



Journey of change towards Value-Based Procurement

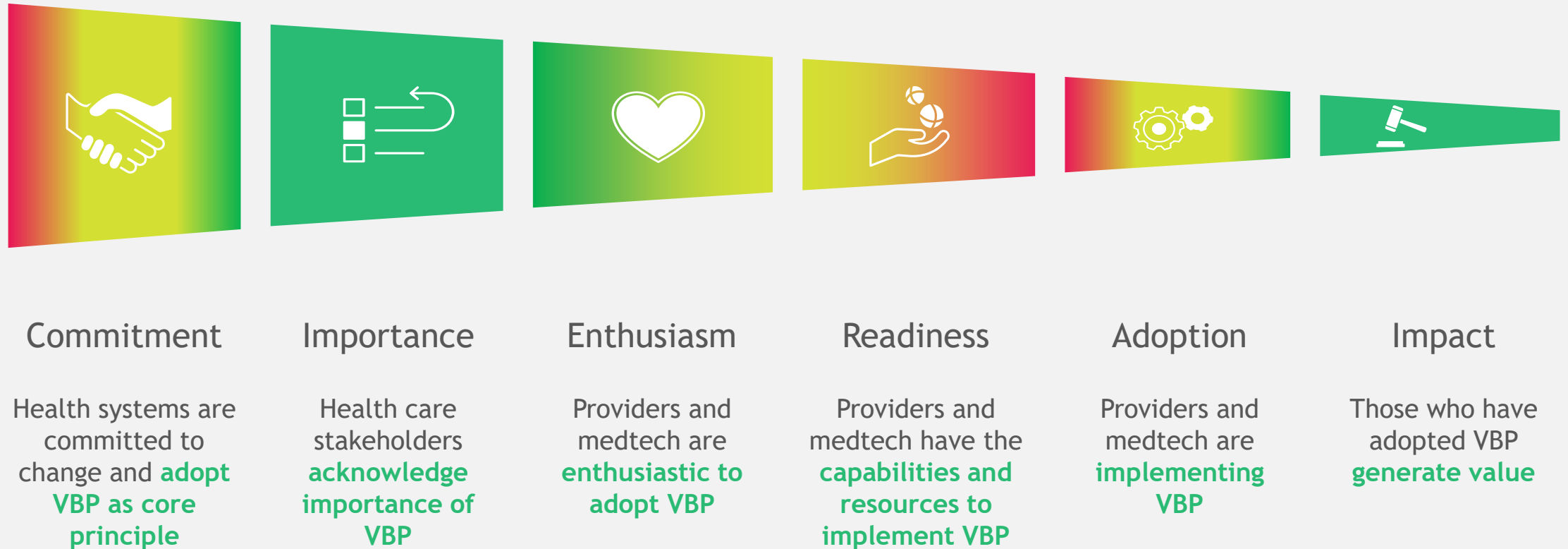
Goetz Gerecke - Managing Director and Senior Partner

1 DECEMBER 2020

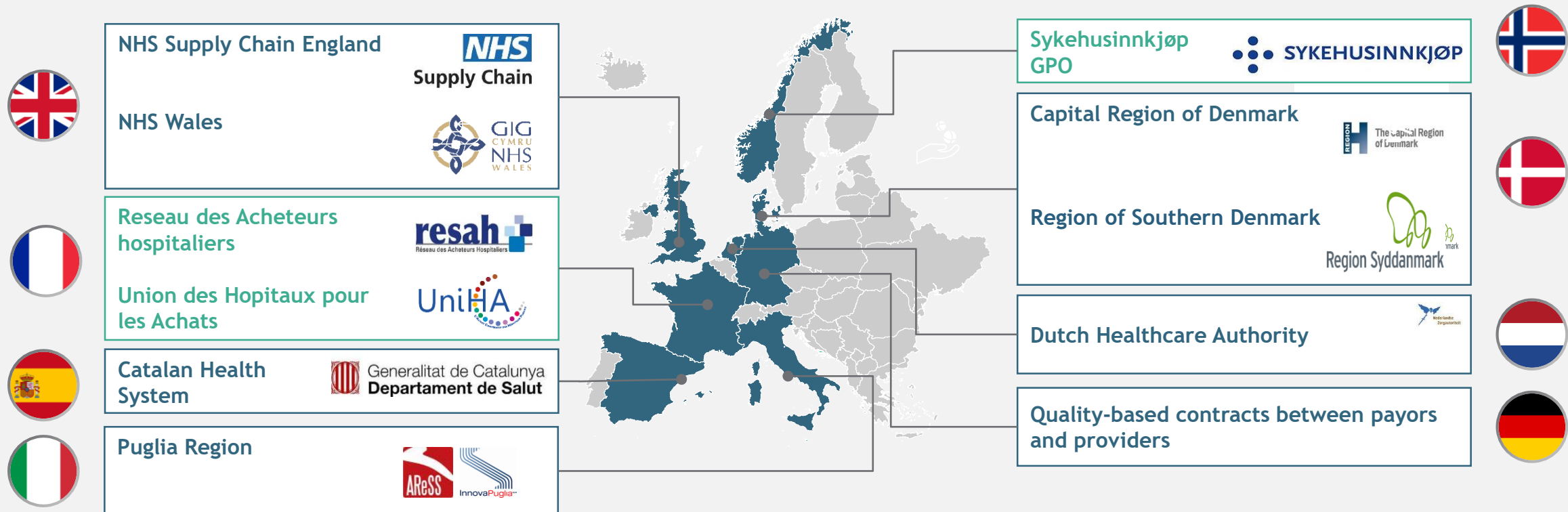
Value based procurement journey to date



Where are we on the journey of change?

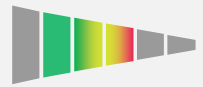


Health systems and GPOs are starting to commit to VBP



GPO level
Health care system level
Supranational level

Note: Selection of examples only
Source: Medtech Europe, industry and procurer interviews, CoP events, desk research, BCG; Medtech Europe; BCG analysis



Pulse check #1 - Let's jointly review the status of VBP adoption in your organizations

1 Take your smart phone and connect to WWW.MENTI.COM



2 Select your organization type and enter the related code



or



Medtech

Provider /
procurer

3 Answer the 4 questions

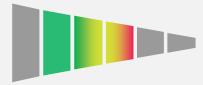


4 Jointly review the results



5 Please keep the app open for a final question later in the presentation



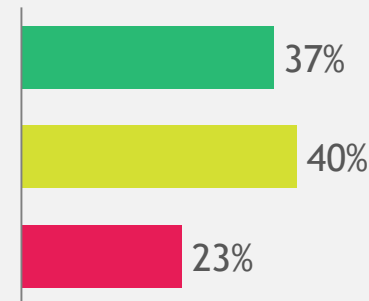
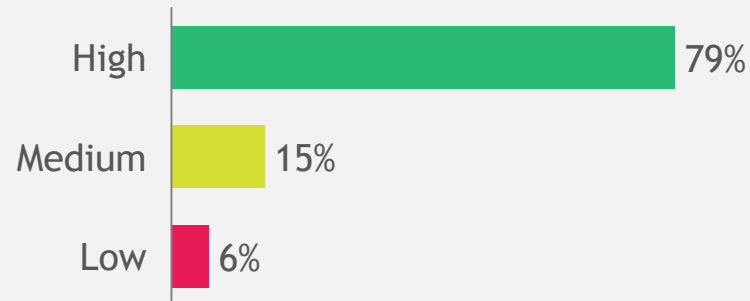


Recap: Results of 2019 survey (I)

Importance of VBP¹

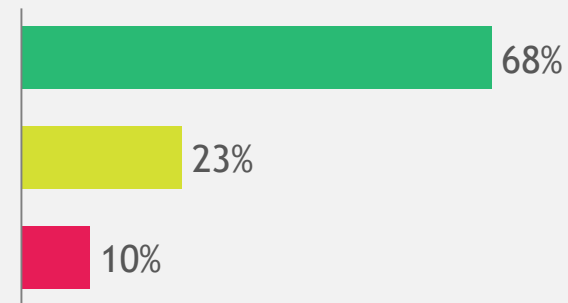
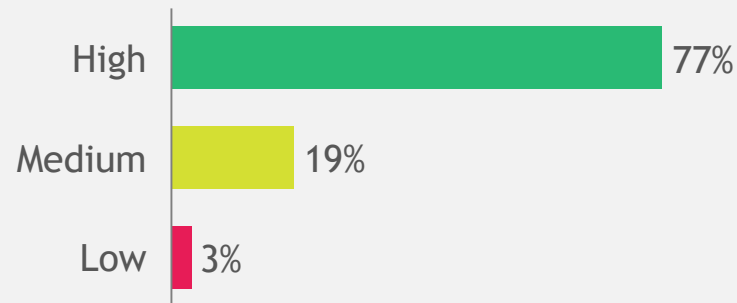
Enthusiasm for VBP²

Procurer
(n = ~35)

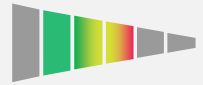


Substantial change required for procurers

MedTech
(n = ~65)



1. How important do you see VBP and its rollout for your organization's success today? 2. What is the level of enthusiasm for VBP within your organization?
Source: VBP online survey; BCG analysis

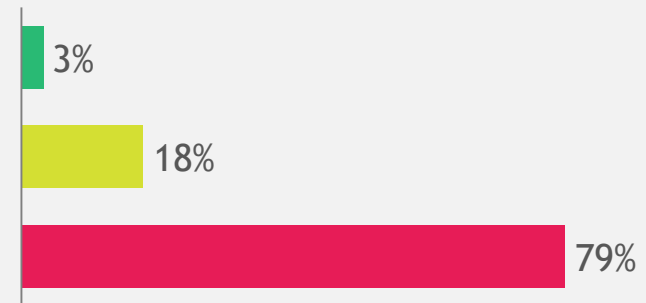
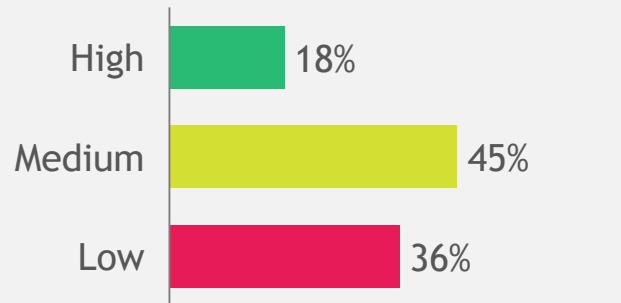


Recap: Results of 2019 survey (II)

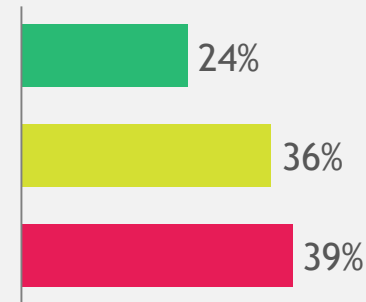
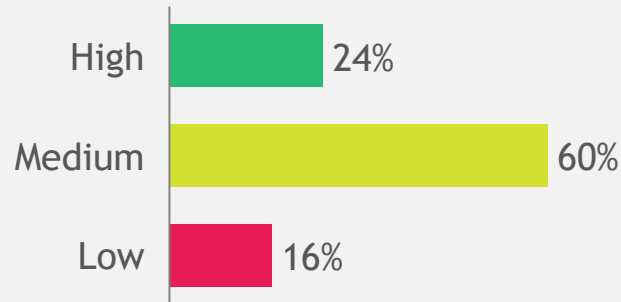
VBP readiness - internal view¹

VBP readiness - external view²

Procurer
(n = ~35)

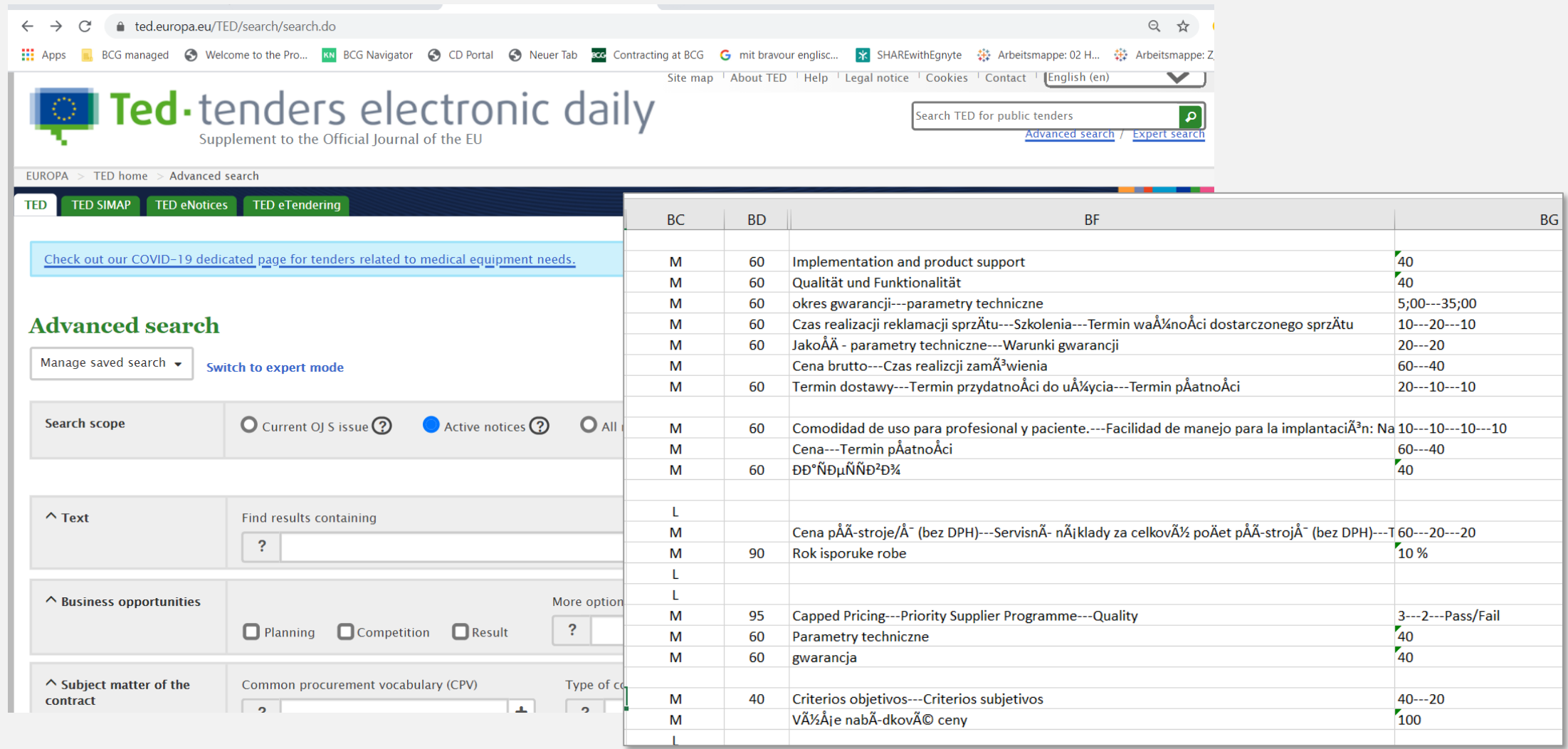


MedTech
(n = ~65)



1. How do you rate your organization's readiness for VBP today? 2. How do you rate medtech suppliers/procurers (respectively) readiness for VBP?
Source: VBP online survey; BCG analysis

Adoption: Making sense of the TED EU tender database



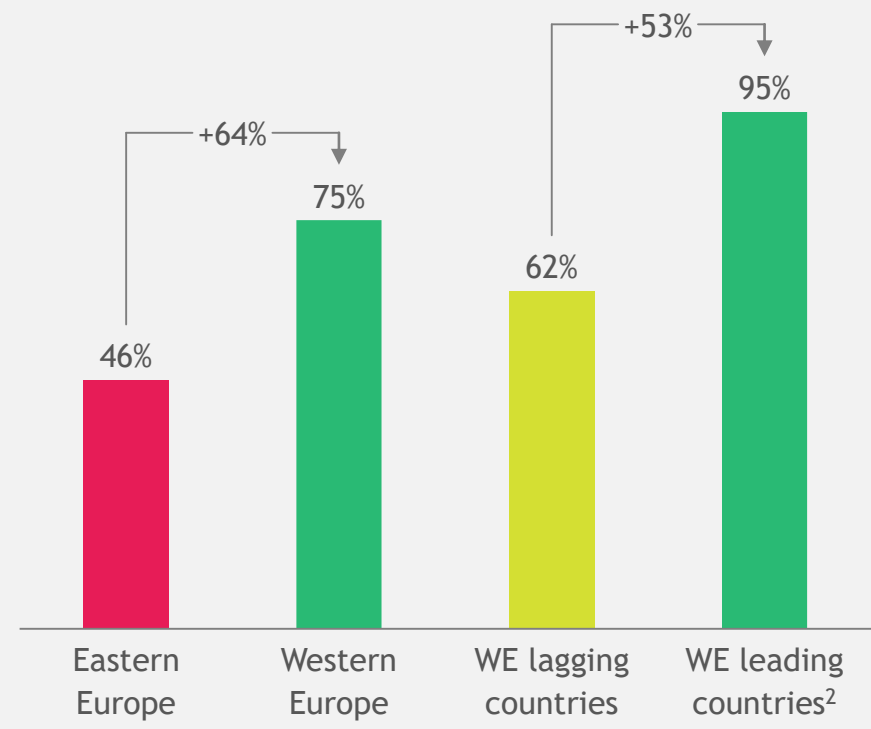
The screenshot shows the TED website interface. On the left, there are search filters for 'Advanced search' including 'Search scope' (Current OJ S issue, Active notices, All), 'Text' (Find results containing), 'Business opportunities' (Planning, Competition, Result), and 'Subject matter of the contract' (Common procurement vocabulary (CPV)).

On the right, a table displays search results with columns for country codes (BC, BD, BF, BG), tender type (M, L), and various details. The table data is as follows:

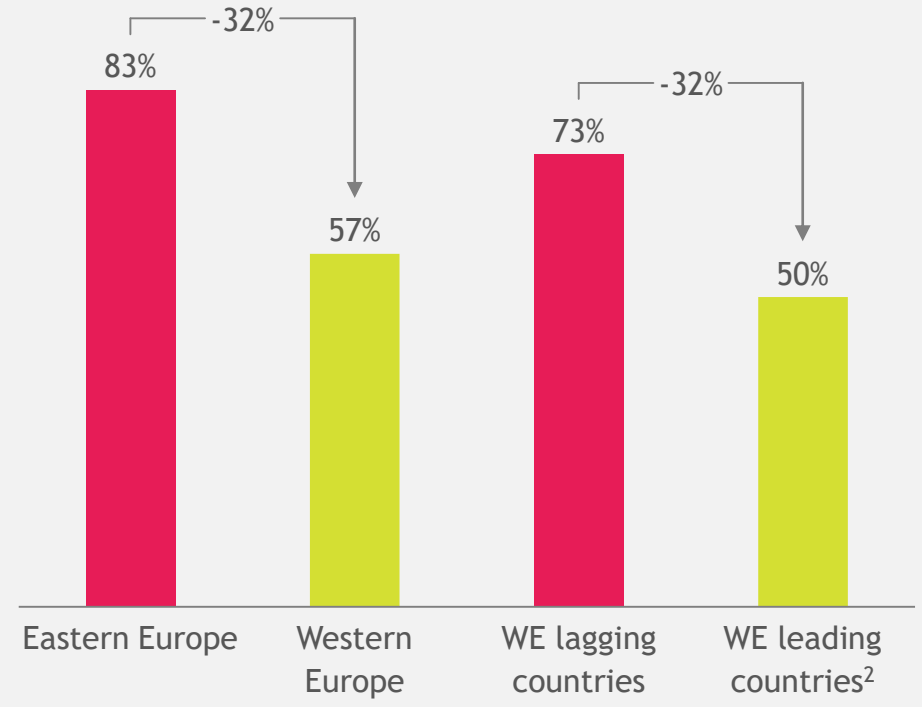
Country	Tender Type	Description	Value
BC	M	Implementation and product support	40
BD	M	Qualität und Funktionalität	40
BF	M	okres gwarancji---parametry techniczne	5;00---35;00
BF	M	Czas realizacji reklamacji sprzÄtu---Szkolenia---Termin waÅ¼noÅci dostarczonego sprzÄtu	10---20---10
BF	M	JakoÅÅ - parametry techniczne---Warunki gwarancji	20---20
BF	M	Cena brutto---Czas realizacji zamÄ³wienia	60---40
BF	M	Termin dostawy---Termin przydatnoÅci do uÅ¼ycia---Termin pÅatnoÅci	20---10---10
BF	M	Comodidad de uso para profesional y paciente.---Facilidad de manejo para la implantaciÃ³n: Na	10---10---10---10
BF	M	Cena---Termin pÅatnoÅci	60---40
BF	M	ÐÐ°ÑÐµÑÑÐ²Ð¼	40
BF	L		
BF	M	Cena pÅÅ-stroje/Å~ (bez DPH)---ServisnÅ- nÅ¼klady za celkovÅ½ poÅet pÅÅ-strojÅ~ (bez DPH)---T	60---20---20
BF	M	Rok isporuke robe	10 %
BF	L		
BF	M	Capped Pricing---Priority Supplier Programme---Quality	3---2---Pass/Fail
BF	M	Parametry techniczne	40
BF	M	gwarancja	40
BF	M		
BF	M	Criteria objetivos---Criteria subjetivos	40---20
BF	M	VÅ½Åje nabÅ-dkovÅ© ceny	100
BF	L		

Leading countries already with high MEAT penetration and much lower price weight

% of tenders marked as MEAT¹

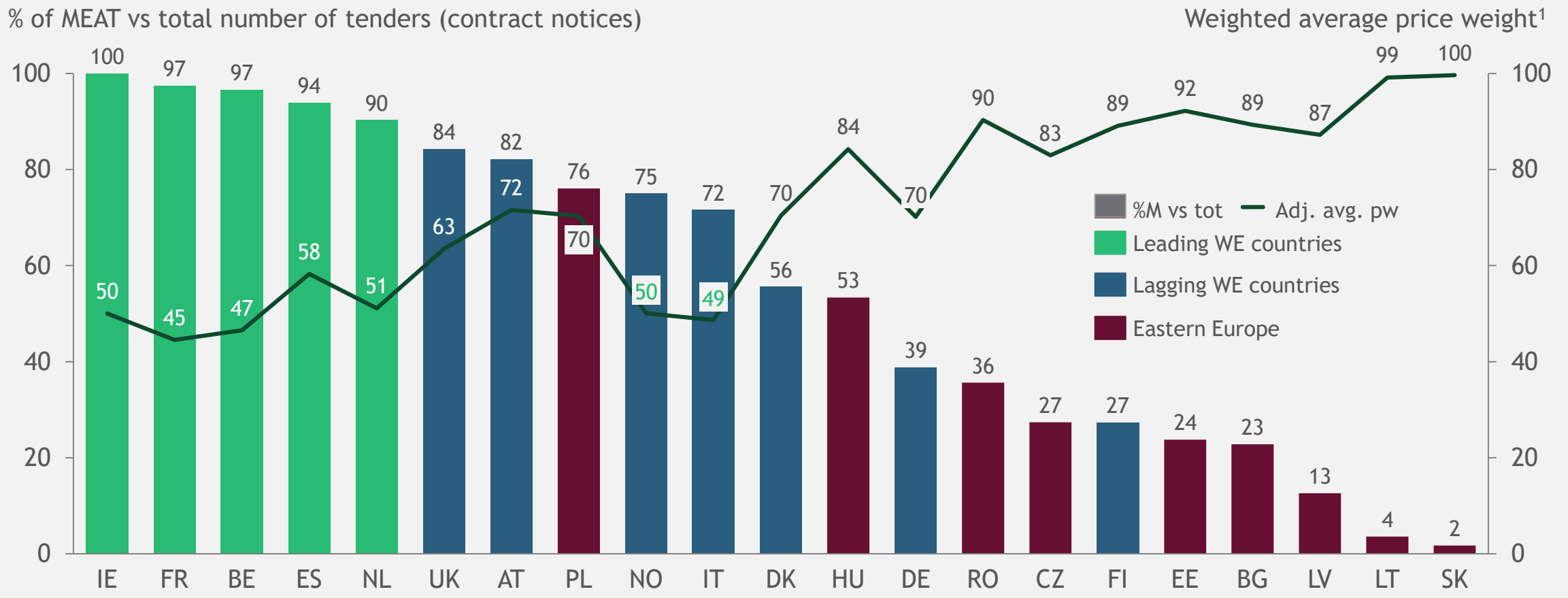


Average weight of price

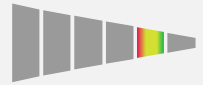


1. Most Economically Advantageous Tenders 2. Ireland, France, Belgium, Netherlands, Spain for MEAT, plus NO and IT for weight of price
 Source: TED database; BCG analysis

MEAT penetration and price weight highly correlated with exception of Norway and Italy

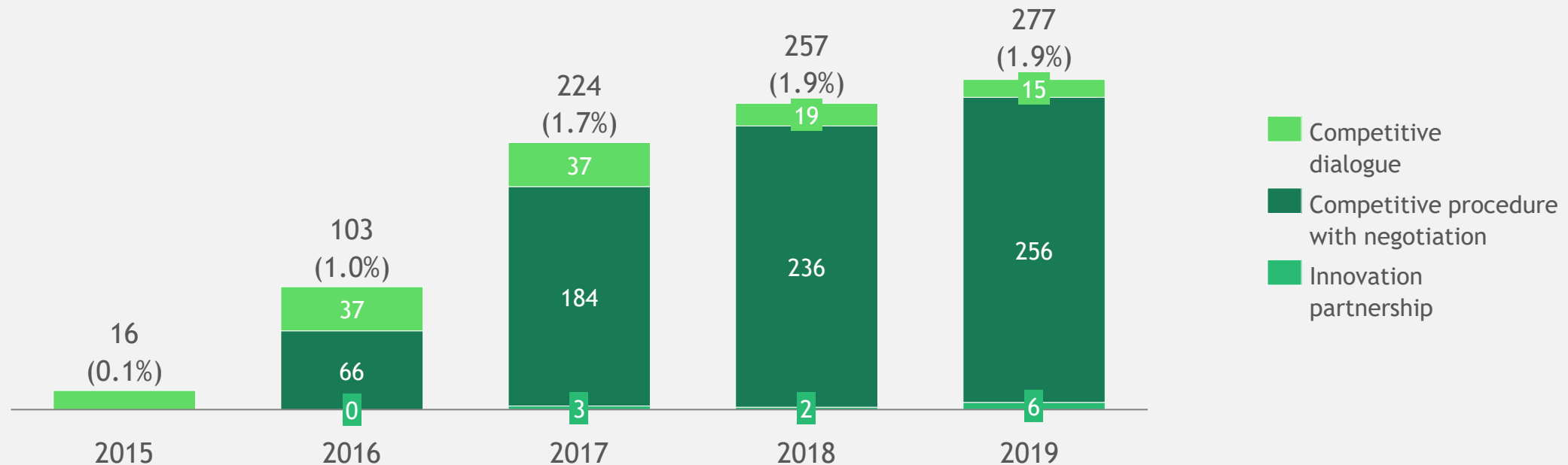


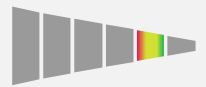
1. Assuming 100% price weight in L (lowest price) tenders and indicated price weight for M (MEAT) tenders (based on sample of M tenders in which price weight was indicated)
 Source: TED database; BCG analysis



Increasing number of tenders with collaborative procedures but still only low share

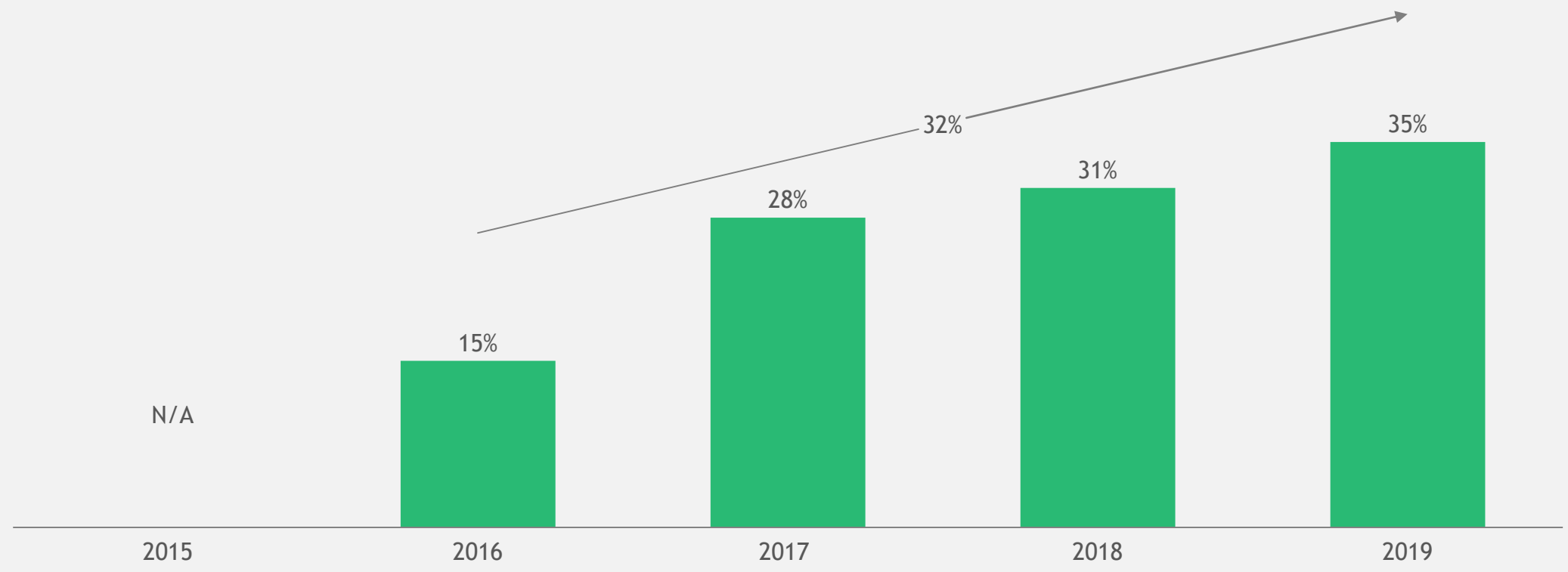
Contract notices with collaborative procedures
(as % of total number of contract notices)



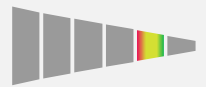


But: Share of tenders with low price weight (<30%) growing substantially in Western Europe


Share of MEAT¹ tenders with price criteria weight less than 30% in Western Europe





1. Most Economically Advantageous Tenders
Source: TED database; BCG analysis



Pulse check #2 - Let's now review the main obstacles to implement VBP in your organization



1 Take your smart phone again 

2 Select the 3 main challenges to VBP implementation in your organization 

3 Let's review the results 

In case you got locked out:

A Connect to WWW.MENTI.COM

B Select your organization type and enter the related code:  or 
Medtech Provider / procurer

Recap: Main challenges for procurers from 2019 survey

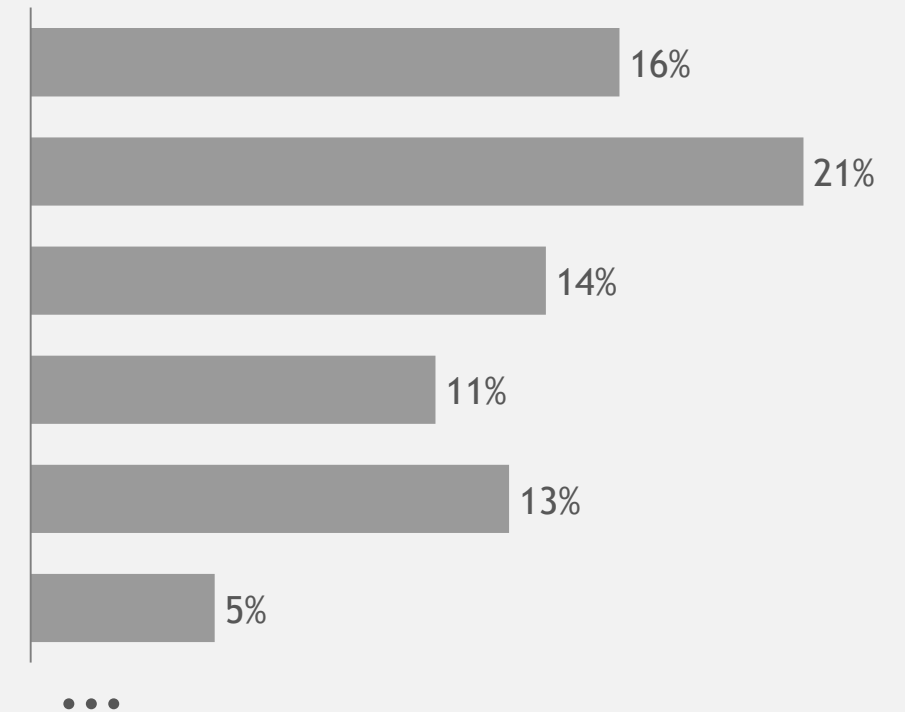
Procurer self-perception

(Top 3 obstacles¹; n = ~35)



Medtech view on procurers

(Top 3 obstacles²; n = ~65)



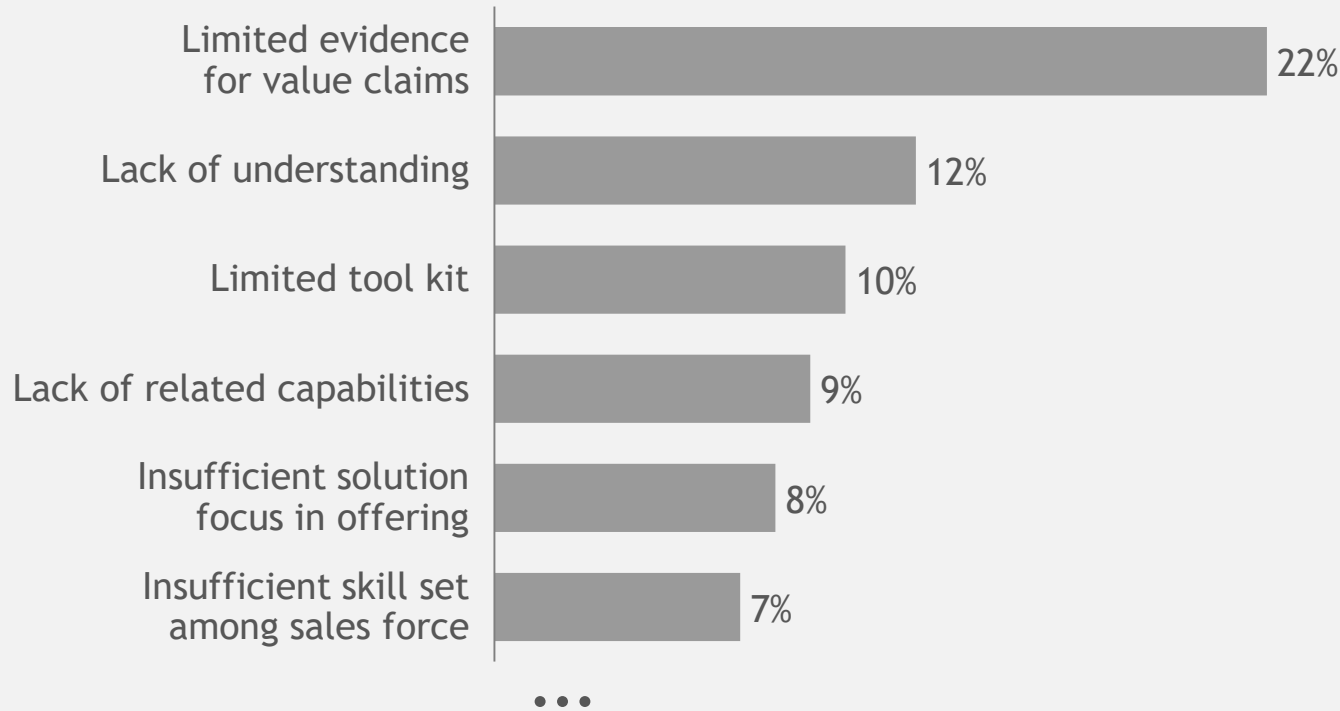
1. Within your organization, what are major obstacles and challenges regarding the implementation of VBP? Please rank the top three from your perspective. 2. On the hospital/procurer side, what are major obstacles and challenges regarding the implementation of VBP? Please rank the top three from your perspective'

Source: VBP online survey; BCG analysis

Recap: Main challenges for medtech from 2019 survey

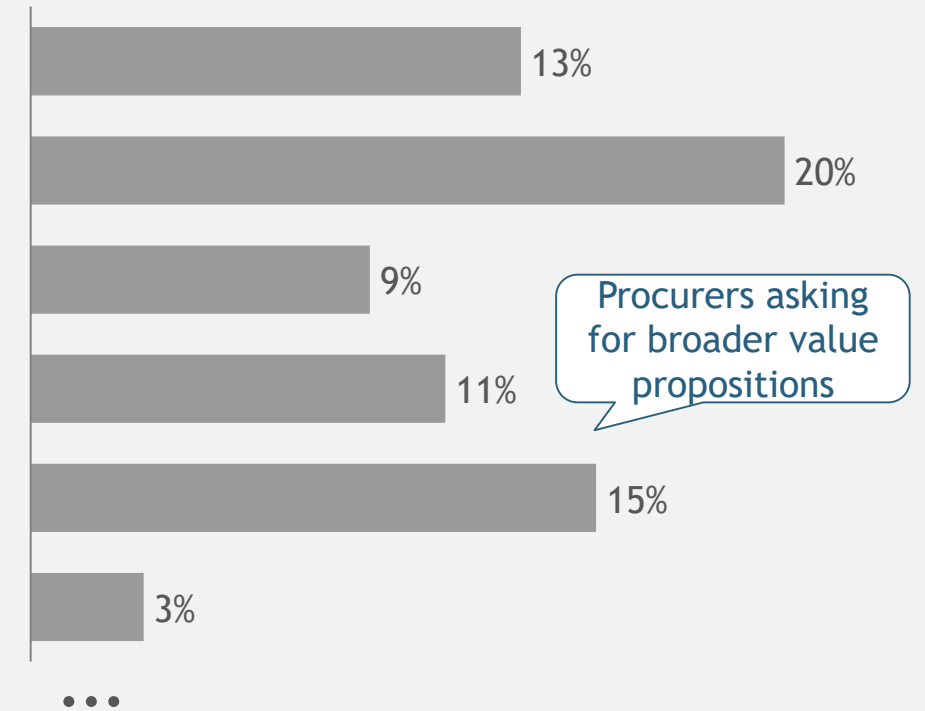
Medtech self-perception

(Top 3 obstacles¹; n = ~65)



Procurer view on Medtech

(Top 3 obstacles² ; n = ~35)

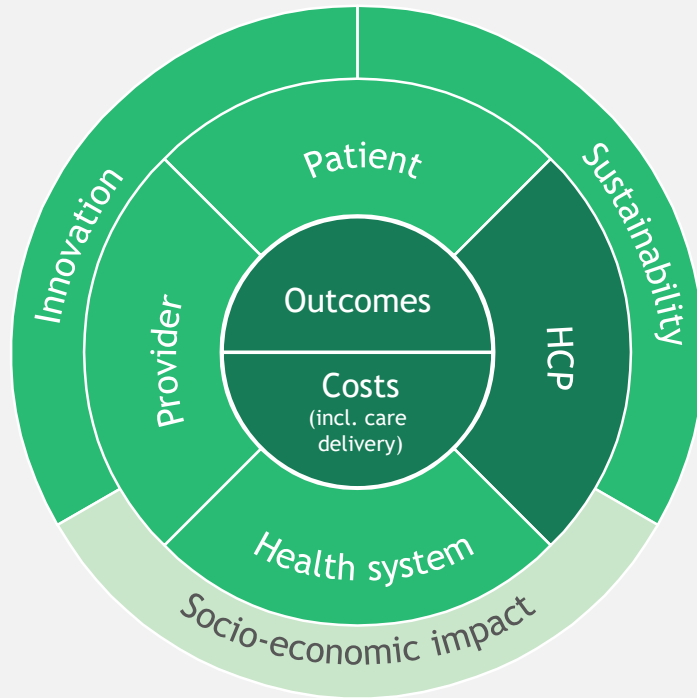


1. Within your organization, what are major obstacles and challenges regarding the implementation of VBP? Please rank the top three from your perspective. 2. What are major obstacles and challenges on the medical technology industry's side? Please rank the top three from your perspective 5. Other such as 'Lack of demand from procurers'
Source: VBP online survey; BCG analysis



Early adopters are reaping substantial benefits

Broad adoption of VBP framework



Criteria applied at ■ High frequency ■ Medium frequency ■ Low frequency

Benefiting providers and medtech



“ We looked back at past tenders & presume that a large amount would have had a different result¹ ”



“ We won 70% of VBP pilot tenders with a higher price realization. That's virtually double our market share² ”

1. Ferran Rodríguez Omedes, head of clinical and biomedical engineering at the University Hospital Clinic Barcelona
Source: VBP belief audits; VBP online survey; VBP belief audit interviews; VBP case study deep dives; BCG analysis

2. Leading medtech company

The time to act is now!



The status quo is not sustainable



A win-win for all stakeholders



VBP is not easy, but ready to move at scale

“Never let a good crisis go to waste”

Winston Churchill

Any questions?



Please reach out for further discussion



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