Changing Healthcare Procurement Approaches in Canada and Beyond

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Outline

About the Conference Board of Canada

Invention, improvement and innovation

Innovation readiness in Canada’s health care

Procurement as an innovation lever

Concluding remarks
Objective.
Independent.
Evidence-based.

Three principles guide us: insights, understanding, impact.

What we do: research, convening, education, and dialogue.
Invention vs. Innovation

• “Brand new”
• Curiosity or inventor driven
• Generally results from a research process
• May not have real use

• Not necessarily new
• Customer driven
• Generally results from a business process
• Adds value (health, social, or economic)

Key difference: execution!
**Innovation**: a process that extracts economic and social values from knowledge using the generation, development, and implementation of ideas to produce new or improved products, services, or processes.

Source: The Conference Board of Canada
Improvement vs. Innovation

- Evolutionary: fix a process
- Linear process, stable
- Requires experts in the discipline

- Revolutionary: game changer
- Non-linear, non-stable
- Transdisciplinary

“The light bulb was not invented by improving the candle”
Innovation Readiness in Canada’s Health Care
Innovation Paradox

• The introduction of new products and processes into health systems has traditionally been perceived as a cost driver, which has prevented the adoption of innovations that can enhance health system performance and decrease overall costs.

• However, the manner in which innovation is procured can prove decisive in turning a burden into a substantial advantage.
Role of Innovation

- Innovation is essential for the sustainability of Canada’s health care system
- Innovation is essential for improving my organization’s performance
- Innovation is a recognized priority in my organization
- My organization has designed and implemented plans to achieve innovation targets
Importance of Innovative Products

- Very important: 29.8%
- Somewhat important: 31.6%
- Important: 29.8%
- Not very important: 8.8%

% Reporting that Procurement Approaches in their Organizations Support the Development and Uptake of Innovative Products and Services

- Yes: 55.0%
- No: 45.0%
Barriers for the Uptake of Innovations

• Rigid procurement processes and rules
• Lack of appropriate skills among the staff
• Lack of organizational interest in innovations
• Too much focus on cost reduction and standardization
First report of its type in Canada.

Opened the door for meaningful conversations about how to shift procurement from transactional processes that treat all products as commodities to a strategic tool to generate more value for health care systems.
Procurement as a Driver of Health System Performance

- Pre-commercial procurement: There is a need, but no commercially available solution
- Innovation procurement: Need to enhance supply relationships to rapidly exploit innovations
- Procurement of innovation: Need to remove barriers for adoption and diffusion of existing innovative products

Source: The Conference Board of Canada.
Three Examples

IMVAMUNE®

Kinneir Dufort and Bristol Maid

Digital Hearing Aids
Benefits of These Approaches

- Saved lives
- Improved health care services
- Improved patient outcomes
- Enhanced patient experience and quality of life
- Reduced adverse events
- Reduced cost of care
Changing Procurement Practices and Policies

- Council for Innovation Procurement in Health Care
- Three international roundtables
  - Toronto, Barcelona, Moscow
- Innovation Procurement for Medical Devices - Driving Health System Improvement, April 2014
First International Roundtable:
Toronto, December 2013

Seven case studies:

1. Región Hovedstaden (Denmark)
2. FARE (Italy)
3. USTDA (United States)
4. MaRS EXCITE (Canada)
5. University of Toronto (Canada)
6. HSSBC (Canada)
7. EndoCAS (Italy)
Second and Third International Roundtables: Barcelona and Moscow 2014

Participation from 11 countries and one international organization

1. Spain
2. Italy
3. Hungary
4. Norway
5. Portugal
6. United Kingdom
7. Russia
8. Belgium
9. Canada
10. The Netherlands
11. United States
12. Inter American Development Bank
Take-Away 1: Procurement Is Linked to Health Care Sustainability Agendas

- All countries are exploring options
- The European Innovation Partnership on Active and Healthy Ageing
  - The SILVER (Supporting Independent LiVing for the Elderly through Robotics)
  - The HAPPI (Healthy Ageing Public Procurement of Innovations)
Population Distribution by Age, 2012 and 2035

Sources: The Conference Board of Canada; Statistics Canada.
Take-Away 2: Group Perception of Value
Take-Away 3: Dialogue and Negotiation
Enable Value-based Procurement

• Client-centred Negotiable RFP

• Competitive dialogue

  ➢ Procuring for outcomes:
    Health dialysis solution by
    Health Shared Services BC

  ➢ Procuring for solutions:
    Cardiac services at Imperial College Healthcare NHS
Procuring for Outcomes: Peritoneal Dialysis Program by Health Shared Services BC

- HSSBC was established in 2009 to centralize the purchasing power of the BC Health Authorities.

- The program assists over 850 patients with kidney failure to perform dialysis at home on their own.

- Patients contact the vendor call centre to order supplies and arrange for delivery, and the vendor provides frontline patient support and liaison with care providers.

- Benefits: regional flexibility, new technology, one-stop-shop, value-add requirements (volume rebates, training opportunities).

- Results: costs dropped as a result of negotiated volume rebates, even as usage increased. Clinicians have more choice and flexibility to introduce clinical innovation. Patient experience has improved. Services have also subsequently improved by expanding call centre hours and support and adding delivery options for international travel.
Procuring for Solutions: Cardiac Services at Imperial College Healthcare NHS

Approx value £70m: Full refurbishment of all five labs over the 7 years; 2942 stock lines and 12,436 items; £2.7 million inventory

Fully refurbished two labs in 2013; 3 further planned for 2015/16

- Vendor assumed full responsibility for provision, commissioning, and maintenance of capital equipment
- Determined appropriate equipment needs and coverage level for all items
- Developed a Quality Framework equipment management

Results to date: 100% lab uptime from new equipment; Increased maintenance cover and weekend preventative visits allowing labs to run at full capacity; potential revenue increase of £100K; efficiency gains: 18% increase in number of cases performed; 14% increase in cathlab utilization.
Take-Away 4: Success Requires Systemic Efforts
Take-Away 5: Clinician and Patient Engagement Is Key for Innovation Procurement

Clinicians and patients are not only the recipients and users of innovative health care technologies, but they are an important source of ideas to improve or develop innovations and they are essential in the evaluation of innovations.
Glossary

• **Pre-commercial procurement** (or Public Procurement of Research and Development): used when there is a perceived need without a commercially available solution. In this case, procurement is an R&D service contract with multi stage process that ranges from exploration and feasibility to prototyping, field tests, and commercialisation. Key that WTO Agreement and EU Procurement Directives do not apply.

• **Innovation procurement**: specifying a requirement that cannot be met by an off-the-shelf solution but it can be developed within a reasonable period of time. Innovation procurement stimulates innovative private procurement (by catalysing private demand – lead user), which bring economic and societal benefits.

• **Procurement of innovation**: using procurement processes to speed up adoption and diffusion of innovative products (which add value to organizations and health care systems) that already exists but are not widely adopted.

• **Innovative procurement**: use of new methods, models, or technologies to enhance procurement processes and increase value for money.
Closing Remarks

• When used correctly, procurement processes are a powerful tool to introduce innovation and improvement within health systems.

• Emerging procurement models are proving better than traditional approaches in enhancing quality and value for money.

• Change requires engagement, awareness, education, and patience. It is necessary to step up to the plate!