

Medical Technology Association of Australia (MTAA) Witness Statement: Special Commission of Inquiry into Healthcare Funding

1. MTAA's role, expertise and current involvement with procurement processes in NSW Health.

- 1.1. The Medical Technology Association of Australia (MTAA) is the national association representing distributors, manufacturers, and suppliers of medical technology in Australia. As the peak body for medical technology companies, MTAA on behalf of its members, leads engagement with government stakeholders to continually improve procurement processes between suppliers and procurement offices.
- 1.2. MTAA's procurement expertise involves an extensive understanding of the current NSW Health public procurement environment for medical technology. This is informed by our member companies who directly engage in Local Health Districts' (LHDs) and HealthShare NSW's procurement processes and have contracts with these government entities spanning medical consumables, prosthetics and major capital equipment.
- 1.3. MTAA members see the value in examining alternative ways of conducting NSW medical technology procurement to ensure NSW continues to deliver sustainable, high-quality healthcare. Over the last two years an MTAA value-based procurement working group of interested member companies has worked closely with Alira Health, a consultant group with extensive global experience implementing Value-Based Health Care and Procurement models. Alira Health, as part of their Value-Based Procurement report, undertook a series of Australian-based interviews to gauge how ready different states and territories were in implementing VBP¹.
- 1.4. MTAA plays an important role in communicating and collaborating with industry and government procurement bodies to resolve issues for the benefit of all stakeholders.
- 1.5. Internally, MTAA run a bi-monthly Procurement Forum which provides MTAA members an opportunity to raise and discuss state specific public procurement issues, including in NSW Health. This process allows state-specific issues to be brought to the attention of the relevant government procurement stakeholders by MTAA on behalf of members.
- 1.6. Specifically, in relation to NSW Health, relevant feedback from the Forum is relayed to key NSW procurement stakeholders including the CEO of HealthShare NSW and the NSW Chief Procurement Officer.
- 1.7. In instances where the procurement insights are relevant beyond NSW Health, MTAA on occasion meets with the Australian New Zealand Health Procurement Roundtable (ANZHPR), a regular meeting of Chief Procurement Officers from each state and territory to share procurement challenges experienced by suppliers and discuss ways industry can support government to improve procurement processes.

¹ [Alira Health: Value Based Procurement in Australia Report: pg 21-26](#)

- 1.8. On behalf of the Procurement Forum, every 18 months MTAA conducts a National Procurement Survey amongst members of the Australian medical technology (MedTech) industry to gauge any specific concerns our members may have. MTAA then use the results to communicate and collaborate with state and territory procurement offices to effectively resolve the concerns and/or issues.
- 1.9. Finally, the Forum promotes adopting best practice solutions that harmonise procurement processes between state procurement offices and the medical devices industry. MTAA, with input from its members, developed a 'Guiding Principles for Procurement of Medical Technology' document that outlines key principles to improve procurement activities involving suppliers and public sector procurement teams.

1.10. Paul Dale Experience

Paul Dale has nearly 25 years of experience in the Medtech and biopharmaceutical industries spanning local and global roles across pricing, reimbursement, market access, consulting and commercialisation. For the past 5 years he has been Director of Policy at MTAA, responsible for overall policy development for the industry including procurement, with direct involvement in device reimbursement issues. For 5 years, Paul was MTAA's representative on the Prostheses List Advisory Committee providing advice to the Commonwealth Department of Health on listing of devices on the Prostheses List (now Prescribed List).

2. **An outline of the issues raised during the meeting on 30 January 2024, including de-identified experiences of MTAA members in procurement processes where appropriate as illustrative examples.**

2.1. Current NSW Approach problems

- 2.1.1. Disadvantages and limitations to current procurement practices is discussed further below (including examples), however, feedback from our members indicates:
- 2.1.1.1. An inappropriate weight is placed on the price of solutions instead of using a holistic approach which captures additional 'value' such as improved patient outcomes and indirect costs to the health system;
- 2.1.1.2. To the extent 'value-based' criteria are used in procurement, the criteria are either not wide enough or not being appropriately implemented in practice;
- 2.1.1.3. Value-Based Procurement could be used more regularly and thoroughly in procurement processes.

2.2. Value Based Procurement Solution

- 2.2.1. MTAA recommends adopting a Value Based Procurement approach which is a more holistic approach to procurement, which appropriately considers a broad range of criteria to establish the true 'value' of a solution rather than simply its 'cost'. This approach is detailed further below.
- 2.2.2. MTAA recognises implementing a Value Based Procurement approach is a long-term project. Specific recommendations regarding how Value Based Procurement should be implemented over time is detailed further below.
- 2.2.3. Potential benefits of Value Based Procurement include, but are not limited to:

- 2.2.3.1. Improved clinical outcomes and value for patients; and
- 2.2.3.2. Longer term cost-savings (by moving away from short-term procurement cost savings KPIs).

3. A description of any advantages of the current procurement and service delivery arrangements within hospitals and/or local health districts ("LHD") or across NSW Health generally

- 3.1. A positive with the current procurement process is the inclusion of innovation value add offers when suppliers have the option to submit an alternative proposal. This allows suppliers to demonstrate how their technology provides additional value that is not clearly captured in the standardised tendering requirements. These 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). However, as outlined in paragraph 4, there can be modifications made to ensure this process is more impactful.
- 3.2. The 2023 MTAA Procurement Survey also highlight several positives in terms of the contract management experiences when suppliers engaged NSW Health procurement teams. For NSW, 43% of respondents reported a positive experience in how variations were managed, the highest reported among states and territories. Further, more than 50% of respondents cited the tender portal as very usable².

4. A description of any disadvantages and/or limitations of the current procurement and service delivery arrangements within hospitals and/or LHDs or across NSW Health generally.

- 4.1. A disadvantage of the current procurement service delivery arrangements across NSW Health generally is a focus on price of the technology, derived at least in part from short-term financial performance metric pressures (including annual procurement savings targets)³, without considering the technology's value to the whole healthcare system and patient over the life of the technology. While there might be opportunities to show this value, it has not translated into procuring with value in mind. For example, although medical technology suppliers can include 'innovation value add offers' in alternative proposals to highlight different ways products add value to the health system, there are challenges with this process that reduce its effectiveness. Firstly, there are no clear guidelines on how value-add offers are compared to each other and to straight products offers. Secondly, there is no feedback when an offer is submitted likely because assessors have limited visibility in how the value proposition can be realised when it's embedded in an acute patient journey.
- 4.2. Another disadvantage of the current procurement and service delivery arrangements has been the inability to pilot and scale up Value-Based Procurement due to limited buy-in from health service organisation stakeholders. Members have reported experiences of entrenched resistance at the LHD level to partner with clinicians and industry to explore alternative procurement. For example, one MTAA member company spent years engaging with an LHD's

² MTAA Procurement Survey Results 2023

³ For example, see Statement of Service 2022-23: An agreement between the Secretary, NSW Health and HealthShare NSW for the period 1 July 2022 - 30 June 2023, page 12:

https://www.healthshare.nsw.gov.au/data/assets/pdf_file/0005/641381/HSNSW-Statement-of-Service-2022-23.pdf

procurement team, relevant clinicians and department stakeholders, however once ready to proceed with the company's solution the offer was purportedly rejected by the LHD's executive based on price and without regard to the additional value being offered or stakeholder support. Furthermore, because a standing offer agreement was in place, the LHD was able to continue procuring the pre-existing solution without engaging in a tendering process.

- 4.3. Similarly, another experience from a member company related to the "value-based" offering in HealthShare NSW's current hips and knees contract. The contract allowed for Local Health Districts (LHDs) to opt into a program to help hospitals reduce patient length of stay. A member company last year requested a meeting with a NSW public hospital for a discussion on providing the program. After a senior member of the hospital leadership initially showed interest in meeting the member company to discuss the program, the meeting was later cancelled after an LHD procurement lead intervened. 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 in NSW. But even when a hospital was interested in exploring the program, one which is available on contract, LHD procurement stepped in to even prevent a discussion. This was a disappointing experience, but a lesson learned. If NSW HealthShare is going to move forward with value-based procurement offerings, it must be done in collaboration with health services and industry. In this example, the Ministry of Health should work with health services and then identify the LHDs and hospitals which are interested in partnering with a third party to help improve efficiency, expand same day models and reduce patient length of stay.
- 4.4. A continued focus on cost and compliance, standardisation and aggregation of purchasing is limited in addressing the increasing NSW health system challenges to provide high quality and safe care and remaining financially sustainable.⁴
- 4.5. The continued push to lower the price of medical technology, which represents approximately 5% of healthcare expenditure, can only address the funding constraints of the NSW Health system so far. As we outline in point 5, by procuring for value and not simply price, there is potential to leverage the 5% expenditure on medical technology to help achieve better outcomes and savings from the remaining 95% of healthcare expenditure.⁵

5. The principles of Value Based Healthcare and Value Based Procurement, examples of improvements suggested to existing procurement processes in support of those principles, and details of Value Based Procurement models operating elsewhere.

- 5.1. Value Based Healthcare and Value Based Procurement Principles and Examples of Improvements Suggested to Existing Procurement Processes in Support of those Principles

⁴ This approach is perhaps inevitable with existing financial performance KPI's including annual procurement savings targets. See for example: Statement of Service 2022-23: An agreement between the Secretary, NSW Health and HealthShare NSW for the period 1 July 2022 - 30 June 2023, page 12: https://www.healthshare.nsw.gov.au/data/assets/pdf_file/0005/641381/HSNSW-Statement-of-Service-2022-23.pdf

⁵ Nous Group, Value of MedTech report, pg. 57

- 5.1.1. In alignment with the National Health Reform Agreement's long-term commitment to consider 'Paying for Value and Outcomes'⁶ reforms, MTAA strongly recommends that the NSW Health system embrace more Value Based Healthcare approaches.
- 5.1.2. Value Based Healthcare refers to improved health outcomes for patients versus the total costs of delivering care. Importantly, this is a patient centric measurement, spanning the entire care pathway for a patient.⁷
- 5.1.3. Value Based Procurement represents the purchasing decisions across a VBHC pathway. Spending may be determined by policy makers through a holistic budget, while payers determine funding, coverage, and access in accordance with stakeholder input, and procurement purchases the items required for care.⁸
- 5.1.4. MTAA commends NSW Health and HealthShare for already taking steps towards value-based healthcare and procurement activity driven by the former NSW Health Secretary Elizabeth Koff AM and continued under its current secretary Susan Pearce AM. Examples include the Leading Better Value Care and Commissioning for Better Value Programs and HealthShare NSW value-based procurement pilot for orthopaedic hips and knees.
- 5.1.5. MTAA recommends further expansion of value-based healthcare initiatives across NSW Health. In terms of VBP specifically, this requires the involvement of multiple stakeholders including industry to be implemented appropriately. MTAA supports the development of a VBP stream within the NSW Health VBHC Program and establishment of a Community of Practice (CoP).
- 5.1.6. The CoP ensures that the multidisciplinary team provides a networking platform for exchange of expertise, experience, and initiatives on the concept of what value means to patients, physicians, providers, payers, MedTech industry, policy makers, procurement and the broader healthcare system. This could lead to sharing and piloting of VBP models of care (see case study 1 and 2 from MTAA's submission)⁹, and has already been implemented as a model in Europe to scale up VBHC and VBP activity.¹⁰

5.2. Details of Value Based Procurement models operating elsewhere

- 5.2.1. Refer to Alira Health report Case Study 2, pg. 17.
- 5.2.2. Refer to Alira Health report Case Study 3 pg. 18.
- 5.2.3. Refer to Alira Health report Case Study 4 pg. 19.
- 5.2.4. Refer to Alira Health report Case Study 5 pg. 20.

5.3. Digital Health's role in VBHC and VBP

⁶ National Health Reform Agreement (NHRA) Long-term Health Reforms Roadmap, pg-11

⁷ [Alira Health: Value Based Procurement in Australia Report: pg 6](#)

⁸ Ibid.

⁹ Medical Technology Association of Australia, The Special Commission of Inquiry into Healthcare Funding pg. 10-11.

¹⁰ [Alira Health: Value Based Procurement in Australia Report: pg 15-17](#)

- 5.3.1. A critical success factor in the implementation of VBHC and VBP, as a patient centric measurement, is the ability to measure patients need and health system performance. This can only happen with further investment into shared records, data platforms, AI and virtual care.¹¹
- 5.3.2. MTAA welcomes the NSW Health current investment into digital infrastructure that support adoption of VBHC and VBP models such as the Single Digital Health Patient Record and encourages further investment in the centralised AI and data analytics team support for LHDs.
- 5.3.3. Furthermore, there is a need for NSW Health to develop key principles for purchasing digital health technologies. Purchasing such digital health solutions will facilitate capturing key health outcomes data to support uptake of VBHC models across the NSW Health system.¹²

6. Any other matter relevant to Term of Reference E that the witness wishes to address in their evidence.

6.1. Improving implementation of existing procurement processes and practices of medical technologies

- 6.1.1. The proposal to reform procurement processes through increased adoption of VBHC and VBP is a longer-term approach that will take time to yield benefits. In the short term, there are existing procurement processes that can be improved that also help create the right environment for VBHC and VBP models. It should be noted short term procurement reform will not be straightforward, but is needed to address the ongoing fundings pressures faced by the NSW Health.

6.2. Guiding Principles for Procurement of Medical Technology

- 6.2.1. Firstly, as outlined in our submission, MTAA recommend having NSW Health embed guiding principles that cover the following:¹³
 - 6.2.1.1. Professionalise procurement to the highest standard;
 - 6.2.1.2. Focus on value and outcomes for the patient, Health Care Professional (HCP) and government;
 - 6.2.1.3. Pursue genuine partnerships between industry and government; and
 - 6.2.1.4. Support an environment for innovation to thrive.

6.3. Application of Health Technology Assessment to novel medical technologies

- 6.3.1. Another procurement process that could be improved involves the application of Health Technology Assessment (HTA) to new medical technologies. HTA is related, but different to VBHC which typically requires a more pragmatic approach to assessment and will more often have assessment of outcomes built into its use.

¹¹ Medical Technology Association of Australia, The Special Commission of Inquiry into Healthcare Funding pg. 12-14.

¹² Ibid.

¹³ Medical Technology Association of Australia: Guiding Principles for Procurement of Medical Technology

- 6.3.2. The NSW New Technologies and Specialised Services Guideline provide a welcome redirection of NSW Health services in evaluating new technologies at the local level, and where required, at the state level. However, while good in theory, MTAA has continued concerns arising from examples of important health technologies that could save money and improve outcomes that are not utilised by the NSW health system (see TAVI example in submission).¹⁴
- 6.3.3. MTAA also notes that the process of new technology assessment has stalled, with the new health technologies nominations and updates pages showing no updates since 2019.

¹⁴ Medical Technology Association of Australia, The Special Commission of Inquiry into Healthcare Funding
pg.15

7. Appendix

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Signature



Date 14 February 2024