced rate of re-intervention/total number of treatments			

Broader impact on society	Innovation	Evidence of relevant outcomes improvement
		Contribution to development of healthcare
	Sustainability	Environmental impact
		Socially responsible product value chain
	Socio-economic impact	Impact of people not in the workforce
		Burden carried by non professional carers
		Impact on competition in MedTech sector



## FOCUS ▶ MedTech initiative: Facilitating change with a simple tool and instructions for use, guidance towards best practices



To promote wide uptake of the concept, MedTech Europe and the Boston Consulting Group created a simple tool to apply the Value Based Procurement in the tendering process.

This tool is available free of charge on request by emailing: [info@meat-procurement.eu](mailto:info@meat-procurement.eu) (you will be asked to sign a use agreement)

### A new position for the buyer

For this type of approach to succeed, public procurers will need to adopt a new position. A product buyer will have to turn into a solutions procurement project manager.

#### A project manager, because they will be in charge of managing a project from the scoping phase:

- What solution do I want to buy?
- What is important? What is going to add value?
- How can I translate these objectives into measurable criteria?
- How do I develop my assessment system: for the tender process but potentially further on if I include contract performance clauses? A project manager is also needed as this approach requires leading a team effort. Beyond the traditional role of the procurer in expressing a need, the buyer will have to fully coordinate a multi-disciplinary team to gather the answers to the questions above from the various stakeholders.

It is unrealistic to expect the buyer to answer these questions alone, especially when the value relates to the quality of care delivered.

#### Once the framework has been

#### defined, a process needs to be implemented:

- Define the necessary legal conditions to ensure you have the best contract.
- Design the tendering management process: assessment, performance monitoring, etc.
- It is also wise to plan for a change of supplier: while new purchasing processes often encourage forming partnerships with the chosen suppliers, always keep in mind that the contract has a shelf life, which means the tender will be renewed when the contract expires. To balance the risks, you need to be prepared to change suppliers if necessary.

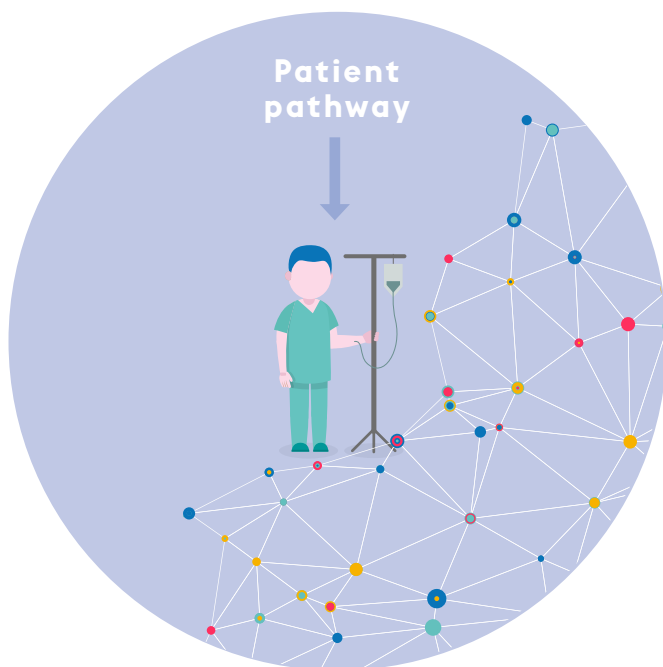
In this new role, the buyers will be expected to broaden their skill sets in terms of knowledge, expertise and soft skills.

### TAKEAWAYS

Value Based Procurement requires introducing changes in the approach to procurement:

- a different role for the buyer;
- implementation of a multidisciplinary team;
- preliminary work on defining the objectives and indicators for assessing performance.

*It is a clear shift from a transactional purchasing mode to a value-added project mode.*





# 4

## **A COMPLEMENTARY APPROACH TO BEST PRACTICES**

While the benefits of a value based approach might seem evident, **it is important to ascertain whether it fits into the broader context and has the capacity to tackle strategic issues.** Thus, one might ask if the approach:

- promotes the implementation of patient pathways and successful outcomes;
- can support the strategy of both the RHG and the healthcare facility.

To ensure that the approach can be implemented and has the potential to provide a long-term procurement solution, also ask whether:

- it complies with procurement best practices in other sectors of activity;
- suppliers are going to follow this trend.

### Be a lever for implementing patient pathways

A patient pathway “is a comprehensive, clearly defined and continuous treatment plan for patients, close to where they live. This calls for a major shift in our current healthcare system in terms of combining prevention, treatment, and medical and even social monitoring” (French Ministry of Health).

A pathway is designed to treat patients in a way that maximises the effectiveness of care while also improving how health and life trajectories are managed. Essentially it is a comprehensive, patient-centred approach that takes into account the patient’s ‘primary’ needs, i.e. access to care, as well as their secondary needs, i.e. returning home, resuming normal living conditions, etc.

Thanks to the various criteria included, the value based approach acts as a lever for implementing effective patient pathways. Supported by the patient pathways defined at the local level, the assessment criteria of different purchases can be structured in a way that aligns with all the tenders relating to these pathways.

A practical way to manage this is to enter the patient pathways and their objectives into the criteria matrix to form a basis when starting a tender.

### Support the RHG or healthcare facility strategy

Just as Value Based Procurement can be aligned with patient pathways, the approach can be used as a vehicle for applying the strategy of the healthcare facility or RHG. To measure the operational success of implementing this strategy, it is first important to define performance indicators.

Here again, these indicators should be translated into a set of common criteria to make sure the healthcare facility's strategy aligns with the purchases.

### Does it meet the procurement challenges of other sectors of activity?

If we now look at other sectors of activity and the objectives of the procurement departments within them, several observations emerge:

- The procurement department is and always will be there primarily to make cost savings, but this must be achieved from the perspective of improving value for money and, more importantly, with a full-cost view;
- The procurement department drives innovation in companies and engages in socially responsible practices;
- The procurement department acts as a business partner with the company aiming to:
- respond to the company's strategic challenges;
- work upstream on projects to be a stakeholder and source of ideas.

**Therefore, it is easy to see that Value Based Procurement with its approach and methodology can provide solutions to these challenges**

### Will suppliers adopt the approach?

The last question examines whether this approach is likely to bring suppliers on board and even stimulate competition.

While the traditional procurement model based on bulk procurement achieved its aim of lowering prices, it also produced, in certain cases, undesirable results. In some purchasing segments, demand was so high in terms of volume that only a small number of suppliers could fulfil orders (thus limiting competition and access to the best price). Moreover, the number of suppliers fell and access was restricted to the largest companies.

In this context and, more broadly, in segments where the emergence of new actors offering more 'low-end' products at cheaper prices has accentuated competition, a full cost approach that puts more emphasis on quality and performance criteria puts all the suppliers on an equal footing.

As an approach, its appeal to suppliers speaks for itself. If there is one point of caution to bear in mind, however, it is that the process of responding to a tender becomes more complicated.

Bidders are required to submit a far more detailed response than they might otherwise be used to.

### **TAKEAWAYS**

Value Based Procurement is in line with current best practices both with regard to procurement and healthcare.

Therefore, it should be regarded as a tool for creating performance.



# 5

LA COMPREHENSIVE,  
FULL COST APPROACH  
DRIVING OUTCOMES  
FOR PATIENTS  
AND PROFESSIONALS:  
**THE EXAMPLE OF  
SURGICAL GLOVES**

The value-based model fits into and broadens the scope of a full cost approach. While this ambitious methodology is traditionally used to source large equipment or global solutions, it is equally applicable when buying strategic supplies with a broad impact on the delivery of patient care and the hospital ecosystem. One example is the case of surgical gloves, a particularly 'popular' item and a critical purchase for hospitals.

Surgical gloves are a 'strategic' purchase given the important place of operating theatres in a hospital's technical facilities. A core activity and thus an important source of income, an operating theatre is a complex facility to manage, in terms of the high number of stakeholders to coordinate, its multiple interfaces with other hospital departments (care services, hospital pharmacy, etc.), and the range of procedures carried out there. In these conditions, having the right equipment at the right time in the right place is an organisational imperative to keep the activity running smoothly and efficiently.

Globally, three main types of gloves are produced: powdered latex, powder-free latex, and synthetic. Latex gloves are by far the most used gloves in France today, although demand for synthetic gloves is growing. Powdered latex gloves only represent a small proportion, most likely because in 2017 the ANSM (France's National Agency for the Safety of Medicines and Health Products) issued a recommendation to user services to prioritise powder-free gloves in clinical practice.

As with many medical items used in operating theatre, the type of surgical glove purchased is often dependent on the habits of the practitioners who, occasionally resistant to change, tend to reject the replacement option. The influence of these habits combined with the diversity of needs related to the type of surgery practised and the price of different products are nowadays the main determining factors in the purchase of surgical gloves. A full cost analysis of this item highlights the hidden costs and puts the price benefit of latex in perspective.

### Price, practice and habit: the key selection criteria when purchasing surgical gloves today

Historically, latex has offered surgeons certain practical benefits due to its tactile properties and economically advantageous price. Latex has long been preferred as a material for its performance in terms of resistance (used in probes, tourniquets, syringes, etc.), elasticity, as a barrier to micro-organisms, and for its tactile properties.

Around 2.5 times more expensive per unit, synthetic gloves have long been regarded as less attractive than their latex counterparts from the perspective of usability, appearance and quality. Thanks to developments in the manufacturing process and the materials used, latex-free gloves are now more comfortable and adaptable to the



requirements of different specialised branches of surgery (in visceral surgery, good sensitivity is valued while in orthopaedic surgery, the preference is for thicker gloves). If elasticity is an important requirement, gloves made of neoprene or polyisoprene offer the same level of satisfaction as natural latex.

### Value-based analysis can reveal hidden costs, useful when objectively comparing the purchase of latex gloves against synthetic gloves

Although latex gloves might appear the best option for a buyer in terms of price, running a value-based analysis reveals hidden costs related to logistics and to the impact on the well-being of doctors, healthcare professionals and patients. What also needs to be considered is the total cost of ownership (acquisition, delivery, etc.) of surgical gloves with regard to the value added to the delivery of care.

Tangibly, this added value needs to be measurable in terms of patient and user (surgeons, surgical nurses, etc.) satisfaction and, more broadly, the societal impact of the purchase (e.g.

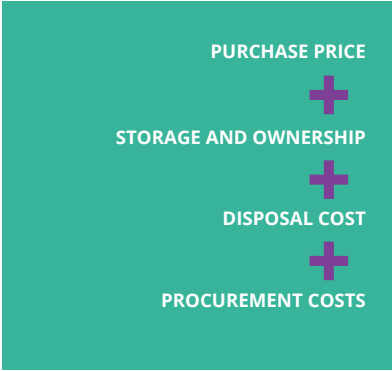
sustainability). The MEAT Value Based Procurement model jointly developed by MedTech Europe and the Boston Consulting Group provides an analysis framework and collection of best practices useful for this purpose.

**BASIC CRITERIA**

The model's basic criteria include, for the costs 'layer', traditional purchasing and logistics levers.

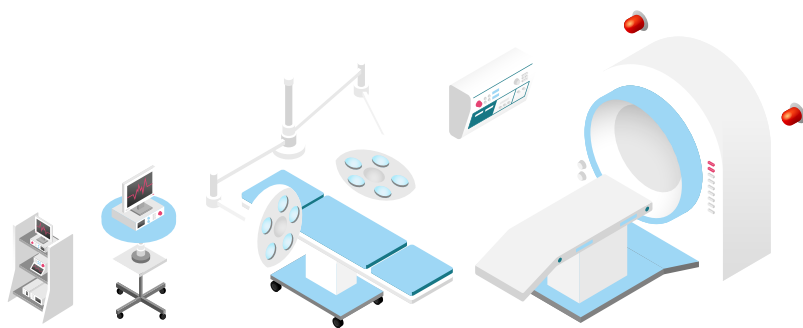
- The purchasing category of the costs layer essentially corresponds to the criterion of the purchase price that designates the annual spend on pairs of surgical gloves. This is a key differentiating factor since latex-free gloves are about 2.5 times more expensive than latex gloves. It is calculated by multiplying the quantity purchased by the unit price.
- Storage and ownership of the gloves constitutes another category that encompasses the annual cost of storing the gloves in the hospital pharmacy and the operating theatre. Storage and capital expenses correspond to related expenditure for items such as rent or depreciation of premises, lighting, heating, insurance, wages of warehousing staff, stock management and inventory, obsolescence, theft or loss of stock.
- The disposal cost of the gloves is both another category and criterion. It is calculated by multiplying the number of pairs of surgical gloves used in a year by the weight of one pair (in tonnes) and by the disposal cost of one tonne of infectious medical waste. This criterion might be potentially rewarding in theory if the difference between the weight of latex-free gloves compared to that of latex gloves was because of a higher rate of consumption.

- A final category relates to procurement costs. In healthcare facilities today, one generally finds a mixture of latex gloves and latex-free gloves intended for users allergic to latex and for kits provided for patients suspected of being allergic to the material. The wide range of product references in terms of material, preferred thickness, size and technology is a potential source of inefficiency across the supply chain. Not only does this present a risk of error that can lead to procedures having to be rescheduled, the time spent managing all of these product references has an impact on the stock management processes in both the operating theatre and the pharmacy. The pharmacist is faced with the dilemma of conflicting choices.



On the one hand, the formalisation of a clinical need that justifies the range of product references to meet disparate needs. On the other hand, the buyer's duty to find the product that meets the need at the best cost. Consequently, the assessment criteria to take into account, both for the hospital pharmacy and the operating theatre, are time spent on each order line of surgical gloves, time spent on taking delivery and storage, time spent on preparing the order, and time spent on processing the invoice. This category is particularly discriminating if one assumes a reduction in the number of product references. Conversely, reducing the number of product references creates the problem of dependency on a product and supplier in the event of a shortage, which the buyer needs to plan ahead for.

For the 'benefits' layer, you need to be able to determine what are the expected benefits for patients of switching to latex-free gloves. By preventing type 1 allergic reactions (hives, conjunctivitis, rhinitis, asthma and, in the severest cases, anaphylactic shock), the risk of surgical complications should be reduced to zero. An objective assessment of the risk consists of analysing the average number of allergic events that are suffered by patients in the operating theatre and attributable to the use of latex gloves.



## CRITERIA LINKED TO SECONDARY BENEFITS

The secondary benefits of a product or solution can also be assessed by taking into consideration their impact on the improvement of quality of work life (QWL).

Regarding gloves, some manufacturers value the ergonomic design that reduces muscular effort measured by the maximum voluntary contraction. This factor can be especially differentiating given the average length of procedures. The benefit for surgical staff in switching to latex-free gloves is safer practices for medical personnel by eliminating the risk of adverse reactions during an operation. It should also prevent delayed allergic reactions (type IV) in healthcare personnel. The systematised use of synthetic gloves should help reduce sick leave and specific provisions for sensitised staff.

However, while immediate allergic reactions are prevented, surgeons and surgical staff may suffer from irritant contact dermatitis due to the rubber accelerators found in both latex gloves and latex-free gloves. Affected users are then obliged to use special gloves free of vulcanising agents that sensitise the skin. Calculating the gains in terms of prevention of sick leave and temporary staffing costs is a complex operation. Gloves described by manufacturers as 'truly' hypoallergenic did not come onto the market until 2019.

The tangible benefits to take into account concern improving the quality of care and fluidity of the patient pathway.

By avoiding surgical shock, the risk of complication and even death for patients caused by an allergic reaction to latex is countered. To interpret these 'secondary' benefits objectively, several indicators can be assessed:

- The improved functioning of the operating theatre by ultimately reducing the rate of rescheduling/scheduling special procedures for allergic patients;
- The consecutive decline in the number of stays in intensive care for patients who may have suffered anaphylactic shock;
- The average length of stays of patients in intensive care that should stop rising due to complications.

## TAKEAWAYS

*Assessing and comparing the expected benefits from gains linked to the purchase of surgical gloves in relation to their costs should inform the buyer to make an advantageous and sustainable decision in the interests of the hospital and patients.*

The objective of allergy prevention should promote a more seamless organisation and flows, and facilitate safer patient care.

However, the approach is time demanding and calls for strong institutional support and processes for measuring indicators.

Because the buyers are required to communicate with a range of stakeholders, they also need reliable data to make the right decisions and increase the value of their outcomes.

# USER TESTIMONIALS

*Yves Verboven, Market Access and  
Economic Policies Director, MedTech Europe*



#### WHAT PROJECTS ARE MEDTECH EUROPE PURSUING?



*MedTech is a trade association that supports the medical technology industry while meeting the needs of patients, healthcare professionals and healthcare systems. To achieve this, we focus our efforts, working in conjunction with healthcare stakeholders, on key issues such as regulatory affairs, access to healthcare, and the contribution of the medical technology sector as a partner to the healthcare system.*

*MedTech Europe has a number of key missions:*

- *Be the 'European voice' of the medical technology industries – in Europe and beyond;*
- *Highlight the value and contribution of medical technologies, services and solutions, for patients, healthcare systems and society;*
- *Contribute actively to EU health-related policies and legislations;*
- *Facilitate access to medical technologies for people, patients, healthcare professionals, healthcare operators and healthcare systems;*
- *Be a trusted partner to EU policy-makers and other key stakeholders;*
- *Foster the highest ethical standards in the medical technology industry and for all activities related to training, medical education and professional relationships with healthcare professionals.*



### WHY DOES YOUR ORGANISATION PROMOTE VALUE BASED PROCUREMENT?

“ *Healthcare facilities are under a great deal of pressure resulting in increasingly varied levels of quality of care delivery, outcomes and patient safety. We are also seeing significant inefficiencies, resource shortages due to waste, unsustainable cost rises, and more and more obstacles in relations between providers and their own suppliers. Procurement is treated far too often as a negotiation process focused mainly on price, at the expense of innovation and balanced cooperation between manufacturers and their suppliers.*

*By incorporating value in decision-making, changing roles from technology provider to a partner offering products or services that meet specific needs and are rewarded by the value provided is our way of helping this shift towards value-based healthcare.*

*This new method will help buyers in choosing the most economically advantageous solutions in line with the provisions of national legislation and European directives. And it will facilitate the much needed transformation of the healthcare system. ”*

### HOW TO CONVINCE HEALTHCARE FACILITIES TO THINK LONG TERM INSTEAD OF FOCUSING ON PRODUCT AND PRICE?

“ *MedTech Europe: The overemphasis on price and cost-to-volume considerations have created a siloed approach. This has resulted in higher healthcare costs jeopardising the quality of care and patient safety, failure to take into account inefficient spending and increased waste, and a rise in costs related to chronic illnesses, which account for the largest expenditure.*



*By understanding how costs are distributed along the care pathway and at different stages of chronic illnesses, we can identify opportunities for reducing healthcare expenditure. The economic value of investing in innovation and innovative solutions will ensure that we can secure the most economically advantageous tenders for the healthcare system, or more generally for society. Value Based Procurement will make it easier for suppliers to offer these tenders to the benefit of all healthcare stakeholders. ”*

#### HOW CAN VALUE BASED PROCUREMENT PROMOTE INNOVATION FOR COMPANIES?

“ A value based approach is not only about considering the product, it is also a matter of increasing its value. Given that this value will be taken into account when analysing and awarding tenders, the method provides the medical technology industry with many opportunities for innovation. Manufacturers are also invited to become partners rather than simple suppliers and respond closely to needs where healthcare systems are willing to invest. The medtech sector is in a good position, not only to innovate, but also to support innovation in the delivery of quality care that respects the values of healthcare systems in Europe. ”

#### MEDTECH HAS DEVELOPED A TOOL TO HELP APPLY THIS NEW PROCUREMENT METHOD IN PRACTICE. HOW CAN WE GET HOLD OF A COPY?

“ The MEAT Value Based Procurement tool is available by emailing your request to: [info@meat-procurement.eu](mailto:info@meat-procurement.eu).

*In cooperation with other partners, MedTech Europe is forming a Value Based Procurement community to help professionals gain insight into the best practices in the field and exchange ideas with them. ”*

*Per-Martin Karlsen, Project Manager at the Norwegian Hospital Procurement Trust*



### WHY DID YOU DECIDE TO TRIAL VALUE BASED PROCUREMENT WITH COCHLEAR IMPLANTS?

“ We used cochlear implants as a pilot project for Value Based Procurement because the surgery is only performed in three hospitals: Oslo, Bergen and Trondheim. This meant only a small medical and technical team was involved. We thought this would make it easier to communicate with the hospitals. However, due to the project's tight schedule, we limited our ambition and applied a method based on monetary valuation. ”

### HOW DID THIS DIFFER FROM YOUR TRADITIONAL PROCUREMENT PROCEDURES?

“ The process wasn't much different than usual. We spent slightly more time on researching and talking about the differences between the two valuation methods, i.e. traditional (point-based) and monetary. We sought help from external specialists during the research phase to gather their opinions and confirm our theories. ”

### WHAT WERE THE FINAL OUTCOMES?

“ We learned a lot about the differences between the two methods of valuation. We also became aware of the implicit monetary value of the quality criterion when we use the traditional model. ”

### CAN YOU EXPLAIN FURTHER WHAT YOU MEAN EXACTLY BY MONETARY VALUATION?

“ In a traditional valuation method, the total price of each tender (the 'basket') is converted into points, for example on a scale of 1 to 10. ”

*The cheapest offer scores 10 points, and the other offers according to their respective prices. Furthermore, each quality criterion of each tender is evaluated, which produces a score using the same scale. For each bid, the price and quality scores are weighted and then added together. The tender with the highest score (in number of points) is the most economically advantageous.*

*With the monetary model, a hypothetical monetary value is assigned to each quality criterion. This value is the maximum amount that each supplier can achieve. Each quality criterion of each tender is evaluated and scored. This amount is then deducted from the total price of the tenders, for each criterion. The tender with the lowest hypothetical 'basket' is the most economically advantageous offer. ”*

#### WHAT ARE THE MAIN BENEFITS OF THIS NEW APPROACH TO PROCUREMENT?

“ *In my opinion, the main benefit is that the real value of the quality criteria becomes more tangible, both for us and the bidders. As soon as the method is clearly explained in the tender document, the monetary valuation method is easier to understand and apply. ”*

#### BASED ON THIS EXPERIENCE, WHAT ARE THE KEY SUCCESS FACTORS?

“ *We decided very early on in the process to use only the monetary valuation method in the procurement operation, which was crucial. If we had attempted to conduct a full Value Based Procurement method, I think the operation would have taken much longer and the level of quality might ultimately have been lower. ”*

#### WHAT ADVICE WOULD YOU GIVE TO OTHER BUYERS LOOKING TO ADOPT A SIMILAR APPROACH?

“ *Take it step by step, learning as you go. And take the time to carefully describe the pursued objectives and the valuation method you plan to use in the tender process and in meetings with potential suppliers. ”*

*Alyson Brett, Managing Director,  
NHS Commercial Solutions*



### WHY DID YOUR ORGANISATION OPT FOR THE VALUE BASED PROCUREMENT METHOD? AND WHAT TYPE OF PRODUCTS HAVE YOU APPLIED IT TO?

“ We found ourselves in a situation where patient discharges and transfers from hospital to a community care centre, home or to other care setting were delayed. However, as we know, the cost of intensive care is higher and patients benefit significantly from spending less time in hospital.

*The Value Based Procurement approach was introduced when a study highlighted the potential opportunities to reduce inpatient stays. We could save money and improve productivity across the healthcare system, admitting patients who needed treatment and sending them home or to another healthcare facility faster. The project was focused on medical equipment and products. ”*

### IN YOUR OPINION, WHAT WERE THE KEY FACTORS OF SUCCESS?

“ The project required hospital services and community care services to work closely together along the care pathway to ensure availability of medical products in the community care centre as soon as the patient was released from hospital.

*It was a resounding success thanks to the leadership shown by the healthcare teams, which was vital for smooth cooperation between the hospital and community services, the project mode approach, the support from the procurement team and, naturally, a close working relationship with the supplier.*

*The approach was introduced gradually, starting with a pilot project followed by an adoption phase. Auditing is ongoing. Calculating and monitoring the gains is a long-term process. The project team continues to meet to analyse the data and validate the outcomes. ”*

*Karsten Kirkegaard, Senior Category Manager, Strategic Procurement for the Region of Southern Denmark*



### WHY DID YOU CHOOSE PROSTHETIC KNEES TO CHANGE YOUR PROCUREMENT APPROACH?

“ Because priority is given to cost savings in hospital tendering, we now insist on managing strategic goods and services by segment. We also had the support of orthopaedic surgeons working at Vejle hospital who were looking for knee implants better suited to patient needs. ”

### HOW DOES THE PROCESS DIFFER FROM TRADITIONAL PRACTICES?

“ We focused on better outcomes and risk-sharing, rather than short-term savings. ”

### WHAT WERE THE MAIN BENEFITS OF THIS APPROACH?

“ We fostered long-term partnerships with two strategic suppliers, putting the emphasis on increased benefits for the patients and the Southern Denmark region. ”

### WHAT WERE THE MAIN FACTORS OF SUCCESS?

“ First of all, close cooperation and a relationship of trust between the regional procurement department and Vejle hospital's orthopaedic surgery department. Secondly, a proactive approach on the part of the suppliers to participate in this outcomes-oriented purchasing process for knee implants.

Developing and implementing new solutions can create all sorts of risk. It is really important in this area that the feedback of all the stakeholders involved is taken into account, especially remarks from the lawyers specialising in public procurement. ”

### DID YOU APPLY A SIMILAR METHOD FOR OTHER NEEDS?

“ We are currently adopting a segment approach in the Region of South Denmark with long-term collaboration on the procurement of strategic goods and products. It will focus on patient benefits, development, risk-sharing, and reduction of costs and/or total cost of ownership (TCO<sup>\*</sup>). ”

# GLOSSARY

### CAQES

(contract for improving healthcare quality and efficiency):

A contract that links the regional health authority (RHA), the local health insurance fund and healthcare facilities. Created by article 81 of France's Social Security financing law of 2016, it came into force on 1 January 2018. The contract is designed to encourage a more efficient use of contractual tools for improving quality of care and regulating spending (Website of Ile-de-France's RHA).

### HQSI

(health quality and safety indicators):

National indicators developed by France's national health authority (HAS) as tools for improving quality of care and patient safety, comparing healthcare facilities, and decision-making (HAS website).

### KRALJIC MATRIX:

A purchasing classification method based on two axes: strategic importance of purchasing and the complexity of the supply market.

### PUI

(Hospital pharmacy):

Pharmacy exercising its activity within a health or medico-social facility. Risk-sharing: a purchase contract in which the customer and the supplier share a 'risk' and its 'impacts'

### TCO (Total Cost of Ownership):

The overall cost incurred from owning a product or service.



# TO FIND OUT **MORE**

- *Procurement, The unexpected driver of Value-Based Healthcare*,  
BCG & MedTech Europe, December 2015
- *Redefining Healthcare: Creating Value-based Competition on Results*,  
by Michael Porter and Elizabeth Olmsted Teisberg, 2006
- *Incorporating value in investment decisions in health across Europe*,  
Prof. Rifat Atun







*To contribute to the overall performance of their healthcare facility or regional hospital group, a buyer purchasing a product is now obliged to go to greater lengths than simply using every trick in the book to bring down its price without a thought to its broader impact.*

*Buyers today need to take a solution-focused approach and consider a purchase's overall value and expected benefits, not only in terms of patient care, but also factoring in the comfort of staff working in healthcare facilities, the development of manufacturers, the healthcare system's performance, the environment and, more broadly, society.*

*Based on the theories of academic Michael Porter on Value Based Health Care, Value Based Procurement, currently gaining momentum in Europe, is a technique for addressing all of these perspectives.*

*Written by experts on the subject, this guide explains how to use this new procurement method and its main benefits. It provides tools and advice to help you take your first steps towards adopting the Value Based Procurement approach.*



VALUE-BASED  
PROCUREMENT

Partnering for patient-centric,  
sustainable health care

**resah**  
Réseau des Acheteurs Hospitaliers