

Guide on Value-based Innovation Procurement



Value-based Innovation Procurement as a Challenge



The unquestionably needed reform of health and care systems in Europe requires the adoption of innovative solutions in a fast, effective, and secure way. One way forward is to rethink procurement policies and transform procurement practices to an approach that awards the value offered by innovative solutions.¹ Procuring innovation can however be a considerable challenge. An innovation is defined according to the Organisation for Economic Co-operation and Development (OECD)'s 'Oslo Manual' as a new or improved product or process (or combination thereof) that differs significantly from the unit's previous products or processes and that has been made available to potential users (product) or brought into use by the unit (process).² Value-Based Procurement (VBP) is an innovative procurement approach supporting patient-centric, safe, high quality and affordable health and care. Applying VBP leads to economic most advantageous purchasing by awarding a contract based on what citizens, patients, health and care systems, health and social care professionals and society at large value. It is a collaborative, multidisciplinary approach providing solutions to efficient and effective health and care service delivery that is of value to all stakeholders. VBP also provides opportunities to address some of the existing key challenges of provider-supplier relationships that tend to be rather static. VBP therefore goes hand in hand with value-based care as purchasing decisions take into consideration how a product, solution, or service can best deliver the outcomes and experiences of care being measured and reduce the total cost of care – rather than focusing exclusively on purchasing a specific product at the lowest possible price.

Value-based innovation procurement aims at moving the focus of commissioning/procurement towards quality, services and solutions rather than concentrating on traditional lowest price procurement strategies and product buying ("price-only decisions"). It is about making purchasing decisions that consider how a product, service or solution can best deliver the outcomes being measured (i.e., the quality of a solution or product) and reduce the total cost of care.

However, true Value-based procurement "remains in its initial stages of practical implementation as the level of understanding differs among stakeholders and health care providers are still struggling with practical implementation hurdles."³

Importance of Value-based Procurement for Transforming and Supporting Person-centred Care



Innovative solutions in health and care delivery are needed to address the challenges that health and social care systems face across Europe.

Value-based innovation procurement can help improve patient-centred care as it shifts from traditional product buying to services and solutions to the delivery of real value to the patient. It incentivises all stakeholders – patients, health and care professionals, and payers – to collaborate in providing a personalised and more integrated treatment programme to achieve the best possible outcome while inhibiting increases in expenses. Outcomes and experiences are measured from a broad perspective. Elements that matter to the patient are considered, enabling a more person-centred picture of the patient to be integrated into the procurement process.⁴

Public procurement has shifted its exclusive concern with 'how to buy' (i.e. rules and procedures) towards 'what to buy'. The goal of spending tax-payers' money efficiently and effectively is now expanding to further dimensions beyond the primary goals of satisfying the needs of public organisations. In other words, public purchasing is not only formally compliant in terms of regulations and legislation, but also brings the best possible added-value in terms of quality, cost-efficiency, social impact, and market opportunities for suppliers.⁵ Innovative procurement implies, however, a risk for the departments or public agencies that implement it as it requires a cultural shift in the ecosystem of the public buyers as well as the wider ecosystem.

The logic behind innovative procurement is that, when a product is not readily available on the market or not obtainable with the desired quality or performance, public buyers have the purchasing power to spur on a market towards innovation. Instead of buying items "off-the-shelf", public buyers can buy products, services or processes that do not exist yet. They therefore act as early adopters by purchasing an item that contains substantially novel characteristics.

Besides acting as a societally desirable instrument, value-based innovation procurement has been seen as interesting for public buyers especially when an innovation enables them to acquire similar (or better) results at optimised costs. In some cases, value-based innovation procurement is necessary to respond to unmet needs that are not addressed through existing processes or solutions on the market; in other cases, the new solutions are more effective or cost-efficient. Siloed thinking and a focus on price-only criteria is, however, still persistent in Europe and leads to a decrease in quality of care which is unsatisfactory to patients and health care professionals.

Guide on Value-based Innovation Procurement



Key Issues Regarding Value-based Procurement

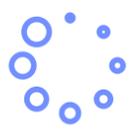


Despite the considerable advantages of innovation-oriented procurement, it remains an emerging measure that is still to be widely implemented, as European Commission data shows.⁶ This is due to the large number of challenges associated with the implementation of this practice, not only in the area of health and care.

The 12 key issues to address in value-based innovation procurement are (that):

1. Value-based innovation procurement needs widespread acceptance of value-based health and care principles throughout the whole value-chain of health and care provision, involving a rupture with the usual way of measuring activities and patient outcomes.
2. Value-based care and procurements tend to support a clinical-centric (oftentimes even a hospital-centric) vision. A re-thinking of what value in care means, and how to measure it in vulnerable populations (given the expected increase of a profile of patients with advanced age, frailty, and pluripathologies) needs to take place before value-based innovation procurement can reveal its real potential.⁶
3. The character of public procurement requirements means that are often excessively specific rather than being functional; they do not fit necessarily well with the types of innovations that need to be developed over time and the degree of uncertainty associated with lengthy development.
4. Procedures are too often designed for standard products and do not fit with the negotiated, flexible, and open procedures that such purchases require.
5. A lack of awareness of how value-based innovation procurement can be implemented, monitored, and evaluated to decrease risks dominates.
6. There are various gaps in capacity, skills, understanding, as well as time and means. Lack of capacity, and varying levels of understanding, on the part of the procuring organisations and some reluctance to establish partnerships with suppliers exist, as a more competitive minded market approach is often considered to be the way forward for purchases. Specifically, the capability and skills for value demonstration is still lacking among many industry players, and needs further progress.⁷ Furthermore, value-based innovation procurement requires sufficient time and means to be managed properly, as it is an intense, multidisciplinary process.⁸
7. There are legislative obstacles (as the organisation of competition is one of the ground rules of most public procurement legislations).⁹
8. There is a lack of trust on the side of suppliers and procuring organisations. Establishing the partnerships that are needed for value-based innovation procurement requires trust among partners.
9. Public procurement rules require transparency, equal treatment, and objectivity in the sourcing process performed by health care providers. This process requires solid evaluation methodologies that support a fair evaluation among various candidates and suppliers.
10. A change of procurement practice is needed, but practical implementation barriers exist.
11. Procurers prefer mature technologies and show risk aversion about fairly new techniques. In such an environment it may be difficult to build a case for innovative solutions involving an increased margin of risk. It is thus essential that the decision to buy innovation bring clear benefits to the public buyer. These benefits have to be clearly identified, described in a detailed and transparent way, set as targets and measured objectively. Legal, budgetary and reputational risks should be anticipated and mitigated as well.¹⁰
12. Providers remain reluctant to establish partnerships with suppliers.

Supporting Mechanisms and Tools that Help Address the Topic



There are a number of policy-related mechanisms or tools that could help to address the key underlying issues related to value-based innovation procurement in health and care.

Take various actions at policy, public procurer and supplier level, including:

Policy vision: Encourage a clear policy vision to be provided at the political level to the institutions and the professionals involved in strategic procurement. A policy mandate is important to provide vision and support for public procurers willing to implement value-based innovation procurement. It is important to accompany the policy vision with a communication campaign and long-term budgetary commitment so that the policy vision has a better chance to succeed. To be credible, the policy vision needs to include targets e.g., the specific percentage of public purchases that must be dedicated to value-based innovation procurement. Although targets at European Union (EU), national and regional levels (and across sector applications) vary significantly, typically between 2-5% of public procurement is dedicated to the uptake of innovation.

Capacity-building: Support **capacity-building** across the different stakeholders involved in value-based innovation procurement. Several EU member states¹¹ have created national competence centres on innovation procurement that provide capacity-building activities and assist mostly public buyers in the design, implementation, and evaluation of innovation procurements.¹²

While lack of capacity and experience to use innovation procurement is a significant barrier, there is also a lack of supportive tools and good practice models to apply a value based and collaborative approach to innovation procurement for public procurement organisations as well as industry suppliers, with conventional procurer-supplier relationships being rather persistent across

Guide on Value-based Innovation Procurement



Europe. The Euriphi CSA¹³ has recently published several guidance documents such as the “Guidance on Economic Most Advantageous Procurement of Innovative Solutions”, “Cost of Care model and application” or the EURIPHI cross-border value-based procurement model that can be seen as an advancement in the area.

Continuous culture of innovation: Promote a continuous culture of innovation within the organisation that can potentially implement innovative procurement.

Do value-based assessment, including consultation with end-users: To identify the requirements and functional description of the solution that is desired by the public organisation, it is important to orchestrate a general discussion on the problem at hand. Before drafting functional requirements, public procurers need to implement a rigorous and wide-ranging needs assessment to define the problem that needs to be solved. Even in those cases where the public procurement objective seems obvious, it is recommended to start a debate on the functional specifications of the innovative solution that is desired. Instead of simply replacing outdated digital equipment with a similar devices or renewing expired service contracts, a public buyer can organise a functional analysis of the needs of the organisation, stakeholders, or end-users and identify any problems or areas for improvement. This analysis will reveal whether the technologies and processes currently being implemented are (still) the most appropriate ones. It is important to interview, and actively engage with, end-users to benefit from their practical experience and to assess the functionalities of a potential innovative solution.

Mobilise innovation brokers: The links between start-ups offering innovative solutions or innovative SMEs, on the one side, and public procurers, on the other side, are not straightforward: they usually require innovation brokers that can help to build relationships. Brokers can include any organisation with the capacity and purpose to match potential innovation on the supply side with a specific need on the demand side. Brokers can be organisations or individuals actively engaged in funnelling ideas from potential vendors of innovation ecosystems to potential public buyers of innovation.

Provide the appropriate instruments to proceed successfully through the innovation procurement process: There are sets of tools that can help procurers and vendors to proceed through the innovation procurement process. Instruments include guides, checklists for individual processes, tender templates, proposals for appropriate selection and award criteria, among others. Appropriate references to these kinds of instruments are listed in this report’s guidance documents.

Pool demand: Pool procurement demands with the aim to use decreasing resources in a more efficient and effective way through collaboration and prevention of redundancies and to increase bargaining power.

Use risk-sharing mechanisms: Examples of such mechanisms include competitive dialogues, pre-tender consultations, and innovation partnerships.

Main Stakeholders Concerned



Different actors need to be considered in value-based innovation procurement. Here, seven are listed:

Public agencies: Public organisations refer to the political decision-makers, head of administrations, such as mayors, chief executives, district administrators, ministers, and state secretaries, heads of units in federal and state ministries, and all managing directors of public sector companies or municipal supply bodies.

Procurement officers: These are the actors administering the purchase of products and services.

Users: Users are the recipients of the new product or service purchased.

Vendors/suppliers: These are the companies offering innovative products or services to public procurement officers.

Healthcare providers can include outcomes and value criteria along with end-to-end costs in tenders in order to obtain most economic advantageous results.

Healthcare professionals can engage with procurement experts to devise clinical outcomes and use criteria of relevance for inclusion in value-based procurement so as to optimise care delivery.

Patient groups can add their support to this patient-centred approach and engage with local contracting authorities to ensure that outcomes that matter to both patients and informal caregivers are included in tenders.

Examples, Good Practices and Evidence of Impact Relevant to the Topic



European Commission instruments for innovative procurement: The 2006 innovation strategy of the European Commission defined state procurement as a significant driver of innovation. Horizon 2020 has, with funds from the European research budget, fostered public procurement of new products and services.¹⁴

Guide on Value-based Innovation Procurement



References and Guidance Documents



- Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02014L0024-20180101>
- Commission notice: Guidance on Innovation Procurement, European Commission (2018): <https://ec.europa.eu/transparency/regdoc/rep/3/2018/EN/C-2018-3051-F1-EN-MAIN-PART-1.PDF>
- EU policy initiatives on Innovation Procurement, European Commission (2014): <https://ec.europa.eu/digital-single-market/news/eu-policy-initiatives-pcp-and-ppi>
- Benchmarking of national innovation procurement investments and policy frameworks across Europe, European Commission, (2020): <https://ec.europa.eu/digital-single-market/en/news/benchmarking-national-innovation-procurement-policy-frameworks-across-europe>
- Public Procurement of Innovation, Federal Ministry for Economic Affairs and Energy (BMWi) (2017): https://procure2innovate.eu/fileadmin/user_upload/Documents/KOINNO_PublicProcurement ofInnovation.pdf
- Erac Opinion on Innovation Procurement, (2015): <http://data.consilium.europa.eu/doc/document/ST-1209-2015-INIT/en/pdf>

Endnotes



1. European Commission. (2020). *European Innovation Partnership on Active and Healthy Aging (EIPonAHA) - 1.1 – Introduction to value based procurement*. Brussels: European Commission. https://ec.europa.eu/eip/ageing/public-procurement-platform/outcome-value-based-procurement/1-introduction_en.
2. OECD/Eurostat. (2018). *The Measurement of Scientific, Technological and Innovation Activities*, (4th ed.), p. 20. *Oslo Manual 2018: Guidelines for Collecting, Reporting and Using Data on Innovation*. Paris: OECD/ Luxembourg: Eurostat. <https://doi.org/10.1787/9789264304604-en>.
3. Deloitte. (2018). *How to eat the Value-based Procurement elephant? A Deloitte point of view*. p. 4.
4. Belgium: Deloitte. https://www2.deloitte.com/content/dam/Deloitte/be/Documents/life-sciences-health-care/0000_POV_Value_Based_Procurement_HR_Final_v2.pdf.
4. Squitieri, L., Bozic, K. J., & Pusic, A. L. (2017). The Role of Patient-Reported Outcome Measures in Value-Based Payment Reform. *Value in Health: the Journal of the International Society for Pharmacoeconomics and Outcomes Research*, 20(6), 834–836. <https://doi.org/10.1016/j.jval.2017.02.003>.
5. European Commission (2018). *Commission notice Guidance on Innovation Procurement*. Brussels: European Commission. <https://ec.europa.eu/transparency/regdoc/rep/3/2018/EN/C-2018-3051-F1-EN-MAIN-PART-1.PDF>.
6. Nuño-Solinís, R. (2019). Advancing Towards Value-Based Integrated Care for Individuals and Populations. *International Journal of Integrated Care*, 19(4), 8. <https://www.ijic.org/articles/10.5334/ijic.5450/>.
7. Deloitte. (2018). *How to eat the Value-based Procurement elephant? A Deloitte point of view*. p. 8.
8. Belgium: Deloitte. https://www2.deloitte.com/content/dam/Deloitte/be/Documents/life-sciences-health-care/0000_POV_Value_Based_Procurement_HR_Final_v2.pdf.
8. *ibid.* p. 8.
9. *ibid.* p. 6.
10. European Commission. (2018). *Commission notice Guidance on Innovation Procurement*. Brussels: European Commission. <https://ec.europa.eu/transparency/regdoc/rep/3/2018/EN/C-2018-3051-F1-EN-MAIN-PART-1.PDF>.
11. Austria, Germany, the Netherlands, Spain and Sweden.
12. Procure2Innovate project. (2020). <https://procure2innovate.eu/home/>.
13. European wide Innovation Procurement in Health and Care (euriphi). (2020). <https://www.euriphi.eu/>.
14. European Commission. (2020). *Funding and tender opportunities: Single Electronic Data Interchange Area (SEDIA)*. Brussels: European Commission. https://ec.europa.eu/research/participants/docs/h2020-funding-guide/cross-cutting-issues/innovation-procurement_en.htm.

Authors/Contributors



Laia Pujol, *International University of Catalonia and ESADE Ramon Llull University*
Leo Lewis, *IFIC*
Riccardo Farina, *Autonomous Province of Trento*
Maddalena Illario, *Campania*
Sonja Müller, *empirica*
Diane Whitehouse, *EHTEL*
