

**HEALTHCARE INDUSTRIES TASK FORCE (HITF)
STRATEGIC IMPLEMENTATION GROUP (SIG)
MINUTES OF THE THIRD MEETING HELD ON 16 AUGUST 2006**

SIG 2006/9

PRESENT

Government

Andy Burnham	Minister of State for Delivery and Quality [Co-Chair]
Ken Anderson	Commercial Director, Department of Health
Rob Knott	Chief Operating Officer, Purchasing and Supply Agency (PaSA)
Professor Kent Woods	Chief Executive, Medicines and Healthcare products Regulatory Agency (MHRA)
Craig Muir	Director, Older People and Disability, Department of Health
Dr Jane Moore	Deputy Director, Healthcare Quality
Dr Louise Wood	Head of Innovation and Industry R&D Relations, Research & Development Directorate (RDD), Department of Health
Dr Maire Smith	Director, Product Technology and Innovation, NHS Institute for Innovation and Improvement (NIII)
Richard Carter	Head of Industry Sponsorship, Medicines, Pharmacy and Industry Group (MPIG), Department of Health
Eileen Robertson	Section Head, Payment by Results, Department of Health
Robert Driver	UK Trade and Investment
Paul Cryer	Programme Manager, HITF Training & Education, Department of Health
Andy King	Head of NIII Sponsor Team, Department of Health

Industry

Sir Christopher O'Donnell	Chief Executive, Smith & Nephew [Co-Chair]
Colin Morgan	Chairman, Johnson & Johnson Medical and Managing Director, Ethicon Products UK
Richard Phillips	Public Affairs & Reimbursement Manager UK & Ireland, Medtronic Ltd
Trevor Perry	Director of Government Affairs, GE Healthcare
Brian Fishwick	President, British In Vitro Diagnostics Association (BIVDA)
Ray Hodgkinson	Director General, British Healthcare Trades Association (BHTA)
Oliver Wells	Association of British Healthcare Industries (ABHI)

Joint Secretariat

Chris Bantock	Industry Sponsorship (Medical Devices), Department of Health
John Wilkinson	Director General, Association of British Healthcare Industries (ABHI)
Linette Irons	Association of British Healthcare Industries (ABHI)

In attendance

John Warrington	Director, Policy and Innovation, NHS Purchasing and Supply Agency (PaSA)
Paul Loveland	Head of Education, Training & Development, Workforce Directorate, Department of Health
Dr Louise Wood	Ian Young, Bioscience Unit, Department of Trade and Industry
Sue Wilkin	Head of Healthcare Evaluation, NHS Purchasing and Supply Agency (PaSA)
Margaret Horton	Head of Research and Innovation, NHS Purchasing and Supply Agency (PaSA)
Jill Dhell	Innovation and Industry R&D Relations, Research & Development Directorate (RDD), Department of Health
Simon Stephenson	Head of Business Unit, Medicines, Pharmacy & Industry Group, Department of Health
Steve Holmes	Industry Liaison Manager, Industry Sponsorship, MPIG, Department of Health
Laura Collister	Head of Communications & Government Affairs, Association of British Healthcare Industries (ABHI)

APOLOGIES

Lord Sainsbury	Minister for Science and Innovation
Professor Sir Ara Darzi	Adviser on Surgery to the Department of Health
Professor Sue Hill	Chief Scientific Officer, Department of Health
Liz Eccles	Deputy Director, Policy and Strategy, Department of Health
Harry Cayton	National Director for Patients and the Public, Department of Health
Professor Sally Davies	Director of Research & Development, Department of Health
Professor Bernard Crump	Chief Executive, NHS Institute for Innovation and Improvement (NII)
Dr Felicity Harvey	Head of Medicines, Pharmacy & Industry Group (MPIG) Department of Health
Geoff Morris	Regional Vice-President, UK & Ireland, Medtronic Ltd
John Jeans	President and General Manager EMEA, Life Sciences Commercial Operations, GE Healthcare (UK)

Chairman's opening remarks

1. Andy Burnham welcomed all to the third SIG meeting and apologised for having had to move, for unavoidable reasons, the date of the meeting forward. As this was his first meeting as Co-Chair, by way of introduction he said that as a member of the Health Select Committee when Sir Derek Wanless published his report to Treasury on health expenditure, he had a keen interest in helping to improve the adoption of innovative technologies which could improve clinical outcomes and/or reduce costs. He acknowledged the potential health gains that spreading the use of technology solutions could bring. He added that medical innovation was necessary to support the White Paper aims of bringing care closer to home and delivering patient choice.
2. Sir Chris O'Donnell agreed and said that there was, therefore urgent need to address the current difference of view between Government and industry on the procurement strategy.

Minutes of last meeting

3. The minutes of the meeting held on 23 November 2005 were agreed subject to minor corrections to the list of attendees.

Development of report

4. The Chairman said that he and Sir Chris had agreed that the outline SIG report circulated in July should be developed further for discussion at this meeting. This had been done (see SIG 2006/1) and he was pleased with the clear progress made. He noted that there inevitably remained some gaps, for instance where discussions were continuing and where outcomes by November were not clear. SIG's comments at this stage would be extremely valuable so that the Secretariat could bring together a near final version for discussion at the last meeting – it was planned to publish soon afterwards and the opportunity to incorporate amendments at that stage would be limited.
5. Sir Chris O'Donnell agreed that the report was well structured and that the main activities were covered effectively, showing clear evidence of the progress made since the HITF report was issued. The focus on the Innovation Landscape project co-ordinated by the National Innovation Centre (NIC) served to link the key elements well, whilst also illustrating the complexity of the work programme. Delivery of the Landscape tool and CEP outputs in September would be significant achievements. He also noted the developments on metrics and acknowledged that this was an ambitious programme which would need careful management. Industry's main concern was that the measures being put in place related to service improvement rather than technology adoption.
6. Colin Morgan commented that whilst the Innovation Landscape bound the key HITF outputs together, procurement needed to be better integrated into the pathway and focused on the potential of innovation. This would be the way to deliver technology adoption.

7. The Chairman noted these comments. He said that including worked examples of how certain technologies were progressing towards adoption would bring this part of the report to life for the readers. Dr Smith confirmed that work was in hand to develop such case studies and these would be available for inclusion in the next draft of the report. It was agreed that the Secretariat would work with all stakeholders to produce a near final draft of the report for circulation in mid-October. In the meantime, any further comments could be submitted to the Secretariat in writing.

Overview of progress

8. The Chairman invited Richard Carter to summarise for the Group the key developments across HITF implementation since the last meeting.
9. Mr Carter referred members to the paper (SIG 2006/2) and highlighted :
 - the development of the National Innovation Centre (NIC) and its key role at the centre of the Innovation Landscape work – to be more fully discussed under the next item
 - the significant progress in the development of Healthcare Technology Co-operative (HTC) pilots
 - the continuing development of the Centre for Evidence-based Purchasing (CEP) and the recruitment of a health economist
 - the extension of the metrics exercise to cover some of the gaps, in particular to secure quantitative information on R&D activity

Mr Carter added that whilst steady progress was being made to support industry in key export markets, there was a need to extend this agenda to incorporate inward investment. Robert Driver agreed that this would be an important area for future Government/industry collaboration, particularly in light of the recent launch of UKTI's new strategy.

10. The Chairman invited Louise Wood to expand on the HTC pilots. Dr Wood explained that the Call for the two pilots had been issued in June, followed by a briefing meeting in London with potential applicants. The results so far were encouraging and there was broad support from the NHS to move technology into the service. The model would require applicants to develop a network of partners, differing according to each project, rather than establish fixed centres of excellence. She pointed out that if the pilots were successful, the potential benefits would be significant. However, the scale of the project was constrained by limited resources and the complex dynamics of the project meant that it would be some years before the outcomes could be fully evaluated. It would therefore be helpful to take early soundings and if these were positive to consider expanding the activity.
11. There were some useful suggestions on the scope of the metrics exercise and sourcing additional data. DTI explained that because medical devices were included in a number of diverse product categories of official statistics, it was very difficult to verify the data. This was also the case in other international markets, which made comparisons virtually impossible. It was agreed, however, to try to quantify the impact of HITF outputs on the NHS and patient

care. Industry agreed to ask its members for relevant data and DTI agreed to provide 2005 data for the report where figures were available. In addition, industry confirmed that they had just received the results of a membership survey which should prove useful and these would be forwarded to the Secretariat.

The Innovation Landscape

12. Maire Smith gave a presentation to the Group on the work to develop the Innovation Landscape. The NIC, in the NHS Institute for Innovation and Improvement, was at the centre of this project, co-ordinating the various organisations with a role to play in the pathway to market for innovative products, including the establishment of two new hubs on adoption and training. Sir Chris O'Donnell commended the objectives of this project and reiterated the need for case studies to be identified and included in the SIG report.

Training and education

13. Paul Cryer, on behalf of Professor Sir Ara Darzi and Professor Sue Hill, gave a presentation on the proposed way forward for training and education (see SIG 2006/3). He explained the dual aims of making an impact on the use of hi-tech products and procedures (such as robotics, minimally invasive surgical techniques) and developing a learning process that could be embraced by the NHS as a whole. The former would be fulfilled by establishing a specialist Training Hub as an output of the NIC, linked to the Innovation Landscape. The Hub would be formally launched in mid-September. The second component was to work with education partners towards embedding a sustainable education strategy specifically for medical devices based on an analysis of front line NHS need and added value into mainstream education and training commissions through DH Workforce arrangements. Additional aims were to develop an appropriate standards framework against which existing and new programmes could be benchmarked to assure better and more consistent quality outputs, and to put in place a Concordat with industry to work towards a better understanding of overlap between public/private sectors and seek to standardise some elements of training from similar products.
- 14a. Mr Cryer outlined the strategic link between specific medical device education and training and national policy requirements, noted that the proposed route map set out the objectives for the medium term, advised that the programme needed to be embedded within an appropriate organisation and that links with the Litigation Authority and Healthcare Commission on standards could provide useful additional drivers in engaging SHAs with the strategy.
- 14b. Sir Chris O'Donnell commented that the development of this project had taken a big step forward and commended all those who had contributed to this work. The Group agreed the proposals and asked for them to be fleshed out with a detailed business case and clear timelines for consideration at the next meeting. The Chairman thanked all those who had contributed to the significant development of this wide-ranging project and looked forward to seeing a well-developed strategy at the next meeting.

The commercial landscape

15. The Chairman highlighted the importance of this issue and acknowledged that Government and industry had different perspectives at the present time on NHS procurement. He therefore wanted to ensure a productive debate and asked Ken Anderson to introduce the discussion. Mr Anderson invited Rob Knott to present the Department's plans for NHS procurement to the Group. He explained that Mr Knott would have a pivotal role in shaping commercial strategy and engaging with key stakeholders, including suppliers. The strategy would incorporate an approach to developing relationships with the main suppliers.
16. Mr Knott outlined the developments on procurement. He explained that as the Supply Chain Excellence Programme (SCEP) was nearing its close, follow up would pass to NHS PASA. The programme was on target to achieve its aim of reforming the NHS supply chain, with national procurement being focused in PASA supported by the new logistics arrangements, operating alongside regional purchasing in the form of the developing Collaborative Procurement Hubs (CPHs) and the local purchasing arrangements of individual trusts. This integrated framework would increase efficiency in the supply chain for the NHS and for companies, enabling the procurement function to align with the key markets. Engagement with suppliers was important at all levels so that maximum benefits for all stakeholders could be achieved.
17. The Chairman then asked John Wilkinson to speak to industry's paper (SIG 2006/4). Mr Wilkinson summarised industry's views that this procurement strategy would not deliver HITF objectives. Industry considered that the CPHs were too large, the new logistics operation would not be sensitive to innovation and it was unclear how the various procurement agencies would interface. It was crucial to embed the longer term value of innovation throughout all the processes, otherwise short term savings would become the dominant driver of procurement decisions and the lessons of Wanless would have been lost.
18. The Chairman asked other Group members for their views. Sir Chris O'Donnell said that he had been a great supporter of HITF because it was conceived when unprecedented investment was being put into the NHS as a result of the Wanless report which could make real the increased uptake of innovation. However, it seemed to Sir Chris that these expectations had been overturned, with procurement designed primarily to deliver financial savings rather than better patient care. As a result, the market was flat and companies were not investing. There was clear evidence of the damage being done to this sector by procurement policy and there was urgent need to fully integrate this function as part of the innovation pathway.
19. Ray Hodgkinson agreed that whilst industry understood the need for the NHS to become an intelligent customer, companies were withdrawing from the home market. Trevor Perry added that a recent survey of ABHI members had shown a 13 % reduction in R&D activity and noted that this lack of investment could become a trend which would impact adversely on industry's capacity to bring innovation to market here. Oliver Wells said that HITF was well

intended, but if promising new products were not taken up, no benefits would be realised by any of the stakeholders.

20. Colin Morgan commented that procurement was seen as separate from and inconsistent with HITF. Although basic information on the new procurement structure had been provided to suppliers, industry had little understanding of how the process would work in practice; communication needed to be more effective and meaningful. There was need for industry to build afresh its relationship with the new procurement structure and welcomed Mr Knott's invitation to develop a dialogue. This would help create more connectivity with HITF workstreams.
21. Sir Chris O'Donnell reiterated that the UK market was characterised by low prices and low uptake, and that HITF was designed to address this. In addition, he said it was clear that SCEP activities were not effectively integrated in the HITF agenda. The joint HITF Working Group on market access had proved to be an effective mechanism for communication and collaboration on procurement issues, but it had not been used to engage with industry on SCEP. This reinforced industry's view that SCEP was intended to reduce prices to the NHS rather than support innovation and the HITF agenda. There was a need to return to the Wanless environment in which the benefits of innovation were understood and placed at the centre of procurement.
22. Rob Knott explained that processes were in transition and developing new strategies had required high level internal consideration before sharing with industry. However, PASA wanted to move forward with its plans and was ready to engage with industry. Mr Knott added that PASA staff were enthusiastic about their work and aggressive in their pursuit of securing better patient care and safety through procurement.
23. The Chairman thanked industry for sharing its views clearly and frankly. He agreed that if it were demonstrated that there had been a consequential reduction in R&D activity, it would be cause for concern. However, he disagreed that procurement was solely price driven. He made no apology for seeking to use taxpayers' resources efficiently – this was a fundamental objective of public procurement – but quality and value were also of major importance in purchasing, as was fairness to stakeholders. He said that in his view the procurement plans were reconcilable with HITF objectives, although he accepted that getting the right balance between price and value was difficult. Industry could help ensure the right balance, for example by being more forthcoming with information on costs to assist in the determination of contracts. He agreed that if industry could provide evidence that the balance had been tipped, for example if it could be demonstrated that procurement was adversely affecting industry's investment and inhibiting innovation, he would be prepared to look again at the alignment of procurement with HITF objectives. He also saw improving the dialogue as crucial to achieving fairness and a better understanding between customer and supplier.

24. It was agreed to develop in more detail mechanisms for a meaningful, ongoing dialogue on procurement and that appropriate wording mapping out the rules of engagement would be produced for inclusion in the report.

Forward look

25. The Chairman confirmed the Government's commitment to establishing a new mechanism for continuing a strategic dialogue with industry after SIG's work had come to an end. He said Government valued the relationship developed with industry and it was important to build on it so that issues of joint concern could be discussed in a constructive way. It was agreed that officials would work with industry to present a joint proposal for discussion at the last meeting.

Date of next meeting

7 November 2006

Joint Secretariat