



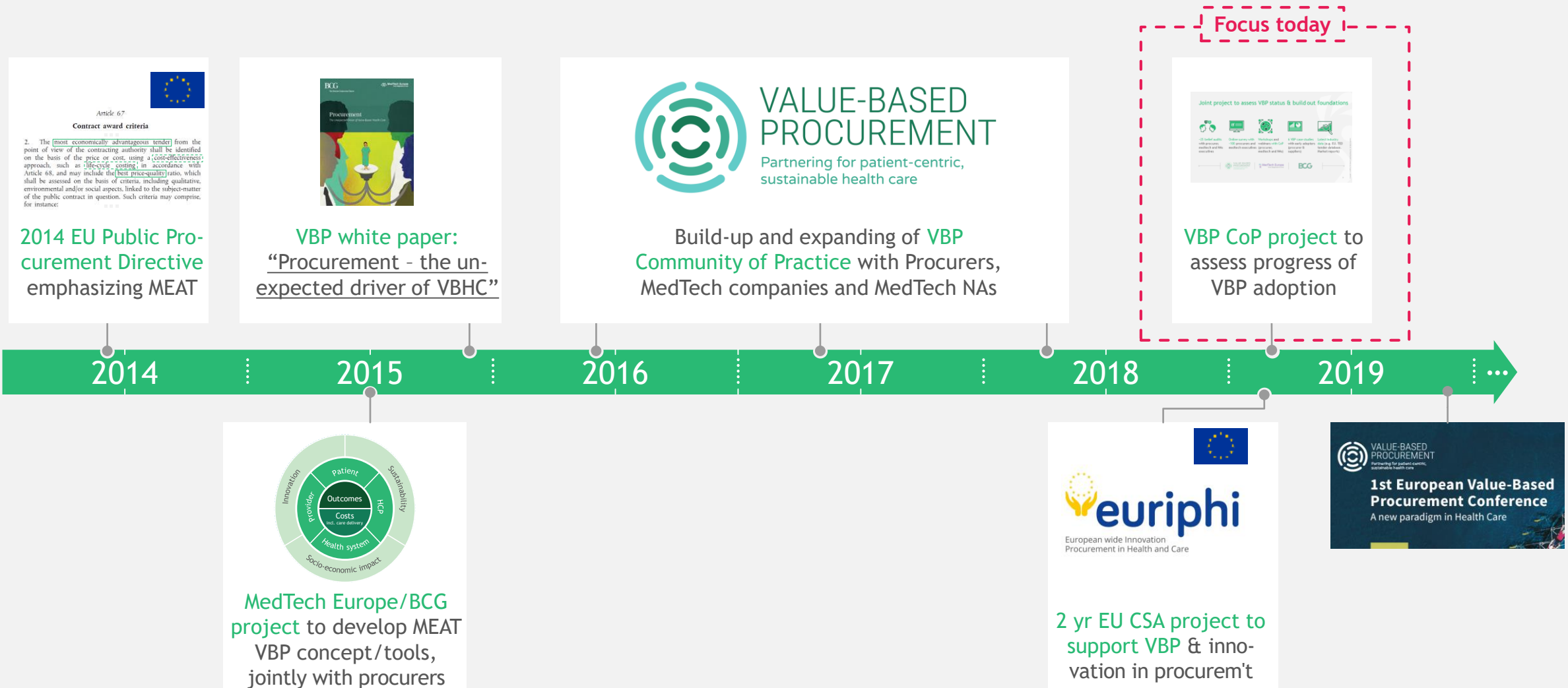
How to accelerate the shift to value-based procurement

1st European Value-Based Procurement Conference

12 DECEMBER 2019, BRUSSELS



Multi-year journey underpinning VBP evolution to date



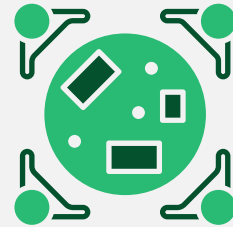
We engaged with procurers and medtech companies to generate insights from VBP roll-out



~25 belief audit interviews



Online survey with ~100 participants



Workshops with CoP¹ members



Deep dives on five VBP cases



Review of tender repositories



1. Community of Practice with procurers and MedTech companies to facilitate roll-out of VBP
Source: MedTech Europe; BCG

Momentum is building across EU



EU Public Procurement Directive transposed into local law in **28/28** member countries



VBP as **core strategy** to shift to value, enhance care integration

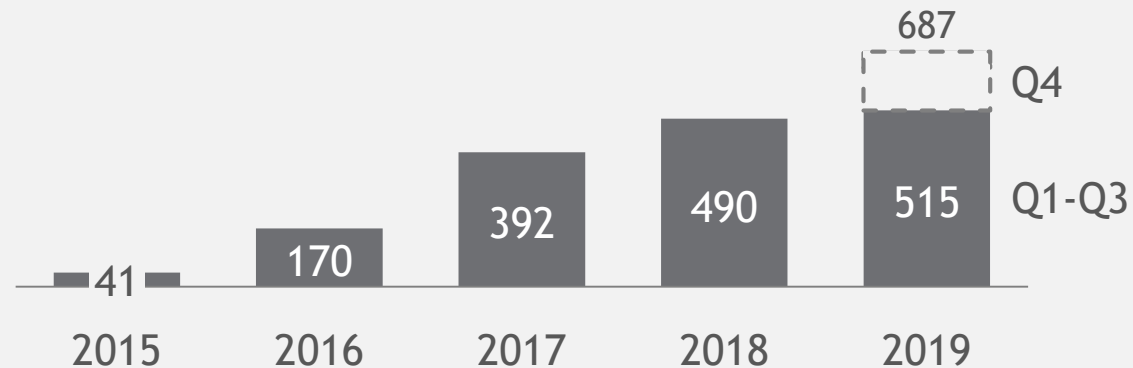


SCCL considering using VBP as **operating model** to manage newly centralized procurement



Advancing **value-based contracting** throughout **HC supply chain**

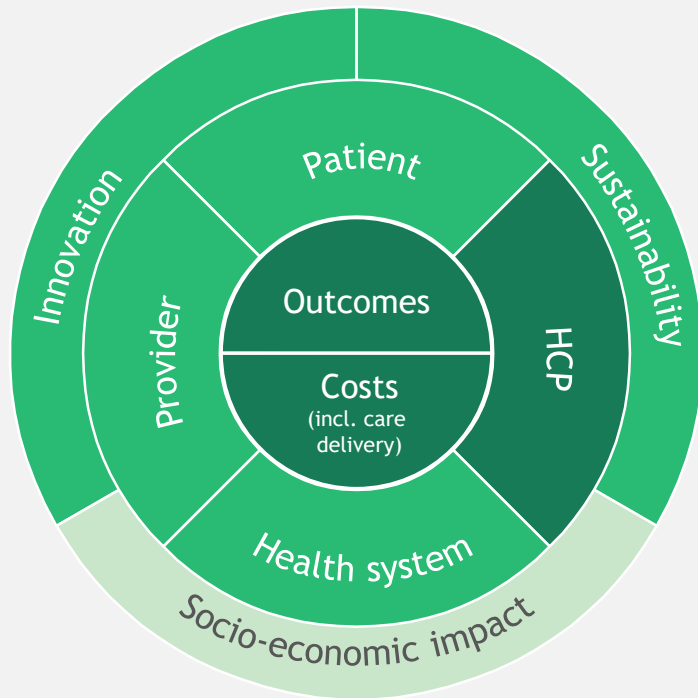
Tenders with collaborate procedures¹



1. Includes competitive dialogues, competitive procedures with negotiations and innovation partnerships. Competitive dialogues and competitive procedures with negotiations provide more flexibility and room to negotiate with suppliers. The competitive procedure with negotiations was newly established by the 2014 EU Public Procurement Directive. Source: EU Ted tender database; VBP belief audit interviews; BCG analysis

Broad adoption of VBP framework in assessed cases

VBP criteria types used in case studies



- While price still 25-40% of weight, clear shift towards outcome and total cost of care criteria
- HCP value criteria to relieve burden on caregivers were also especially valued
- Procurer willingness to co-invest in innovation if of strategic and economic interest

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

Source: VBP case study deep dives; VBP belief audits interviews; VBP online survey; BCG analysis

Early adopters are reaping substantial benefits



Providers

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



Improved outcomes & benefits for HCPs



Reduced total cost of care and improved financial sustainability



More comprehensive solution addressing specific clinical & economic pain points



MedTech suppliers

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



Higher win rate and price realization



Multidisciplinary value-based selling enabling stronger partnerships with key accounts

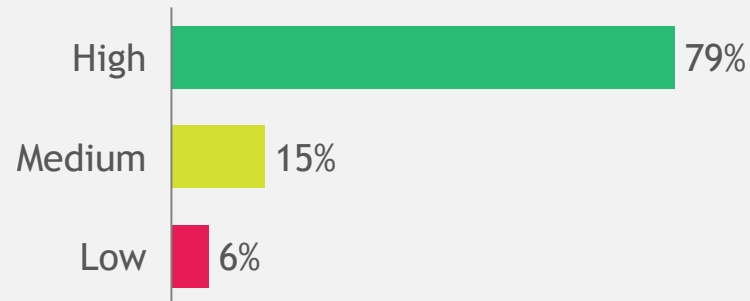


Shorter R&D cycles due to co-development and co-creation of evidence with centers of excellence

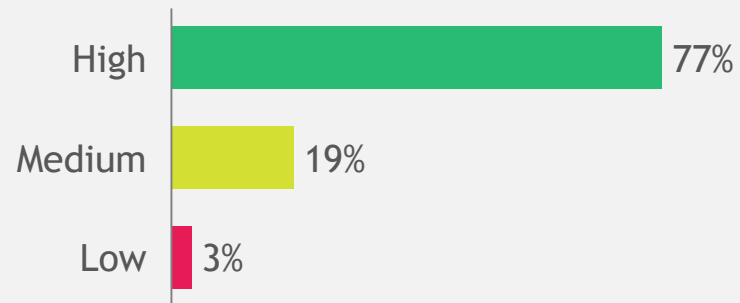
VBP is seen as important driver of future success

Importance of VBP¹

Procurer
(n = ~35)



MedTech
(n = ~65)

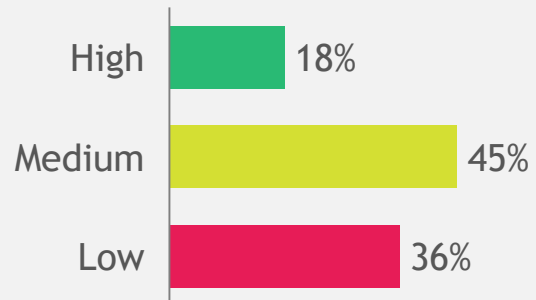


1. How important do you see VBP and its rollout for your organization's success today? 2. What is the level of enthusiasm for VBP within your organization?
Source: VBP online survey; BCG analysis

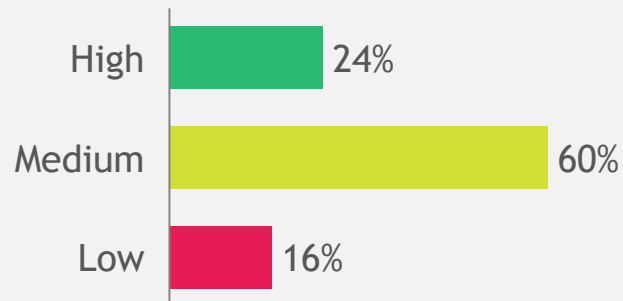
But there is still a lot of work to do

VBP readiness - internal view¹

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



Main challenges for procurers

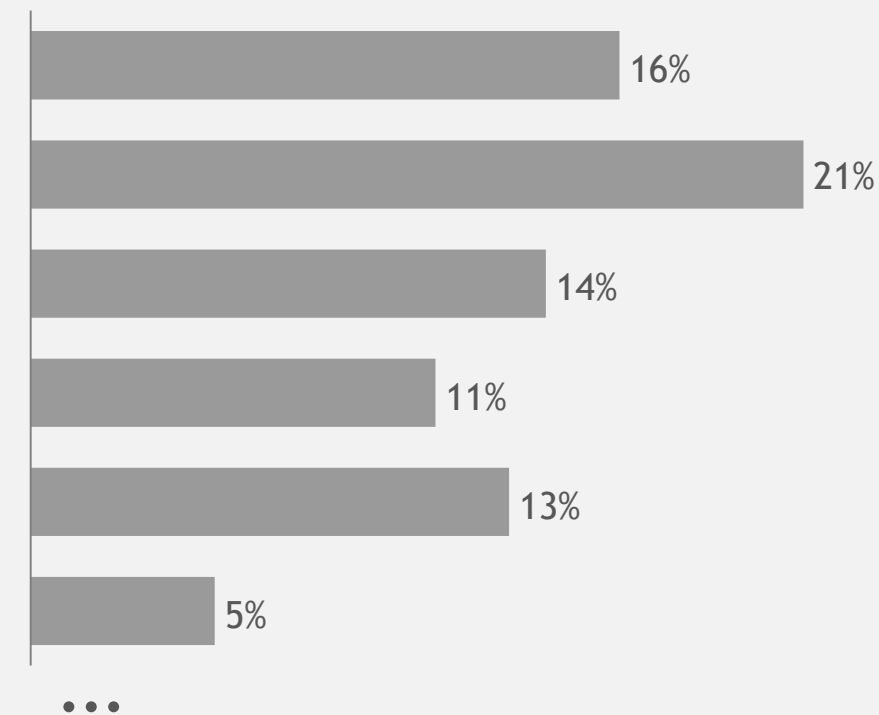
Procurer self-perception

(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



Main challenges for medtech

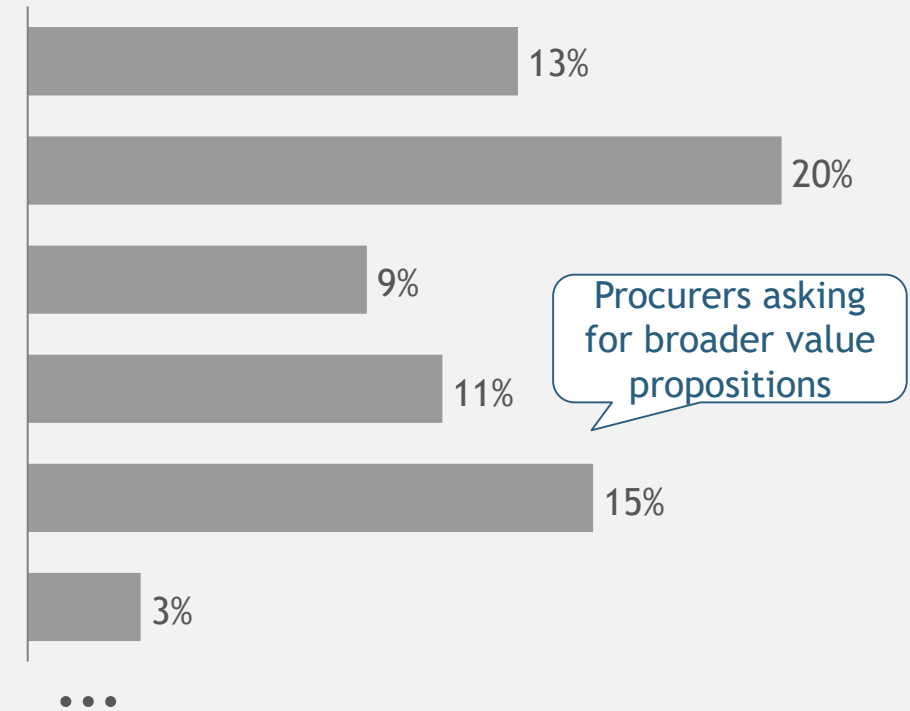
MedTech self-perception

(Top 3 obstacles¹; n = ~65)



Procurer view on MedTech

(Top 3 obstacles² ; n = ~35)

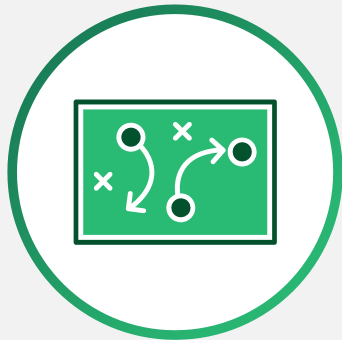


Procurers asking for broader value propositions

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

Recommended action steps for providers/procurers



Set-up and empower
VBP team



Prioritize and pilot VBP
approach and start learning



Build organizational
capabilities

Recommended action steps for medtech



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



Community of Practice with clear ambition

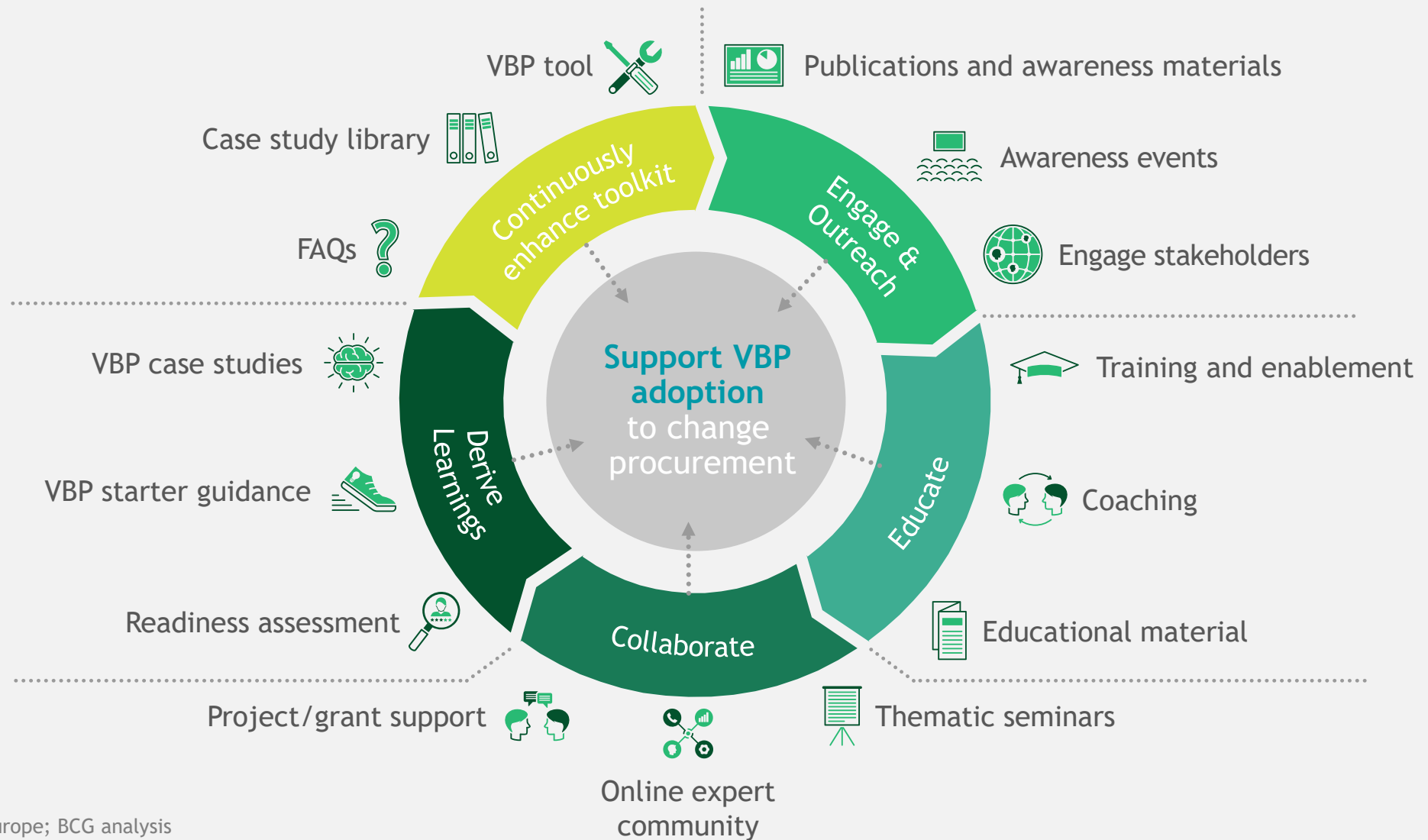
Partner for patient-centric,
sustainable health care

by supporting adoption of
value-based procurement

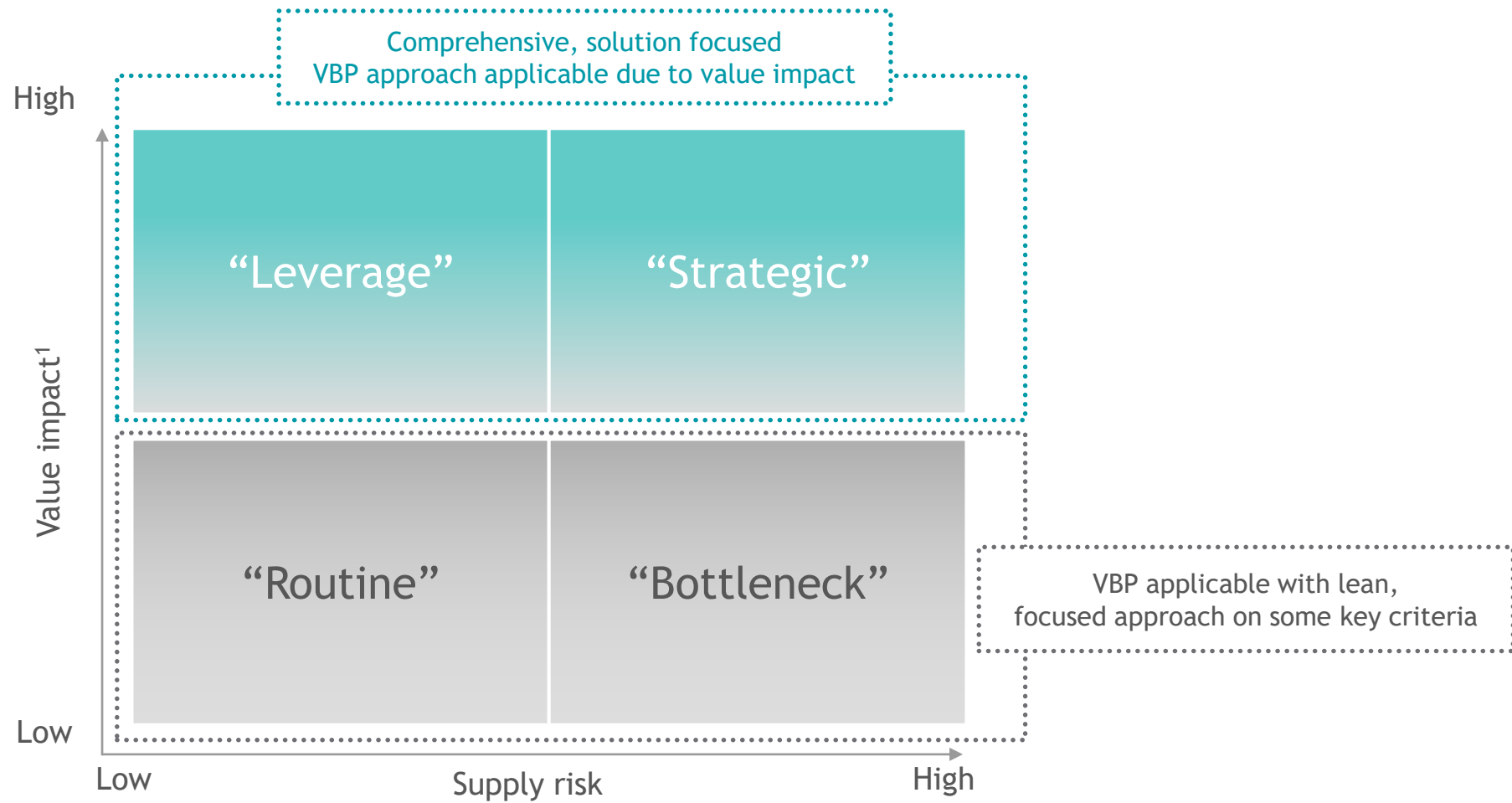
and thus changing
procurement practice



VBP CoP focuses on 5 activities to support adoption



Procurer to maximize value impact & apply strategic step-by-step approach



Source: Portfolio matrix by Kraljic (1983), BPC; MedTech Europe team

Any questions?



Please reach out for further discussion



Goetz Gerecke, Senior Partner & Managing Director,
gerecke.goetz@bcg.com



Hans Bax, Senior Advisor VBP,
hans.bax@meat-procurement.eu