

Submission  
No 50

**INQUIRY INTO PROCUREMENT PRACTICES OF  
GOVERNMENT AGENCIES IN NEW SOUTH WALES AND  
ITS IMPACT ON THE SOCIAL DEVELOPMENT OF THE  
PEOPLE OF NEW SOUTH WALES**

**Organisation:** Medical Technology Association of Australia

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# **Inquiry into procurement practices of government agencies in NSW and its impact on the social development of the people of NSW**

**Medical Technology Association of Australia**

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## Introduction

The NSW Inquiry into procurement practices of government agencies represents a key opportunity to improve health procurement practices for the NSW public health system. These improvements could also directly improve social development for the people of NSW through improved health outcomes.

The NSW agencies responsible for procuring medical technology in the public system have changed their practices over the last decade. The process of standardising procurement activity under HealthShare NSW on behalf of Local Health Districts (LHDs) was intended to streamline procurement processes and delivered savings.

However, with an aging population and rise in chronic diseases, there is an increasing challenge to deliver high-quality healthcare that is financially sustainable. To address these challenges the procurement practices of HealthShare NSW and the LHDs need to be reviewed and reformed to unlock health benefits and economic savings for patients and the broader health system.

## Executive Summary

The Medical Technology Association of Australia's (MTAA) primary recommendation in this submission is that the Inquiry should recommend a long-term best practice Value Based Procurement (VBP) approach, which is a patient-centric procurement approach which measures and compares improved health outcomes against total cost considerations.

The appropriate first steps would be to commit to a procurement stream in its Value Based Health Care (VBHC) program and leading the establishment of a Community of Practice that focuses on VBP, bringing together physicians, providers, patients, industry, payers, policy makers, and procurement. In parallel, there would need to be a review and adoption of procurement principles to improve existing procurement processes.

MTAA's submission firstly outlines how a VBP approach will address funding pressures experienced across the NSW healthcare system, and how it should be implemented.

A summary of MTAA's key recommendations are as follows:

## Summary of MTAA's Key Recommendations

### *Solution/recommendation – Implement Value Based Procurement approach – starting by establishing a Community of Practice*

(section 2.1.4)

That NSW Health commits to a long-term VBP approach, starting by committing to a procurement stream in its VBHC program and leading the establishment of a Community of Practice that focuses on Value Based Procurement bringing together physicians, providers, patients, industry, payers, policy makers, and procurement.

### *Solution/recommendation – Adopt MTAA Procurement Principles* (section 2.2.5)

That NSW Health review MTAA's Procurement Principles and gradually adopt these into routine practice to address current inefficiencies.

### *Solution/recommendation – Amend open ended customer definition*

(section 2.3.3)

Amend the customer definition in the HealthShare NSW SOA to only include public NSW entities to avoid unsustainable 'race to the bottom' product pricing and ensure NSW patients have access to the best quality products and care.

## About MTAA and Medical Technology

The Medical Technology Association of Australia (MTAA) is the national association representing companies in the MedTech industry. MTAA works in partnership with governments across the nation to effectively deliver the benefits of contemporary, innovative and reliable MedTech to the Australian community.

Medical technology provided by MTAA's members is an essential part of the healthcare system, used in all settings from the smallest rural clinic to the largest multi-site hospitals. It encompasses a wide variety of products and services that assist in the diagnosis, prevention, treatment and management of disease. The range of medical technology is diverse with products ranging from familiar items such as syringes and wound dressings, through to high technology implanted devices such as pacemakers, defibrillators, hip and other orthopaedic implants, and even digital technologies that provide patient monitoring services.

The MedTech industry is critical as it also contributes a significant benefit to the broader Australian economy. The MedTech industry contributes a total of \$5.4 billion GDP to the Australian economy and the sector supports over 17,000 direct and 51,000 total jobs. Australian MedTech export \$1.95 billion overseas, contributes to over 4,000 manufacturing jobs, and has been experiencing revenue and employment growth over the past 3 years, which is projected to continue.<sup>1</sup>

### 1. Background: Overview of medical technology procurement in NSW

A key activity in the delivery of healthcare is the procurement of medical technology for the public health system.

A summary of the public sector procurement process is outlined below which is required to understand the current challenges and potential solutions regarding NSW Health procurement practices detailed below.

This section briefly describes:

1. The key medical technology procurement entities in NSW; and
2. Each of the key entities' roles.

#### 1.1 Key NSW entities involved in procurement of medical technology

NSW Health distributes responsibility for the procurement of goods and services (including medical technology), and contract management to the following NSW government entities:

- Ministry of Health;
- HealthShare NSW (for most medical devices), e-Health NSW (ICT) and Health Infrastructure (infrastructure); and

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<sup>1</sup> [Nous Group: Value of MedTech report, pg.68](#)

- Local Health Districts.

## 1.2 Ministry of Health

The Ministry of Health sets and maintains procurement policy across all NSW Health and coordinates contract management training.<sup>2</sup> As a NSW Government department its policies need to be with consistent with the following:

- The *Public Works and Procurement Act 1912*;
- NSW Government Procurement Policy Framework; and
- NSW Procurement Board direction.

### 1.2.1 Ministry of Health role in procuring medical technology

The Chief Procurement Officer (CPO) at the Ministry of Health is responsible for making important amendments to contracts such as the specified contract period or exceptions to policy.

## 1.3 HealthShare NSW

HealthShare NSW is the NSW agency that provides shared services to other NSW health entities.<sup>3</sup> These include: financial, payroll, procurement, food and patient support services. E Health NSW has responsibility for procurement of ICT and Health Infrastructure for infrastructure. However, this submission will focus on HealthShare NSW.

The aim of HealthShare NSW is to provide economies of scale delivering a range of shared services to its customers (such as LHDs). In the past, some of these shared services (e.g. financial operations) varied across each LHD. HealthShare NSW was established to improve efficiency by gradually centralising these processes and administer these on behalf of LHDs.

### 1.3.1 HealthShare NSW role in procuring medical technology

HealthShare NSW is responsible for initiating, sourcing, planning and contract management for medical technology procurements greater than \$250,000. Through its Standing Offer Agreements (SOAs), which have standardised terms and conditions, HealthShare NSW's customers (being LHDs) can make a purchase order which invokes the SOA terms and conditions, leading to a separate HealthShare NSW contract with supplier (with the pre-defined SOA terms). An overview of the SOA parties and process to award a contract based on the SOA is outlined below.

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<sup>2</sup> NSW Auditor General's Report: Ensuring Contract Manage Capability in government – HealthShare NSW 2019

<sup>3</sup> NSW Auditor General's Report: Ensuring Contract Manage Capability in government – HealthShare NSW 2019

### *HealthShare NSW Standing Offer Agreements*

These consist of a head agreement with standard terms and conditions. LHDs can then set up a contract based on the HealthShare NSW SOA between the LHD and supplier.

#### *Key parties involved*

The agreement consists of three key parties defined as follows:

- 1. The Principal** – Effectively, this refers to HealthShare NSW who are tasked with procurement of high-value goods and services contracts (over \$250,000) or a statewide need identified.
- 2. Customer** – The entity procuring a product or service, typically a LHD.
- 3. Supplier** – The entity providing the specified medical technology goods or services.

#### *How the SOA is executed and operates*

Once the Principal and the Supplier have agreed to enter into this SOA, it means the supplier for example, a medical technology company, agrees with the Principal (HealthShare NSW) to provide good and services based on the SOA terms and conditions to a customer (for example, an LHD).

This means each time an LHD wishes to acquire supplies from the chosen medical technology company, it will issue a purchase order, in accordance with the process set out in the SOA.

The issue of a purchase order by an LHD will then give rise to a binding separate contract between the Supplier and the relevant customer based on the terms outlined in the SOA (this contract is kept with HealthShare NSW).

It should be noted that when LHDs select a supplier, they will need to use a HealthShare NSW SOA for a specific medical technology product, if one exists. Procurements over \$250, 000

## 1.4 Local Health Districts (LHDs)

Local Health Districts provide health services to specific geographical areas across NSW and are responsible for the total management of public hospitals and healthcare clinics and institutions. There are eight LHDs covering metropolitan regions and seven LHDs covering rural locations.

### *1.4.1 LHDs role in procuring medical technology*

LHDs have their own procurement teams that will identify local needs and will either engage HealthShare NSW to support them in a procurement approach or alternatively if the spend is less than \$250,-000 the LHD will undertake the full spectrum of procurement activities independently (initiating, sourcing, planning and contract management).



However, as noted previously, if an SOA for a particular medical technology does exist, LHDs are required to purchase using these contracts established by HealthShare NSW. Where these contracts are established for a type of medical technology (for example, for medical prosthetics such as a knee implant or pacemaker), suppliers can enter into what is known as a market share agreement with a Local Health District under the terms of the HealthShare NSW contract. These agreements involve suppliers offering a suite of different pricing options with each option pegged to different percentages of an LHD's total volume of a particular good required. Generally, the higher the market share proposed to be awarded to a supplier, the higher the expected discount would be for the price proposed by the supplier.

## 2. NSW health system procurement: issues and solutions/ recommendations

### *Summary of issues and solutions/recommendations*

#### Issue 1:

Value Based Procurement (VBP) is not enabled and significant barriers exist, including:

1. Barrier 1 – Limited LHD and industry engagement on VBP;
2. Barrier 2 – KPIs for VBP are limited; and
3. Barrier 3 – Challenges appraising VBP offers systematically and rigorously.

#### *Solution/recommendation - Implement Value Based Procurement approach* (section 2.1.4)

That NSW Health commits to a long-term VBP approach, starting by committing to a procurement stream in its VBHC program and leading the establishment of a Community of Practice that focuses on Value Based Procurement bringing together physicians, providers, patients, industry, payers, policy makers, and procurement.

#### Issue 2:

Existing procurement practices are difficult for suppliers to navigate because of unclear evidence requirements for tenders, tender portal limitations and supplier relationship management challenges.

#### *Solution/recommendation – Adopt MTAA procurement principles* (section 2.2.5)

That NSW Health review MTAA's Procurement Principles and gradually adopt these into routine practice to address existing inefficiencies.

#### Issue 3:

Imperfect terms in standardised contracts causing unsustainable “contract leakage”.

#### *Solution/recommendation – Provision to include other NSW entities only in the SOA* (section 2.3.2)

Amend the current customer definition in the HealthShare NSW SOA to only include public NSW entities to avoid unsustainable ‘race to the bottom’ product pricing and ensure NSW patients have access to the best quality products and care.

## 2.1 Value Based Procurement is not enabled and significant barriers exist

The focus on standardization and aggregation of purchasing to generate efficiencies is part of the HealthShare NSW's remit to deliver savings in the healthcare system. This is exemplified by the HealthShare NSW Service of Statement,<sup>4</sup> showing HealthShare's annual procurement savings targets as part of their existing procurement and supply chain KPIs. This would also include modifying the purchasing behaviors of its customers (LHDs) to ensure savings are met. However, this approach can only go so far in generating long term value that is sustainable.

Continually focusing on reducing headline costs for devices long term may result in suppliers no longer selling into the NSW public health system as it won't be commercially viable. This will lead to reduced choice in medical technology available for use in the public health system. With reduced product choice, this can result in supply challenges and poorer health outcomes experienced by the patient and broader health system.

Given that minimising cost alone cannot address longer term funding and access challenges for medical technology, a focus on value is needed by procurement teams across the NSW health system. Value is referenced in the Procurement Policy Framework as area of focus for NSW agencies (including HealthShare NSW) to implement as part of their respective procurement practices. Specifically termed 'Value for Money' this is 'not necessarily the lowest price, nor the highest quality good or service'. Rather, it is a 'balanced assessment of a range of financial and non-financial factors, such as: quality, cost, fitness for purpose, capability, capacity, risk, total cost of ownership or other relevant factors'.<sup>5</sup>

Similar to 'Value for Money', MTAA members refer to this as Value Based Procurement,<sup>6</sup> which is derived from the concept of Value Based Healthcare and draws on very similar principles to what is outlined in the Principal Policy Framework. A definition is provided below:

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<sup>4</sup> [Statement of Service 2023-2024: An agreement between the Secretary, NSW Health and HealthShare NSW for the period 1 July 2023 – 30 June 2024](#)

<sup>5</sup> [NSW Procurement Policy Framework April 2022](#)

<sup>6</sup> [Alira Health: Value Based Procurement in Australia Report](#)

### *Value Based Healthcare and Value Based Procurement Defined*

VBHC refers to improved health outcomes for patients versus the total costs of delivering care. Importantly, this is a patient-centric measurement, that spans the entire care pathway for a patient.

In contrast VBP represents the *purchasing decisions* across a VBHC care pathway. Spending may be determined by Policy Makers through a holistic budget, payers determine funding, coverage, and access in accordance with stakeholder input, and procurement purchases the items required for care. Therefore, VBP represents the purchasing decisions that consider the *same health outcomes and total cost considerations* as the VBHC care pathway.

It is important to acknowledge that NSW Health is a leader in Australia with respect to VBHC and VBP implementation. NSW Health have also commenced an initiative with a Value Based Procurement focus, with the HealthShare NSW procurement team having developed a statewide orthopaedic hips and knees contract, that came into effect on March 1, 2022.

While it is positive that there are policies in place that articulate the importance in procuring based on value, the actual practice of procuring for value reveals a range of barriers in adopting VBP that indicate it is a secondary consideration when procuring medical technology.

These are:

1. Limited LHD and industry engagement on VBP;
2. KPIs for value-based procurement are limited;
3. Challenges appraising VBP offers systematically and rigorously.

#### *2.1.1 Barrier 1 to enabling VBP - Limited LHD and industry engagement on VBP*

While NSW Health has been a leader in Value Based Procurement, this has not translated to widespread adoption at the LHD level. The inability to bring together all the relevant stakeholders to buy in to VBP is limiting the ability to scale up VBP approaches.

In 2021, HealthShare NSW did use a Value Based Procurement approach for a statewide orthopaedic hips and knees contract, that came into effect on March 1, 2022.<sup>7</sup> The procurement team collaborated with clinicians, service managers and suppliers aiming for NSW Health to have the greatest value products and services available to support best patient outcomes and experience. This approach was welcomed by industry.

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<sup>7</sup> Value Based Healthcare Case study: Embedding value based healthcare in procurement of orthopaedic hips and knees statewide contract: <https://www.smh.com.au/national/nsw/joint-replacements-could-become-day-surgeries-to-cut-down-on-backlog-20231025-p5eetf.html>

However, medical device suppliers have reported there is little awareness among LHDs and public hospitals of the supplier value-based offerings in HealthShare NSW's hips and knees contract. Even though the opportunity is published on the NSW health website, this has not translated to adoption at the LHD level. Recently there have been media statements by the co-chair of the Surgical Care Taskforce, Prof Neil Merrett, that the Taskforce is trying to reduce the time spent in hospital for patients undergoing joint replacement procedures.<sup>8</sup> Given there is already a statewide contract with this offering available for public hospitals to consider, there is an opportunity to use a VBP approach to address this challenge, but it would require engaging with the LHDs and the medical technology industry to help the Taskforce achieve its objectives.

If LHDs as the major customers of the NSW health system are not aware of the opportunities to adopt VBP, then purchasing behaviors will not change to reflect an increased appetite for value-based offerings. This means opportunities are missed to deliver better value across the system and improve health outcomes for patients. The problems with a lower pricing approach discussed under Issue 1, above are also relevant.

#### *2.1.2 Barrier 2 to enabling VBP - KPIs for VBP are limited*

As mentioned earlier, the HealthShare NSW Statement of Service<sup>9</sup> articulates its HealthShare's performance indicator for each financial year across a range of areas. It should be noted under the 'future health actions and performance deliverables' section there are no clear KPIs that focus on value-based activities. This suggests that performance in delivering value is largely aspirational with no accountability for meeting these targets.

As a consequence, this means HealthShare NSW leadership and staff, and LHDs, are incentivised towards procuring on lower prices or maintaining ordering on contract etc., with value-based procurement activities being a secondary consideration with little impact on procurement decision making processes.

#### *2.1.3 Barrier 3 to adopting VBP - Challenges appraising VBP offers systematically and rigorously*

It should be noted that as part of the current request for tenders, there is a section where suppliers can provide alternative proposals that include innovative value-add offers.

These value-add offers can include clinical, operational, service or financial value-adds. Clinical value-adds refer to improvements to clinical outcomes (e.g. fewer complications), operational value-adds refer to clearly demonstrated internal cost efficiencies (e.g. reduced procedure time), service value-adds refer to clearly demonstrated support at responsible sites (e.g. clinical support), and financial value-adds refer to clearly demonstrated external cost savings (e.g. reduced stock holding). This might suggest that VBP is already used to help suppliers demonstrate how their

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<sup>8</sup> Joint replacements could become day surgeries to cut down on backlog:

<https://www.smh.com.au/national/nsw/joint-replacements-could-become-day-surgeries-to-cut-down-on-backlog-20231025-p5eetf.html>

<sup>9</sup> [Statement of Service 2023-2024: An agreement between the Secretary, NSW Health and HealthShare NSW for the period 1 July 2023 – 30 June 2024](#)

medical technology provides value not clearly captured in the standardised tendering requirements.

However, there are no clear guidelines on how value-add offers are compared to each other and to straight products offers. Secondly, there is no post award feedback provided by a procurement team assessing an offer when it is submitted. This is likely because assessors have no clear criteria on how the value-add components are evaluated relative to other parts of the offer, including price and technical specifications etc.

Without clear criteria to evaluate value, procurement teams will inevitably default to more basic metrics, in particular price. Furthermore, suppliers won't know how to make offers that will genuinely be taken up.

#### 2.1.4 Solution/recommendation: Implement Value Based Procurement approach – starting by establishing a Community of Practice

**Recommendation:** That NSW Health commits to a procurement stream in its VBHC program and leads the establishment of a Community of Practice that focuses on Value Based Procurement bringing together physicians, providers, patients, industry, payers, policy makers, and procurement.

To address the challenges outlined above MTAA recommends NSW Health implement a VBP approach, starting by establishing a Community of Practice and committing to a procurement stream in its VBHC program, to deliver the best possible economic and health benefits for NSW.

To maximise the success of VBP in NSW, there needs to be a clear directive and authorisation for NSW Health to be more open to collaborating with the medical technology sector to co-deliver solutions that address ongoing structural health system challenges.

In October 2023, the MTAA launched a first of its kind report into Value Based Procurement.<sup>10</sup> Developed by Alira Health, who have supported VBP initiatives in Europe, the report looks at how VBP can be used to achieve better value for the spending the health system invests into medical technology to improve patient outcomes and help eliminate waste and inefficiencies. A copy of the report has been attached to this submission.

A key recommendation of the VBP report is the establishment of a VBP Community of Practice, which is a multi-stakeholder collaboration that shares best practices and develops healthcare pilot programs that emphasise the measurement and improvement of health outcomes and total cost analyses.

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<sup>10</sup> [Alira Health: Value Based Procurement in Australia Report](#)

The mission of the Community of Practice would be to enable a multistakeholder Australian health procurement environment that ensures health-related outcomes are the primary criteria for tendering decisions. The tendering decision-making process should draw input across all key stakeholder groups, including clinicians, healthcare providers, patient groups, payers, policy makers, industry, and procurement leaders.

In accordance with all procurement and anti-competition law considerations, the activities of the Community of Practice will enable knowledge sharing among all stakeholders. This can be done through learning sessions from VBP Pilot Programs, information sessions in the form of online webinars, face-to-face mini-workshops, other knowledge-sharing sessions and conferences, and the creation of tools and materials to guide VBP dialogue.

Across the entire spectrum of medical technology public procurement activities in NSW, there are a range of challenges that have identified. In response to these issues, MTAA has provided a range of solutions that should be adopted to improve current procurement practices, which will in turn lead to improved health outcomes for patients and the system, and subsequently better social development outcomes for NSW.

#### 2.1.5 Healthcare solutions that could be incentivised using Value Based procurement to increase social development outcomes

A government-led Community of Practice will allow the sharing of examples where value-based procurement is being implemented and resulting in financial savings to the healthcare system. MTAA have provided two case study examples that illustrate the types of healthcare services that could be procured using a value-based approach.

### *Case Studies*

#### Case Study 1: Care4today program

The Care4today program was a partnership between Johnson & Johnson MedTech at St Vincent's Hospital which aimed to reduce hospital length of stay (LOS) while maintaining patient health outcomes<sup>1</sup>. This was especially important given the backlog of elective surgeries in Australia due to the pandemic. The program included pre-operative and post-operative education, assessing and addressing the inefficiencies present in the management of procedures with the clinical team, simplifying at-home patient care, and standardising wound closure product to ensure optimal support of the surgical site incision to reduce the risk of infection.

The primary outcome of the program was the average hospital LOS for total knee replacement surgery reduced from 3.95 to 2.75 days, and 5.41 days to 3.44 days for total hip replacement surgery. The program has been found to reduce hospital stays by 1.2 fewer days for total knee replacement surgery and 1.97 fewer days for hip replacement surgery. The value the program generated came from financial savings from reduced hospital LOS, reduced risk of complications, and post-operative rehabilitation.

Part of the program's success was because it was part of a long-term partnership between the hospital and the MedTech supplier. J&J didn't simply write the orthopaedic department a report with recommendations but worked with the clinical team and were invested in achieving the same goals as the hospital.

More efficient processes through programs such as Care4today means patients can go home earlier, and patients waiting for procedures will be able get treated faster. The more suppliers and hospitals can support clinicians to free up their time which they can spend with patients, that's delivering value beyond the product

While a small sample size, the results of this program present an opportunity for further expansion of initiatives where MedTech suppliers and hospitals are able to work together to achieve agreed outcomes that deliver improved outcomes for patients and improve system efficiency.



## Case Study 2: Preventing surgical site infections

Healthcare providers are always looking at ways to reduce patient safety risks associated with clinical procedures. An example of how a value-based approach to procurement could contribute to achieving that objective is through measuring the impact of adopting medical technology that reduces the occurrence of surgical site infections.

Surgical Site Infections (SSI) account for about 15% of all healthcare-associated infections<sup>1</sup>. This is consistent with IHACPA's National Benchmarking Portal<sup>1</sup> which reported 12% of NSW's 10,700 Healthcare associated infections in 2020-21 were surgical site infections. SSIs result in patients spending more time in hospital, more time in pain and discomfort, more time away from their families and work, and they cost the health system for the extra time and treatment needed as part of their avoidable and extended hospital stay.

Australian and international guidelines recommend the use of antimicrobial sutures to improve outcomes for patients and surgeons by reducing the risk of SSIs, including the National Health & Medical Research Council, and the World Health Organisation. A single hospitalisation involving an SSI can cost up to \$42,102 (AUD) in extra costs<sup>1</sup>.

The Grattan Institute has found that a patient's risk of developing a complication varies significantly depending on which hospital they go to. If all hospitals were as safe as the safest 10 per cent, Grattan found there would be savings of \$1.5 billion off the health spend every year<sup>1</sup>.

A VBP approach to purchasing wound closure products, therefore, could include an outcomes based activity, where suppliers are invited to demonstrate how their products and services (including training) could, for instance, reduce SSI rates to a level ensuring all hospitals are as safe as the safest 10 per cent, and then held accountable for achieving the outcome in the contract. Rather than simply purchasing wound care products, this would enable hospitals to monitor and measure the impact on the use of a medical technology to deliver safer surgical procedures, and measure the benefit to patients, hospitals and reducing the overall healthcare spend.

## 2.2 MTAA's Procurement Principles

### 2.2.1 Issue 2: Existing procurement practices are hard to navigate for suppliers

Firstly, it should be acknowledged that HealthShare NSW has made improvements to some of their current procurement practices since industry expressed concerns prior to COVID. Based on the 2023 MTAA Procurement Survey, NSW ranked first out of all the states and territories in terms of overall supplier experience across prosthetics, consumables and capital equipment categories. Furthermore, in terms of managing contract variations, which is a key procurement activity, NSW scored the highest amongst states and territories in terms of supplier experience managing contract variations, with 43% of respondents sighting a positive experience.

However, suppliers still experience challenges navigating existing procurement processes that are leading to inefficiencies in the NSW health system. MTAA members have identified some procurement practices across NSW Health that need to be addressed.

### *2.2.2 Lack of clear evidence requirements in tenders - Environment Sustainability*

An ongoing challenge for suppliers is being able to collect the relevant data to report against sustainability requirements in tenders. MTAA members do see the value in some of the existing sustainability information that is provided to suppliers. Based on the MTAA Procurement Survey, 52%<sup>11</sup> of respondents indicated that the information in NSW tenders was somewhat helpful.

However, MTAA members would like to see clearer requirements that help suppliers address their sustainability targets. Based on the MTAA Procurement Survey qualitative responses, members have indicated a need for clear standardized metrics to meaningfully measure sustainability progress as a supplier and a rationale for these metrics.

It should be noted sustainability requirements that are not clear in terms of evidence requirements greatly impact smaller medical technology companies, who have very limited personnel and resources to address these additional requirements. This can lead to inequities when it comes to promoting fair competition between suppliers as only the more resourced companies can navigate these processes, meaning smaller companies struggle to provide compliant offers.

In addition, the lack of harmonized sustainability requirements across different states and territories results in suppliers having to present the same information in different ways, magnifying the administrative burden on suppliers who operate in different states/ territories – and more so for smaller suppliers.

### *2.2.3 Inability to prepopulate standardised information in tender portals*

Based on the MTAA 2023 Procurement Survey qualitative data, respondents indicated updating the NSW tender system as a potential area can improve procurement practices. Members note the current NSW tender portal system lacks the ability to save standardized information to pre-fill new tender responses. This is supported by survey results, with 10% of respondents reporting the NSW portal system as extremely usable, compared with the Victorian portal (which saves standardised information and pre-populated tenders with this) where 31% of respondents noted it is an extremely useable tender portal.

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<sup>11</sup> MTAA Procurement Survey

This current system requires members to manually fill each tender with the same standardised information, an additional administrative burden on suppliers (especially smaller ones) that is magnified given the multiple tenders that members companies have to manage.

#### 2.2.4 Supplier Relationship Management challenges

While the Procurement Policy Framework does identify the importance of Supplier Relationship Management (SRM) to ‘deliver value over and above the minimum levels of performance covered under contracts by focusing attention on the whole stream’, this is still a persistent challenge experienced by suppliers.

MTAA members have reported on the importance of personnel and the ad hoc nature of supplier relationship management practice across all states, including NSW. Based on the qualitative survey feedback, this can sometimes result from the high degree of category manager turnover. This then requires the relationship to be rebuilt between the new procurement official and the supplier to understand the current status of a tender and any outstanding issues.

Without regular meetings between suppliers and the same procurement teams, there are missed opportunities to build on the relationship and

- reach mutually agreeable targets that result in increased supplier performance above the minimum terms and conditions outlined in the tender.
- opportunity for suppliers to ask questions to procurement teams to clarify any changes in tender processes or terms in tenders that affect suppliers’ forward planning to address future tenders

#### 2.2.5 Solution/ recommendation: Adopt MTAA’s Procurement Principles

##### **Solution/Recommendation**

NSW Government to review MTAA’s Procurement Principles and gradually adopt these into routine practice.

There is a need to simplify and harmonise procurement processes and ensure greater consistency in the system, both at an LHD level and within Healthshare NSW.

A way to manage the range of challenges that can emerge through existing processes is by embedding in NSW procurement a set of guiding principles that would aim to improve baseline procurement competencies. Over time, these principles would help support the development of best practices in procurement to manage and resolve different types of challenges.

For example, when it comes to environmental sustainability requirements, procurement teams that embed the principle of engaging in genuine partnerships involving industry in their practice would work with industry to develop appropriate criteria. This can then lead to meaningful and feasible requirements to be included in tenders.

Similarly, adopting a principle on professionalising procurement would incentivise having in place the highest standard of procurement practice, which includes having appropriate systems that allows suppliers to lodge tenders with standardised information that can be saved on a tender platform.

MTAA have developed a set of guiding procurement principles to guide all state and territory health procurement agencies towards procurement policy and process reform that puts patient outcomes at the centre of public health procurement. The MTAA Procurement Forum, made up of public health procurement experts from MTAA member companies, developed the principles. The principles which are attached to this submission, are based around four headings, which are:

At high level the principles are:

1. Professionalise procurement to ensure the highest standards of procurement practice.
2. Focus on value and outcomes for patients, healthcare professionals and the health system.
3. Pursue genuine partnership between industry and government.
4. Support an environment for healthcare innovation to thrive.

## 2.3 Standardised contracts

### 2.3.1 Issue 3: Open ended customer definition

The use of Standing Offer Agreements (SOA) helps create efficiencies by having a set of pre-defined terms and conditions that the supplier and contract manager agree to. This then leaves the unique aspects of the contract up for negotiation, reducing the overall time and resources spent finalising the agreement. An overview of how SOAs operate is provided in section 1.3, above.

However, any efficiencies gained through an SOA can be offset if certain terms are inappropriately defined. For example, MTAA members have consistently raised concerns the contracts based on the HSNSW SOA include an open-ended customer definition. This then leaves the option to include (after the fact) any government or non-government entity to access the same contract terms that suppliers signed with originally with one customer.

Allowing a wide variety of private and public entities to access such terms is inappropriate because a range of factors influence the price at which a supplier can supply a product, for example: volume, supply costs and service requirements.

The practical effect is that suppliers are required to absorb costs and deliver goods and services at lower prices than is sustainable.

### 2.3.2 Solution/recommendation: Provision to include other NSW entities only in the SOA

#### Solution/Recommendation

Amend the HealthShare NSW SOA customer definition to only be accessed by public NSW entities to avoid unsustainable 'race to the bottom' product pricing and ensure NSW patients have access to the best quality products and care.

By ringfencing the definition to only include NSW public agencies, this reduces the risks of commercial pricing information being shared outside the NSW public health system and establishes a fair way to develop contracts involving procurement teams and suppliers.

#### Conclusion

The MTAA, as the national peak body representing medical technology companies, is in a unique position to provide expert input regarding health procurement process improvements required to improve patient outcomes, achieve greater value from the NSW Government's investment, and help eliminate waste and inefficiencies in the health system.

We see this Inquiry as an opportunity to significantly re-think how procurement practices are implemented across NSW government agencies to improve social development of the people of NSW.

We have identified a range of issues that are impacting the procurement of medical technology, which has flow on effects to the broader health system in terms of access to high quality healthcare. These include the continued focus the limited uptake of value-based procurement, unfair terms in the SOA, and a variety of inefficiency in routine procurement practices.

MTAA strongly recommends the Inquiry consider the range of solutions that have been proposed to address the issues identified to ensure NSW enjoys improved outcomes for patients and more efficient healthcare spending, which benefits the overall system and NSW community.

Finally, MTAA again commends the Government's commitment to improving social development outcomes (including health) for New South Wales citizens and we look forward to continuing to play a role in this Inquiry.