



Expert Panel on Effective Ways of Investing in Health (EXPH)

**Opinion on
Public procurement in healthcare systems**

Public hearing 3 February 2021



Expert Panel on Investing in Health

The Expert Panel on effective ways of investing in health is an **interdisciplinary and independent group established by the European Commission to provide non-binding independent advice** on matters related to effective, accessible and resilient health systems. The Expert Panel aims to support DG Health and Food Safety in its efforts towards **evidence-based policy-making**, to inform national policy making in improving the quality and sustainability of health systems and to foster EU level cooperation to improve information, expertise and the exchange of best practices.



Expert Panel on Investing in Health

The Expert Panel consists of **16 experts** appointed in December 2019 for a period of 3 years. They were appointed following an open call for applications, evaluation and selection process ensuring a balanced representation of relevant areas of expertise as well as geographical and gender balance.

Appointed in a personal capacity, they are **well-established, independent scientists, with over 10 years' professional and multi-disciplinary experience in health area.**

Expert Panel members (2019-2022)

Prof. Jan De MAESENEER (Chair)
Dr Anna GARCIA-ALTES (Vice-Chair)
Prof. Damien GRUSON
Dr Dionne KRINGOS
Prof. Lasse LEHTONEN
Prof. Christos LIONIS
Prof. Martin McKEE
Dr Liubove MURAUSKIENE

Prof. Sabina NUTI
Prof. Pedro PITA BARROS
Dr Heather ROGERS
Prof. Luigi SICILIANI
Dr Dorothea STAHL
Prof. Katarzyna WIECZOROWSKA-TOBIS
Dr Sergej ZACHAROV
Dr Jelka ZALETEL



Picture taken
in pre-
corona times



Mandate: Questions for the Expert Panel

- (a) To identify health sector specific challenges in relation to public procurement.
- (b) To identify health technology specific challenges (medicines, equipment, medical devices, e-health, services, etc.) in relation to public procurement with a focus on what award criteria beyond “lowest price” should be introduced according to MEAT.
- (c) To analyse to what extent centralised procurement (bringing together several procurers at subnational or national level or between Member States) can be applied to ensure maximum efficiency, also taken account of institutional features (such as the health system’s organisation).
- (d) To reflect what further EU cooperation can be developed.



Drafting group

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The views in this presentation are those of the independent scientists who are members of the Expert Panel and do not necessarily reflect the opinion of the European Commission nor its services.



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Public procurement



Background

- Directives 2014/24/EU, Directive 2014/25/EU, and 2014/23/EU provide the framework for public procurement in the EU
- Based on the principles of transparency, equal treatment, and non-discrimination
- Promotes Europe 2020 strategy, for smart, sustainable, and inclusive growth
- Applies the principle of Most Economically Advantageous Tender (MEAT), based on price, cost, and the best price-quality ratio

Health sector specificities in relation to public procurement

Monopoly providers and high transaction costs

- Many products that are purchased in the health sector are produced by monopoly or oligopoly providers:
 - Intellectual property rights involved; market size and regulatory hurdles; providers that decide not to bid
- Transaction costs are influenced by uncertainty relating to quality (and context), frequency of tendering, and asset specificity of the products involved
- Implications for public procurement:
 - Administrative cost; adequate time; corruption; participation by SMEs

Life-cycle costing, bundles, interoperability, and technical performance

- Need to consider costs that will accrue throughout the whole life of the product
- New technology increasingly comes in the form of bundled products
- Lack of interoperability of equipment, particularly that using information technology if there are no common standards
- Many forms of technology (such as medical devices) do not go through rigorous evaluation of their technical performance before being placed on the market, other than to establish their safety

Procurement for innovation

- Public procurement can stimulate innovation when certain conditions are met:
 - When it expresses a clear and consistent set of needs to be addressed by the innovative effort in a clear contract specification
 - When quality is placed at the centre of the tender
 - When it provides an assured market for early products with uncertain commercial possibilities
 - When it forces contractors to share information and encourages the entry of new competitors so that it stimulates technology diffusion

Procurement for innovation

- Public procurement is an strategic instrument for achieving government policy goals:
 - Innovation, development of SMEs, sustainable green growth and social objectives (public health, inclusiveness)
- It requires defining long term needs, developing an innovation policy, and a procurement strategy
- Implementation of professional guidance, exchange of experiences, and data collection on its performance
- The EU's Horizon 2020 program has developed instruments to drive innovation public procurement

Green public procurement

- Sustainability requirements can be incorporated into procurement through inclusion and technical specifications, award criteria, and contract performance conditions
- Some technical difficulties, as is the case of projects different from construction
- Scope for increasing the use of green public procurement

Procurement as a tool for economic growth

- Encouraging SMEs is an explicit objective of the Directive 2014/24/EU; the health sector has a particular interest in promoting this goal
- SMEs face barriers to market entry in public procurement; regional procurement markets will rarely be sufficient to sustain their growth
- These challenges call for:
 - National or international partnerships
 - Use Regional Foresight exercises to promote regional development

Health sector challenges

Common challenges

- The challenges that apply to procurement in the health sector can be placed in three broad categories:
 - Complexity of the transaction (CT)
 - Imbalance of market power between the procurer and the provider on each side of the transaction, especially where factors limit competition (MP)
 - Competing policy objectives (PO)

- **Pharmaceuticals**

- CT: Large numbers of products needed; shortages; new pharmaceuticals; high prices
- MP: Large companies; small member states
- PO: Access to medicines; contribution to local economy; pricing policies

- **Health technology**

- CT: Interoperability; quality; high running costs
- MP: Large manufacturers; different health care systems' organization
- PO: Environmental sustainability; social considerations

- **E-Health**

- CT: EHR
- MP: patients' data; use of algorithms
- PO: User's needs; billing and regulatory policies; digital divide



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Cross-cutting considerations

Cross-cutting considerations

- Public procurement is a means to help to achieve improvement in health and responsiveness to the legitimate expectations of users at reasonable cost:
 - Need to measure patient reported outcome and experiences measures (PREMs, PROMs)
 - Co-produce with patients and frontline providers non-price measures of quality
 - The European Commission should support these activities, including the development of European guidelines

Better procurement

Better procurement

- Professionalise procurement:
 - Professionals with specialised skills and wider competencies; organizations with an strategic approach; e-procurement
- Building a knowledge base for health procurement:
 - Systematise existing knowledge; support a community of practice
- Reducing scope for corruption:
 - Synthesize evidence and experience in tackling corruption
- Improve transparency of procurement in a crisis



What further EU cooperation can be developed?



EU cooperation

- Cross-border collaboration as a means to and end:
 - Benefits derive from the increased size effect and efficiency of procurement planning
 - Especially useful in the case of small countries; homogeneous, high-cost, low-volume, or specific products
- Few initiatives; limited evidence on its effectiveness
- Benefits must outweigh costs



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Recommendations



Recommendations

- Recognize public procurement as a means to achieve the goals of the health care sector, taking into account the interests of actual and potential patients
- Increase the use of public procurement to promote wider social, economic, and environmental goals
- Professionalize procurement, and recruit, retain, and continuously develop those with the necessary skills and expertise, as well as consolidate knowledge and best practices

Recommendations

- Ensure there is repository of evidence, supported by a community of practice, on corruption in health sector procurement
- Comprehensive review of public procurement during the COVID-19 pandemic
- Cross-border procurement be promoted in those circumstances where benefits outweigh costs



Discussion

Thank You !

Comments, Questions & Answers



Additional comments

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by 12 February 2021