



Application of public procurement rules: Presentation of first findings

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Overview

I. Introduction

II. First findings

III. Conclusion

I. Introduction

- **Health care: in average 9 % of GDP**
- **Significant share spending done by public procurement**
- **Public procurement excellent opportunity**
- **Application: evolution last years**
- **Some Member States in a transition phase**

I. Introduction

In the Annual Growth Survey published on 27.11.2016 importance of public procurement has been emphasised in a dedicated paragraph:

"Increasing transparency, efficiency, and accountability in public procurement, which accounts for 19% of EU GDP, is crucial for investment. Member States should ensure adequate administrative capacity and focus on the increased use of e-procurement (digital tools) and on tackling corruption."

I. Introduction

One paragraph on public procurement in health sector:

*"Member States need to introduce measures to ensure a sustainable financing basis, encourage the provision of and access to effective primary health care services, the cost-effective use of medicines, **better public procurement**, improve integration of care through up to date information channels (such as e-health), assess the relative effectiveness of health technologies and to encourage health promotion and disease prevention.*

II. First findings

- 1. Variety of contracting authorities**
- 2. Use of different award criteria**
- 3. Aggregation**
- 4. Professionalization**
- 5. Difficulties & Irregularities**

II. First findings:

1. Variety of contracting authorities

MIXTURE of CONTRACTING AUTHORITIES (except for CY and SE)

- **Public hospitals**
- **Private hospitals – bodies gov. by public law**
- **Ministry of Health**
- **Municipalities/ Regional authorities**
- **Other bodies**
- **Central Purchasing Bodies**
- **Health insurers**
- **Private hospitals**

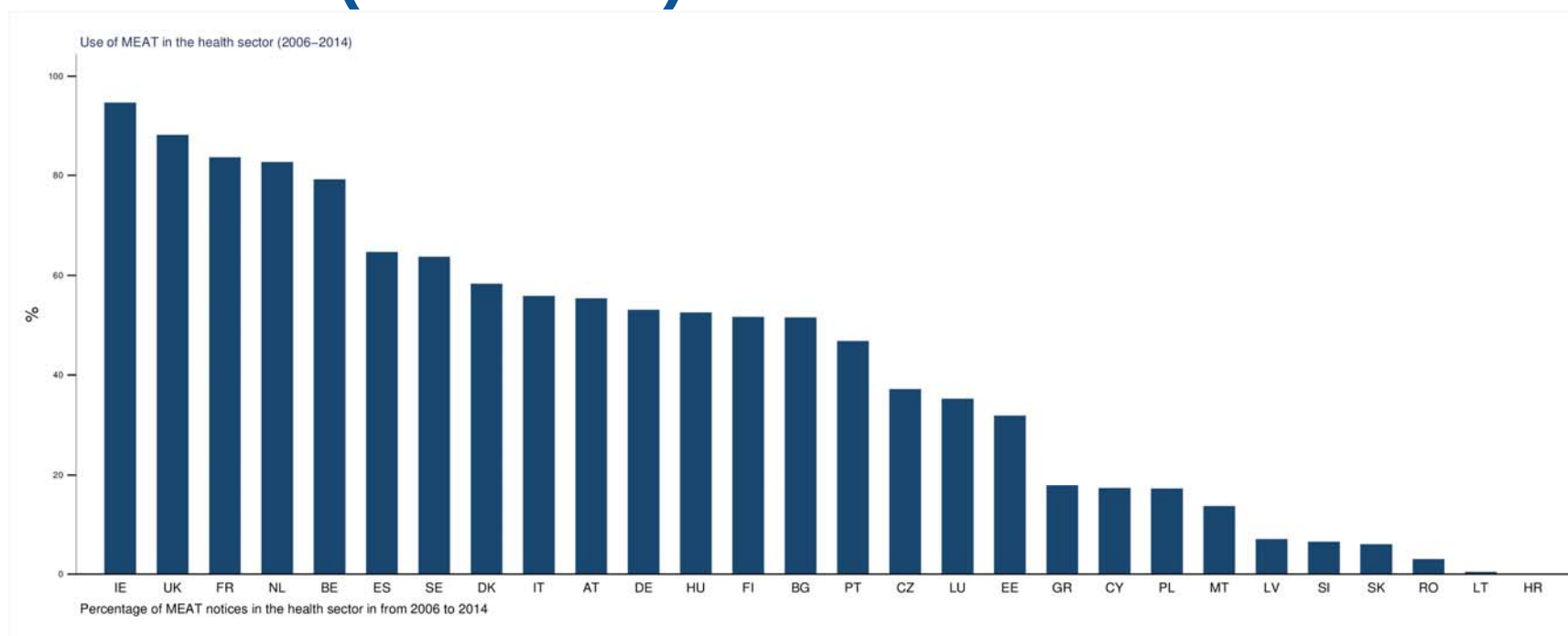
II First findings:

2. Use of different award criteria

MEAT vs LOWEST PRICE - INNOVATION

- **Lowest price:** Central and Eastern Europe, Greece
- **MEAT:** IE, UK, FR, NL, BE, ES, SV, DK
- **MEAT whereby** tender specifications move
 - away from a detailed prescription of the subject
 - to treatment result

% of notices with MEAT criteria in the health sector (92 – 0 %)



New Directive 2014 / 24 / EU : MEAT BPQR

- MEAT: price, cost (including life-cycle costing), BPQR
- **BPQR:** Price or cost plus other criteria, "including **qualitative, environmental and/or social aspects**, linked to the subject matter of the public contract in question".

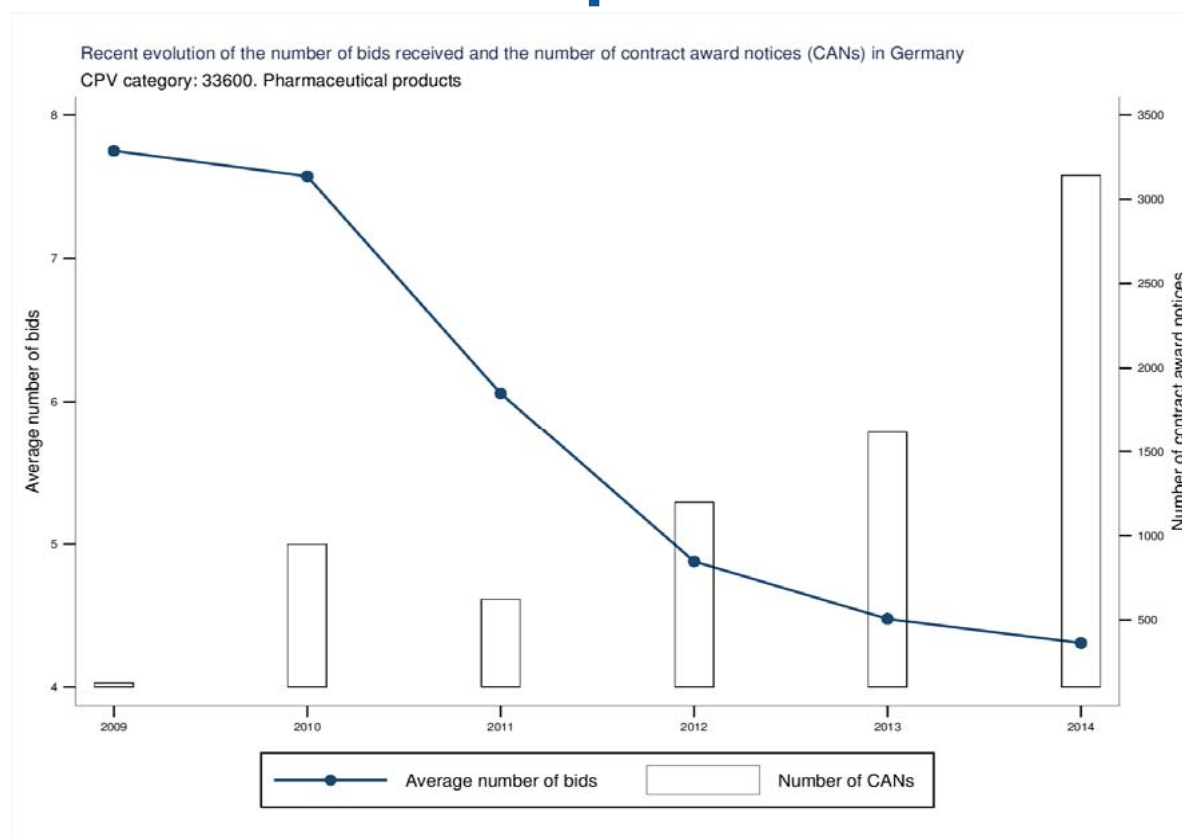
New Directive 2014 / 24 / EU : MEAT BPQR

- List of possible criteria is **not exhaustive**
- Art. 67(2)(a): "...innovative characteristics ..."
- Art. 67(2)(b): "organisation, qualification and experience of staff assigned to performing the contract, where the quality of the staff assigned can have a significant impact on the level of performance of the contract"
- Member States can exclude or restrict the use of price or cost only as sole criterion.

II. First findings: 3. Aggregation

- **Clear trend of aggregation at 'demand' level**
- **Synergy benefits:**
 - **Expertise & human resources**
 - **Negotiation leverage**
 - **Savings (up-to 50 % savings in case of medicinal products)**
- **Disadvantages**
 - **For 'end user'**
 - **supplier lock-out,**
 - **negative impact on innovation**
 - **concentration of the market players**

Average number of bids Pharmaceutical products in DE



II. First findings 3. Aggregation

Figures:

- **No precise data**
- **In DE, 90 % of hospitals use CPB or Group Purchasing Association**

II. First findings: 3. Aggregation

TED – DATA - Contract award notices on behalf of another contracting authority

- Average: 4 % of all procedures, 7 % contract award notice
- IT 28 %, DE 21 % and UK: **47 %**
- Two thirds concern UK or IT
- 45 % of all procedures by bodies governed by public law (semi-private entities)

II. First findings: 3. Aggregation

TED – DATA - Contract award notices **on behalf of for the following supplies and services:**

- At national level: pharmaceuticals, medical devices and non-sector specific supplies and services, such as electricity (BE, CZ, DE and HU), gas (CZ, DE and HU)
- At local authorities level: computer equipment, IT-services, Medical equipment, pharmaceutical products

II. First findings: 3. Aggregation

Central Purchasing Bodies

- **Different types**
- **Group Purchasing Associations (DE, BE, FI, DK, FR)**
- **Use of CPBs in most MS voluntary,**
- **Compulsory in HR, IE and HU**

II. First findings: 3. Aggregation

Cross-border joint public procurement:

- Some have already taken place (EHPPA, DE/AT)
- Others consider:
 - AT/SI
 - BG/RO

II. First findings: 3. Aggregation

Joint procurement Instrument

- **Open to the Institutions of the Union and any Member States**
- **For the advance purchase of medical countermeasures for serious cross-border threats to health**

II. First findings: 3. Aggregation

Joint Procurement Agreement

- **Signed by Member States**
- **On the point of signing: DE**
- **Not signed yet: PL, SE, FI and BG**

II. First findings: 3. Aggregation

Requirements for joint procurement:

- **Open to all MS (min. 4 MS)**
- **Rights and obligations of MS not participating in the joint procurement are respected**
- **Does not affect the IM**
- **No discrimination / restriction of trade / not distortion of competition**
- **No financial impact on budget of other MS**
- **Each proc. a Joint Procurement Agreement**

II. First findings: 3. Aggregation

Future projects for joint procurement

COM has now recently invited all MS to inform COM of their interest to participate:

- **BCG (vaccine against TB)**
 - **Medicinal product against diphtheria**
 - **Medicinal product against Botulism**
- For both there is only one provider but guarantee that drug can be ordered at any moment, so stock is guaranteed**
- **Hepatitis C**

II. First findings: 4. Professionalization

- **Some MS specific actions: SE, FR, RO**
- **Through stimulation of innovation in health care procurement: DK, ES (Catalonia)**
- **Project on value procurement for medical devices by MedTech Europe & Boston Consulting Group**

II. First findings:

4. Professionalization- value based

E.g. in NO, pp for treatment of cataract with outcome focus and HCP

- Risk of severe inflammation of eye reduced by 80 %**
- Costs reduced with 1 %**

E.g. in SE, pp by Karolinksa hospital

- Diagnostic Radiology equipment**
- Including the service to provide outcome data**

II. First findings:

5. Difficulties & irregularities

1. Difficulties

- drafting of technical specifications
- long "approval process" in HU

2. Other elements

Sector specific factors:

- 1. Specific products offered by a few**
- 2. Broad product range**
- 3. Financing of hospital / equipment**

II. First findings:

5. Difficulties & irregularities

3. Corruption

- **10 to 25 % of pp spending lost**
- **Sector where corruption vulnerabilities**
 - **large # of actors (access points)**
 - **complexity of the healthcare systems**
 - **Can occur at different stages: pre-bidding, bidding, post-bidding**
- **Isolated or systemic**

Conclusions

- 1. Transition phase in many Member States**
- 2. Clear aggregation trend**
- 3. Room for professionalization**
- 4. Challenge from lowest price to value based procurement**
- 5. Public procurement: huge potential**



Thank you for your attention

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