Value-Based Procurement & Public-Private Innovation - the Danish experience

Sailab – MedTech Finland

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Member of the board, VIOBAC
Member of the board, Exo360
Member of the board, Secma
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Value-Based Healthcare
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Affiliations (former)
Board of Innovative Public Tenders (Danish Ministry of Industry, Business & Financial Affairs, 2019-2021)
National Board of Healthcare Innovation (Danish Regions, 2019-2021)
Texas-Denmark BioBridge (Danish Ministry of Foreign Affairs, advisory board, 2019-2021)
Forum for value-adding procurement in healthcare (Danish Regions, 2019-2021)

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CHAPTERS

Background – healthcare procurement and partnerships

Procurement as enabler of Public-Private Innovation

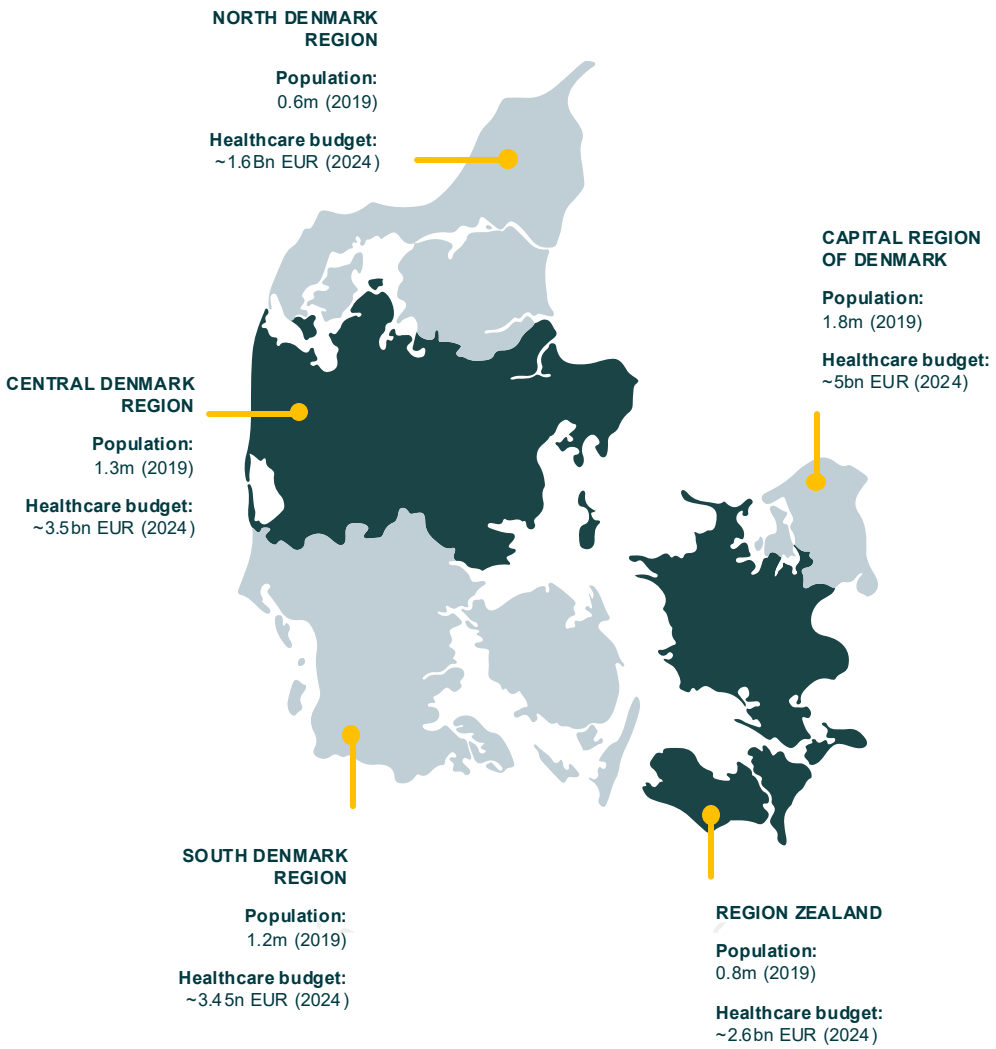
Value-**B**ased **P**rocurement – moving from transactions to outcomes

BACKGROUND

Partnerships in healthcare – *where do we stand?*

- Demographic pressure on health systems – more elderly, chronic patients, and co-morbidities
- Lack of healthcare professionals – the new scarce resource we cannot buy
- Health systems are facing an unsustainable future – financially and socio-economically, as well as for HCPs and climate
- New payment models (Value-Based, outcomes, subscription, XaaS etc.) – simple price-focused cost reduction is short-sighted
- Is the most sustainable patient, the citizen who never becomes a patient or the chronic patient whose condition is stabilized?
- Procurement and partnering with the life science industry is pivotal in overcoming constraints and challenges in health systems

Danish healthcare procurement structure



- 5 regional GPOs (EUR 3,9bn)
- AMGROS: national GPO medicines (EUR 1,3bn)
- SKI: regional and municipal GPO
- 98 local municipalities
- EU tender threshold: EUR 221,000 (48 months)

Inflection points changing 18 years of public procurement in Danish healthcare

- Major public sector reform in 2007
- Centralization and specialization
- Centralized procurement departments
- Regional procurement strategies
- One national procurement strategy for all regions
- Category Management
- Innovative and green procurement
- Partnerships with the life science industry
- A new national model for Value-Based Procurement

Longwoods Healthcare Quarterly Journal, January 2022

Fostering Innovation through Procurement in the Healthcare Sector: The Danish Experience*

Carolina Belotti Pedroso, Martin Beaulieu, Lars Dahl Allerup and Claudia Rebolledo

Abstract

Healthcare institutions have been searching for ways to increase the value they deliver to patients and to society. Innovation is an effective way to boost this value, and procurement strategies are key to bringing innovation into healthcare organizations. However, hospitals are one of the most challenging organizations to implement innovations. Thus, this research highlights some lessons learned and the best practices of a healthcare organization in Denmark that has successfully implemented the value-based procurement approach.

Introduction

There has been a growing interest in value-based healthcare in Canada recently (Fraser and Lavers-Sailly, 2019; Vanderheyden and Prada, 2020). This concept, which emerged during the 1990s (Tanenbaum 2016), achieves a better balance between patient benefits and the costs of providing care (Porter 2010). It allows innovative products to stand apart from others already established on the market but whose technical performance is stagnant. However, healthcare is one of the most difficult sectors when it comes to implementing innovation (Collins 2018). Some of the difficulties encountered when looking to foster innovation can be attributed to procurement management.

Traditionally, healthcare organizations have adopted two main procurement strategies. The first is known as consolidation and the other as standardization (Handfield et al. 2019). Both strategies are effective for achieving cost containment for commodity products (Nollet and Beaulieu 2003) but are not well-suited to fostering innovation. Therefore, there is a growing need to adopt value-based procurement to foster innovation in the healthcare sector (Porter 2010):

> Value-based procurement sees a collaborative effort through strategically aligning suppliers' resources, products, and services to broad outcomes-based goals of the organisation. (Mechan et al. 2017: 231)

This strategy means that the "selection of suppliers encompasses mainly on objective and measurable evidence of past-performance, and not lower price or costs" (Pennestrì et al. 2019).

Despite growing interest in this concept, value-based procurement is still in its infancy, even in developed economies (Bulens et al. 2018). There have been few successful cases in hospitals in several developed countries, but Denmark stands out. The Danish organizations responsible for the procurement activities of the public health sector have been actively engaged

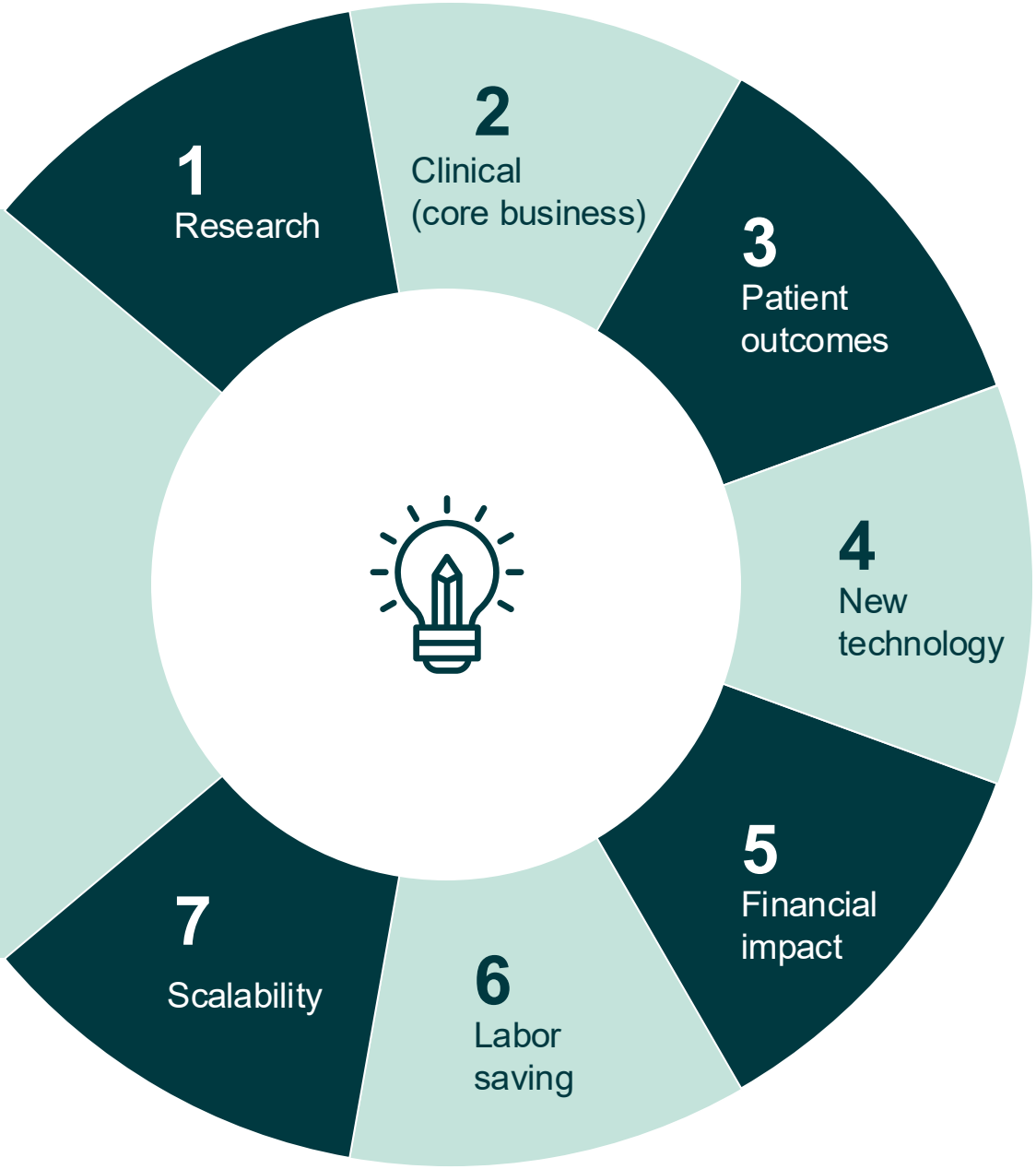
*This article is an adapted and expanded version of the paper by Beaulieu, M., C. Belotti Pedroso, L.D. Allerup and C. Rebolledo. 2021. Innover via les achats: L'expérience du Danemark. *Gestions hospitalières* 605: 228–30.

PUBLIC-PRIVATE INNOVATION

– and why procurement is the hidden gem in healthcare change management

The seven basic principles of Public-Private Innovation

The Capital Region of Denmark



Public-Private Innovation in Healthcare

Objectives of Capital Region Wave #1 (2017)

AI / Deep Learning (in Radiotherapy): improved quality and efficiency, research, scalable to other imaging modalities, World's first

O-15 cyclotron (PET/CT tracers): secured supply chain, stable OPEX, short ROI, improved quality, scalable to other hospitals, World's first

Surgical robot: new device, research, value-adding material management, improved quality and efficiency, new business model, Centre of Excellence

varian

GE Healthcare

Medtronic

Public-Private Innovation in Healthcare

Objectives of Capital Region Wave #2 (2018)

CT - MRI capacity: energy consumption, improved efficiency, supporting strategic investments, increased value of installed base

Hyperpolarized MRI/RT: new device, research, improved quality, World's first (therapeutic), personalized treatment

AI - DNA sequencing (in Immunotherapy): improved quality and efficiency, research, **P**atient **R**eported **O**utcome, personalized medicine, Value-Based Procurement

RT patient positioning/monitoring: new device, research, improved quality and efficiency, World's first

SIEMENS Healthineers

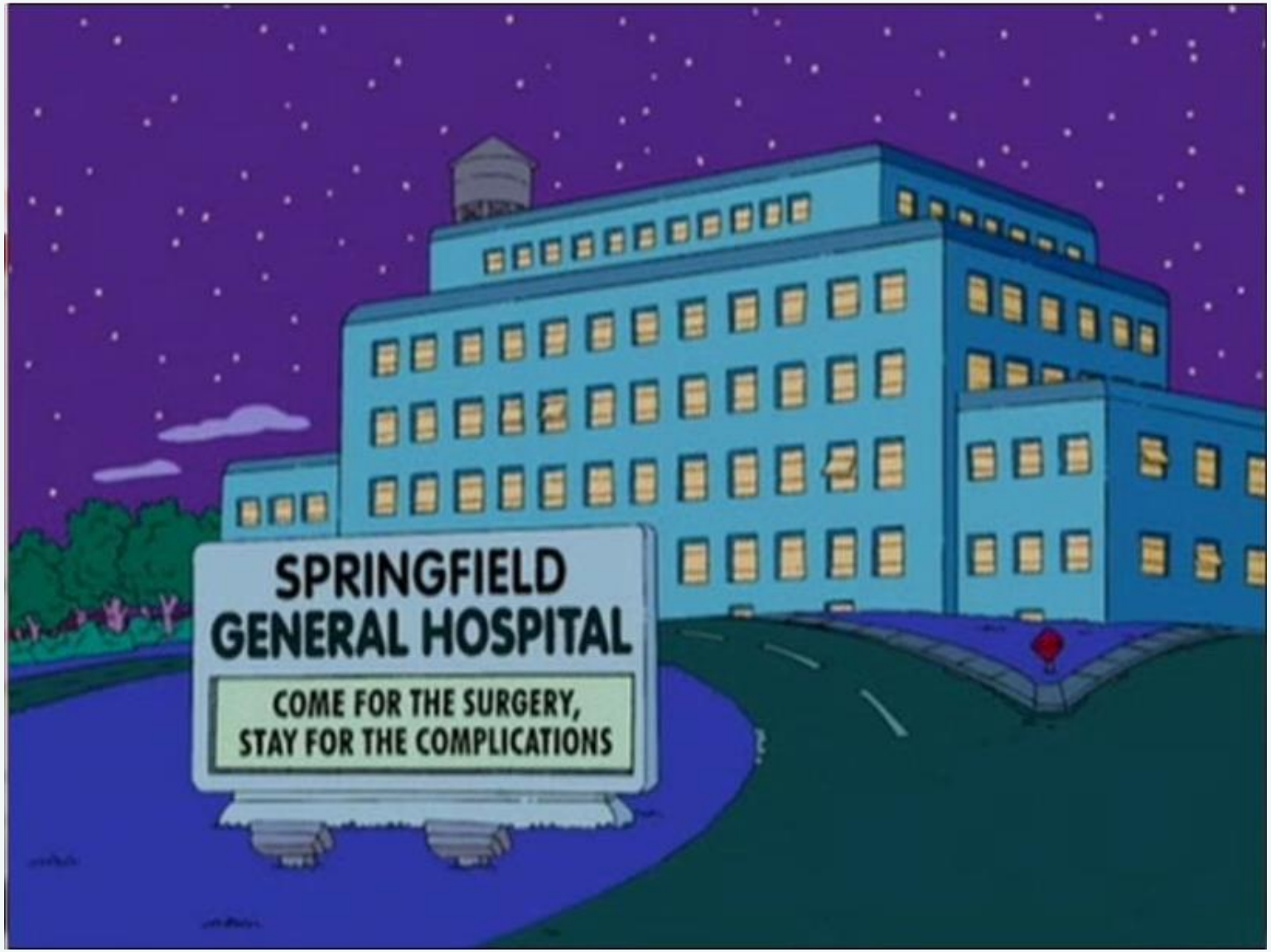
GE Healthcare

Roche

BRAINLAB

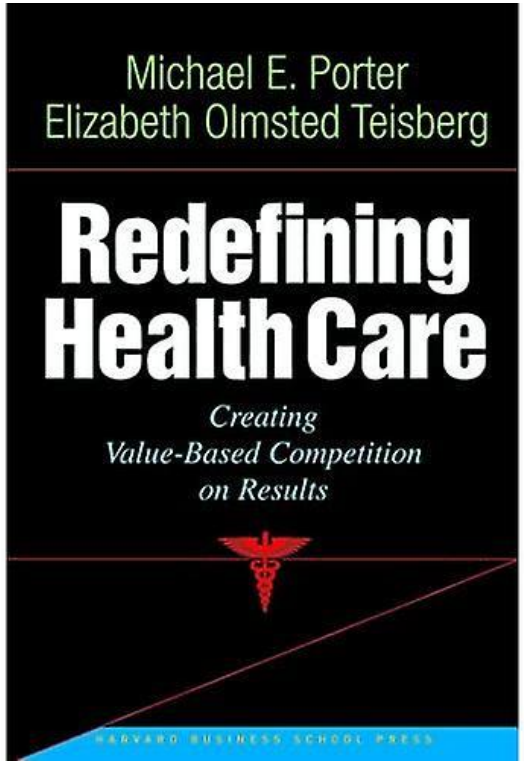
Could this be a strategic objective in a future Public-Private Partnership:

reducing hospital acquired infections and rewarding the vendor for improved outcomes



Value-Based Procurement – moving from transactions to outcomes

$$\text{Value} = \frac{\text{Health outcomes}}{\text{Costs}}$$



- Getting the **best possible outcomes for patients within the resources available**
- Achieving what **matters to patients**
- Ensuring financial (and environmental) **sustainability**

The conventional way of healthcare procurement
Tendering *on Total Cost of Ownership*

Better patient outcomes?

Increased efficiency?

Less readmissions?

Fewer hospital acquired infections?

Improved health economics?

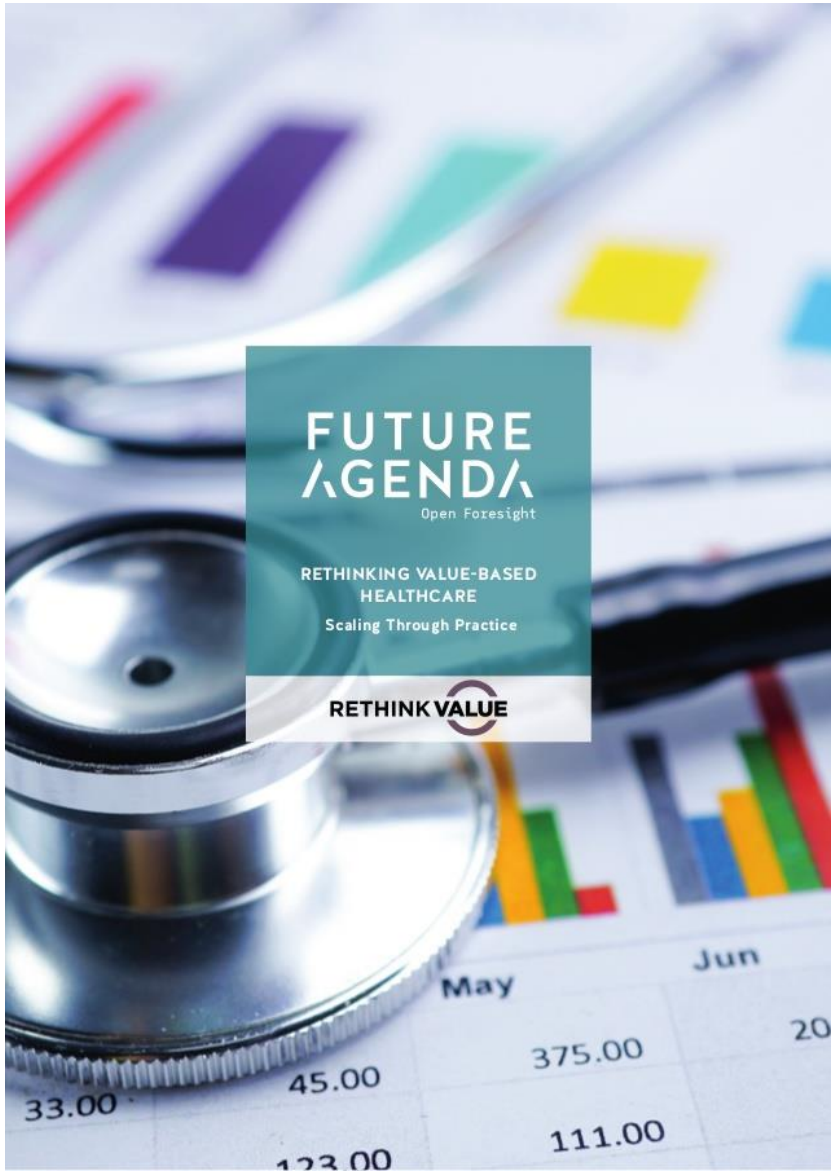
Shorter length of stay?

Earlier diagnostics?

Disease prevention?

Sustainable healthcare?

RETHINK VALUE



THE PROBLEM

Value-Based Procurement (VBP) business models require:

- **Trust and strong relations** between payer, provider and industry
- A **common language or culture** of VBP for mutual understanding and dialogue
- Transparent outcome-based business models which can **capture tangible value** for patients, healthcare systems and the life science industry
- There is an evident global demand for an easy understandable and **iterative model** that meet requirements from both payer, provider and industry

RETHINK VALUE

THE SOLUTION

A dynamic and self-learning data-driven model to illuminate the **true cost and value drivers for all stakeholders** in any given life science procurement to enable mutual trust, increased transparency and a common language

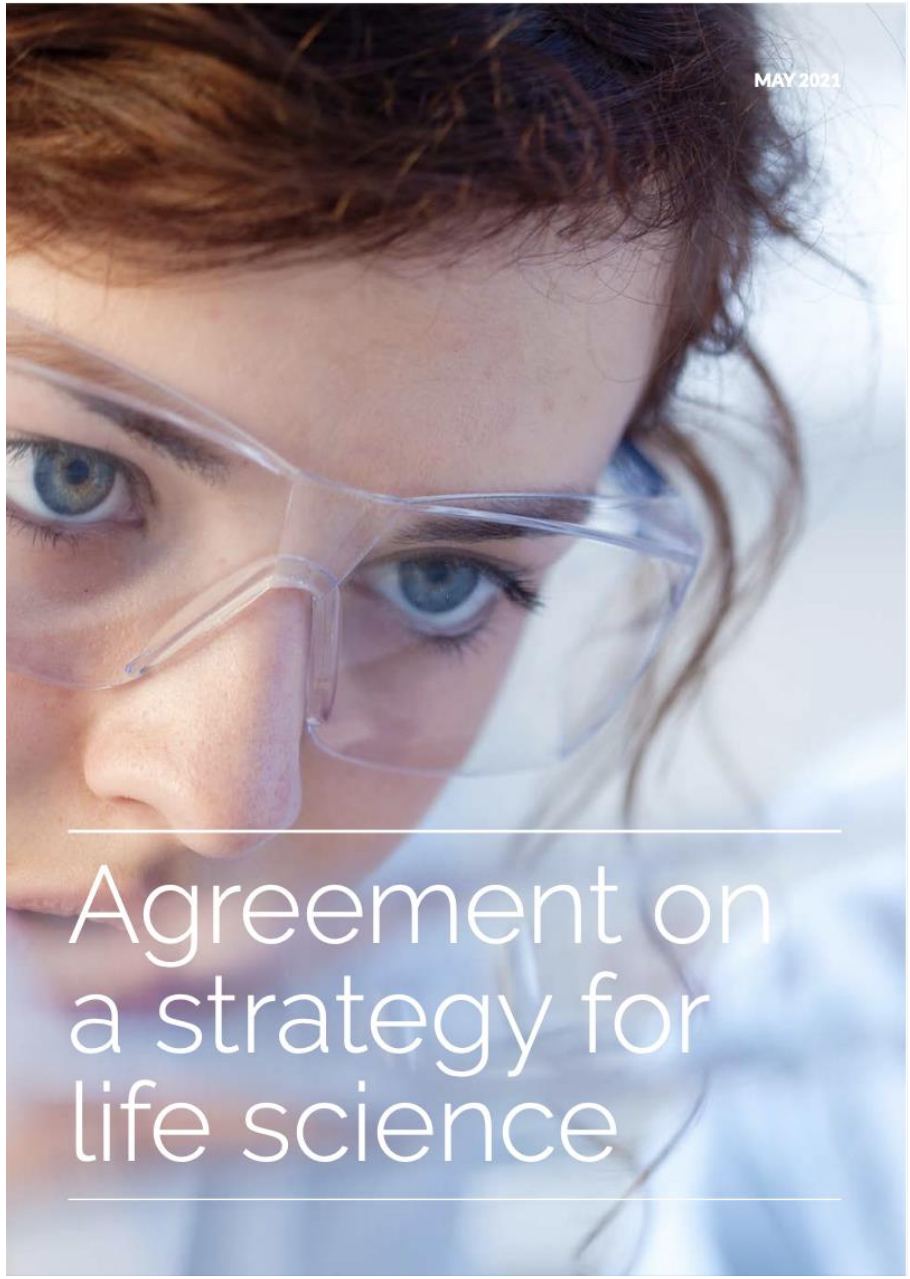
- ✓ The model will be able to **simulate outcomes** before decision making
- ✓ The model will support **performance measurement** during a contract
- ✓ The model will enable tendering of **Value-Based Procurement** contracts
- ✓ The model will support **value rewarding payment models**
- ✓ The model will visualize and strengthen stakeholders' **incentives**

RETHINK VALUE

Initiative 21 Strengthened focus on innovative purchasing and new billing models

Development and commissioning of innovative technologies and medical equipment, value-based payment and new treatment options in the healthcare system often provide better patient care for the individual, and are to the benefit of society as a whole. Innovative procurement, however, requires more resources for both the purchaser and the company to complete due to higher complexity. Therefore, the parties to the agreement agree to boost investment by DKK 2.0 million in 2021, 0.5 million in 2022 and 1.5 million in 2023 to strengthen the innovation-promoting range of innovative health technologies and medical equipment, e.g. by initiating work to develop a prototype of a data-driven model for value-based procurement, develop innovation criteria, ensure competence development among purchasers and develop innovative contract paradigms.

RETHINK VALUE



The project 2021-2023

- ✓ EUR 500,000 government grant to Rethink Value
- ✓ Public-Private Partnership with Danish Regions
- ✓ Consortium of Rethink Value, NHTA and Trifork
- ✓ Steering committee with the regional CPOs, Danish Medtech Association, Ministry of Health, Ministry of Industry, Business & Financial Affairs and Danish Regions
- ✓ Reference group of regional senior procurement officers
- ✓ Designing and building the prototype software model
- ✓ Based on the PICO principles and a national cost data base
- ✓ Coding the health economics algorithm
- ✓ Building and validating a regional cost database
- ✓ Testing and validating the prototype on 4 medtech test cases
- ✓ First version of prototype is operational and on-line
- March 2024: training regional procurement officers in PICO and how to apply the prototype in daily procurement operations
- April 2024: handover of the prototype and national deployment
- *2025-2030: government grant of EUR 750,000 to develop a full-scale product capable of comprehensive healthcare procurement*

RETHINK VALUE

TRIFORK. RETHINK VALUE NHTA GLOBAL MARKET ACCESS

PICO

The PICO Principle assists you in organizing and focusing your question into a searchable query.

P

Participants / Population
Who are the relevant patients?

I

Intervention / Indication
What is the management strategy, diagnostic test or exposure that you are researching?

C

Comparator / Control
Is there a control or alternative management strategy, test, or exposure?

O

Outcome
What are the patient-relevant consequences?

Contact

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