

Position Paper

September 2019

Provincial Transformation and Centralization of Procurement

Medical Technology Industry Perspective

Introduction

In health care, procurement is the activity that pertains to the strategies, processes and tools used to acquire medical technologies and other products and services. Hospitals and other health care providers in Canada can procure their equipment, supplies and services individually or as part of group purchasing (GPO) or shared services organizations (SSO).

Currently there is no consistent model for procurement across Canada, nor a consistent set of procurement rules or practices. The landscape is different in each province and is often different within regions or specific providers (e.g. community care, long-term care or hospitals).

This has resulted in a complex procurement landscape in health care in Canada, which does not optimize the taxpayer dollar spend, ensure the best patient outcomes or create an ideal business climate.

Background

Recently both Quebec and Ontario have announced an intention to move to a “centralized” procurement and/or supply chain model for all government and broader public sector institutions:

Quebec:

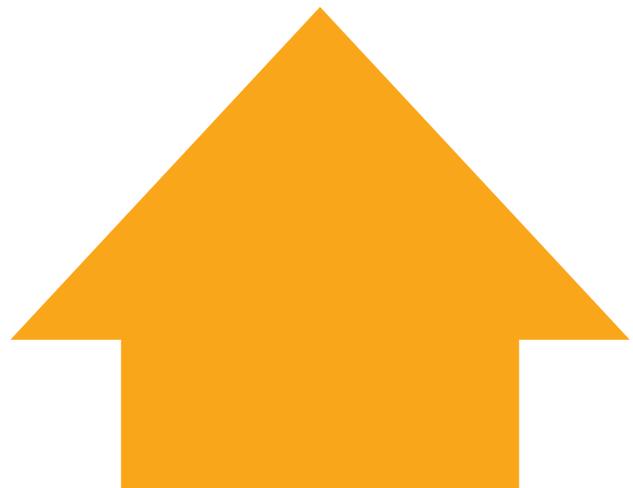
Expenditure Budget 2019-2020
(Link: <https://bit.ly/2k0yvub>)

Ontario:

News Release: Government Saving the People of Ontario a Billion Dollars Annually
(Link: <https://bit.ly/2JvlvJg>)

Medtech Canada, as the national association representing the medical technology industry in the country, strongly supports initiatives to improve and transform the current procurement landscape. As both suppliers and customers of the procurement system, our association has developed a perspective on what we see as key principles for success in health care procurement. We believe these principles to be critical to achieving the following key objectives:

- **Maximize the opportunities to achieve better patient outcomes and improve the quality of care**
- **Reduce wait times and improve access to front line care**
- **Increase “value for money” to taxpayers, providers and patients**
- **Reduce health care system costs**
- **Invest in technologies that save money in healthcare**
- **Reduce “red tape”, administrative burden and the cost of doing business in Canada**
- **Grow jobs and the economy in Canada**



Principles for Optimized Procurement in Health Care

To fulfill the key objectives that are described above, there are six principles that we believe will be vital to driving improvements in procurement for medical technologies and solutions in Canada. As provincial governments move towards various forms of “centralized” government procurement, these principles represent key elements for success.

- 1 Clinical and health care sector input and expertise are required for procurement for health care.
- 2 Appropriate use of Value-Based Procurement methodologies is important.
- 3 Centralized policy and management could streamline processes and create consistent contract terms, conditions and practices.
- 4 Procurement systems would benefit from central oversight, preferably by an independent body.

- 5 Provincial governments should set governance and promote transparency over the management and finances of purchasing organizations.
- 6 Strategic economic development should be linked to health care procurement.

Conclusion and Recommendations

As provincial governments in Canada move towards “centralized” procurement, a significant opportunity for improvement exists, particularly in health care. By working with key stakeholders, including suppliers, to reform procurement, there can be implementation of strategies and models which enhance and improve patient care, save money in the health care system, and grow the economy in Canada.

Medtech Canada strongly supports the implementation of the following recommendations which align with the six principles above:

RECOMMENDATION #1 Procurement for clinical products used by health care providers should be initiated and managed by personnel with sector-specific knowledge and should include clinical input and choice. Comprehensive early market engagement and market assessments should be conducted regularly to understand new clinical development and improved technologies.

RECOMMENDATION #2 Procurement for health care products or solutions should be conducted through a model which maximizes the value received from the use of public funds. Ideally, procurement should employ different tactics and approaches to allow for clinical choice and the varied impact of medical technologies to the clinician and the overall system. Value-based methodologies should be considered when the products affect short and long-term patient outcomes, patient or caregiver experiences or health care system costs.

RECOMMENDATION #3 Provincial health care purchasing and supply chain models should include a central entity to set and enforce overall policy and, help to streamline and create consistency in contract terms and conditions and standard practices. This could include templates, ensuring judicious use of value adds and/ or funding, reduced duplication of documentation, etc.

RECOMMENDATION #4 Health Care procurement should include a 3rd party mechanism which would allow all stakeholders an objective environment to review process, resolve disputes, get robust feedback and debriefing on procurements, and to ensure fairness, transparency and accountability for all parties.

NOTE: One reference model that could be examined is Quebec’s Public Market Authority which oversees all public procurement in the province.

RECOMMENDATION #5 Each Provincial Government should have line of sight over the finances of health care procurement groups either directly i.e. through a government run procurement group or indirectly i.e. GPOs/SSOs/Hospital Purchasing Groups operating with provincial government financial oversight. Procurement groups should be subject to audits by Provincial Auditor Generals and Access to Information requests.

RECOMMENDATION #6 Health care procurement should strategically link health care spend to economic development targets and initiatives. This would ensure that the significant investment made by taxpayers into the support of the health care system contributes to the development of the national medical technology industry and overall economy.

APPENDIX

1 Clinical and sector input and expertise are required for procurement for health care providers

When purchasing technologies that have impact on, are used on, or in the care of patients, we believe it is critical that those managing and making the purchasing decisions have, or have access to, clinical and health care expertise. In all aspects of life, and in business, we turn to experts to provide advice and make critical decisions on our behalf. Your accountant to advise you on your finances, your lawyer to guide you through your legal strategies, your doctor to determine your medical care.

Medical technologies are used for the primary purpose of patient care, and secondarily for the purpose of creating efficiencies in the health care system. These technologies—some simple but many complex—should

not be contracted without the purchaser having an elevated understanding of how those technologies affect patients and the overall health care system. Significant and robust clinical input and participation is essential.

This expertise will evolve, grow and sustain itself through a system where medical technologies are contracted through a purchasing organization with health care supply chain expertise and input from dedicated clinical professionals.

Recommendation #1

Procurement for clinical products used by health care providers should be initiated and managed by personnel with sector-specific knowledge and should include clinical input and choice. Comprehensive early market engagement and market assessments should be conducted regularly to understand new clinical development and improved technologies.

2 Appropriate use of Value-Based Procurement methodologies will be important.

We all know as consumers that the cheapest car on the market does not necessarily provide the best “value”. If that were true – wouldn’t we all buy the cheapest car? When we go to buy a car, we consider many “value” factors such as fuel efficiency, number of passengers, cargo capacity, safety features, manufacturer reliability and quality, and the list goes on and on. In fact, there are a significant number of data points of evaluation we look at, and then we align those data points by priority for our needs, before we decide which car is the right one to purchase.

Why wouldn’t we do the same in health care? Or more importantly, how could we **NOT** do the same when it comes to technologies that impact both our personal health and the quality and sustainability of our publicly funded health care system?

The majority of RFPs issued in health care in Canada today, are primarily scored or given the highest weighted component of the score based on price alone. It would be beneficial if the procurement system would accurately assess the current and future market, evaluate proven or potential differences in products to establish value other than merely the quoted “price to buy”. A more expensive device may be a higher price and cost but

may save on drug expense, staffing, time required in ICU, or other costs. Some products will reduce the length of stay or patient recovery time or allow patients to return to work sooner. Some technologies reduce the risk of infections, pain, or scar tissue for a patient. Some products or solutions may not even be considered in our current system because they are alternatives to the current offering and are unknown.

The impact of technologies and solutions on patient care and on the health care system are critically important in a publicly funded system and, by assessing the scenarios and using value-based procurement techniques and expertise, greater results, both fiscally and clinically, could be attained.

Recommendation #2

Procurement for health care products or solutions should be conducted through a model which maximizes the value received from the use of public funds. Ideally, procurement should employ different tactics and approaches to allow for clinical choice and the varied impact of medical technologies to the clinician and the overall system. Value-based methodologies should be considered when the products affect short and long-term patient outcomes, patient or caregiver experiences or health care system costs.

3 Centralized policy and management could streamline processes and create consistent contract terms, conditions and practices.

In Canada, vendors deal with multiple procurement groups and different procurement systems in each province group purchasing organizations, shared service organizations, long-term care homes, community care organizations, or other health care providers. Each time an RFP is issued,

vendors are often reviewing a term or condition similar to, but slightly different than, a previous RFP from a different provider. Each nuance requires legal review and unique responses. Some terms and conditions may violate trade agreements or sales policies. Many procurements request “Value-adds” that compromise compliance regulations or lack transparency. Some procurements are duplicative in that they request the same documentation the vendor would have submitted for Health Canada approval or ISO certification. None of this creates a good business climate for small, medium or large suppliers.

An ideal procurement model should include greater consistency and accountability in contract terms and conditions and practices, even if only within the specific provincial jurisdiction. A collaborative process between suppliers and providers with central oversight could present an excellent opportunity to review and develop templates and standards that could be used across the jurisdiction for future procurements. This would save time and money for all parties involved, including the government and/or purchasing organization and is a more responsible use of taxpayer dollars. Also, and importantly, it would support a legally compliant business environment and encourage collaboration.

One cautionary note that we feel is vital to success, is that maintaining a healthy competitive business environment in Canada is very important for all stakeholders. Provincial, large group or centralized purchasing initiatives will need to be carefully evaluated and executed to avoid creating monopolies or barriers to entry for large or small competitors.

Recommendation #3

Provincial health care purchasing and supply chain models should include a central entity to set and enforce overall policy and help to streamline and create consistency in contract terms and conditions and standard practices. This could include mandates for use of templates, judicious use of value adds and/or funding, reduced duplication of documentation, etc.

4 Procurement systems would benefit from central oversight, preferably by an independent body.

Currently some jurisdictions have no entity or process for third party oversight in procurement. This is problematic because if, for example, a company has an issue with the RFP process or cannot get adequate clarification, they are forced to challenge the very people who made the decision in the first place.

This process can be very costly for companies in terms of legal fees and other avoidable costs. As well, often medical technology suppliers feel that by questioning or expressing dissatisfaction to the GPOs or SSOs they may risk current and future business opportunities. On the provider or purchasing side of the equation, there is also no place for them to seek objective counsel or guidance if a supplier is providing

challenges during a procurement process. They depend on the industry to supply products and solutions for the health care system.

It is important for both suppliers and providers to have an impartial and safe place to manage disputes and offer constructive feedback. This entity could help to manage dispute resolution, ensure fairness and transparency in debriefing and feedback and ensure accountability. It is also important that taxpayers feel confident in supporting a fair and transparent system for purchasing health care technologies.

Recommendation #4

Health care procurement should include a 3rd party mechanism which would allow all stakeholders an objective environment to review process, resolve disputes, get robust feedback and debriefing on procurements, and to ensure fairness, transparency and accountability for all parties.

NOTE: One reference model that could be examined is *Quebec's Public Market Authority* which oversees all public procurement in the province.

5 Provincial governments should set governance and promote transparency over the management and finances of purchasing organizations.

Whether a purchasing group is owned and run by the provincial government directly, or is governed by another mechanism (i.e. for-profit company such as HealthPro), or owned and operated by a group of hospitals such as Shared Service Organizations, the fact is that all of these organizations are essentially financed in a direct or indirect way through taxpayer dollars.

GPOs and some SSOs are primarily funded through volume rebates collected from suppliers based on contractual

agreements and/or can be funded through payment by hospitals (or other health care providers) for their services. In many cases, hospitals purchase technologies through GPOs/SSOs and the GPOs/SSOs then receive rebates back from suppliers. The money collected is used to finance the GPO/SSO and then a remaining portion of the money collected may be sent back to the hospitals. Other SSOs are funded through hospitals paying for their services. Regardless of the business model – either directly or indirectly – all purchasing entities are ultimately funded through taxpayer dollars.

There is no public transparency or direct oversight over the finances of non-government run purchasing groups in Canada. For example:

- At one time, Ontario SSO employee salaries were listed, as applicable, on the Ontario Public Sector Salary Disclosure List. This practice is now inconsistent, with few reporting and appearing on the list.
- Unlike hospitals, long-term care or community care organizations, there is not currently a provincial auditing opportunity over SSOs/GPOs.
- Finances of SSOs in some provinces, such as Ontario, are not subject to audits by the Auditor General, unlike many other broader public sector organizations such as hospitals, colleges and universities, school board and children's air societies.

One of the key roles of Auditor Generals is to “assess whether government and broader public sector activities operate with due regard for economy and efficiency, and whether procedures to measure and report on the effectiveness of programs and organizations exist and function properly. This is known as the ‘value-for-money’ mandate.” In a publicly funded health care system, these checks and balances are a critical oversight piece when spending taxpayer dollars.

Recommendation #5

Each provincial government should have line of sight over the finances of health care procurement groups either directly (i.e. through a government run procurement group) or indirectly (i.e. GPOs/SSOs/hospital purchasing groups operating with provincial government financial oversight). Procurement groups should be subject to audits by provincial Auditor Generals and Access to Information.

6 Strategic Economic Development should be linked to Health care procurement

Despite billions of dollars being spent in health care in Canada, no province currently has a strategy to link this investment with jobs and economic development in the province.

Sometimes a company will have developed a product in Canada—often in partnership with a Canadian hospital—yet once developed are unable to get the product adopted into the Canadian health care system. In these cases, we are doing a poor job at strategically utilizing our health care system as a “first customer” for those companies, which in turn helps commercialize those technologies in other jurisdictions faster.

In other cases, increased sales for medical technologies that are manufactured in Canada may lead to more jobs and economic development opportunities for Canadians. Currently there is no process and strategic link to procurement at the provincial levels of government to help achieve

these economic development objectives. There are some federal programs that exist in other sectors that achieve similar goals, but with health care being delivered through the provinces, provincial governments must look to implement these types of strategic programs and evaluations of technologies.

This could all be linked to a value-based procurement model for health care in Canada that adds job growth and economic development to the evaluation criteria for the procurement of good and services. This is particularly critical to small and medium Canadian-based companies, but also should apply to multinational organizations that contribute to growing the Canadian economy as well.

Recommendation #6

Procurement should strategically link healthcare spending to economic development targets and initiatives. This would ensure that the significant investment made by taxpayers into the support of the health care system contributes to the development of the national medical technology industry and overall economy.