



MARKET INSIGHTS

Beyond 2011



Wayne Childs, Director
The Pangaea Group

Canada's Hospital Environment

It is clear in the working lives of Canadian healthcare leaders that change is inevitable. This has never been more true than in the post 9/11 and economic recession period, where the healthcare sector finds itself torn between significant and largely unmanageable forces that are shaping executive decisions. The emerging boomer generation has focused acute scrutiny on the health system and its treatment outcomes ; at the same time, healthcare budgets are under intense government pressure. A number of provinces, especially Ontario, where the budget deficit is now in the region of 25 billion dollars, have forced leaders to re-examine all of their business decisions with an eye to reducing costs while improving performance.

This can create a difficult situation for the pharmaceutical industry, which must now deal with leaders who not only expect a better financial deal, but who also expect arrangements that provide higher value. In addition, the "client" has changed from a discrete hospital

entity to a large regional organization and in many cases to a stand-alone buying group. In this atmosphere, it is important to know what senior health executives, who are now more involved in the buying decision, are looking for, in addition to good pricing.

Hospital's current demands from the pharmaceutical industry include:

- Long-term institutional alliances built on strong relationships and trust that offer value adds for their healthcare organizations, not just product sales. The challenge when dealing with buying consortiums will be to getting "value" ascribed to value-adds
- True and demonstrated innovations that can reduce cost and improve care
- Help in improving the overall performance of their facility pharmacy, material management system or other delivery mechanism
- More whole "problem "solutions, perhaps from a consortium of companies, rather than a selection of products for sale

Group Purchasing Organizations

To increase cost savings, most hospitals in Canada have been forced to join group purchasing organizations like Healthpro and Medbuy. These organizations not only source products for Pharmacy, but also for other areas like clinical services, nutrition, and energy to name a few. In some parts of the country, this selection is being driven by the provincial ministry of health committed to driving efficiencies. The benefits for the institution include:

- Purchasing power and competitive prices
- Comprehensive sourcing strategies
- In-house contracting/clinical expertise
- Advanced procurement technology

With the changing political and healthcare environment focusing on fiscal responsibility, some provinces are beginning to try and influence manufacturer prices by tendering their entire hospital drug portfolios for set periods. This will become an area to watch to see if their commitments are



accurate and whether they dictate to institutions which products they should be using.

Industry Strategies

Most pharmaceutical manufacturers have not developed clear strategies for this specific channel, despite the fact that it amounts to approximately 10% of drug sales in Canada and can influence other channels, especially retail dispensing. Traditionally, companies will consider deploying effort and resources into hospitals for the following reasons:

- Hospital products are within their portfolio
- The company is trying to increase community sales by providing to a hospital to get retail spill-over
- The launch of new products that may be influenced by a specialist in a hospital
- Maximizing usage as part of the Loss of Exclusivity activities that accompany their products
- Leveraging their overall portfolio of products to maximize profits

Moving forward, companies will need to continue to monitor and evaluate their portfolio and make

important decisions on how they can provide hospital executives with more value through partnerships and support to drive commercial opportunities in this continually changing channel. Those that can effectively develop and execute strategies may find significant return for their efforts. **CPM**

*For more information,
please email: info@pangaea-consultants.com*