

Medtronic

Engineering the extraordinary

Value-Based Procurement Models

Driving efficiency and innovation in
healthcare

Kim Schulz Larsen, Senior Manager Nordics
Medtronic, Integrated Health Solutions



Agenda

- 1 Context and Introduction
- 2 Value-Based Procurement Framework and Model
- 3 Opportunities in the Nordic Context
- 4 Examples
- 5 Future Outlook and Q&A



Who is Medtronic, Integrated Health Solutions (IHS)

Medtronic IHS partners with leading healthcare providers to improve patient outcomes and experience, optimize efficiency, increase patient and staff satisfaction, and transform how care is delivered



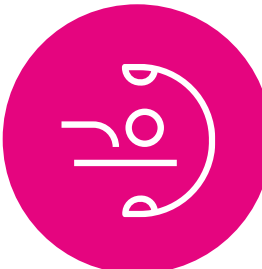
Optimise

Deliver best-in-class cost efficiency and patient outcomes



Manage

Manage non-clinical operations to enable focus on patient care



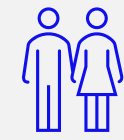
Turnkey set-up

Provide affordable access to state-of-the-art infrastructure and technologies



Develop

Accelerate patient access to care; develop services and enhance reputation



650

Professionals



Track record

10 years' unmatched service



250

accounts under managed service



27 countries

Across EMEA



>1,000

CL's & OR's



>1,000,000

Patients treated annually



Innovative, value-based procurement is key to elevating patient care. By strategically choosing the best solutions, we can drive quality, efficiency, and better health outcomes

Value-Based Procurement Models

Strategic considerations for value-driven procurement models

Demand for new payment models linked to patient outcome and value



Flexible funding and contracting



Data-driven



Collaboration and partnerships



Value-based healthcare

Context and Introduction



Struggling Healthcare Systems

Financial and Operational Challenges

Staff and Tools Shortcomings

Call for Value-Based Healthcare



Transition to Value-Based Procurement (VBP)

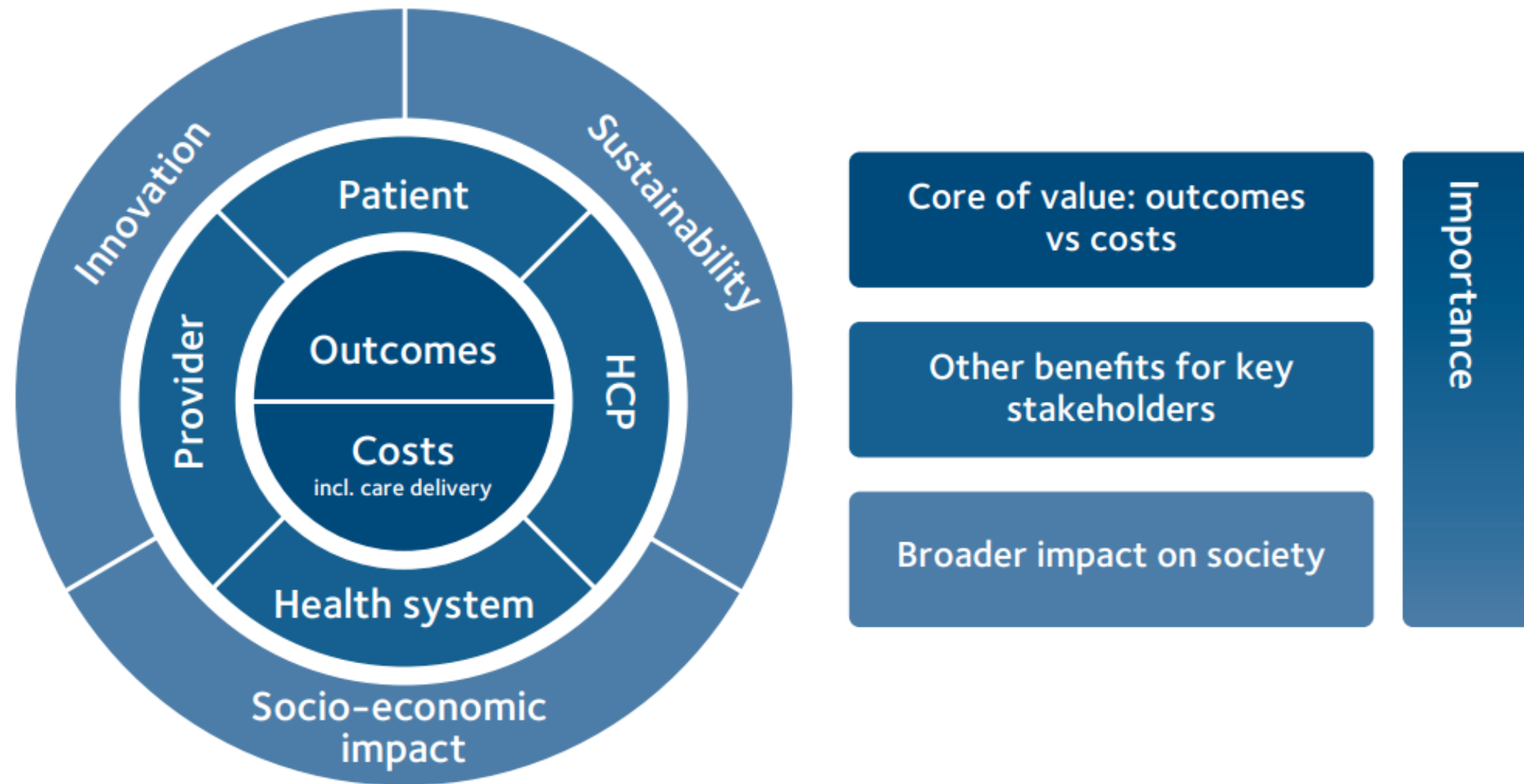
From Cost-Centric to Outcome-Driven

Long-term Value Creation

System-Wide Benefits

Value-Based Procurement Framework

Holistic definition of value, taking into account the broader outcomes and impact on patients, health systems, and society



Objectives of Value-Based Procurement

- ✔ Improve Patient Outcomes
- ✔ Increase Cost Efficiency
- ✔ Encourage Innovation
- ✔ Enhance Collaboration
- ✔ Increase Transparency and Accountability
- ✔ Support Sustainability



Advantages of Value-Based Procurement in the Nordic Context

Maximizing healthcare efficiency and outcomes through value-based procurement

- Improved quality of care
- Increased patient safety
- Greater patient satisfaction
- Enhanced treatment results



- Cost Efficiency
- Enhanced system resilience
- Streamlined workflows
- Benefit sharing

- Aligning with healthcare goals
- Market differentiation
- Long-term partnerships



- Economic impact
- Innovation and development
- Reduced demand for services
- Environmental impact

A Strategic Shift towards Innovative and Value-Based Procurement Models

Prioritizing value and patient outcomes over volume and cost

From Products Procurement

Volume-Based Acquisition: Procurement typically focuses on acquiring services based on volume, with less emphasis on long-term outcomes or overall patient health

Risk on Payers: Providers are reimbursed for each individual service they provide, such as tests, treatments, and other procedures

Quantity over Quality: Financial incentives are aligned with the quantity of care delivered rather than the quality. This can lead to increased service provision, potentially including unnecessary treatments or tests

Cost-Escalation: There is a risk of escalating healthcare costs, as providers are motivated to increase the volume of services

Service Delivery: Minimal emphasis on patient outcomes; the focus is on service delivery

To Benefit-Sharing

Value and Outcome-Based Acquisition: Procurement strategies focus on the long-term value of services, including factors like patient satisfaction, reduction in readmission rates, and overall treatment effectiveness

Risk-Sharing: Providers are compensated based on patient health outcomes. Payment models involve some degree of risk sharing between payers and providers, which encourages careful management of resources

Alignment: Aligns providers' financial incentives with the achievement of desired health outcomes, encouraging efficiency, motivation, and quality in care provision

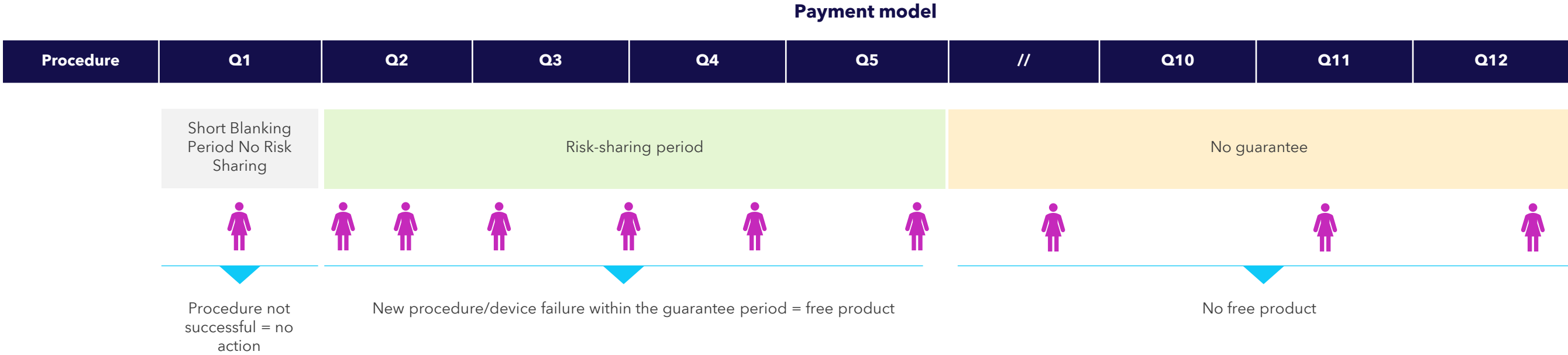
Cost-Effective and Innovative: Potentially more cost-effective in the long term, as it encourages prevention, adoption of innovative and new technologies, socioeconomic impact, and the avoidance of unnecessary services

High-Value Care for Patients: Strong focus on improving patient outcomes and delivering high-value care

Examples

Simple model: Procurement with build-in product guarantee

Risk sharing on the risk that the treatment does not have the desired effect



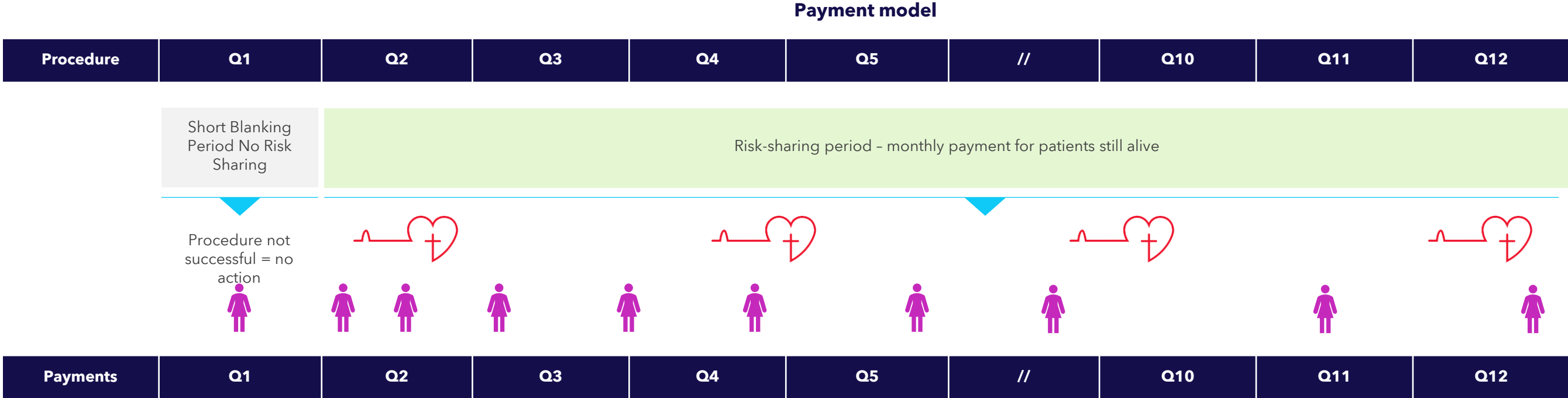
Considerations

Risk sharing on the risk that the treatment does not have the desired effect

The basis of the agreement: A price is agreed which includes free new products if certain outcome criteria does not occur (need for new procedure, mortality, device failure or other).

Payment model: Procedures with payment model linked to outcome

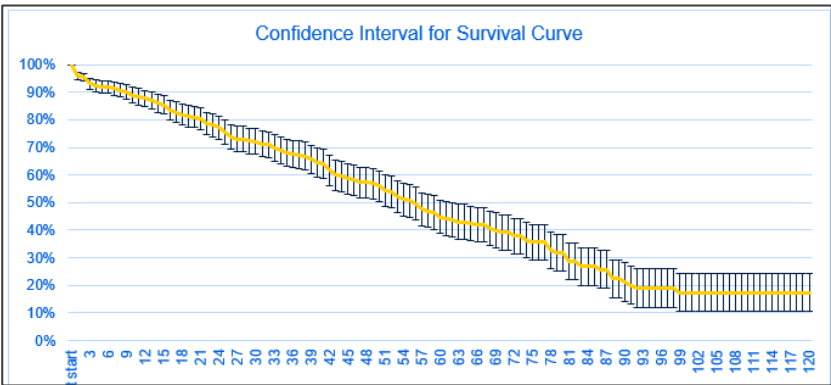
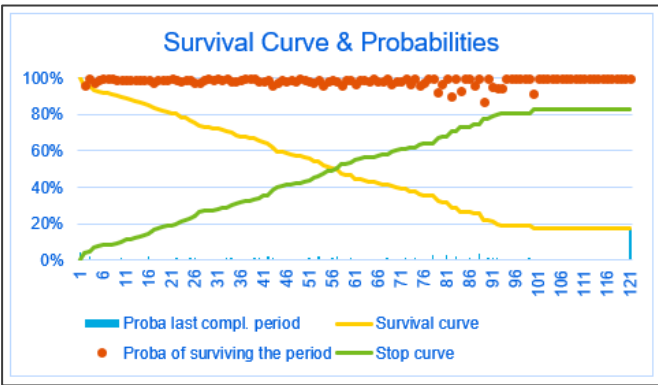
Payment link to the risk that treatment does not have the desired effect



Considerations

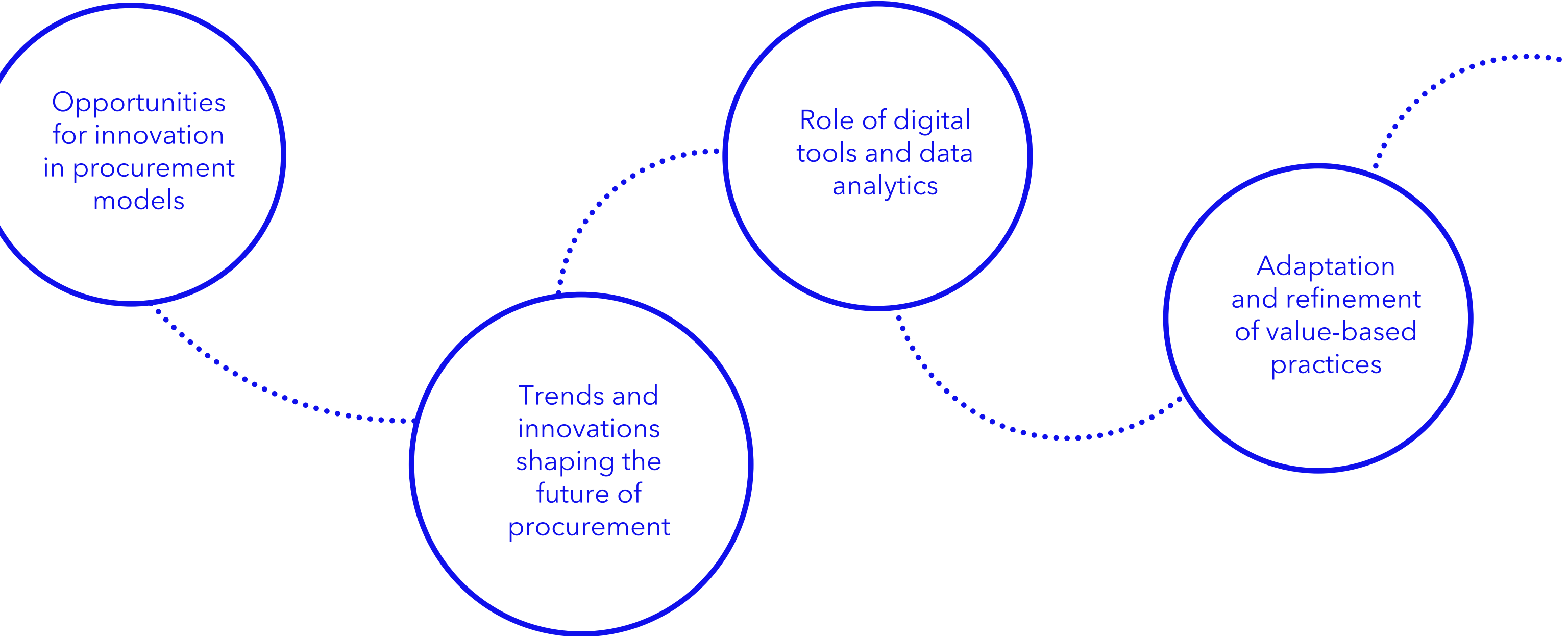
Risk sharing on the risk that the treatment does not have the desired effect

The basis of the agreement: A price is agreed that is paid in fixed installments as long as a certain outcome criterion does not occur (mortality, device failure or other).





Future Outlook



Key Takeaways

- ✔ **Addressing healthcare delivery challenges:** VBP models directly tackle the growing challenges in healthcare by focusing on efficiency and effectiveness, ensuring resources are utilized to maximize patient outcomes and reduce wasteful expenditures in the face of increasing demand and financial pressures.
- ✔ **Shifting to value-based procurement models:** Shifting VBP models is crucial for aligning healthcare costs with outcomes, ensuring that patient care is both cost-effective and of high quality. This transition not only supports sustainable healthcare financing but also improves patient outcomes by prioritizing treatment effectiveness over volume of services.
- ✔ **Encourage collaboration and continuous improvement:** VBP models thrive on collaboration among all stakeholders, including healthcare providers, payers, and patients. Encouraging a culture of continuous improvement and innovation is essential for these models to succeed. Collaborative efforts lead to shared knowledge, better problem-solving, and advancements in care that benefit everyone in the healthcare ecosystem.
- ✔ **Adaptation to legal and regulatory shifts:** VBP adapts to the evolving legal frameworks which increasingly emphasize outcomes and patient-centric care, ensuring compliance and promoting best practices in healthcare delivery.
- ✔ **Leveraging advances in medical technology:** The adoption of VBP models harnesses the potential of cutting-edge medical technologies and solutions, driving innovation and improving treatment options which lead to better health outcomes and patient satisfaction.



Q & A

Thank you