

**Procurement as
an instrument of
health policy: What
are we asking, what
can it do?**

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Procurement (BusinessDictionary.com)

- The act of obtaining or buying goods and services. The process includes preparation and processing of a demand as well as the end receipt and approval of payment.



- purchase planning
- standards determination
- specifications development
- value analysis
- supplier research and selection
- financing
- price negotiation
- making the purchase
- supply contract administration
- inventory control and stores
- disposals and other related functions

Supply Chain



Procurement as policy instrument

- Important tool of public policy
 - Government organizations spend 8 - 25 % of GDP on goods and services (OECD 2006)
 - About 20% of hospital expenditures in Ontario via procurement
- Durable history of efforts to “link” procurement with social policy (McCrudden, 2004)
 - Fair wages and work days in 19th century US, UK government contracts
 - US non-discrimination in employment conditions pre-1960s
 - Canadian Federal contractors program for employment equity- 1986
- From 1990s, increased emphasis on linkage to environmental policy



Procurement as policy instrument

- Also focus of economic policy
 - Ongoing efforts from WWII
 - Government Procurement Agreement under WTO – 1994, 2012
- In Canada – for health sector
 - Agreement on Internal Trade – 1995
 - CETA – 2014 (coming into force: 2016)
- Principles
 - Economic liberalism
 - Non-discrimination - transparency, fairness, competition
- Effects
 - Constrains traditional ‘social’ or local procurement
 - Creates legal requirements and risks



Study

- CIHR-funded study on role of procurement in adoption of ‘innovative’ non-drug health technologies in Canada
 - Phase 1: Comparative analysis of procurement arrangements across selected provinces – Quebec, Ontario, Alberta, BC
 - Case studies – documents, interviews (n=25), non-participant observation
 - Review of Requests for Proposals (n=50)



A brief history of health sector procurement

BC, Alberta, Quebec, Ontario



Growth of joint purchasing

- Collective buying power and efficiencies
 - Group purchasing organizations – GPOs
 - Across jurisdictions
 - E.g., HealthPRO (1996)
 - Owned by member shareholders across 7 provinces/territories; > 260 members, > 800 facilities
 - Joint purchasing groups
 - Within jurisdictions
 - May include shared supply chain
 - May include shared “back offices” – so “Shared Service Organizations” (SSOs)
 - Accounts receivable, Payroll, Technology Services, etc.
- Increased fealty to trade terms & conditions
 - Legislation, Cabinet directives, Auditors General



■ BC & Alberta

- Organizational reform – 1 Procurement organization
 - Supported by Ministries of Health
 - Single centralized mandatory procurement & supply chain
 - Aligned with scope and budget of regional health authorities (not physician services)
 - Working to support patient outcomes

■ Quebec

- Organizational reform – 3 Procurement organizations
 - Supported by Ministry of Health
 - Joint buying groups – mandatory for some purchases
 - Partial alignment with scope and budget of 'regions'
 - Oriented to lowest cost

■ Ontario

- Organizational reform – 9 +++ procurement organizations
 - Ministry of Finance/ Government & Consumer Services financial encouragement for shared services organizations
 - MOHLTC AWOL
 - Hospital focused
 - Limited alignment with regional scope or budget
 - Oriented to lowest cost



Health Sector Procurement – A Report card

- Compliance
- Efficiencies
- Patient Safety



**Procurement as Transactional
Function**

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Becoming strategic

Next steps for health sector
procurement



Innovation procurement

- Eric Hoskins, Ontario Minister of Health, Speech to MEDEC, April 29, 2015
 - “Some of you may know that before I was Minister of Health I was Minister of Economic, Development, Trade and Employment – **Wearing that hat, I would speak to you about the tremendous opportunities of the sector for jobs and for health care. I wouldn’t change that speech as Minister of Health. ... Have two lenses – on health outcomes and also on economic outcomes.** The importance of a thriving innovation sector, medical technologies sector – as important employer and driver of economy. Decisions in health sector need to ensure better health and ensure that the sector continues to grow.”



Ontario Health Innovation Council



OHIC Recommendations

- **Recommendation 4:** Accelerate the Shift to Strategic, Value-Based Procurement

Becoming strategic?

- Emphasis on buying ‘better’
 - Value/ outcomes-based procurement
 - Procure for ‘solutions’
- Inconsistent on economic development
 - No SME minimum spend
- Inconsistent on patient-centredness
 - Procurement not the solution to system failures
- No “linkage” to social or environmental policy



Conclusion, 1

- For health policy, procurement is typically a transactional function
 - Usually ignored
 - When in focus, an instrument for “technical” aims
 - Process efficiencies
 - Cost reductions
 - Regulatory compliance



Conclusion 2

- But procurement is a powerful policy instrument
 - An instrument of economic liberalism
 - An instrument of other aims
 - Integrated, patient-centred care
 - Economic localism
 - Environmental policy
 - Social policy
- Need for strategic orientation
 - Mission driven
 - Manage Risk



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Questions?

