The Norwegian healthcare system and Market

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Todays presenter

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19 years experience within healthcare to Hospitals and primary healthcare, as the CEO for SEBO AS and Puls AS (www.puls-norge.no)

4 years experience within the rehab business, as the CEO for Handicare AS, and 2 of this years as the Nordic manager for Handicare group.

6 years in the board of directors in LFH the trade association for the medical technology industry in Norway. 5 of this years as the Chairman of the board.
The Norwegian healthcare system

The health system in Transition

Norway’s five million inhabitants are spread over nearly four hundred thousand square kilometres, making it one of the most sparsely populated countries in Europe.

Overall, Norway’s population enjoys good health status; life expectancy of 81.53 years is above the EU average of 80.14, and the gap between overall life expectancy and healthy life years is around half the size of the EU average.

The Norwegian health care system can be characterized as semi-decentralized.

The responsibility for specialist care lies with the state since 2002, administered by four Regional Health Authorities (RHAs).

Municipalities are responsible for primary care and enjoy a great deal of freedom in organizing health services (though counties provide dental care).

The Ministry of Health is in charge of regulation and supervision of the system, but many of these tasks are delegated to various subordinate agencies, such as the Directorate of Health and the Norwegian Medicines Agency.
Overview of the health system

Parliament

Government

Ministry of Health and Care Service

National Insurance Scheme (NAV)
Rehab products

428 Municipalities

18 Counties

4 Regional Health Authorities

Primary care providers
41,309 beds (2011)

Dental Care providers

27 Hospital trusts

100 Hospitals
20,778 beds (2011)

The Directorate maintains two official registers: a register of medical devices and a reporting system for technical failure and adverse events.
The hospital market
Public procurement of medical supplies in Norway takes place at different levels – National and regional focus is on consumables

<table>
<thead>
<tr>
<th>Authority</th>
<th>Description</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of health and care services</td>
<td>Helse- og omsorgsdepartementet is the government ministry in charge of health policy, public health, health care services and health legislation in Norway</td>
<td>Policy maker</td>
</tr>
<tr>
<td>HINAS – The health trust’s procurement service</td>
<td>Helseføretakens Innkjøpservice (HINAS) is a company owned by the RHAs that manages joint purchasing agreements for all hospitals to optimize market conditions and use its total purchasing volume to generate savings. The company manages agreements worth approximately NOK 2.6 bn annually, including non-medical supplies and services. Focused on general consumables that are used at majority of healthcare institutions, e.g. basic syringes and needles.</td>
<td>National procurement service</td>
</tr>
<tr>
<td>Regional health authorities</td>
<td>Regionalt helseforetak (RHA) are responsible for specialist healthcare in the four health regions, including patient treatment, education of medical staff, research and training of patients and relatives. Areas covered include hospitals, psychiatry, ambulance service, hospital pharmacies, emergency telephone number and laboratories. Procurement is focused on consumables and general equipment commonly used by all hospitals in the region. Typically uses framework agreements, but can also do investment-type procurement for things that need to be shared within the region, e.g. IT system.</td>
<td>Overall responsible for healthcare services</td>
</tr>
<tr>
<td>Health trusts</td>
<td>Health trusts (HT) are owned by one of the RHAs and are responsible for performing geographic and/or specialist activities of operations, including a major part of medical procurement. There are 25 HTs in Norway, of which most are responsible for one or more hospitals, though some are only responsible for pharmacies. Procures equipment and supplies that are either specialized or non-consumables. Medical equipment is typically procured as investments.</td>
<td>Performs healthcare services</td>
</tr>
</tbody>
</table>

Source: HINAS, DOFFIN, Interviews
The public tender process involves a cross-functional group with representatives from procurement, clinicians and technical staff.

Overview of public tender process

**PREPARATION**
Assessing needs
- Assessment of need for new investment or new framework agreement for consumables
  - Need usually comes from the users
- Market research
  - Scan market for existing solutions
  - Can also be done in dialogue with suppliers
  - More research is usually done for long term investments

**CREATING TENDER**
Criteria specification
- Creation of the tender and contract conditions
  - Award criteria and weights between criteria
  - Functional specification
  - Technical specification
- Several stakeholders are involved
  - Procurement
  - Users (medical staff)
  - Medical technology staff (service engineers)

**ASSIGN CONTRACT**
Bid evaluation
- Assessment of possible rejection reasons
- Evaluation of submitted bids against award criteria
- Announcement of awarded contract
End-users and technical staff have significant influence in both criteria specification and bid evaluation

Tender process – Responsibilities and influencing power

**PREPARATION**

- **Procurement**
  - Initiates process for framework agreements

- **Users (medical staff)**
  - Usually identifies need
  - Interacts with suppliers
  - Research

- **Technical staff**
  - Looking into new technology

- **Suppliers**
  - Meets with user groups
  - Interacts with tech. staff
  - Presents and raises awareness of new products

**CREATING TENDER**

- **Procurement**
  - Steers process
  - Keeps specifications supplier neutral
  - Selection criteria input

- **Users (medical staff)**
  - Formulates functional specification
  - Selection criteria input

- **Technical staff**
  - Formulates technical specification
  - Evaluates service needs

- **Suppliers**
  - Tries to exert influence over functional and technical specification

**ASSIGN CONTRACT**

- **Procurement**
  - Evaluates price criteria
  - Evaluates other formal qualifying criteria

- **Users (medical staff)**
  - Evaluates product quality and user friendliness

- **Technical staff**
  - Evaluates technical aspects and service capabilities

- **Suppliers**
  - Lack direct influence
  - Prior use and relationships can impact informally

Note: Supplier's ability to influence is higher in tenders for competence intensive products/services
RHA South-East, including Oslo hospital area, is by far the largest in terms of market size.

Regional health authorities – Market split

Market split between Health regions

- The RHA South-East corresponds to the largest market share; c.50%
- RHA South-East consists of 7 Hospital Areas, all of which contain at least one HF

1) Based on all RHAs’ cost for medical consumables and investment in medical equipment; Shares might not sum up to 100% due to rounding
New construction and upgrading of hospitals together with technology development are expected to drive the market

Press search – Market trends

"With one of the most modern hospitals, the new Østfold Hospital is a flagship that will also be noticed in the rest of Europe "
Helse Medisin Teknik, 2012

"The EU Commission wants to see safer and more efficient medical and in vitro diagnostic equipment"
EU Commission press release, 2012

"Member companies are developing the technology that the Minister of Health and Care Services Jonas Gahr Støre, needs to address the challenges of the sector"
Oslo Medtech, 2013

"Milestone for the medtech sector – Organization established to deal with the need for new medical technology and innovative healthcare to meet the challenges in the health sector"
Helse Medisin Teknik, 2010

"There needs to be a significant effort for the South-East (HSØ) and Oslo University Hospital (OUS) to come out of the vicious circle they have put themselves in by not investing sufficiently in medical equipment"
Dagens Medisin, 2012

Source: Dagens Medisin, Helse Medisin Teknik, Press search
Key market drivers are hospital construction and replacements, technology development and centralization of procurement

<table>
<thead>
<tr>
<th>Key market drivers</th>
<th>Market impact</th>
<th>Trend</th>
<th>Comments</th>
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<tbody>
<tr>
<td>Economic &amp; demographic development</td>
<td>+</td>
<td>↑</td>
<td>- Overall economic outlook is considered strong; share of population over 65 years (15%) is low compared to Northern Europe</td>
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<tr>
<td></td>
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<td>- Underinvestment in healthcare despite very strong public finances</td>
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<tr>
<td>Hospital construction &amp; replacements</td>
<td>++</td>
<td>↑</td>
<td>- Trend mainly regards technology upgrades and replacement projects for medical capital goods – hospital construction relatively stable</td>
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<tr>
<td></td>
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<td>- High dependence on position in the investment cycle</td>
</tr>
<tr>
<td>Technology development</td>
<td>++</td>
<td>↑</td>
<td>- Growth above GDP levels is considered to require introduction of new technology or product development, e.g. automation</td>
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<td></td>
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<td>- Norwegian healthcare historically conservative regarding technology</td>
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<tr>
<td>Private healthcare &amp; lab market</td>
<td>+</td>
<td>↑</td>
<td>- Share of private providers is low compared with rest of Nordics</td>
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<td>- Some growth is expected in specialized care (e.g. cosmetics) and laboratories</td>
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<tr>
<td>Centralization of procurement</td>
<td>−−</td>
<td>↑</td>
<td>- Strong trend towards more of regional and national tenders, increasing buyer power and attracting new entrants</td>
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<td>- Consumables mostly impacted with 10-20% price reductions; national tenders expected to grow from 10-15% coverage today</td>
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<tr>
<td>Intensified competition</td>
<td>−</td>
<td>↑</td>
<td>- Intensified competition in some areas is a direct result of centralized procurement which attracts new entrants</td>
</tr>
</tbody>
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1) Indicates positive/negative impact (+/-) and importance  
2) Arrow direction indicates whether driver is going up or down, or flat
Product quality is the most important purchasing criteria for customers within Medical

Customer's key purchasing criteria – Medical

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<thead>
<tr>
<th>KPC</th>
<th>Importance</th>
<th>Interview quotes on importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product quality</td>
<td>High (5)</td>
<td>“High quality products is the most important factor, we have an overall responsibility to procure what is best for patients”</td>
</tr>
<tr>
<td>Product/medical know-how</td>
<td>High (5)</td>
<td>“Product knowledge and staff competence become more important since training is usually included”</td>
</tr>
<tr>
<td>Technical service capability</td>
<td>High (5)</td>
<td>“For Medtech staff this is high priority”</td>
</tr>
<tr>
<td>Logistical capability</td>
<td>High (5)</td>
<td>“Minimum requirement in tender material – not evaluated”</td>
</tr>
<tr>
<td>Customer support</td>
<td>High (5)</td>
<td>“We do look at service aspects like customer support, but it’s not the top priority”</td>
</tr>
<tr>
<td>Relationship with KOLs</td>
<td>High (5)</td>
<td>“Shouldn’t matter in the formal process, but still carries a lot of weight”</td>
</tr>
<tr>
<td>Price</td>
<td>Low (1)</td>
<td>“For national tenders, focus is shifting away from price”</td>
</tr>
</tbody>
</table>

Source: Interviews
The primary care market
The Norwegian Primary healthcare system

428 Municipalities are responsible for the provision and funding of primary care, including rehabilitation, physiotherapy and nursing, and after-hours emergency services. They are also responsible for a wide range of public health and preventive measures.

There is no direct command and control line from central authorities down to the municipalities and the latter have a great deal of freedom in organizing primary care services. However, some responsibilities have been retained at the central level, mainly to maintain equal access to public services. For example, all decisions regarding GP funding continue to be determined by the central government.

The trend in Norway is that some municipalities collaborate on procurement, and the government stimulate to merge small municipalities into bigger units to serve the people in a better and more professional way.
Key market drivers

The Municipalities want to buy all consumables from healthcare products to pen and paper from one supplier. This have made it difficult for niche suppliers to enter into the market. The main criteria is price and logistics. Based on the nature of this business there is established a whole sales market in Norway with some big player handling this market.

Rehabilitation and more technical equipment the municipalities buy true frame agreement with several suppliers, or directly from the nursing home on small tenders.

Big restructuring project or new building is mainly going true entrepreneurs, who order the product from different supplier based on specification given from the municipalities. (user groups)

Based on the elderly wave there is more nursing homes needed, and we se a trend that this market increasing.
National Insurance Scheme (NAV)
Rehab products
NAV is on behalf of the Government support with products to people who are disabled or elderly people. The market size is approximately 3 Billion NOK.

The largest product groups are; wheelchairs, housing adaptation and car adaptation.

The nature of the business is tender with 2 + 1 + 1 length, and it is a combination of 1 winner and frame agreements with up to 5 suppliers.

If you win a category you win it for the whole market!