

Spanish Health Sector Hot Topics 2013

The economic crisis cannot
become a public health crisis



Intelligent Growth

A program to support companies and the Public Administrations to move towards a new sustainable production model based on innovation, quality, talent and value added.

For the fourth consecutive year, this report summarizes the hot issues of the Spanish health sector in 2013. We adopted a rigorous but direct and flexible approach based on the contributions of a large group of health sector specialists. We do not intend to provide a systematic analysis but rather an overview of the hottest trends and facts that will mark this year.

With this report, PwC wishes to offer a positive contribution to the health sector by helping Central Government, Local Administrations, health companies and organizations to prepare themselves for the challenges ahead.

The economic crisis cannot become a public health crisis

The Spanish healthcare industry needs a system with a solid business network, innovative, with a commitment to public-private partnership, and that feeds on the experiences and the latest healthcare trends worldwide.

Hot Topic nº 1.

If we need to cut, let's do it wisely

The current economic crisis itself has health consequences: changes in the pattern of illness; impact on disadvantaged social groups; and changes in demand for services.

In Spain, recent austerity measures have resulted in the following impacts (see table on the right).

The fact is that austerity measures can be effective in the short term to cut costs, but can have negative results on health in the short, medium and long term and even a negative economic impact in the medium or long term.

The fundamental message is that not every cut is "worth it" and the decision to cut must be preceded by an analysis of the resulting consequences. The position of the European Union, more specifically of the Commission for

Effects of cost reduction and cost containment measures on the Spanish health system

Pharmaceutical sector

Reduction in drug prices, declining demand due to the introduction of co-payment for pensioners.



Health professionals

Wage cuts, increased working hours, incentive for retirement at the age of 65, decline in temporary contracts.



Health services providers

Drop in contract volume and increase in payments due.



Citizens

Growing waiting lists, loss of coverage for immigrants and the other minorities, introduction of pharmaceutical co-payment for pensioners.



Investments

Budget cuts in all Autonomous Regions leading to falling investment.



Health and Consumer Policy, has always been that the economic crisis cannot become a public health crisis. This position is supported by the WHO which lists a number of measures in response to the financial crisis in Europe.

Furthermore, for all measures, there should be an explanation and discussion with citizens and professionals (e.g. the Canadian experience during a former crisis) and for any measure to be applied in the short term, there must be a long-term perspective (e.g. Catalonia's Health Plan).

Hot Topic nº 2.
mHealth: a viable way to maintain service levels

The current model of care, based on repeated physical visits to the doctor and in many cases requiring, different specialists and health facilities, is unsustainable, uncomfortable and ineffective.

First, because it is an overly expensive model, which requires a major investment in terms of time, workforce and resources. Secondly, it does not allow an adequate response to chronic illnesses, which are becoming predominant.

In this context, mHealth means new business model that offers new possibilities of care delivery, based on the usage of mobile devices. mHealth will be important to: patients, physicians and providers, pharmaceutical industry and health technologies and other providers.

In PwC we estimate that mHealth will amount to around U.S. \$ 23,000 million in 2017. Europe will be the main market. Tele-monitoring services will be the main driver, although there will be many other mHealth services.

The current model of care, based on repeated physical visits to the doctor and in many cases requiring different specialists and health facilities, is unsustainable, uncomfortable and ineffective.

However, barriers to its roll-out must be overcome, especially those related to the traditional models of care delivery and current relations between players.

In our complete report we offer in-depth coverage of some mHealth initiatives in Spain such as that promoted by the Basque Government and the private company Saludnova.

Hot Topic nº 3.
Involve health professionals: the only legitimate way forward

All health organizations are what Mintzberg calls "professional bureaucracies", where the weight and the fundamental power of the organization lies in the operating core. In the case of healthcare organizations, the operating core is formed by doctors and nurses.

This is why it is so difficult to make changes in a health system without involving its professionals. Such changes must also be driven by the value in health, as all healthcare organizations have the overarching goal of achieving high value for patients.

When assessing the value contribution, it should be borne in mind that the value equation is inherently condition-specific, in the sense that outcomes must be considered for the patient's medical condition. In the case of primary and preventive care, outcomes must be measured for defined groups with similar needs.

From this perspective, it is urgent to promote reforms that actually add value (health outcomes per euro spent). This means:

1. The goal must focus on adding value for the patient
2. Care delivery must be integrated and oriented to medical conditions and the care cycle; and
3. Outcomes should be measured, reported and compared.

In order to successfully attain these goals, managers and health professionals must work together in a collaborative manner.

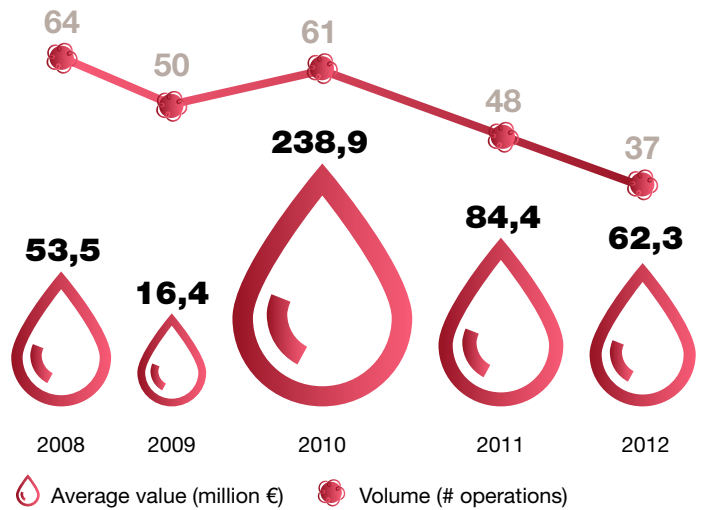
Hot Topic nº 4.
An unmet need in Spain: intermediate care

Intermediate inpatient units, also called medium or long-term care units, belong to a wider set of facilities that aim to respond to the needs of long-term care.

These units target patients who do not require the resources of a general hospital but are beyond the scope of traditional health care facilities or geriatric institutions.

When compared with other European countries, Spain is bottom tier in terms of number of long-term care beds per 1,000 people over 65, with significant differences between autonomous regions and lacking a model for this type of care delivery.

Relevant M&A activity in the Spanish healthcare. Major transactions in the sector, 2011-2012



Source: Análisis PwC

Examples of internationalized companies



Pharmaceutical

Grifols, Rovi, Esteve, Almirall, Pharma Mar y Ferrer, and others.

Lilly, Novartis, Bayer, Rovi/MSD and CELGENE are multinational companies that have established their export platforms and R&D centers in Spain.



Biotechnology

INGENASA, Health InCode and others.



Medical Technology

Bexen Cardio; Emergencias 2000, SA; Grupo Inibsa; Sibel, SA; Telic, SAU; Grupo Matachana; Sedecal; Oncovisión; and others.



eHealth

Telefónica



Health care providers

Hospitén

Evidence indicates possible cost savings may be obtained from this type of care, since nowadays most demand is met by acute hospitals, which offer a much higher cost per bed/cost per day ratio. A national plan and delivery model are therefore needed for this type of care. This national plan/delivery model must address:

- the standards that intermediate units should comply with;
- relationship with acute hospitals;
- funding model and its relationship with Ley de Dependencia; and,
- the role of public-private partnerships in the construction/renewal of infrastructures and in the provision of this type of care.

This is an initiative that can help improve care and, simultaneously reduce costs, especially those related to the unnecessary need for acute care resources.

Hot Topic nº 5. ***Health is going global: the internationalization of health companies***

Although the Spanish economy is highly internationalized, historically, insurance companies and health providers have had difficulties in going global. They are typically public dominated sectors, subject to strict regulation, which varies from one territory to the next. Business models and operational models may also vary significantly depending on the region.

These barriers, however, do not affect other health companies such as pharmaceutical, medical technology or biotechnology companies. There are already many good examples of companies that are crossing borders, in all sectors:

Various organizations such as: ICEX, Farmaindustria, FENI N, ASEBIO, Biocat, Innobasque, Instituto de Salud Carlos III, and others, are supporting national companies to succeed in the always tough journey towards internationalization.



Hot Topic nº 6. ***Pharmaceutical and medical technology industries: from suppliers to strategic partners.***

According to John Dalli, former European Commissioner for Health and Consumer Policy, if Europe wants its citizens to be healthier, we need to innovate and include these innovations in health systems.

Pharmaceutical and medical technology companies, which are responsible for much of the innovation activity in the health sector, have a lot to say and to contribute to this process. But to do so, they must look beyond their role as suppliers and assume the role of strategic partners through some of the following channels:

- Having a thorough knowledge of the value chain of other health system players, and, specifically of their customers' value chain.
- Being involved in this value chain, by identifying those areas where they can offer improvements or add value.
- Taking risks on a shared basis.

This new role offers the following advantages:

- For the health system: as strategic partners, these companies contribute value added. As mentioned previously, all health organizations have the overarching goal of delivering high value for patients.
- For companies: as strategic partners, these companies can compete with

variables other than price (e.g. innovation).

There are already many examples of these new relationships and a wide range of new possibilities, even though there is still much to do.

Hot Topic nº 7. ***Ensuring patient access to innovation***

Since 2010, Spanish public pharmaceutical expenditure has been adjusted downwards and everything seems to suggest that this tendency will continue in the next few years.

Without exploring the reasons for this decline and without commenting on the way that this adjustment has been achieved, we need to assume that the percentage of pharmaceutical expenditure over total health spending is now more closely approximates that of other OECD countries.

The next step is to ensure that innovations are included in the health system, so as to add equal value for all citizens and territories.

In the current circumstances, there are delays in market access as specific drug can be recognized as dispensable by the public system and receive a price from the Ministry of Health, but, its inclusion in the system is not assured as the autonomous regions can place specific



barriers that hinder or block market entrance. There are several real examples.

To overcome this situation, a transparent and rigorous evaluation system of innovations must be established which, upon approval, would speed up their inclusion in the system.

Hot Topic nº 8.
The health sector needs to get used to concentration processes and “new entrants”

Concentration in the health sector is a global phenomenon. The Spanish health insurance industry presents a high degree of concentration, as opposed to a traditionally fragmented health provision sector. However, provider concentration has already begun and seems set to continue (hospitals, laboratories, image providers, dialysis, etc.).

With a largely fragmented delivery system, concentration is synonymous with modernization, technological renovation and long-term viability.

Moreover, much of the innovation in the health sector will come from these new entrants: telecom companies, banks, retail companies and other players that coexist with traditional health organizations.

Hot Topic nº 9.
Personalized medicine: not a fad, it's here for good

Personalized medicine can be defined as those products and services that allow the application, directly or indirectly, of the knowledge derived from advances in genomics and proteomics in the design of customized prevention and treatment strategies.

In Spain, although there are some interesting initiatives, we are still lacking a national plan to boost personalized medicine that includes some of the key elements, including:

- implementation of specific training programs for specialists in genomics and proteomics;
- communication and collaboration between health, pharmaceutical, biotechnology companies and academia;
- development of technology that allows access to genomic and proteomic data for research;
- involvement of health managers;
- substitution of techniques and resource sharing; or
- regulation of the input of genomic / proteomic data in electronic medical records.

Hot Topic nº 10.
Releasing data: moving towards open health data

Open data can be defined as ‘selected data’ that should be made freely available to everyone to use and republish as they wish, without restrictions from copyright, patents or other excessive control mechanisms.

Open data characteristics are: availability and access; reuse and redistribution; and universal involvement.

The health sector generates large amounts of data and can especially benefit widely from data distribution and sharing, since most health data is traditionally paper supported.

Open health data means that this type of data could be viewed, shared and reused for research, knowledge generation, innovation, quality improvement, among other activities with the potential to generate multiple benefits.

There are many interesting open data initiatives worldwide, led by the U.S. and UK. In Spain, despite some very laudable attempts, it is still in its infancy.

Key messages

- It is essential to conduct an impact analysis of austerity measures so as to assess the swift actions taken by governments to cut costs in the current crisis.
- The mHealth can help meet the objectives of efficiency and savings, without compromising the quality of care.
- To undertake these reforms it is essential to involve health professionals, because they are the ones who have the power to drive change.
- Spain lacks infrastructures and funding in intermediate care services, which should be addressed to meet the health and social needs of the population.
- We must continue to support export activities to strengthen the sector, helping Spanish companies become international players.
- Pharmaceutical and medical technology companies must look beyond their role as suppliers and assume the role of strategic partners, because of their vital role in the health sector value.
- It is essential to accelerate and homogenize the market entrance of new drugs so as to allow equitable access to the benefits of innovation.
- Concentration movements will continue to affect the health sector and will be used as a formula to improve competitive position, especially in a context marked by the emergence of global companies and the entrance of new players.
- Personalized medicine is becoming more an inevitability. This type of medicine sets a new paradigm that can drive change in care delivery models, making them more oriented to prevention and more patient-centric.
- The release and reuse of data offers countless benefits to the health sector. Despite some attempts, Spain is still at an early stage in this new approach.

A new pattern of growth that is based on five pillars: **internationalization, innovation, low carbon economy, economic growth and the modernization of public administrations.**



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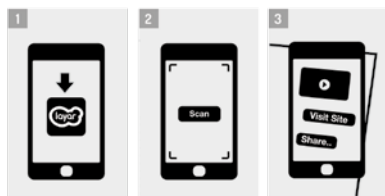


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