



MedTech Europe
from diagnosis to cure



BOSTON
CONSULTING
GROUP

Medtech and Value: Will Value-Based Procurement become a reality?

MedTech Europe Forum

MAY 15TH 2019, PARIS



VALUE-BASED
PROCUREMENT

Partnering for patient-centric,
sustainable health care



Objectives of this session

- Emphasize MedTech Europe engagement on value
- Share progress of VBP adoption in Europe
- Provide procurer perspective on VBP in MedTech



MedTech Europe engagement towards value

THINK

VALUE

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At its core:
Achieving
outcomes that
matter to
patients by
cost-efficient,
informed care
delivery

Outcomes that matter to
patients

Costs of delivering those
outcomes

KEY ENABLER: INFORMATION

In its broader understanding: capturing other viewpoints, be it healthcare actors or society



Care givers



Society



Hospitals

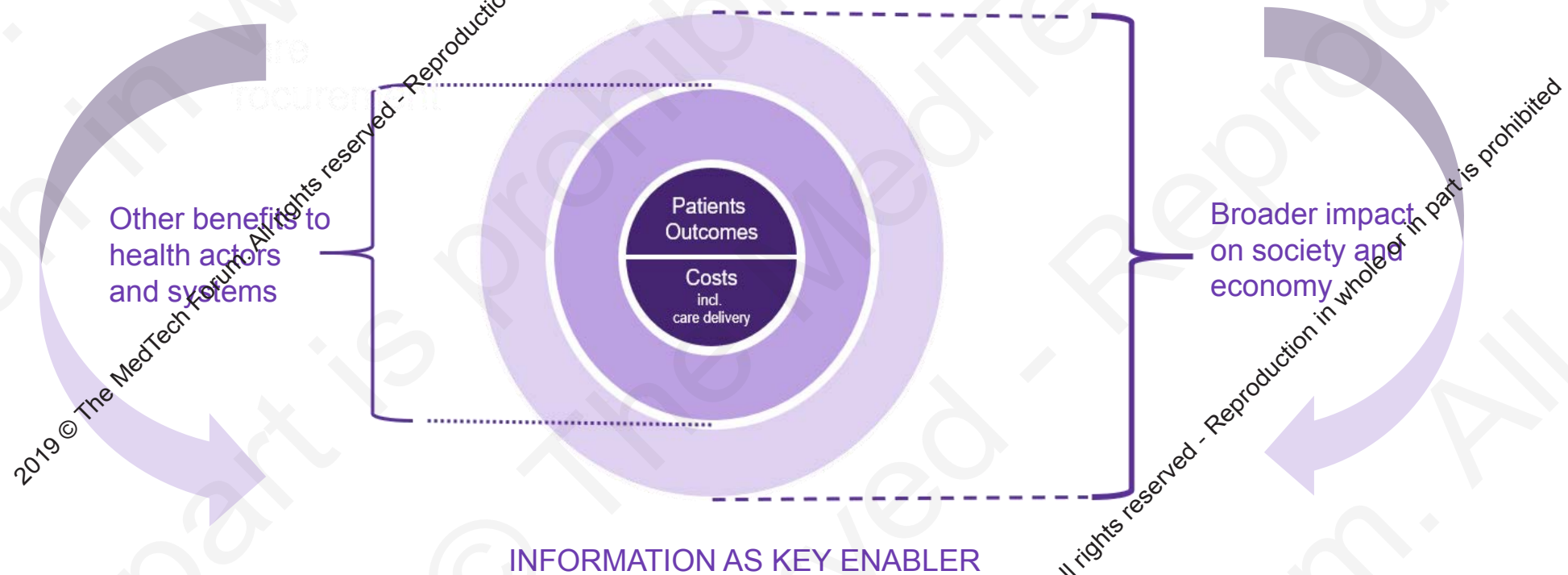


Healthcare professionals



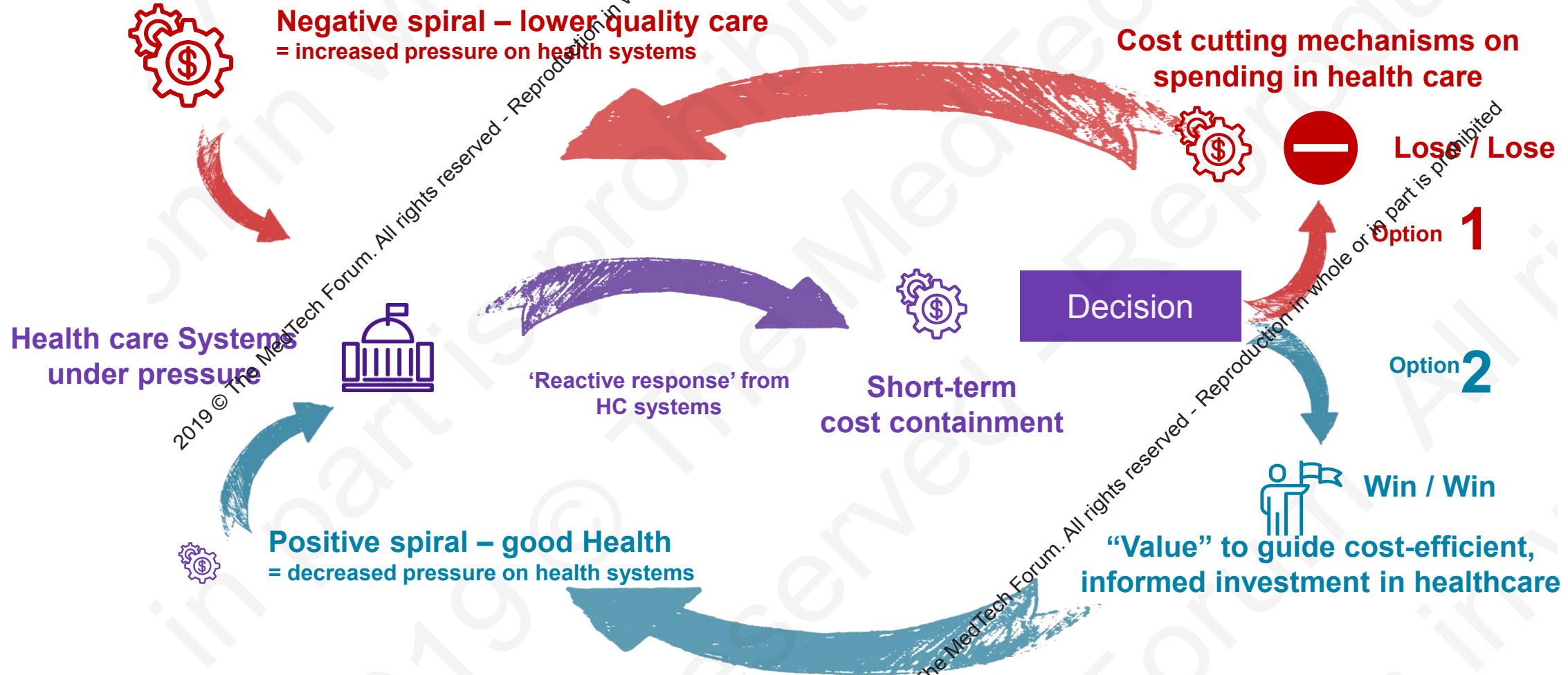
Planet

Steering European health system towards “value”



A **comprehensive** view on “value” as a basis for rewarding the value created.

Change: value-driven decision making in healthcare



Our journey has started



Journey started

Contract Health
Future

2014



2018

Common vision

Acceleration &
bridging to Health
Systems



2021

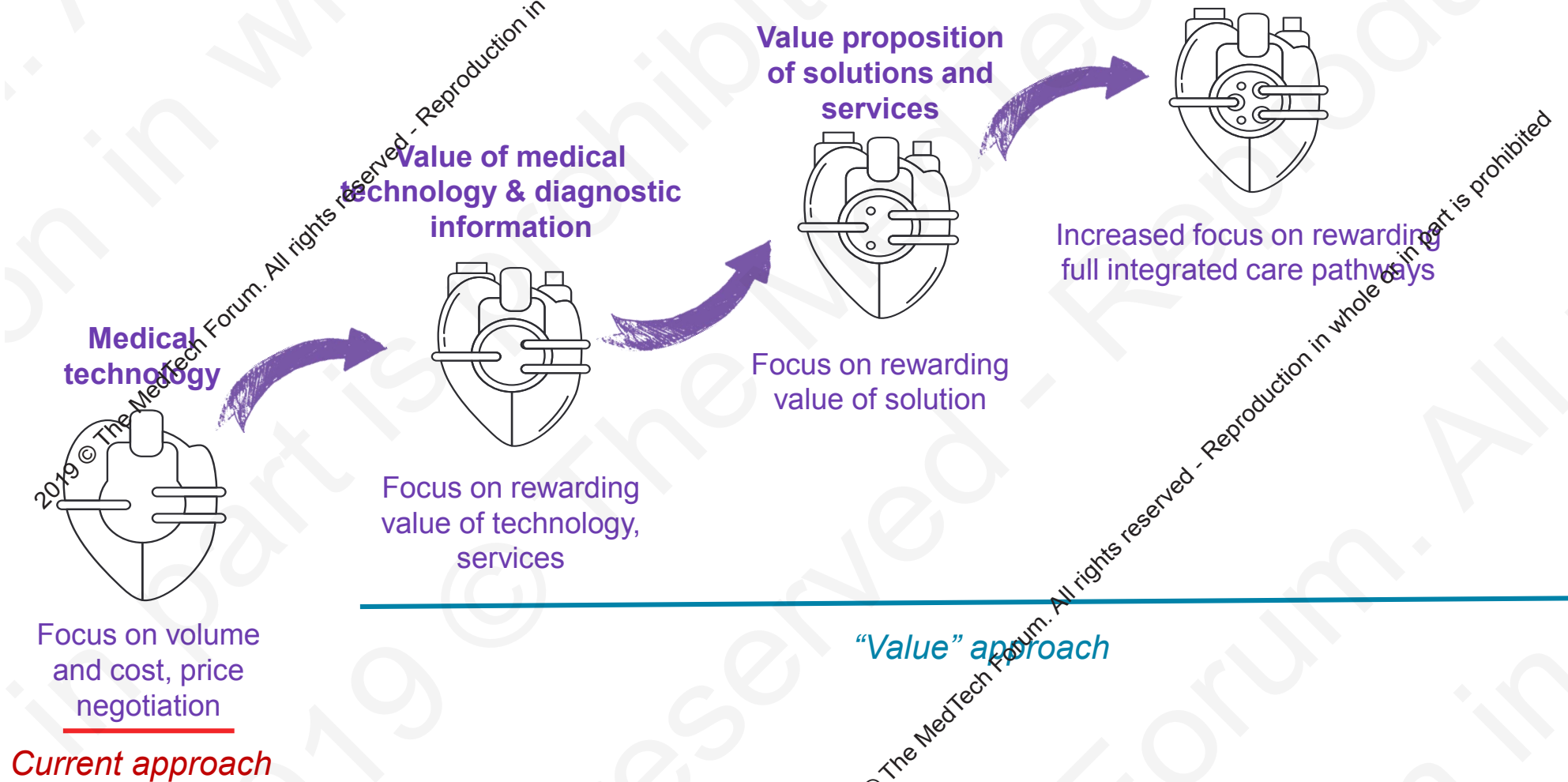
Future environment

A smooth system change
throughout Europe



Joining together as one team to partner for patient centric, sustainable health care

Actionable change: MedTech evolving value propositions

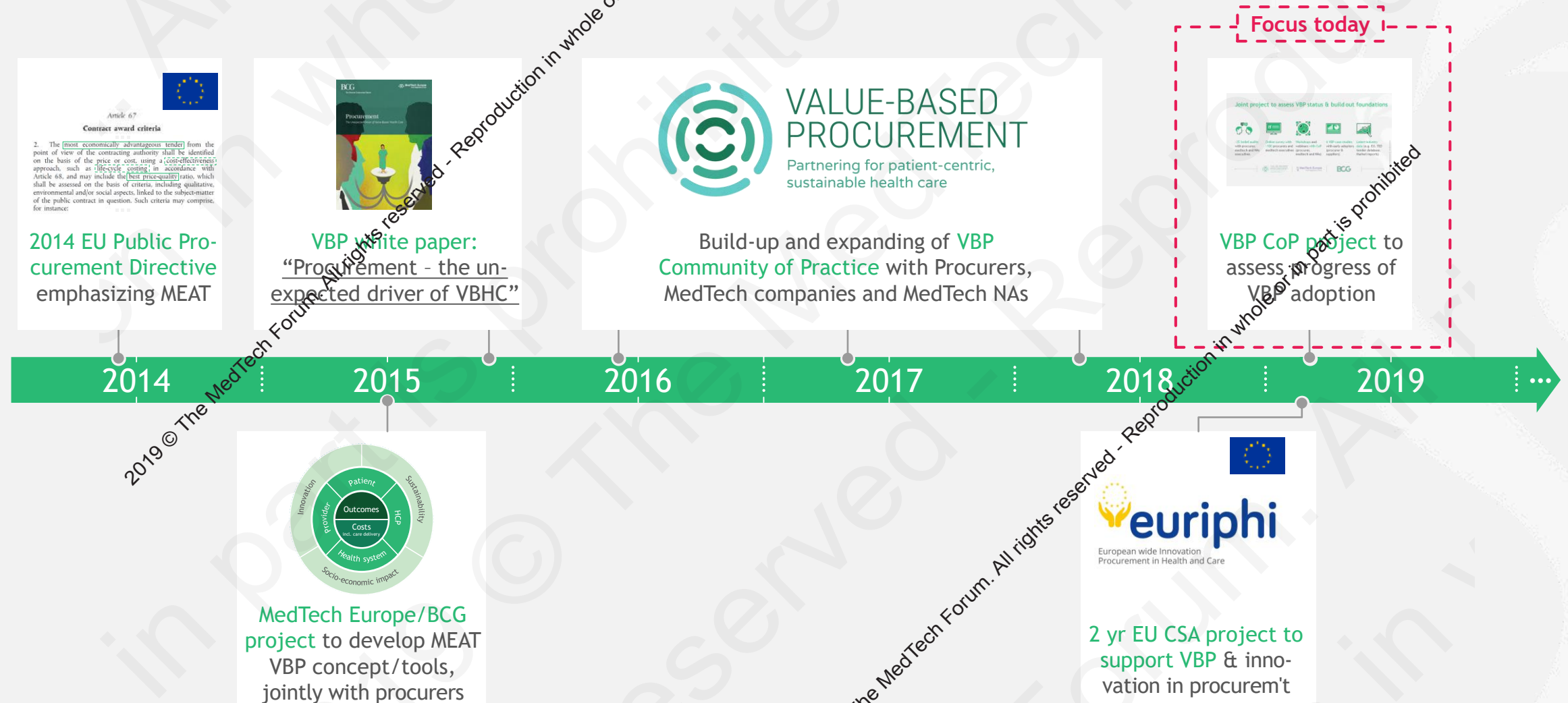


"Value" approach



Progress of VBP adoption in Europe

Multi-year journey underpinning VBP evolution to date



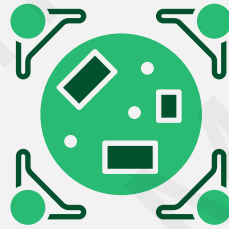
We engaged with procurers and medtech companies to generate insights from VBP roll-out



~25 belief audit interviews



Online survey with ~100 participants



Workshops with CoP¹ members



Deep dives on five VBP cases



Review of tender repositories



VALUE-BASED
PROCUREMENT
Partnering for patient-centric,
sustainable health care



MedTech Europe
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1. Community of Practice with procurers and MedTech companies to facilitate roll-out of VBP
Source: MedTech Europe; BCG

Momentum is building across EU



EU Public Procurement Directive transposed into local law in **28/28** member countries



VBP as **core strategy** to shift to value, enhance care integration

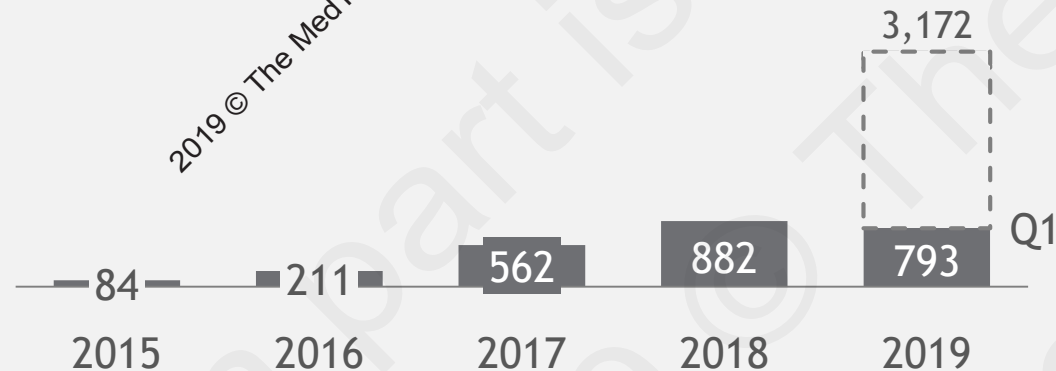


SCCL using **VBP as operating model** to manage newly centralized procurement



Advancing **value-based contracting** throughout **HC supply chain**

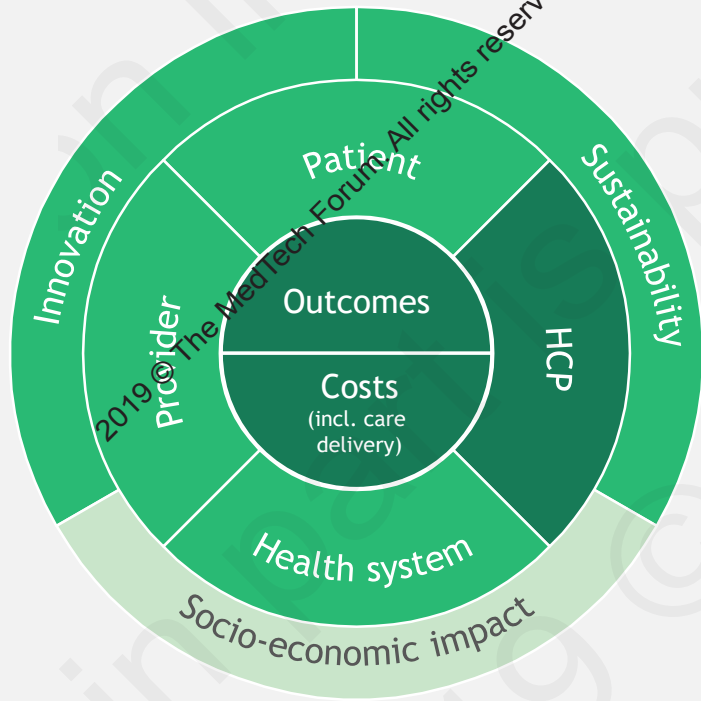
Tenders with collaborate procedures¹



1. Includes competitive dialogues, competitive procedures with negotiations and innovation partnerships. Competitive dialogues and competitive procedures with negotiations provide more flexibility and room to negotiate with suppliers. The competitive procedure with negotiations was newly established by the 2014 EU Public Procurement Directive.
Source: EU Ted tender database; VBP belief audit interviews; BCG analysis

Broad adoption of VBP framework in assessed cases

VBP criteria types used in case studies



- While price still 25-40% of weight, clear shift towards outcome and total cost of care criteria
- HCP value criteria to relieve burden on caregivers were also especially valued
- Procurer willingness to co-invest in innovation if of strategic and economic interest

Criteria applied at ■ High frequency ■ Medium frequency ■ Low frequency

Source: VBP case study deep dives; VBP belief audits interviews; VBP online survey; BCG analysis

Early adopters are reaping substantial benefits



Providers

“ We looked back at past tenders & presume that a large amount would have had a different result¹ ”



Improved outcomes & benefits for HCPs



Reduced total cost of care and improved financial sustainability



More comprehensive solution addressing specific clinical & economic pain points



MedTech suppliers

“ We won 70% of VBP pilot tenders with a higher price realization. That's virtually double our market share² ”



Higher win rate and price realization



Multidisciplinary value-based selling enabling stronger partnerships with key accounts



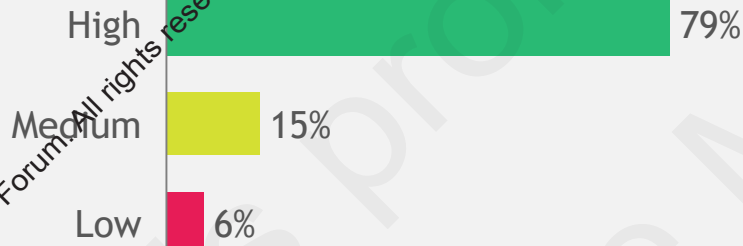
Shorter R&D cycles due to co-development and co-creation of evidence with centers of excellence

1. Ferran Rodríguez Omedes, head of clinical and biomedical engineering at the University Hospital Clínic Barcelona 2. Leading MedTech company
Source: VBP belief audits; VBP online survey; VBP belief audit interviews; VBP case study deep dives; BCG analysis

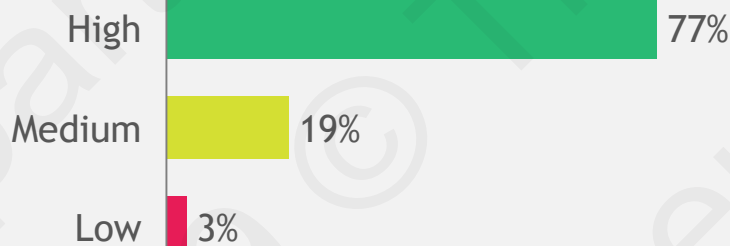
VBP is seen as important driver of future success

Importance of VBP¹

Procurer
(n = ~35)



MedTech
(n = ~65)

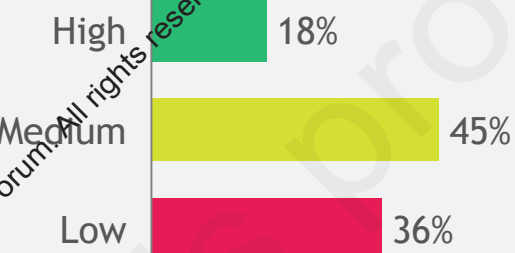


1. How important do you see VBP and its rollout for your organization's success today? 2. What is the level of enthusiasm for VBP within your organization?
Source: VBP online survey; BCG analysis

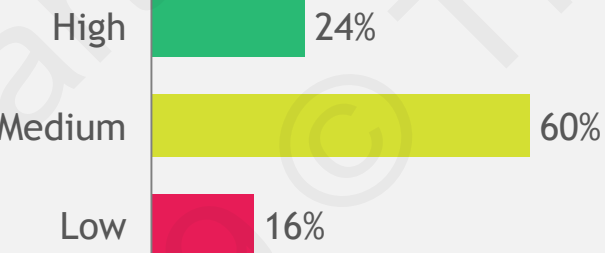
But there is still a lot of work to do

VBP readiness - internal view¹

Procurer
(n = ~35)



MedTech
(n = ~65)



1. How do you rate your organization's readiness for VBP today? 2. How do you rate medtech suppliers'/procurers (respectively) readiness for VBP?
Source: VBP online survey; BCG analysis



Main challenges for procurers

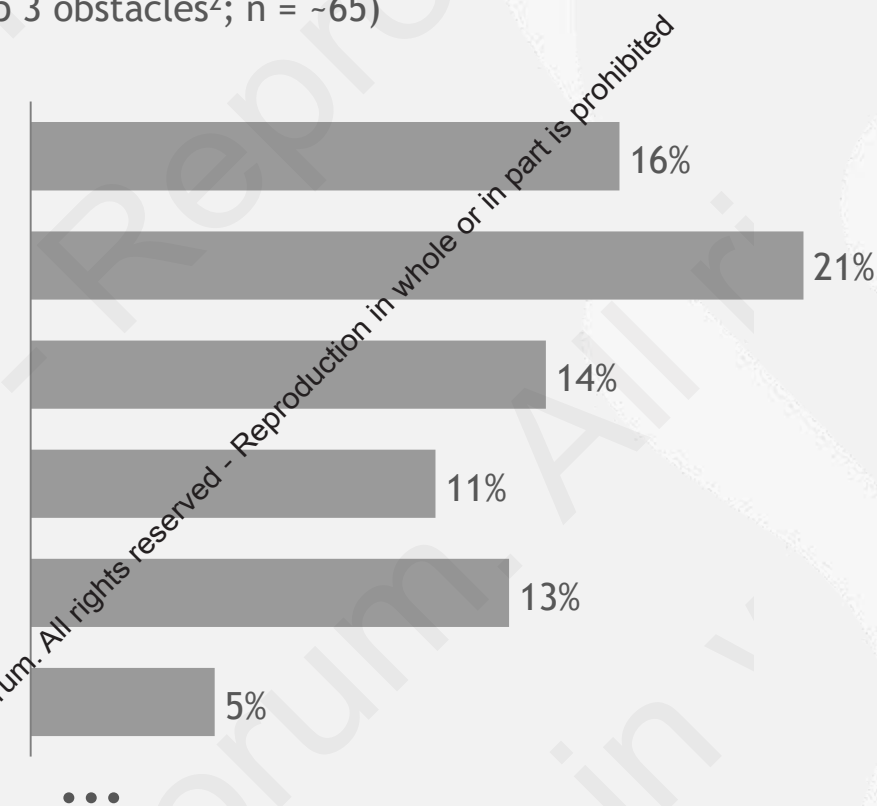
Procurer self-perception

(Top 3 obstacles¹; n = ~35)



MedTech view on procurers

(Top 3 obstacles²; n = ~65)



1. Within your organization, what are major obstacles and challenges regarding the implementation of VBP? Please rank the top three from your perspective. 2. On the hospital/procurer side, what are major obstacles and challenges regarding the implementation of VBP? Please rank the top three from your perspective'

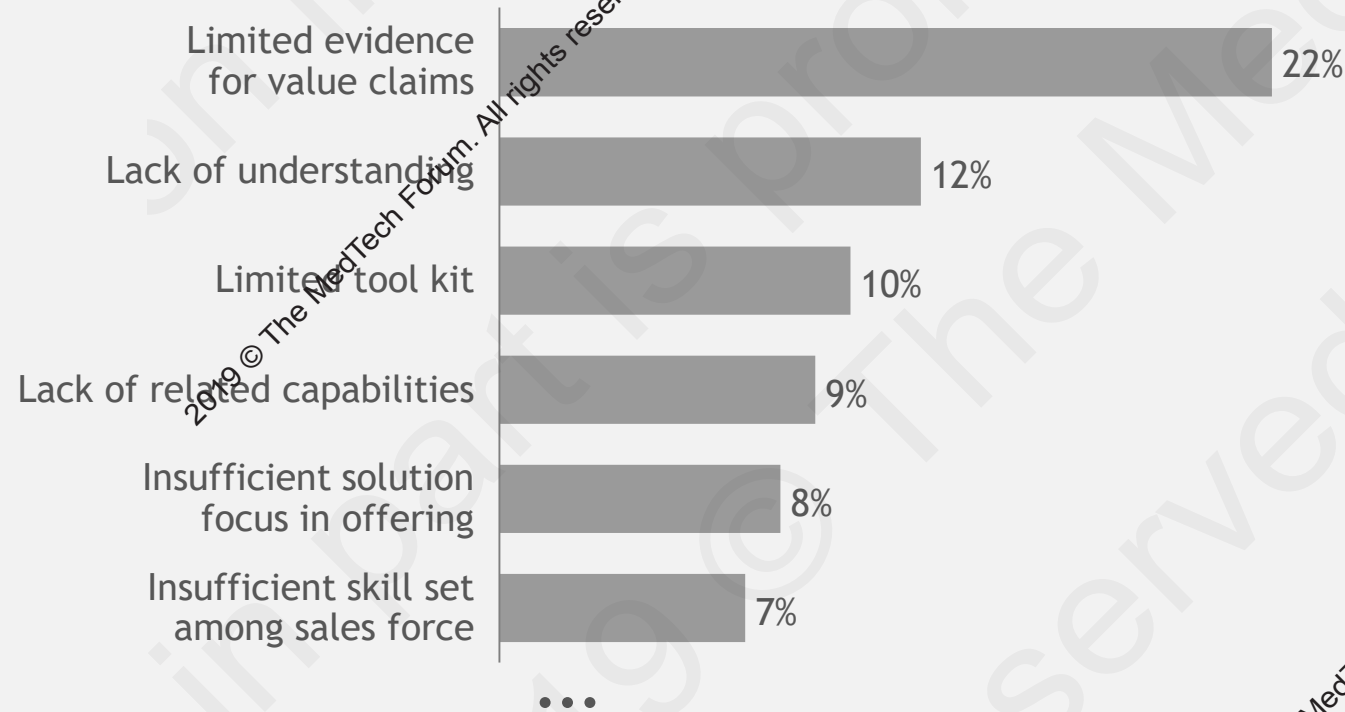
Source: VBP online survey; BCG analysis



Main challenges for medtech

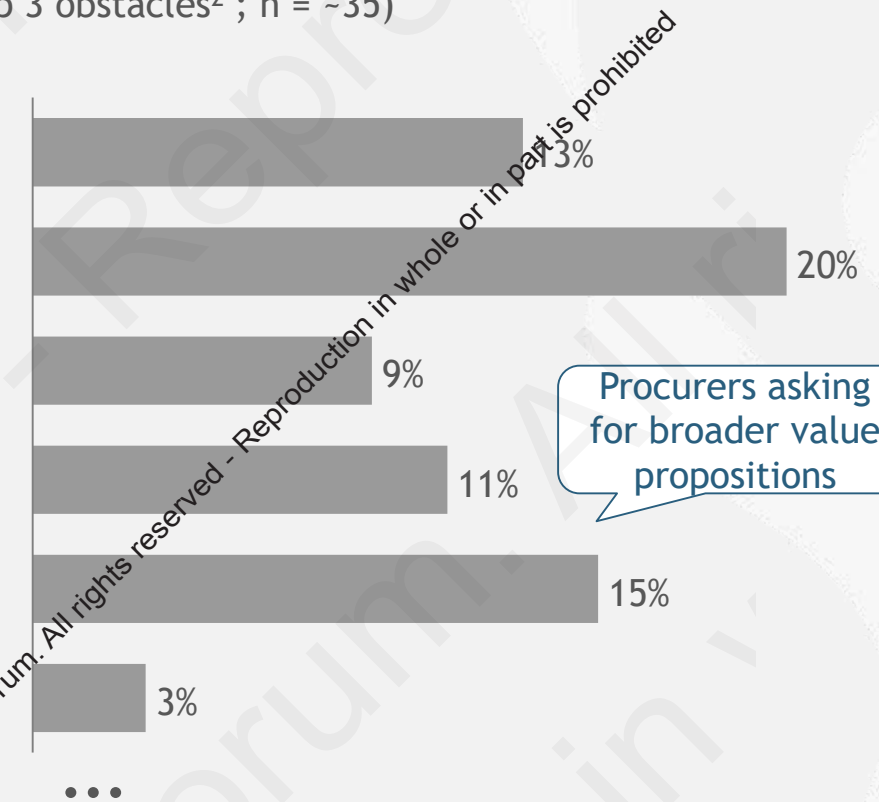
MedTech self-perception

(Top 3 obstacles¹; n = ~65)



Procurer view on MedTech

(Top 3 obstacles²; n = ~35)



Procurers asking for broader value propositions

1. Within your organization, what are major obstacles and challenges regarding the implementation of BP? Please rank the top three from your perspective. 2. What are major obstacles and challenges on the medical technology industry's side? Please rank the top three from your perspective. 3. What are major obstacles and challenges on the medical technology industry's side? Please rank the top three from your perspective. 4. What are major obstacles and challenges on the medical technology industry's side? Please rank the top three from your perspective. 5. Other such as 'Lack of demand from procurers'

Source: VBP online survey; BCG analysis

Recommended action steps for medtech



Time to act is now!



The status quo is not sustainable



A win-win for all stakeholders



VBP is not easy, but ready to move at scale





Procurer reflection on VBP in medtech



Procurement reflection on VBP in medtech

Procurer reflection along three dimensions



Shortcomings of
traditional
procurement approach



VBP toolkit
opportunity to change
procurement practice



Procurer action
steps to drive
VBP adoption



Traditional relationship between procurers and suppliers prevents mutually beneficial cooperation

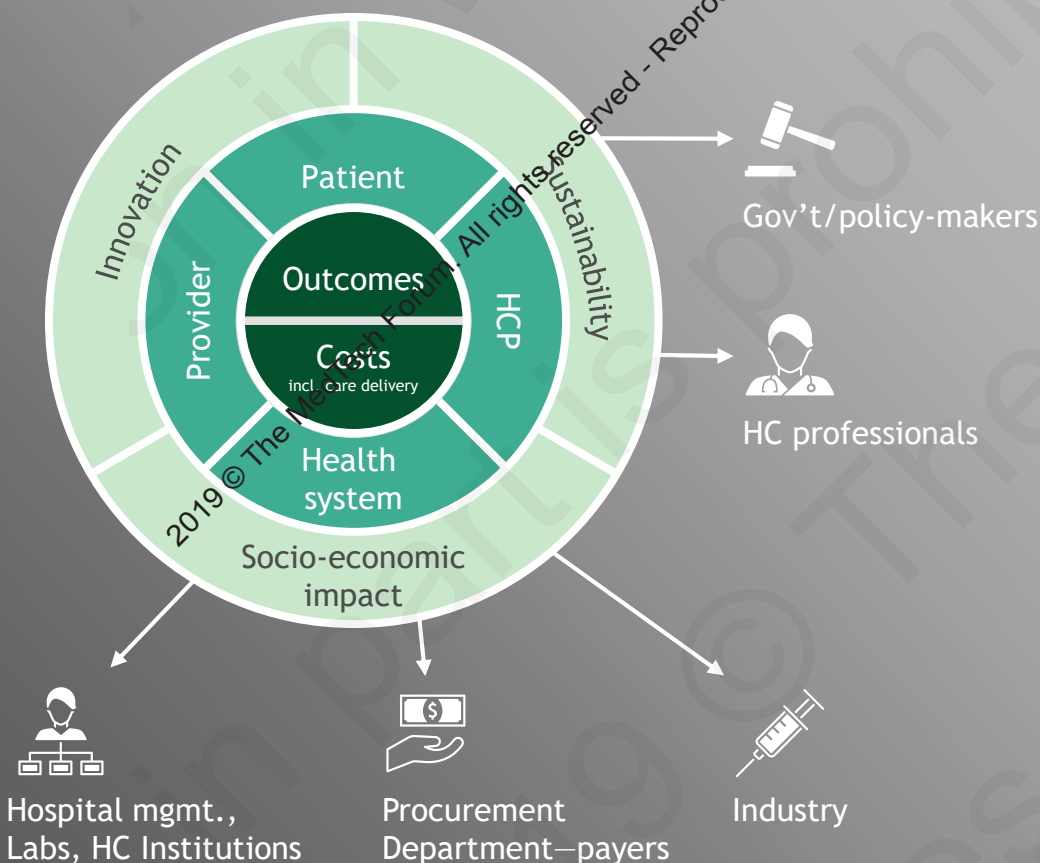
Traditional
relationship
between
suppliers and
procurers

- ⚡ Buyers traditionally perceive suppliers only sales focused, less helpful
- ⚡ With price focus only, interests more opposing and more win-lose relationship
- ⚡ Tender contractual periods often too short to establish trust
- ⚡ Clinical and cost of care impact not transparent, so less/no data for fact-based discussion
- ⚡ Procurement measured on budget savings, not on solutions or full value generated

Limits on
mutually
beneficial
cooperation



VBP framework, tools and messaging ...



... with strong benefits for procurers



Shifting focus to best price/quality ratio
of 2014 EU Public Procurement directive



Creating common language



Facilitating dialogue among healthcare
partners within and outside hospitals



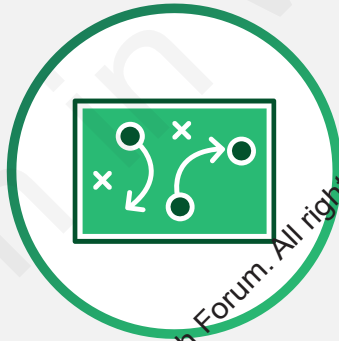
Providing framework and tools for
continuous improvement



Improving value for all stakeholders



Provider/procurer action steps for VBP adoption



Set-up and empower VBP team

Set-up dedicated VBP experts with health economics expertise

Build VBP awareness throughout organization (clinicians, finance)

Join VBP Community of Practice to collaborate with peers



Prioritize and pilot VBP approach and start learning

Prioritize projects with clear value impact & in line with strategy

Ensure early and open dialogue with suppliers

Procure solutions rather than products based on value criteria



Build additional organizational capabilities

Institutionalize multidisciplinary teams incl. clinicians

Build clinical and patient outcome measurement system

Ensure budget incentives align with value creation

Any questions?



Please reach out for further discussion



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