

3.5 Reform the procurement and supply chain processes within the Ontario health care system

HIGHLIGHTS:

- The OCC is calling on the newly elected government to reform the procurement and supply chain process within the Ontario health care system.
- The current procurement system prioritizes low-cost bids over those that introduce innovation, higher quality or long-term savings. It also does not allow for the necessary data collection and analysis that can indicate the impact or ROI of a purchase.
- Reforming our procurement and supply chain systems will put patients first by better incorporating value-based decision making into our health care system.

One of the most common points of interaction between the public and private sectors in Ontario's health care system is when public funds are used to purchase private goods or services. Currently, our procurement system values low-cost bids over those that introduce innovation, higher quality, or long-term savings.¹ The product or service tends to be delivered through a short-term contract where payment is based on inputs and outputs (as opposed to patient outcomes or overall value). Formal measurement and evaluation of the purchase rarely occurs, and supply chain data is either not collected or not effectively analyzed and shared. This inhibits the purchaser from understanding the ROI of a purchase, as well as limits the ability of health care administrators to manage product recalls or similar safety issues.

The Ontario public health care system needs to be aligned around a tangible definition of value, with a renewed focus on patient outcomes for money spent. In order to make this shift, substantial investment should be made in enhanced data collection, analysis, and dissemination capabilities. An effective way to improve our data richness is through supply chain

reform, as supply chain practices can raise patient outcomes and control costs through improved resource distribution.² Incorporating modern supply chain management into the public health care system would result in increased knowledge about patient health and safety, as well as the economic impacts of adverse events, rates of shortages/stock-outs, inventory costs/savings, and other factors.³

Knowing this information can help determine the value of an item related both to resource use and patient outcomes. Tracking and tracing can mean more efficient procurement practices as information about product performance could be built into purchase or renewal decisions, giving the public sector purchaser a better understanding of the ROI of a purchase.⁴

The government should therefore move to accept and implement all recommendations in The Healthcare Sector Supply Chain Expert Panel's report, *Advancing Healthcare in Ontario: Optimizing the Healthcare Supply Chain - A New Model*, alongside further consultation with industry on how to bring value-based decision making to our health care system.

1 Prada, Gabriela, Kelly Grimes and Ioulia Sklokin. 2014. *Defining Health and Health Care Sustainability*. Conference Board of Canada. <http://www.conferenceboard.ca/e-library/abstract.aspx?did=6269&AspxAutoDetectCookieSupport=1>

2 Snowdon, Anne and Charles Alessi. 2016. *Visibility: The New Value Proposition for Health Systems*. World Health Innovation Network. <http://sites.ivey.ca/healthinnovation/files/2014/02/Its-All-About-Me-The-Personalization-of-Health-Systems.pdf>

3 Snowdon and Alessi, 2016.

4 Snowdon and Alessi, 2016.