

# *Faster, better, cheaper* Creating opportunities in a converging healthcare industry

*Bringing a world of  
experience to deliver  
results for our clients*



## *Over \$70 trillion and rising*

A combination of growing, ageing populations, increasing levels of chronic illness and poor health outcomes is pushing up healthcare costs at an unsustainable rate. The figures make stark reading; over the next decade OECD and BRIC<sup>1</sup> nations are expected to spend over \$70 trillion cumulative on healthcare infrastructure and services, with health expenditure in developed markets rising from 9.9% to 14.4% of GDP<sup>2</sup> during the same period.

Such huge outlays will put a further strain on governments already struggling with crippling national deficits, and severely hinder the goal of affordable healthcare for every member of society.

Bending the cost curve is a universal challenge facing health systems in the quest for greater efficiency and higher quality treatment. As they strive to become faster, better and cheaper, public and private providers alike are looking for new, innovative approaches to care.

- 1 PwC 2010–2020 spending projections. The Organisation for Economic Cooperation (OECD) includes 34 member nations. BRIC nations are Brazil, Russia, India and China. In 2011, the grouping expanded to BRICS to include South Africa.
- 2 PwC modeled spending projections for 25 OECD countries. Chile, Estonia, Hungary, Israel, Korea, Slovak Republic, Slovenia and Turkey were excluded because of a lack of historical data.

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## ***Common priorities***

Although healthcare challenges can vary from region to region, health systems of every type around the world have the same objective: to finance and deliver the highest possible quality of care to the maximum number of people at the lowest possible cost.

As a consequence of these common priorities, solutions are evolving that transcend borders and cultures.

With traditional parochial attitudes to healthcare breaking down, there is a move towards far greater collaboration amongst policymakers

and practitioners, as they share and adapt ideas that have proved successful elsewhere. This trend is also contributing to a globalisation of healthcare, with providers offering similar services across multiple geographies.



# Emerging trends in healthcare

*“The global investment in healthcare is huge, and new market participants are staking their claims by introducing new business models that are changing the competitive landscape.”*

Dr. David Levy  
PwC Global Leader, Healthcare

**Three major forces are driving change in the market:**

**1** **A revolution in care,** enabled through the power of connectivity to achieve greater efficiency and improved outcomes to satisfy demanding, informed consumers

**2** **Regulatory reform,** driven by demographic changes—including ageing, chronic illness and diseases of prosperity—and the need to redress the public versus private balance as governments explore new ways to control costs and change practitioner behaviour

**3** **The march of science,** produced by the genomic revolution that is pushing healthcare toward a precision-based industry



## How do these forces affect health-related businesses?

### *A revolution in care*

Connectivity will reduce dependence on large, expensive facilities and give individuals greater control over their health and well-being. This patient-centric health system opens the door to new market participants from industries such as mass retail, telecommunications, health/wellness/spa and travel and tourism.

### *Regulatory reform*

New pay and reimbursement models will focus on outcomes, quality and cost savings. And public and private sector partnerships will expand in number and scope, creating a multi-trillion global market for the private sector and helping governments provide sustainable healthcare for their citizens.

### *The march of science*

Progress in genetic mapping and advancements in both science and technology will make care more personal, predictive and preventive. As health solutions become highly customised, individuals will be segmented into ever-smaller groups, requiring tailored treatment regimes.



*“A revolution is transforming traditional approaches to care. Ubiquitous connectivity is creating new and flexible models of mobile health that can be delivered virtually anywhere, at any time, to most anyone in the world. Mobile connectivity is also empowering and encouraging individuals to become more actively engaged in managing their own health through the use of applications, sensors and other devices.”*

Christopher Wasden, EdE  
Global Healthcare Innovation Leader

## Why PwC?

PwC is one of the largest healthcare professional services firms and one of only four global consulting networks with leadership positions in each of the key sectors of Pharmaceutical and Life Sciences, Payer, Provider, and Government Healthcare consulting.<sup>3</sup> Our global network of more than 5,000 health professionals includes leading minds in medicine, bioscience, information technology, clinical operations, business administration and health policy. PwC's thought leadership and extensive research gives our engagement teams access to competitive intelligence, perspectives on leading practices, and analysis of trends affecting health-related industries.

<sup>3</sup> Kennedy; "Healthcare Consulting Marketplace 2010-2013: Key Trends, Profiles and Forecasts;" ©BNA Subsidiaries, LLC. Reproduced under license.

*"PwC... a specialist in negotiating convergence of consumer and life sciences industry trends that brings fields of healthcare and non-healthcare industry knowledge and activity into greater contact, and integration."*

Kennedy; "Healthcare Consulting Marketplace 2010-2013: Key Trends, Profiles and Forecasts;" ©BNA Subsidiaries, LLC. Reproduced under license

PwC's global reach and resources help governments, businesses and healthcare industry players accomplish their missions in today's dynamic, competitive environment. We provide health organisations with professional guidance not just on healthcare issues in their local markets but also on operating in global markets, developing a broad mix of service lines that may include foods, manufactured goods, mobile communication devices, and information systems. We have a proven track record in working with clients to improve operational performance in many functional areas.

PwC's global network of firms provides comprehensive advisory

services: management consulting, business assurance, tax, finance, advisory services, human resources solutions, and business process outsourcing services. PwC's breadth of experience in many industries and functional areas is especially valuable to clients as healthcare becomes increasingly interconnected with other industries.

Our clients benefit from our thought leadership initiatives. We share lessons learned and relevant leading practices that emerge from engagements with other industries such as consumer products, telecommunications, and manufacturing. PwC brings a world of multiple-industry experience to its healthcare engagements.



## PwC's unique qualifications in the healthcare industry...

PwC's experience and expertise goes beyond geographic and functional boundaries. We understand the entire healthcare system and the dynamics that drive it. With a global network of firms that advise governments and private enterprises on every aspect of business performance, we apply intellectual capital developed in engagements around the world and across industries to our clients' most complex problems.

### Trusted advisors

With engagements in every sector of the healthcare industry, PwC has earned the trust and confidence of governments and healthcare organisations worldwide. We have helped governments with major health reforms and public health policy initiatives. We have helped private enterprise implement strategies and solutions to achieve their performance objectives.

### Industry depth and specialisation

PwC's client teams consist of a broad range of experts, including medical practitioners, nurses, clinicians, biomedical and pharmaceutical specialists, health policy experts and others with deep industry knowledge. We bring to healthcare engagements a depth of understanding and practical experience that can come only from people who have dedicated their professional lives to this industry.

### Thought leadership

The Health Research Institute (HRI), PwC's dedicated health research unit, conducts original, fact-based research and publishes analyses and viewpoints on topics of vital interest to a healthcare industry that is increasingly going global. Thought leadership also comes from PwC's experiences with clients in diverse industries throughout the world; through our international CEO roundtable series, *Bending the Cost Curve*, collecting lessons and viewpoints from the top minds in the industry; and from our network of PwC firms, whose experts collaborate across borders to address national and regional issues in healthcare.

PwC is acknowledged as a global leader in acquiring knowledge and applying it to clients' challenges. A panel of Fortune 500 senior executives recently ranked PwC as one of the Global Most Admired Knowledge Enterprises, above all other professional services organisations.<sup>4</sup> PwC has won this prestigious acknowledgement nine times, cited for "transforming enterprise knowledge into shareholder value."<sup>5</sup>

4 2010 Global Most Admired Knowledge Enterprises (MAKE) Report.

5 Ibid.

*“PwC has invested heavily in intellectual capital in the area of personalised medicine. PwC sees opportunities to wed biotechnology, predictive analytics, preventive care, and patient participation with innovative business models that transcend healthcare sub-industries...”*

Kennedy; “Healthcare Consulting Marketplace 2010–2013: Key Trends, Profiles and Forecasts;” ©BNA Subsidiaries, LLC. Reproduced under license



## **...deliver business insights and opportunities.**

PwC can help health industry organisations meet the challenges of tomorrow’s world. Competitive advantage will accrue to those organisations best able to operate innovatively in a global marketplace.

## **...for payers**

Public and private payers need to prepare themselves to operate in a competitive market. Develop strategies to decelerate rising medical costs. Maximise return on IT investment. Simplify administrative practices. Transition from one coding system to another, such as from ICD-9 to ICD-10. Introduce innovative new products that grow market share. Develop end-to-end management of each member’s overall health. Work collaboratively with employers, members and providers for mutual benefit.

## **...for providers**

Providers need to adapt their services and business processes to keep both patients and their bottom lines healthy. PwC can help providers:

- Maximise benefits and return on investment from adopting health information technology
- Enhance revenue and accelerate cash flow
- Capture a bigger share of a competitive market in which boundaries between providers and retail businesses are becoming blurred
- Minimise risk and reduce the cost of regulatory compliance
- Leverage scientific advances to offer personalised, preventive medicine
- Explore mergers and acquisitions to expand service offerings, build scale and improve financial performance





*“New rules, roles and responsibilities—driven by health reform and market forces—are a catalyst for greater collaboration and convergence in healthcare. The silos between traditional health sectors are breaking down, and new market participants and business models are emerging that put patients at the centre of care and shift the focus from treatment to wellness and prevention.”*

Dr. Ronald Ling  
Asia Healthcare Leader, PwC

### **...for new entrants**

The healthcare field is no longer limited to such traditional providers as hospitals and physicians. Increasingly, makers of specialty foods and nutritional supplements, manufacturers of fitness apparel, telecommunications and technology companies, retailers of consumer goods, wellness clinics, fitness centres and health spas, financial services companies, and many more are involved in providing products and services—sometimes in competition with traditional providers, other times in partnership.

Both traditional players and new market entrants need to understand healthcare’s complex market forces, anticipate industry trends, and capitalise on consumer demands and regulatory reforms that are enabling rapid change.

### **...for strategic investors**

Neither the public nor the private sector alone can afford the entire financial burden of providing healthcare. Increasingly, healthcare systems are turning to public-private partnerships (PPPs). Traditionally, PPPs financed the building of hospitals, clinics and other infrastructure. PwC estimates that OECD and BRIC nations will spend \$3.6 trillion on healthcare infrastructure between 2010 and 2020. Though that’s a sizable opportunity, health spending beyond infrastructure will total more than \$68.1 trillion, or 95% of health costs.<sup>6</sup>

PPPs are emerging as a new and compelling model for funding not just infrastructure but also business operations and care delivery.

In PPPs, public and private sectors enter into long-term contracts to share accountability for managing locally sustainable health systems. They share the benefits too; profits for investors, and better quality and value for the health system. In fact, all healthcare stakeholders win.

<sup>6</sup> PwC, Build and Beyond: The (r)evolution of healthcare PPPs, 2010.

*PPPs create:*

- A more sustainable means for government to provide for the health of its citizens
- An enormous market with a reliable, multi-year revenue stream for private investors
- Better outcomes, value and accessibility for patients, especially historically underserved populations
- Reduced financial burden on taxpayers

PwC expects to see significant and accelerated growth in the number and scope of PPPs over the next decade.

Despite their promise, implementing public-private partnerships can be challenging. Government health systems and private industry often have conflicting priorities, and local markets differ. PwC plays a leadership role in the growth of PPPs, the result of many years of experience designing and negotiating some of the world's largest and most complex public-private partnerships.

*“Across the globe, public-private partnerships (PPPs) are being crafted to make government and private industry more accountable for maintaining the health of each nation’s citizens. PwC expects that the number of PPPs in healthcare not only will increase significantly over the next several years, but that the PPP model is evolving, moving beyond being a means to finance health infrastructure to a means of delivering healthcare services in the long term.”*

Ian Wootton  
Global PPP Healthcare Leader, PwC

*...for private equity*

As private equity (PE) investors screen the global economy for growth, healthcare emerges as a rare bright spot.

Economic resilience, organic growth, and increasing infrastructure investment make healthcare among the most attractive sectors in a sluggish global economy. Evolving business models present a range of higher risk/higher return investment opportunities for PE investors, just as well-capitalised funds are seeking to put new capital to work.

At PwC, we expect deal flow across a variety of healthcare sub sectors: Convergence among payers, providers, and the healthcare

supply chain is likely to increase as new integrated models are tested in the United States. Strategic buyers seeking market share expansion, product line extensions, product adjacencies and innovation will continue to drive mergers & acquisitions (M&A) activity in the pharmaceutical and medtech sectors. Innovative healthcare delivery models providing care faster, better and cheaper are likely to attract new capital. Higher growth expectations in emerging markets and an increase in geographic-focused PE funds support an increasing trend towards cross-border deal activity. Private equity will play an important role in healthcare M&A activity across all healthcare sectors.



## ***Faster, better, cheaper healthcare***

A combination of demographic, economic, political, and technological factors is pushing the healthcare cost curve ever upwards. The challenge facing healthcare players is to bend this curve without compromising access to care or quality, which calls for innovative new products and models. Regardless of their industry or geography, stakeholders should develop a truly global perspective to identify emerging leading practices, and have the speed and flexibility to embrace new ways of working.

# PwC... solving complex challenges for our clients

PwC can help public and private organisations anticipate and capitalise on market drivers and consumer trends. Here's how:

Issue or challenge	Client need	How PwC can help
<b>Improving financial performance: Cures for an ailing bottom line</b>	<p>Providers struggle to lower costs while improving quality, without making undesirable trade-offs. They need to:</p> <ul style="list-style-type: none"> <li>• Add value to patient care, improving productivity and customer satisfaction</li> <li>• Develop a turnaround plan when expenditure increases exceed revenue growth</li> <li>• Drive out existing inefficiencies, improve financial and operational performance</li> </ul>	<p>PwC helps clients operate so that cost and quality are not mutually exclusive goals. We work with each client to develop a sustainable cost reduction plan that incorporates:</p> <ul style="list-style-type: none"> <li>• Financial position analysis</li> <li>• Cost improvement program</li> <li>• Financial turnaround plan</li> <li>• Project management office</li> <li>• Supply chain strategy</li> <li>• Business process outsourcing</li> </ul>
<b>Health system reform</b>	<p>Changing demographics, increasing demand and consumer expectations drive healthcare reform as governments strive to:</p> <ul style="list-style-type: none"> <li>• Improve access</li> <li>• Equalise quality</li> <li>• Create greater accountability for quality</li> <li>• Investigate new care models</li> <li>• Offer new incentives to improve value</li> </ul>	<p>PwC helps all healthcare stakeholders work together to succeed in a complex and rapidly evolving regulatory environment. We help clients with:</p> <ul style="list-style-type: none"> <li>• Human resources strategy</li> <li>• Health policy</li> <li>• Facilities planning</li> <li>• Supply chain management</li> <li>• Health information technology</li> <li>• International tax advisory</li> <li>• Performance improvement</li> <li>• Governance models</li> </ul>
<b>Realising maximum benefit from Health Information Technology (HIT)</b>	<p>Investment in HIT competes with existing IT needs. Although the long-term benefits of HIT are obvious, the near-term return on investment is less so.</p>	<p>PwC helps clients invest wisely in HIT, a “must-have” capability. We can help with:</p> <ul style="list-style-type: none"> <li>• IT/business strategy alignment and approaches</li> <li>• Enterprise architecture</li> <li>• Privacy, security, and reporting</li> <li>• Business intelligence and clinical informatics</li> <li>• Integration with Internet, social networking, and other portals</li> <li>• Strategic planning and operational improvement</li> <li>• Intellectual property</li> </ul>

Issue or challenge	Client need	How PwC can help
<p><b>Tapping into the potential of personalised medicine</b></p>	<p>Personalised medicine offers the potential for safer, better, more cost-effective healthcare. Payers and providers must become adept at capturing, sharing, and analysing patient and scientific data.</p>	<p>PwC works with scientific, academic, business and government leaders to define profitable models for personalised medicine. We help clients:</p> <ul style="list-style-type: none"> <li>• Conceive, plan and execute business frameworks</li> <li>• Build and optimise strong teams with cross-functional skills</li> </ul>
<p><b>Use of public-private partnerships (PPPs) to finance health infrastructure and delivery</b></p>	<p>Innovative financial arrangements between the public sector and private investors can benefit both service providers and consumers. But conflicting objectives and risks can make it difficult to structure deals.</p>	<p>PwC is a leading advisor on PPPs. We can:</p> <ul style="list-style-type: none"> <li>• Reconcile investors' need for profit with governments' requirements for political and financial transparency</li> <li>• Scope, develop and structure partnership deals</li> <li>• Negotiate through to financial close</li> <li>• Assist with ongoing partnership management</li> </ul>
<p><b>Transformational shift towards wellness and innovation</b></p>	<p>A sustainable healthcare system requires fundamental changes to spending priorities. Integrating wellness and health maintenance initiatives into an overall health management program costs societies less to keep their citizens healthier.</p>	<p>We can help clients:</p> <ul style="list-style-type: none"> <li>• Devise and implement benefit programs that educate and motivate members toward healthier behavior</li> <li>• Collect and analyse population data to design an effective wellness strategy</li> <li>• Assess the effectiveness of existing wellness programs</li> <li>• Integrate profitable wellness initiatives into a continuum of care</li> </ul>
<p><b>Investing in growth</b></p>	<p>Strategic and financial investors increasingly seek growth across the health industries in the midst of a sluggish global economy.</p>	<ul style="list-style-type: none"> <li>• PwC provides a full spectrum of integrated deal services designed to help corporate, private equity funds and government clients to effectively and efficiently source, execute, and integrate transactions.</li> </ul>

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## Contacts

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