

EURIPHI Reflection Paper

Applying a value-based approach to innovation procurement in healthcare

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1. Introduction

Public procurement can be a strategic tool to ensure that innovation enables patients to be in good health and to innovate the delivery of care, unlocking sustainable, resilient healthcare. However, due to budget limitations and spending reviews over past years across Europe, group purchasing organizations and centralized procurement bodies alike seek to buy in large volume, with an emphasis on spending reductions. This one-dimensional cost-based approach has brought unintended consequences for patients, healthcare professionals, as well as for our broader society and economy.

In 2014, the European Parliament and European Council adopted Directive 2014/24/EU¹ on public procurement, which included a new European "most economically advantageous tender" (MEAT) principle. The EU legislation put forward a unique framework seeking for a methodological approach, to obtain a Best Price to Quality Ratio (BPQR) as a way to obtain most economic advantageous tenders, fostering innovation, considering environmental and other societal benefits, while taking into account the costs of care including the price of procured goods, services and solutions². The Directive also encourages each industry to define the best price-quality ratio methodology for its specific situation.

This paper will focus on the topic of applying a value-based approach (as a means to ensure BPQR and MEAT in healthcare) to innovation procurement, i.e. the value-based procurement of innovative solutions. It will illustrate how the adoption of value-based innovation procurement brings opportunities to innovate healthcare delivery, addressing inefficiencies, avoiding unnecessary costs of care, while investing in personalized, high value quality, integrated care to the satisfaction of patients and caregivers and society alike.

2. The role of innovation procurement in the delivery of affordable high value quality care, enabling sustainable and resilient health systems

In recent years, the European Commission has sought to actively engage in and improve public procurement practices, with an emphasis on fostering the uptake of innovation in the EU. In May 2018, the European Commission released "Guidance on Innovation Procurement", including numerous references in the field of healthcare³. At the same time, the European Commission released calls to co-fund innovation procurement, introducing digital solutions and other innovation across Europe

The European Commission view on Innovation procurement includes⁴:

- The co-development of innovative solutions through the procurement of research and development services (Pre-Commercial Procurement - PCPs);
- The procurement of innovative solutions that do exist but are not yet widely available on the market (Public Procurement of Innovative solutions - PPIs), for which multiple specific procurement procedures are made available.

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32014L0024>

² Marc Tarabella (S&D, BE), as the Parliament's rapporteur for procurement at the time said, "the new criteria will put an end to the dictatorship of the lowest price and once again make quality the central issue."

³ <https://ec.europa.eu/transparency/regdoc/rep/3/2018/EN/C-2018-3051-F1-EN-MAIN-PART-1.PDF>

⁴ https://ec.europa.eu/growth/single-market/public-procurement/innovative_en

The EU supports cross-border innovation procurement through the EU's funding programme for research and innovation for the period 2014 to 2020 (Horizon 2020) and future Horizon Europe initiatives.

These EU initiatives are very timely as best-in-class procurement organizations are currently also rethinking their tendering practices. Increasingly, examples of innovative tender formats and award criteria formulation are starting to appear. This requires greater professionalization from procurement organizations and the involvement of multi-disciplinary teams. Innovation procurement instruments such as PPIs, whereby the public sector acts as early adopter of innovative solutions, along with PCPs, where industry from the demand side develops innovative solutions for public sector needs, provide tremendous promise and support this shift. By developing a forward-looking innovation procurement strategy that uses PCPs and PPIs in a complementary way, both public procurers and industry can be a partner in a needed transformation of health care. Value Based Innovation procurement will be required to ensure that most economic advantageous ways of care delivery are obtained, while responding to the specific needs of health systems.

The EU Coordinating and Supporting Action EURIPHI (European Innovative Procurement of Health Innovation) has sought to introduce concrete methodologies and guidance to ensure that innovation procurement is of true value and that a healthcare ecosystem is built where suppliers, buyers and the users of innovation collaborate even cross-border. Our aim has been to demonstrate that, where healthcare systems face common challenges, applying a value driven approach can act as a driver towards unlocking value-based healthcare and the uptake of innovation solutions⁵. Our work has included developing further guidance for the use of the most appropriate PPIs given market readiness and, in particular, how to apply it within a cross-border procurement model⁶.

3. A value driven approach fostering resilient, sustainable and universal healthcare

The ongoing COVID-19 pandemic has highlighted the extent to which it is critical to be able to effectively innovate and adapt the delivery of care, ensuring the resilience of care delivery to address new challenges. A value-based approach will ensure not only the ability to innovate but that this results in structural improvements undertaken in the most cost – economic advantageous manner.

Value-Based Procurement (VBP), a concept used for the implementation of 'value' thinking in the procurement process, includes different considerations such as health outcomes of relevance to the patient, the cost of care delivery, as well as what is valued by healthcare actors, society and the economy. This topic is the subject of reflection paper entitled "*Incorporating value in investment decisions in health across Europe*" by Rifat Atun, Professor of Global Health Systems at Harvard University⁷ and translated in practice by applying a comprehensive value framework with multiple layers⁸. Value-Based Procurement takes a multi-layer approach to outcomes and overall costs across the full cycle of healthcare delivery, instead of an isolated purchasing budget approach.

At its core, value-based innovation procurement uses a collaborative, multidisciplinary approach to achieve patient centered, higher quality and sustainable, resilient healthcare. This model focuses on

⁵ <https://www.bcg.com/publications/2020/procurement-unlocks-value-based-health-care>

⁶ The subject of a dedicated EURIPHI paper entitled "advancing European health systems through cross-border value-based innovation procurement"

⁷ https://www.medtecheurope.org/wp-content/uploads/2019/06/2019_MTE_incorporating-value-in-investment-decisions-in-health-across-Europe.pdf

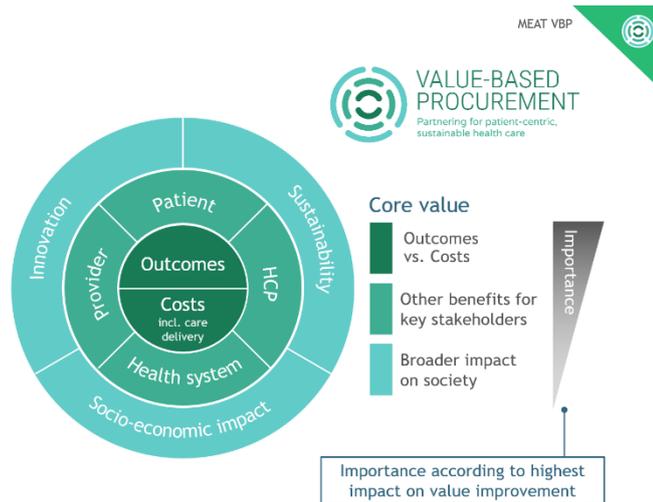
⁸ <https://www.bcg.com/publications/2015/medical-devices-technology-procurement-unexpected-driver-value-based-health-care>

what patients, healthcare actors, healthcare systems and society value most. It considers the total cost of care delivery and opportunity of cost-avoidance, and not merely the price of a product or service and the volume purchased. As a result, the contract is awarded to the technology, services or solution expected to generate the highest overall value and obtain the Most Economically Advantageous Tender. In case there is uncertainty regarding the overall value, the results of key performance indicators in daily practice, value-based agreements (VBAs) avoiding transactional contracts are set-up by having incentives linked to the benefits obtained.

EURIPHI has applied a MEAT Value-Based Procurement approach to EU innovation procurement initiatives, encompassing multidisciplinary considerations of what is valued.

A solution to HCS challenges:
Value-based procurement

MEAT value-based procurement framework for value-based tendering



1. MEAT = Most economically advantageous tender
Source: MedTech Europe, BCG

The applicability of such a framework goes beyond procurement the awarding of tenders, and foster a more structured preparatory cooperation, pre-tender dialogue, and open market consultation to appreciate the readiness of the market and explore innovative solutions in response to the needs.

4. Applying value-based innovation procurement to foster healthcare partnerships

Procurers and their leadership can play a key role in using value-based innovation procurement as a strategic policy instrument. Value-based innovation procurement entails an understanding of the specific needs by building a multidisciplinary team including clinical and health economics experts, to define pain points that must be addressed in care delivery and to broaden evaluation criteria. A critical aspect is devoting sufficient time to work on the initial tenders specifications and to apply Value-Based Agreements.⁹ Such an approach should also spread awareness, not only among the procurers, but also among the clinicians and institutional leadership functions, and encourage policy discussions on the use of a value based approach to investment decisions in healthcare.

Likewise, industry can play a crucial part in further supporting the development of value-based innovation procurement, by focusing on targeted solution-based offerings and a willingness to enter into value-based agreements. Rather than highlighting the features of a given product or service, companies should work from the MEAT VBP framework, identifying customer needs and what is

⁹ For more information please consult: "How Procurement Unlocks Value-Based Health Care", January 2020, Götz Gerecke, Jennifer Clawson, Christoph Pross, Yves Verboven, and Hans Bax

valued and addresses the inefficiencies and resource intensive activities that lead to higher total costs of care.

As part of EURIPHI's work, we have developed supportive actions that provide the means to put into practice a model of value-based innovation procurement, enhancing also cross-border cooperation. We applied it to the areas of Rapid Diagnostics and Integrated Care. In this light, we undertook Open Market Consultations with industry - identifying procurement specifications and a strategy to launch cross-border calls - and set up a buyer governance for rapid diagnostics to support the management of respiratory disease in ventilated patients as well as for innovative solutions of integrated care in defined disease areas and/or as part of the care delivery¹⁰.

5. Forging value-based partnerships between procurers and the healthcare industry

Value-based innovation procurement encompass more than the awarding of a tender and transactional contracts.

Value-based innovation procurement can support the sustainability and resilience of healthcare systems, while ensuring innovation and benefits to all stakeholders, from the patient, to healthcare professionals to the broader society. EURIPHI identified common challenges to integrate care delivery and demonstrated how the challenges faced by our healthcare systems today can be addressed through the use and co-development of procurement for innovation solutions. In doing so, EURIPHI sought to create a framework for future calls for tenders, with an emphasis on making supportive tools available for healthcare innovation across Europe.

The European Union is in a unique position to provide a clear way forward to apply value-based innovation procurement instead of volume/price based approaches and introduce innovative solutions of highest value, i.e. economically most advantageous also to health systems and society. By continuing to co-invest in partnerships that are cross-border in nature, the EU can facilitate the introduction of innovative solutions, addressing the specific needs of health systems, and in doing so unlock a value-based health care across Europe responding to the challenges health systems face today.

When considering the specificities and challenges of the healthcare sector, policymakers and procurement organizations should urgently consider using innovation procurement more strategically, as a policy instrument to enable increased resilience and sustainability of health and social care systems. Now is the time to use a value-based approach in healthcare, implementing this in practice, building also on the experiences of the EURIPHI project.

About EURIPHI

The EU Coordinating and Supporting Action EURIPHI (European Innovative Procurement of Health Innovation) under Horizon 2020 'Innovation in Healthcare', is seeking to advance a value-based and Cross-border collaborative approach for innovation procurement (PPI/PCP). Running from January 2019 to July 2020, EURIPHI developed a common vision and the tools to successfully implement cross-border procurement of innovative solutions throughout Europe using a value-based approach, leading to most economic advantageous purchasing and paving the way for European citizens to be in good health and sustainable, resilient health systems.

The EURIPHI consortium consists of leading European partners, representing public procurement organizations and providers, renowned academia and research institutions, associations and organizations, supported by key private companies. For more information please visit our [website](#).

¹⁰ <https://www.euriphi.eu/innovation-procurement/integrated-care/>