Innovation procurement: bridging the health care gap

Growing pressures on the health care sector are stretching resources thinly, as society, through politicians, is expecting more for less. In the processes of constructing a brand-new site, Karolinska University Hospital is taking on this challenge, using innovation procurement as a means to providing the quality health care in demand, at a lesser cost and with increased patient benefit.
The gap between the demand for health care and available resources has been growing rapidly. The drivers behind such a widening gap include an aging population, growing regulatory pressures and resource constraints. One solution to bridge this gap is innovation. Health care organizations are, for the most part, unaware of the benefits that a proactive approach to procurement of innovative new solutions can bring.

Nya Karolinska Solna (NKS) is a new state-of-the-art hospital currently under construction next to the existing Karolinska University Hospital in Solna, Sweden. NKS is being built to meet the demands of the future of health and medical care — with a greater focus on patient needs, faster provision of care and increased patient safety, with single rooms for all inpatients. Construction of the new facility began in June 2010 and will continue until 2017. The new hospital facilities will consist of approximately 330,000 square meters total gross area.

The vision is for it to be a “hospital of the future.” NKS will provide highly specialized health care and conduct academic research, patient-focused clinical research and education. This new location, to open its doors to the public in 2016, is pioneering innovation procurement as an answer to the challenges facing the sector.

Furthermore, NKS will be part of a whole new care system in the greater Stockholm region based on all parts interacting with each other. The demanding, highly specialized care at NKS is complemented by extended emergency hospitals and specialist care outside these hospitals.

In collaboration with the existing Karolinska University Hospital and Stockholm County Council, EY has worked to help the new hospital adopt an approach for equipping it with medical technology equipment (MTE) that supports innovation. This approach requires close collaboration, research and knowledge, but also funds and commitment.

Karolinska University Hospital has a strategic focus on innovation and innovation procurement, aiming to create initial, continuous and sustainable improvements regarding the cost and quality of care, so patients can expect greater-value health care. It is, therefore, important that each procurement package of MTE for the new hospital reaches its full potential for innovation.

As innovation is a key enabler to cost savings, increased quality and increased patient benefit, it is vital to ensure that the innovation potential in each procurement package is identified and adhered to.
The “innovation potential” in each procurement package is identified and assessed though innovation workshops that EY arranges together with key client stakeholders. For example, when identifying innovation potential in x-ray machines, workshops would be held with, for example, radiologists, radiology nurses, medical technicians, medical physicists and other medical specialists and controllers.

How to apply innovation procurement
Karolinska University Hospital applied different methodologies, tools and procedures for innovation procurement based on the extent of innovation in each package (see Figure 1). For innovation procurement to be effective, it is important to work closely with the relevant target groups within the hospital, i.e., the people who will be using the innovation.

To foster a culture of innovation, a business needs to reassess its finances and leadership, initiate systems for continuous improvement and establish an asserted vision and values. Innovation and innovation procurement are some of the key building blocks to ensure the success of this state-of-the-art hospital when it opens in 2016 and for a long time to come.

Through procurement, and specifically innovation procurement, corporations are able to drive collaborations between the business community, the academia and the health care providers, to create the innovations that will ensure increased benefits in the future.

The application of innovation procurement
EY was engaged by Karolinska University Hospital to help challenge existing ways of working, processes and follow up, as well as cost efficiency, by continuously driving innovation and new solutions through the application of innovation procurement.

There are four considerations when supplying MTE and information and communication technology (ICT) infrastructure to NKS: procurement of new equipment, relocation of existing equipment, collaborations for development and innovation, and addressing future health care needs.

A supporting project, collaborations on innovation and new methodologies aid procurement packages by determining the extent of innovation and defining best practice through pilot projects.

EY works together with Karolinska University Hospital to define the extent of
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Case study

Innovation in medical imaging

Within medical imaging, one procurement process will focus on the innovation of modalities, while the other focuses on the innovation of care flows. In the future, the medical practice will be centered on diagnosis and care flows will be paramount. The optimization of these care flows is integral to proving the high-quality health care that will be expected at the new NKS and, with support from medical imaging equipment, is a catalyst for the development of value-based health care.

Through the use of innovation procurement, suppliers of MTE are incentivized to feel responsible for and seek improvements to the entire care flow. Therefore, a supplier is not only procured to provide the x-ray machine used to produce the scan during a treatment, but should the supplier devise an improvement at some other point in the process, which has a positive effect on the entire flow, the gain from such an improvement may be allocated both to the hospital and the supplier. (If cost savings are made, the supplier should have increased payments.)

Conclusion

Karolinska University Hospital and the health care sector at large are facing steep challenges, forcing them to reassess the way they deliver service. In collaboration with EY, Karolinska University Hospital is implementing new methods of using public procurement to drive improvements, illustrating that innovation procurement can play a key role in bridging the gap between demand and delivery, ensuring high-quality, affordable health care tomorrow.
A closer look at ... Innovation procurement

When to consider innovation procurement

One of the initial challenges to contend with as an individual procurement officer or organization, when considering the use of innovation procurement, is to determine what kind of procurement process we are aiming for:

► Is this a procurement that requires new knowledge or innovation?
► What kind of innovation are we interested in?
► Products, processes or services, etc.
► How radical is the innovation?
► What are the effects and consequences for the employees (e.g., clinicians)?
► Are we looking for specific innovations today or are we looking for a supplier that will support and realize future innovation and development?
► Which form of innovation are we contemplating?
► Innovations for new knowledge
► Innovations for the benefit of society
► Innovations for the individual organization
► Is there an existing market for these products, services or solutions?
► If yes: is innovation procurement the right course of action for our organization? Is innovation criteria in the procurement important or do we wish only to procure innovations? In that case, how can we be sure that the extent of innovation is sufficient enough to warrant an exception from the Public Procurement Act?
► If no: how clear cut is the innovation? Which procurement procedures would be suitable to use?

Public procurement is the purchase of services or commission work by public authority. These contracts account for about 19% of Europe’s gross domestic product (GDP).

Public procurement of innovation (PPI) is when public authorities act as a launch customer for innovative goods or services. These are not often available on a large-scale commercial basis and may include conformance testing. Even though PPI allows public authorities more room for manoeuvring than traditional public procurement, it is important to note that they are still required to abide by the public procurement act (known as LOU in Sweden).

Pre-commercial procurement (PCP) is an approach within public procurement of innovation, developed for the procurement of R&D rather than actual goods and services; if there is a wish to procure the goods or services during this phase, another procurement process is needed.

Innovation in the public procurement context takes into account innovation in the design and delivery of public services, the procurement of innovative goods and services, and innovative procurement processes and models. PPI and PCP cover a large range of the industrial market throughout the entire development phases, giving public buyers the opportunity to influence the market with innovative solutions.

Checklist