

# **Health System Procurement and Supply Management: Managing the Life Cycle of Technology for Maximum Value: What's New, What Stays, and What Must Go**

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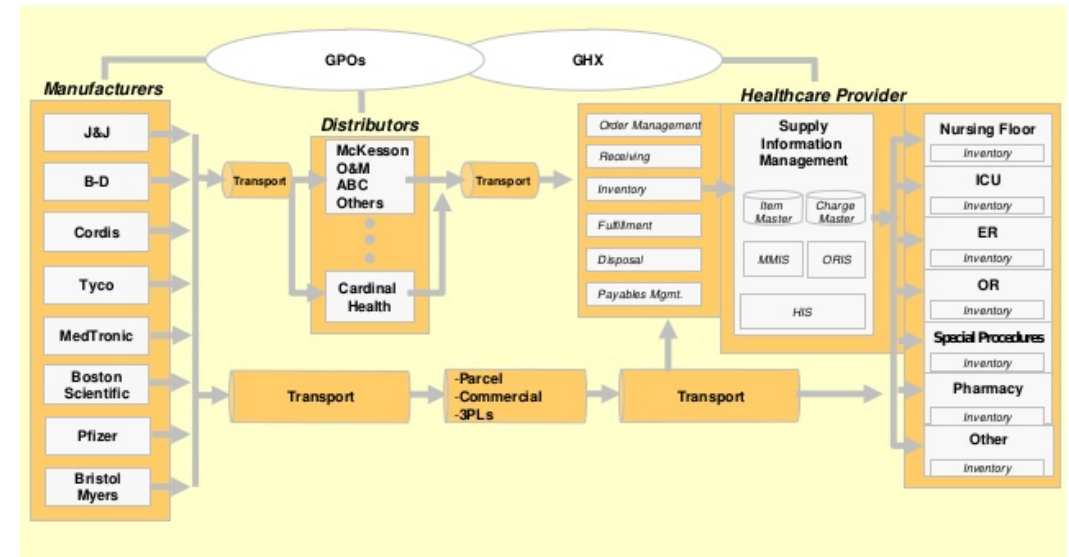
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# Objectives

- **Participants will be able to:**
  - Understand the role and responsibility of procurement and supply chain in health care systems
  - Appreciate the current challenges and issues associated with procurement, supply chain and innovation
  - Identify and mobilize opportunities for closer collaboration among patients, clinical providers, leaders, HTA agents, industry and procurement
  - Access resources

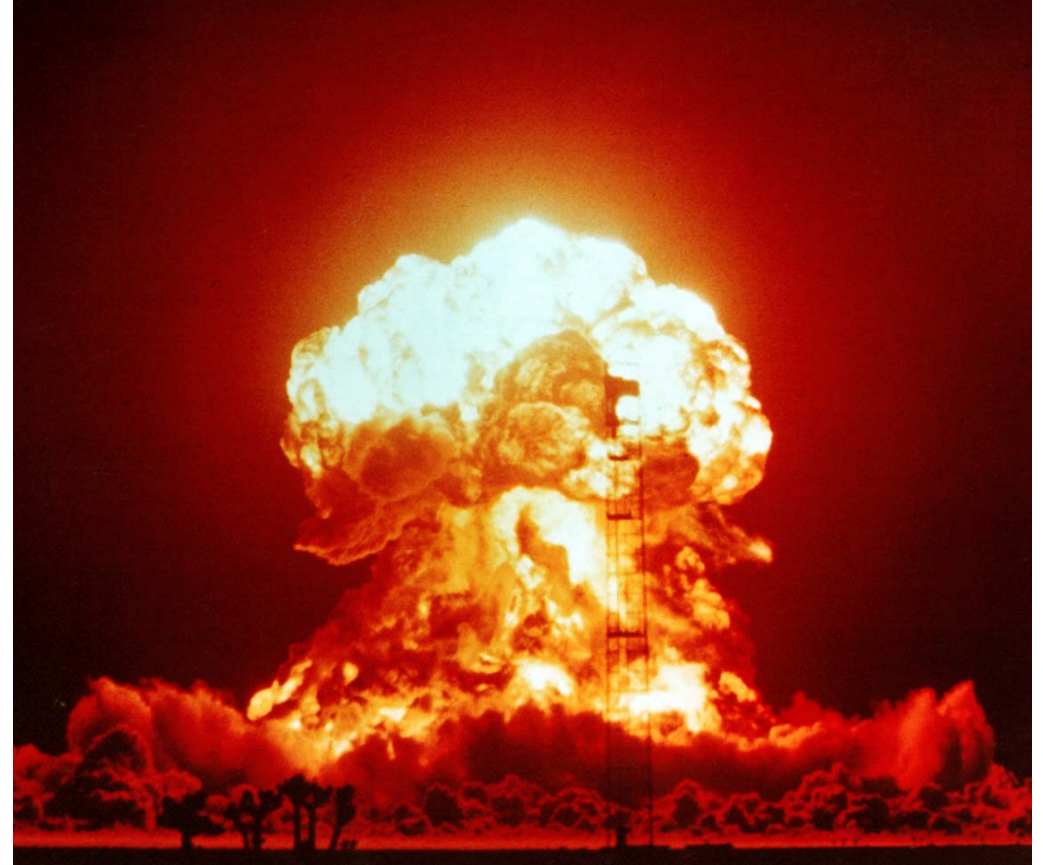
## Hospital Supply Chain

Healthcare value chain is complex



# Myths Surrounding Procurement and Supply Chain

- Procurement is only interested in lowest cost
- Supply chain management is a department (verb vs. noun)
- Efficiency and effectiveness: you can't have both
- Procurement owns spend management
- Green and patient preferences are not considered



# Old Procurement / New Procurement

- **Old Procurement**

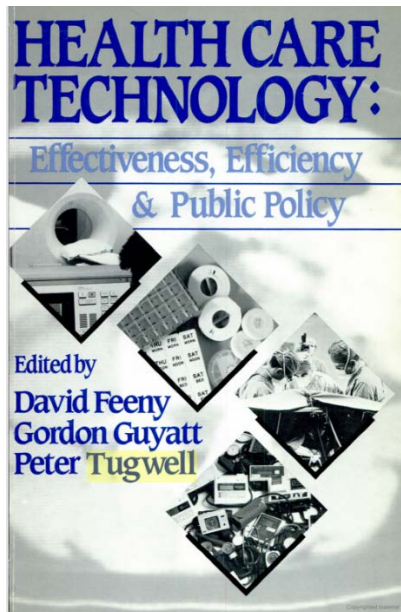
- Lowest cost
- Focus on the technology
- You can have any color – as long as it is black
- Procurement is in the basement
- Value-adds confidential
- Boiler plate



Food-vending stall, from a Renaissance painting, mid century A.D. source: mitchellisaacks.net

- **New Procurement**

- Highest value
- Consider the system impact
- Full life cycle
- Value proposition
- If it is emergent we will collaborate a way forward
- They are at your table
- Value-adds explicit
- How can we achieve mutual objectives?
- Part of global procurement and supply management



Tugwell, Bennet, Feeny et al. in Health Care Technology: Effectiveness, Efficiency and Public Policy. The Institute for Research on Public Policy, 1986.



Iñaki Gutiérrez-Ibarluzea<sup>1</sup>, Marco Chiumente and Hans-Peter Dauben in Life Cycle of Health Technologies. Frontiers of Pharmacology, January 24, 2017



# Procurement and Supply Chain Management

- **Procurement**

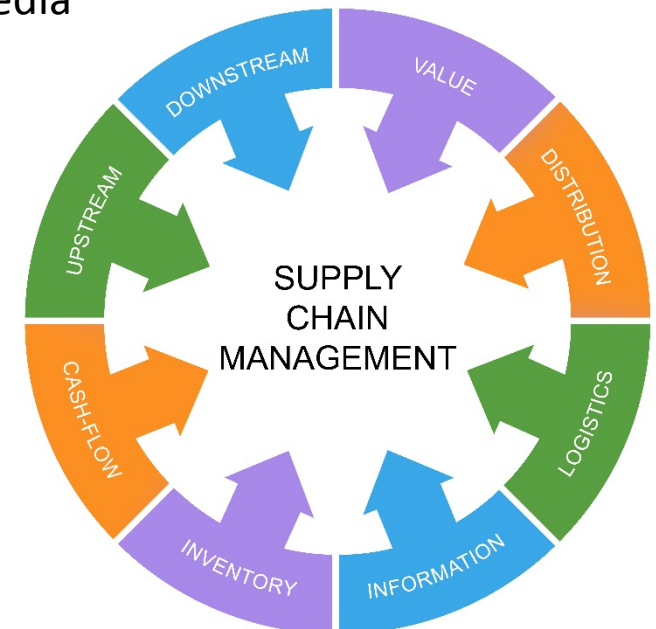
- The act of finding, acquiring, buying goods, services or works from an external source, often via a **tendering** or competitive **bidding** process. The process is used to ensure the buyer receives good, services or works at the best possible price, when aspects such as quality, quantity, time and location are compared. Corporations and public bodies often define processes intended to promote fair and open competition for their business while minimizing risk, such as exposure to fraud and collusion.

- Wikipedia

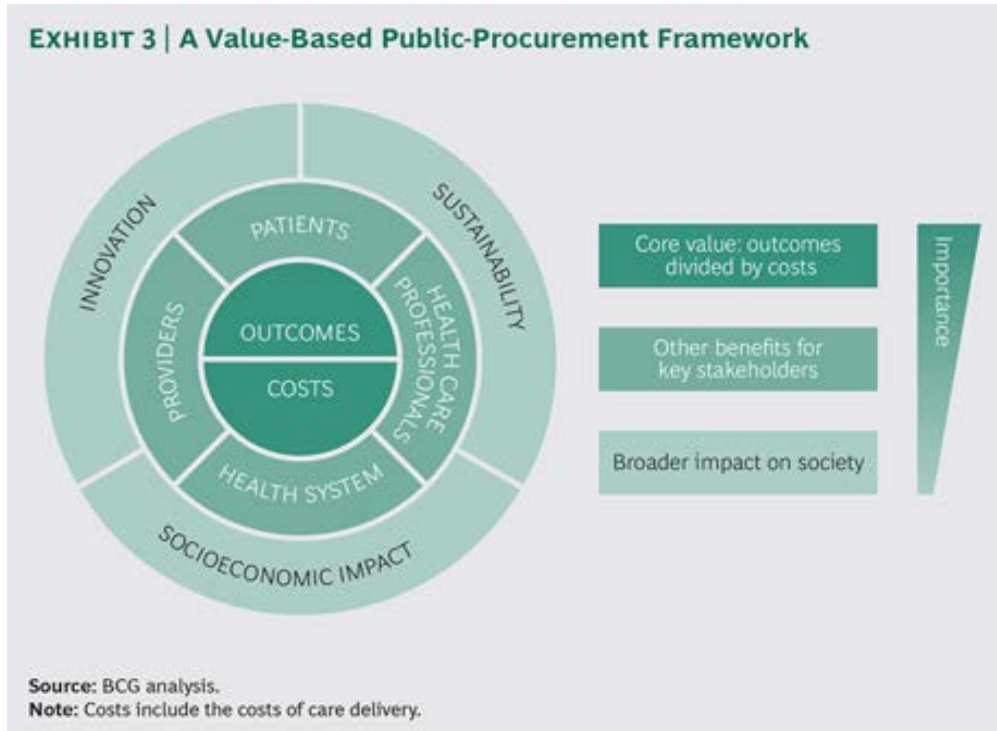
- **Supply Chain Management**

- The integration of key business processes across the supply chain for the purpose of creating value for customers and stakeholders. (Lambert, 2008)

- Wikipedia



# Value-Based Procurement



- **Innovative tender criteria**
  - Role of patient outcomes
  - Systems perspective
- **Total cost of care**
  - Require bidders to calculate total cost of care
- **Patient feedback**
  - Feedback from patients and clinical staff
- **Risk-sharing arrangement**
  - Uncertainty with outcomes – share the risk

**St. Michael's probes executive after  
role in fraud revealed**

**Ottawa Hospital files lawsuit against  
former directors, contractors**

McGill Hospital Caught Up in "Biggest  
Corruption Fraud in Canada"

**Ottawa Hospital claims ex-manager  
oversaw massive fraud scheme that paid  
for cottage renos, luxury trips  
National Post**

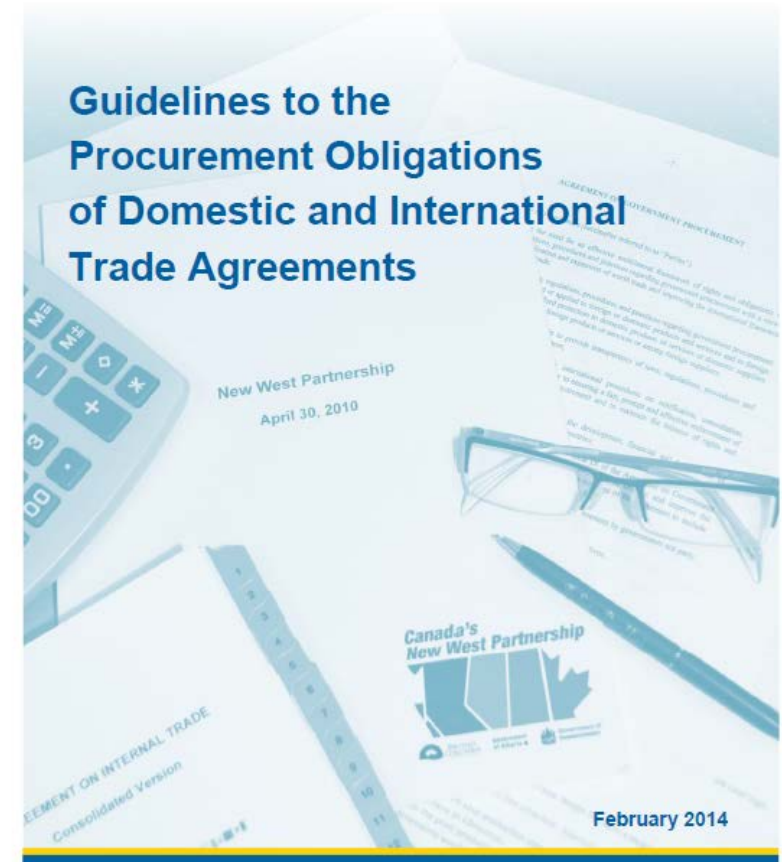


# Contemporary challenges

- **Strong interest in procurement by governments**
  - Reforms needed to stimulate adoption of innovations and support “economic prosperity”
  - Push procurement to produce savings
  - Take into account upfront cost as well as long-term value
  - Environmentally preferable purchasing programs
  - Fair labor practices
  - “too often the business side of healthcare – the purchasing, the employment, fails to reflect the policy goals of healthcare. The result – a sector that misses opportunities to do more to lead by example to achieve its own policy goals.”
  - Buy health, healthy environments, healthy economics and healthy people, not products

# A Highly Regulated Activity

- Trade Agreements aim to reduce barriers to trade in order to increase competitiveness, economic growth and stability amongst their signatories. Each agreement includes procurement obligations based on the principles of non-discrimination, openness and transparency, and reflect a commitment to the effective management of public resources.



# Ethics, HTA and Contracting Procurement and Supply Management

- In addition to employees, medical and midwifery staff are organization representatives
- Become familiar with your organizations corporate contracting policy
  - Code of Conduct
  - Conflict of Interest
- Vendor Guide of the organization
- What is the practice on addressing value adds
- Safe disclosure/whistle blower policy
- Management of medication samples and payment assistance cards
- Dispensing medication samples
- Industry code of conduct



# Approved Procurement Exceptions (APE) under trade agreements

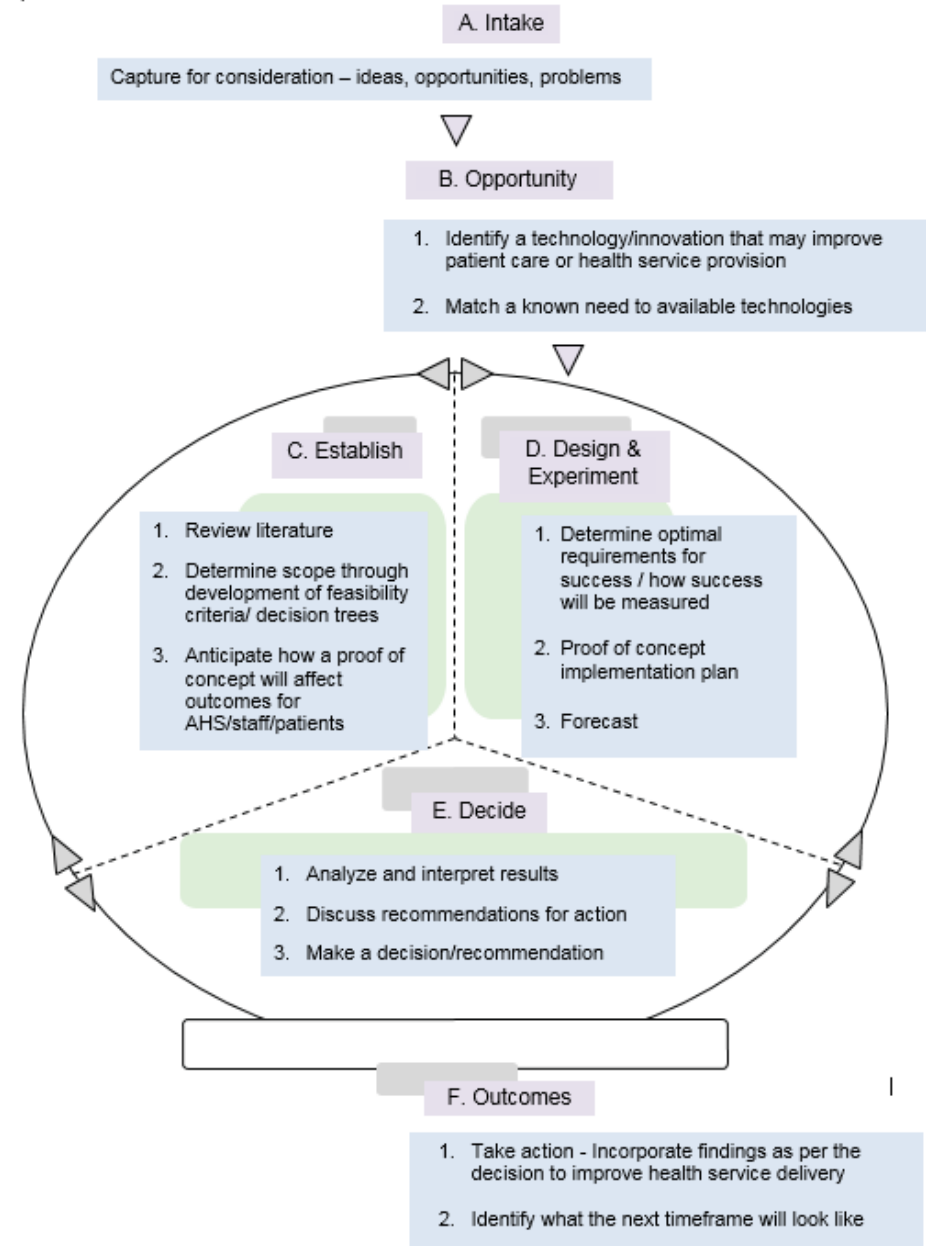
- When only one supplier (unique good or service, patent supplier, proximity to need, original equipment/software manufacturer or compatibility) who can meet AHS' requirements
- For situations of unforeseen urgency
- When the procurement respects matters of a confidential nature
- For health and social services
- Where there were no bids in response for a call for tender
- For services provided by lawyers and notaries
- For procurements with public bodies or not-for-profit organizations
- For procurements from philanthropic institutions
- For goods intended for resale to the public
- For water, energy (renewable/alternative)
- For conservation, aboriginal, treasury items and from donation
- For Legitimate Objectives such as: public security and safety; public order, protection of human, animal or plant life or health; protection of the environment; consumer protection; protection of the health, safety and wellbeing of workers; affirmative action programs for disadvantaged group



# Research and Innovation

- Contracting Procurement and Supply Management are essential to help advance the R&I agenda in health care
- Involve them early
- Co – develop the RFP
- Co – develop the pilot or demonstration
- Identify risk sharing opportunities
- Be clear on expectations (outcomes)
- Publish results (+ or -)
- Collaborate and build on successes

Figure 1. Diagram of evaluation process

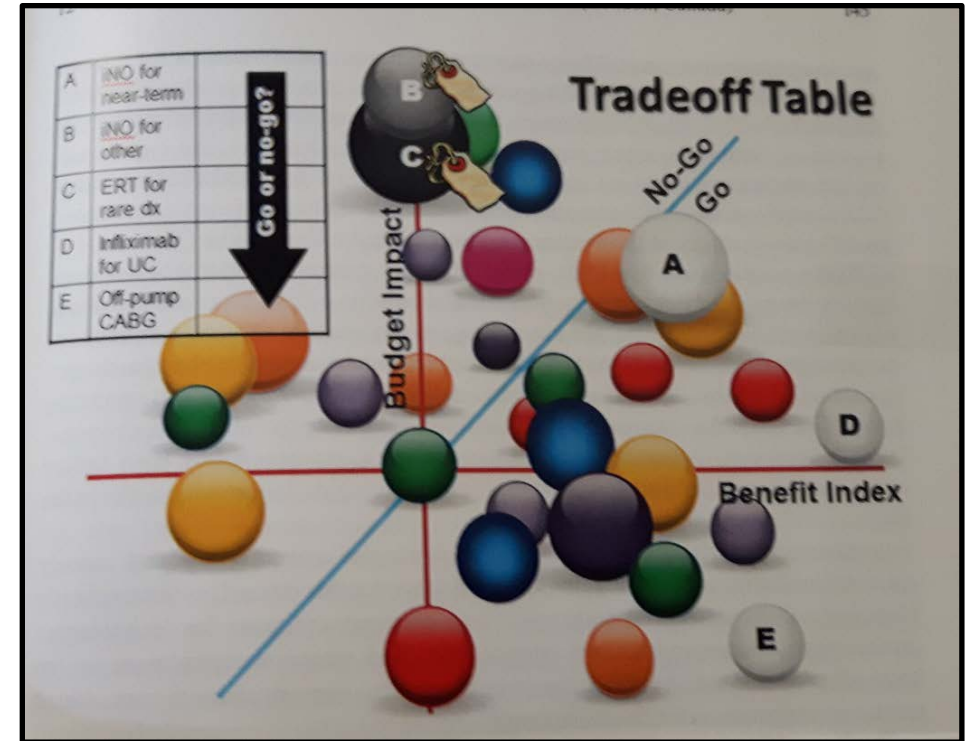


# Opportunity Cost and Tradeoffs

- Zero sum game
- Silos
- Misaligned incentives
- Perverse incentives
- Bureaucratic administrative structures
- Optimizing

Looking to the Future of Hospital-Based HTA: The Next Frontier, Janet Martin and Laura Sampietro-Colm, 2016

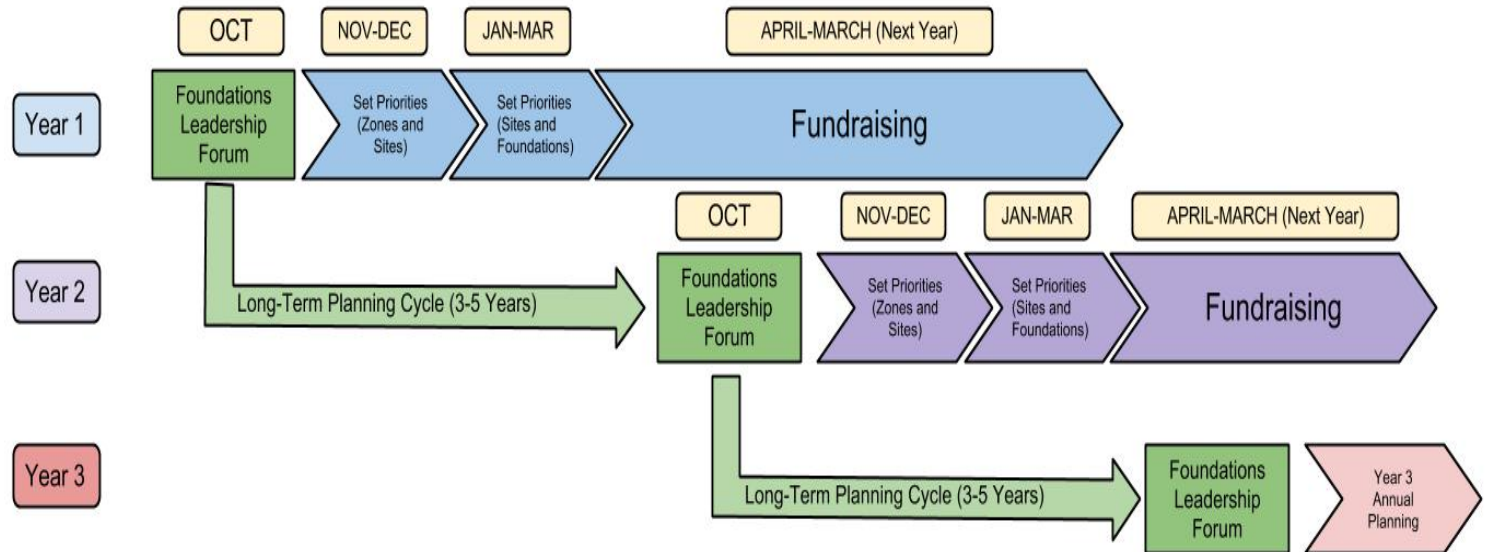
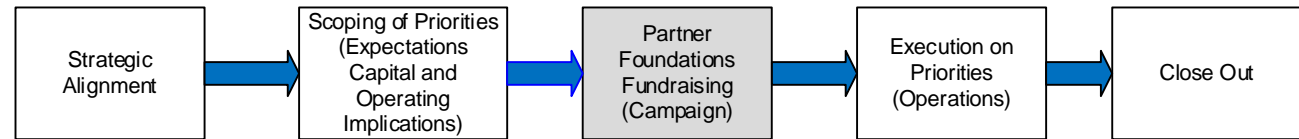
<http://www.springer.com/us/book/9783319392035>



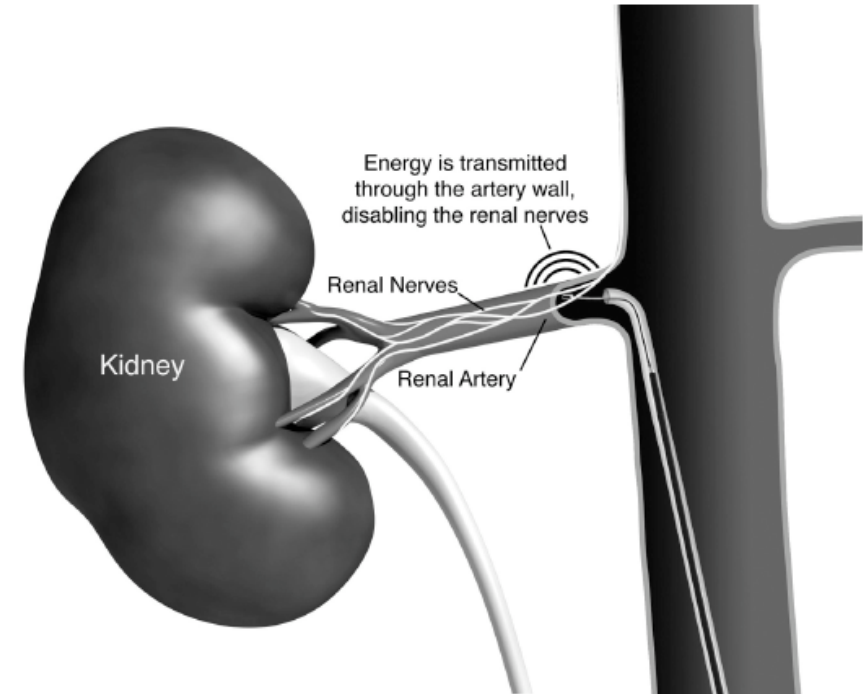


# The Role of Philanthropy

- Strong community spirit
- Perverting priorities
- Developing guidance
- Work with it and collaborate or channeling to the greatest public health good



# Robotic Surgery – Renal Denervation



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  - Emerging Procurement Approaches in Health Care
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  - Driving Health System Improvement through Innovation Procurement
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