

# How to successfully implement (MEAT<sup>1</sup>) Value-Based Procurement

*What we have learned from learning projects & pilots so far*

## Introduction

As you know, one of the most critical decisions in health care today is the procurement of medical diagnostics, devices, services and integrated solutions (referred to as 'product' or 'technology') by healthcare providers and healthcare systems. By choosing one supplier's bid over another, procurement has a serious impact on the outcome of care and cure provided to patients. In short, procurement holds the key ensuring value can be delivered by medical technologies, better (patient) outcomes can be realised, health care is provided cost-effectively and health care professionals are supported in their daily work.

For most health care stakeholders value-based procurement is a relatively new procurement approach and it will take some time until full implementation is realised. Based on a study of European value-based procurement learning projects and pilots as well as the lessons learned by both medtech suppliers and procurers, the aim of this paper is to increase the awareness on what value-based procurement can contribute and to suggest some important steps that need to be taken in the procurement process in order to make a successful start.

## Value-based procurement

The objective of procurement should be to select those technologies, out of many available or to be developed, that deliver the best quality, are economically the most advantageous and deliver the highest "value".

The essence of value-based procurement is in using a collaborative, multidisciplinary approach to achieve patient centered, higher quality and sustainable health care. Value-based procurement focuses on what patients, health care actors, health care systems and the society really value. It considers the total cost of care, and not just the price of a product.

Several approaches exist to run and implement value-based procurement. One of them is to balance outcome improvement from multiple perspectives (quality) over the total cost of care delivery. As a result, the contract is awarded to the product or technology generating the highest overall value to the procurer.

---

<sup>1</sup> MEAT – Most Economically Advantageous Tendering

This approach uses a multi-layered MEAT-Value Based Procurement Framework developed in close cooperation by procurement experts, BCG (The Boston Consulting Group) and MedTech Europe. The framework assesses the required quality and outcomes of the care delivery process that matter to patients, health care stakeholders (e.g. clinicians, nurses, health care provider organizations) and society (including environmental and social sustainability) versus the total cost of the full care delivery process (including the product's total cost of ownership). The criteria which are valued by the multidisciplinary team and used during the assessment and awarding process of received bids in order to select the bid providing the highest value, are considered as value criteria. The focus of the evaluation criteria used in the tender is on the wider value required by the procurer and potentially offered by the relevant product/service.

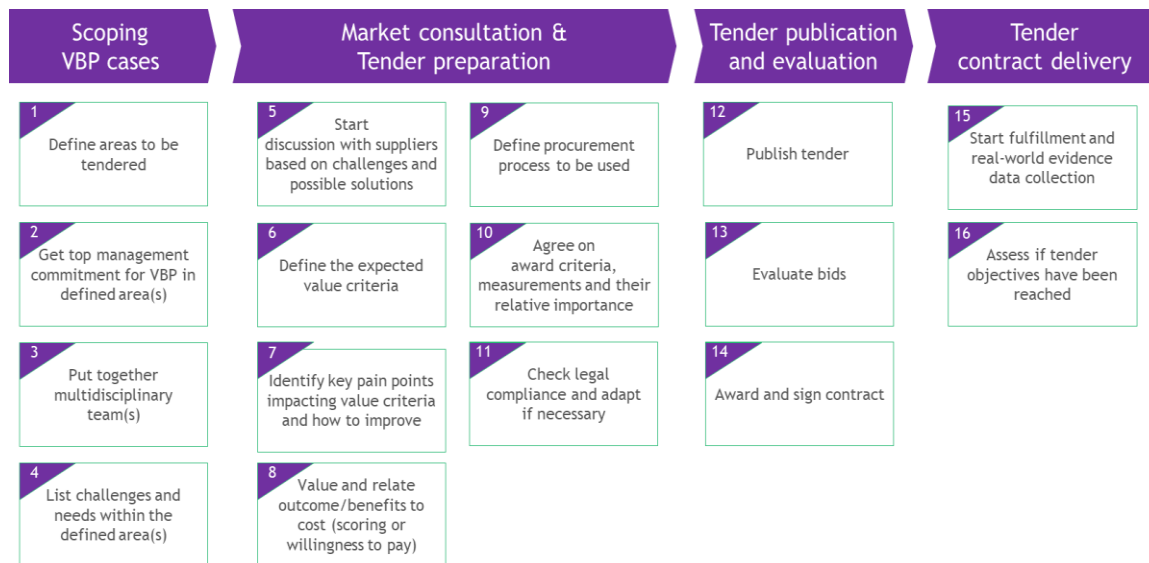
In order to support procurers in the use of this Framework, an Excel-tool and associated guidelines have been developed. This tool can be easily adapted to each specific type of medical technology. It includes a detailed menu of suggested criteria, covering both outcomes as well as the total cost of care delivery elements, from which procurers can select from and add to. Supportive guidance is also developed to facilitate the use of this tool and provides specific case examples across the different phases of the procurement process.

When applied in practice, value-based procurement can achieve:

- improved outcomes to patients and/or other health care stakeholders;
- financial benefits to the healthcare provider organisation and/or the health system;
- improved efficiency in the care delivery process;
- improved quality of (clinical) care and citizens in good health;
- corresponding remuneration of suppliers, anchored in value-based contracts.

### First steps to take

Applying value-based procurement is a journey moving away from a traditional product/technology price-only focus towards bringing a significant impact on the total care pathway. In order to successfully run a value-based procurement pilot or learning project it is recommended to use the following process steps. Based on previous value-based procurement projects and pilots we have identified 7 recommendations which can be applied during several of the traditional tender process steps as indicated below. The final choice of applying these recommendations remains of course in the hands of representatives of the procuring body.



## 1. Apply a step-by-step approach

The application of value-based procurement requires the buy-in from various internal stakeholders, such as clinicians, nursing staff and hospital managers. Additionally, it has to be expected that additional time is needed to run the procurement process, which can be a challenge for those involved.

Therefore, it is recommended to apply a step-by-step approach and to look closely for an answer to the question ‘What is in it for the different internal stakeholders?’ when selecting the outcome criteria (see also recommendation 5): First, select a few products from the total list of items which need to be purchased which could be used as pilot projects. Then within these pilots/projects identify a well-defined set of value criteria. As experience is growing and the benefits of VBP become clear, value-based procurement activities can be expanded to other products/technologies. Similarly, the nature of the value based criteria can be refined and expanded as experience grows. Over time, the traditional product-related criteria can be gradually replaced by tendering for solutions based value criteria.

## 2. Prioritise pilots/projects

We suggest to first select value-based procurement pilots/projects clearly contributing and aligned to the organizational strategy of the buying entity, its most important disease areas and identified KPIs on clinical/ patient quality of care, such as health care associated complications, infections or patient safety or quality issue. This will also help to involve senior management. Of course identifying low hanging fruit will further benefit the uptake. Next, it is suggested to further prioritise those care pathways or product groups for which a supplier’s value proposition could potentially make a substantial contribution such as:

- improvement of care outcomes;
- quality of care delivery;
- benefits to health care actors (clinicians, nurses, other hospital staff);
- total cost of care delivery;

- (environmental) sustainability.

Other aspects that can be taken into consideration are:

- readiness and interests of the internal (key) stakeholders to be involved (also see 3);
- readiness of medtech suppliers in the designated care pathways or product groups;
- total value and length of the contract period (the higher/longer, the more likely a value-based procurement activity will pay off);
- data availability or ease of data collection;
- readiness to have a test of the product in practice as part of the evaluation.

Please be inspired by the cases as described in the Guidance to the MEAT-Value Based Procurement Framework as well as the case studies by the VBP Community of Practice.

### **3. Raise internal awareness and get senior leadership buy-in**

Value-based procurement is all about having the supplier's propositions broadened beyond technical specification and price in order to generate a larger impact on the health care provider's care pathways and the outcomes. Therefore, it is not only about applying outcome-based criteria in tenders; rather it is a change of perspective. To successfully complete this process of change and to embed it sustainably in business operations, it is key to have both medical (clinicians, nurses) and non-medical senior leadership's support.

We are seeing that procurement approach is becoming more strategically important and is taking on a more central role in driving forward patient-centered care while ensuring the financial most advantageous decision is taken. Joining the value-based procurement Community of Practice, using the developed documents as well as engaging with peers from across Europe can be very helpful in this respect.

### **4. Build a multidisciplinary team**

Based on the identified value-based procurement pilots(s)/project(s), the next step is to identify the main stakeholders who should be involved and to set up a multidisciplinary team. This may be from within the individual hospital or, in case of a GPO, it may be necessary to establish a representative panel of member hospitals. This team will run the pilot/project under the direction of the procurement team. It is important to have the end-user, clinical experts (clinicians, nurses and other care professionals) as well as budget holders and senior management onboard. However, keep in mind that whilst in some cases the clinicians are important stakeholders, they are not necessarily the end-users of the product/technology concerned.

It is important for this team to be well trained on value-based procurement and, again, the value-based procurement Community of Practice could be very helpful in this.

### **5. Identify the needs and define outcome criteria**

The key question always to keep in mind is: 'On what should the supplier's product/technology ultimately have an impact?'. Therefore, the team should first execute an analysis

of the existing clinical, procedural or economic need(s) and pain points(s) as well as an identification of the KPIs for the selected disease area(s) or care pathway(s).

Patient relevant outcomes and health system cost-efficiency considerations will be central to this. But it is also important to have the medical stakeholders' needs reflected as this will also strengthen their interest and commitment to the pilot/project.

Then, we suggest reducing the long list of needs to about 3-5 major requirements and identifying approximately 2-3 criteria for each point. Together with the suppliers' input collected during the pre-tender market consultation (see recommendation 6) these value criteria can ultimately be consolidated into criteria to be applied in the tender documents.

To do this, procurers may want to use the MEAT-VBP Excel-tool and associated guidelines which provide a comprehensive suggested classification of over 30 potential value criteria to select from and further build on, which can be used alongside more usual evaluation criteria relating to product features and quality.

Over time, once additional experience and confidence have been built up, the number of outcome award criteria can be gradually increased and gradually replace the traditional ones.

## **6. Conduct a market consultation**

The 2014 EU Public Procurement Directive recommends that contracting authorities conduct a (pre-tender) market consultation and to inform the market about the contract opportunity and its requirements, provided that it is not conducted in a manner that could distort competition between bidders.

Making use of a market consultation is of vital importance to any (value-based) procurement activity. It allows procurers to engage with medtech before the tender process formally commences to explore if the identified procurement needs can be met by the technologies or products already on the market, or whether existing technologies can be adapted to the healthcare organization's specific needs or having adapted or completely new technologies or solutions developed.

As such a market consultation also provides valuable input on what procurement procedure best to apply. Last but not least, a market consultation provides an excellent opportunity to discuss and obtain valuable input from suppliers on the identified care pathway pain points, related outcome criteria and potential value propositions.

A pre-tender market consultation can be executed using a (online) survey, organising an open market consultation day or setting up individual supplier meetings. In this respect it is very important for procurers to safeguard a transparent, non-discriminatory and fair process as well as having a clear understanding upfront on what to achieve from the market consultation.

## **7. Generate supportive evidence**

In traditional procurement activities the supplier's involvement basically ends with the delivery of the products/technologies and executing the services as agreed in the contract. After delivery, it is primarily the hospital's responsibility to use the product/technology according to its intended use.

In value-based procurement having (real world) data is important in order to assess the (potential) impact of the expected value criteria. Real world data can be generated from many sources, e.g. administrative and clinical data, medical technology generated data, costing and resource use data, patient reported experience measures or patient reported outcome measures.

If evidence data is already available, this can of course be used by the suppliers in their bid. In case no or limited evidence is available and the expected outcomes of the use in practice of the product/technology are uncertain, the hospital/procurer and the supplier will have to work closely together in order to measure the outcomes and jointly generate the necessary data alongside the use in practice.

This can be done in several ways, for example:

- setting up a product evaluation test as part of the tender evaluation process;
- having an upfront agreement for the continuous measurement and improvement of outcomes followed by measurement of the identified criteria after contract deployment;
- agreeing a value-based contract which (financially or by other commitment) rewards the actual value of the product/technology, complemented by sharing of the risks and benefits.

## **Why value-based procurement now**

Healthcare systems across Europe are facing a huge challenge of '*doing better & more with less*': on the one hand improving (patient) outcomes, improving quality of the care delivery process and serving an increasing ageing society; on the other hand managing the rising costs of care delivery and dealing with reduced availability of skilled healthcare workers.

Price-focused procurement of medical technology remains commonly used but leads to sub-optimal financial results. It does not take the (long-term) value of the products/technologies into consideration.

This technical specification and price-focused procurement approach gives no, or little, attention to the remaining health care delivery costs nor the benefits to patients, health care professionals and the health care system in order to improve the quality of care. Finally, price-focused procurement often limits the health care provider's uptake of advanced, innovative technologies. Not only are the potential benefits to increase the value

of care delivery lost, such an approach does not respond to clinicians' and other healthcare workers' interests.

Taken together, by applying the MEAT-VBP approach procurement holds the key to further improve the connection to clinical practice and face the challenges of healthcare.

### Momentum is increasing

The MEAT Value-based procurement initiative was launched in 2015 and momentum is growing. Ever more learning projects and pilots are taken up by 'early adopter' procurement organizations across Europe year after year. These activities cover a wide range of applications ranging from typical medical technologies, such as knee implants and wound care products, to more comprehensive care pathways, such as cataract surgery procedures, cardiac implants, perioperative hypothermia prevention and anticoagulation management. In addition, as indicated in a recent survey carried out among procurers and medtech suppliers by BCG "nearly 80% of the respondents believe that value-based procurement is highly important, and nearly 70% of the respondents indicated they are enthusiastic about the concept. Value-based procurement is seen as a powerful mechanism to align interests, to re-direct discussions from the up-front purchase price towards a deeper exploration of how jointly to measure and demonstrate value, leading to partnerships with mutual benefits."

And maybe even more important, these early adopters are reaping the fruits from this new procurement approach: improved outcomes and benefits to both patients and healthcare professionals, reduced total cost of care and comprehensive innovative solutions addressing specific clinical and economic pain points.

### Final conclusion

Value-based procurement is a revolution in mind but an evolution in practice, so do not wait until tomorrow but start. Move forward step by step and please feel free to reach out in case any procurement is of interest. The VBP Community of Practice will be happy to assist further.

For more information on value-based procurement or having an interest to join the VBP Community of Practice, please contact [info@meat-procurement.eu](mailto:info@meat-procurement.eu) to get started.

### Further reading

- Procurement, The unexpected driver of Value-Based Health Care, BCG & MedTech Europe, December 2015
- Guideline to the MEAT-Value Based Procurement Framework, BCG & MedTech Europe, February 2017
- Why Value-Based Procurement now – infographic, VBP Community of Practise, May 2019
- VBP deep-dive cases, VBP Community of Practise, July 2019
- Accelerating Value-Based Procurement in Health Care, BCG & MedTech Europe, December 2019