



Procurement of Medical Technology as a Value Proposition

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Imagination at work.

Improve
Operational
Efficiency

Reduce
Operation
Costs

Optimized
Patient Care

Increase
Patient
Satisfaction

Key themes in healthcare market today



Patient
outcomes



Cost



Quality



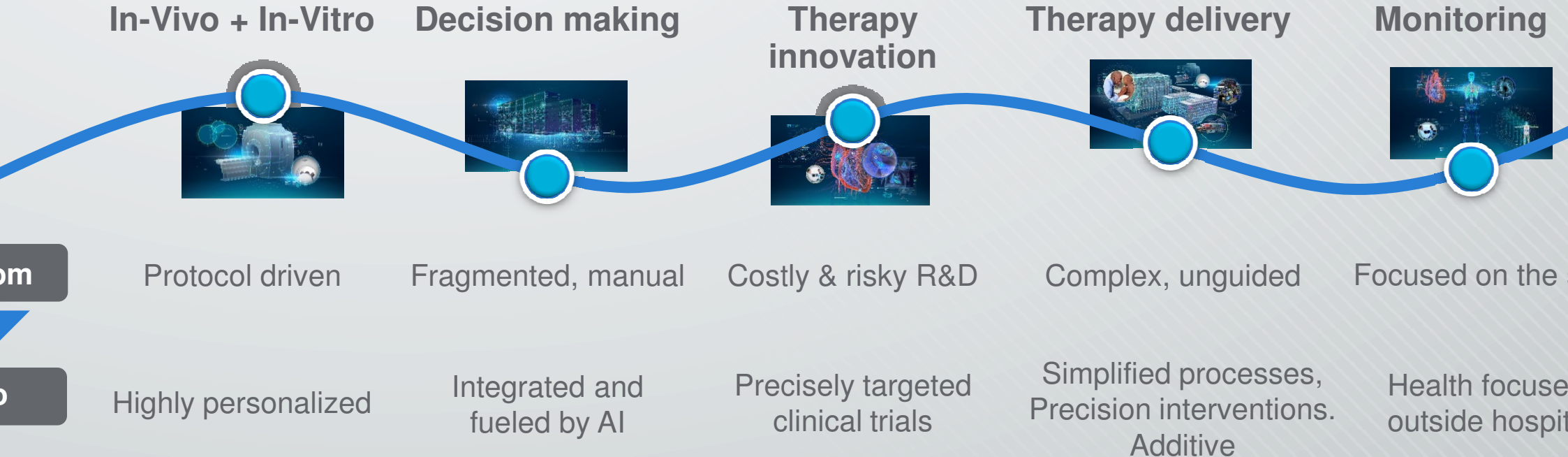
Access



Precision
health

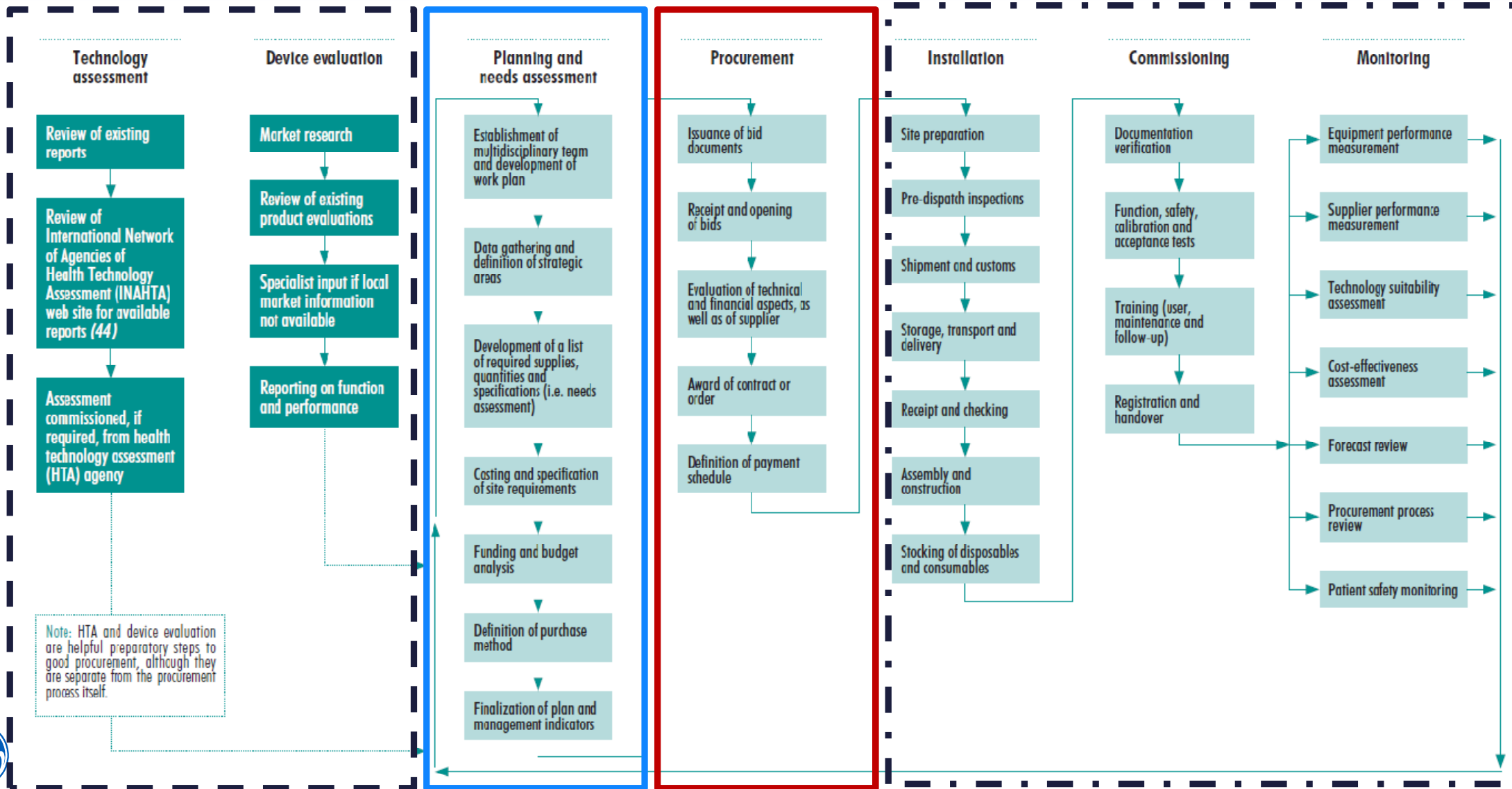
Precision Health: Better outcomes, delivered more efficiently

What is Precision Health



Combine expertise & leadership across Diagnostics, Providers, Pharma and Med-tech

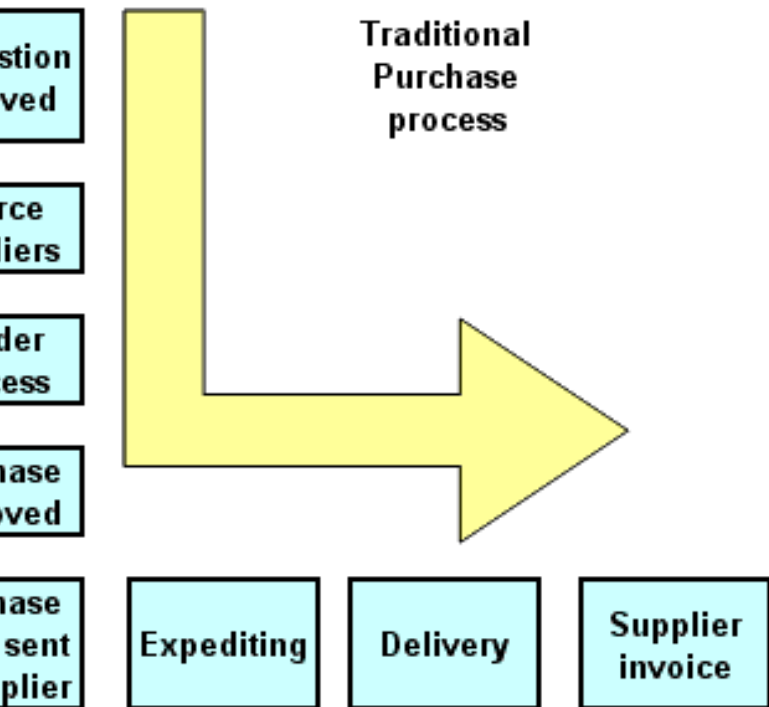
Procurement | WHO - Summary flow chart of standard procurement procedures



Procurement of Medical Technology – the traditional model

Today, 21st century medical technology is delivered with 19th century organization structures, management practices, and pricing models'

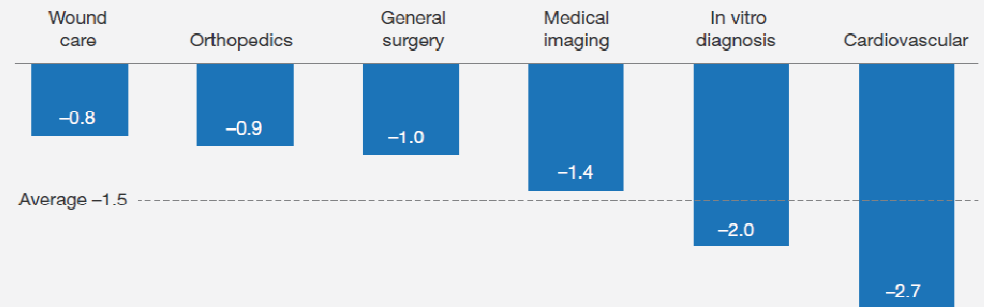
M. Porter



Source : EBME

Exhibit 1 Prices for medical devices have been declining on average for the past five years.

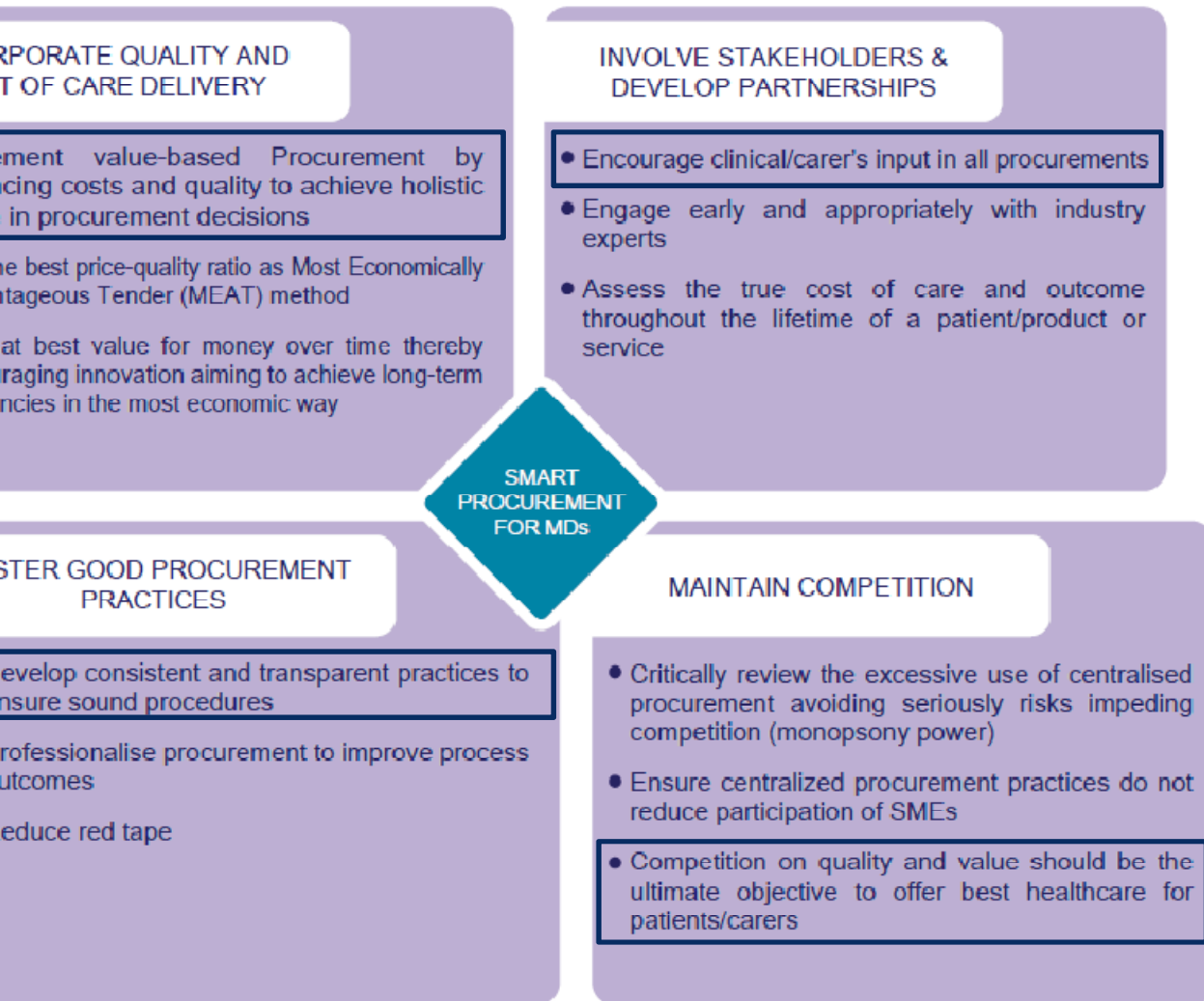
Average selling price decrease by segment, 2012–16,¹ % compound annual growth rate



¹Average selling price by segment as buckets of 8–10 products within each category for EU-5, Switzerland, and Netherlands (cardiovascular: pacemakers, bare-metal stent, drug-eluting stent, access devices, transcatheter aortic-valve implant; medical imaging: magnetic resonance imaging, computed tomography, mammography, X-ray, ultrasound, C-arm; orthopedics: hip replacement, knee replacement, spinal, trauma; wound care: advanced dressings, compression, negative-pressure wound therapy, wound closure; general surgery: sutures, gastric balloons, ablation devices, hernia repair, laparoscopes, energy generators; in vitro diagnosis: based on industry experts and comments from the European Diagnostic Manufacturers Association).

McKinsey & Company | Source: GlobalData Medical; Thomson Reuters Datastream

Procurement | MEDTECH - Key Principles of Smart Procurement for Medical Devices



Original Article

Global best practices in medical device procurement – A road map to system success

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Ken Graves

Journal of Medical Marketing (2011) 11, 101–108. doi:10.1057/jmm.2011.1

Evaluate total cost of care

Ensuring clinical input

Use of flexible contracting

Encourage supplier diversity

Process transparency and fairness administration



DTECH Framework – procurement as the most-industry shaping decision

Layer	Category	Criteria	
Outcomes	Outcomes & evidence	① Evidence of relevant outcomes improvement	
		② Existence of high quality outcomes data	
	Outcomes focus	③ Support in measuring and reporting on outcomes	
		④ Willingness to offer outcomes-dep. risk-sharing	
Costs	Product	⑤ Price of purchasing / renting product	
		Purchasing	⑥ Compatibility: required upgrades to infrastructure
			⑦ Conversion: staff training for new product
			⑧ Compatibility: upgrades to systems / infrastructure
	Maintenance	⑨ Spare parts	
		⑩ Technical staff time	
		⑪ Service contract	
	Disposal	⑫ Disposal / decommissioning	
	Care delivery	Operating / healthcare delivery	⑬ Medical staff time using device
			⑭ Ongoing staff training
			⑮ Cost of consumables
			⑯ Unplanned usage: failure rate
			⑰ Infrastructure usage
			⑱ Power/gas usage
⑲ Reprocessing costs			

Layer	Category	Criteria
Other benefits for key stakeholders	Patients' secondary benefits	⑳ Patient and/or relative comfort and convenience
		㉑ Patient flexibility & mobility
		㉒ Impact on treatment adherence
	HCP benefits	㉓ Secure usage for care providers
		㉔ Ease-of-use / handling & functionality
	Provider benefits	㉕ Training and access to education
		㉖ Maintainability, warranty & tech. service support
		㉗ Support improving efficiency along patient pathway
		㉘ Alignment and support with reimburse. structure
		㉙ Support on admin., storage or logistics
Health system benefits	㉚ Strategic fit for provider and support of strategy	
	㉛ Reduced long term costs of treatment ¹	
		㉜ Reduction of rehospitalization / # of treatments
Broader impact on society	Innovation	㉝ Develop. of new and substantially improved tech.
		㉞ Contribution to development of health care
	Sustainability	㉟ Environmental impact
		㊱ Socially responsible product value chain
	Socio-economic impact	㊲ Impact of people not in the workforce
		㊳ Burden carried by non professional care providers
		㊴ Impact on competition in MedTech sector



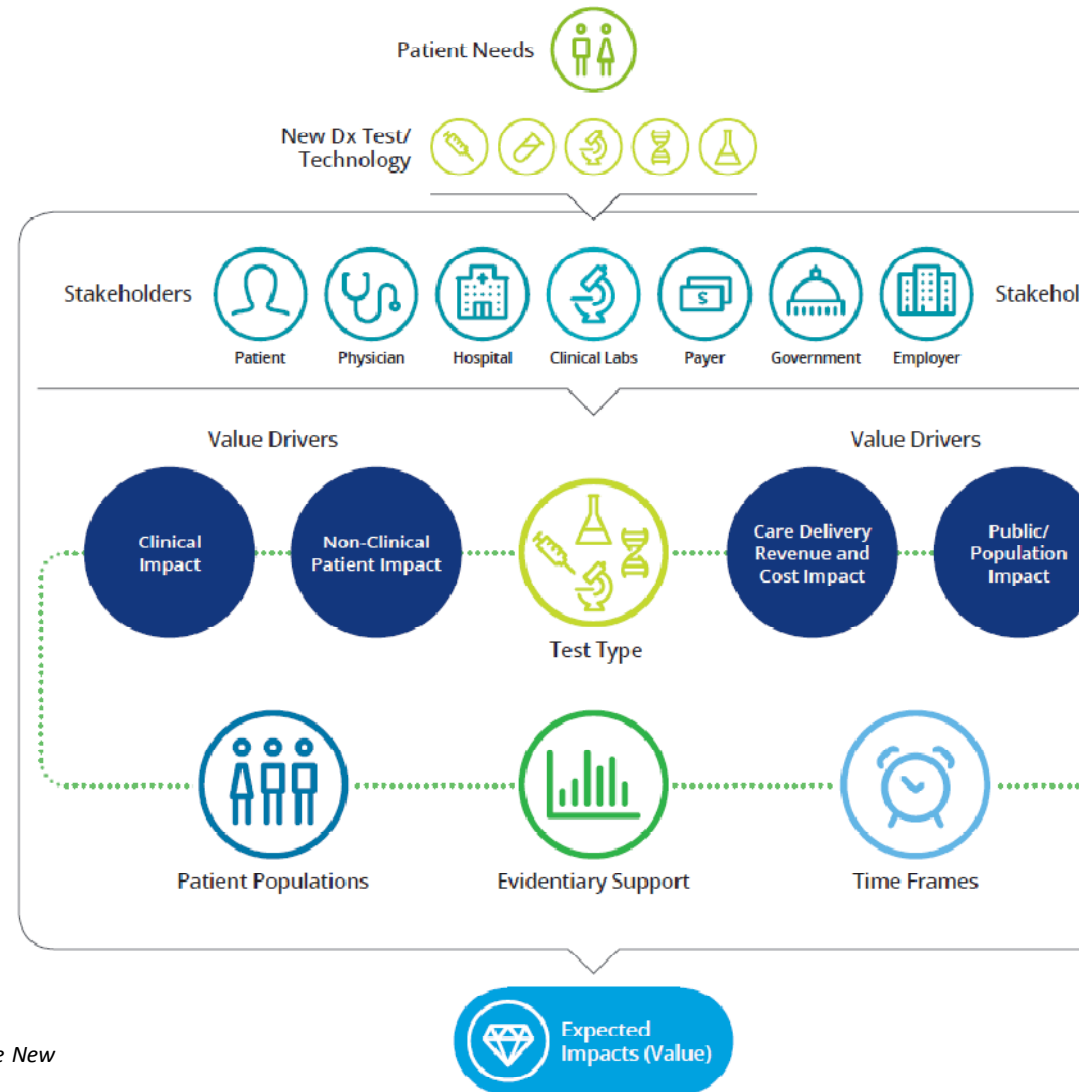
ADVAMED framework

Four (4) broad categories of value drivers
 Assess value elements beyond the clinical and safety outcomes of a product
 Collaborative approach – alignment among different stakeholders

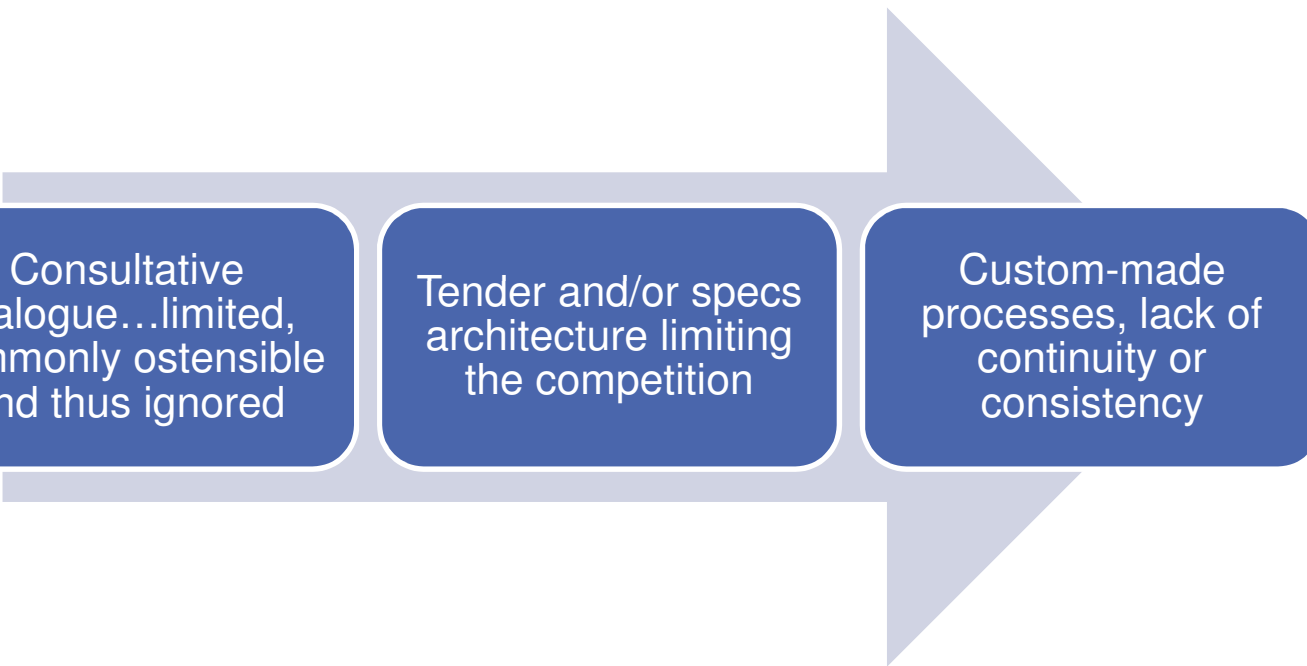
3. Key Diagnostic Stakeholder Groups



Figure 4. AdvaMedDX's Approach for Effective Value Assessment: A Schematic



The Greece experience – a Paradox



Pursuing the lowest price leading to budgetary bids



Procurement | WHO – Performance measures and examples of relevant indicators

Performance measures	Indicators
Efficiency of the competitive process	<ul style="list-style-type: none"> • Number and percentage of compliant bids and proposals • Number of suppliers involved in the competition • Suppliers' feedback on process in structured questionnaire
Production and containment	<ul style="list-style-type: none"> • Level and amount of savings or cost reductions achieved per item and type • Percentage reduction of stockholdings • Percentage reduction in demand • Number of "stock-outs", averaged per medical store • Number and percentage of goods rejected • Percentage of budget spent
Contract management	<ul style="list-style-type: none"> • Number and percentage of "new" suppliers involved in competition • Number and percentage of late, damaged or inadequate deliveries • Time taken from contract award to full handover • Level of quality achieved, as a percentage of rejections per supplier • Number and percentage of commissioning jobs delayed, by facility and supplier • Value of purchases from each supplier by year
Efficiency of internal systems and processes	<ul style="list-style-type: none"> • Volume of low-value transactions, as percentage of number of orders and order value • Usage of aggregated or long-term agreements, as percentage of total contracts • Reduction in transaction cost, as department cost per order • Internal customer satisfaction, in structured questionnaire • Percentage of purchases completed
Human resource management	<ul style="list-style-type: none"> • Percentage of procurement officers certified • Number and percentage of staff days for training, in person-days
Control of equipment and assets	<ul style="list-style-type: none"> • Percentage of equipment supplied working after each year of age • Percentage of equipment value spent on repair and maintenance

Compliance Rate

Supplier Involved

Savings achieved

Budget spent



