Centralised procurement in the EU: main challenges and recommendations based on our experience in the medical field.

TAIEX Workshop on centralised procurement
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I. Why centralised procurement?
   – Definition and main objectives
   – Methods and processes

II. Hospital procurement in Europe
   – Overview of the different models and examples
   – Trends and future challenges

III. Resah’s experience
   – Short presentation
   – Best practices and recommendations
PART I: WHY CENTRALISED PROCUREMENT?
About hospital procurement

Main objectives:
- Cost control
- Legal security
- Quality and efficiency

Why does procurement matter?
- 2nd expenditure category after staff
- 30% of the operationnal budget (increasing)
- Hospital Procurement = 130 B€/y in Europe

In general: 50% medical, 50% non-medical
Why centralised procurement?

- Historically, purchasing is isolated and not managed

- Centralised procurement aims at:
  - Pooling volumes to reduce costs
  - Simplifying the administrative process
  - Leverage expertise
How to centralise procurement?

- 2 methods:
  - Joint procurement: commitment to a certain volume
  - Central purchasing (framework agreement): quantities not defined
- A central purchasing body (CPB) can manage both
- Business models:
  - % on volume
  - Flat rate
  - Mixed model
Framework agreement vs. contract

Définition:
A ‘framework agreement’ is an agreement between one or more contracting authorities (buyers) and one or more economic operators (supplier(s)), the purpose of which is to establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged.
Joint procurement: process

1. Express standard need
2. Launches procurement procedure
3. Awards framework contract
4. Sign subsequent agreements
5. Executes contracts

Member hospitals → Leader hospital → Suppliers

Or

Resah → Supplier 1
Central purchasing: process

1. Expresses uncovered need

Hospital A

2. Launches procurement procedure

Resah

Commercializes the innovative offer

3. Awards framework contract

Suppliers

4. Sign subsequent agreements

Other hospitals

5. Executes contracts

Supplier 1
Who takes part in the process?

- Nurses
- Physicians
- Pharmacists
- Renovation engineer
- Catering manager
- Surgeons
- Technical staff
- IS manager
- Hospital managers
- Biomed engineer
- Health Authorities

Demand-side

Purchasing department

NEEDS

EXPERTISE

Supply-side

INDUSTRY
- SMEs
- Pharmaceutical labs

SMEs
An illustration of the role of central purchaser

http://www.youtube.com/watch?v=JiQqtPWO2CU
The role of central purchaser: juggler

Price

Quality

Quantity

Innovation

Technical requirements

Administrative clauses
The role of central purchaser: tamer
The role of central purchaser: clown

- You don’t want to be taken for a clown!

- To be known and recognized by
  - Hospital members
  - Practicians
  - Suppliers

- You need to act as:
  - A Leader
  - A coordinator
  - A supporter
The role of central purchaser: one-man-band

- Communication
- Financial issues
- Dialogue with the market
- Legal aspects
- Negotiation

Resah
Réseau des Acheteurs Hospitaliers
In conclusion: you are the ringmaster!
THE END
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PART II: HOSPITAL PROCUREMENT IN EUROPE
Hospital Procurement in Europe: overview

- **Main Procurement volumes:**
  - Allemagne
  - France
  - UK
  - Italy
  - Spain

- **Several organisation models:**
  - Centralisation at National level vs. Regional level
  - Competition vs. Collaborative approach with several organizations that are complementary
  - Private operators vs. Public operators

- **In most EU countries: a mix!**
Hospital Procurement in Europe: examples

- **Germany:**
  - 2 kinds of centralised procurement: private for profit (ex. Prospitalia) and public (ex. EK-UNICO)

- **UK:**
  - Important competition between procurement organisation working for the NHS

- **Italy:**
  - Local and regional procurement hubs dedicated to hospital procurement + 1 national non-specialized organization (CONSIP)

- **Spain:**
  - Regional autonomy: regional hubs, some are working with private sector

- **Poland:**
  - New entity was created in 2013
Hospital Procurement in Europe: the French model

- **National level:**
  - UGAP (non specialized)
  - UNI-HA (univ hospitals)
  - UNICANCER Achats, ...

- **Regional level:**
  - Resah
  - AP-HP
  - Other procurement hubs

- Many hospitals still purchase « solo »

Total volume: 20B€/y
Hospital procurement in Europe: trends

1. Concentration, reduction of the number of operators
   - In 2030: 100 strategic procurement organisations in EU

2. Cross-border cooperation
   - Strategic collaboration networks
   - Joint procurement
3. The European Commission supports networks of public buyers in all sectors and promotes demand-driven innovation

– Public procurement of innovation (PPI) when buyers act as « first customers » to purchase existing innovative solutions

– Pre-commercial procurement (PCP) when buyers and suppliers share the costs and risks of R&D to address needs that are not covered by the market

NEW! PCP becomes Innovation Partnership (EU directive)
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PART III: RESAH’S EXPERIENCE
Resah was established in 2007 as a public, not-for-profit organisation and is now one of the main key players of healthcare procurement in France.
RESAH: regional core business

- Funded by the Regional Health Authority of « Ile-de-France »

- Groups the purchases of 140 member hospitals & nursing homes
  - 42,000 beds
  - 1.5 billion € procurement/y
  - Partnership with AP-HP (biggest teaching hospital in Europe)

- Purchase both medial & non-medical products & services

- Mission of support to the RHA to set up an innovation policy at regional level (products, solutions, processes, organisation, etc.)
RESAH: national activities

- Provides consultancy and training services via a Resource and Expertise centre
  - Benchmark
  - Training
  - Mandates
  - Consulting

- Drives an inter-regional coalition of joint hospital procurement
  - Support of the French Ministry of Health
  - 8 B€
RESAH: international networks

- Participate in European projects
  - Coordinates HAPPI
  - Participates in INNOCAT, INSPIRE

- Coordinates International networks (IHF “Group Purchasing Special interest Group”, EHPPA)
Best practices and recommendations

1. Define a reasonable scale
   - Standardization and mass-effect have limits
   - Ideal procurement volume depends on topic

2. Include quality/innovation in the award criteria
   - Associated services (guarantee, maintenance...)
   - Change management
   - Staff training
Best practices and recommendations

3. Do not mistake centralisation for homogenization
   – Standardize products, not needs!
   – Prices, associated services, level of quality can vary

4. Support the industrial ecosystem
   – Consider SMEs
   – Try not to support the creation of monopolies

5. Involve the end-users
   – Define the « fair need »
   – Have a feed-back on the execution of the contrat
Optimizing the process

1. Internal analysis
   - Dialogue with experts
   - Sharing good practices

2. Market Research
   - Going deeper
   - Change the offer

3. Define a common strategy
   - Finding the right level of standardization
   - No uniformization

4. Choose the best tender
   - Sterring comitee (experts)
   - Based on quality (not only price)

5. Execute the contract
   - Progress plan (logistics, training, maintenance ...)
   - Sharing and solving issues
THANK YOU FOR YOUR ATTENTION!

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