



MEDEC

CANADA'S MEDICAL TECHNOLOGY COMPANIES

LES SOCIÉTÉS CANADIENNES DE TECHNOLOGIES MÉDICALES

BRIEF

Strategic procurement

*Or how to promote efficiency
by maximizing the impact of medical technologies
in the Quebec health care network*

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Presentation of MEDEC

Medical technologies are transforming the health care system with their vast range of medical devices and information and communication technologies. These essential tools are now critical necessities in prevention, screening, diagnosis, treatment and rehabilitation, as well as the organization and delivery of services.

Activities relating to the procurement of medical technologies have taken on a major importance. It is therefore our pleasure to send you the MEDEC brief relating to Bill no. 16 (“Bill 16”), especially insofar as the sections referring to group purchasing by the Quebec health and social services network (the “network”) are concerned.

MEDEC is the national association created by and for the Canadian medical technologies industry. It is the primary source for advocacy, information and education on the medical technologies industry for its almost 200 members, the greater health care community, industry partners and the general public. Our goals are to advance health outcomes for patients in Canada and to support the growth and vibrancy of the industry in Quebec and Canada. Our watchwords are: innovation, safety, efficacy and interoperability.

Our industry covers all the technological supports related to health, apart from drugs. Health technologies are often used in association with pharmaceutical products, and are characterized, among other things, by a shorter life cycle and gradual, continuous technological advancements.

The medical technologies industry accounts for more than 10,000 jobs in Quebec. It is represented mainly by a few large companies and a number of small and medium-sized companies whose expansion is above all dependent on their ability to innovate, manufacture and effectively distribute their products, which require complex and varied technologies. Two thirds of the companies in the sector have fewer than 100 employees.



Executive summary

MEDEC members fully assume their role in the health care network procurement chain and recognize that efforts made to improve practices in this area can bring about significant benefits. For this reason, MEDEC supports this goal in principle, but wishes to highlight that in order to put in place all the conditions required for it to succeed, this approach must be part of a *strategic* perspective.

This brief specifies points that need to be included in such a strategy, from MEDEC's point of view, and proposes modifications to Bill 16 as written.

- The aim of Bill 16 is to force a greater centralization of purchases in order to increase savings. MEDEC understands the aim but underlines that **it is necessary to keep an open outlook in the area of procurement in order to take into account the fact that medical technologies are not commodities**. It is therefore also necessary to:
 - Consider the value of a technology, not only its price
 - Optimize and standardize the whole procurement chain
 - Recognize the importance of access to technological innovation and its adoption
 - Allow alternative proposals to be made in procurement matters
 - Ensure change management in order to benefit from innovation
- It is essential that **institutions retain a major role in the decision-making process** in order to promote and maximize the contribution of medical technologies in the health care network. Local clinicians and administrators understand the needs of their institutions and should play a central role in the process, thus continuing to hold a position of responsibility in every decision. However, **agencies, together with the Department, should play a particular role when it comes to considering the “system” advantages that medical technologies can bring, and help identify metrics in this area.**
- **The multi-year group purchasing plan should deal specifically with medical technologies and** include a section describing the potential for savings and improvements in performance, capacity and efficiency that could be achieved if they were to be used. The plan must also cover the change management (review of clinical practices, training, etc.) necessary for them to be implemented and describe the indicators that will be used to measure the fulfillment of the expected benefits.

Links in the network procurement chain

The medical technologies industry is aware of the economic efficiency the network hopes to achieve through group purchasing. Using administrative resources wisely is a necessary effort when it comes to better managing this complex organization. Furthermore, the effort to standardize procurement processes required by the *Act respecting contracting by public bodies* (“ACPB” Internal note: previously known as Bill C-65 or Bill 17) must be emphasized, even though its application in the field needs to be fine-tuned.

It is worth remembering the limitations of such legislative tools: we cannot expect this type of measure alone to solve the challenges of financing the health care system. As an analysis of the experience of other countries¹ shows, it is ill-advised to view controlling the costs of acquiring medical technologies as the preferred way of keeping down health expenditure. Such expectations must be kept realistic and in perspective, because these actions only affect a fraction of the costs of the system. Attention must be paid to the whole procurement chain, not just to one of its links.

Favouring such an approach to the exclusion of others can only reduce the impact of medical technologies on the quality of care and the productivity of the health care system, and can affect the ability of staff to become actively and positively involved in improving performance.

The Lean method has been applied more and more in the network over the past few years. This vision of total quality can have positive effects on a complex organization that provides critical services. In the words of AQESSS²:

“The idea central to Lean Thinking is relatively simple, and can be summed up as follows: an organization must obsessively aim to apply only the most efficient means to produce its goods or services. The notions of value and waste are at the heart of this concern, and staff must be empowered to involve themselves in the continuous improvement process.”

While working to keep down health care expenditure, the network must remain aware of the cost of non-quality and the medium-term risks of a practice that could deprive it of the innovation it needs in order to deliver services to the population more efficiently.

MEDEC is of the opinion that the targets to improve efficiency in the area of medical technology procurement cannot be achieved if we only count on group purchasing.

¹ Conference Board of Canada, Innovation Procurement in Health Care, July 2011

² AQESSS, LEAN file:http://www.aqesss.qc.ca/1842/Methodes_Lean_%28Approche_Toyota%29.aqesss



Medical technologies: A distinct sector

MEDEC uses the term “medical technology” to refer to the following solutions and products: medical devices, diagnostic equipment (imaging solutions, laboratory equipment, personalized medicine, etc.) and information and communications technologies applied to health care.

In terms of procurement for the network, the nature of medical technologies is very different than that of other categories of goods and services. While some products can appear to be interchangeable, the vast majority of medical technologies have their own clinical attributes that resist the non-differentiation that is common in product categories less concerned with patient care.

Also, the following definitions can be found in some calls for tenders issued by the Quebec health care network:

- Commodity product

A commodity product is a known and commonly used product for which there are many possible alternative products on the market. The product has a minor effect in relation to the treatment of the pathology.

- Specialty product

A specialty product is a product used in the practice of medicine. This product is for one-off or specific use for a given pathology, the clinical indications of the product are very precise and are intended for doctors, and there are only a few possible alternatives. Using this treatment or diagnostic product in the practice of medicine can require a certain level of skill from the user; steerability; adaptability and flexibility specific to the exact needs of the pathology in question. The results of clinical and laboratory research of the product are sometimes limited or few in number.

The complexity and diversity of medical technologies, along with their direct impact on health care, clinical protocols and the staff working in the network, make it necessary to adapt the processes that support these product choices and their integration into institutions. It is crucial that procurement practices involving these products take into consideration their specific qualities in order to better evaluate them and, eventually, extract all of the possible value from their use.

Assessing the overall impact of innovative medical technologies on the health care system in the broad sense and on society in general cannot be based only on reducing expenditure. An approach that weighs the overall impact of these products on the quality of care and the clinical results for patients in Quebec is preferable.

Reducing the duration of a hospital stay or the risk of complications, improving convenience for clinicians and support staff or improving their environment, and offering an improved quality of life to patients, are all examples of impacts that are often not quantified in standard calls for tenders, but should be taken into consideration when assessing the cost of technology, because they affect the performance and sustainability of the Quebec health care system in the short, medium and long term.

The following examples clearly illustrate the positive impact made by technologies on the quality of care, access for patients and convenience at work for health care staff:

- The University of Ottawa Heart Institute reduced readmissions for heart failure by 54% thanks to remote patient monitoring³.
- Introducing a multidisciplinary approach and using information technologies can save up to 20% of a doctor's time, according to the QMA (Quebec Medical Association). When applied to family practitioners in the Montreal region, this saving is the equivalent of an additional 250 general practitioners, achieved without spending a single dollar more on training⁴.
- An evaluation by Canada Health Infoway concerning the effectiveness of PACS systems shows that the productivity of radiology specialists improved, on average, by 27% after they had been installed, allowing Canadians to benefit from the equivalent of 450 to 540 additional specialists performing 9 to 11 million examinations every year⁵.
- Emerging technologies make it easier to perform minimally invasive surgery (endosurgery, laparoscopy, etc.), reducing the duration of hospital stays⁶ and thus increasing access to care.

Strategic health procurement

There is consensus concerning the necessity of optimizing logistical and procurement resources and concerning the potential for savings⁷. While joint procurement may be one of the means that helps achieve this objective, **we are of the opinion that in the specific case of medical technologies it is neither the only one, nor necessarily the most effective.**

Considering the specificities of this category of product and its direct link with the quality of care, it would appear necessary to adopt a more *strategic* approach to reconcile clinical, operational and budgetary needs when it comes to procuring medical supplies and technologies.

Traditionally in Canada (and in Quebec), procurement practices are conditioned by cost control rather than by generating value⁸. It is necessary to clearly state the need to adopt an approach based on value, and therefore focusing on skills, processes and management systems; failure

³ Statement by the University of Ottawa Heart Institute, July 9, 2009

⁴ Press release, April 9, 2009, QMA

⁵ Diagnostic Imaging Benefits Evaluation Final Report, Canada Health Infoway, 2008

⁶ Laparoscopic Surgery for Endometrial Cancer: A Review, *J Obstet Gynaecol Can* 2010;32(6):570–579

⁷ Beaulieu and Landry, *Réflexion sur la gestion de la logistique et de l'approvisionnement dans le réseau québécois de la santé : pistes de solutions et conditions de succès*, (Reflection on the management of logistics and procurement in the Quebec health care system: Possible solutions and conditions for success), document submitted to AQESSS, October 2010

⁸ Conference Board of Canada, *Innovation Procurement in Health Care*, July 2011

to do so will mean that we continue to run a major risk of depriving ourselves of real opportunities for efficiency.

What is more, by stressing joint purchasing, we will find ourselves prioritizing the means to be considered in the search for efficiency by favouring negotiation with the industry based on volumes. It is also important not to confuse the **price** (the visible portion of the total cost) with the **total cost** of a product (including the cost of acquisition and use). Prioritizing cost instead of value sends out a message that ultimately contradicts the concepts of Lean Health Care advocated by the MSSS in its communications with the network and its suppliers.

Searching for innovation, improvements to the overall supply chain (patients, staff, goods and services, etc.) and optimization of processes, however, deserves to be given at least as much attention as searching for savings via joint procurement, if not more. We recognize that the *Act respecting contracting by public bodies* includes provisions linked to assessing value. However, these are cited in an optional, variable manner by members of the health care network. **It would be appropriate for these provisions to be prioritized in the same systematic way as those relating to cost optimization.**

Local involvement and responsibility

Bill 16 gives the power of coercion to agencies, who can force institutions to adhere to joint procurement projects. Although we understand that this is the government's follow-up to the "*Vingt et unième rapport sur l'imputabilité des sous-ministres et des dirigeants d'organismes public*" (21st report on the accountability of deputy ministers and heads of public bodies), there may be consequences if this power is applied without consideration for the particularities of regions and institutions.

This is why we feel it is essential to preserve the central role of institutions in strategic procurement by the network, in spite of the intention and wish to increase the contribution of joint purchasing groups. Also, as it is essential to keep the interests of patients at the heart of decisions and actions made by the network, we recommend that a clinician or a Director of Professional Services (DPS) be part of the board of directors in purchasing corporations.

An American study⁹ estimates that more than 80% of potential savings that could be generated in health care systems would be made possible by standardizing clinical practices, eliminating waste and harmonizing products. Yet it is the clinical staff and health care administrators within institutions who are the best placed to carry out these functions. With group purchasing, there is a risk of distancing or even excluding them from the decision-making process in question.

Institutions must therefore remain central to improvements to the health care system and the decision-making process as regards the tools and solutions to be favoured. Bringing new actors with new powers to the decision-making process could destroy the balance between

⁹ Governance Committee, *Richest Sources of Savings*, 1997, cited by Beaulieu and Landry.

accountability and organizational transformation. It is therefore important not to confuse the aim with the structures and legal framework.

The experience of the United Kingdom shows that it is possible to base the transformation of the health care system on innovation¹⁰. However, by favouring a vision focused on controlling costs in the short term rather than a systemic perspective, industrial partners are forced to put an emphasis on reducing operating costs. The impacts on innovation and the economic contribution of the industry could therefore start to be felt, which would, over the long term, act as a brake on the development of the network and its research mission, and reduce the quality of care.

Cycle of innovation and adoption

Centralized procurement is not a cure-all, and if expectations about its benefits are not realistic, the pressure on the players in the market could be counter-productive.

Innovations in health technology are continual and take place at speeds that sometimes make it impossible to absorb and integrate the developments in question into the process of awarding public contracts. This effect will be amplified with the increased volumes required by public calls for tenders (“PCTs”), which will be further extended if they involve purchasing groups, the duration of contracts granted and the technological complexity of the medical products in question. Preparing large, complex PCTs increases the implementation time for the acquisition exercise and the completion time of the mandate.

The drafting of standard PCTs, which ask suppliers to submit price proposals for items on a ‘line by line’ basis, could fail to take into account new technologies offered by industry.

It is necessary to take into consideration the desired result of the therapy, operation or treatment for which the proposals are being requested. A complete strategic decision-making process should not be limited to simply requesting price proposals based on the products that are commonly or historically used to obtain a given result.

There is an approach that makes it possible to include innovations in a complex acquisition process. An alternative proposal is an offer of products and/or services by a supplier that makes it possible to achieve an equivalent or better result by using new means that might not (yet) have been considered by the network.

The alternatives can be based on new technological solutions making it possible to reduce costs per procedure, generate savings in centres of activity other than those making the acquisition, anticipate indirect social savings down the road, offer a higher quality of care and even allow the patient to enjoy a higher quality of life. **MEDEC therefore recommends that group purchasing be open to alternative, innovative proposals.**

¹⁰ Conference Board of Canada, Innovation Procurement in Health Care, July 2011

The mechanics of procurement and its impacts

MEDEC welcomes the efforts made by the government in order to clean up, formalize and bring transparency and equity to the procurement process in the network via the ACPB, even though applying this law poses certain challenges and presents substantial complications for all actors and stakeholders in the network. Increasing group purchases could intensify these challenges.

Valuing the role of agencies in the transformation of the health care system

Involving the agencies in procurement activities must not burden and complicate the decision-making process by increasing the number of actors involved in projects. What is more, **agencies, together with the Ministry of Health, should play a special role when it comes to considering the “system” advantages that medical technologies can bring, and help identify metrics in this area.**

The need to promote competition

The desire to increase the proportion of group purchases to more than 50% will mean **doubling** the existing proportion, in the case of medical supplies and technologies. There is a danger that this could create demand monopolies, which would undoubtedly reduce the competition in certain product categories. It is possible to envisage situations in which certain suppliers could find themselves practically excluded from all or a significant part of the market in Quebec for the duration of a contractual period. This would allow other players to take advantage of their dominant position, which would go against the interests of the network. It is therefore necessary to be very careful to avoid such a situation when aiming to consolidate demand.

By increasing transaction and administrative costs and consolidating demand without considering the particular characteristics of specialized markets, we run the risk of reducing the offer and discouraging innovation and investment, which would, over time, have a harmful effect on the network. **This is why MEDEC proposes certain modifications to Bill 16, as described in detail in section 5.**

Transparent and equitable access for small and medium-sized companies (SMEs)

A large proportion of innovative medical technologies originates from SMEs which are spinouts of university R&D or who market improvements designed in practice. Many SMEs in Quebec and Canada belong to an international group of companies that are developing and delivering new products to the clinical market that are relevant and beneficial to patients and health care organizations. It is also important to note that our governments are hoping that their success will contribute significantly to economic development.

Procurement practices must therefore ensure these companies have access to the purchasing process. Largely concentrating the procurement of medical technologies via group purchases could result in SMEs being excluded from calls to tender, thus eliminating the possibility of acquiring their innovative solutions. Several reasons make such an outcome possible: the

complexity of calls to tender, the capital outlay required, extended time frame of processes, the ability to deliver, over-dependence on a single contract giver, etc. **Group purchases must therefore recognize the importance of the innovation contributed by these companies and make sure that SMEs participate in calls for tenders.**

Multi-year group purchasing plan

The healthcare system value chain starts with patients' needs. This includes assessing the care and tools required and goes as far as re-engineering processes. In this context, we recognize the value of acquisition processes that are designed to be effective and aim at creating efficiency in the system.

We would, however, like to underline the basic importance of change management, without which the value of all the acquired resources—whether clinical, administrative or technological—cannot be optimized. The investment side of the solutions that can transform the healthcare system in a constructive and efficient manner is only fulfilled when the necessary changes have been made. It is only then that the expected benefits are fully realized.

Bill 16 provides for a “multi-year group purchasing plan comprising the strategic directions and the objectives pursued with respect to group purchasing, the results expected by the end of the period covered by the plan and the performance indicators used to measure those results.” **MEDEC recommends that this multi-year plan should also include a section describing the potential for savings and improvements in performance, capacity and efficiency that could be achieved through medical technologies; the implementation and integration parameters of the change management plan of these projects; and the metrics and indicators that will be used to measure the fulfillment of the anticipated benefits.**

We also suggest that this plan should take into account what industry can contribute in terms of scientific and clinical information, and implementation and training options. Such collaboration would make it possible to pool the latest data and international perspectives relevant to the Quebec network.



Recommendations

MEDEC suggests the following modifications to Bill 16 as written, or to the regulations that it could give rise to.

Section 24 concerning section 383 of the *Act respecting health services and social services*:

(Replacement of the last paragraph.)

“It can, if necessary and inasmuch as it considers it to be justified by the needs of an institution—in **accordance with their specific missions, especially in terms of research, teaching and assessment**—oblige this institution to use the services of a group or to participate in a specific call for tenders process managed by such a group.”

Section 25, adding section 435.1 to the *Act respecting health services and social services*:

435.1

(Addition after the last sentence of the first paragraph.)

“**In addition, the plan must take into account the specific characteristics of medical technologies and include a section describing the potential for savings and improvements in performance, capacity and efficiency that could be achieved if they were to be used. The plan must also cover the change management (review of clinical practices, training, etc.) necessary for them to be implemented and describe the indicators that will be used to measure the fulfillment of the expected benefits.**

Furthermore, group purchasing projects must reflect the principles described in the plan and promote competition, especially by avoiding selecting a single supplier for a contract, by making the procurement process accessible to SMEs and by allowing alternative proposals.”

435.4

(Addition to section 2.)

(2) Chief Executive Officers or senior directors of the institutions in the area or areas of jurisdiction served by the group, designated by all the Chief Executive Officers of those institutions, **one of these senior directors being a senior clinical officer or the DSP of an institution**; the Chief Executive Officers so designated must outnumber the senior directors.

435.5

(Addition at the end of paragraph 1.)

“**being sure to take into account clinical, accessibility and quality of care necessities.**”

(Replacement of paragraph 5.)

“ensuring coordination between the agencies and the institutions to which it offers services **and to maintain the contribution of institutions and their professionals** in order to optimize its performance.”

Conclusion

MEDEC members fully assume their role in the health network procurement chain and recognize that efforts made to improve practices in this area can bring about significant benefits.

It is nevertheless necessary to keep a broad outlook in the area of procurement to take into account the fact that medical technologies are not commodities.

The role played by institutions in the decision-making process must also continue to prevail.

Finally, the multi-year group purchasing plan should deal specifically with medical technologies to maximize the value and contribution of this category of products and solutions to the success of the network.