



HEALTH TRANSFORMATION: An Action Plan for Ontario

PART V OF THE ONTARIO CHAMBER OF COMMERCE'S HEALTH
TRANSFORMATION INITIATIVE

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ABOUT THE ONTARIO CHAMBER OF COMMERCE

For more than a century, the Ontario Chamber of Commerce (OCC) has been the independent, non-partisan voice of Ontario business. Our mission is to support economic growth in Ontario by defending business priorities at Queen's Park on behalf of our network's diverse 60,000 members.

From innovative SMEs to established multi-national corporations and industry associations, the OCC is committed to working with our members to improve business competitiveness across all sectors. We represent local chambers of commerce and boards of trade in over 135 communities across Ontario, steering public policy conversations provincially and within local communities. Through our focused programs and services, we enable companies to grow at home and in export markets.

The OCC provides exclusive support, networking opportunities, and access to innovative insight and analysis for our members. Through our export programs, we have approved over 1,300 applications, and companies have reported results of over \$250 million in export sales.

The OCC is Ontario's business advocate.



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Thank you to the Landmark Partner for our Health Transformation Initiative:



Thank you to the Lead Partners for our Health Transformation Initiative:





LETTER FROM THE PRESIDENT AND CEO

When the Ontario Chamber of Commerce began the Health Transformation Initiative in January 2016, we stated that we “intend to start a long-term conversation that uses the combined power of our networks and know-how to move Ontario forward on health transformation”. The research and consultations of the past year have indicated to us that there is tremendous consensus on the direction Ontario needs to pursue in order to ensure the sustainability and success of our health care system. What is needed is the strategic leadership to get us there.

Two central principles have guided our work on health care reform: that the health sector should be considered an economic driver in this province, and that there are tremendous benefits to be obtained from bringing the private sector on-side as a partner in the public health care system.

Health is a booming sector world-wide, as demand increases and innovation in treatment and technology moves beyond what was thought possible even 20 years ago. Ontario possesses some of the top talent and research in this sector, presenting us with an incredible opportunity. However, as long as our public health care system is seen as merely another cost, and as long as we fail to integrate our home-grown discoveries with our local system of care, we will fail to capture the economic potential of the global health revolution.

For that reason, the OCC believes the private sector has a role to play alongside a robust and sustainable public health care system. Partnering with both for- and non-profit actors can provide the public sector with new ideas, improve access to innovation, and build confidence in Ontario industry. By making use of private expertise, the government can achieve its goals without “re-inventing the wheel” or growing an already untenable health budget. Furthermore, a healthy Ontario is a productive Ontario.

The previous four reports in the Health Transformation Initiative have indicated how we can make our health care system an economic driver and how the private sector can add value to public care. In this document, we identify three strategic themes that have emerged from our research, and the recommendations the Government of Ontario should consider as it reforms Ontario’s health care system.

A handwritten signature in black ink that reads "Allan O'Dette". The signature is fluid and cursive, with a long horizontal stroke at the end.

Allan O'Dette
President and CEO
Ontario Chamber of Commerce

CONTENTS

Letter From the President and CEO	4
Introduction	6
Health Transformation Initiative Reports	8
Health Transformation Action Plan	12
Conclusion	17

INTRODUCTION



The Government of Ontario has committed to putting patients and innovation at the centre of their health care reform efforts. Over the past year, the Ontario Chamber of Commerce has examined ways of accomplishing this goal, with input from the Ontario business community that is devoted to maintaining the viability of both the public health care system and the broader health sector.

Based on the research and recommendations contained in the four previous reports in the Health Transformation Initiative series, we have identified three themes that have persisted through our research and consultations and that represent strategic recommendations for government:

- 1. Shift Ontario towards a value-based health care system.** The Ontario public health care system needs to be aligned around a tangible definition of value, with a renewed focus on patient outcomes for money spent.
- 2. Modernize procurement and supply chain processes.** The public system requires a method of procuring goods and arranging service delivery that is driven by real needs and evaluated by evidence-based outcomes.
- 3. Better integrate Ontario's discoveries and innovations into the public health care system.** The Government should act to support the Ontario health science sector through stewardship of an ecosystem that connects our researchers and entrepreneurs to the public health care system.

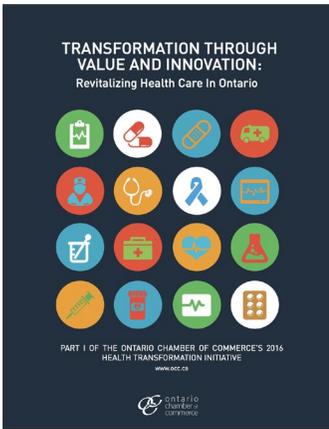
In this, the final report, we summarize the findings of the Health Transformation Initiative, identify our goals for system reform and present a series of strategic recommendations to government that will enable Ontario to realize its vision of a sustainable and prosperous health sector.

HEALTH TRANSFORMATION INITIATIVE REPORTS





...their orders...
...each month, they...
...count from 1 August.



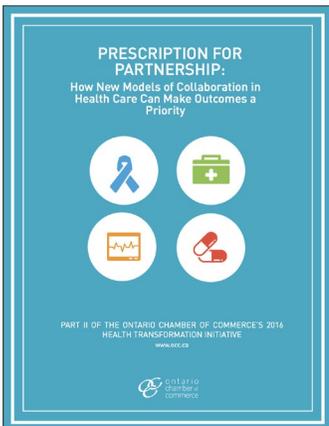
TRANSFORMATION THROUGH VALUE AND INNOVATION: Revitalizing Health Care in Ontario

In our framework report, the Ontario Chamber of Commerce outlined the challenges currently facing the Ontario health care system, defined our central concepts of value and innovation, identified what a transformed approach to health could be, and summarized our policy priorities for the year. We also isolated our primary research question: “How can the private sector be a productive partner to government as it reforms the health care space?”

The OCC and its members believe that the Government of Ontario is expending considerable financial and human resources towards a system that, in its current configuration, is unable to achieve the outcomes that we as a society desire. We call

for a genuine re-orientation around patients, through a focus on outcomes, and an improved relationship between public and private stakeholders in order to meet shared goals. Ontario’s health care system requires system-level thinking, and system-level transformation.

“The solutions to Ontario’s health care crisis are already written – other countries are experiencing the same problems we are, and countless stakeholders have identified how to solve them... But achieving sustainable transformation requires a tangible, collaborative effort alongside health care providers, patients, and the private sector.”



PRESCRIPTION FOR PARTNERSHIP: How New Models of Collaboration in Health Care Can Make Outcomes a Priority

In this report, we examine the interaction between the public and private sectors with regards to health system procurement of goods and delivery of services. The OCC recommends a commissioning approach to public sector decision-making: a process that begins with the definition of needs and desired outcomes, followed by engagement of third parties in solution design and delivery, seeking to optimize outcomes by making the best use of all available resources.

This approach can be used as part of a toolkit, alongside value-based procurement practices and innovative service delivery models, to increase the emphasis on outcomes within the health care system. Outcomes-based decision-making creates

greater efficiencies, and therefore, greater value.

“Re-evaluating our purchasing habits and service delivery models has the potential to improve the health outcomes of Ontarians both by enhancing quality of care and by achieving savings that can be reinvested into the front-line services most directly affecting patients.”



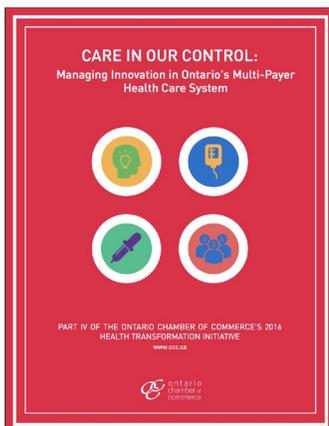
ADOPTING OUR ADVANTAGE: Supporting a Thriving Health Science Sector in Ontario

While Ontario has a strong, innovative health sciences sector, there is a growing sense that much of the sector's potential is unrealized. This report examines how Ontario's capacity to capitalize, commercialize, and adopt innovation is challenged thanks to a lack of access to capital, talent, and the public market. The result is an environment in which many firms fail to scale, while others choose to either relocate distribution or entire operations outside of the province in order to remain competitive.

The OCC recommends change across a series of touchpoints, from tax law to immigration to procurement guidelines, alongside a government strategy dedicated to supporting innovation through research funding, cluster development, and improved

engagement with the private sector.

"Failing to invest in the potential of our home-grown innovation is the true risk to Ontario's future prosperity."



CARE IN OUR CONTROL: Managing Innovation in the Multi-Payer Health Care System

As public budgets benefit from innovative pharmaceuticals and medical devices that are capable of moving patients away from expensive system touchpoints like hospitals and emergency rooms, private payers are increasingly responsible for that level of care. We must acknowledge Ontario's multi-payer health care system, one in which we face the twinned challenge of adopting cost-intensive innovation while ensuring continued affordable access to care for Ontarians. How can we increase the value of both the public and private health care spend?

In this report, the OCC identifies the need for improved and expanded value definition when payers consider adopting innovation, including a move towards the formal concept of value-based health care. This should be enacted in a provincial strategy that includes three tactics: Develop new approaches to defining and measuring value, foster the creation of real-world evidence through improved utilization of patient data, and break down budget silos across Ministries.

"Management of our public health care system is primarily concentrated on measurement of cost inputs and safety outputs. Measurement of system effectiveness - value - is not part of the equation, even when this concept is needed most in order to ensure sustainability."

HEALTH TRANSFORMATION ACTION PLAN







Across the four reports in the Health Transformation Initiative series, three consistent and significant themes have emerged. These themes have demonstrated the most critical areas for reform and the most impactful means of bringing about positive change.

1. Shift Ontario towards a value-based health care system ✓

Goals:

- To align the Ontario health care system with the Ontario Health Innovation Council's concept of value, which "should take into account social impact, health system benefits, and economic benefits".
- To shift from our inputs-focused health care model to one that is outcomes- and patient-centric.
- To break down budget siloes both within the public health care system and across Ministries, in order to recognize the socio-economic implications of health and wellness and to understand the true value of health treatments and services to Ontarians.

Means of achieving this goal:

Surveys of global health care trends indicate that many industrialized nations are taking a new look at how to extract value from their health care systems. Value-based health care is a semi-formalized approach intended to help decision-makers adjust to rising expenses and deliver high-quality care while managing finite resources. It is characterized by an expansive understanding of value, defining it relative not merely to a procurement or department budget, but to patient experience, system sustainability, and even the social and economic impacts of a treatment. In order to understand the value of an input, its outcomes must be measured against expectations of performance and a clear understanding of system goals.

The first step in transitioning to value-based health care is to understand the full impact of spending, including where positive and negative impacts are felt based on decisions made across the health care system. Accomplishing this - and to effectively make decisions based on the resulting information - requires high-level budget decision-making. In Ontario, this would require silo-breaking collaboration between multiple Ministries as well as the Treasury Board.

Taking action:

- ✓ **Adopt value-based metrics and benchmarks for system inputs.** Public system decision-makers at all levels - from hospitals to the Ministry of Health and Long-Term Care - must support the creation of metrics and benchmarks to define what value means to their patients and identify how and where value is created through their care. Measurement must incorporate multiple sources of value, including patient and provider convenience, increased compliance, reduction of in-hospital treatment, savings across multiple budgets, and potentially social or long-term impacts. Improved data collection, analysis, and dissemination is critical to this process, and will require an expansion of partnerships with both industry and post-secondary institutions. Defining and measuring value is explored in detail in *Care in Our Control*.
- ✓ **Create a Health Cabinet.** The Government of Ontario should create an Ontario Health Cabinet, including representatives from the Ministries of Health and Long-Term Care, Finance, Community and Social Services, Community Safety and Correctional Services, Labour, Housing, Indigenous Relations and Reconciliation, Government and Consumer Services, Research, Innovation and Science, the Treasury Board, and the Seniors' Secretariat. This Cabinet should provide government with a forum and working group for action when it comes to the broader impact of health and wellness upon Ontarians. Each participating agency should have a view to their mandate's impact on Ontarians' health, and how their value proposition can be accurately captured across the public sector (e.g. through the social determinants of health that influence interaction with government services and vice versa). An Ontario Health Cabinet should also include private sector stakeholders, in order to take advantage of the expertise of relevant non-government actors. The Health Cabinet is explored in detail in *Care in Our Control*.



2. Modernize procurement and supply chain processes ✓

Goals:

- To build productive relationships between public and private sector stakeholders through use of the commissioning model, starting with robust needs definition, joint solutioning, and partnerships that exist before, during and after a project's execution.
- To create a system of procuring goods and arranging service delivery that is driven by real needs, particularly the needs of users: health care professionals and patients. This system should be outcomes-based in its contracting; wherein compensation to a vendor includes a component dependent upon the achievement of defined outcomes.
- To support outcomes-based decision-making through improved data collection and the tracking of performance based on patient and product data, accomplished by the adoption of supply chain protocols like the GS1 global barcoding standard.

Means of achieving this goal:

Instead of public sector decision-makers being tasked with identifying a solution and then seeking partners to execute on that pre-determined solution, room needs to be created for an approach in which decision-makers are empowered to creatively partner with outside actors in both the for- and non-profit spaces. Such an approach could include commissioning, value-based or risk-sharing procurement agreements, or innovative service delivery contracts.

New approaches for defining the relationship between payers and vendors are central to value-based and patient-centric health care. Generally, the structure of these approaches changes the incentives for decision-makers, pushing them to identify their problems, needs and objectives rather than define a solution up-front. Similarly, agreements that contain an element of risk-sharing or performance-based compensation require outcomes to be defined, often quantitatively, ensuring that vendors will be accountable and payers will meet their goals. Commissioning practices also have the advantage of building relationships between stakeholders, and increasing trust between public and private actors.

The challenge to this type of procurement and service delivery reform is the need for an evidence base from which to evaluate the success of non-traditional agreements. One component of accurately tracking performance outcomes is through supply chain reform. Data synchronization through the use of modern supply chain practices allows for sharing of standardized product data between a manufacturer and a health services system. Knowing what is being used, how often, and when – and being able to link that data to a patient and their experience – can help determine the value of an input. This results in more efficient procurement practices, as information about product performance can be used to support risk-sharing or outcomes-based contracts.

Taking action:

- ✓ **Empower payers to explore non-traditional means of partnership, procurement, and contracting.** Tactics such as commissioning, risk-sharing agreements, and value-based procurement models must be utilized in order to reduce public sector risk, improve data collection, and tie product or service performance to patient outcomes and system goals. Both value-based health care and the effective adoption of innovation require relationships with vendors that are based on open dialogue and which are solutions oriented. Commissioning, value-based procurement and innovative service delivery models are explored in detail in *Prescription for Partnership*.
- ✓ **Create a framework for modern supply chain practices within the public health care system.** A major component of the Ministry of Health and Long-Term Care's on-going efforts at supply chain reform must be the provision of support for health institutions to adopt GS1 standards. The roll-out and utilization of these standards should be done in partnership with manufacturers so as to ensure a successful system that allows institutions to improve tracking of patient and product data for safety, performance, and value measurement purposes. Supply chain modernization is explored in detail in *Care in Our Control*.



3. Better integrate Ontario discoveries and innovations into the public health care system ✓

Goal:

- To better integrate the discoveries and innovations emanating from Ontario's research hospitals, post secondary institutions, and firms of all sizes into our public health care offerings. These discoveries and innovations should exist within an ecosystem that creates and supports viable small, medium and, eventually large enterprises, and bridges the commercialization valley of death for researchers and entrepreneurs. This ecosystem should also be able to entice firms from outside of Ontario to invest and perform research in Ontario.

Means of achieving this goal:

In order to strengthen Ontario's health science sector, there needs to be a stronger link between the research performed here, the companies founded here, and the public health care system that provides the majority of health services. Part of making the health system an economic driver is to ensure that government investment – be it in post-secondary institutions, research hospitals or start-ups – earn a satisfactory return on investment.

Unfortunately, the Ontario health science sector is characterized by an environment in which successful firms leave the province, stay here but fail to scale their business, or only supply their innovations to jurisdictions outside of Ontario. These struggles are the result of difficulty accessing venture capital, relevant talent, and/or access to the Ontario market (specifically, the public health care system). If more firms were able to remain in Ontario and grow, the result would be a self-sustaining environment that could produce more companies, serial entrepreneurs and knowledgeable health sector investors.

Fundamentally, the health science sector requires an ecosystem in which research is funded, venture capital is readily available, commercialization is straightforward, and innovation is smoothly adopted into the public health care system.

Taking action:

- ✓ **Steward the innovation ecosystem.** As the public health care system represents two-thirds of health spending in Ontario, creating a demand-driven environment is largely in the hands of government. The Province must participate in building and maintaining a self-sustaining health science ecosystem, giving consideration for both the sector-specific needs and the needs of business generally. Ecosystem development is explored in detail in *Adopting Our Advantage*.
- ✓ **Support health science clusters, both existing and in development.** Government has the clout and capacity to act as a convenor, encouraging stakeholder collaboration at a high level and bringing together those stakeholders to execute on concrete tasks. Both politicians and public servants must be brand ambassadors and cluster cheerleaders, indicating to international investors that government has confidence in its health science sector. If the public sector is unable to demonstrate this through collaboration with industry, the clearing of regulatory pathways, or by providing appropriate funding, global capital and talent will go elsewhere. Cluster development is explored in detail in *Adopting Our Advantage*.
- ✓ **Reform tax incentives for R&D.** Tax reform at both the federal and provincial levels is necessary to support those firms attempting to bridge the commercialization valley of death. Government should consider extensive re-working of the SR&ED credit system, replicating the BC angel investor tax credit in other provinces, extending flow-through shares to the health and life sciences sector, and/or expanding and restructuring the Venture Capital Access Plan to better incentivize pension funds, corporate VCs, and similar investment institutions to participate. Tax reform is explored in detail in *Adopting Our Advantage*.

CONCLUSION

The OCC and its members want to be partners in transforming the Ontario health care system for the better. While we have directed the recommendations in this document to government, in order to achieve our goals, the private sector should also be tasked with driving solutions. We encourage the private sector to take a leading role in health system reform through action in the following areas:

- 1. Communicate a shared value proposition with the public sector in order to build relationships and trust.** This can be accomplished through greater sensitivity to the political environment which acknowledges the risk to government inherent in partnering with the private sector, and the ultimate accountability of government to the public.
- 2. Approach the Broader Public Service Procurement Directive not as an unworkable and immovable barrier, but as a set of necessary guidelines that allow for accountability and transparency.**
- 3. Invest in local R&D and start-ups,** and partner with innovative SMEs in order to defeat the commercialization valley of death, help companies remain in the Ontario market, and provide more powerful platforms for innovation to reach our public health care system.

Although much of the recommendations on these pages are relevant at the provincial level, there is a critical role for the federal government to play in both health system reform and improved support for the health science sector. Federal leadership can be demonstrated under the umbrella of the Innovation Agenda, as its six key areas of focus (Entrepreneurial and Creative Society; Global Science Excellence; World Leading Clusters and Partnerships; Grow Companies and Accelerate Clean Growth; Compete in a Digital World; and Ease of Doing Business) overlap neatly with both the challenges and opportunities in front of Ontario. We encourage the Government of Canada to dedicate a section of the Innovation Agenda to health care, as a strategic approach is necessary in order to encourage the system to be an economic driver.

Clearly, leadership from all corners is necessary to solve the challenges faced by the health care sector in Ontario. With this action plan, the Ontario Chamber of Commerce and its members hope to demonstrate the willingness of Ontario business to be a health transformation leader.







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