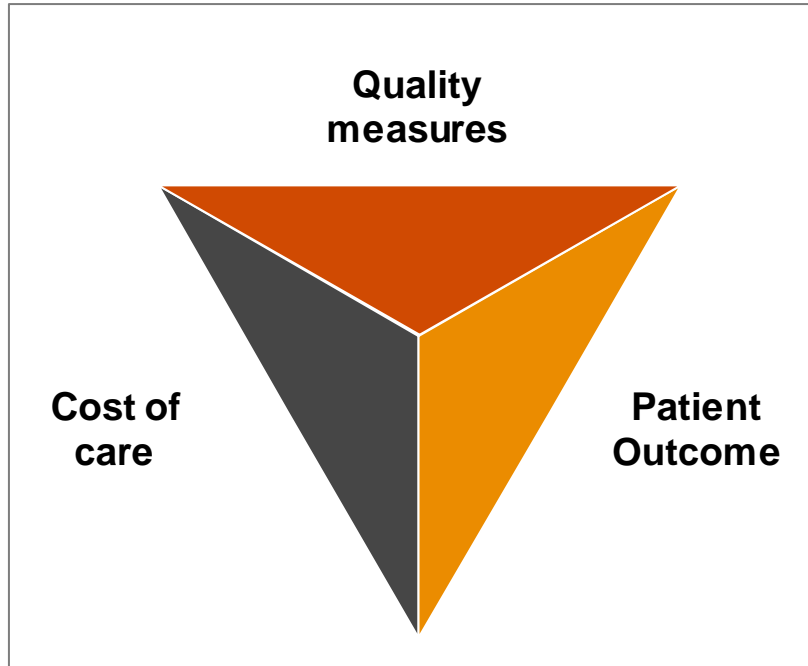


Proposal for Study on Value Based Procurement for Medical Devices

July 2021



Value Based Procurement (VBP) aids in making decisions to deliver the best outcome with quality and reduces cost of care rather than focusing on the lowest possible price



What is Value Based Procurement (VBP)

- Value is defined as **patient outcomes relative to the cost to deliver those outcomes**
- **Value-based procurement** then is making **purchasing decisions** that consider how a **product or solution** can best deliver the outcomes being measured and reduce the total cost of care — **rather than focusing exclusively on purchasing a specific product at the lowest possible price.**

Why Value Based Procurement?



Escalating costs



Low value of care



Huge disparities in patient outcome

Among countries in the Organization for Economic Cooperation and Development (OECD), **average mortality rates for stroke patients** in some countries can be **four times** higher than for patients in other countries

Reoperation rates following hip replacement surgery in Germany are 18 times higher in the worst performing hospitals than in the best. The problem of low-value care is also large

Across the EU, health care costs are rising faster than GDP growth. In particular, the **costs of care delivery** are rising disproportionately, according to Eurostat. These costs make up roughly **70% of total health care spend**

A **2017 OECD report** found that **10% to 34% of health care spending is wasted on inappropriate care**

The major building blocks for implementing Value Based Procurement include public financing, resource availability, utilisation of technology and a collaborative ecosystem

Benefits of Value Based Procurement?



Lower total costs



Improved patient outcomes



Increased benefits for stakeholders

Not the product with lowest purchase price but the one which offers smarter comprehensive solution which can generate long term value and solve critical problems



Organizations are establishing multidisciplinary teams for implementing VBP

Building blocks for value-based care

Willingness to align with a new age system



Availability of adequate infrastructure and resources



Cooperation and shared responsibility



Increased healthcare financing from the Government



Technology and data-driven performance

Over the years Value Based Procurement has evolved and multiple countries are engaging for better patient outcomes and decreasing cost of care

2014

- European parliament and council passed a **directive on public procurement**

2018



- The first health system to systematically apply VBP to **large central tenders** to integrate and improve care

2019

- By 2019 in **Europe ~700 tenders** were estimated to be executed via collaborative approach

2020

- Countries like **Catalonia, Denmark, Ireland and Netherlands** out of which few intend to adopt VBP and others have started implementing VBP at central level and are allocating funds



Post the directive from European parliament and council in 2014 passed a directive encouraging moving away from price focused procurement

Directive on Public Procurement

- In 2014 European parliament and council passed a **directive on public procurement** that encourages **contracting authorities to move away from price-focused procurement.**

Parameters considered for procurement through VBP:

- Quality,
- Total costs over the product life cycle, and
- Broader socioeconomic benefits for a given product or service
- Development of methodologies to implement this holistic view in practice
- These also included fostering innovation

Strengthening of tendering process

Creating multiple dialogues as part of a formal tender process and to work around the framework parameters



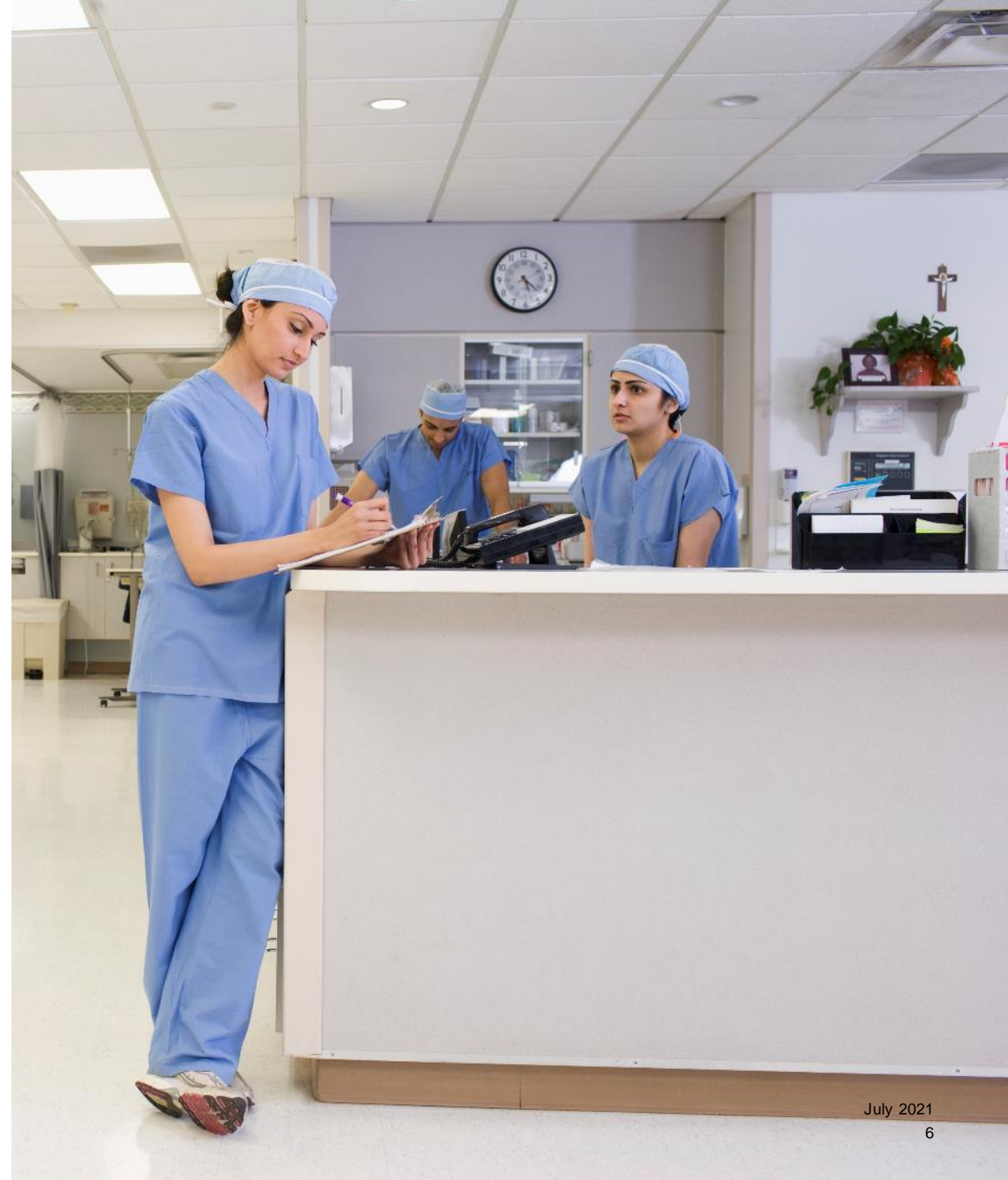
Value Based Procurement in India

VBP is at a very nascent stage in India



There were media report by NITI Aayog, which suggested that it is preparing a draft proposal to suggest alternatives to the current 'lowest bidder' and give enough weightage to 'quality parameters' for infrastructure projects'

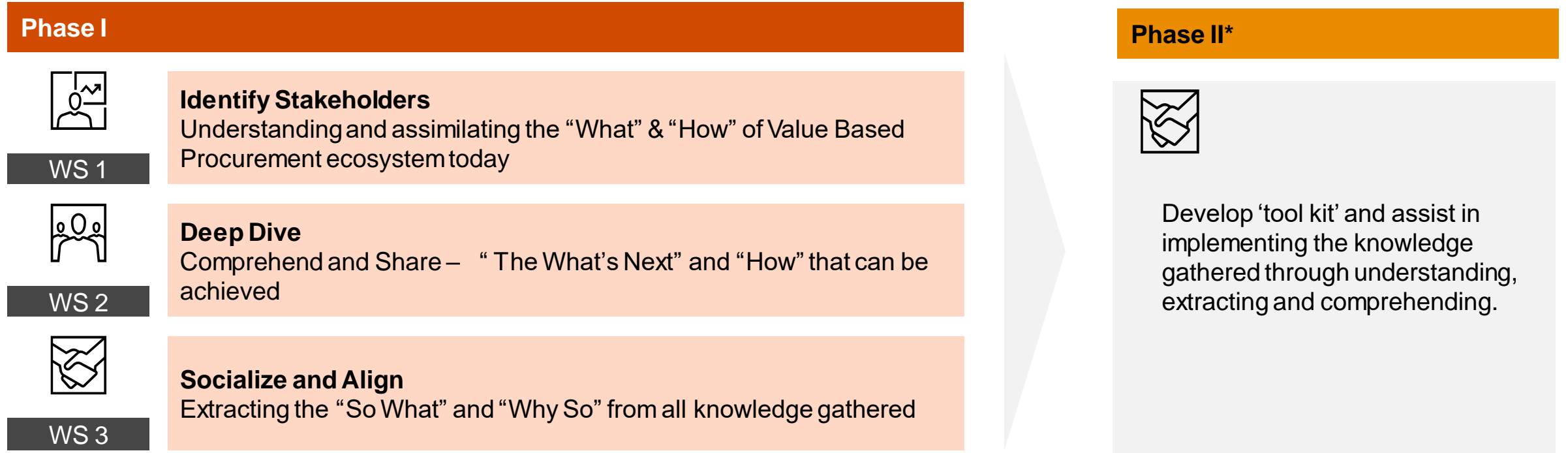
The success stories of VBP across different countries if implemented in India, will help in improving the overall healthcare ecosystem





Approach & Methodology

How we intend to address this agenda?



*Scope of work and details for Phase II will be decided post completion of Phase I

What is the methodology we intend to follow?

We expect to undertake an in-depth study on VBP to understand the industry dynamics, the potential, the governance and policy needs in Indian context

Identify Stakeholders

Our Lens of assessment

Assess the As-Is scenario in India

- VBP Ecosystem in India
- The key enablers in VBP
- Identify key stakeholders* who are relevant for VBP
 - In India - private and public sector
- Understanding of the current market landscape (both public & private)
- Initiatives by the policy bodies (if any)

Understand key countries & stakeholders* globally who have implemented VBP

Deep Dive

- **Assess awareness & willingness** to adopt amongst the stakeholders and MedTech companies for VBP
- **Discuss** the levers to address the existing and future VBP needs
- Highlight the need for **integrated and holistic** VBP model
- **Understand and imbibe global learnings**
 - VBP ecosystem and relevant case studies
 - Key learnings and challenges
 - Critical success factors
- Develop broad contours for the framework

Socialize and Align

- Conduct **workshop** with key stakeholders for brainstorming
- Assess the impact of **governance and regulatory** environment
- **Publish Report** that encapsulates the importance and urgent need to address the demand in Value Based Procurement



Our methodology

- Research & analysis on data collected through primary & secondary sources
- Interviews with KOLs & stakeholders in policy bodies, in private setup and MedTech companies

*All stakeholders meeting/discussions to be arranged by APACMed & NATHEALTH

Our Methodology



Secondary Research

- Global cases studies
- Best practices



Industry leadership workshop

- Brainstorming with the industry leaders
- Formulating a futuristic VBP agenda through stakeholders

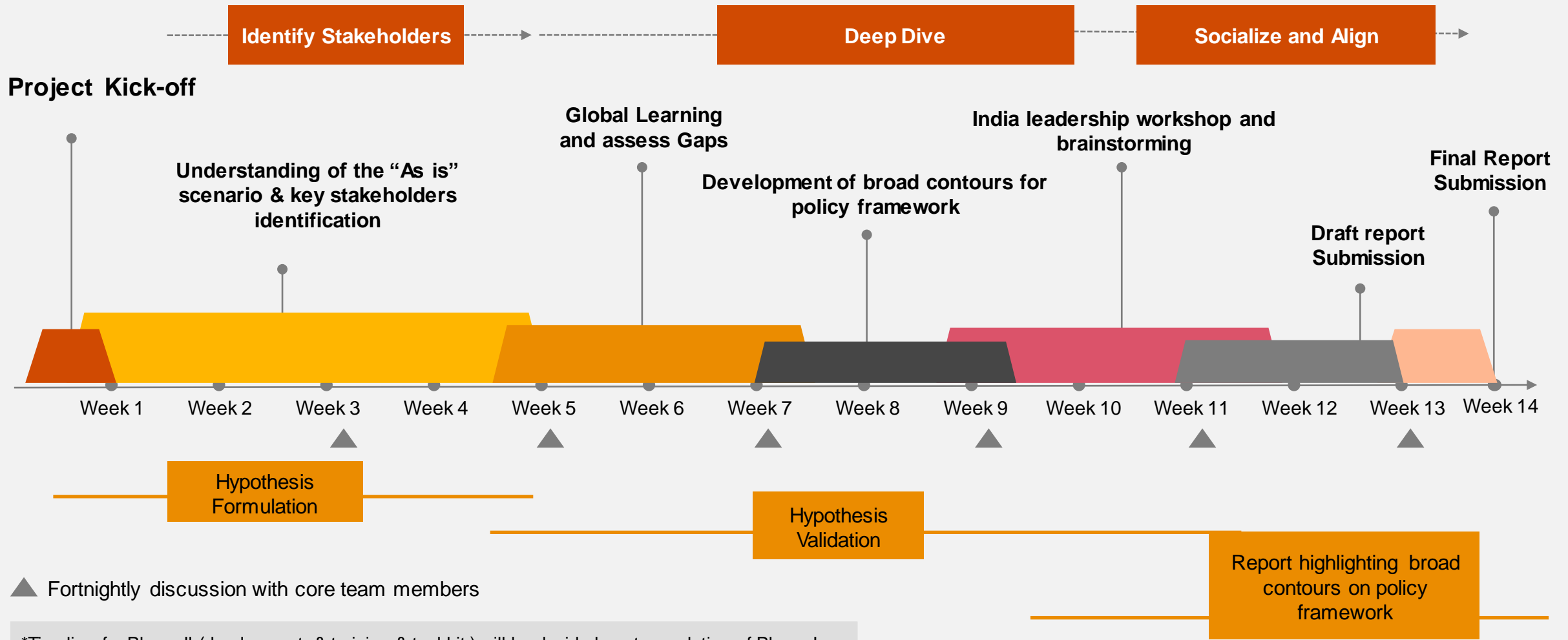


Framework for VBP

- Develop broad contours for the framework, focusing on medtech

How our milestones & timeline looks like?

We envisage 12–14 week timeline to do secondary & primary scan



Stakeholder mapping

We will be conducting ~18-20 interviews with key stakeholders**



MedTech Companies



State Procurement
Agencies



Regulatory &
government bodies



Global experts*



Healthcare Providers

*As requested, we will also speak to experts/ stakeholders from European and Latam countries to imbibe learnings from their experience around VBP

**All discussions including those with experts/ stakeholders from European and Latam countries will be facilitated by APACMed & NATHEALTH

“

“Lowest-price procurement leads to short-term consideration of the product in isolation from its use. Instead, we need suppliers to become more broadly involved in fixing our most urgent care pathway pain points, looking at efficacy, efficiency, and impact on patient outcomes”

**Andy Smallwood, head of sourcing
for NHS Wales**

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Thank you

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VB/July 2021 - M&C 13408