

MEAT and Value-based Procurement

DRIVING

VALUE-BASED

HEALTHCARE

IN EUROPE

EVENT REPORT
22-23 March 2016, Vienna



MEAT and Value-Based Procurement

driving value-based healthcare in Europe

EVENT REPORT

Most Economically Advantageous Tendering and Value-Based Procurement of Medical Technology: Changing Practices, Increasing Value for Money of Health Care

22-23 March 2016, Vienna

Summary

Leaders from the public and private sectors engaged in the procurement of medical technologies gathered in Vienna on 22-23 March 2016. The meetings were designed to offer a platform for the discussion of value-based procurement in European healthcare.

A broad range of experiences and examples from across Europe were shared and analysed through a combination of presentations, open discussion and workshops. Held under Chatham House rules, participants were free to discuss the opportunities and challenges that arise from embracing new approaches to procurement, including the cultural change and daily practice that will be required.

There was openness among delegates to reimagine procurement, and a willingness to experiment with new approaches and unleash its full potential as a driver of value-based healthcare. Several case studies were shared to highlight the merits of using criteria other than price when selecting medical technologies. By choosing the Most Economically Advantageous Tender (MEAT) rather than the cheapest option, decision-makers can deliver better outcomes of value to patients, providers and health professionals while obtaining the most economically advantageous cost of care delivery for the benefit of health systems and the wider economy.

However, there is wide variation in procurement practices across Europe, and many barriers remain to the introduction of value-based procurement. MedTech Europe, in partnership with The Boston Consulting Group (BCG) and procurement experts, have launched the **MEAT Value-Based Procurement** initiative under which a new framework and tool have been developed to support value-based decision-making in healthcare procurement, a method that is in line with provisions put forward by the EU public procurement directive.

The leaders taking part in the meetings agreed to continued dialogue among stakeholders and to develop a Community of Practice drawn from procurement experts and industry. The next two years will be used to build and exchange experience, helping to overcome the hurdles to embracing MEAT Value-Based Procurement and supporting change management across Europe. The necessary platforms will be established by the MEAT Value-Based procurement Community of Practice.

By running pilot projects using the framework and tool, and sharing best practice, MEAT value-based procurement can become a reality across Europe.

Those interested to receive information and updates on this initiative, to join the Community of Practice or run a pilot are invited to contact Sophie.Koettlitz@meat-procurement.eu

Introduction

Value-based healthcare is a framework for achieving better outcomes that matter to patients, and optimising the cost of care delivery to the health system. This idea has been discussed for a decade, inspired by the academic work of Professor Michael Porter and others putting at the

core the outcomes that matter to patient divided by the cost to deliver this care¹. Others have highlighted the importance of considering the value of investment and the views of other healthcare actors – such as providers and healthcare professionals – along with societal and economic considerations². The need for change was embraced by the MedTech sector in Europe as part of the five-year strategy set out in the *Contract for a Healthy Future*³. This document acknowledges the need to change how all actors operate in order to steer European healthcare onto a sustainable path.

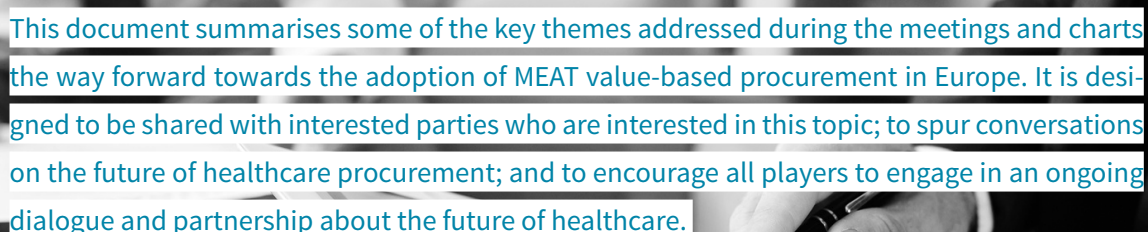
Now is the time to move from theory to practice. The potential of procurement in fostering value-based healthcare remains largely untapped. By choosing healthcare products, services and solutions that offer the most value, procurement has the power to move the needle towards smarter, more economically advantageous spending.

There are some excellent examples of how this has been done in ways that benefit the purchaser while incentivising innovative companies to develop healthcare products, services and solutions that offer genuine value. However, it has yet to be uniformly embraced and value-based procurement is not universally known or understood.

At the same time, the need to accelerate the shift towards the value-based approach to healthcare grows ever greater. Pressure on budgets and demographic challenges are focusing minds on the need to reimagine health services. Significant variations in outcomes are seen between and within European countries. Short-term cost-cutting solutions and austerity measures have reached their limit and start to affect the quality of health and care. This is resulting in a vicious circle of increased healthcare needs and associated spending.

Leaders with an interest in procurement of medical technologies gathered in Vienna on 22-23 March 2016. The meetings were an opportunity to discuss how value-based procurement can be applied to healthcare leading to most economically advantageous investments for all parties.

“The potential of procurement in fostering value-based healthcare remains largely untapped.”



This document summarises some of the key themes addressed during the meetings and charts the way forward towards the adoption of MEAT value-based procurement in Europe. It is designed to be shared with interested parties who are interested in this topic; to spur conversations on the future of healthcare procurement; and to encourage all players to engage in an ongoing dialogue and partnership about the future of healthcare.

1 <http://www.nejm.org/doi/full/10.1056/NEJMp1011024#t=article>

2 http://www.medtecheurope.org/sites/default/files/resource_items/files/BCG-Procurement-Dec-2015.pdf

3 <http://www.medtecheurope.org/index.php/node/536>

BACKDROP

MEAT and value-based procurement

Healthcare procurement often focuses only on the purchase price. This fails to address the needs of other stakeholders such as patients, providers, health systems and society as a whole. It also clouds the true cost of care and does not account for the economic value of health and care.

The MEAT value-based procurement framework places at its core the outcomes that matter to patients, quality and further benefits for providers, health systems and society. By choosing MEAT value based procurement instead of selecting the product with the lowest up-front cost, procurement authorities can factor the full value of a product, service or solution into their decision-making and thus select the most economically advantageous solution.

‘Value’ in European law

The 2014/24 EU directive on public procurement encourages this smarter, more holistic approach to procurement, stimulates innovation and provides economically most advantageous solutions. The MEAT value-based procurement approach can help to break down organisational silos within healthcare institutions, reduce inefficiencies and spur innovation-driven investments.

Procurement can become the driver of value-based healthcare.



Making it happen

Research was presented to highlight the limitations of the price-only model in affecting the quality of care, stifling innovation, and often leading authorities to select solutions which are not the most economically advantageous.

It was further underlined that value-based procurement is in its infancy but it is becoming a reality. Some countries are at the very early stages of exploring the concept; and there is a need for sharing best practices, methodologies and a common language. Multiple case studies were shown on how some procurement authorities are leading the way by moving beyond price-only

evaluation of tenders. These case studies are described in the joint paper [Value based procurement, the unexpected driver of value based healthcare](#) by MedTech Europe and BCG. Some of the case studies presented at the event in Vienna are briefly summarised here:

- When Stockholm County Council tendered for wound-care products they assessed care delivery costs as well as the price of products. Suppliers were asked to demonstrate the total costs of care delivery for three hypothetical patient cases. The highest-priced product was chosen because the supplier demonstrated that they could offer the lowest overall cost.
- In Norway, following a negative experience of purchasing based upon lowest cost, a regional health authority tendering for IV catheters included failure rates and patient-reported pain as quality criteria. They also tested products in several hospitals and entered into dialogue with the healthcare staff to help inform their selection. The tender was not awarded to the cheapest product, prompting an unsuccessful bidder to take a legal case – which the procurement authority won as the criteria were considered relevant and the measures deemed to be an appropriate and objective way to evaluate the products.
- Canadian authorities and providers entered a risk-sharing agreement when purchasing implantable resynchronization devices. Uncertainty over the battery lifetime was at the centre of the agreement: if the lifetime turns out to be lower than the supplier claims, they will cover the incremental cost. Other participants at the meeting also presented their own experience to show tangible ways in which they had used more value-oriented procurement processes, with positive results.



Value-based procurement is in its infancy but there are already several examples of how procurement authorities are moving to incorporate quality criteria beyond price-only evaluation of tenders

Building a Community of Practice

What is needed now are practical tools for applying value-based procurement in order to obtain the highest value and the most economically advantageous solutions. Achieving this will require more examples and experience of how to run MEAT value-based procurement tenders, and a Community of Practice that can share these experiences and support one another on this transformative journey. This will mean developing an environment that is supportive of this new role and a way forward for procurement in healthcare.

One of the key elements identified during the meeting was the need for a common language. This would help to support dialogue between policymakers, clinicians, industry, hospital management and procurement departments. The new lexicon will help foster a shift from price-only to value-driven procurement and empower procurement authorities to obtain the most economically advantageous offer on the market. It will also encourage the use of multi-value criteria that includes patient outcomes and the total cost of care delivery, and assign a monetary value to tender criteria leading to the most economically advantageous solution.

“The strength of this initiative is to foster dialogue and jointly define relevant criteria for value to the patient and other healthcare actors, ensuring that these - in addition to economic considerations -, are driving evaluation”

In this context, MedTech Europe, BCG and procurement experts presented a framework and tool to help make value-based procurement a reality. A pilot and early adoption phase is set to start now and runs until end 2017; a further adoption phase will run from 2018-2020; with a view to this approach becoming the norm in the EU by 2025 for the procurement of all health technology, services and solutions.

The strength of this initiative is to foster dialogue and jointly define relevant criteria for value to the patient and other healthcare actors, ensuring that these - in addition to economic considerations -, are driving evaluation. The method is usable for both mature and innovative healthcare products, services and solutions.



MedTech Europe, in partnership with BCG and procurement experts are proposing a new MEAT Value-Based Procurement method

A new tool to make value-based procurement a reality

MEAT value-based procurement can be used for medical devices, supplies and solutions in all EU countries and by all contracting authorities. The first proposed component to help implement this concept is the **MEAT Value-Based Procurement Tool**. It provides a framework supported by a simple Excel-based tool which can be easily customised for the evaluation of tenders and includes a detailed menu of criteria to select from. The tool is also perceived as an excellent way to foster and structure dialogue in the pre-tender phase. It has the potential to deliver improved overall outcomes, harmonisation and standardisation of procurement, and best practice sharing. To date, more than 100 persons have investigated the value-based procurement Guidelines and Tool developed by MedTech Europe in partnership with BCG and procurement experts. The second assessment phase of this tool runs until June 2016 and aims to make it as user-friendly as possible.



The MEAT Value-Based Procurement Tool is available to be used in pilots to apply in practice the MEAT value-based procurement concept throughout the healthcare procurement process.

People power

People are key to make value-based procurement a success. Procurement practitioners and industry representatives must work together to define the terms of value-based healthcare and implement MEAT value-based procurement in practice. This will be no easy task, however, and one of the meeting participants stressed that this will part of a journey, with hurdles to overcome to reach the top of the mountain trail.

As detailed by one of the participants, there are many structural and organisational barriers preventing the full potential of value-based procurement from being realised. This view was echoed by others throughout the meeting, with issues such as silo budgeting and the innate conservatism of policymakers and financial controllers.

“Procurement practitioners and industry representatives must work together to define the terms of value-based healthcare and implement MEAT value-based procurement”

From the very beginning, advocacy and leaderships are essential. Members of the Community of Practice can become value-based procurement champions by communicating with peers across Europe (for example, through blog posts and participation in meetings) and by ‘selling’ the idea within their own organisations, professional societies and through their engagements with other healthcare stakeholders. This is an opportunity to shape history and drive real value going forward.



A Community of Practice will be established develop and share best practice through pilots and address the hurdles to a successful implementation of MEAT value-based procurement.

Key challenges and opportunities

The role of procurement is changing. It is becoming more strategic; procurement departments have the potential to be seen as a strategic resource within organisations. As procurement professionals take their seat at the management table in hospitals and health authorities, they have a fresh opportunity to lead change.

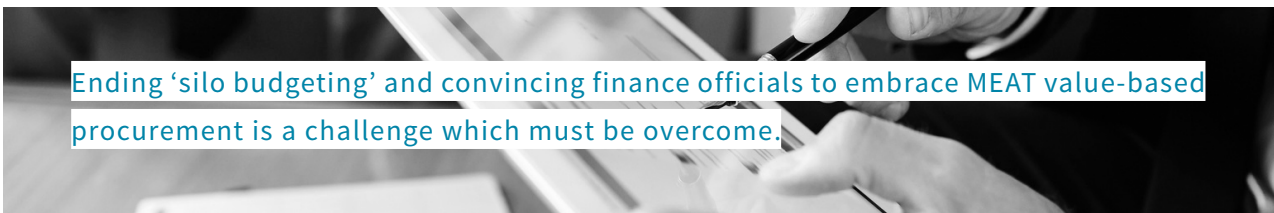
However, change is rarely easy. The meeting in Vienna was characterised by a lively discussion of the practical and legal challenges that arise from embracing value-based procurement, as well as the many positive experiences shared by those who had used quality criteria in procuring medical devices.

Practical barriers

The frequently cited barriers to change were the need to convince finance officials to embrace MEAT value-based procurement, the fact that budget-holders often operate in silos, and the lack of concrete examples of how value-based procurement works in practice. “Getting finance people on board is the key,” said an experienced procurement practitioner. “They need to be engaged and to see something tangible if they are to support a wholesale change in how we work.”

Breaking through inertia is particularly challenging, according to several speakers who suggested that procurement and finance professionals were risk-averse. Choosing the lowest-cost option has an instinctive appeal because it is seen as objective and less likely to be the subject of criticism or legal dispute. To overcome this, pilots and case studies, endorsed by respected experts or peers, could play a powerful role.

Silo budgeting was frequently referred to as a barrier to MEAT, even if decision-makers are theoretically supportive of taking a value-based approach. The trouble is that hospital procurement officials cannot be asked to spend more this year if the benefits show up on someone else's balance sheet now or at some point in the future, according to several contributors. "My CEO will not thank me for saving money in the local primary care budget or for getting someone else's employee back to work more quickly," remarked one hospital procurement official during a breakout session. A mechanism to incentivise this broader way of measuring value, and a clear signal from hospital leaders or policymakers, would be required to encourage the adoption of MEAT.



Ending 'silo budgeting' and convincing finance officials to embrace MEAT value-based procurement is a challenge which must be overcome.

Measuring value

This led to a wider discussion of the timeframe over which value would be measured and how. Taking account of infection rates, complications and readmissions were seen as relatively easier than trying to weigh more long-term benefits or broader socio-economic factors. It was also noted that, in some instances hospitals may actually have perverse incentives against reducing length-of-stay and readmission rates.

The longer the time-frame, the greater the uncertainty, according to one official. In addition, political cycles tend to be short so there is no incentive for policymakers to take a long-term view. "Everyone makes short-term decisions because their own accountability is short-term," as one contributor put it.

In some specific cases, a degree of risk-sharing between supplier and purchaser can mitigate the uncertainty. For example, where manufacturers claim that their product will cut infection rates or have a longer shelf-life, there may be incentives or penalties built into contracts which are triggered by measurable outcomes agreed in advance.

Political leadership is also required. Policymakers and senior leaders in health authorities are well-placed to drive change. The signals they send will play a pivotal role in the future of healthcare. It was noted that in Norway, MEAT has been recognised as part of government focus and other jurisdictions are also examining the issue with a view to taking action.

Evaluating outcomes

Measuring results and outcomes was a recurring theme. For procurement officials, measurable outcomes were seen as valuable, although some expressed concern that competing suppliers may present conflicting studies in support of their products, services and solutions, and objective data is needed. From the industry perspective, the cost of generating large volumes of data was emphasised. Representatives from companies made the point that hospitals would need to share more of the data they hold.


MEAT value-based procurement incorporates outcomes as a central part of the process, and proposes pragmatic way for innovative products, services and solutions to demonstrate their value when used in practice. This may be linked to financial incentives for the value demonstrated.

The relationship between MEAT value-based procurement and Health Technology Assessment (HTA) was discussed in some detail. Several contributors stressed that HTA processes for pharma and medtech are significantly different mainly because of the contextual factors impacting the outcomes.

A form of 'mini-HTA' was sometimes deployed to inform decisions if a technology should be offered. Indeed, one contributor suggested that the phrase 'HTA', in the context of procurement of medical technologies, might be misleading and alternatives should be considered to reflect how the evaluation of multiple offerings is done.

The burden associated with performing HTA was discussed. It can be a time-consuming and expensive process. Further discussions are needed to discuss the assessment and evaluation of the benefits of technologies, services and solutions in the context of procurement.

This led to a detailed discussion on how to monetise value. Many commonly-used scoring systems that assign a relative weight to subjective criteria are open to criticism. An alternative is for the procurer to say in advance what they are willing to pay for a specific benefit and define the monetary value for the criteria they will look at. The best offer should be the one which bring the most economically advantageous solution with the best outcomes.




Measuring value should take a longer-term and more holistic view. Political leadership will be required to overcome short-term and price-only thinking.

Fostering dialogue

Due to the complexity of medical technologies – and the complex challenges faced by health services – there is a need for specialists on all sides to engage in constructive discussion. This can bring significant benefits, helping companies to understand the needs of their customers and encouraging industry to come up with innovative solutions to problems. On the other hand, close relationships can increase risks of corruption and may stifle competition if not handled correctly.

In Norway, Sweden and Denmark, the medtech industry and healthcare authorities have an agreement which facilitates dialogue. This sets out the ethical code by which both sides must abide. It has proven a great success and nurtured a mature relationship between procurers and companies. Crucially, it has helped stakeholders to collaborate as they navigate a course towards a new approach to procurement. The agreement was well communicated internally by both sides, and each hospital has a designated staff member responsible for the agreement. In Norway, Sweden and Denmark, the medtech industry and healthcare authorities have formalised their collaboration in a formal agreement which facilitates dialogue between the parties and is an integral part of the industry's code of ethical practices. This agreement sets out the rules by which both sides must abide.



MEAT value-based procurement offers a pragmatic way to demonstrate the value of innovative products, services and solutions. Demonstrable benefit can be linked to financial reward.

It has proven to be a great success and nurtured a mature relationship between procurers and companies. Crucially, it has helped stakeholders to navigate a course towards a new approach to procurement. The agreement was well communicated internally by both sides, and each hospital has a designated staff member responsible for the agreement. At European level, MedTech Europe has recently updated their Code of Ethical Business Practice that covers several issues including how companies interact with healthcare organisations, such as hospitals and healthcare professionals. The Nordic models were considered as best practices when developing the new MTE code and as such these models could also represent a best practice when considering how to optimise the relationship between purchasing organisations and industry.



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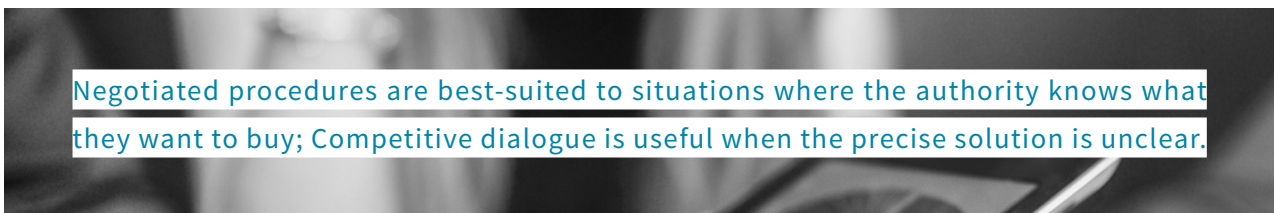
Buying solutions

There was some discussion about the relative merits of negotiated procedures and competitive dialogue. It was suggested that negotiated procedures are best-suited to situations where the authority knows what they want to buy and can describe it in a tender. A competitive dialogue is more appropriate if the authority can describe its problem but is not yet clear on the precise solution. “Competitive dialogue takes a lot of time and energy but can help to move from something vague to a concrete tender specification,” said a legal expert working with industry.

One of the hesitations expressed on behalf of industry was that pre-commercial consultation holds some risks for innovative companies: they may share their brightest ideas but still fail to win the contract. For this reason, some prefer a more formal procedure which offers legal safeguards.

However, some pre-market consultations hold opportunities for companies. For example, it gives them exposure to new procurers where several health systems collaborate to engage with the market prior to drafting tender specifications. Authorities can work together on pre-market consultations, benefiting one another as well as incentivising companies.

One national procurement officer said competitive dialogue is primarily used for highly complex products. It can be valuable when seeking to procure a solution rather than a product, or when the goal is to optimise the patient pathway rather than purchase a better version of an existing product.



Negotiated procedures are best-suited to situations where the authority knows what they want to buy; Competitive dialogue is useful when the precise solution is unclear.

Legal challenges

One of the key concerns for procurers is the prospect of facing legal challenges from unsuccessful participants in a tender process. At the heart of these cases is subjectivity. Unsuccessful bidders may feel aggrieved at not winning a contract, particularly where they view the criteria as opaque and subjective.

One procurement official with experience in this area said that once procedure deviates from being price-only, there is an inevitable move away from 100% objectivity. “You have to be as objective and transparent as possible,” he said. “Tell people in advance exactly what will be evaluated and how it will be evaluated. Document everything and be precise.” An official from another country said that in his experience, judges will criticise procurement officials for failing to consider an important criterion but are less inclined to take a view on what weight it should be given.

In Germany, an ‘open-book model’ is sometimes used whereby the tendering authority publishes the contract and the price they will pay. This allows any company to bid, competing only on quality. Some have questioned whether this should be exempt from procurement law and a European Court of Justice ruling is anticipated on this question.



Value-based tenders may not be 100% objective but every effort should be made to be as objective and transparent as possible. Initial positive ruling on litigations are reassuring.

Professionalisation

Several participants highlighted the need for ongoing education and professional development among procurement officials. As the role of procurement promises to grow in importance and complexity, practitioners will need new skills and competences.

The Community of Practice has the potential to provide a platform for best practice exchange and mentoring that will help to keep procurement officials abreast with technical and methodological developments in a fast-moving field.

Category management was also brought forward and a degree of centralization will further provide opportunities.

Looking ahead

At the conclusion of the meeting it was agreed that a work plan would be developed to tackle issues raised during the two-day event. Workshops addressing the specific topics will be organised to develop proposals for the Community of Practice to take forward.

Stakeholders have the opportunity to test the MEAT value-based Procurement Excel tool and Guidelines, and to provide feedback, until June. Participants interested in writing a blog post, with the support of a professional writer, were encouraged to get in touch.

Leaders keen to engage in the use of MEAT value-based procurement in practice are invited to initiate a pilot using the MEAT value-based procurement framework and tool. In cooperation with the Boston Consulting Group, MedTech Europe will offer and facilitate training and mentoring. Experiences and feedback from these training will also be collected and shared.

To support the development of a Community of Practice and pilot projects for MEAT value-based procurement, a fund has been established with initial grant contributions from 12 organisations.



Contact Sophie.Koettlitz@meat-procurement.eu, Y.Verboven@Medtecheurope.org, Clawson.Jennifer@bcg.com or Gerecke.Goetz@bcg.com for further details.

“The biggest challenge is to change minds”

“It is important to have ethical agreement between industry and authorities”

“There is a general willingness to shift from price to value”

“We need a harmonised approach across Europe so that we can support each other”

“Let's start with simple product groups to generate examples”

“We must define the outcomes we want to measure and what kind of data will be needed”

“It is important to develop a common concept of value”

“The price-only approach diminishes the service delivered to patients”

“We have phenomenal tools but must communicate why this change is needed”

“We do not buy innovation but the effects of innovation”

“Even subjective qualities can be measured”

“The big challenge will be monetising value”

“We must take personal responsibility to communicate these ideas to stakeholders”

MEAT Value-Based Procurement

a MedTech Europe initiative in partnership with the Boston Consulting Group
and Procurement Experts