

VALUE-BASED PROCUREMENT

Partnering for patient-centric sustainable health care

VBP Community of Practice

2nd Interactive session on Value Based Agreements



SEPTEMBER 24, 2020

Today's agenda

10.00-10.10	 Welcome, competition law reminder and objective Hans Bax, Senior Consultant on Value-Based Procurement to MedTech Europe 		
10.10-10.40	 Recap of 1st Value-Based Agreement thematic seminar and framework for procurers Jennifer Clawson, Partner & Director, Value Based Health Systems, BCG Laurent Storme, Associate Director, MedTech Commercial, BCG 		
10.40-11.55	 Case study 1 - Atrial Fibrillation Value-Based Agreements - How did we it and learnings from Rodolphe Eurin, CEO, La Tour Hospital Roman Iselin, Country Lead Medical Devices Switzerland, Johnson & Johnson 30 min presentation, 10 min Q&A, 20 min action learning session, 15 min debrief 		
11.55-12.20	Break		
12.20-13.35	 Case study 2 - Knee implants Value-Based Agreements - How did we do it and learnings fro Karsten Kirkegaard, Senior Category Manager Region Syddanmark Dennis Johnsen, National Sales Manager - Joint Replacement Division, Stryker Denmark 30 min presentation, 10 min Q&A, 20 min action learning session, 15 min debrief 		
13.35-14.00	Closing and next steps Kjetil Istad, Vice-President for Value-Based Procurement, EHPPA 		

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

Competition law reminder





"A tangible framework for procurers and suppliers to further support them in the daily usage of valuebased agreements."

''Framework to be composed of the final versions of the taxonomy, good practice case examples, identification of challenges and guidance on how to establish value-based agreements."

Steps

EURIPHI: taxonomy of value-based agreements

VBP CoP June 16th 2020 session: exchange of perspectives/experiences from legal, procurement and supplier standpoints

VBP CoP September 24th 2020 session: two deep-dive cases

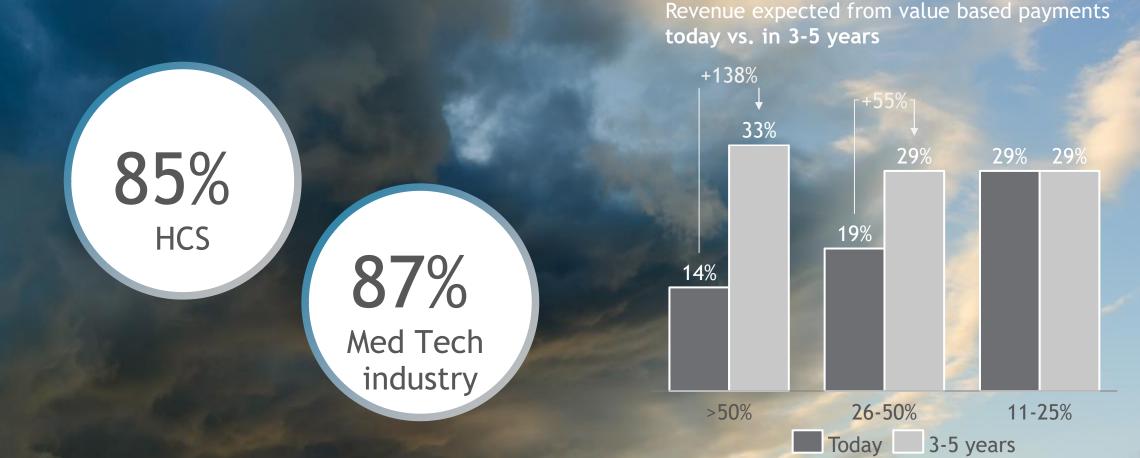
Final step: use input to finalize framework and present at 2nd VBP Conference (December 1, 2020)

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Health care leaders agree changes inevitable in 3-5 years as a result of COVID



Source: Which of the following describes your agreement with the statement "As a result of our collectively shared experience of a global pandemic, I believe the health care system will be substantially different 3-5 years from now, compared to before COVID"?; "I believe my sector will be substantially different 3-5 years from now, compared to COVID"; What % of your revenues comes from value-based payments today / in 3-5 years? N:252; Providers: 105 MedTech: 61 Biopharma: 68 Payer: 18; BCG analysis

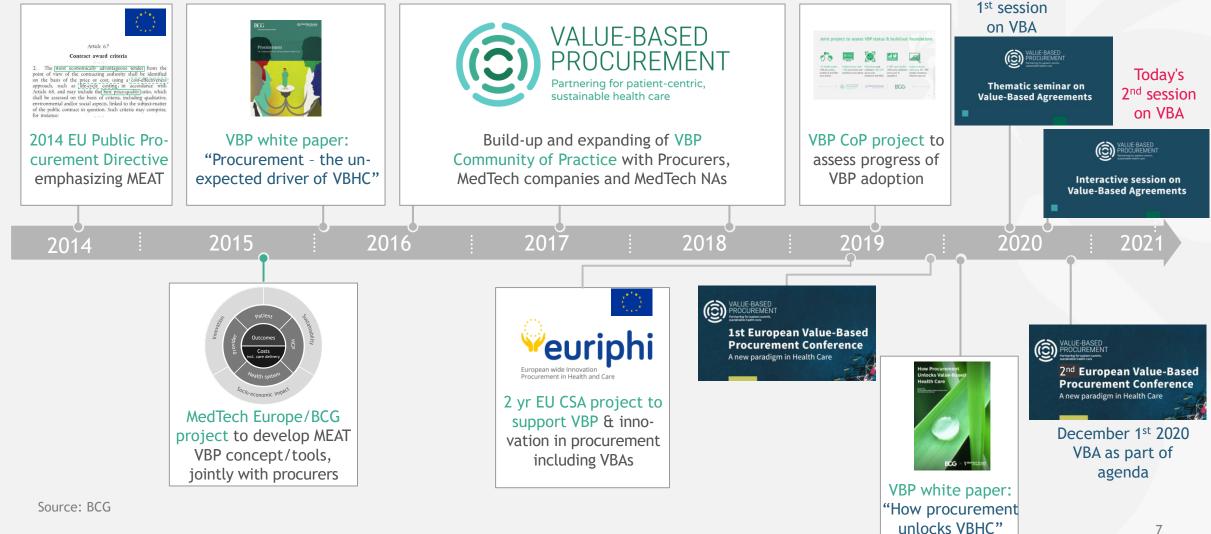
COVID-19 can be powerful catalyst to transform HCS

Demand "pull" from patients, providers, policy-makers rather than supply "push"

Experience can help entrench improvements as opposed to theoretical possibility



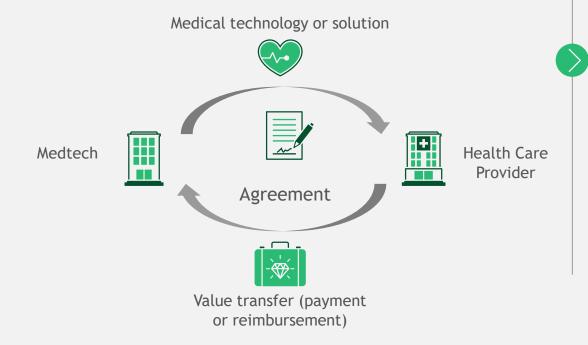
Multi-year journey underpinning today's 2nd valuebased agreement session



Recap: Value-Based Agreements formalize buyerseller collaboration linked to outcomes

What is Value-Based Agreement (VBA)?

VBA implements an agreement linking value transfer (payment or reimbursement) of a technology or solution to the real-world outcomes or other benefits it provides when used by physicians/nurses or patients in practice



How does VBA relate to value-based procurement (VBP)?

VBA formalizes a procurement process with the use of value criteria and evidence



Five key elements of Value-Based Agreements











Pre-determined criteria to structure agreement Outcome measurement and monitoring Target values or range for each criterion

Patient cohort(s) definition including risk factors Financial specifications

VBA taxonomy | five types of value-based agreements

Processbased care discount

Discounts and/or contractually agreed price paid based on achieving process compliance with evidence-based clinical intervention

Easy to implement and monitor

Product or service guarantee

2

Full or part of product cost returned if product usage fails (i.e., process/ outcomes not achieved despite correct usage)

Cost due to not achieving benefit promised by supplier Value sharing by product or service

3

Payment tied to larger cost/full provider cost beyond product price

Often broader outcomes/benefits contracted 4

Value sharing by alternative payment model

Hospital and supplier jointly partake in alternative payment program (e.g., bundle) share same upside/downside Fully integrated care provision including value

5

Medtech company takes on full care provision with full upside and downside and reimbursement from payer

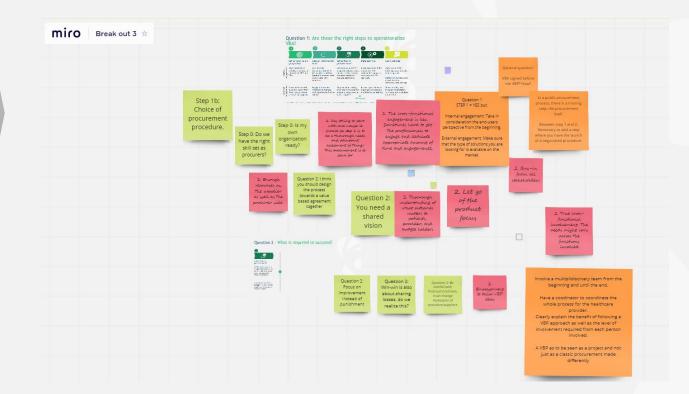
Less

More

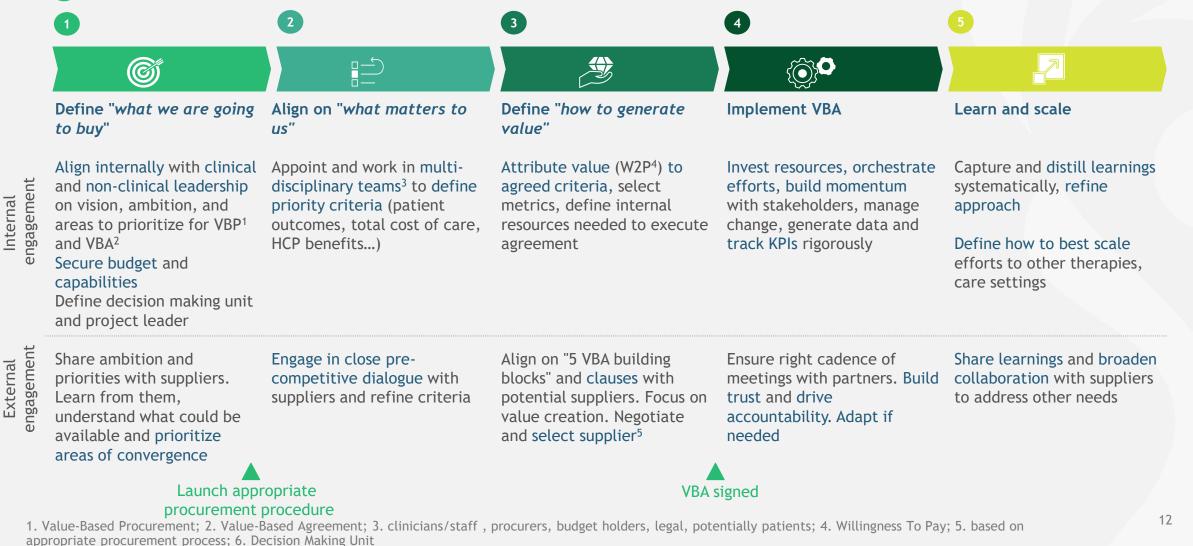
Shared value included in the agreement/collaboration between supplier and buyer

Last session focused on how to operationalize VBAs and share key success factors and challenges to overcome

- 65 participants in 5 breakout groups
- Digital collaborative session using Miro digital whiteboard tool



5 steps for Procurers to operationalize Value-Based Agreements



Insights from Value-Based Agreement overview

Key success factors for VBA



- Define clearly what you want to solve
- Get early buy in from all stakeholders
 - Keep it simple, be reasonable and pragmatic
- Focus on succinct patient cohorts, with clear and easy way to measure criteria in daily practice



Establish partnership that warrants time and resources investment on both sides

Challenges to overcome



- Outcome measurement at contracting authority not in place (to capture baseline & improvement)
- Budget impact multi-year and potentially in different budgets that are currently siloed
- Legal mechanism and risks regarding court challenges still unclear
- Specifying outcome/ cost criteria and estimating impact/ setting targets difficult
- Medtech with limited experience and established contract models
- Objective monitoring (third party without interest in either direction) needed



Question and Answers

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VALUE-BASED PROCUREMENT

Partnering for patient-centric sustainable health care

Case Study - Atrial Fibrillation Value-Based Agreement

Roman Iselin - Country Lead J&J Medical Devices Switzerland Rodolphe Eurin - CEO Hôpital de La Tour



MedTech Europe

from diagnosis to cure

SEPTEMBER 24, 2020

Context

Swiss health care systems and hospitals are under financial pressure which translates in short term cost cutting initiatives losing the quality focus which could lead to negative spiral in terms of outcome

JNJ Medical Devices SUI has embarked on a VBHC journey for the last 3-5 years, investing in understanding needs of key customers and developing the right commercial model and solutions to address them

Through these efforts, JNJ has identified selected accounts willing to embark on a VBHC partnership

Objective

Develop and reinforce partnerships with strategic accounts based on joint value created

Learn and scale efforts to impact a broader health care system

Change of mindset from volume to quality - internally and at customer - by keeping the complete patient pathway in mind

MEDICAL COMPANIES

Context

Geneva area highly competitive for hospitals and clinics

La Tour is a private clinic of 180 beds focusing on orthopedics, oncology and cardiovascular diseases

Generating value for both patients and system has potential to help hospitals to differentiate by optimizing outcome while reducing total costs

Objective

Live up to hospital's mission to deliver outstanding care and foster an organizational culture of continuous improvement

Differentiate hospital in the competitive landscape through outcomes

Reduce price pressure in negotiations with insurance companies, create outcomebased value for supplementary insurance (beyond comfort aspects)

Hôpital

How we partnered based on joint health care value creation



Define "what we are going to buy"

Align on "what matters to us" Define "how to generate value"

Implement VBA

Learn and scale



Need for shared vision, identified areas of convergence and aligned priorities







Shared vision, ambition and commitments from both the La Tour hospital and JNJ MD leadership to drive VBHC and partner based on value created Areas of convergence in terms of priorities and therapeutic areas identified during hospital/supplier strategic meetings Alignment within hospital

between therapeutic area clinical leaders, hospital administration and with supplier to partner

A collaborative multidisciplinary approach as must to align on value creation criteria



Key Success Factor

Open and constructive collaboration between

Hospital's multidisciplinary team:

- CEO, CFO and procurement
- Therapeutic area clinical leader (lead electrophysiologist)



Supplier multifunctional team:

- Managing director, business unit leader, strategic account manager, value added solutions
- Finance, legal, health care compliance, pricing



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- Understanding of mutual starting points, objectives and possible solutions
- Alignment on definition of priority criteria
 - Primary: patient outcome
 - Secondary: patient volume growth

Note: acknowledgement that optimizing for these criteria would impact negatively:

- Profit per patient
- Short term profit for both hospital and supplier

Step 3 - Define "How to generate value"

Need for aligned value creation levers as prerequisite to define building blocks for agreement

Main elements to define "How to generate value"



Value creation opportunity aligned between both hospital and suppliers:

- Better outcome → increased patient satisfaction → increased trust in therapy and in hospital → increased patient volumes → increase of revenues and profits
- Hospital investment in new technology will create value for supplier
- Reduced costs to perform redos if target not reached will create value for hospital and healthcare system

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Value-based agreement objective: mitigate risk of investment not delivering value in line with supplier's promise

Outcome achieved in step 3

"5 elements" of VBA defined and agreed

Financial specifications:

- Acquisition of new technology enabling a reduction of redo-% from 30% to 10% based on evidence
- 50% rebate on products needed for redo for procedures above thresholds

Cohort of patients defined: patients undergoing paroxysmal atrial fibrillation procedures given available evidence for this procedure increasing confidence level to do VBA Outcome: % of redo procedures within 1 year

> Target value: % of redo procedures within 1 year <90%

Metrics being monitored:

- a) Number of primary procedures
- b) Number of redo procedures
- c) Number of products used

Step 4 - Implement VBA



"Keep it Simple" as foundation for successful implementation

Elements required to implement VBA



Setup of simple database (Excel file) stored on hospital server to record 3 metrics agreed



Alignment of process to

- record metrics and track KPIs (who does it, when, how)
- share and review results with the broader group

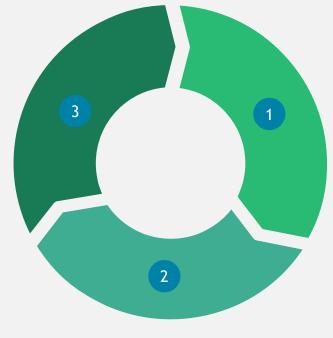


Learn, adjust, scale and inspire others along the way

Main elements in place to learn and ambition to scale

Share learnings and inspire others:

- within the supplier's organization: BU colleagues, other BUs, other countries organizations
- within the hospital's organization: other doctors, other department
- Medical societies associations
- Health care insurance companies
- Overall Swiss health care market... and beyond!



Capture and document learnings within project group through dedicated sessions Drive stronger focus on data

Identify best opportunities to scale and expand in terms of

- Value creation drivers and potential solutions and tools to develop
 - E.g. procedural efficiency solution, broader use of database
- Patient cohorts
- Other therapeutic areas within hospitals
- Other hospitals
- Other product categories
- Other suppliers



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Communiqué de presse

Meyrin, le 16 janvier 2020

L'Hôpital de La Tour conclut un partenariat innovant pour l'achat de matériel médical, conditionné aux résultats médicaux et à la qualité des soins

L'Hôpital de La Tour vient de signer avec Johnson & Johnson un contrat lié à une exigence de résultat en faveur de ses patients dans le domaine de la cardiologie. Cet accord prévoit que le fabricant, le médecin et l'hôpital travaillent en collaboration pour diminuer le taux de récidive de la pathologie chez le patient, sur la base d'un objectif précis. Si les attentes fixées ne sont pas atteintes, le fournisseur remboursera une partie des coûts du matériel, au bénéfice de l'assurance maladie.

Grâce à ce partenariat, l'Hôpital de La Tour réaffirme l'importance de son engagement en faveur de l'excellence médicale et de la responsabilisation face à la qualité. Il se réjouit de cette collaboration prometteuse et d'avoir trouvé en Johnson & Johnson un partenaire engagé lui aussi pour la qualité des soins au point de se responsabiliser financièrement.

« Cet accord soutient notre stratégie d'amélioration continue du résultat médical pour nos patients », souligne Rodolphe Eurín, Directeur général de l'Hôpital de La Tour. « En plus des nombreux projets que nous avons mis en place dans ce cadre, il est important pour nous d'engager nos partenaires, en particulier nos fournisseurs, avec des actions concrètes qui soutiennent cet objectif. Johnson & Johnson fait état d'une réflexion déjà avancée à ce sujet, et il est très naturel pour nous de nous associer avec eux pour renforcer la qualité de nos soins. »

Afin de compléter sa démarche, l'établissement souhaite désormais ouvrir avec les assurances des discussions sur la mise en place de modèles de tarifications qui reflèteront davantage la responsabilisation de l'hôpital sur le résultat au bénéfice des patients.

L'Hôpital de La Tour

L'Hôpital de La Tour est un établissement de soins aigus de haut niveau, privé, indépendant et à dimension humaine. Ancré dans sa mission de restaure la melieure qualité de via possible pour ses patients, l'Hôpital de La Tour a piaco l'amélioration continue et le développement de l'excelience médicale au cœur de ses priorités. Des médecins attachés à l'institution et un personnel soignant compétent ainsi qu'une infrastructure équipée des demitiers technologies soutiennent ces objectifs. Il est le seul établissement privé en Suisse Romande disposant d'un service d'urgences ouvent 7/7, Z4h/24, de soins intensits et de soins continus, ainsi que de services de médecine interme et de pneumologie pour les soins aigus. Il dispose également d'une unité de soins intermédiaires de néonatologie et d'un centre de médecine du sport Swiss Olympic Medical Center.

L'Hôpital de La Tour est reconnu dans la planification hospitatère du canton de Genève et accueille également des patients sans assurance complémentaire dans certains cas précis. Les consultations ambulatoires, sont, quant à élies, accessibles à tous les assurés au bénéfice de fassurance maladie de base (LAMai).

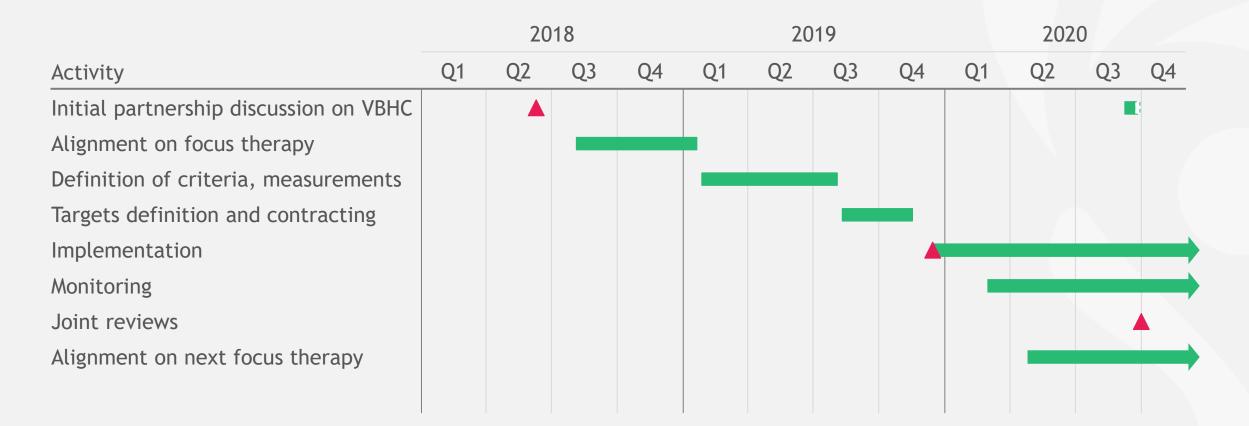
La Tour en chilfres par année: 7000 patients hospitalisés ● 345'000 prises en charge ambulatoires dont 45'000 urgences ● 6'000 interventions chirurgicales ● 500 médecins formés dans 11 disciplines médicales ● 1'000 collaborateurs ● 500 médecins agréés actifs.

Plus d'informations: www.latour.ch

latour.ch

La Tour Hôpital Privé SA	Hôpital de La Tour	Clinique de Carouge	Centre Médical de Meyrin
	Avenue JD. Maillard 3	Avenue Cardinal Mermillod 1	Promenade des Artisans 24
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	F +41 (0)22 719 61 12	F +41 (0)22 309 45 00	F +41 (0)22 719 74 01

Our joint journey so far





Our final advises to you

Get VBA in practice - start smaller but concrete, advance further with experience gained

VBHC approach supports the alignment and focus on common goals between different stakeholder groups and drives meaningful innovation

Outcome focus on value for patients rather then patient volume which will lead to better topline results in the longer term, sustainable improvements for healthcare system and long-term partnership

Models as enabler for better decision making and new reimbursement models



Question and Answers

breakout session

Objective

Further enable you to operationalize VBAs through reflection and exchange

Format

Moderated breakout session with reflection and exchange phases using virtual whiteboard

Question

What are your 2-3 key take aways from the case study that will help you move forward with VBA?



Each participant assigned to one of the 5 breakout sessions

Breakout leader: Hans Bax

Antares Consulting V. Bax H. De Bock L. Evans R. Gilabert T. Hellandsvik T. Johnsen D. Karlsen P. Notarangelo I. Sampol Mayol C. Surugue F. Zacharvski V. Zepf T. Breakout leader: Jennifer Clawson

Alessandrello R. Brecht D. Clawson J. de Jong F. Delépine R. Gilsoul D. Mercurhosp H. Hurnikova K. Jones D. Mangan B. Pisano Z. Schroer D. Breakout leader: Goetz Gerecke

Bothma G. Busink E. Garcia V. Gerecke G. Griffiths J. Hyberg A. Kacskovics E. Markulin J. Moccaldi L. Potel L. Seery K. Thomsen L. Breakout leader: Laurent Storme

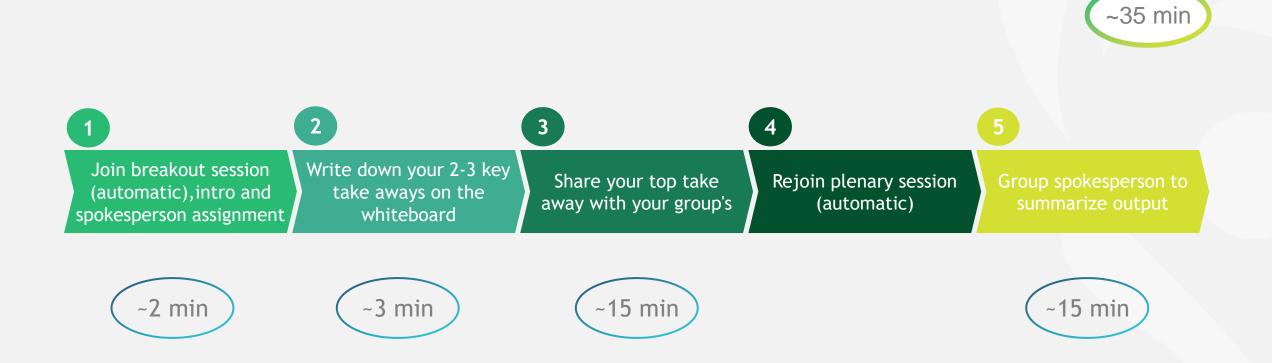
Fundació Parc Taulí A. Carty J. Disset A. García J. Guarino A. Iselin R. Kirkegaard K. Moreno Perez S. Rappagliosi A. Simon M. Storme L. Tsitiridis N. Breakout leader: Yves Verboven

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Abawi L. Aláez C. InnovaPuglia D. Dunnett J. Eurin R. Finlay C. Guiu J. Istad K. Nadelwais I. Rossa S. Verboven Y. Trickett L.

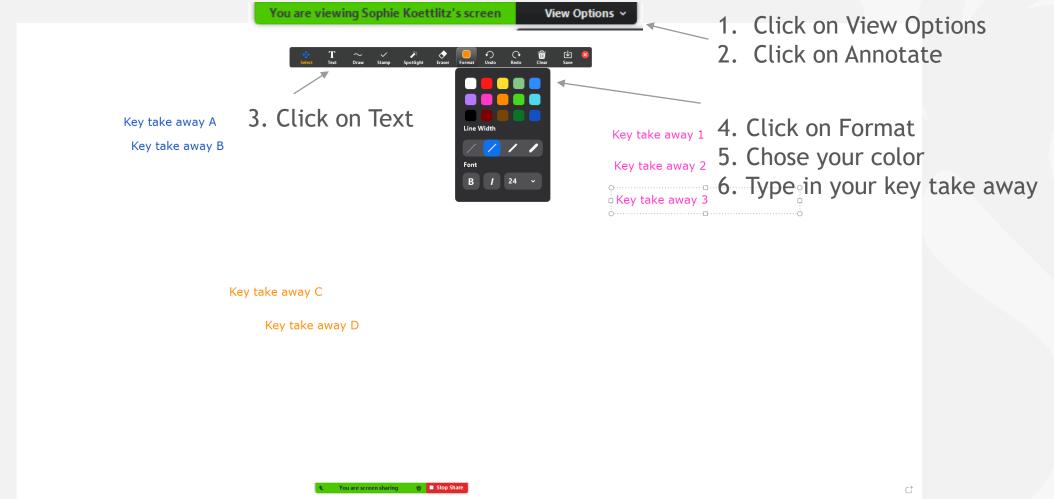
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Note: Breakout leader to guide discussion, take notes. Spokesperson to present results



5 simple steps for successful breakout sessions

We will be using the ZOOM whiteboard shared by the moderators

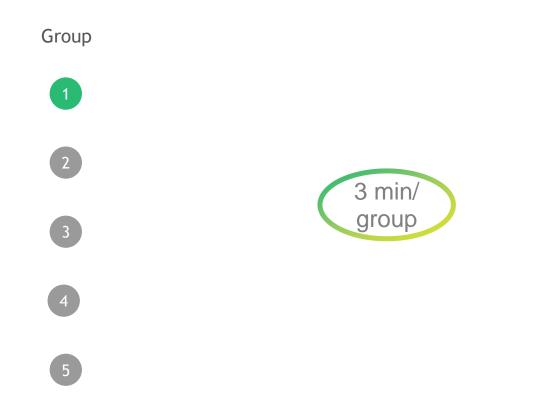


You will be sent to your breakout room automatically in a few seconds

See you in 20 min!

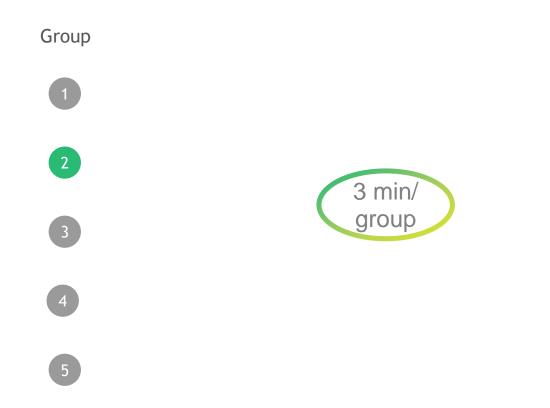
Welcome back to the plenary session





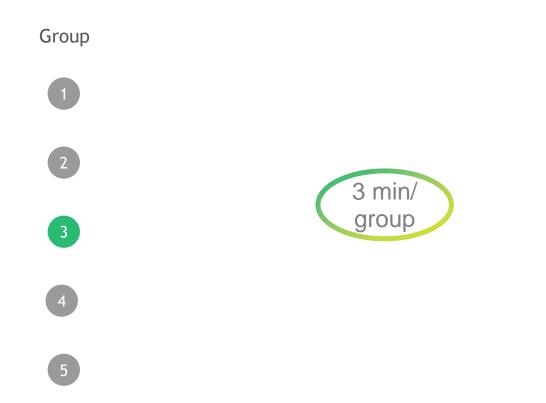






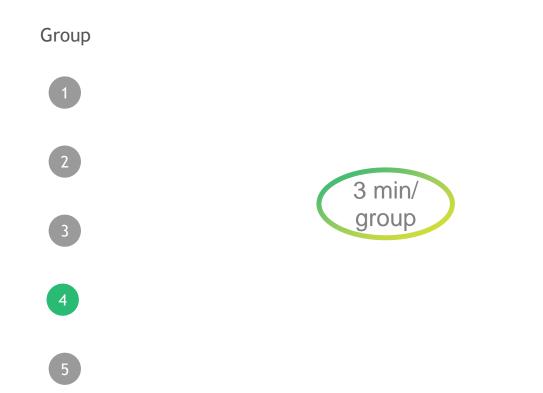






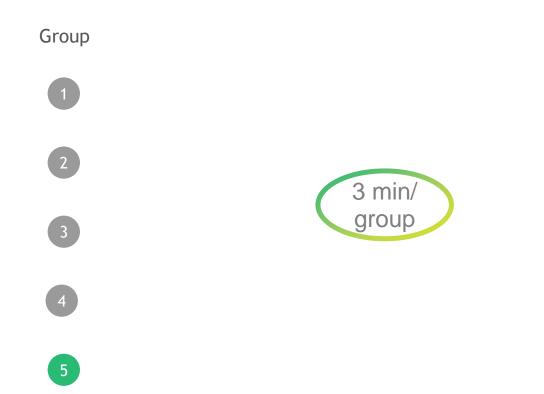














Break Let's be back at 12.30 CET

Welcome back from the break

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Case Study 2 - Knee implants Value-Based Agreement

Karsten Kirkegaard, Senior Category Manager, The Region of Southern Denmark Dennis Johnsen, National Sales Manager, Joint Replacement, Stryker Denmark



SEPTEMBER 24, 2020

Context

The Region of Southern Denmark has a patientcentered improvement model with focus on data driven innovation, patient-experienced outcomes and streamlining

Vejle Hospital received again the award for Denmark's Best Medium-sized Hospital in 2020

The Orthopedic department at Vejle Hospital is a high-volume Danish department with more than 1.000 knee and hip replacement surgeries each year built through long-term supplier collaborations

Objective

Region of Southern Denmark

Further improve patient outcomes for primary knee replacement surgeries at Vejle Hospital

Reward/penalize supplier via implants price adjustments linked to actual patient outcome achieved

Operate within the current budgetary framework for knee replacement surgery at Vejle Hospital

stryker

Context

The healthcare system in Denmark, and the knee replacement surgeries, are mainly done in public hospitals.

Tender models in Denmark have had the same overall structure for many years. Even so, the tenders are larger and last for a longer period.

The value-Based procurement model for the knee tender in Vejle, was created by the region South Denmark. Stryker was one of more suppliers, submitting an offer for this tender.

Objective

Mission

Together with our customers, we are driven to make healthcare better.



The proposed model is very much in line with the Stryker Mission and focus on Patient Related Outcome Measurements (PROM).

Partnering with customers for improvement of patient pathway and clinical outcome

PROM-data validation in close collaboration, and milestone measurements

How we dialogued, tendered and partnered to improve patient outcomes



Define "what we are going to buy"

Align on "what matters to us" Define "how to generate value"

Implement VBA

Learn and scale



Contract renewal, strategic service, ownership & involvement and adaptive suppliers in a competitive market









Contract renewal was required for the knee replacement implants at Vejle Hospital Knee replacement surgery is a strategic service. Procurement aim is longterm/strategic collaboration focusing on output, development, risk sharing, and/or TCO Clinical and administrative ownership within hospital and involvement of the clinical staff doing knee replacements The competitive landscape was constituted of relatively flexible and eager suppliers in a competitive market

Early discussion with pre-selected 6 orthopedic players to share ambition and approach and to get input

Step 2 - Align on "What matters to us"

An open dialogue-based multidisciplinary approach to align the value creation criteria and risks







Key Success Factor

Open and constructive pre-tender dialogue between

Multidisciplinary team:

- Clinical leader and chief physicians from the orthopedic department
- Category manager for orthopedic surgery goods and services

Supplier multifunctional teams:

- General Manager, Country Manager, Marketing Manager, Sales Account Executive
- Finance, legal, health care compliance, tender and pricing

Outcome achieved



- Understanding of the starting points and objectives of the Region of Southern Denmark and possible solutions
- Alignment on priority criteria defined: patient outcome for primary knee replacement surgery (2 procedures/ lots: partial and total knee replacement)
- Acknowledgment and understanding of the risks associated with patient outcome-based agreements

Value creation levers leveraging on existing data retrieval

Main elements to define "How to generate value"

Value creation opportunity aligned between both hospital and suppliers:

Costs drivers:

- Shorter patient hospitalization
- Lower readmission rate
- Lower revision rates
- Lower revision costs for hospital if targets not achieved (~3800 EUR)

Patient satisfaction and revenues drivers

- Better overall patient experience
- Better "function lift" outcome
- Lower revision rates

<u>~~</u>

Value-based agreement objective: Mitigate risk of new knee implants not delivering value in line with the current patient outcomes for primary knee replacement surgeries at Vejle Hospital or the supplier's promised better patient outcome

Outcome achieved in step 3

5 VBA-elements defined

5 Financial specifications:

- Prices adjusted based on actual performance (+/- 17 % percent for following year)
- Free knee revision implants to treat patients exceeding the maximum target value or the supplier's promised better revision percentage

Cohort of patients defined: All patients undergoing primary knee replacement surgery at Vejle are included

4

1 Outcome:

- Length of stay
- Number of readmissions
- Revision rate within 2 years
- Overall patient satisfaction
- Functional outcome

2

Target value: baseline defined based on current outcomes

3 Metrics being monitored (already in place):

- Number of primary procedures
- Patient hospitalization time
- Number of readmissions
- Number of revision procedures
- Patient satisfaction (PROM)
- Function lift (PROM)

50



Implementation and the first patient outcomes



Key Success Factors

Well-planned clinical implementation of the new knee implants involving all relevant clinical staff



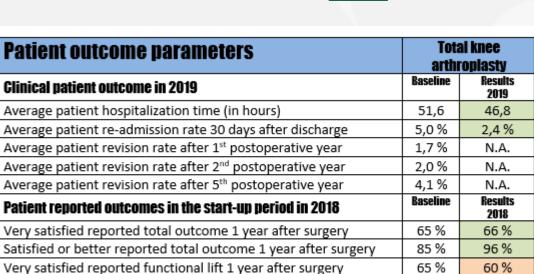
Clinical education and support before and during the first complex knee procedures for all relevant clinical staff



The collection of metrics being monitored does not require many resources when based on existing data delivered to national clinical patient databases

Patient outcomes achieved

Satisfied or better reported functional lift 1 year after surgery



95 %

85 %



Learn, adjust, scale and inspire others along the way

Learn and adjust

Process

- Review meetings to analyze and understand data and course correct if needed
 - Hospital's clinicians
 - Hospital/awarded suppliers
- Outcome also captured for other purposes
 - Clinical studies
 - National registry

Main learnings

- Ownership and support from the clinical management is essential
- Healthcare professionals are not always comfortable with the increased transparency
- Suppliers' business models are not always compatible with risk sharing especially SMEs
- Start the dialogue with the market well in advance



Learn, adjust, scale and inspire others along the way

Scale and inspire others

- Share experience at
 - Regional category management steering group
 - National Forum for value-based procurement in the field of health
- Dialogue and evaluate tender format with key stakeholders

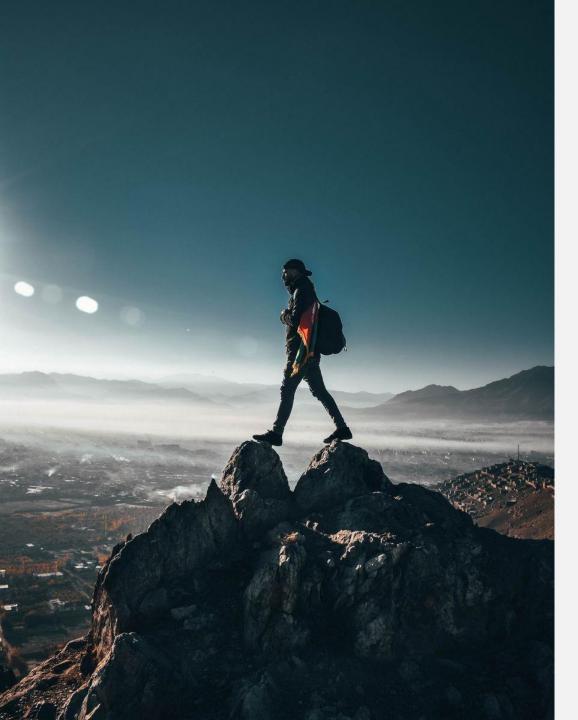
Way forward for strategic goods and services

• Contracts without a pre-determined expiration date based on open book price adjustments where each party can terminate the cooperation with a given notice (e.g. after 6 years)

Our joint journey so far

Activity Initial partnership discussions on VBHC Prior information notice published TED Open pre-tender market dialogue Elaboration draft VB tender documents Pre-tender dialogue draft VB documents Normal public tender published in TED Contract signing & implementation Normal operation startup First patient outcome calculation





Our final advises to you

Drop the old arm's length approaches and shift the focus to total value of ownership

Establish valid and credible baseline for patient outcome for both sides

Ensure ownership of the clinical management of the hospital throughout the process

Flexibility is required on both sides - Chop a heel and cut a toe



Question and Answers

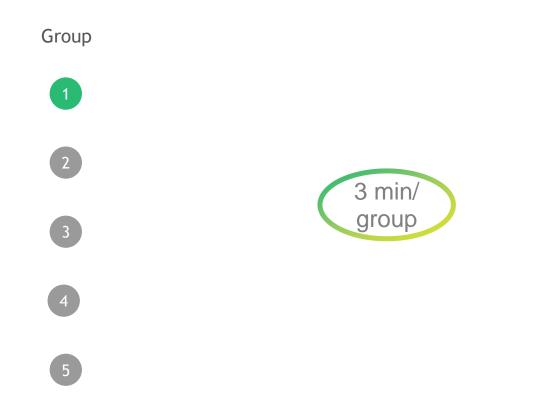
breakout session

You will be sent to your breakout room

automatically in a few seconds

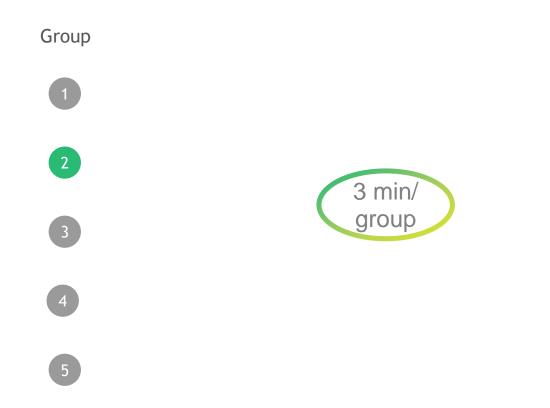
Welcome back to the plenary session





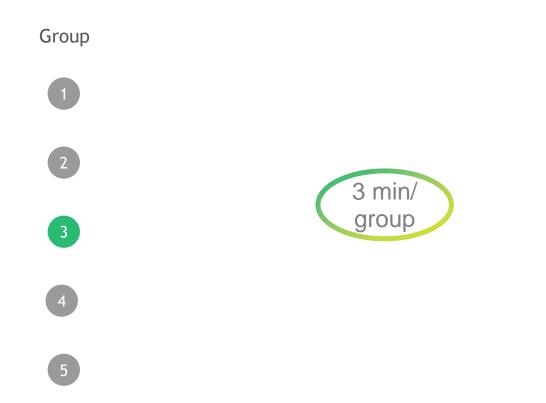






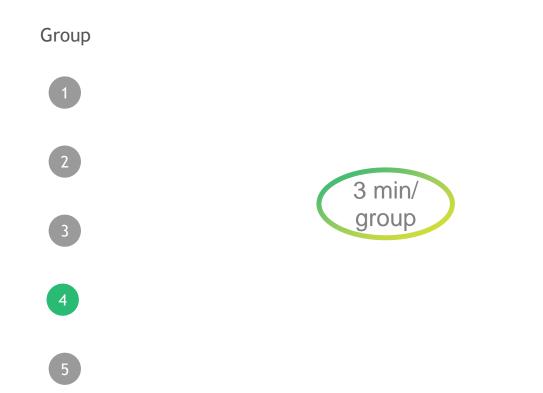






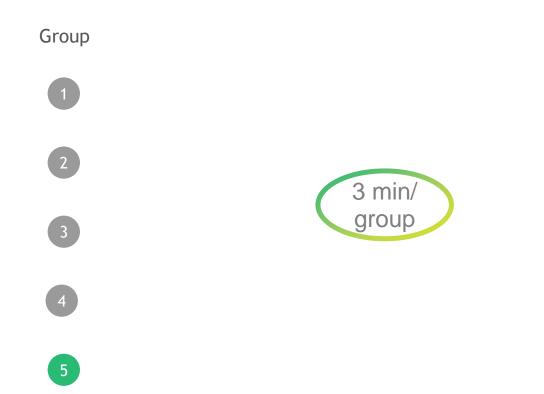


















VALUE-BASED PROCUREMENT

Partnering for patient-centric, sustainable health care

Closing and next steps Yves Verboven, Director Market Access and Economic Policies, MedTech Europe

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Kjetil Istad, Vice-President for Value-Based Procurement, EHPPA



Please block your calendar for the next VBP CoP event

Second European Value-Based procurement conference, open e-event, 1 December 2020

Thank you

