

## Getting More Innovation In Healthcare Procurement

By Denis Chamberland

In an earlier column in this space, I described the Competitive Dialogue as a form of innovation procurement that allows hospitals to generate more value from their procurements. The Competitive Dialogue's procedure allows a hospital to hold separate but contemporaneous negotiations with several qualified parties. The hospital and each participant collaborate in real time to devise a solution that truly meets the needs of the hospital. Perhaps best of all, the Dialogue typically results in a much lower price tag.

The Dialogue, which is supported by the Ontario Centers of Excellence (OCE) within the context of its REACH (Resources for Evaluating, Adopting and Capitalizing on Innovative Healthcare Technology) program, brings something new and positive to the procurement landscape. REACH funding enables procurements that might otherwise never happen, and the Dialogue techniques help to extract more value from procurements. No wonder those who come to know the Dialogue embrace it.

But is the Dialogue and other innovation procurement models a truly powerful driving force for innovation? Maybe not. The Canadian procurement rule generally apply equally to all participants in the procurement process: the laws are complex, the details voluminous, and the process burdensome. Not so surprising then that the smaller companies are significantly disadvantaged when it comes to bidding on public sector projects. They don't carry in-house the level of procurement expertise enjoyed by the larger companies.

Sadly, some smaller Canadian companies more easily sell abroad than in Canada. That was the case with the members of the Trillium Medical Technology Association in the late 2000s. The Association would lead regular pilgrimages to hospitals in China because selling in Ontario was becoming overly complicated for smaller medical technology companies.

Yet, smaller companies often out-innovate the bigger players. So what kind of procurement model would unleash small-business health innovation on a scale never seen before? The answer is in 'set-asides'. Set-asides are a form of preferential procurement designed to achieve specific policy objectives. Set-asides have generally been roundly shunned in Canadian procurement on the grounds that public procurement shouldn't meddle in broader social policy objectives.

Many countries have had a different view on this, including the United States. Under the federal *Small Business Act of 1953* (SBA), an independent agency is specifically dedicated to helping small businesses get business from the federal government's procurement activities through set-asides. Set-aside programs allow government agencies to limit competition for certain contracts to small-business bids only. The



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current set-aside target in U.S. federal procurement calls for 23% of all federal contracts to go to small firms.

The 23% rule allows for direct contracting with federal government agencies, but it also allows for direct involvement with large bidders who are mandated to piggy-back the 23% rule. According to Dan Wasserman, founder and CEO of Mammoth Health Innovation, a Canadian company that helps companies commercialize health innovations and who is well versed in the minutiae of the SBA, this program greatly contributes to innovation and increases the rate of commercialization and the degree of commercial success.

Back here at home, there's been some progress in the direction of preferential procurement. In Ontario, for example, the provincial government launched its Aboriginal Procurement Program three years ago, which allows Ministries to use set-asides with aboriginal contractors. Of broader application, the City of Toronto launched its Social Procurement Program in 2016. The Program aims to "equalize access to the City's procurement processes for diverse suppliers, including social purpose enterprises, who experience inequitable barriers to accessing City competitive procurement processes." The Program is oriented towards what the City describes as "equity-seeking communities," which are generally groups having been traditionally underrepresented.

As the president of the American Small Business League once noted, "Set-asides are like boxing where you have a middleweight and a heavyweight class – Congress knew the average small business couldn't compete head-to-head with General Motors." Not all big companies are as big as General Motors. But most smaller health IT companies in Canada could use a boost to their commercialization efforts through health sector set-aside contracting. The laws now allow for it. Hospitals can initiate their own program and do what they can to spur health IT innovation while contributing to their own success.

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