



VALUE-BASED PROCUREMENT

Partnering for patient-centric,
sustainable health care

Value-based procurement— Partnering for patient-centric, sustainable health care

VBP standard presentation - procurement (short version)

NOVEMBER 2019

Challenged healthcare systems

Healthcare systems under pressure ...

... with mounting obstacles in the provider/supplier relationship



Outcome variation

Large, unwanted variation in outcomes between providers



Cost of care increase

Unsustainable cost increases and health care resource inefficiencies



Variation in care delivery

Variation in care delivery contributes to outcome variation and resource inefficiencies



"Price-only" transactional focus

Procurement too often transactional, focused primarily on price



Innovation under pressure

Relevant innovation under pressure in financially challenged health care systems



Incentives misaligned

Misaligned incentives hamper provider/supplier cooperation

Risks from price-focused procurement



Transactional relationship with limits on price/ contract adjustments



No/limited consideration of most economically advantageous tender (MEAT)



May lead to reduced competition in the long run



Blocking innovation and slowing adoption of innovative products

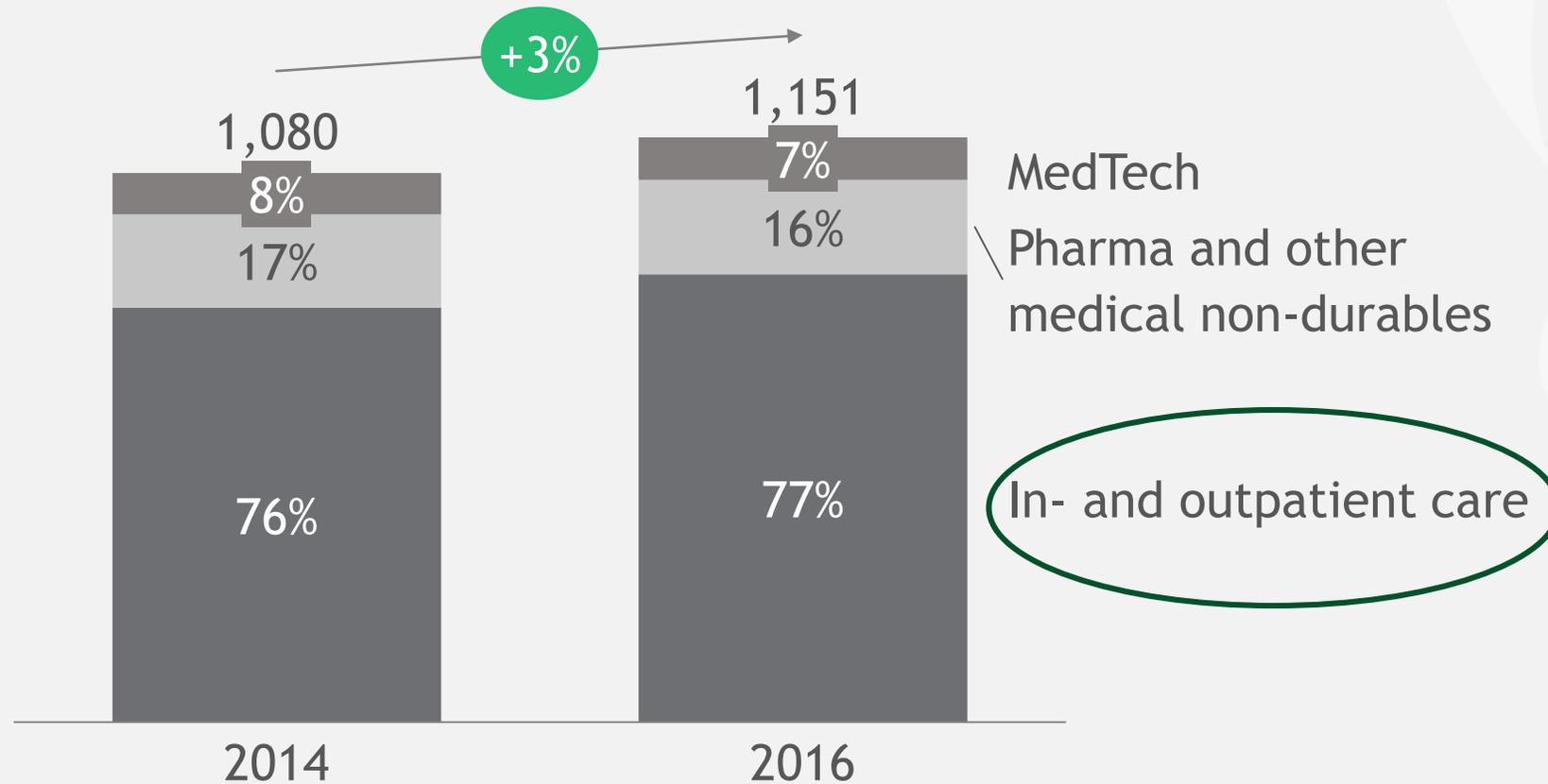


Potentially result in reduced value for the patient

Source: VBP belief audit interviews and survey; MedTech Europe; BCG analysis

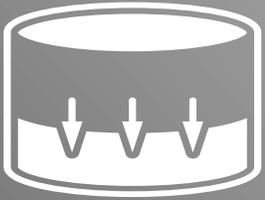
Focus on costs of devices instead of total cost of care delivery

Breakdown of health care expenditure in Europe (Bn EUR)



Note: Europe refers to EU + Norway, Switzerland
Source: Eurostat; MedTech Europe; BCG analysis

HCS and provider challenges...



- ! Health care systems under pressure from outcome variation, cost increases and care variation
- ! Mounting obstacles in procurer/ supplier relationship due to price-focused procurement and misaligned incentives

... need new paradigm to focus on value



- ✓ collaborative, multidisciplinary approach to partner for sustainable health care
- ✓ addresses key challenges in provider/ supplier relationship
- ✓ leads to economically most advantageous purchasing

Value =



Health outcomes that matter



Cost of delivering these outcomes

Value-Based Procurement focus:



Contribute to outcomes that matter to patients & health care stakeholders



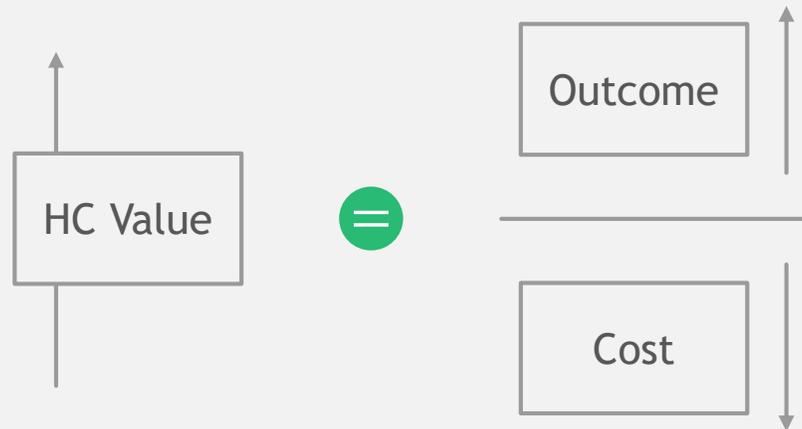
Full cycle of care



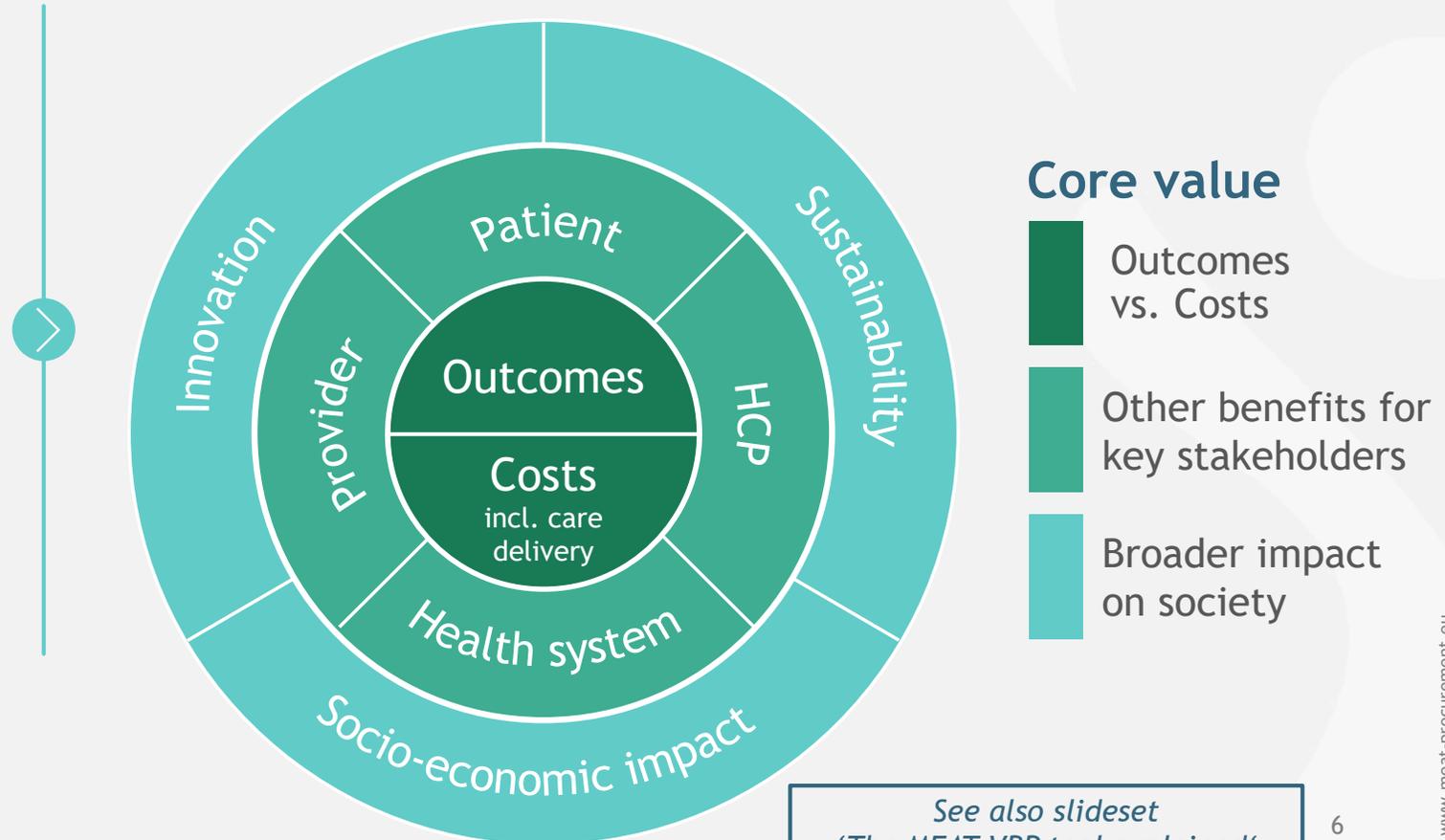
Total cost of care delivery

MEAT VBP brings value focus into tenders

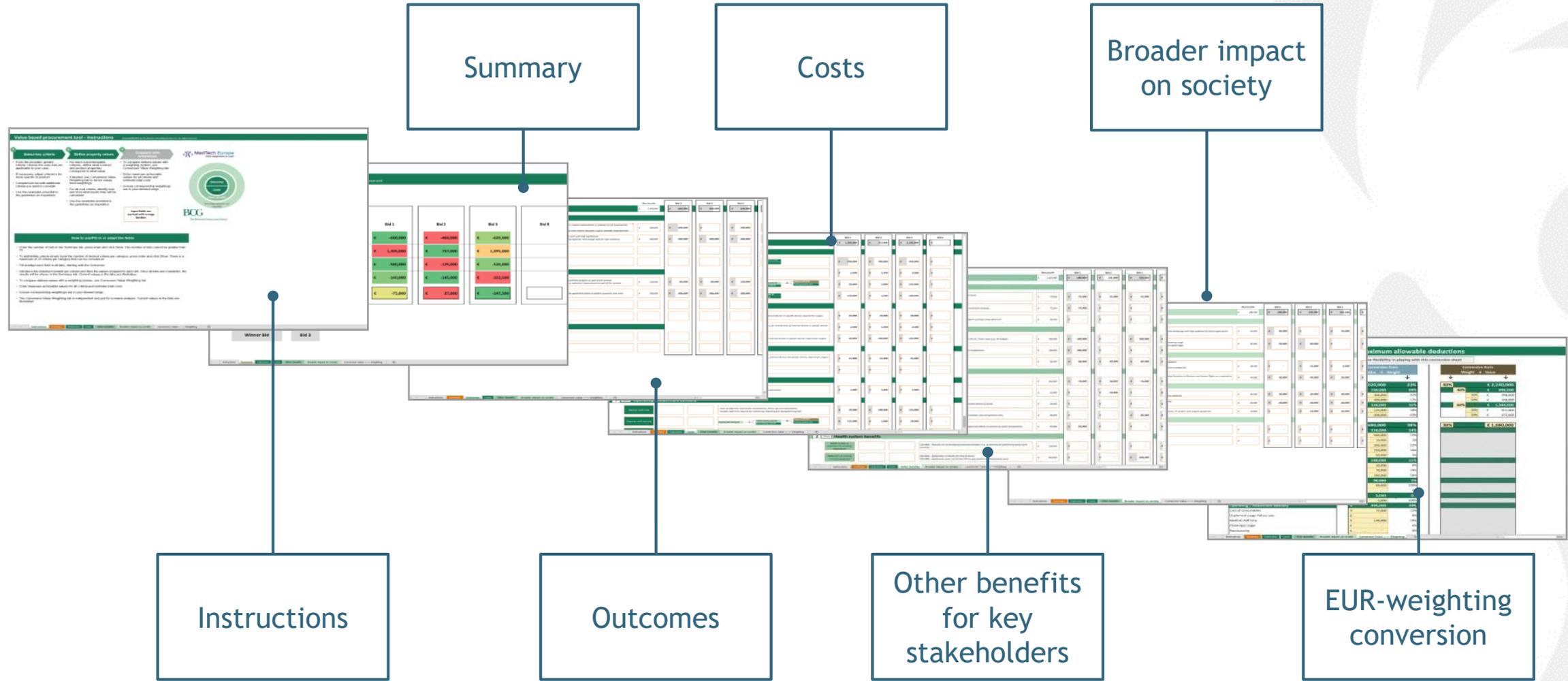
Value-based procurement



Value-based procurement Framework

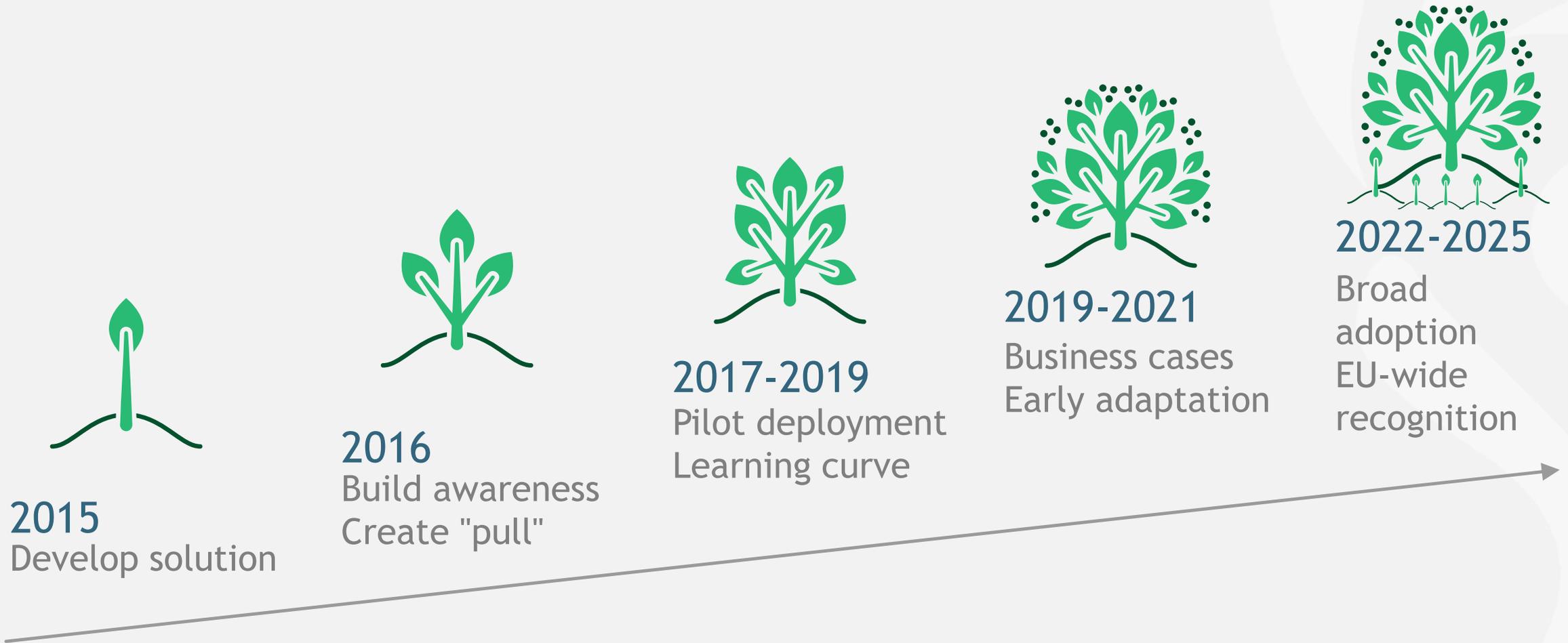


Framework supported by Excel tool

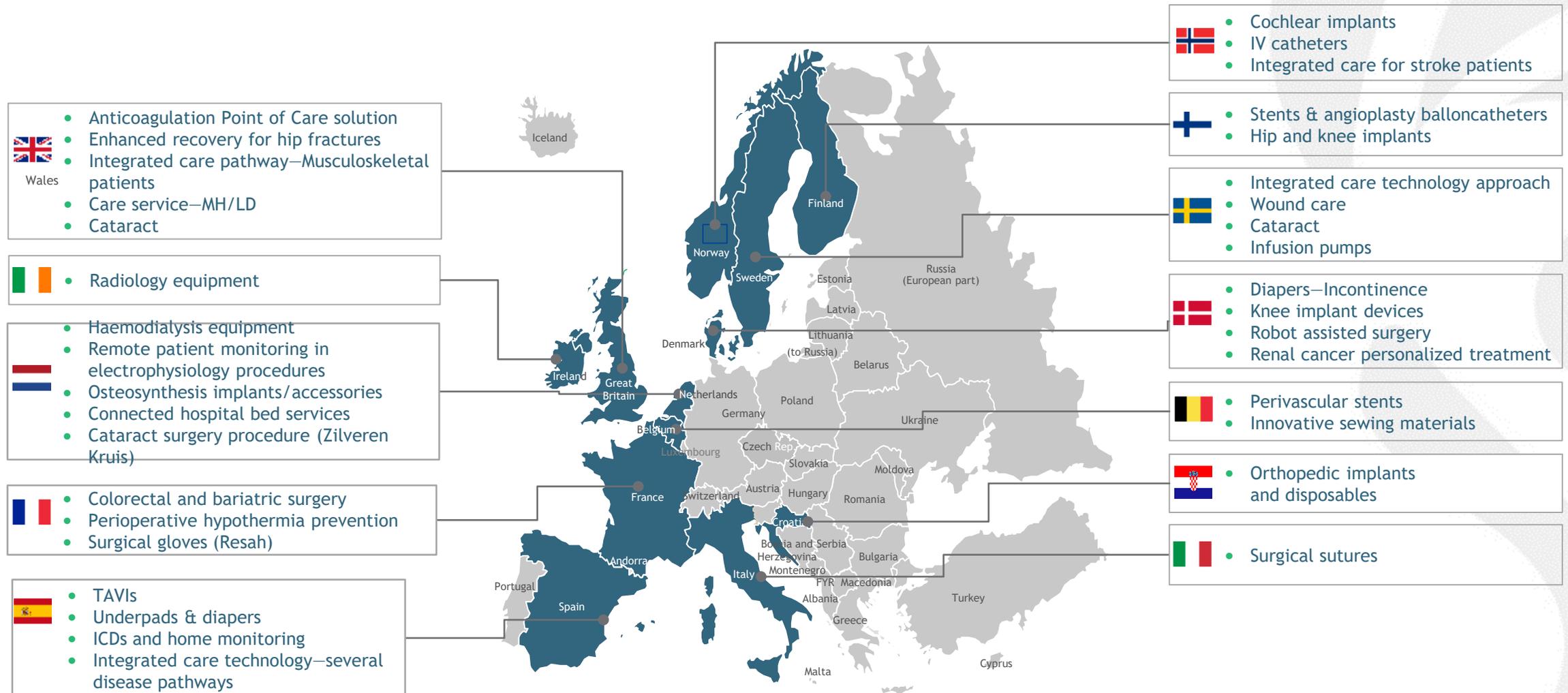


Adopting VBP is a multi-year journey

'a revolution in mind, but an evolution in practice'



VBP projects spread across Europe



Note: Selection of projects only

Source: MedTech Europe, industry and procurer interviews, CoP events, desk research, BCG; MedTech Europe; BCG

Case studies



CLÍNIC
BARCELONA
Hospital Universitari

TAVI



UniHA

Perioperative
hypothermia



Erasmus MC
University Medical Center Rotterdam

Hospital
beds



GIG
CYMRU
NHS
WALES

Anticoagu-
lation PoC



CLÍNIC
BARCELONA
Hospital Universitari

Diapers +
underpads



Vejle Hospital
- part of Lillebaelt Hospital

Knee implants



SYKEHUSINNKJØP

Cochlear
implants



REGION
H
Region
Hovedstaden

Renal cancer



Zilveren
Kruis

Cataract



resah
Réseau des Acheteurs Hospitaliers

Gloves

Key benefits for procurers and health care providers



Improved patients health outcome

- Improved transparency on outcomes (e.g., continuous monitoring and measuring of patient's weight in connected hospital beds)
- Continuous improvement possible and more effective, also supported by supplier (e.g., Medtech supplier in continuous dialogue with Erasmus MC concerning required adaptations based on clinical needs)
- Personalized treatment of patients depending on needs (e.g., Medtech supplier offers mattresses which avoid pressure ulcers without transfer between beds)



Reduction of total cost of care

- Fewer complications (e.g., TAVI implant reduces neurological complications by ~ 3%)
- Optimized workflow and care pathway (e.g., connected hospital bed solution reducing need for paper documentation)
- High volume of performed surgeries decreases procedure costs per patient (e.g., lower cost per procedure in Silver Cross cataract contract)



Patient centric care model developed

- Patient centric care model (e.g. PoC device in NHS Wales allows for patient self-testing of anti-coagulation needs)
- Recognized as value leader (e.g., Medtech supplier developed connected bed technologies)
- Improved patient flow and capacity due to improved workflow efficiency (e.g., Cataract patients of Silver Cross experience shorter lead time from first visit to surgery)
- Better patient centric care due to increased staff time (e.g., Nurse time increased in Erasmus MC due to fewer time spent on patient monitoring)



Improved financial sustainability long-term

- Ability to shift cost from capital budget to operating costs (e.g., Erasmus MC renting hospital beds as a service)
- Lower cost long term due to due VBP solution flexibly adaptable to changing needs (e.g., Erasmus MC experiences shift of medical care needs within patient population and Medtech supplier adapts composition of required beds)
- Revenue guaranty from multi-year contract (e.g., Erasmus MC and Medtech supplier in service agreement for 15 years)

Key challenges for providers and procurers



Time and resource requirements

- Planning and setting up the tender process, and criteria selection during the market consultation phase highly time and staff consuming
- Extensive expertise on VBP awarding criteria selection and assessment method needed in order to execute process successfully (depending on process chosen)
- Leverage VBP managers with expertise to support and streamline process, more quickly generate buy-in with stakeholders and leverage standard approaches/ templates



Internal resistance due to uncertainty of value

- In most hospital, stakeholders e.g., procurers and clinicians work in silos and procurers lacking insights into clinical pain points and needs
- Clinicians are unaware of the procurement process and thus, unable to appreciate the value of MEAT VBP tendering
- Essential to convince clinicians from the beginning of the process by demonstrating the added value for the patients' outcome by using an expanded proof of concept phase



Insufficient readiness among suppliers

- Many suppliers are not ready yet for the VBP tender process due to insufficiently defined value propositions and lack of readiness for new contractual agreements
- Supplier offerings and evidence insufficiently specific to hospital setting, hospital pain points and patient cohorts
- Provide sufficient room for dialogue with the suppliers early on, educate and answer specific questions during feedback rounds and 1-on-1 with suppliers to understand the service offerings



Insufficiently specific value proofs

- Existing evidence often insufficiently specific for hospital context
- Lack of data on existing pain points as well as infrastructure for specific outcome measurement
- Specific information on costs associated with care pathways and potential outcome improvements is difficult to obtain within the organization, and thus, estimating economic impact of VBP value is challenging
- Partner with suppliers to jointly perform real world evidence collection based on supplier's infrastructure and data systems integrated into the clinical operations

Action steps for all stakeholders

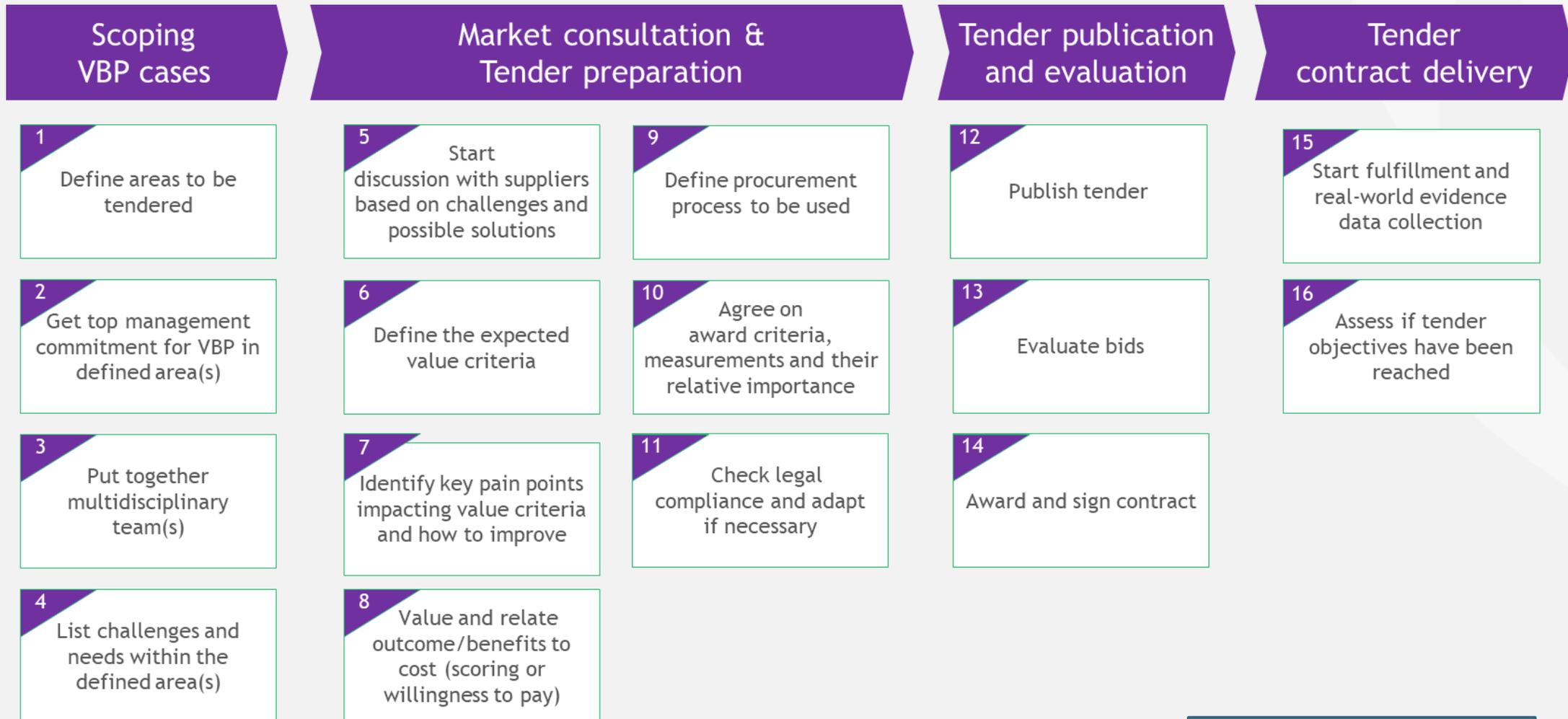


Action steps

<p>a  Providers</p> <ul style="list-style-type: none"> • Measure outcomes and cost of care along pathway • Seek incentives, advocate for, break down budget silos • Strengthen multidisciplinary HCPs role in procurement • Professionalize procurement • Encourage CoP participation 	<p>b  Procurers</p> <ul style="list-style-type: none"> • Set-up and empower VBP teams • Prioritize and pilot VBP approach to learn & improve • Build additional organizational capabilities • Adopt value-based contracts • Join Community of Practice 	<p>c  Medtech suppliers</p> <ul style="list-style-type: none"> • Prioritize where to play in VBP and broaden over time • Work in multi-discipline. teams to develop value propositions • Enable commercial teams • Rigorously execute, starting with prioritized tenders • Learn, collect real world data and fill evidence gaps 	<p>d  HC system</p> <ul style="list-style-type: none"> • Strengthen VBHC and outcome measurement • Provide legal/process clarity • Ensure budget cycles and incentives conducive to VBP • Break down budget silos • Drive value-based contracts/alternative payments
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<ul style="list-style-type: none"> • VBP framework • VBP presentations • VBP Excel tool 	<ul style="list-style-type: none"> • Publications • Case study library • Glossary & FAQs 	<p> Toolkit</p> <ul style="list-style-type: none"> • VBP starter guidance • Thematic seminars • VBP legal guidance 	<ul style="list-style-type: none"> • VBP training game • Training/coaching • VBP readiness assessment
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Procurers to follow a step by step process....



See also the paper
'How to successfully start VBP'

Prioritize VBP projects

based on provider strategy, value impact, feasibility and feasibility of evidence

Provider strategy & clinical major issues as input for VBP project prioritization



Provider strategy considerations:

- Patient group/disease area focus
- Span of care in delivery value chain
- Quality of care vs. cost focus
- Partnership models



Transparency on clinical/economic pain points & relative magnitude considerations:

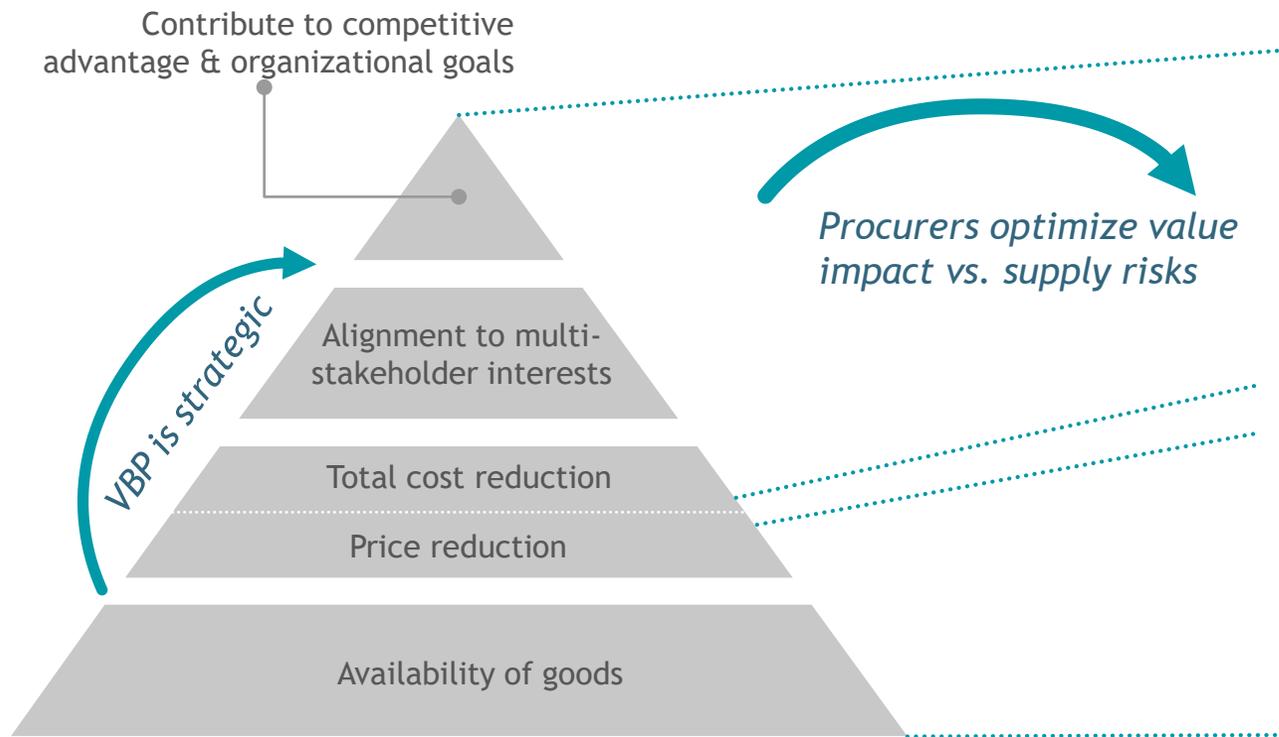
- Size of impact on outcome improvement
- Size of impact on cost of care reduction
- Ability to improve capacity/access
- Ability to reduce burden on HCPs

Factors to maximize value from VBP project for provider organization

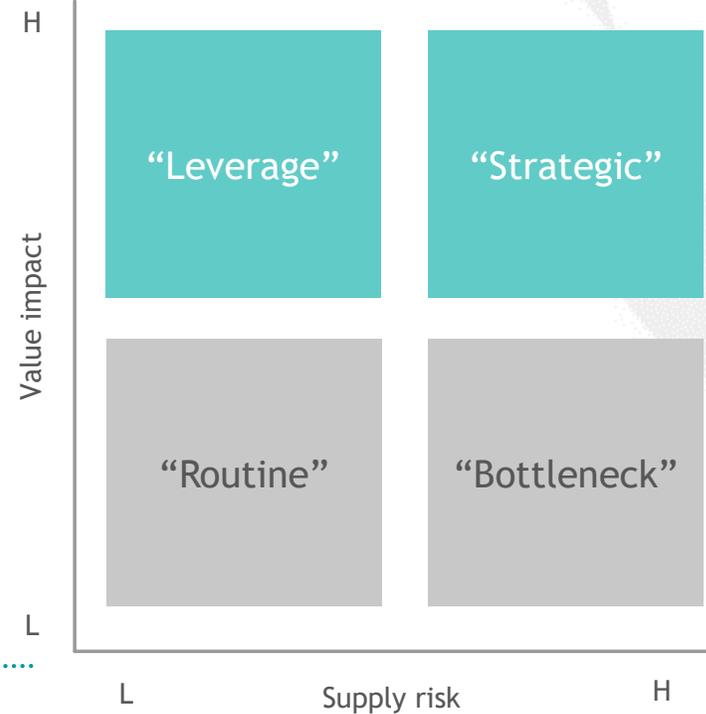
- ✓ Align VBP project with provider growth strategy (patient group/disease area)
- ✓ Focus VBP project on provider priorities for quality vs. cost of care focus
- ✓ Choose area where application of VBP concept (e.g., VBP solution + value criteria) is feasible
- ✓ Choose VBP focus based on risk appetite (truly new solution vs. existing solution)
- ✓ Balance long term strategic perspective vs. short-term need to replace expiring contracts

Procurers to take up the strategic perspective

Typical hierarchy of procurement objectives



Adapted Kraljic procurement portfolio



Stakeholders collaborating to define award criteria



Consulting on criteria

-  Clinicians
-  Other procurement agencies
-  Procurement officials
-  Hospital administration
-  Policy makers & Government
-  Patients
-  Industry



Brainstorming on measures

Including sources such as, but not limited to:



Standard outcome metrics, e.g., ICHOM



Peer-reviewed literature



VBP tenders



Clinical results

See next slides for details on outcome measures



Refinement



Final list of criteria for the tender defined using the feedback provided by the different stakeholders

Best practice for selection of value-focused award criteria

Key steps for success



- 1 Setup multidisciplinary team for therapy/product focus area
- 2 Deep dive analysis on clinical, procedural and economic issues/problems and prioritize the 3-5 most important
- 3 Identify 2-3 value criteria per major issue
- 4 Conduct literature research and internal/external interviews on major issues and related value criteria
- 5 Solicit input from suppliers and criteria on major issue/problems , e.g., how to specify and measure criteria
- 6 Consolidate own criteria and input from suppliers into one prioritized list of criteria



Six VBP success factors for the procurer



Message to senior budget holders on VBP to generate awareness and buy-in



Start with pain points, then identify clinically and economically relevant criteria for those



Set-up multidisciplinary teams and ensure early and consistent buy-in from clinicians



Ensure some data transparency (on outcomes and costs) as baseline and to measure success

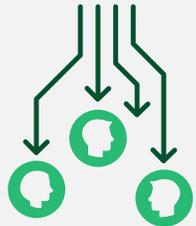


Engage supplier in dialogue to optimize requirements for product/solution sought



Engage supplier in monitoring success and co-creating evidence

VBP shifts away from classical procurement to partnerships and co-creation of evidence



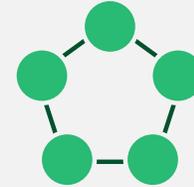
“Classical Procurement”

Improve win rates in procurement and tender discussions via evidence-based value proposition beyond price



Medtech supplier-procurer partnership for value

Partner with provider beyond contract award and product sales to improve and measure value along full care pathway and contract cycle



Shift to care solutions and joint RWE creation

Partner with accounts to implement VBP solutions including products, services and care management and RWE generation



Set-up long-term development partnerships

Co-develop VBP solution with accounts in PCPs/PPIs or long-term flexible contracts with direct customer input and joint RWE generation

Lower

Higher

Degree of partnership between supplier and buyer

VBP provides clear benefits for all stakeholder groups



Patients

- ✓ Patient consistently at center
- ✓ Better outcomes, less variation
- ✓ Outcome information more relevant for patient



Providers

- ✓ Patient centric care pathway
- ✓ Improved financial performance/ stability
- ✓ Breakdown internal functional silos
- ✓ More best practice sharing between providers



Procurers

- ✓ Stronger strategic role within hospital
- ✓ More influence on business objectives
- ✓ More holistic framework/ toolkit
- ✓ Procurement methods harmonized and professionalized



Clinicians

- ✓ Clinicians structurally more involved in buying decisions
- ✓ More influence on buying decisions (clinical, patient, user benefits)
- ✓ Pain points understood by procurement



Medtech

- ✓ Innovation and value created is rewarded
- ✓ Improved dialogue and common vocabulary with buyers
- ✓ Closer, more long term partnerships with providers
- ✓ R&D cycle times reduced



HC systems

- ✓ HC expenditures more sustainable
- ✓ Improved healthcare value with key value aspects included
- ✓ Innovation in care delivery enhanced
- ✓ Less friction, better integration of care sectors

Context of the MEAT Value-based Procurement initiative

Contributors to this material

Procurers, medical technology companies and National Associations as part of their collaboration within the VBP Community of Practice

- Procurers provided insights and expertise from “early adopter” VBP experiences, input for case studies and best practices
- Medtech companies provided experience on responding to VBP tenders and developing evidence-based value propositions
- National Associations provided overview of VBP trends in their markets

MedTech Europe and BCG jointly assessed VBP maturity and experiences to update materials based on multi-stakeholder input from > 130 respondents

For more information on Value-based Procurement or having an interest to join the VBP Community of Practice, please contact info@meat-procurement.eu to get started !

Background on the initiative

2014 EU Directive: EU Public Procurement Directive 2014/24 provided legal foundation

2015 MEAT VBP framework: MEAT VBP concept developed jointly by procurers, MedTech Europe and BCG; MEAT VBP framework & tool released

2015 MEAT VBP Publication: “Procurement—the unexpected driver of Value based-Health Care”

2017-2018 MEAT VBP CoP: Community of Practice initialized and expanded

2018 EURIPHI: EU Coordinating and Supportive Action(CSA) awarded to further apply, test and expand the MEAT VBP methodology

2019 VBP acceleration: VBP CoP, MedTech Europe and BCG assessing state of VBP uptake and building out best practices and materials to support acceleration