

# The MarketTech Group

ISSUE 1 | VOLUME 19 | SPRING 2019

## Minute

### Value Based Healthcare: What is next and why is it so important for MedTech vendors?

INTERVIEW

#### INTERVIEW OF THE SEMESTER

##### *Value Based Procurement*

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**Interviewer: Olivier Cotten (OC), European Managing Partner**

**OC: How do you define Value Based Healthcare?**

**ND:** The influence of aging populations and increasing resource pressures, from the growth in longer-term chronic conditions, have put stress on both patients and the provider, and have demanded systemic review of healthcare delivery towards a more integrated, patient-centred care approach.

The new strategic framework which replaces current struggling, segmented, and supply oriented (volume-driven) health care systems, towards better patient and cost management (value driven), underpins the value-based health care approach.

The shift away from fragmented systems to integrated care seems conceptually simple and uncontroversial, but the question of how best to achieve these ideals remains.

**OC: What are the greatest challenges of this new model?**

**ND:** Challenge 1: Integrated patient centered delivery model

Healthcare provided in isolation leads to lower quality and waste in health.

Building value-based healthcare systems requires a sense of urgency and greater collaboration between all key actors, without which, productivity will slow and there will be a further rise in healthcare inequality.

An integrated care approach offers a solution, maximizing the benefits of diagnostic and therapeutic systems at all healthcare providers leveraging health IT. The technology already exists to interconnect and share data between hospitals, homes and community. It will need investment in IT infrastructure based on healthcare IT standards to make it work, but the efficiencies gained should rapidly repay the investment.

Challenge 2: Outcome measurement

The challenge of lack of models to measure the value in healthcare.

The challenge of measuring the value of technological innovation remains essential, especially since the notion of “value” is understood differently from the stakeholder’s point of view (e.g. patient, health care providers, payers). The key question when we talk about measuring the outcome, or the value of, is to clarify first “value for whom”?

So far, a medical technology company, having its product CE marked (EU market access label), could legitimately hope to see the product reimbursed. However, in light of the Value Based Healthcare approach, it would be necessary to prove the Value of the device using data collected, without which, the reimbursement for the product may be refused. But there are no standards as what data, and which value the product must satisfy to get paid for.



The European Commission has mandated an independent group of experts to provide a definition of value and a scientific opinion on how can value based healthcare inform decision makers and contribute to health system transformation. The opinion report is expected to be released by the end of June 2019.

Furthermore, the Commission has also been working with OECD, with support, from the WHO, on a project called the Patient-Reported Indicators Survey (PaRIS) launched in January 2017, to develop and apply common outcome metrics which will allow for comparisons between countries.

### Challenge 3: Reimbursement

The reimbursement of health care provision is currently not value based oriented.

The Diagnosis Related Group (DRG), the most used method of funding hospitals, is based on the level of the hospital activity, instead of considering whether the activity was appropriate to optimize patient outcomes and / or was cost-effective in terms of the public health spending.

For example, a hospital when receive a certain amount for a specific act such as a hip replacement, will tend to reason in the short term to optimize its spending as compared the available budget. Hence, it may choose a certain type of implant, as aligned with the hospital financial strategy, instead of a different, more expensive device, which would demonstrate better patient outcome and ultimately decrease overall health spending (e.g. readmission).

### Challenge 4: Public Procurement Procedures

Health innovative technologies procurement is often only based on a cost-driven approach.

The current approach does not address medical technologies specificities, where the full patient pathway and the whole life costs should be considered, when making purchasing decision. The value-based procurement, when developed correctly, can increase access and quality of care through broader implementation of innovative technologies and offers opportunities for both health cost savings and societal benefits.

#### **OC: What benefits do you expect?**

**ND:** First, it will be the patient that will benefit from the new model, providing with an access to high quality and sustainable care along the care pathway.

Manufacturers will be stimulated to propose innovative solutions without adjusting to cost-oriented short-term strategies. Health systems should become more efficient by reorienting health spending in a meaningful way, which will allow better control of spending and focus on investments. The impact will be even more important for chronic diseases. Hospitals will be less constrained by the reimbursement schemes and will have accurate data to prioritize their actions while maximizing patient satisfaction by focusing on Value rather than Volume. In the end, the key objectives are to improve patient outcome and reduce health spending, or avoid unnecessary spending, as this has no proven value.

#### **OC: Where is it implemented first?**

**ND:** The value-based health approach was first developed at Harvard University, defining the value as outcomes that matter to patients divided by the cost of achieving those outcomes. It was argued that focusing on value will ultimately deliver greater efficiency, making healthcare providers perform better for their patients. By measuring defined standard patient outcomes in a given hospital, the true costs and benefits of a single episode of care or drug therapy can be measured and evaluated.

However, in opposition to the US system, financed by private funds and seeking the value for the patients, the European health system, publicly funded, must consider a broader public health perspective of how value should be allocated among different groups of patients, for different treatments, and across entire societies and economies.

#### **OC: What does this mean for industries (Imaging and other MedTech sectors)?**

**ND:** Within the Medical Technologies sector, businesses are investing in innovative solutions to enhance the value of procedures and ensure sustainable access to high quality care to patients. Purchasing conversations are becoming more partnership-based with provider requests moving from 'product-based' (also known as Capital Expenditure approach – CAPEX) to 'solutions-based' services (Operational Expenditure approach – OPEX), evolving towards the notion of Managed Services.

Managed Services model is a technology partnership between one or more healthcare facilities and one or more technology providers for a fixed period. Over this period, a technology infrastructure and a broad range of related services including maintenance, updating and/or renewal and/or substitution of equipment, continuous professional training, and timely exchange of advances in technology are made available against a predictable operational fee. Within this context risk is shared. The provider of the equipment takes responsibility for the availability, quality, maintenance and upgrading over the lifetime of the technology as well as flexibility in the types of technology to fulfill local needs in time.

This partnership model also brings added value by offering analytical information and procedural assessments likely to increase efficiency and improve clinical results, measured towards identified Key Performance Indicators.

Kenya is one example, across many countries, where the Managed Services model has been successfully implemented.

