Interview: Lisa Purdy – Partner and National Leader, Health Services; Kelley Dealhoy – Senior Advisor, Life Sciences M&A, Deloitte, Canada

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Lisa Purdy, who leads the healthcare & life sciences industry team in Canada and Kelley Dealhoy, global subject matter expert in life sciences M&A and external growth opportunities, discuss advantages and disadvantages of Canada's fragmented healthcare system, the impact technology has on how companies go about structuring their operations as well as how Deloitte is uniquely positioned to work across life sciences, healthcare and the public sector.

These past months have brought about major announcements in the Canadian healthcare and pharmaceutical sector, including the appointment of a new federal Minister of Health, mandate changes within the PMPRB (Patented Medicines Prices Review Board) and the anticipated legalization of recreational Cannabis, just to name a few. How do you prioritize your areas of focus?

Lisa Purdy (LP): There are two sides to the equation. On the healthcare side, we need to strike a balance between provincial and federal governments and their respective priorities, whereas on the life sciences side our time is spent on both domestic and global issues facing our clients.
Kelley Dealhoy (KD): The multinational pharmaceutical companies are paying close attention to the price reform within the PMPRB as well as the Canadian rollout of the sunshine law, which will force pharmaceutical companies to disclose money paid to doctors. MNCs tend to be well versed in

transparency matters as these laws are already in effect in the US, Europe and other jurisdictions but the changes at the PMPRB and the impact on doing business in Canada pose a bigger question mark. That is why MNCs are trying to get ahead of what is to come to position the Canadian affiliates as favorably as possible within the global footprint of their groups.

What other major trends are you witnessing in the Canadian healthcare and life sciences landscape?

LP: There are multiple elements within the system that are changing as we speak. Of course, as alluded to above, policy and regulatory are high on everybody's agenda at the moment. On top of that, we need to take into consideration the interplay between the life sciences and the health sector. The latter continues to change in terms of buying patterns at local, regional, provincial and pan-Canadian levels, which also has repercussions for supply chain models. For MNCs, Canada is usually a big sales and distribution arm and as buying patterns change, it also impacts their business models.

We see a movement that companies are increasingly considering ways of integration into the care delivery model thereby establishing closer relationships with end consumers, i.e. the patients, whereas historically, this relationship was between companies and physicians. Essentially, life sciences companies are changing from B2B to B2C within Canada while at the same time trying to fit into the global operating model of their parent organizations.

The Canadian healthcare system has repeatedly been criticized to exhibit rather archaic features. Where do you see primary areas of inefficiency, and possibilities for significant improvements?

LP: On the healthcare system side, we do not have just one healthcare system. In fact, we have 13 different provinces and territories, and their respective health systems are each managed and overseen separately. While this fragmentation has created benefits in terms of more meaningful connections with citizens, it has disadvantaged us in terms of competitiveness. Because you are operating at a very subpopulation level that does not have the economic attraction compared to that of a country with 35 million people, provinces often lose out in terms of competition for talent, innovation, technological investment, or relationships with big pharma and medical device companies.

There is a clear dichotomy, because although provinces want to bring the latest technology to their communities, they are not able to make the required investments due to scale considerations.

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In addition, our physicians operate separately from the health provider system, as independent entrepreneurs if you will. Therefore, it is difficult to instill holistic change in the system, as your key influencers of health system utilization are not actually part of the same business model as the rest

of the provider community.

It is evident that we are facing some natural challenges, but there is a tremendous amount of goodwill in the country at this moment and different provinces have started working on a multi-jurisdictional level to achieve better outcomes and become more competitive.

What are the main challenges in bringing all stakeholders together to advance together?

LP: Despite the goodwill we have been seeing recently, everybody still plays his or her part to a certain degree. For example, government sees their role as being a tough negotiator on behalf of their provinces with pharma or medical device companies. It takes time to change these systemic structures. However, we have seen considerable movement in Canada with the recent supercluster initiative, a flagship initiative, which is phenomenal for Canada as a country and will be a true differentiating factor for the country globally. What is great about it is that it is truly pan-Canadian as well as cross-sectoral, including health system providers, researchers, life science communities, technology, employer sector and others. The potential here lies not only in the economic outcomes but more importantly in the well-being outcomes for patient and citizens. We are seeing these kinds of initiatives on a provincial and local level as well, working across the aisle, if you will, to create a different ecosystem to address our health challenges in an innovative model.

How do you see technology impacting the healthcare landscape in Canada today?

LP: On the healthcare side, there is no question that technology enables a very different model of care, especially in a publicly funded system, which is very cost-driven, while at the same time aiming to increase access and service delivery enhancements. Naturally it does not have the same business drivers compared to a privately funded system. Thus, we need to look for different ways to reach the same objectives. Digital technology tremendously impacts access in the home and community market place creating new opportunity for virtual care delivery, whereas historical telemedicine technologies has been predominantly focused on the hospital side of the system. Virtual care capability moving into homes and communities means that our aging and remote populations as well as those patients affected with chronic diseases have better access to health and social services, which is reflective of our social mandate in the country.

Digital enablement is a chance to fundamentally change access in a cost-effective way. However, just another channel will not change access or outcomes.

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Technology does not just improve efficiency, quality and integrity of transactions but it also allows establishing a longitudinal relationship between patients, providers and the health system and for patients to actually contribute to their own health management. And when you engage someone in his or her own health management, you ultimately improve health outcomes.

KD: Taking it a step further, we have been seeing the movement into AI (artificial intelligence), which will change everything, not just healthcare and life sciences. It will become particularly interesting in the field of diagnostics, because a machine is able to better diagnose and thus, drive better outcomes at a higher cost efficiency. Nonetheless, we have to keep in mind that the healthcare professionals are at the center of care delivery. What we need to consider is that technology will change their work but we cannot lose the value of their professional insights and experience in the actual application of the technology. We need to build a health system that integrates machine learning as well as the expertise of clinicians.

What is Deloitte's footprint in the life sciences sector in Canada?

LP: We have the privilege of serving our clients across all life sciences dimensions: pharmaceuticals, biotech, and medical devices. At the same time, we also cater to the healthcare industry, such as hospitals, regional health authorities, provincial and federal agencies and governments alike. If you will, we see the industry from both sides and across the country.

Our professional services that we offer, including consulting, audit, financial and risk management, regulatory and compliance – even legal and real estate – match up very well with the life sciences sector, which is a very complicated business by nature from R&D to commercial execution on both retail and non-retail business.

On top of that, we can offer Deloitte's global dimension; we bring our entire services footprint to the life sciences industry, crossing over into the healthcare and public sector as well. This means that a given team everyone blends to together with a diversity of expertise.

KD: These days, we are especially active in working with our clients on how to go beyond the traditional model of primary care to also encompass the patient at the same time. We are engaged in cross border initiatives, including a tech transfer from Israel in the area of telehealth and we are working on how we can embed those offerings in countries like Canada.

What makes Deloitte the partner of choice?

LP: Many of our peers in the consulting space will tell you that have deep expertise in life sciences and maybe they have it in Europe or Asia Pacific. There are few companies that can measure up to our global reach, which is what matters to the life sciences companies. We have practitioners in each jurisdiction who understand the government and their respective health system environments: all dimensions of a country that affect our clients' ability to be successful. Our footprint spans life sciences, healthcare and the public sector. We have a tremendous amount of convening power across those and we can use that to our clients' advantage. Our breadth and depth of services are unparalleled.

KD: To underline, Deloitte has clearly made investment in that space. In my capacity I sit in Canada but I work in a global capacity. It demonstrates the investment in the Canadian

marketplaces while at the same time we are able to facilitate our clients’ success on a global level.

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