



VALUE-BASED PROCUREMENT

Partnering for patient-centric,
sustainable health care

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

VBP standard presentation - supplier (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



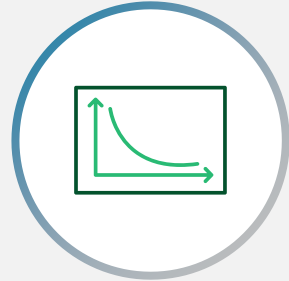
Incentives misaligned

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

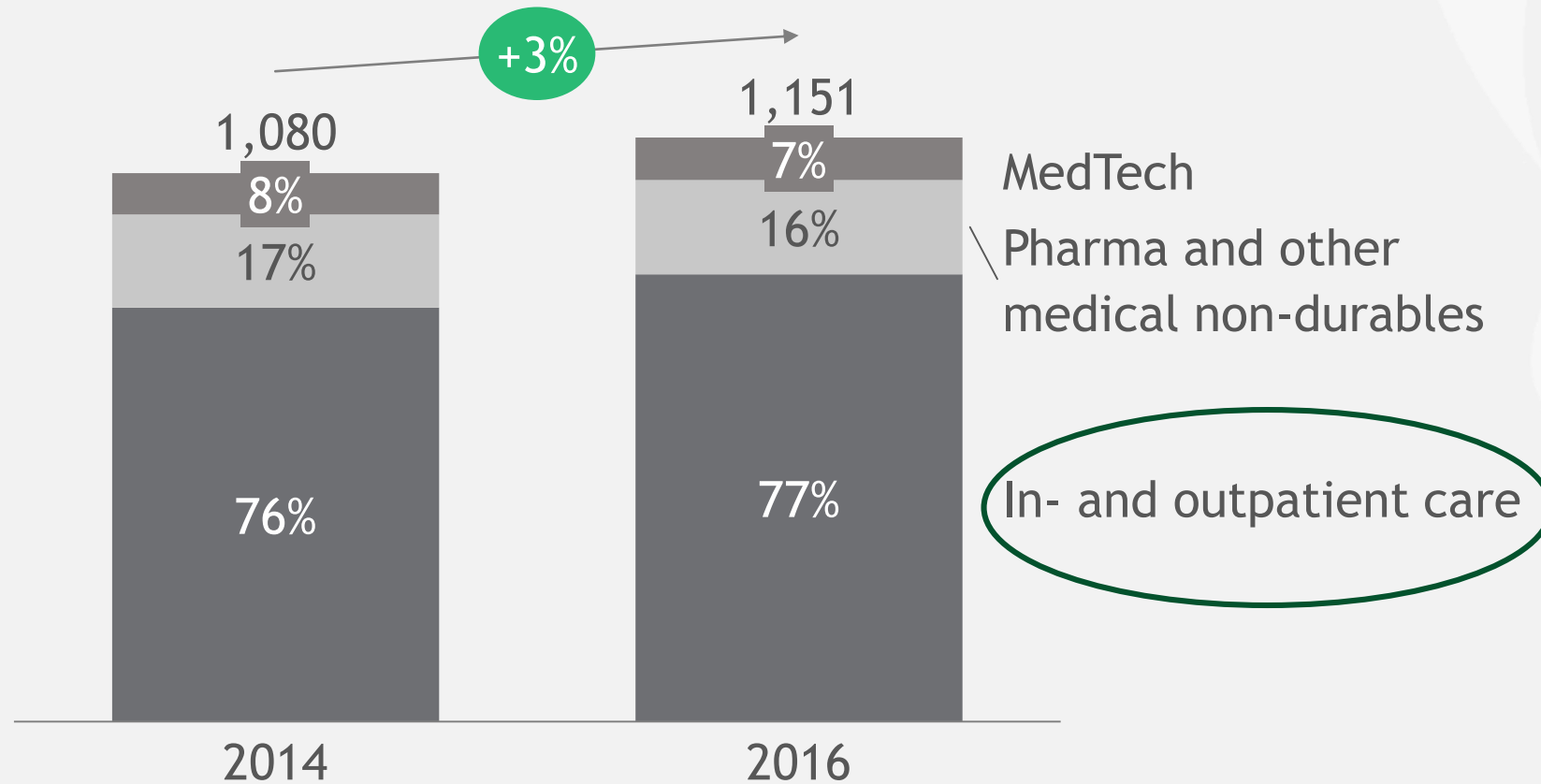


Potentially result in reduced value for the patient

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

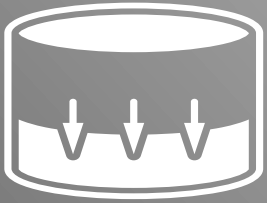
Focus on costs of devices instead of total cost of care delivery

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



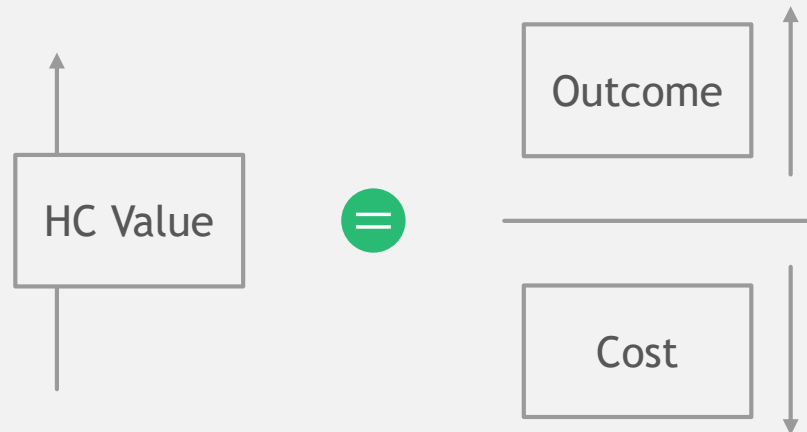
Full cycle of care



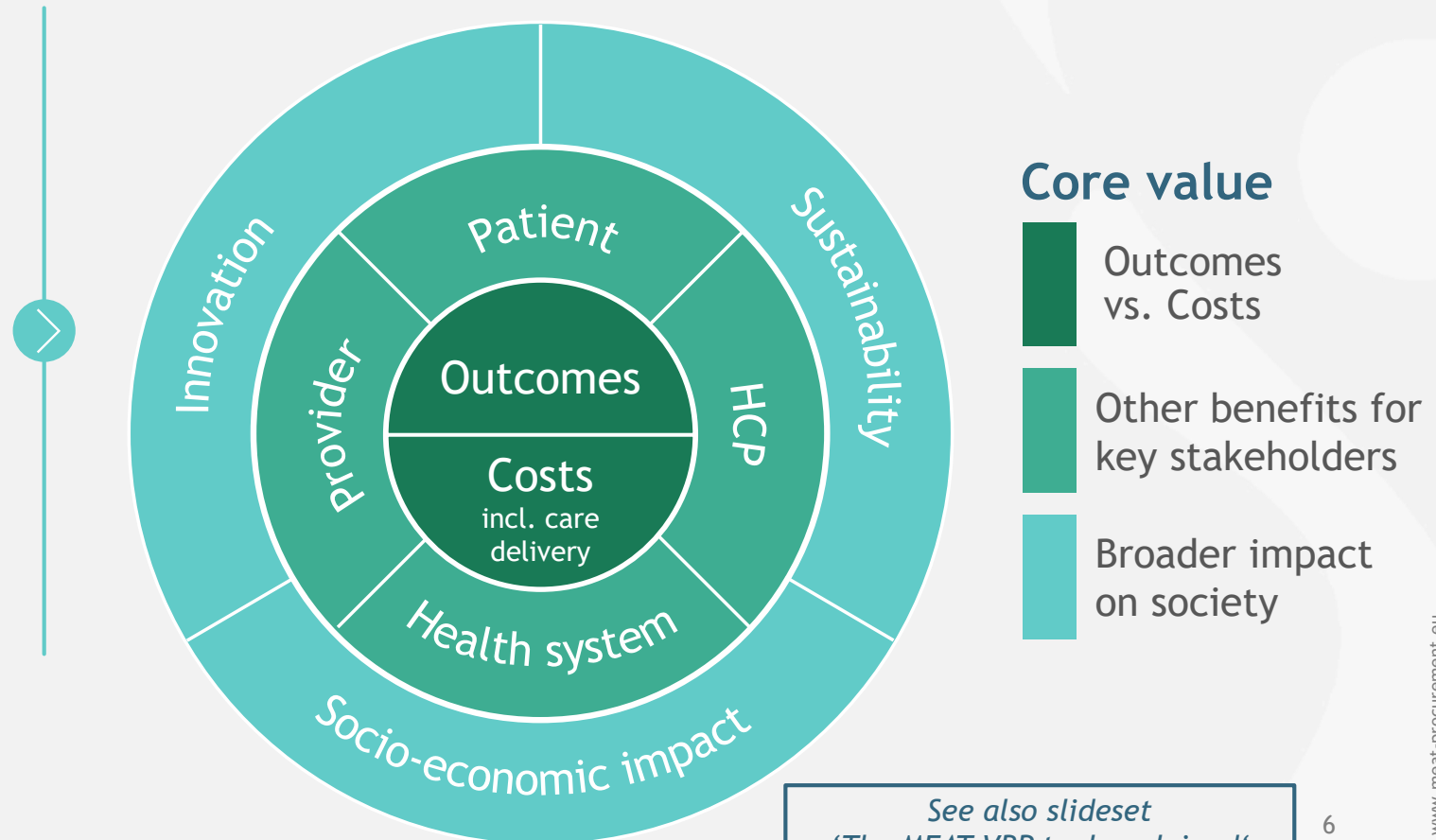
Total cost of care delivery

MEAT VBP brings value focus into tenders

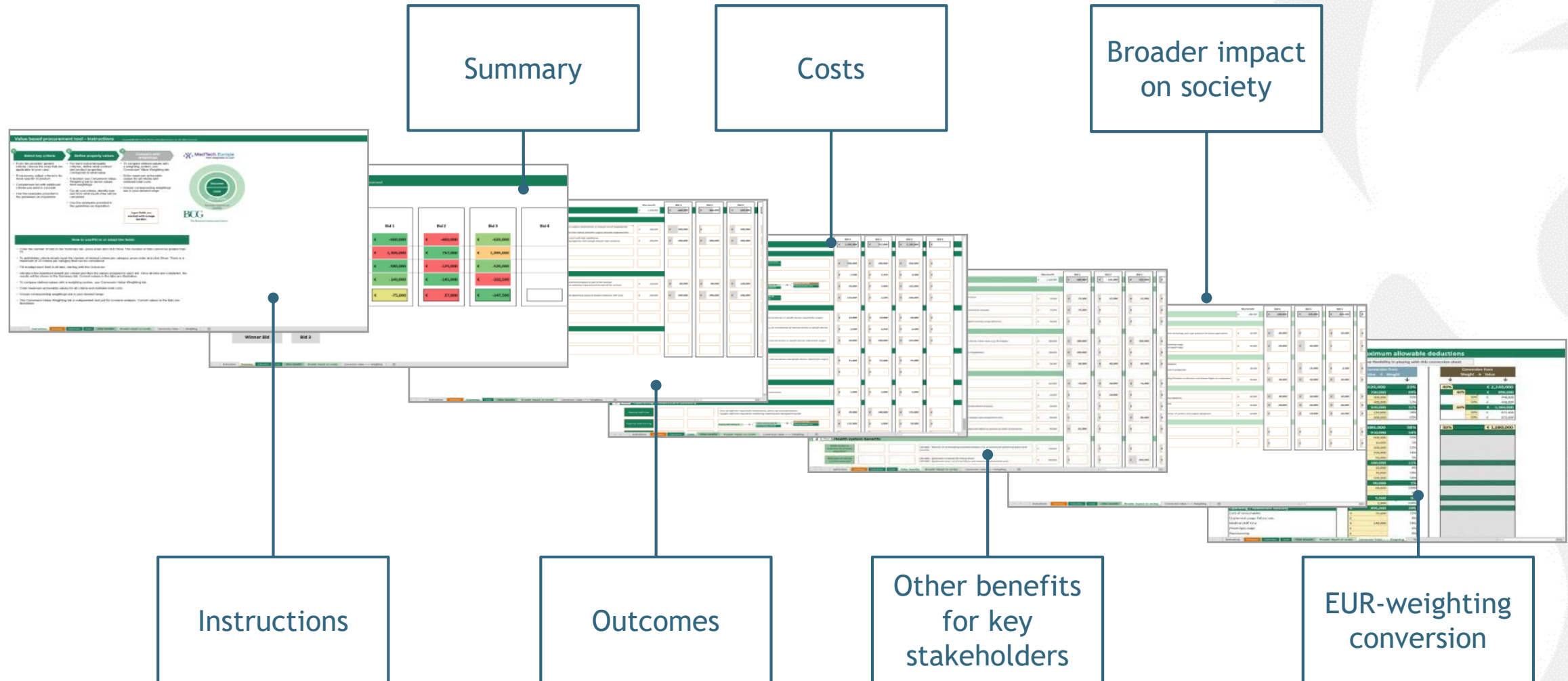
Value-based procurement



Value-based procurement Framework

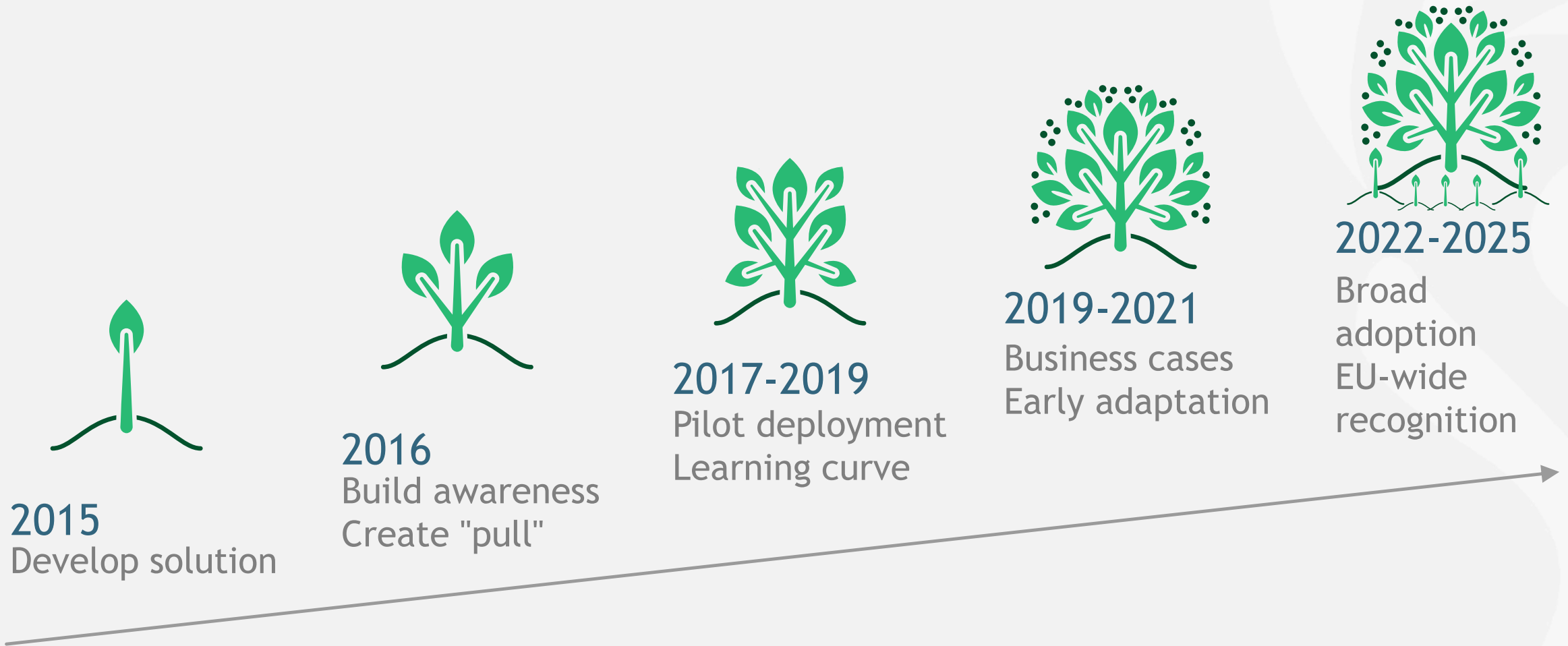


Framework supported by Excel tool

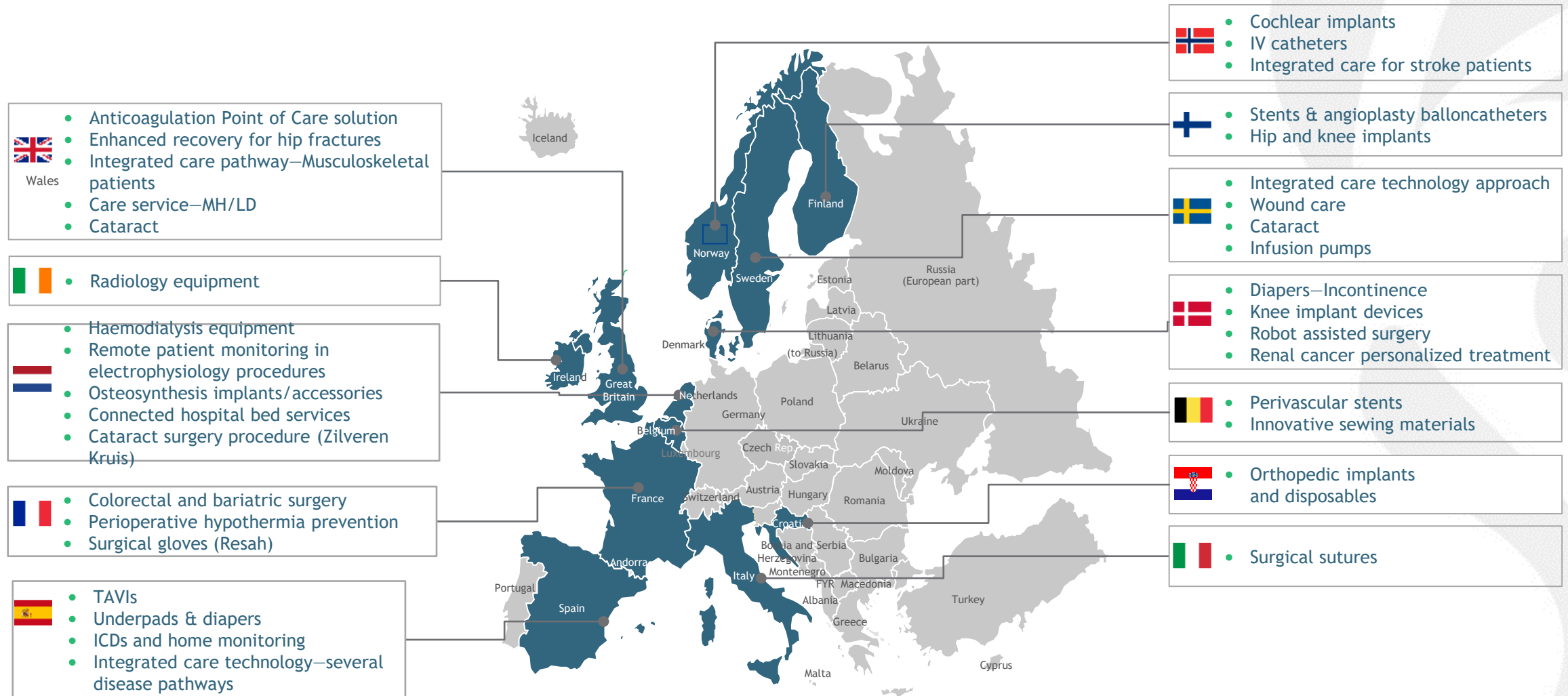


Adopting VBP is a multi-year journey

'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 medtech suppliers



VBP offerings build-up and financial reward for innovation, value secured

- Newly innovated products (e.g., connected hospital beds with integrated scale) and wider recognition for value and innovation (e.g., media, awards)
- Strengthened value recognition of existing product portfolio (e.g., diapers with higher value due to fewer HAIs)
- Products with improved technical features (e.g., PoC device with EMR connectivity)
- Increased revenue per patient due to full solution offering (e.g., PoC device for INR time measurement with dosing software for therapy)



Long-term revenue generation through partnership

- Contract of year-long service (e.g., connected hospital bed service over 15 years)
- Potential additional financial benefits over time (e.g., innovative TAVI solution lowering complication rate for HCB)
- Improved access to buyers of innovative products (e.g., PoC devices featured by NHS Wales)
- Experience with integrated solution offering (e.g., connected hospital solution offers better workflow efficiency)
- Reward for clear contribution to provider's sustainable financing



Partnership with providers for co-creation of evidence

- Co-created real world evidence (e.g., Erasmus MC's patient monitoring in connected hospital bed solution)
- Enhanced outcome measurement expertise (e.g., measuring complications during TAVI surgery)
- Data offers insights into clinical pain points and solution impact along care pathway (e.g., patient ulcer rate in mattress service)
- Offering standardized outcome measurement across delivery channels (e.g., PoC device enables standardized INR measurements in-/out-patient and at home)



Shortened R&D cycle times and co-develop with end-users

- Adapted R&D pipeline to clinical needs (e.g., supplier engineers connected beds to clinical needs of Erasmus MC's patients)
- Developed and refined solutions tailored to clinical pain points (e.g., integrated bed exit alarm to reduce patient falls at Erasmus MC)
- Collaborated with center of excellence (e.g., TAVI suppliers and HCB for cardiac surgery care)
- Experience with solutions benefitting clinical needs (e.g., PoC device supplier improves net promoter score with NHS Wales)

Key challenges for medtech suppliers



Insufficient value focused sales model

- Internal mentality and sales process setup in a traditional product focuses and transaction sales process specific model which leaves limited room for broader and integrated offerings
- Sales team unable to differentiate based on value driven offering since there is insufficient focus on clinical pain points and ways to address those
- Provide a sales force with training and toolkits to educate on clinical value of integrated solutions rather than products and thus, enable selling of



Lack of evidence for value proposition

- Lack of specific value proposition for patient cohorts, validated measures and targeted supportive data to show evidence for clinical outcome improvement through value offerings
- Suppliers often have not yet set-up a cost-efficient and targeted operating model to generate real world evidence specific to health system or client contexts
- Insufficient partnerships with providers on clinical trials and proof of concept tests to co-create evidence for value (outcome, total cost and other benefits) improvement



Insufficient VBP expertise and enablement

- In many medtech firms, employees across departments are not educated on/experienced in VBP yet and don't understand value of engaging in a VBP tender project
- Expertise and readiness for a VBP tender process are lacking (smaller companies often limited existing evidence, larger companies insufficient focus on pain points and value based selling)
- Educate and train own employees on process and requirements of VBP and create expert teams across departments to foster knowledge transfer







Insufficient internal alignment between functions


- VBP tendering often held back by getting internal approval from management (at times challenging and highly time-consuming)
- Insufficient management attention existent for VBP, e.g., not all suppliers really backed by senior management and thus, hindered to engage in VBP projects
- Establish improved operating model on VBP to enable engagement in tenders across employee levels, e.g., setup of information and training sessions to reach consensus level

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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Five action steps for medtech suppliers



Action steps

Prioritize where to play in VBP and broaden over time

- Focus on offerings where evidence is most robust/specific and where capabilities are strongest/most differentiated

Work in multi-disciplinary teams to develop value propositions

- Around VBP framework identify underlying drivers or outcomes/cost of care and how to impact
- Crystalize evidence for outcome drivers and key products
- Capture business case around VBP at project/business level

Enable commercial teams

- Follow case study guidance on VBP best practice org models
- Enable teams with clear value messaging, rollout & training roadmap, best practice sharing
- Provide value-based contracting options

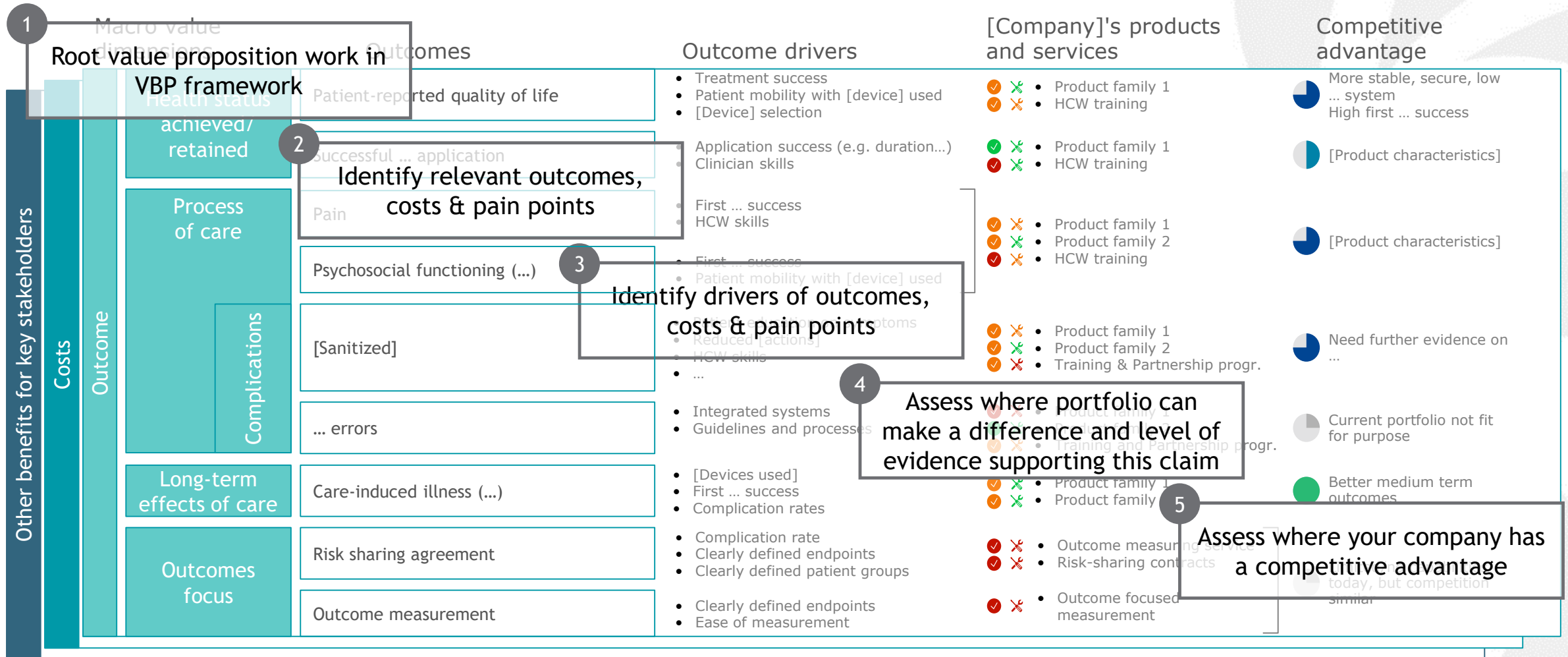
Rigorously execute, starting with prioritized tenders

- Strengthen VBP tender excellence and associated tools
- Track success via KPIs and country team readiness assessment

Learn, collect real world data and fill evidence gaps

- Shorten R&D cycles and support value generation with evidence-based co-development with accounts
- Establish agile evidence generation planning process
- Strengthen enablers for evidence generation and RWE

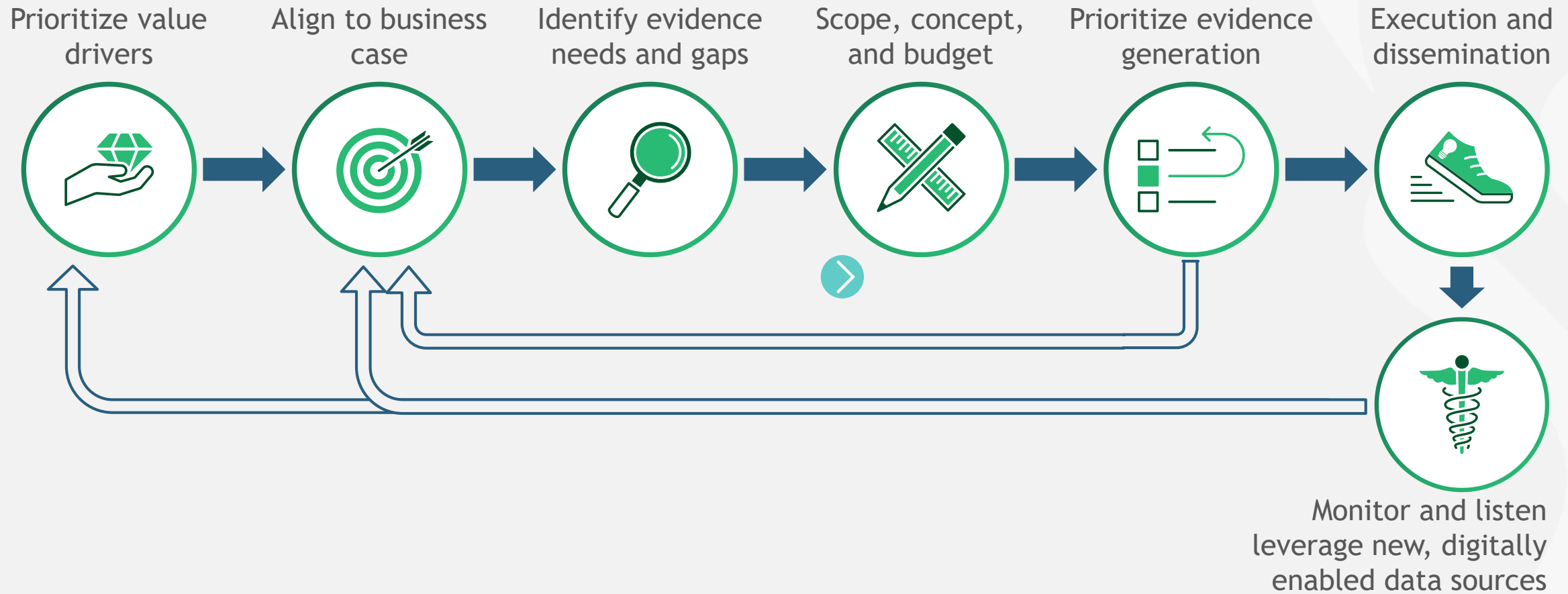
Develop value propositions based on the VBP framework



Note: Dependencies/interactions between outcome dimensions
 Source: MedTech Europe; BCG analysis

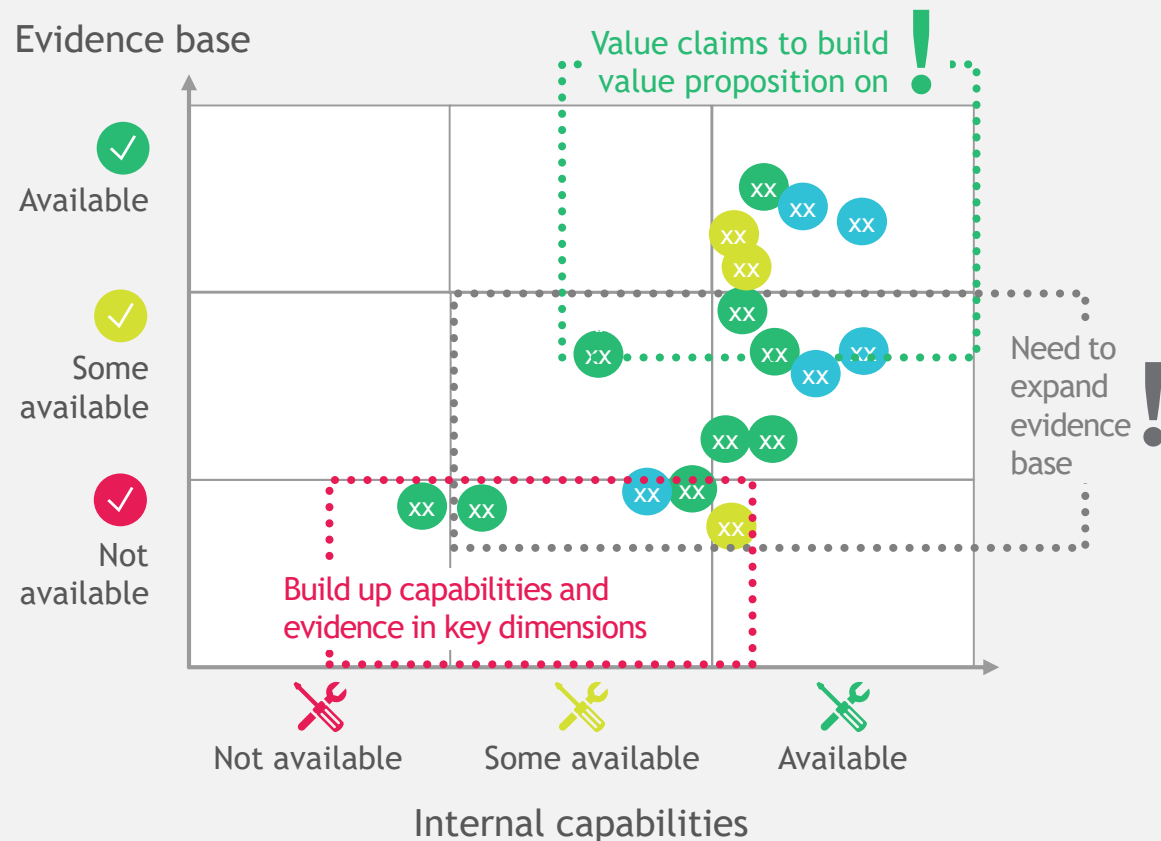
Evidence Available Some available NOT available	Internal capabilities Available Some available NOT available	Competitive Advantage Strong vs. top tier players Strong vs. low cost players Marginal
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Establish evidence generation planning & collection process



Collect real world data and fill the evidence gaps

Portfolio assessment



Identify and systematically execute evidence investment priorities

- Improve clinical & RWE generation model
- Partner with customers to collect RWE
- Refine VBP approach & value proposition

Enable teams with clear value messaging based on evidence and joint value creation examples

I

High-level value claim



Illustrative and high-level value claim to

- initiate discussion
- capture stakeholder attention

II

Evidence to support claim



Selected evidence summary to

- substantiate value claims
- indicate value potential

III

Joint value creation levers



Client specific and industry examples to

- illustrate joint value creation levers
- Provide starting point for next steps discussion

Six VBP success factors for the medtech supplier



Clear ownership via **dedicated VBP function** at central and market level



Pilot approach with 2-4 upcoming tender in most advanced VBP markets



Best practice coordination and KPI tracking across markets and **continuous refinement**



Adjustment of financial models/incentives to encourage multi-year, big return VBP investments

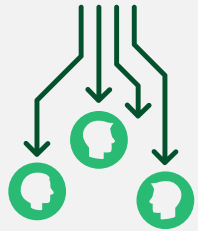


VBP simulation to engage internal stakeholders and start discussion with procurers



Engagement of different stakeholders at multiple levels to drive VBP agenda

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



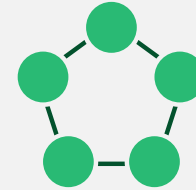
“Classical Procurement”

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



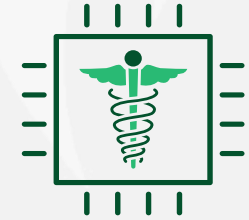
Medtech supplier-procurer partnership for value

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