

POLICY PROPOSAL - VALUE-BASED PROCUREMENT

Given the request of the committee for practical solutions, the following proposal provides further information on how ways to practically realise MTAA's recommendation that NSW Health commits to a procurement stream in its VBHC program, and lead to the establishment of a Community of Practice that focuses on Value Based Procurement bringing together physicians, providers, patients, industry, payers, policy makers, and procurement.

Detail of the Value Based Procurement Pilot proposal:

- The Office of the Chief Procurement Officer (CPO) would run a consultation process, which would involve the CPO working closely with the NSW Health VBHC program team to consult and determine what outcomes LHDs are looking to achieve which could be addressed in an upcoming tender. The VBHC team would have outcomes they are measuring/ or aiming to measure and would seek alignment between their activities and outcomes of interest at the LHD level. The outcomes could be, for instance, related to a measure to improve the safety and quality of care and reduce pressure on the health system. Parallel to this process, suppliers would also seek to partner with the VBHC program team in finding alignment of health outcomes of importance.
- After identifying the highest priority outcomes from LHDs, the CPO and VBHC program team would identify the prostheses category that would be most suitable to be part of the value-based procurement pilot.
- The pilot would involve the CPO tasking the Tender Evaluation Committee to set a "value-based outcome" as part of the criteria to be considered when the go-to-market activity officially begins.
- The CPO and the Tender Evaluation Committee would meet with suppliers well in advance of the release of the tender specifications and present the value-based outcome the Committee had determined is most important to LHDs and health services.
- This would give suppliers prior knowledge of the Tender Evaluation Committee's objective, and allow (but not compel) suppliers the time to explore, develop and put forward a proposal which helps achieve the outcome (in addition to their product offering).
- The Tender Evaluation Committee would consider the value-based proposals from suppliers (just like they would when evaluating products from suppliers), and if approved the Committee would make a recommendation to the CPO to include the value-based offerings on the state contract.
- The value-based proposals would be communicated to the LHDs and there may also be incentives for LHDs to take up the offerings (see Switch Savings Program reform idea below). However, because these offerings would be designed to address an issue the LHDs have already identified, there should already be interest in the proposals.
- An evaluation of the pilot would be conducted by the Agency for Clinical Innovation, focused on measuring whether the proposals addressed the identified problem, measuring the benefit to patients and the overall savings generated for the system.

Reform of the Switch Savings Program

- Currently LHDs have a 'financial savings' target, and HealthShare NSW helps LHDs to deliver those savings by recommending cheaper products through the Switch Savings Program.
- MTAA recommends that the Switch Savings Program be reformed to also become a value-based program (rather than just a lowest price-based program), where HealthShare NSW communicates with LHDs about the benefit of taking up a value-based offering from a state contract.

- For example, if the “value-based outcome” on a contract is to reduce avoidable readmissions, HealthShare NSW could say to an LHD, if you adopt x value-based offering instead of using y product, this could deliver z fewer avoidable bed days.
- If MedTech suppliers knew that LHDs were targeting “avoidable readmissions” in their targets, suppliers would be much more likely to develop and put forward proposals that would assist hospitals to meet this goal, complementing suppliers’ product offering, and further promoting the “value of MedTech” to the health system.