

10 Ideas to optimize the public procurement of medicine

Sustainable public healthcare requires innovative solutions that allow for fast and fair access to medicine. A report from IESE aims to guide healthcare professionals to choose the best model for each situation.



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How might government agencies and private companies work together to fund therapeutic innovation and continue to improve the health system in a sustainable way?

A [study on public procurement models for medicine](#) — prepared by IESE's [Center for](#)

[Research in Healthcare Innovation Management \(CRHIM\)](#) in collaboration with healthcare company Sanofi — consults with experts to examine the various models used in Europe, highlighting how public and private entities might work together.

Based on the payment models used and the services offered, the report provides guideline for choosing the best way to treat various illnesses — from type 2 diabetes to rare cancers.

Recipe for success

There is no single model for healthcare, the experts surveyed agree. Instead, flexibility and personalization are keys to success. With that said, the report's authors offer the following 10 considerations in the choosing of a model:

- 1. Examine the full range of choices.** There are many procurement models for medicine and, therefore, many possible combinations of what is offered by the private companies (products / services) — and corresponding payment models.
- 2. Consider providing complementary services as part of the treatment.** It is increasingly common for pharmaceutical companies to offer complementary services — either because a drug requires it or as a strategy to stand out in a crowded market.
- 3. Choose recipients carefully.** Such services may be geared toward particular patients or individuals at risk for a potential medical condition, either pre- or post-treatment, and could be limited to patients who are medicated with one specific drug or those treated with competing medicines as well.
- 4. Choose a payment model.** Reimbursement arrangements vary from the traditional (paying by product) to more recent innovations centered on patient outcomes, measured by clinical results or the value generated — either economically or in terms of qualitative improvements along health indicators.
- 5. Specify the role of the private sector.** Pharmaceutical companies' functions within the system vary substantially from one model to the next. In the payment-by-product model, corporations are merely responsible for supplying the medicine. Meanwhile, in the payment-by-patient models, corporations assume larger and more committed roles, sharing in patient management. Finally, in risk-sharing agreements, companies serve as the means to improve clinical results and are fully involved.

6. Tailor the model to the medical specifications. Certain characteristics of the pathology and treatment point to which model is best to apply in a given situation. This study provides guidelines based on 10 illness characteristics (prevalence, contagiousness, urgency, etc.) and 15 product characteristics (cost, effectiveness, side effects, etc.).

7. Observe what works in neighboring countries and why. The most commonly used medicine procurement models in Europe are: payment by product (with or without services); payment by patient with services; and payment by clinical results without additional services.

8. Think carefully before introducing a value-based payment model. While it is a future option and one of great interest to health services, it is not currently used in public medicine. Current obstacles include its inherent complexity, associated risk and the need for medium- to long-term planning.

9. But do not dismiss it out-of-hand. There are some successful experiences with value-based payment models in the procurement of other products and services related to the health sector.

10. Apply a solution for each case. No model is inherently better or worse, just better or worse for a given situation. The most innovative payment methods aren't necessarily superior to the traditional ones. And offering complementary services along with a course of medication may not be necessary.

Methodology, very briefly

The report is the result of discussions with select expert academics, health professionals, advisers and public servants in Europe — including those responsible for pharmaceuticals and procurement managers for the Autonomous Communities of Andalucía, Catalonia, Madrid, Basque Country and Valencia in Spain — in addition to a review of relevant literature.

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