Bwrdd Iechyd Prifysgol Hywel Dda University Health Board

PWYLLGOR CYLLID A PHERFFORMIAD
FINANCE AND PERFORMANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	30 June 2026
TEITL YR ADRODDIAD: TITLE OF REPORT:	Procurement Report
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas - Executive Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Gemma Deverill – Deputy Head of Procurement

Pwrpas yr Adroddiad (dewiswch fel yn addas) **Purpose of the Report** (select as appropriate)
Ar Gyfer Penderfyniad/For Decision

ADRODDIAD SCAA
SBAR REPORT

Sefyllfa / Situation

The purpose of this report is to inform Members of the:

1. Outcome of the following procurement exercises which have been undertaken on behalf of Hywel Dda University Health Board (HDdUHB). In line with Welsh Government approval procedures, the Health Board is required to approve the following new contract, as it has a cumulative contract value in excess of £1m over the term of the contract for HDdUHB.
2. Set out the proposed approval arrangements for procurement activity within HDdUHB, including delegated authority in the absence of the Deputy Head of Procurement.

Cefndir / Background

1. Procurement Outcomes:

Electronic Document and Records Management System (EDRMS) Renewal

Proposed outcome

Duration of Contract	Supplier	Current Annual Contract Value (Ex VAT)	Proposed Annual Value of New Contract (Ex VAT)	Proposed Total Value of New Contract (Ex VAT)
01 September 2026 to 31 March 2032 with an option to extend to 31 March 2034	TBC - This will be confirmed post FPC and will be included within the Board paper.	£248,128.54	TBC	TBC

Minor Oral Surgery

Proposed Outcome

Duration of Contract	Supplier	Current Annual Contract Value (Ex VAT)	Proposed Annual Value of New Contract (Ex VAT)	Proposed Total Value of New Contract (Ex VAT)
01 October 2026 to 30 September 2031 with an option to extend to 30 September 2036	TBC - This will be confirmed post FPC and will be included within the Board paper.	N/A	£506,000.00	Initial Contract Value £2,530,000.00 Total Inc Extensions £5,060,000.00

Outsourcing of Ophthalmology

Approval is sought to commence procurement activity for the Outsourcing Ophthalmology requirement:

Duration of Contract	Supplier	Current Annual Contract Value (Ex VAT)	Proposed Annual Value of New Contract (Ex VAT)	Proposed Total Value of New Contract (Ex VAT)
01 August 2026 to 31 July 2028, with no option to extend	N/A	N/A	£6,000,000.00	£12,000,000.00

2. Procurement Plan for 26/27

The Health Board's Procurement Plan for FY26/27, detailing key strategic projects, regulatory changes, governance developments, and operational priorities.

3. Approval arrangements

In order to support effective and resilient procurement governance within Hywel Dda University Health Board, and recognising the importance of maintaining timely decision-making, it is necessary to establish clear and robust approval arrangements. This includes the ability to draw on regional expertise and capacity where required to ensure continuity of service

Asesiad / Assessment

1. Procurement Outcomes:

Proposed outcome for the tender exercise: Electronic Document and Records Management System (EDRMS) Renewal.

HDdUHB Digital Directorate are looking to award a contract to renew/replace their current EDRMS which expires in March 2027. The EDRMS is an essential system housing clinical patient records, some of which are exclusively stored within this system, and are not accessible through other platforms or physical records, which may have been destroyed as part of the digitisation process. As a result, continued access to this system is essential for safe, effective clinical care.

The system is used to store and manage patient records, whilst supporting a wider strategic programme of digitalisation of the Health Board's documentation and becoming a paper light organisation. This requirement is vital for ensuring that information and data follow the patient in their journey within NHS Wales as smoothly as possible, and that continuity of care is maintained. Any interruption or loss of access would present significant clinical, operational and legal risks.

This contract presents a key pillar to an integrated Digital Health Record (DHR), with long term intentions towards accessibility for both clinicians and patients and will be the foundation that all other clinical solutions will be built upon. It will allow clinicians to share patient information from multiple locations to both support and expedite decision making and provide better quality care.

Due to the scale of data held within the system, a significant handover/implementation period is essential. The new system will enable clinicians to access complete, accurate, searchable records at the point of care, from any location, and will support simultaneous access for multiple users. This will reduce operational inefficiencies, improve patient safety and support integration with national systems as part of the Health Boards digital transformation strategy.

A mini competition exercise was undertaken utilising the London Procurement Partnership (LPP) Framework for Digital Document Solutions under Lot 6 EDRMS Solutions. Following the deadline of the mini competition, three (3) bids were received, and an evaluation of technical, social value, and commercial bid responses was undertaken which was followed by subsequent demonstration sessions to confirm system functionality and provide confidence in delivery. The recommendation is to award the contract to the highest ranked provider and achieve a saving which will be reinvested by Digital Services within the EDRMS project to make sure it is successful and delivers maximum value for the Heath Board as a learning taken from the previous contract.

The contract term will be from 01 September 2026 to 31 March 2032, with an option to extend until 31 March 2034.

Proposed outcome for the tender exercise: Oral Surgery

HDdUHB seek to establish a contract to satisfy the requirements for the delivery of Oral Surgery (OS) services within Primary Care and/or Community settings for patients aged 16 and over residing in the HDUHB area. The service aligns with Welsh Government policy to strengthen community-based care and reduce reliance on secondary care for appropriate OS needs.

The OS service will provide treatment for residents in Carmarthenshire, Ceredigion, and Pembrokeshire. A competitive procedure was undertaken under The Health Services (Provider Selection Regime) (Wales) Regulations 2025 on a lotted basis, with a lot per county. Providers were invited to submit bids for one or more lots.

Following the receipt of bids, Lot 1 (Carmarthenshire) received seven (7) bids, Lot 2 (Ceredigion) received six (6) bids, and Lot 3 (Pembrokeshire) received seven (7) bids. An

evaluation panel including clinical representation will evaluate the technical, social value and commercial criteria.

A recurring fixed budget of £506,000.00 ex VAT per annum has been allocated to deliver the service, with Carmarthenshire receiving £195,811.10 ex VAT per annum, Ceredigion receiving £83,057.31 ex VAT per annum, and Pembrokeshire receiving £227,131.59 ex VAT per annum.

Confirmation of awarded provider(s) will be included within the Board paper.

The initial contract term will be from 01 October 2026 to 30 September 2031, with an option to extend for a further five (5) years, by way of three (3) plus two (2) years.

Proposed Direct Award exercise: Outsourcing Ophthalmology

HDdUHB seeks approval to commission outsourced ophthalmology services to support delivery against the Welsh Government Eye Care Measures and to mitigate current capacity constraints within ophthalmology services. The requirement will cover a range of sub-specialties including, but not limited to, Cataracts, Intra-vitreal therapy, Vitreo-retinal (VR) surgery, and Ocular Plastics. An estimated volume of up to 6,000 referrals will be delivered on a up to two (2) year contract period, with an in-built break clause after year one (1) to manage performance, affordability, and service need.

The proposed Direct Award will be facilitated through the Countess of Chester Hospital (COCH) Framework Agreement for Insourced and Outsourced Clinical Services, Lot 2. The anticipated provider has submitted framework pricing below the NHS Payment Scheme (National Tariff), consistent with outcomes from previous ophthalmology procurements undertaken between 2023 and 2026, where market testing demonstrated that intended supplier is able to deliver ophthalmology services at or below tariff rates. This provides assurance that the proposed rates are commercially competitive, benchmarked, and sustainable.

The proposed award will rationalise outsourced ophthalmology activity into a single contractual arrangement, enabling:

- Improved clinical governance and oversight
- Stronger performance and quality management
- Greater consistency of clinical pathways and patient experience

It should be noted that this is a zero-commitment contract, permitting expenditure up to a maximum value of £12,000,000.00 over the contract term. This ensures the Health Board retains full control over activity volumes and spend, commissioning only what is required to meet patient need and performance priorities.

The proposed contract term will run from 01 August 2026 for up to 24 months with no further option to extend.

2. Approval arrangements

It is noted that approval for all procurement-related documentation within HDdUHB, covering approval to proceed, award decisions, and ongoing contract management will rest with the Deputy Head of Procurement (HDdUHB). In their absence, delegated authority to approve may be exercised by the Deputy Head of Regional Procurement (HDdUHB & Swansea Bay University Health Board (SBUHB)), the Head of Procurement (SBUHB) and/or the Assistant Head of Procurement (SBUHB).

This approach reflects a commitment to strengthening regional collaboration across Health Boards, utilising established relationships to enhance procurement resilience and capability. The arrangements are intended to provide reciprocal support, delivering benefits across all organisations involved.

Argymhelliad / Recommendation

Finance and Performance Committee (FPC) is asked to scrutinise and recommend for Board to:

- **APPROVE** the award of the Electronic Document and Records Management System (EDRMS) Renewal contract from the 01 September 2026 to the 31 March 2032 with an option to extend to 31 March 2034 at a total contract value of £1,244,903.00 ex VAT. This contract will have onwards submission to HDdUHB Public Board, Velindre NHS Trust (as hosts of NHS Wales Shared Services Partnership) and Welsh Government for approval.
- **APPROVE** the award for Oral Surgery contract for five (5) years from 01 October 2026 to 30 September 2031 with the option to extend for a further five (5) year, by way of three (3) plus two (2) years, with total contract value of £5,060,000.00 ex VAT. This contract will have onwards submission to HDdUHB Public Board, Velindre NHS Trust (as hosts of NHS Wales Shared Services Partnership) and Welsh Government for approval.
- **APPROVE** the commencement and subsequent award of the procurement process for Outsourcing Ophthalmology contract for up to two (2) years from 01 August 2026 to 31 July 2027 with no option to extend, with total contract value of up to £12,000,000.00 ex VAT. This contract will have onwards submission to HDdUHB Public Board, and Velindre NHS Trust (as hosts of NHS Wales Shared Services Partnership). This requirement does not require Welsh Government approval.
- **APPROVE** the approval and delegated authority arrangements for procurement activity within HDdUHB.

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	Not Applicable
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	Not Applicable
Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com)	7. All apply
Galluogwyr Ansawdd: Enablers of Quality: Quality and Engagement Act (sharepoint.com)	6. All Apply

Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Amcanion Cynllunio Planning Objectives	Not Applicable
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022	9. All HDdUHB Well-being Objectives apply

Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Not Applicable
Rhestr Termau: Glossary of Terms:	Not Applicable
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Adnoddau Cynaliadwy: Parties / Committees consulted prior to Sustainable Resources Committee:	Not Applicable

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Not Applicable
Ansawdd / Gofal Claf: Quality / Patient Care:	Not Applicable
Gweithlu: Workforce:	Not Applicable
Risg: Risk:	Not Applicable

Cyfreithiol: **Legal:**	Not Applicable
Enw Da: **Reputational:**	Not Applicable
Gyfrinachedd: **Privacy:**	Not Applicable
Cydraddoldeb: **Equality:**	Not Applicable

Value-Based Procurement in healthcare:

What is it, why now and how?

Swansea University Prifysgol Abertawe
School of Management
Yr Ysgol Reolaeth

Academiau Dysgu Dwys Cymru
Intensive Learning Academies Wales

Value-Based Procurement in healthcare: What is it, why now and how?

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Value-Based Procurement is no longer just an interesting idea: it is being used for healthcare procurement in many countries, including the UK. Value-Based Procurement is also a key enabler for Value-Based Healthcare. But what is it exactly, why is it important, and how is it done?

Most health systems are under significant pressure from ageing populations, rising complexity of care and comorbidity, constrained budgets and shortages of staff for the current models of care delivery. Whilst costs are rising steeply, population and individual health outcomes are not rising in step: for example, in the UK, Healthy Life Expectancy is falling for the first time in generations[1].

Value-Based healthcare

These challenges are leading Policymakers and Healthcare Providers to rethink how they get more from the healthcare resources they already have available to them. There is growing international adoption of the principles of Value-Based Health Care (VBHC), first described 20 years ago, with its focus on improving the outcomes of care at the lowest possible cost;[2] increasing the value of healthcare and, as a consequence, improving the economic sustainability of healthcare systems.

VBHC requires review of how resources are used and where they are allocated across the whole patient pathway. The value of each step or intervention can be maximised to create higher value for the patient and the system: this includes the use of medicines, medical devices, diagnostics and digital technologies, all of which must be procured.

Outcomes that matter

At its heart, Value-Based Healthcare is about establishing and measuring the outcomes that matter most to the person receiving care ("the patient" or "service user") relative to the overall cost of achieving those outcomes; recognising that this may be as a result of a series of care activities ("a pathway") rather than a one-off intervention.

Perhaps surprisingly, health systems historically have prioritised the measurement of activity volumes and inputs and not the measurement of outcomes, beyond patient survival and harm. There has been very limited attention paid to the health gain achieved at a personal or population level from the substantial human and financial resources invested. Clinicians have tried to compensate for this system-level information deficit with their own audits and registries of clinical outcome data: the National Joint Registry[3] in the UK or the Swedish Quality registers, which collect outcomes captured by clinicians (Clinician Reported Outcome Measures – CROMs), are good examples of this[4].

Patients care about clinical outcomes, of course: did their surgical wound heal as planned? Will their new hip last as long as promised? But they care about many other types of outcomes too. A patient with advanced cancer may prioritise quality of life and time with their family in their last few weeks over a short extension of life from further intensive oncology treatments. A person with an arthritic knee may choose to continue with weight loss, exercises and painkillers rather than undergo knee replacement, if having surgery means they could no longer pursue a particular sport or activity that they enjoy. Knowing about these person-centred outcomes is best achieved by asking the patient themselves; Patient Reported Outcome Measures (PROMs).

What else is important?

Health Resource Utilisation

Different interventions impact on the use of health resources differently, and this can be measured too. A procedure carried out as a day case (ambulatory care) uses fewer hospital resources than an in-patient stay: community-based breathing classes can reduce the number of inhalers a patient with chronic lung disease may have prescribed for them. Changing the way care is delivered can increase technical value (efficiency) and this too can be enabled by technologies such as remote monitoring and innovative diagnostics.

Value-Based Healthcare brings these different types of outcomes together to create person-centred, "holistic" outcome sets that can be measured and matched to the total cost of their care, allowing relative value for different steps in their care and different treatment options to be determined. The International Consortium of Health Outcomes Measurement (ICHOM) has supported the development of sets of Patient-Centred Outcome Measures (figure 1) for many major health conditions and for different general life course points[5].

Figure 1: The set of Patient-Centred Outcomes Measures for people with Inflammatory Bowel Disease incorporating Clinical Outcomes, Patient-Reported Outcomes and measures of Health Resource utilisation. *(Source ICHOM.org)*

Environmental Outcomes

There are other outcomes of care that increasingly are being considered in the value equation. We know that healthcare globally contributes an estimated 4.4% of Global Greenhouse Gas emissions[6]: ironically causing significant illness and harm to some populations in the process of making others better. The majority of GHGs and other pollutants in health come from transport (patients, staff, goods), operating theatres (heating, anaesthetic gases, plastic waste) and medicines (manufacture, distribution and waste). Increasingly health systems are estimating or measuring environmental impact and making decisions about treatment that reduce adverse environmental damage.

Societal and Fiscal Value Impacts

In the context of constrained national resources there is increased interest in the wider societal impacts of healthcare such as national productivity and fiscal measures at a Governmental (macro) level. Sickness absence, retiring early due to ill health, disability or premature mortality have a direct impact on tax revenues, financial support and pension payments. Health interventions that mitigate these adverse outcomes can improve earning potential, defer retirement decisions and increase individual productivity at work[7]. If the impacts of illness on informal carers and family members, who may have to stop working themselves, receive carer benefits and reduce their personal expenditure, is considered, the fiscal value of improving someone's health is amplified. Fiscal value could be important when considering the merits of some very high-cost technologies such as Advanced Therapeutic Medical Products (ATMPs).

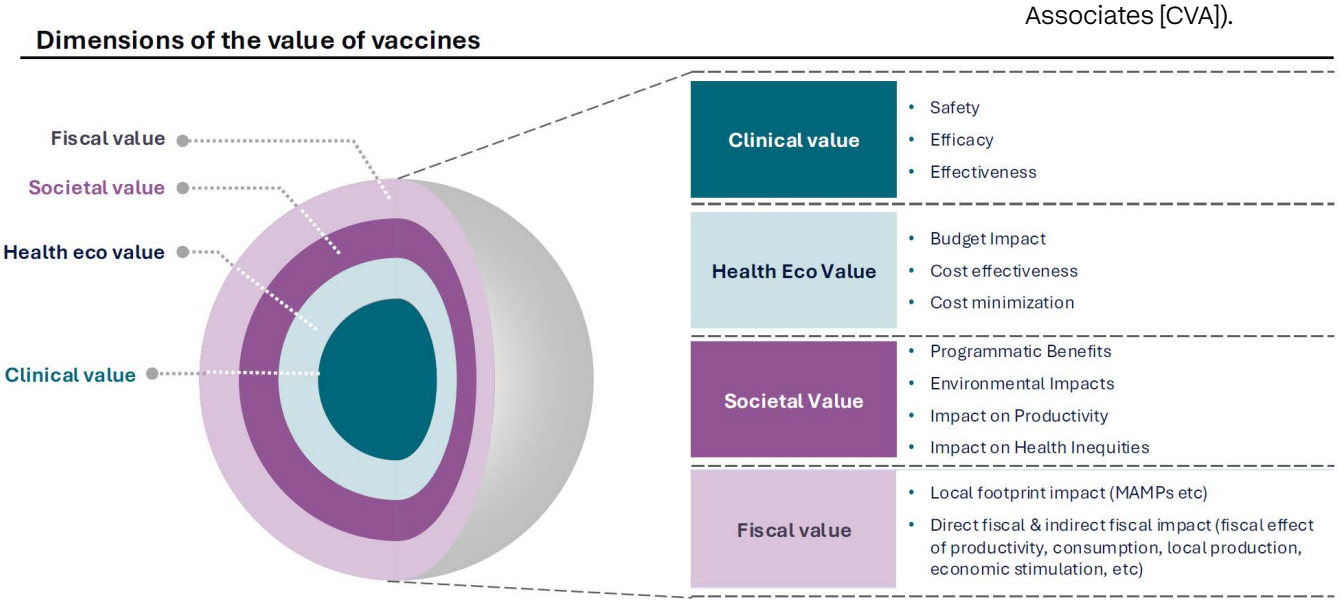

Figure 2: Value of medicines: The value dimensions of medicines are increasingly considered in a holistic approach, from clinical value to local footprint impacts (Source Corporate Value Associates [CVA]).

What has this got to do with Value-Based Procurement?

Healthcare is a complicated ecosystem with many actors, all of which need to be aligned if the healthcare system is to be Value-Based (figure 3).

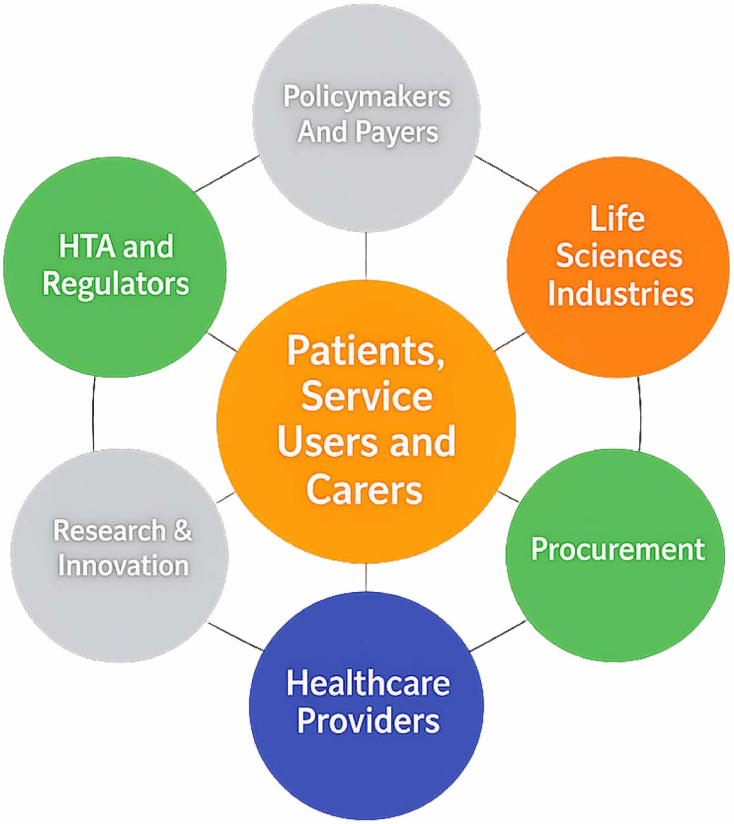

Figure 3: Actors in the Health Ecosystem. If the system is to be Value-Based, all need to share the objective of achieving better health outcomes from the resources invested.

Public procurement represents around 15% of total government expenditure in OECD-EU countries of which healthcare accounts for between 30-40%[8]. Procurement of medicines, medical technologies and digital healthcare is a significant proportion of overall health expenditure: typically the largest amount after salaries and wages of staff have been paid. Procurement in healthcare is therefore a powerful financial lever and can be a critical enabler of VBHC, because it determines which technologies enter the system and how key financial resources are allocated.

However, historically procurement has been the "go to" place for financial savings and the consolidation of purchasing power through Group Purchasing Organisations (GPOs) and Central Purchasing Bodies (CPB) has accelerated a price-reduction-led approach. Procurement has become a transactional and sometimes adversarial activity to purchase a product at the lowest price. In the EU over 60% of all Medtech tenders use only price as the evaluation criterion[9]. Whilst in the short term this may appear desirable, it devalues the impact of the purchased solution on the clinician, patient pathway and patient outcomes.

There is growing recognition that the cheapest does not always create the highest value for the patient or health system and is inadequate for delivering high-quality and financially and environmentally sustainable care. A cheaper technology or solution that fails to meet a patient's needs or leads to more patient complications, longer hospital stays, or increased clinician workload and "rework" ultimately costs the system more. Conversely, a higher priced innovation that helps achieve the outcomes that matter to the patient, reduces readmissions or improves patient experience may deliver far greater value when the whole care pathway is considered. In addition, if tenders are evaluated only or mostly on price, then there is little incentive for industry to develop innovative solutions to address the real challenges facing healthcare today. A race to the bottom can reduce suppliers in the market and competition on functionality and improved outcomes.

Defining Value-Based Procurement

Value-Based Procurement (VBP) has emerged as a promising strategic alternative. Rather than awarding contracts solely on price or even the total cost of ownership (TCO), VBP evaluates the *total value* a product, service or solution delivers across the care pathway. This includes patient outcomes (CROMs and PROMs), patient and clinician experience (PREMs and CREMs), operational efficiency (technical value) and long term cost effectiveness and moves the conversation from TCO to Total Cost of Care (TCC).

The EU Alliance for Value in Health defines Value-Based Procurement as "involving making purchasing decisions that consider how a product or solution can best deliver the outcomes being measured and reduce the total cost of care – rather than focusing exclusively on purchasing a specific product at the lowest possible price"[10].

Traditional Procurement	Value-Based Procurement
Focus on lowest price	Focus on outcomes + TCC
Short term savings	Long term value
Transactional	Strategic and collaborative
Product centric	Pathway centric
Limited supplier engagement	Early and ongoing engagement
Risk borne by purchaser	Shared risk and reward

Table 1: Comparison of characteristics between traditional and Value-Based Procurement approaches

Traditional procurement can unintentionally incentivise low quality products, fragmented care, and higher long term costs. VBP seeks to correct this by aligning incentives with outcomes.

In practice, VBP can consider:

- **Clinical outcomes** (e.g., reduced complications, faster recovery)
- **Patient reported outcomes and experiences (PROMs/PREMs)**
- **Technical Operational efficiency** (e.g., reduced theatre time, fewer readmissions, steps removed from a pathway)
- **Total cost of ownership** (TCO: maintenance, training, consumables, disposal)
- **Total cost of care** (TCC: across the whole patient pathway)
- **Environmental and social value** (Energy efficiency, decreased GHG emissions, reduced clinical waste, ethical supply chains, foundational economy)
- **Potential for Innovation and pathway transformation**

Policy Environment for VBP in the UK and Europe

Public Procurement is highly regulated. Following the UK's exit from the European Union ("Brexit") the legislative framework is now different in the UK and the EU, creating greater opportunities for Value-Based Procurement.

European Union

The current EU framework is collectively known as the 2014 EU Public Procurement Directives, implemented in 2016 comprising:

- **Directive 2014/24/EU** on public sector procurement
- **Directive 2014/25/EU** on procurement in utilities (water, energy, transport, postal services)
- **Directive 2014/23/EU** on the award of concession contracts

These directives form the backbone of EU procurement law and are implemented in national legislation across all Member States. They replaced the 2004 directives. Importantly, they introduced the concept of MEAT (Most Economically Advantageous Tender) as the default award mechanism, enabling non-price criteria such as quality, sustainability, and lifecycle costing to form part of procurement tenders. Where it is used, MEAT is mostly applied to Med Tech procurement, although there are examples from Norway and elsewhere of its application for medicines and vaccines and Advanced Therapeutic Medical Products (ATMPs) such as "gene therapies".

The European Commission is undertaking a structured review of the 2014 framework[11], motivated by concerns that the current rules have not delivered expected improvements in competition, strategic procurement, or cross border participation and that price criteria continue to dominate public awards. The review aims to provide greater clarity and incentives for non-price criteria to be used in public procurement. It is expected to take until the end of the decade for this to have a full effect.

United Kingdom

The United Kingdom introduced the Procurement Act (2023)[12], which created four statutory objectives for contracting authorities:

- Value for money
- Maximising public benefit
- Sharing information for transparency
- Acting with integrity

These objectives move procurement away from a narrow price dominant model and towards multi dimensional value, which aligns well with Value-Based Procurement. In the Act, "Value for money" is explicitly defined in a way that allows quality, outcomes, and long term benefits to be considered, not just lowest price. There is a mandate for contracting authorities to consider broader definitions of value, including patient outcomes, lifecycle cost, sustainability, and innovation.

The Act replaces the EU's rigid procedural options with a highly adaptable mechanism: the **Competitive Flexible Procedure (CFP),** which allows procurement professionals to design a procurement process tailored to the market, including:

- Iterative dialogue
- Negotiation
- Staged evaluation
- Outcome based specifications
- Innovation friendly approaches

This change is a major enabler of VBP because it allows:

- Co-design with suppliers
- Testing of outcome metrics
- Negotiation of risk sharing or performance linked payment models
- Market shaping for innovative medtech or digital solutions

The Act also moves the UK away from the principle of **MEAT** (Most Economically Advantageous Tender) to **MAT** (Most Advantageous Tender) that both satisfies the contracting authority's requirements and is the best tender in respect of the award criteria when undertaking a competitive tendering procedure.

The explicit removal of 'economic' in the change from MEAT to MAT is to make it clear that the focus for awarding contracts does not have to be the lowest price or that price/cost must always be weighted higher than non-price factors. MAT does allow for assessment of the lowest price only, but contracts awarded on the basis of MAT would usually be determined on the basis of a wide range of factors – this may include price and quality criteria in addition to wider social and environmental issues, where that is decided to be relevant for the best solution or is mandated by Government or other authority as it is in many countries.

Digital Procurement

The UK Government also has positioned digital procurement in an outcome oriented, innovation enabling policy framework. With health policy direction in England and the devolved nations of "analogue to digital", "digital front door" and "digital first" and the rapid expansion of AI use cases, this is very significant for healthcare. The UK Cabinet Office's *Transforming Public Procurement – Our Innovation Ambition* (2023)[13] emphasises that contracting authorities should adopt innovative digital solutions "when those offer the best outcomes," supported by the Procurement Act 2023's flexible procedures and statutory objectives of value for money, public benefit, and transparency.

The UK Government Digital Service (GDS) and HM Treasury's joint programme *Changing how we fund digital work to focus on outcomes*

(2025)[14] proposes incremental, performance linked funding models for digital and data initiatives, explicitly piloted in HMRC. These reforms collectively reorient digital procurement away from upfront capital expenditure (Capex) and towards iterative delivery, measurable user outcomes, and long term public value. In doing so, they create a governance environment highly aligned with Value-Based Procurement, enabling contracting authorities to evaluate digital technologies based on lifecycle value, performance, outcomes and impact rather than lowest initial cost.

How to Implement Value-Based Procurement

For VBP to be successful requires a different approach, based on a more collaborative relationship between procurement professionals and suppliers, whilst retaining the appropriate safeguards for competition. VBP should be about procuring solutions that improve outcomes and solve problems rather than just "buying/selling products". There is often a need to consider the wider pathway of care, not just the point of use of the technology, to ensure that the greatest value is achieved from it. Would it be better to deploy the solution earlier in the pathway? Exactly which patients will be likely to benefit and does the pathway ensure those patients get access to it? Are there patients who should not be offered the intervention?

An important change is the need to engage with stakeholders (figure 4), particularly clinicians, but potentially patient representatives, from the outset and at other stages throughout the procurement cycle. The implications of this are discussed later. A structured approach is required[15,16].

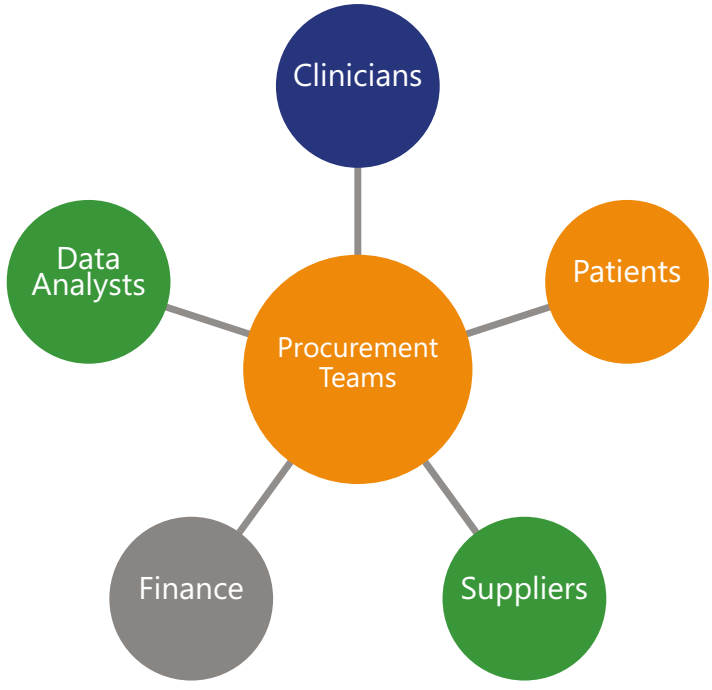

Figure 4: VBP requires engagement with a potentially wide range of stakeholders to be successful

A Structured Approach to Value-Based Procurement

A six-Step approach ensures that all requirements for a successful procurement have been addressed.

Step 1: Define the Problem and Desired Outcomes

Before engaging suppliers, organisations must clearly articulate:

- The clinical or operational problem
- The outcomes they want to achieve
- How those outcomes will be measured
- Which stakeholders need to be involved

Stakeholders might include:

- Clinicians
- Patients and carers
- Procurement professionals
- Finance teams
- Data analysts
- Suppliers (at the appropriate point)

Example: instead of just specifying “a wound dressing”, specify “a solution that reduces healing time, infection rates, pain and nursing workload/patient visits for community patients with venous ulcers”.

Step 2: Develop an Outcome Based Specification

Traditional specifications focus on technical features. VBP focuses on *functional* and *outcome based* requirements.

Example: Traditional: “Device must weigh < 2kg.” VBP: “Device must enable one handed operation and reduce procedure time by 20%.”

Outcome based specifications encourage innovation and avoid over prescribing technical details.

Step 3: Engage the Market Early

Early supplier/market engagement is essential for VBP.

Activities may include:

- Market sounding/Open Market Consultation

“Outcome Based Contracts (Outcome-Based Agreements) align incentives between purchasers and suppliers to ensure the highest value for patients.”

- Supplier days
- Innovation challenges
- Co-design workshops

Benefits:

- Suppliers understand the desired outcomes clearly and that these are important
- Purchasers understand what is technically feasible and what outcomes have been used elsewhere
- Builds trust and transparency

Step 4: Evaluate Value, Not Just Price/TCO

Evaluation criteria should reflect the full value proposition.

Common methods:

- Weighted scoring models
- Multi Criteria Decision Analysis (MCDA)
- Cost utility or cost effectiveness analysis
- Real world evidence review

Step 5: Contract for Outcomes

Outcome-Based Contracts (Outcome-Based Agreements) align incentives between purchasers and suppliers to ensure the highest value for patients. This is a Win-Win-Win approach.

Types of contracts:

- Risk sharing agreements
- Gain share models
- Pay for performance
- Innovation partnerships

Example: A supplier receives additional remuneration if their device reduces readmissions by 15% (bonus design) or a supplier pays a rebate if the outcomes agreed are not met fully (malus design). It is typical to cap the payment variance in either direction to reduce instability and risk to all parties and build trust.

Provision for significant unanticipated pathway changes in mid-contract (e.g., a change from a hospital to a community setting; a new technology is introduced in the pathway) or unforeseen events (e.g., COVID-19) should be included in the spirit of partnership to avoid unwarranted penalties for either party. This could include regular contract review points in the design.

Step 6: Monitor, Evaluate, and Improve

VBP requires ongoing performance monitoring.

Key elements:

- Clear KPIs
- Data collection, sharing and interoperability
- Regular review meetings
- Continuous improvement cycles

Digital tools (dashboards, analytics platforms) can support real time monitoring. It is important to establish ways of sharing outcome and contract performance data appropriately with the supplier. Some systems have used trusted third-party intermediaries for this, whilst others use pseudonymised and aggregated data sharing agreements. Blockchain-based data platforms can avoid the need to move data across boundaries and ensure auditable data flows.

This is a new way of working, and it requires suppliers, procurers and providers to capture and share learning with each other to improve processes and replicate successful approaches. There are also education and training needs to introduce VBP at scale.

The Approach for NHS England

The UK Department of Health and Social Care (DHSC) have co-created a VBP approach for Med Tech and Digital Tech procurement with industry, procurement professionals, providers, academia and other stakeholders (figure 5). This has been undergoing real-world testing and evaluation and is expected to be rolled out as “business as usual” in NHS England from Summer 2026.

It is designed to embrace the principles of VBP and MAT fully, whilst providing some degree of standardisation (to avoid suppliers having to respond to large numbers of entirely bespoke tenders), whilst retaining local flexibility for procurement teams to meet their specific needs and solution requirements.

Procurers select from up to five value domains and their weighting for the solution to be procured (always including at least 10% for social value and an overall weighting for value of *at least* 60%) and include the

appropriate questions to use from a standardised national question bank for each domain. Price or cost must be weighed at *no more than* 40% and uses a standardised Whole Life Cost measure.

Figure 5: Five Value Domains and Cost used to evaluate tenders. Minimum 60% for value (including the mandated minimum of 10% on social value) and a maximum 40% on cost (WLC). Source: UK Department of Health and Social Care, Medtech and Innovation Directorate.

Value Domains (60%+)

- Social Value (mandated 10%+). Generate wider social and environmental benefits
- Efficiency. Improves the patient pathway
- Patient and Staff. Supports better outcomes, experience and safety
- Supply chain. Has a resilient supply chain
- Purpose. Meets the specification

Cost (max 40%)

- Whole Life Cost

What does VBP mean for different stakeholders

Procurement Professionals

This is a very different approach to procurement, both technically and culturally. There is likely to be a need for training in outcomes measurement, tender design, economics, patient outcomes, data sharing and stakeholder engagement. Specifically working closely with clinical colleagues throughout the procurement process: from need identification, patient cohort specification, agreeing on appropriate outcomes to include, evaluating tenders, monitoring contract

performance and interpreting outcomes data. It may also be necessary to establish patient advocacy/representative groups and to understand how to engage with suppliers in a more collaborative way.

VBP allows procurement professionals to transition from "back-office" transactional teams focused on price saving to being part of the core value, sustainability and innovation functions of the health system.

Clinicians

Most clinicians will have little knowledge of procurement regulations, legislation or processes, let alone Value-Based Procurement and they may be very unfamiliar with collaborating with procurement teams. This is a knowledge gap that must be addressed as well as a cultural shift required towards partnership with procurement professionals, with each bringing their specialist expertise to the procurement. There is also a need for clinicians to prioritise and measure outcomes that matter to their patients and to ensure that these are captured, interpreted and shared to support effective contract management.

Patients

Patients may be asked to help identify needs to be met and outcomes that should be measured. They will need to be educated in procurement processes and where they can (and cannot) inform the procurement and decision-making. They may require specific support to participate in patient panels and learn how they can represent patient cohorts and not just their own lived experience. Appropriate compensation for their time and costs must be considered.

Data analysts, Informaticians and contract management

There may be little experience of Outcome-Based Agreements and the need to capture and analyse outcome measures to underpin the contract management and payments. Specific data flows from different sources may be required, and bespoke reports established. There will be a requirement to share data about contract performance with the industry supplier in a way that is compliant with GDPR or UK GDPR, and Information Governance expertise may also be required in the design of these data flows.

Long-term outcomes and other data monitoring will be required throughout the life of the contract, with the potential to vary reimbursement/payments as contract performance changes over time. Legal expertise in innovative procurement contracting will be helpful until core teams become familiar with this change in approach.

Industry Suppliers

Value-Based Procurement is a big change, technically and culturally, for suppliers as it is for procurement teams. Establishing trusted relationships and having the knowledge and expertise in suppliers will be critical to success. This applies not only to customer-facing teams (sales, market access, etc.) but across many other departments in the

> “Value Based Procurement represents a fundamental change in how health systems conduct purchasing and use the powerful financial lever of procurement.”

business, such as finance, legal, marketing, supply chain and executive teams, to ensure that the supplier is “internally ready” to flourish with this different approach and market environment. This readiness is described as Value-Based Supply[17], and we have developed a self-assessment tool for companies to assess their own readiness against key domains and benchmark against industry norms.

Conclusion

Value-Based Procurement represents a fundamental change in how health systems conduct purchasing and use the powerful financial lever of procurement. By focusing on outcomes, total cost of care and long term value, VBP offers a route to more sustainable, patient centred, and innovative healthcare and can help accelerate Value-Based Healthcare more generally across health systems. VBP also places procurement professionals, working with clinical colleagues at the heart of service transformation and system sustainability. For industry it incentivises innovation and provides opportunities to contribute to solving the problems and challenges facing healthcare.

The transition requires cultural change, new skills, and better data – but the potential benefits are significant. As pressures on health systems intensify, VBP is not just a procurement strategy; it is a strategic imperative.

Acknowledgements

I am grateful to the International Consortium of Health Outcomes Measurement (ICHOM) for permission to use figure 1, to Corporate Value Associates (CVA) for use of figure 2 and the MedTech and innovation Directorate, UK Department of Health and Social Care (DHSC) for figure 5.

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