



## **EIPonAHA - 3.2.3 - INSPIRE Project**

### **PCP PPI Gap Analysis and Recommendations**

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<b>Abstract (for dissemination)</b>	There is a gap of knowledge and understanding regarding innovation procurement, since it can be mistakenly thought only as a new type of instrument to promote innovation, but not also as a new approach and problem solving method that should be ordinarily used to solve public needs and optimize the public spending. This preliminary observation suggests that public authorities may not be yet prepared to set up a PCP&PPI strategy, either because they are not fully aware of its rationale or because they lack sufficient and proper roles, mandates, skills, measurement and resources to implement it.

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## Executive Summary

This document provides the evidences of the dialogue undertaken by the INSPIRE team with the relevant stakeholders to analyse and determine the current gap in the adoption of the Pre-Commercial Public Procurement (PCP) and Procurement of Innovative Solutions (PPI) across the partner countries and European healthcare service systems.

This report is essentially based on previous analysis, benchmarking and research, as well as on parallel experiences in conducting PCPs and PPIs conducted by the author, that have been validated and discussed via the workshop sessions held within Helsinki, Vienna, Barcelona and London.

A number of recommendations are made within this document to enforce the procurer's and innovation policy makers' awareness in the PCP & PPI and stimulate actions at different level of governance.

## Introduction

In many public sector health and social care organizations the success of operative instruments depends on the significance of the strategy vision. This also applies to PCP&PPI. To be successful in innovation procurement activities we recommend that the following top level strategic issues are in place and working:

- a concrete responsibility for the (addressed) public service delivery and for the use of innovation emerged via public procurement;
- a concrete, coherent mandate to invest and/or procure for the public organization acting as a provider/producer of public services;
- a clear commitment to innovation and to a larger role in the society;
- a defined leadership role able to activate and coordinate innovation procurement actions;
- a clearly aligned system level service and procurement strategies in a way that the procurement strategy is integrated into the overall health and social care service strategy;
- an ability and willingness to re-design services, if needed, without silos thinking and administrative restraints with a focus on system level as to services and costs;
- a robust and pragmatic approach to programme and project management.

We observed that the above mentioned points are important preconditions to make innovation a feature of public procurement.

The INSPIRE dialogue and implementation observations suggest that public authorities may not be yet prepared to set up a PCP&PPI strategy, either because they are not fully aware of its rationale or because they lack sufficient and proper roles, mandates, skills, measurement and resources to implement it, as described in this document.

## Gap analysis and recommendations

The INSPIRE dialogue with practitioners, procurers, local policy makers and innovation agencies, has evidenced that innovation public procurement, in the form of PCP (pre-commercial public procurement) and PPI (procurement of innovative solutions) is (generally) understood as the **inclusion of specific clauses in traditional procedures** (eg. favouring innovation in the offer and not only price) or as the **inclusion of societal challenges and topic in funding schemes**.

There is a gap of knowledge and understanding regarding innovation procurement, since it can be mistakenly thought only as a new type of instrument to promote innovation, and not also as a new approach and problem solving method that should be ordinarily used to solve public needs and optimize the public spending.

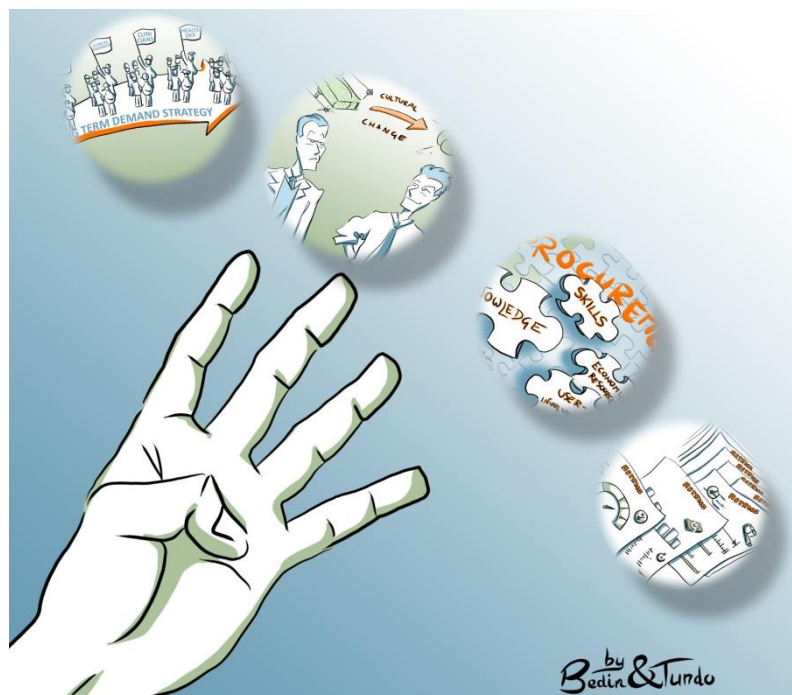
Many of the mistakes and misinterpretations that have happened across the EU with PCP (and marginally with PPI) in public sector are due to procurers not having the necessary mandates, roles, incentives, experiences, tools and the required skills to take the decisions properly and to act as an “intelligent customer”.

When we say that government needs an “intelligent customer” approach we do not mean that pejoratively, we use that term to indicate that we need to have the same level of capability on the side of the government as one would find in a large multinational commissioning complex R&D&I projects.

**This preliminary observation suggests that public authorities may not be yet prepared to set up a PCP&PPI strategy, either because they are not fully aware of its rationale or because they lack sufficient and proper roles, mandates, skills, measurement and resources to implement it.**

Considering the health-care sector, the gap analysis is conducted along four dimensions, that we call “4Ms”: **Mandate, Mindset, Means, Metrics**<sup>1</sup>:

- **Mandate:** Demand side strategy that all (the proper) actors share and implement in a coordinate way.
- **Mindset:** Cultural change, civil servants taking a more proactive / co-creative role.
- **Means:** Knowledge, skills, resources, end-user involvement.
- **Metrics:** Deliver evidence on positive measurable outcomes (cost/benefit analysis, incentives, payment models).



<sup>1</sup> Suzan Ikavalko, extract from special interviews ([www.inspirecampus.eu](http://www.inspirecampus.eu))



## MANDATE & MINDSET:

*(Why would contracting organization launch innovative procurement actions and where should the mandate come from?)*

- Demand side strategies that all actors share and implement, including service, procurement and eHealth strategies, while the success of operative instruments depend on the success of strategic instruments.
- Alignment and involvement of the relevant actors.
- Possibility to break organizational boundaries, silos.
- Cultural change, civil servants taking a more pro-active / co-creative role.

The evidences reveal that key factors are “**who**” execute the PCP&PPI and “**why**”, as well as the **coherence between the two**.

Innovation procurement can't be done without an (effective) involvement of those who know and represent the real end-user needs: the one responsible for buying the ultimate end-solutions (undertaking the follow-up PPI) or the entity responsible for specific public sector domain that represents the interests of the end-users.

Indeed, the study cases developed shows that PCP and PPI are likely to express positive results and outcomes when properly implemented by organizations with **the mandate to modernize and transform the public services, to resolve a concrete problem that impacted negatively on the quality or efficiency of of public sector service production and delivery**.

**To this extent, the cases analyzed point out the value of anchoring user involvement in innovation procurement.** User involvement can and should be used in different phases and manners during the PCP/PPI process. Users can take part e.g. in the definition of the need and the specifications, in the analysis of concrete use cases and in the prototype and testing phase.

If suppliers are to be engaged in innovation procurement projects, they need customers (meaning end-users and clinicians) to tell them what they need, convince them that their need is genuine, and that they are credible customers. One can summarize that PCP and PPI are often most succesfull when conducted in a co-creative manner where the design approach means dialogue between procuring organizations representatives and the end-users.

**Still too often PCPs are run independently by R&D/innovation agencies or policy makers entitled to incentive local businesses, without any relation with a real users' need and a concrete procurement plan. The evidences at local level shows a lack of strategic foundation for the innovation within public services that can undermine the successful enhancement and implementation of PCP and PPI.**

This could be explained by the fact that the policy makers mediation has historically used the tools that operate on the supply side, as aid, loans and grants aimed at businesses/industry, having as the main interest the development of the local economy. When policy makers promote demand side R&D policies they are used to undertake, instead of PCP, mutual cooperative arrangement between public and private organizations with the overall objective of innovating and developing public welfare solutions, renouncing to exploit the potential impacts of a procurement policy<sup>2</sup>.

<sup>2</sup> Sara Bedin, extract from public speech

Furthermore, **the fragmentation of the public sector represents a barrier that has stifled the widespread and virtuous use of R&D&I procurement in Europe so far.**

**Moreover there is often a lack of coordination between the main stakeholders on the public sector side (essentially public procurers and policy makers) that play different roles in demand-driven innovation.**

**The distinction between the policy maker role and the (necessary) role of public purchaser is of fundamental importance** (public purchaser meaning the organization that represent the real demand side and has the real requirement that the innovative solutions should fulfil, that is responsible for the acquisition strategy of the new solutions, that participate in public service delivery chain...), **the latter is fundamental to make credible the procurement initiative.**

The policy maker could use financial incentives or set-up local co-funded program directed to public sector to stimulate procurers to undertake PCP and to pool demand. In this way, policy makers can focus R&D resources on top level priority contributing, to a certain extent, to the competitiveness of local economy (public services). The target of this policy is any case the public sector (not directly the offer-side)<sup>3</sup>.

We noticed that only a small part of EU countries hospitals and municipalities that provide health and social care services have an explicit mandate and strategy to act also as innovation actors with clearly defined broader societal objectives as part of their normal operations and resources dedicated to this end. The central purchasing bodies have a mandate to procure standardized good and services. Otherwise, the prior interest of the innovation agencies is to promote the local innovative companies or to attract new investments.

The questions remains whether single procuring authorities (hospital, municipalities) can take the role of innovation actors or whether more centralized support organizations or Regional organization responsible for health care services can be more powerful as actors in the area of Innovation procurement.

We have analysed good examples with appropriateness and clarity of mandaterelated to the health-care domain and including proper coordination among organizational roles– these include the Lombardy Region and Catalunya.

**Good practice 1.** The **Lombardy Region** has assumed guide-lines and settled a "task force" that coherently involve and orchestrate many roles with clear mandates:

- the Direction for research of Lombardy Region, as policy maker has the responsibility of the entire innovation policy and being the "enabler" of the process, **systematically challenge the local public authority to assess innovation needs in health domain and fund the PCP & PPI strategy** through own financial allocation already assigned to R&D&I or through structural funds.
- the General direction for Healthcare has the role to indicate the **mid-to long term political priorities for healthcare public services transformation and optimization.**
- the public hospitals play a key role in **defining the innovation need in terms of performance and functional requirements and perform an equally important role running the technical activities like testing, comparing and evaluating of performance and functionality in real-life operational conditions** and ultimately **are committed to buying the solutions that meets their needs.**
- (eventually) the Regional Purchasing Agency entitled to define the transition from PCP to PPI and to manage the procedural administrative aspects, assuring economies of scale.

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<sup>3</sup> Sara Bedin, 2012 "PCP and PPI in action", White paper, The European House – Ambrosetti SpA

**Good practice 2. AQUAS**, the Agència de Qualitat i Avaluació Sanitàries de Catalunya (Agency for Health Quality and Assessment of Catalonia), is a public entity of the Catalan Health Ministry and has the mission to contribute to the improvement of the quality, safety and sustainability of the healthcare system, contributing in managing the stream of innovation in the Catalan health system, by **evaluating the performances and costs**, by assessing technologies and by supporting the development of specific solutions for needs that are not yet met. Its Innovation Unit has a strong mandate for the development of the two procurement instruments (PCP&PPI), providing the involvement of the local hospitals and health care structures.

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## State of Art in PCP/PPI knowledge, practices and activities in the health and social care sectors in INSPIRE–partners Regions/countries:

### FINLAND/Helsinki:

**The knowledge level and practically oriented interest and resources directed towards PCP/PPI are currently not very high among public authorities such as hospitals and municipalities that provide primary and social care services.** One reason to this is the very fragmented demand side structure, while others include lack of mandate, knowledge and resources. The planned national health and social care reform is aiming at building fewer and bigger organization that will have the responsibility to provide services in the future. These developments could also mean that new Demand side actors will be able to assume a more focused and strategically important role as players on the market and drivers of innovation. This may be further strengthened if the financing of health and social care services will be centralized, meaning that in stead of Municipal budgeting/financing the money to these services will come directly from the State or a large Regional entity. This can create new more coherent policies and practices also as to areas such as ICT, regulation, standardization, interoperability and leadership culture in general.

**The Finnish Technology funding Agency Tekes offers financing to PPI and PCP activities.** Interesting concluded or ongoing projects are still scarce though in the Health sector and so is joint needs assessment and demand pooling of several procurers. **An example of demand pooling** however, is the currently ongoing **client and patient data system** procurement process (negotiated tendering process with substantial investment in the pre-procurement phase R&D&I work). The new system will bring social care, primary care and specialist care services under one data system. It will be used by several hospitals and municipalities in the Greater Helsinki Region. It might later offer opportunities for companies to develop new innovative eHealth /mHealth services in collaboration with the public sector and end-users, using the integrated data and the Patient data system to this end. PPI/PCP could be used to acquire these innovations.

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### AUSTRIA/Vienna Region:

**The knowledge level of PCP/PPI and of dedicated EU-funding is very low among public authorities, especially in the health sector.** The reason for the low knowledge about PCP and PPI can be found in a lack of resources to engage with such issues as well as the lack of international cooperation of Austrian Hospital Associations. The need and demand for innovative products in hospitals in Austria is however high - especially for health IT services such as video interpreting. Persons who are in need of medical treatment in hospitals do not master the national language, which is a common EU-wide problem. High quality translation which is immediately available online through a video screen can solve many communication problems between medical staff and patients. **The wide scale procurement of video interpretation could be a possible PPI project in future.**

The market for eHealth services is currently relatively small and PCP and PPI could be used as a tool in order to open and enlarge the market for more participants and to create more competition. Some public contracting authorities consider the engagement in a PCP or PPI as costly, time consuming and are asking what is for the additional benefit compared to conventional procurement. **The Public Procurement Promoting Innovation Service Point (IÖB Servicestelle), situated within BBG promotes and supports implementation activities of PCP or PPI. The Austrian Research Promotion Agency (FFG) offers consulting concerning PCP Projects and EU funded Projects in general.**

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### Italy/Lombardy Region:

For a long time in Europe, as well as in Italy (but with the important exception of Lombardy Region that has pursued since the beginning a clear procurement ambition), PCP&PPI strategy has been confused with an industrial policy designed to support national innovative businesses and not, as indeed it should be, to encourage competition and the capture of new markets at least on a European scale.

The awareness level of PCP&PPI and of funding opportunities is high among Italian public authorities, especially in the health sector, due to the national massive measure described below.

At National level, the Ministry for University and Research (MIUR) has promoted an ambitious PCP&PPI funding measure referred to the Convergence Area, assuming both the roles of policy maker and contracting authorities.

To ensure that the spending targets in Convergence area outlined in National operating Program Research and Competitiveness (NOP R&C 2007-2013) are met, the MIUR has created measures outlined in the “Acceleration and reprogramming initiatives for EC programs 2007-2013” document that was approved in March 2011. The starting point was that the development of traditional initiatives (High-Tech Districts and Public/Private Lab) had resulted in longer project approval times that were incompatible with the national timeframe.

As a result, the NOP Research and Competitiveness ERDF 2007-2013 joined the Cohesion Action Plan to reprogram and accelerate expenditure. 100M€ of national funds, freed up by the reprogramming initiative and re-allocated through the Cohesion Action Plan, have been re-allocated to finance new PCP/PPI initiatives in the same areas where the National Operating Program R&C operates. It has been defined even a complementary EIB financial support, which could funds projects that despite having passed the threshold, are not fundable within the available fund of MIUR.

Only some preparatory activities have seen the involvement of the local public procurers and owner for the public services delivery, but without any funding or support so far.

The technical dialogue, so crucial for the success of PCP, and the execution of the PCP procedure have been announced as a prerogative of the Ministry, determining a potential risk of disconnection between the end-user need for innovation and the management through procurement.

In Italy, the public procurers, especially of ICT solutions, rely, in part, on in-house public development companies, absorbing complex projects with a high research impact potential if they were assigned to the market.

Both actors, policy makers and or public procurers, often work in the context of cooperation agreements or public-public partnership, to enable high value and long-term collaborative innovation projects, going exclusively to public entities governed by public law (universities and public research centers). This phenomenon, having no impact on the market and not providing any competition at the access stage and during the execution of R&D services, is beyond the current analysis on public procurement.

To conclude, the procurement of R&D services is underutilized in Italy not only because a small percentage of the public procurement spending is devoted to R&D, but also because there is a move to and proliferation of instruments different from R&D service contracting. Moreover, there is a lack of controls over R&D&I in ICT, with particular reference to the in-house ICT service provisioning and public-public mid-to-long term cooperative agreements<sup>4</sup>.

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<sup>4</sup> An area of investigations of S.BEDIN is on the economic values and impacts of the approaches mentioned in comparative ways with PCP.

**Spain/Catalunia Region:**

AQUAS has received from the Department of Health of Catalonia the mission to encourage and promote innovation in the health sector through collaboration of all stakeholders involved in the health system of Catalonia. To accomplish this task, the Agency planned an integrated vision with international projection aiming to promote the development of new models of innovation and new forms of public-private collaboration. AQUAS has initiated and/or participated in the multiple projects aimed at promoting innovation through the mechanisms of innovative public procurement.

Currently in the Catalanian healthcare system, the following PCP and PCP-related projects are being implemented: DECIPHER, ENIGMA PCP, INSPIRE, THALEA, UNWIRED-Health, ECHORD++ ; and the PPI and PPI-related projects are STOPandGO, PRO4VIP, Drug-genetic markers, devices for earwax removal, treatment of cervical cancer.

AQUAS has been active in organizing workshops and seminars for the dissemination, awareness and promotion of innovative public procurement with entities such as FENIN, REGICS, Catalan Union Hospital, etc.

However, procurement of Innovation remains still a fairly new concept in the public administration, and this workshop was an opportunity to introduce the concept to the Catalanian senior public officials, managers and experts attending the INSPIRE workshop. The main aim of the workshop was to introduce the available materials and resources that support PCP and PPI activities such as the INSPIRE Academy as well as present the existing funding opportunities for experimenting with this relative new approach to public procurement. EAPC provided support in disseminating the project materials by making them available to their students, who are active public officers that can apply this methodology in their public administration activities.

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**UK:**

Our findings are very similar to those of the Austria/Vienna region. We have also observed there is a very low knowledge of the PCP/PPI process across the UK health sector. This applies to not just the health sector but across the public and private sectors. One issue could be that the UK Technology Strategy Board (TSB) run competitions against defined unmet needs and apply funding against research projects in a similar approach to the PCP process.

The TSB process is now well established and is recognized as the primary research funding mechanism for defined projects with an established and successful mechanism in place.

The process is structured as follows:

- Phase 1 is intended to show the technical feasibility of the proposed concept. The development contracts placed are for a maximum of 6 months and up to £100,000 (inc. VAT) per project
- Phase 2 contracts are intended to develop and evaluate prototypes or demonstration units from the more promising technologies in Phase 1. Only those projects that have completed Phase 1 successfully will be eligible for Phase 2.

Developments are 100% funded and suppliers for each project are selected by an open competition process and retain the intellectual property rights (IPR) generated from the project, with certain rights of use retained by the NHS.

The competitions are part of the Small Business Research Initiative (SBRI) programme which aims to bring

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novel solutions to Government departments' issues by engaging with innovative companies that would not be reached in other ways:

- It enables Government departments and public sector agencies to procure new technologies faster and with managed risk;
- It provides vital funding for a critical stage of technology development through demonstration and trial – especially for early-stage companies.

These schemes are particularly suited to small and medium-sized businesses, as the contracts are of relatively small value and operate on short timescales for Government departments.

An incentive to adopt PCP in the UK should be the component of co-funding of projects by the EC. This must surely play into every public entities drive to make better use of the available (domestic) public funds.

Why is this not acting as the incentive it would appear to be? Could be that most TSB-projects are directly funding SME's who have some sort of innovative approach to a problem, and EC procurement co-funding is based on the obligation to have EU public procurers as partners, which does not fit with an innovative SME simply seeking support funding.

Whilst a consideration could be given to more publicity and training workshops as an aid to promote the principles of PCP and PPI this could be considered as non-productive activity due to the perceived lack of potential take up.

However, one area that may help to enhance the process is the work undertaken within the INSPIRE initiative to lay out the process model and associated templates to support PCP projects.

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### France/Paris Region:

**The knowledge level and practically oriented interest and resources directed towards PCP/PPI are currently not very high among public authorities such as hospitals and municipalities in France.** The general principle of what is a PPI or PCP (Public tool to favor the procurement of innovative solution) start to be well known by public organisation, but the French organisations, public or private, don't have a clear awareness of the functioning, concrete objectives and results of the different tools proposed by the European Commission. **The PPI and PCP appear like complicated, heavy and long process** to obtain a result that cannot be guaranteed at the beginning of the project, for this reason, only the big public French intuitions are involved in the procurement of innovative solution via PPI or a PCP projects.

**The French ministry for national education and research have created a website dedicated to the European projects and especially the program H2020**, where the French organisations can find all the information, related the instrument proposed by the European Commission, in French: <http://www.horizon2020.gouv.fr/>

**One of the other points which explain why only few French organisations are involved in PPI or PCP projects is the legal issue.** Indeed, before the new European Directive for Public Procurement was published (which is not yet fully transposed in the French law), the French public regulation (Code des Marchés Publics) didn't clearly offered legal tools for the procurement of innovative solution. Therefore, **the processes of the PPI and PCP projects weren't in accordance with the French law** and so the public institutions didn't try to understand the tools which appeared as complicated and risky.

Today, with **the new European Directive for the Public Market which brings the legal tools to facilitate**

**the Public procurement of innovative solutions** (via the innovation partnership), the French public institutions are more disposed to be interested to the PPI and PCP project and really start to try to understand how they work and how they could be involved in European Projects or in the procurement of innovative solutions in general. **This rising interest is also due to the results of the first PPI and PCP launched in Europe and especially due to the visibility of the ones where French institutions are involved**, such as RESAH in the HAPPI or INNOCAT projects for example. The extensive communication effort which has been made around these projects in France start to create the first results. More and more organisations are informed about the PPI and PCP projects as well as about the public procurement of innovation thanks to these “PPI and PCP pioneers”.

Moreover, one of the main obstacles to be part of a European Project for the French organisations is related to the **language barrier**. Indeed, many of them don't have a project manager dedicated to the management of European Project and often their employees don't especially speak English and don't need to do it for their normal activities. This lack of competences is a new obstacle for the public organisations to be involved at European level in the procurement of innovative solutions.

Indeed, especially the medium and small organisations do not need a person in charge of the international affairs in their daily regular operations, if they are not involved in a European Project. However, to be involved in a European project, English language skills are necessary for networking, consortium building, project preparations and project implementation phases.

As a conclusion for the French market, we can say that **the level of awareness about the PPI and PCP project, as well as for the good practices to purchase innovation is increasing among the French public organisations**. Following activities will strengthen however this positive trend;

- The democratisation of the new legal tools from the New European Directive;
- A better awareness about the European Commission's instruments from the French institutions;
- The creation of interactive platforms which facilitate the exchange between the different stakeholder and the connexion between them;
- Platform which facilitate the detection and promotion of innovative solutions.

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*> Based on these above mentioned evidences, we provide some recommendations.*

- **Recommendation 1: To enable the necessary mind-shift and to avoid repetition of well-established and known patterns to promote innovation, the mandate and responsibility to implement the PCP&PPI strategy is recommended to be**
  - **i) incardinated into the overall Health and Social care service strategy,**
  - **ii) assigned to one entity who knows and has specific competences in the health domain, and has the responsibility to improve the mid-to-long term quality and sustainability of local public health and social care services. This would also include the long-term effectiveness and efficiency of public expenditure within the health domain and ultimately represents the real end-user needs.**
- **Recommendation 2: In order to assure cooperation between stakeholders within the demand driven innovation process policy makers should:**
  - **i) proactively orientate funding incentives from the supply-side to public procurers, encouraging them to undertake directly procurements that involve a high degree of innovation, such as PCPs and/or**
  - **ii) provide coordination support to public procurers entitled to execute PCP&PPI projects.**

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- **Recommendation 3:** To undertake a PCP&PPI strategy, the public sector needs to have explicit mandates to drive forward innovations and to assume a codified organizational framework and model which provides clear responsibilities and operational mechanisms.
- **Recommendation 4:** A shared and coordinated national action plan on innovation procurement in the health care sector should be settled as a way to identify the national thematic priorities for investment and innovation, to establish strategic policy goals (in terms of cost/efficiency gains in the health services delivery system and for the emergence of new open standards), to incentivise the demand pooling and to provide scalability and a relevant market size for the supply side. The trend towards more standardization and interoperability in health care sector, with particular reference to e-health, should represent a clear objective for the national action plan.
- **Recommendation 5:** To facilitate networking of the key stakeholders involved in the health and social care services delivery, to reduce fragmentation of demand and enable the demand pooling, a "health-care platform" should be settled at least at national level with the purpose to enhance a dialogue between public procurers interested to test innovation procurement methodologies and to jointly undertake the PCP/PPI, to provide a powerful opportunity for all public sector at local level to collaboratively design the future modernization of health care sector strategy.
- **Recommendation 6:** Due to the limited implementation of real PCP cases observed in practice, there is much to gain potentially from (i) wider dissemination of information on PCP rationale, (ii) identification and dissemination of best (and certified) practices in health sector; (iii) provision of training & counseling program for public contracting authorities; (iv) provision of a tool-kit for public authorities to implement PCP & PPI in health care sector, coherently with the their mission and mandate.

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#### MEANS (RESOURCES & TOOLS & SKILLS):

- Knowledge, skills, resources and toolsets
- Pooling of demand
- Service design, co-creation, user-driven innnovation embedded into regular practices
- Value defined with the end-users.
- End-user involvement as a resource -> empowerment, inclusion, acceptance

The INSPIRE observation suggests that public authorities may not be yet prepared to set up a PCP&PPI tendering process, not only because they are not fully aware of their rationale, but because they lack sufficient and proper skills, tools and resources to implement it.

#### Complex skill mix

As it stands now, it is clear that in many public healthcare organizations there is a need to restructure (top) management activities in a way that it supports innovation in both strategic and practical terms. People with cross-competences (technologies, hospital care/out-patient care, logistics, procurement, innovation management etc) are often not discussing key decisions jointly.

Especially in innovation procurement activities where the objectives touch upon redesign of care delivery it is important to understand and share the visions among all parties affected in the organization from early on, assuring an involvement of end-users.

In the domain of health-care services, and with particular reference to PPI, the preparation of successful procurements has been typically led by a combination of clinicians, end-users, hospital managers and commissioners of service, working very closely with the procuring authority responsible for purchasing any new solution. The resulting solutions should be based on real needs that the procurers/commissioners would be willing to purchase if shown to be appropriate and cost effective.

Cost and relevant outcome are key considerations.

**It is manifestly evident that the skill mix, that combine domain specific specialists, economic and legal expertise and technological expertise to turn innovation into a sustainable modernization and improvement of public services is quite absent in the civil service.**

It has been noted that both economic and legal expertise, as well as the domain related competences, are needed to implement the PCP&PPI strategy. The knowledge on the specific domain is important to evaluate the adequacy of the solution proposed to the existing service system and its performance.

The legal knowledge is needed as the procedure needs to be designed in respect to existing European and national legislation, **with particular reference to the sectorial related legislation.**

The necessary set of skills has to involve new capacities and competences to evaluate and manage the risk involved in innovation and to optimise the risk-benefit balance.

### ***Risk mitigation, incentives and tools***

Risk must be carefully considered and evaluated across all levels of innovation. This means that risk is inherent in developing or buying something innovative leading to a risk of failure. **Failure can also come from practical difficulties in applying new solutions and integrating them within the organization and this kind of risk could be mitigated by an early involvement of end-users in the need assessment and value design phase, as well as in piloting and testing activities.**

We agree with other experts<sup>5</sup> that **there is a failure and a lack of tools to assess the impact of not innovating. These risks are considerable, given the huge and increasing societal challenges the public sector faces and the fact that ‘business as usual’ will result in social costs that are unacceptable. PCP&PPI are instruments aimed to mitigate the risk and allocate it, optimizing the public sector customer and supplier positions.**

**Several features of the way public sector organizations operate and manage PCP&PPI have an impact on the perceived risks:**

- i) lack of strategic foundation within a specific public services and a concrete procurement plan (as already discussed),**
- ii) lack of clarity on unmet needs and future needs. Our experience suggests that public sector organizations often find it difficult to accurately determine their needs and define them as outcome-based requirements (for example, functional requirements),**
- iii) lack of measurement of the actual services performances, outcomes and value,**
- iv) information asymmetry and lack of awareness of the product or service innovation that the market is able to offer,**

<sup>5</sup> Edquist et al, 2015, Public Procurement for Innovation

- v) **lack of standardization objectives, customization and hyper-specification of the requirements that inhibit innovation and limit the widespread market adoption of the innovation, vi) uncritical formulation of conventional specifications (also concerning IPRs and selection and awarding criteria) that do not encourage scaling up to commercial viability of more radical options.**

Also the timing is crucial when dealing with innovation, since the reduction of time-to-market processes provides a strong incentive for businesses. A PCP/PPI –project with perceived heavy legal, technical or procedural complexity can thus easily kill any innovation activity.

### ***Challenges with cross-border or even cross-organizational PPI/PCP level implementation***

Cross-border activity and pooling of demand can drive technological standardization and create better understanding of national differences and how to solve these.

**Indeed, demand sharing is crucial to enable economies of scale to achieve the expected cost savings.**

**Main challenges in cross-border PCP can be found in the service adoptability and interoperability issues.**

On the other side, as emerged during INSPIRE Barcelona workshop, one of the main obstacles with current joint procurement practices is that they are far too complicated to be managed. Also for suppliers cross-border activity may appear complicated due to the linguistic barriers, even if they recognize the financial compensation available or predictable as market opportunity.

**Good practice 4:** In this regard, HAPPI project (funded by the EU Commission - DG Enterprise, within the Competitiveness and Innovation Framework Programme (CIP)) represents one of the first cross-border PPI project, as it sets up a cooperation among Central Purchasing Bodies of different Member States in order to purchase innovative and sustainable solutions for the healthy ageing.

The project focuses on the procurement of existing innovation (Public Procurement of Innovation – PPI) and the cooperation among HAPPI partners aims to overcome legal barriers among EU Member States by stimulating innovation of the procurement procedure jointly designed and conducted by contracting authorities of different Member States. The joint procurement within this project has been preceded by a legal study (conducted by University of Torino) that pointed out the different techniques and instruments for aggregated procurement at National and European level in order to develop the most suitable model for the HAPPI consortium and considered several possible models according to the meanwhile approved art. 39 Directive 2014/24. The chosen model was to delegate (signing an «Agreement establishing the European purchasing group “Innovative Solutions for Healthy Ageing- HAPPI») Resah-IDF (coordinator of the whole project) to conclude a Framework Agreement (without without commitment to buy) with different lots establishing all the terms and identifying a single economic operator for each lot, on behalf of the other procurers of the consortium. The agreement permits to delegate the French CPB for the conduction of the award procedure, in accordance with European Union law and French national law, and to regulate all the elements connected with the allocation of roles and responsibilities to the partners. On the basis of the aforementioned framework agreement each procurer will, in turn, award contracts based on the framework agreement and execute them according to the respective national legal system and through "purchasing orders". The value of the HAPPI project is to achieve the cross border joint procurement overcoming the legal and linguistic barriers, with the publication of the contract notice and of the tender documents, based on French law, in three languages (English, French, Italian).

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It maybe be appropriate to put effort on state of the art analysis in order to provide sufficient background information for both procurers and bidder, which in turn can help to define in time what is feasible and worth doing also cost/benefit wise – and in comparison with regular procurement. It is important to reach a common understanding of the enabling infrastructure in each country as relevant to the procurement. This understanding should be reached at early phases of the project planning.

**It is advisable to base connectivity, interoperability and scalability requirements on international open standards.**

Participation of technical representatives should be strong in the phase of defining requirements and specifications. In PPIs it seems important to provide clear and compact specifications. If centralized expertise and support related to technological issues such as for example Electronic Health Records (EHRs) and Personal Health Records (PHRs) is missing and if the national/regional system is not clearly adaptable to the EU cross-border PCP it can be difficult to see the value coming out of the project activities.

From a legal point of view, following the responses to the EC's survey on the state of implementation of PCP across Europe, conducted in 2010, **all countries confirmed that there was no legal obstacles in national legal procurement frameworks preventing procurers from implementing PCP.** In some European countries, the standard scenario in the national public procurement framework (e.g. concerning how to deal with IPRs in public procurement) is already the same as in PCP. In other countries, there is another default scenario that applies if nothing else is chosen by the procurer in the tendering, the IPR handling as in PCP is possible by clearly indicating this as procurer in the tendering documents.

The article 16(f) and article 24(e) (for R&D services) are exemptions from the current directives COM(2004)18 and COM(2004)17 respectively, which currently form the legal basis for pre-commercial procurement, are maintained and clarified in the new procurement directives.

The revised directives also contain **new provisions to facilitate joint procurements between contracting authorities from different Member States.**

As PCP is exempted from the Public Procurement Directive, contracting authorities should challenge themselves and use the regulatory flexibility to create good practices, according to the principles and rational set in COM 799 and without granting State Aid to the undertaking.

The knowledge and understanding of PCP legal basis are crucial to all participating organizations. A joint PCP is extremely complicated, especially if different countries are involved, due to the coordination costs involved. A qualified support and strong management are effective but alone, they are not enough to smooth the process if not all key actors are on board.

### **Resources allocation**

In a normally functioning market typically 2,5% of 'innovator' type customers are needed to convince industry that the future market is big enough to develop new solutions meeting specifically that market's needs. 16% of early adopters and 34% of early majority buyers are needed to introduce innovation. Innovator type customers are those customers willing to finance industry to undertake R&D for the mid-long term customer needs of their market segment<sup>6</sup>. In Europe we register a lack of procurers proactively

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<sup>6</sup> European Commission, 2009 \_ FAQ on PCP \_ cordis website

approach emerging innovations, leveraging the public spending and allocation for mid-to-long term investments.

To support and implement the PCP/PPI initiatives, so far the financial allocations dedicated to R&D&I have been deployed and the structural funds are also being used, while the use of public expenditure is still weak and a lot must be done to make innovation purchasing a *modus operandi* of the contracting authorities. The FP7 and H2020 funding programs have been the only ones able to mobilize public current expenditure, at least for the co-funding quote .

**In the light of the economic crisis, public expenditure has been cut back more and more, and so the European funding programs are essential because they reduce the risk of investment in innovation.**

**Good practice 5:** In Lombardy Region , the Research Directorate has settled a mechanism to address innovation needs in major spending domains, as it is the healthcare sector (that represent the 80% of regional expenditure) and to develop forward looking procurement strategies that include PCP and PPI.

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### **Co-creation through user involvement and Market Consultation**

Both user involvement and market dialogue are important activities in the PCP&PPI phase 0, which by nature is an explorative process. This approach helps to think how the solution to be developed would actually be exploited and paid for and what would be additional value compared to an application already available on market. Workshops with supply side can e.g. provide support to the technical dialogue, feasibility check and market scanning for existing solutions. **However, only a few public authorities have established working models to implement these actions in a proper and well defined manner. Members of the INSPIRE team developed a process for the UK NHS known as the 'Wouldn't It Be Great If'(WIBGI) process<sup>7</sup>.**

Based on these evidences, we provide some more recommendations:

- **Recommendation 7: Modernizing public services via innovation requires a new mix of skills regarding innovation management alongside the EU procurement. The new mix of skills involve the legal and the economic areas to perform the business case modeling, market assessment, technology assessment, IP management and contractualization as well as public services performance measurement. Expertise involved in innovation procurement should include professional background and practical experience in the clinical area concerned. Furthermore, as**

<sup>7</sup> WIBGI is a process for developing and funding research projects against identified clinical needs. The clinical needs were developed by NHS Clinicians either via an on-line toolset or a facilitated workshop to determine what they were, assess their validity and turn them into a high-level specification. Specifications were then advertised via a competitions toolset.

Industry would then be invited to provide responses against a pre-determined criteria and assessed via a team of experts. Decisions were then made whether to award development grant funding to commence an initial design. This is what is now the equivalent to Phase 1 of the PCP process. As the design process proceeded and re-evaluated some proposals were progressed and some terminated. Finally, the process would result in an overall competition who would develop a fully working prototype. The final stage would then be to advertise for commercialisation and deployment.

there is a clear need for innovation, public procurement processes to be understood more broadly and radically, in order to coordinate and orchestrate policy learning, it would be extremely important to implement a rigorous program, at EU level, of high-value capacity building, coaching and mentoring, backed up by a quality assured and certified professionals by European Commission.

- **Recommendation 8:** As there is a need for innovation public procurement process to be extended much more systematically towards pre-procurement activities, public bodies should clearly and broadly publish and signal future innovation needs as early as possible by means of a PIN (Prior Information Notice), avoiding the risk of distortion of competition and defining a specific provision on safeguards against undue advantage in favour of participants to market consultations. Technical dialogue should be systematically implemented, as it is an useful instrument for contracting authorities to obtain information on the technology state of the art, as well as on the structure, capability and capacity of a market while at the same time informing market actors of public purchasers' procurement projects and requirements. However, preliminary contacts must not result in unfair advantages and distortions of competition.
- **Recommendation 9:** Innovation represents an investment risk. Innovation requires new development. New development requires time. Especially in a time of severe economic, social and environmental crisis, entrepreneurs, investors and businesses are particularly exposed when taking investment risks. As investment and innovation require certainty of procedural timing and contracting authorities should formally commit themselves to respect the defined times and administrative deadlines.

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#### METRICS:

- **Public services need to demonstrate that they are producing measurable positive outcomes**
- **Deliver evidence on value creation -> clear objectives, clear and shared metrics (KPIs), -> measurable outcomes, -> cost/benefit analysis**
- **Long term strategic perspective and impact analysis needed**
- **Public sector service (business) model & case**
- **Payment, Incentives, reimbursement models tighted to the outcome and value creation**

We can say that to some extent it is clear that the delivery of health care is broken and wasteful and that it is not sustainable in its present form. New models of health care delivery are in need – models that can serve the dual goals of improving outcomes while controlling costs.

For standard goods and services, the attention is typically placed at the tender stage, whilst for the procurement of R&D services and/or innovation more information and evaluations are needed to assess the long-term effect, which goes beyond the contract implementation and concerns the delivering of the public services that adopt/use the innovative solution.

These indicators have certainly some use but they do not suffice to capture the impact of the procurement for the public procurer and for society as a whole. More information and indicators need to be built to estimate the impact of the developed innovative solutions on the efficiency of the public service that uses them.

The measures typically used to estimate the impact and performance of supply-side policies are also insufficient to measure the impact of innovative procurement. Supply side policy indicators typically focus on patents, R&D investment or rate of employment. These indicators have certainly some use but they do not suffice to capture the impact of the procurement for the public procurer, for the user of the services and for society as a whole. More information on impact assesment of the developed innovative solutions on the efficiency of the public service and on the market competition can be found in a research commissioned by EC in 2014-2015<sup>8</sup>.

- **Recommendation 10:** Existing indicators on the impact of procurement or of supply side policies do not allow to fully capture the long term impact of procuring innovative goods and services. The same problem applies to the missing link between need assessment and performance measurement.  
There is a need to construct at EU level indicators that also capture the long-term impact of procurement of R&D&I on the efficiency of the public sector, on market conditions such as competition and on economic growth.
- **Recommendation 11:** It should be recommended to integrate this exercise into the R&D&I related policies monitoring and official statistics, across various sectors of public interest (e.g. health and social care services) and across expenditure categories (e.g. clinical devices).

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<sup>8</sup> Sara Bedin and others, Quantifying the Impact of PCP in Europe Based on Evidence from the ICT sector, 2015



## Service Model and Business Case creation

### The focus of PCP Business Case on the economic argument

Procurement officials need to approach PPI/PCP in a different way to traditional procurements due to already discussed shortcomings. In the situation of traditional procurements, the main focus of attention is on the resulting structure of the contract between the selected supplier (of an existing or off-the-shelf product or service) and the procuring authority, since that contract defines what will be delivered, when it will be delivered, the performance of the deliverables and is also the vehicle by which the procuring authority manages the supplier's performance.

Usually, the Business Case which contains the argument for the need to originate and conduct the procurement is relatively simple to create, and so in a traditional procurement the balance of management effort between project front-end to project back-end is very much biased towards the back-end: the contract and deliverables.

In the case of a PPI/PCP project, the emphasis is in the opposite direction; i.e. the Business Case which is the major focus of attention. In fact, with PCP it may be that there is no resulting procurement contract at all, despite the strength of the Business Case. In PPI/PCP the Business Case is key because it argues the economic case for changing the way that something is currently performed (or arguing to start to perform some brand new activity) which inevitably means comparing the current performance baseline with an envisaged (or some might say a speculated) future performance with different cost/benefit metrics than exist currently. In essence, a PCP Business Case must focus on the economic arguments to conduct such a project.

Organizations working to fulfill a public mandate to deliver health and social services respecting certain cost and quality criteria mostly focus on staying on budget, cost optimization and better quality current services. Quality is however, still rarely interpreted as something that incorporates outcome and value considerations and metric that can justify alternative or new investments into new kind of solutions and service delivery patterns.

Among the key aspects of business model thinking is however a focus on what the customer values, how this value is best delivered to the customer and how strategic partners are leveraged in this value creation, delivery and realization exercise. However, while providing a good value proposition may help the firm 'get by', the really successful businesses of today are those able to reach the sweet-spot of business model scalability.

Learning curves establish the rate of improvement due to learning as producers realize direct labor cost improvements as production volumes increase, the learning rate represents a reduction in the cumulative average number of labour hours as production doubles from a previous level.

If learning occurs at a supplier during the performance of a purchase contract and the buyer does not take that into account, then the supplier will reap the financial benefits that result from learning. If learning occurs, the benefits must go somewhere—either into the supplier's profit line, or to the buyer's cost savings budget! In collaborative relationships, buyers and suppliers can work together to mutually share the benefits of learning curves and productivity improvements.



- **Recommendation 12:** PCP should look into the sustainability of the Business Model in order to make the participation of the supply side more lucrative. Pooling of demand and scalability should be realized both through cooperation among public organizations and through public and private demand pooling.  
The public sector service (business) model should also visualize and clarify the value creation processes for the public sector, concentrating on valid objectives such as:
  - the cost of innovation process and procurement against not innovating -> i.e. understanding the the State of Art (system level or service level) costs
  - system or service level cost savings
  - improved quality of services (less clinical errors, timelines, accessibility, better outcomes etc)
  - value for care personnel and patients (empowerment, inclusion, accessibility etc)
  - new, improved ways of delivery, use of eHealth and focus on outpatient care.
  - eventual economic and other societal benefits.
- **Recommendation 13:** Business case – service model (recommendations) is a necessary tool in a PCP. It reveals and defines possible pathways and opportunities. It also supports the PCP process work and acts as a benchmark tool for successful outcome. All relevant actors (procurers, management, healthcare personnel, end-users of the services and companies from the supply side) should be involved closely in the business case design process from the very start. This creates better chances that correct definitions will be created, that the R&D work runs into correct direction and finally that deployment and commercialization will also take place.
  - The healthcare providing organizations should be more closely involved from the start (both service and financial responsible persons) in evaluating business case challenges and opportunities – in case of cross-border action also jointly with their counterparts in other EU countries.
  - The business case/model should be defined in co-operation with companies and with the end users of the services.
  - The payers of the services, i.e. the commissioners or procurers should be involved more closely in the process and thus create better chances for deployment and commercialization.
  - The Business Case can be challenging to create taking into considerations national differences.
  - Should be used as a tool to guide the whole process analytically from all key perspectives (demand and supply side actors and end-users).
- **Recommendation 14: Financial considerations/ (External) financing of PCP/PPI activities**
  - Link Innovation Procurement and Venture Capital activities.
  - Create interest among investors and make late stage funding a part of a PCP / PPI process

All parties agree that business and financial competence is needed in the business model development and when evaluating proposals. Currently these kind of competence and not very strong in public organizations. Investor engagement is thus recommended as additional expert resource in the PCP/PPI. Investor engagement in a company could be seen as quality stamp itself and substitute the reporting of long term turnovers in the bidding process. The venture capital investors and business angels are very selective in choosing the company they are financing. Therefore for a public procurer the decision of venture capital investors should count as financial capability check.

## **(Other) Recommendations on effective EU policy initiatives that can help mainstream wider use of PCP and the link with potential follow-up PPIs across Europe.**

In the light of the recent adoption of new Directives on procurement as well as on concession contracts, the Member States have (until April 2016) the opportunity to coordinate and harmonize the transposal of the new rules into their national law relying on economic determinants of innovation procurement.

Alongside the latter the public procurement of and for innovation regulation requires radically new professional expertise. It would be advisable to provide general guidelines of “why, when and how” it should be implemented by the public sector, demonstrating the rational flexibility of design that is intentionally left in the hand of procurers and that is not equivalent to discretionary powers, because the contractual activity of a public administration remains subject to compliance with the general principles of the Treaty, specifically with the principles regarding the free circulation of goods, right of establishment, freedom to provide services, non-discrimination, equal treatment, mutual recognition, proportionality<sup>9</sup> ....

Although the transposition of the Directives correspond to each member state, the European Commission could provide general guidance and examples of the application of its provisions, in order to inspire the correct and coherent definition of vertical domain related guidelines (also for the health-care sector, with reference to INSPIRE initiative) at national levels. In order to provide a coordination and harmonization of implementation and joint/coordinated actions, Member States could provide their proper and vertical health-care domain related soft regulation, once they’ve implemented the content of the Directives.

**R1: Provide general guidelines with practical examples of application of the content of Public Procurement Directives, with particular reference to PCP combined with subsequent PPI, in health care sector.**

Funding programs like Horizon2020 represent a fundamental accelerator of the innovation procurement processes to encourage procurers to turn the risk aversion into a more normally functioning public procurement market in Europe. EU funding programs assign the right incentives: requiring the participation of at least 3 bodies from 3 member states, they intrinsically combine to determine a European market, to increase the contract power of the demand and by acknowledging a support to coordination activities they intrinsically create incentives for capacity building<sup>10</sup>.

As noted in INSPIRE debate, most breakthrough innovation takes place at the crossroads between different and unpredictable technologies: real procurers could become discouraged by the ‘theme fit’ requirement. The PCP and PPI approach doesn’t prescribe a technological development, so a solution to a public innovation need could fit in several themes.

As far as the PCP&PPI program is concerned, the current articulation in technical domain and themes, which are primarily aligned with existing EU research streams and priorities, could represent a significant barrier. These neither necessarily reflect the areas of public services improvement nor do they fully reflect the actual innovation requirements associated with societal challenges.

As noted, many innovations arise from a combination of a serendipitous and unique set of circumstances occurring simultaneously. The likelihood of these aligning in either scope or timing with an appropriate

<sup>9</sup> Sara Bedin, 2014, extract from the speech in the event “Digital Innovation for Regional Growth”, Thessaloniki (Greece)

<sup>10</sup> Sara Bedin, 2014, extract from the speech in the event “Digital Innovation for Regional Growth”, Thessaloniki (Greece)

active EU Call theme is low, and it is therefore considered that a new rapid-response mechanism for Public Procurers to draw upon a channel to EC PCP/PPI funding to support and develop such innovations would be highly beneficial. Currently the constraints of Theme Alignment, Call Timing, Submission process and adjudication delays are major disincentives to many in the public sector, especially those who operate on a fixed-year budget cycle.

PCP/PPI has a major 'opportunity cost' overhead. This combined with the supply side expectations as to process length, legal issues and revenue possibilities jointly create one of the major obstacles/problems for more wide spread PCP implementation.

A more open 'bottom-up' approach to projects is strongly recommended in order to ensure that the initiative achieves its genuine ambition and objectives. It will also make the marketing effort for the Innovation Procurement more efficient. Certain areas of developments represent special opportunities for EU economy growth because of the need for solutions: it is not recommended to convert these areas into new and narrow 'themes' and "topic". However, it could be highlighted in the call text that there would be a special interest for proposals addressing these challenges.

**R2: Increase the resource allocated and pursue a more open, bottom-up and service-oriented approach within the H2020 Innovation Procurement co-funding program.**

Interacting with stakeholders, we noticed an undue and spontaneous proliferation of interpretation on PCP legal and economic determinants that risk undermining the impetus for the internalization of innovation and consolidation/creation of EU single and wide markets.

In order to limit coordination and learning costs, especially in the case of joint and cross-border procurement undertaking, it seems to be necessary to provide qualified and certified expertise selected by the EC and organized as a "task force" for the accompaniment in the preparation and carrying out of PCP&PPI projects and strategies.

The target groups could be twofold: individual public procurers interested in innovation procurement and national policy makers.

**R3a): Because guidance and information are the key factors to mainstream wider use of PCP&PPI, it is recommended to set up a rigorous programme of high-value capacity building, coaching and mentoring specifically related to the health-care sector, and implement an experts certification programme for PCP and PPI in health-care sector, both backed up by a quality assured directly by European Commission.**

**R3b) - In parallel, the EC is recommended to set-up a certification program of competences on PCP and PPI and maintain a list of certified experts designated to create awareness and to provide practical support (guidance, training, awareness raising, competence development within public procurement units).**

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## (Other) Recommendations on effective emerging models that can help to optimize public spending, via value/outcome based service design and public procurement.

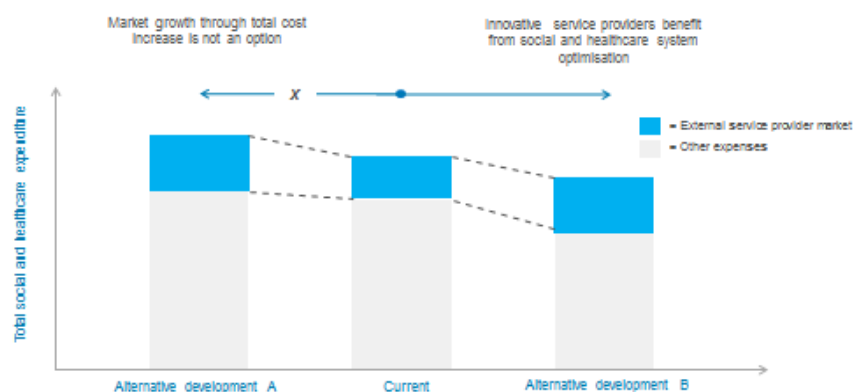
### Value / outcome based procurement (objectives, metrics, specifications and payment models) in health and social care services

**Hardly any of today's health and social care service providers has clear financial incentives to improve outcome or subjective value of caretakers (patients), therefore:**

- Objectives on increased value need to be aligned with provider incentives. The primary focus of social and health care professionals is to help their patients, but financial incentives set the frames of the operations.
- Provider incentives are primarily achievable through financial mechanisms. Current performance based reimbursement models applied in health and social care do not offer incentives to providers to for example reduce needs or overall costs for services. Rather, the incentive is to achieve an increased demand for their services.
- The objectives of any health or social care service must clearly be aligned with provider incentives, since provider incentives direct the results of the service.

The ultimate challenge is therefore to create provider incentives that both improve perceived quality of the caretakers and reduce service needs as well as overall social and health care costs for the payers, as illustrated in the figure below. If PCP/PPI can be used to achieve this it can really prove to be a useful instrument to acquire innovations. Due to the economic situation in the EU countries cost/benefit evaluation of any given procurement or service redesign exercise is of outmost importance generally. Please see below illustration of this:

#### What are the implications for external service providers in social and health care in a world of scarce resources?



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### Orientation to the concept of value

In order to be able to define value as a term and objective it is necessary to discuss the different interpretations and approaches to it.

### Definition of value and quality of care by Institute of Medicine (IOM):

Future Directions committee for the National Healthcare Quality<sup>11</sup> defines value as a measure of stakeholder utility (subjective preference by a group or individual) for a particular combination of quality and cost of care or performance output.

- Assessing value is not to be confused with measuring the efficiency of health care services, which refers to maximizing objective performance (health care outcomes) by producing the best possible outputs from a given set of resources or inputs
- While more difficult to measure and more subjective, **the broad concept of VALUE is ultimately the key overarching utility placed on health care** – and will thus be included in the IOM list of key aims with healthcare.

### Value based service design and procurement model (VABPRO):

This model developed by Nordic Healthcare Group (NHG) together with Nordic public sector organizations seeks to promote value overlapping with outcome by an innovative procurement process design. It takes into account both the commissioner perspective as well as the user/patient perspective. A foundation for this is obtained through identification of outcome and value metrics that are agreed to be overlapping.

In the identification of values overlapping with outcome, a dialogue with users/patients is often required on their needs and requirements to reach a thorough understanding of their perception of value, e.g. with user driven innovation methodology. The framed outcomes/values will then be used in a process of developing provider incentives. A critical step in this process is the identification of outcome/value metrics that can be used by the procurer. These metrics must be highly objective and linked to provider performance in order to be relevant. Established and validated instruments and analytical models are preferable and require less time to put in place. Regardless if the metrics are new or established, it is important that from all perspectives (commissioner, provider and user/patient) they are appropriate and trustworthy.

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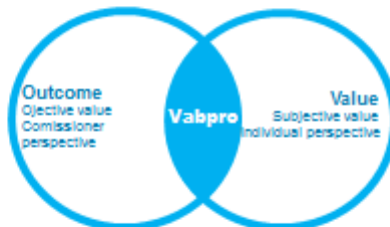
<sup>11</sup> <http://www.ahrq.gov/research/findings/final-reports/iomqrdrrreport/futureqrdrr3.html>)

The aim with VABPRO is to create system level Value :

### Value as defined in Vabpro

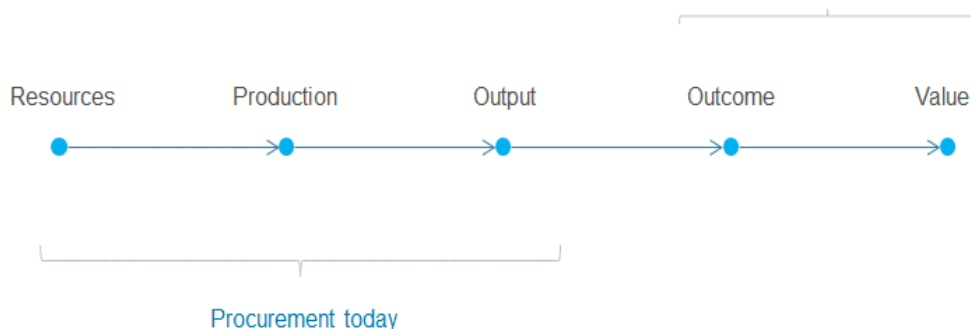


- VABPRO seeks to promote value overlapping with outcome by an innovative procurement process design taking into account both the commissioner perspective as well as the user/patient perspective. A foundation for this is obtained through identification of outcome and value metrics that are agreed to be overlapping.



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### VABRO ambition



### Aim of value based service design and procurement is a win-win-win situation

To allow for a systematic assessment of service solutions – proposed by suppliers - it is important to translate the desired effects into “operational” search criteria or/and actual value metrics, that can be evaluated. Depending on the activities and methods implemented the analysis results can be transformed into a description of user segments/profiles and listing of user specific functional requirements, directing the market dialogue and subsequent evaluation of service solutions.

Value based innovation should thus lead to a “win-win-win” situation for the payer, user and provider of the services (service system level cost/benefit, user value, business case) with following gains:

- Win.1: Cost-effective and high quality public services
- Win.2: Sustainable Service and Business models and new Business

- Win.3: Better user needs adopted services, incl. user engagement & empowerment and service adaptability

**Value based approaches are implementable in most social and healthcare services and can;**

- Support the user-centric development of new ICT / technology based services and drive their deployment
- Speed the scaling up of integrated and person centred care with innovative uses of ICT / eHealth
- Secure that the new solution is actually integrated into the existing or modified care concept and continuum.