

**Response to the Department of Finance Consultation on the Consideration  
of Broader Economic Benefits in Procurement  
Digital Health CRC Limited (“DHCRC”)**

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[The Digital Health CRC](#) connects government, academia and industry to accelerate the implementation and translation of evidence-based digital health technologies that solve the most pressing healthcare challenges. We are co-funded through the Commonwealth Government’s Cooperative Research Centres (CRC) Program, and by our Participant organisations.

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## EXECUTIVE SUMMARY

Thank you to the Department of Finance for the opportunity to provide feedback on the development of revised *Guidance on the Consideration of Broader Economic Benefits in Procurement*. In preparing this submission, the Digital Health Cooperative Research Centre (DHCRC) surveyed its partners and participants, addressing the following five key issues for consideration in the Department's consultation:

- Broader economic benefits that should be considered in digital health procurement
- The use of weightings when considering economic benefits in evaluation criteria
- Engaging with the digital health industry on how broader economic benefits are considered and evaluated throughout the procurement lifecycle
- Alignment with relevant Commonwealth policies
- Case studies and examples of digital health procurement

In forming this submission, the DHCRC assessed the key issues for consideration through the lens of Small and Medium-Sized Enterprises (SMEs), drawing on their experiences of the government procurement landscape. Despite the Australian Government's significant expenditure—\$75 billion in procurement for the 2022-23 period—only 11% (\$8 billion) was dedicated to small business suppliers.<sup>1</sup> As reported by Australian Small Business and Family Enterprise Ombudsman in December 2023, changes to the Commonwealth Procurement Rules in July 2022 yielded “no visible increase in the opportunities for SMEs to participate in Commonwealth procurement opportunities”.<sup>2</sup> This indicates a critical need for procurement strategies to continue to evolve.

This submission emphasises the importance of integrating retained economic benefits to the health sector into digital health procurement tenders to promote innovation and enhance health and economic outcomes for Australians. The DHCRC survey revealed that 62.5% of respondents believe such benefits should be considered, with a strong consensus on focusing on measurable health system impacts and proven patient outcomes. Furthermore, the submission supports prioritising certain domestic economic benefits in procurement decisions, to help grow and support a sustainable local digital health sector, allowing SMEs to scale, innovate, and contribute to national health priorities.

To improve procurement processes, the submission advocates for value-based procurement that puts consumers at the forefront, while ensuring government investments align with broader societal benefits. It also recommends including advice on industry engagement in the *Guidance on the Consideration of Broader Economic Benefits in Procurement* to facilitate collaboration between procurement officials and the digital health industry in determining the desired broader economic benefits of a procurement project. Additionally, this submission recommends aligning tenders with relevant Commonwealth health policies to ensure that procurement effectively addresses the evolving needs of the health system and Australians' health needs.

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<sup>1</sup> Australian Small Business and Family Enterprise Ombudsman, Bruce Billson, Procurement Inquiry Final Report, Dec 2023, Pg 1.

<sup>2</sup> Australian Small Business and Family Enterprise Ombudsman, Bruce Billson, Procurement Inquiry Final Report, Dec 2023, Pg 16.

Finally, the submission highlights the need for specific case studies of successful digital health procurement to illustrate best practices and provide real-world examples of benefits achieved. The absence of such content in current guidance highlights a gap that, if addressed, could enhance procurement effectiveness and stimulate greater participation from innovative SMEs in the digital health sector.

## KEY ISSUES

### KEY ISSUE AREA 1:

#### Guidance on broader economic benefits in digital health procurement

##### Retained economic benefits to the health sector

Incorporating retained economic benefits specific to the health sector into digital health procurement tenders is essential for promoting health innovation, ensuring value for money and enhancing community wellbeing. By prioritising investments that yield long-term economic benefits in healthcare, government can improve the efficiency and quality of healthcare delivery and consumer outcomes, which has a follow-on benefit to the Australian economy.

By emphasising economic benefits alongside health outcomes, government procurement can incentivise the development and adoption of innovative healthcare solutions that enhance patient care and operational efficiency. This approach encourages suppliers to invest in research and development, leading to the creation of cutting-edge technologies and services that address national health priorities. It also lends procurement to foster innovations that generate economic value, which promotes collaboration between healthcare providers, technology firms, and academia, resulting in a vibrant ecosystem that nurtures creativity and accelerates the translation of research into practice.

The DHCRC survey asked partners and participants whether retained economic benefits specific to the health sector should be considered in digital health procurement tenders - 62.5% of respondents agreed, 25% were unsure and 12.5% disagreed. Of the 62.5% of respondents who agreed that such benefits should be considered in digital health procurement tenders, 100% recommended the top two retained economic benefits to the health sector that should be considered as being:

- Direct measurable health system impacts, including enhancing interoperability and building long term capacity; and
- Proven to improve patient and population outcomes

Following that, 80% of respondents recommended the below three retained economic benefits specific to the health sector be considered in assessing digital health tenders:

- Health benefits that incorporate the opportunity cost of lost health
- Value represented by the availability of data gathered through the use of the digital health product/service (that is not represented in direct impacts on health, health system or user experience)
- Innovative, market-ready solutions that are relevant to the preparedness and resilience of healthcare systems

Such value-based procurement considerations, which moves beyond price as the priority consideration in evaluating benefits, puts consumers front and centre. This aligns with current national policies, including the National Digital Health Strategy, which places people at the centre of a connected and digitally enabled healthcare system.<sup>3</sup> When asked the question of whether current procurement requirements are generally very well-articulated with respect to patient outcomes, 50% of DHCRC partners and participants disagreed, 37.5% were neutral and only 12.5% agreed. Industry can work with government to better articulate this.

<sup>3</sup> <https://www.digitalhealth.gov.au/national-digital-health-strategy#:~:text=By%20enhancing%20the%20use%20of,care%2C%20and%20personalised%20health%20outcomes.>

Recognising the interconnectedness of health and economic prosperity in this way, ensures that government expenditures contribute to a healthier population, which, in turn, reduces healthcare costs and enhances workforce productivity for the long term. Consequently, considering these retained economic benefits to the health sector in digital health procurement decisions, fosters a more resilient and equitable healthcare system that serves the needs of both individuals and communities effectively.

### **Domestic economic benefits**

The consideration of domestic economic benefits in digital health procurement is crucial for both the health sector and the broader Australian economy. By prioritising local digital health solutions from Australian SMEs, government contracts can provide these businesses with the stability and resources necessary to scale their operations and invest in research and development. This not only fosters a competitive landscape that motivates SMEs to innovate but also helps to cultivate a diverse range of solutions tailored to meet the unique challenges of the Australian healthcare system. This localised approach to procurement helps to ensure that financial resources are reinvested into the community, driving job creation and enhancing overall economic stability.

The DHCRC survey asked participants to indicate which domestic economic benefits should be considered by procurement officers when assessing digital health tenders. As indicated in figure 1.0, the top domestic economic benefit that 87.5% of respondents recommended be considered in digital health procurement was whether the tender would be 'Contributing to meeting national health priorities'. Whether a tender would be 'Supporting sovereign capability of the Australian digital health sector, providing opportunity for SMEs to scale and export their digital health technology' was the second choice of 75% of respondents, en par with the requirement that the tender would be 'Building local Intellectual Property'. 'Investing in local infrastructure and capabilities' was chosen by 62.5% of survey respondents at number four, and 'Investing in local research and development' was number 5 at 50%.

Survey respondents gave less weight to the consideration of the below domestic economic benefits:

- Employing Australians (37.5%)
- The supplier is headquartered in Australia (25%)
- Making better use of Australian resources that would otherwise be under-utilised (25%)
- Supporting Indigenous workforce participation (12.5%)
- Engaging a business that provides services of persons with a disability (12.5%)
- Providing traineeships or apprenticeships in areas of skills shortage (12.5%)
- Cross-sector impacts beyond the health system (25%)
- Is at least 51 per cent owned by Australian shareholders (12.5%)
- Is at least 51 per cent governed by Australian directors (0%)
- Is not a subsidiary of a company that is not a sovereign Australian SME (25%)
- Providing long-term value to ensure the sustainability and resilience of our digital and data contracts, products, services and supply chains (37.5%)
- Boosting a supplier's international competitiveness (25%)

Please indicate which domestic economic benefits should be considered by procurement officers when assessing digital health tenders.

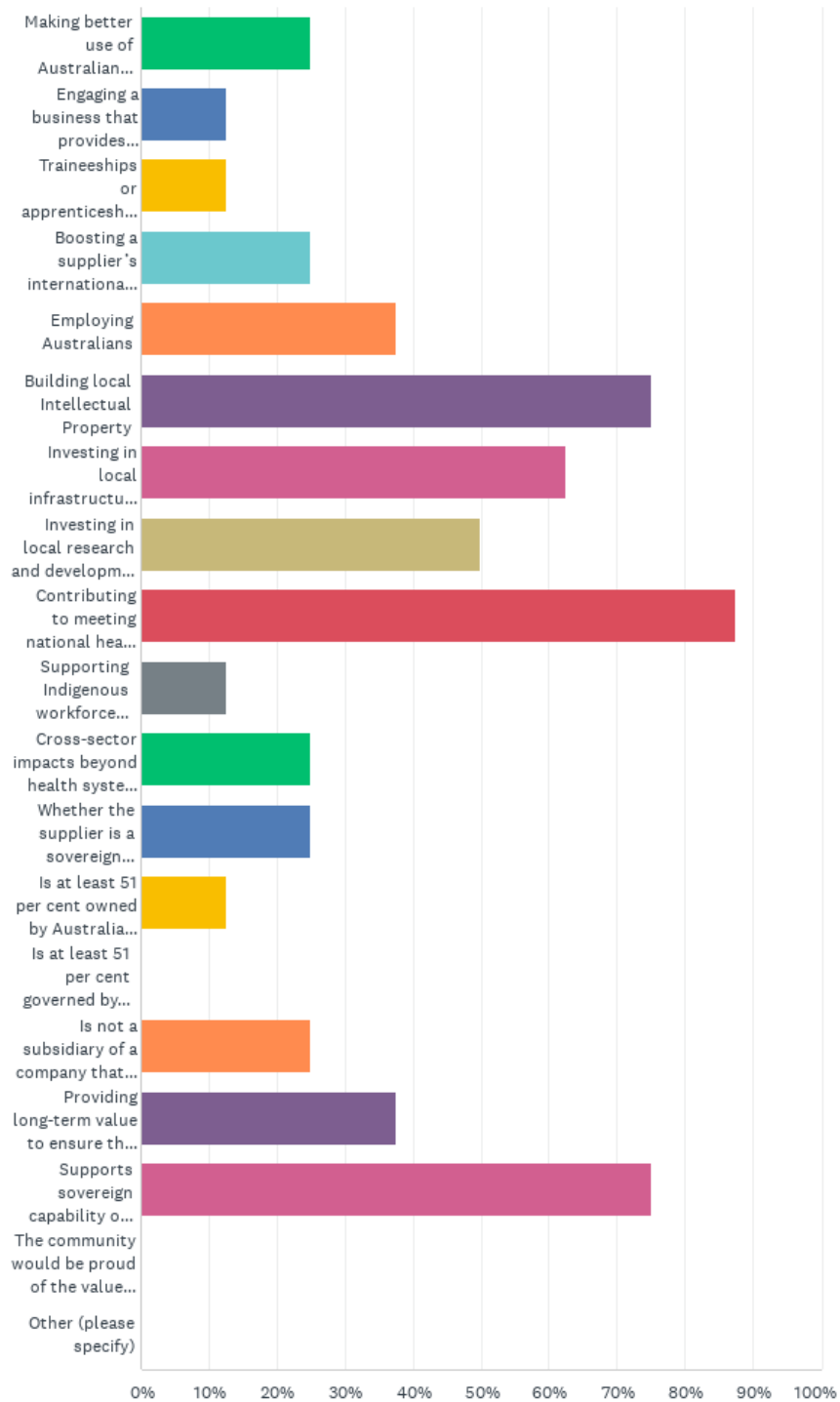


Figure 1.0

**KEY ISSUE AREA 2:**

**Guidance on the use of weightings when considering economic benefits in evaluation criteria**

Incorporating weightings for broader economic benefits in the evaluation criteria of digital health procurement tenders ensures that contracts support immediate healthcare priorities and contribute to the long-term social and economic needs of communities. The DHCRG asked survey participants what weight should be given to evaluation criteria when considering broader economic benefits in digital health tenders. The results showed that ‘Transformation change of health service or systems’ should be given the greatest weight; followed by ‘Data privacy’ at number two and ‘Usability’ at number three, as indicated in figure 2.0.

*What weightings should be placed on evaluation criteria when considering broader economic benefits in digital health tenders?*

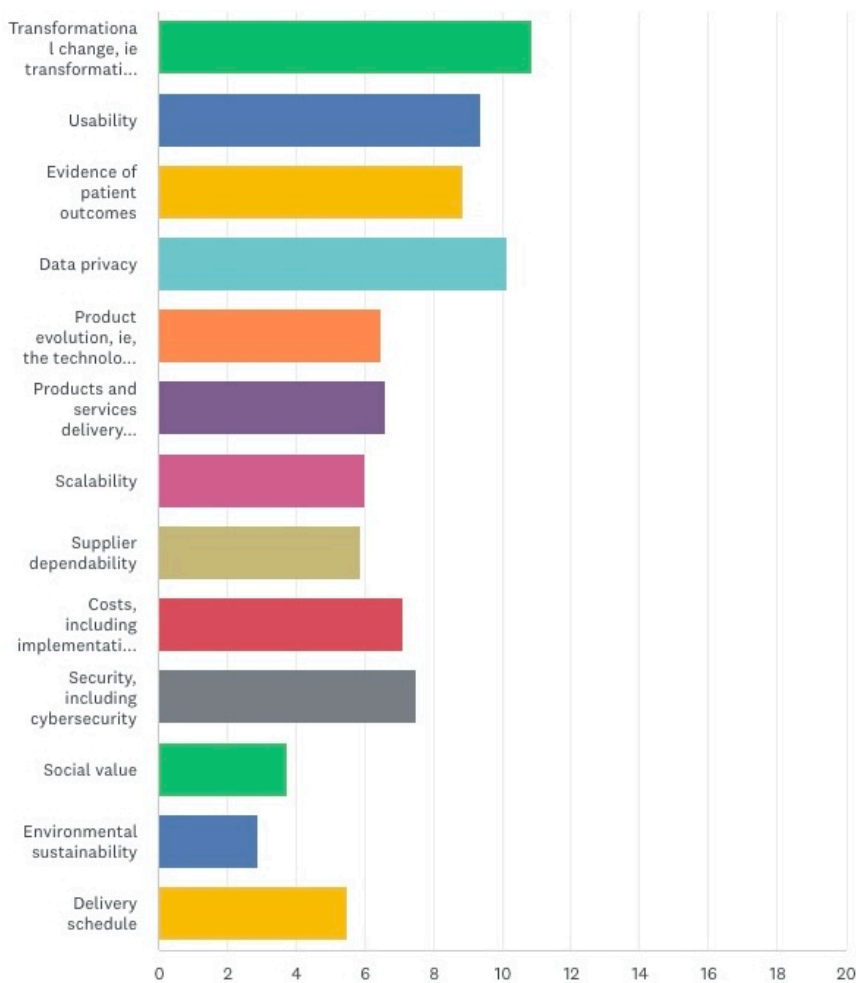


Figure 2.0



### KEY ISSUE AREA 3:

## Guidance on engaging with the digital health industry on how broader economic benefits are considered and evaluated throughout the procurement lifecycle

Engaging with the digital health industry on broader economic benefits is crucial for optimising procurement processes and ensuring that government investments deliver maximum value. Early engagement with industry stakeholders such as healthcare providers and technology developers, including SMEs, enables purchasers to form a deeper understanding of how an intended digital health solution can deliver broader economic benefits, what these may be, and the practical ways to measure and achieve them.

Evaluating broader economic benefits in digital health procurement throughout the procurement lifecycle must involve a structured approach that is developed with industry stakeholders and integrates value-based criteria into each phase of the procurement process: from pre-procurement planning through to tender, contract management and post-implementation review.

The current *Guidance on the Consideration of Broader Economic Benefits in Procurement* does not include guidance on engaging with industry. Including such advice in this guidance would support procurement officials to understand the benefits of industry collaboration when determining broader economic benefits, and how such engagement could be executed, depending on the planned procurement. Both the Victorian and South Australian Governments, as just two examples, support procurement officials to engage with industry by providing detailed guidance not only on why such engagement is vital to best practice procurement, but how procurement officials should conduct such engagement with industry suppliers.

HealthShare Victoria and Procurement Services SA provide guidance to procurement officials on developing industry/supplier engagement plans, including industry engagement plan templates that are publicly available. This enables complete transparency on the procurement processes and tools to support government agencies. The DHCRC recommends that such guidance on developing industry/supplier engagement plans be incorporated into the *Guidance on the Consideration of Broader Economic Benefits in Procurement* to further assist procurement officials in their consultation with the digital health industry when developing intended broader economic benefits of a procurement project. The DHCRC would recommend collaboration with digital health stakeholders to develop specific industry engagement plans/templates relevant to the digital health sector that also meet the broader needs of the Australian health system. This can help to foster and progress digital health innovation, particularly in priority areas.

Procurement Services SA, for example, in its *Industry Engagement Plan Template* cites:

*To make sure this plan encourages innovation, it is important to provide as much detail about future needs as possible and consider:*

- *Whether each engagement exercise provides scope for innovative procurement approaches to emerge and make sure there are plans for dealing with these approaches*
- *Whether the procurement processes are open to innovation and encourage the market to offer solutions that are:*
  - *More productive*
  - *A better fit for government's needs*

- *More cost and resource efficient<sup>4</sup>*

Such guidance on industry engagement can be tailored to digital health – in consultation with industry - to better inform government purchasers and ensure relevant projects address national health priorities and future population needs.

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<sup>4</sup> Government of South Australia, [Procurement SA, Guidelines, tools & templates.](#)

#### **KEY ISSUE AREA 4:**

### **Guidance on alignment with relevant Commonwealth policies**

As well as alignment with relevant industry policies, digital health procurement tenders should align with relevant Commonwealth health policies to ensure that public investments effectively address the complex and evolving needs of our health system and national health priorities. This alignment enhances the capacity of digital health solutions to meet the specific needs of the Australian population and facilitates collaboration across sectors, leading to wider benefits for the health and wealth of our nation. DHCRC survey results support this, with 100% of respondents agreeing that procurement officials should consider whether digital health tenders align with relevant Commonwealth health and industry policies when assessing applications.

As a follow up question, survey participants were asked which relevant Commonwealth health and industry policies procurement officials should ensure digital health tenders align with - 87.5% of respondents stipulated that consideration of alignment with the National Digital Health Strategy 2023-2028 was most important, followed by the Digital Health Blueprint and Action Plan 2023-2033 at 75%; and both the National Aged Care Digital and Data Strategy, and National Preventive Health Strategy at 62.5%. When asked if tender alignment with Commonwealth health or industry policies should be built into contracts, 87.5% of respondents agreed. See all results in Figure 3.0.

What relevant Commonwealth health or industry policies should procurement officials ensure digital health tenders align with?

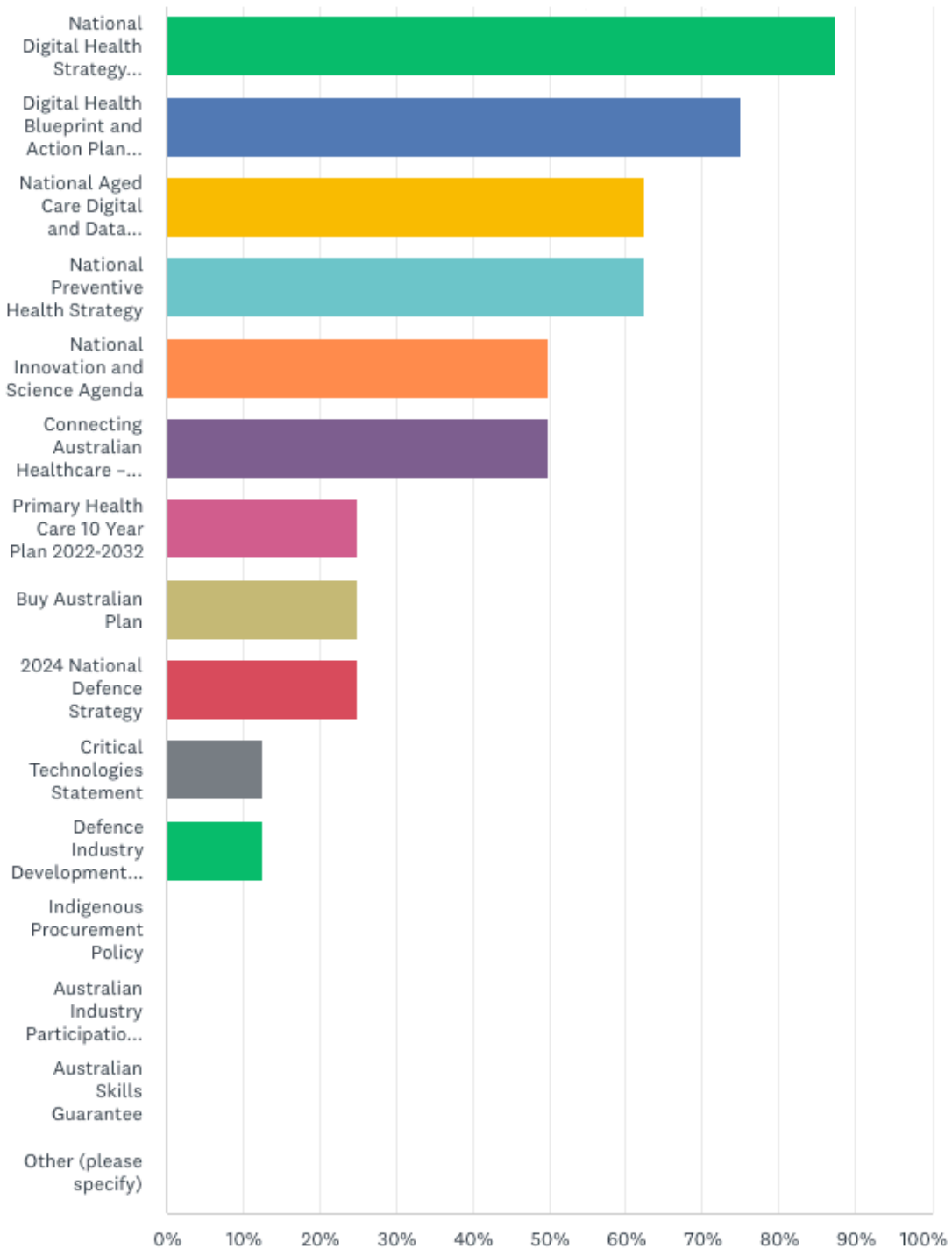


Figure 3.0

## **KEY ISSUE AREA 5:**

### **Guidance on case studies and examples of digital health procurement**

Currently there are no digital health procurement case studies or examples in the *Guidance on the Consideration of Broader Economic Benefits in Procurement*. The DHCRC survey asked participants if specific case studies and examples of digital health procurement should be included in the Department of Finance guidance - 71.4% of respondents said yes. Including such case studies and examples provides concrete evidence of successful digital health procurement tenders and showcases best practice to suppliers, fostering consistency and effectiveness in procurement.

Case studies illustrate previous procurement projects that have provided innovative, market-ready solutions (materials, technologies and systems/practices) that are relevant to the needs of the Australian health system and population. Procurement officials and suppliers benefit from being able to understand such real-life case studies and the tangible broader economic benefits they have achieved. Such case studies and examples of successful digital health procurement can also help clarify how to implement the concepts outlined in the guidance and assist procurement officials to understand how to assess broader economic benefits and apply the principles of the guidance to digital health procurement.

Highlighting successful digital health examples can also stimulate interest in innovative digital health solutions among government agencies. By showing how others have successfully integrated such solutions, the guidance can encourage a more competitive procurement environment, fostering innovation and collaboration. Including diverse examples of digital health procurement, creates a valuable resource for knowledge sharing among suppliers but also between the digital health industry and procurement officials.

## CONCLUSION

In conclusion, this submission on behalf of the DHCRC and its partners and participants, underscores the importance of enhancing the *Guidance on the Consideration of Broader Economic Benefits in Procurement* to include the consideration of retained economic benefits that measure health impacts and the prioritisation of certain domestic economic benefits that will support the sustainable transformation of Australia's healthcare system using Australian digital health technologies.

By advocating for value-based procurement that prioritises consumer outcomes and aligns with Commonwealth health policies, the DHCRC highlights a pathway to foster innovation, help to maintain a sustainable local digital health ecosystem, and ensure that government investments yield substantial societal benefits. Furthermore, the incorporation of specific digital health case studies and best practices in procurement guidance will not only help to inform and guide procurement officials in fostering digital health innovation but also stimulate engagement from SMEs in the digital health space.

Overall, adopting these recommendations is critical to creating a more efficient, cost effective and best practice healthcare system that improves health outcomes for future generations. By enhancing procurement guidance through government and industry collaboration, the great benefits that digital health innovators have to offer will be fully realised, positioning Australia at the forefront of health innovation and delivering long-term health and economic benefits to Australia and its people.