



A Milestone Conference for INSEAD

INSEAD Healthcare Alumni Summit 2009

Celebrating not just ten years' of INSEAD healthcare event activity but also INSEAD's 50th anniversary, the Alumni Summit, the INSEAD Healthcare Alumni Summit 2009 held on 8 October was a great success. Almost 150 participants gathered in Basel to discuss three major themes that will profoundly change the healthcare industry in the coming years:

- Reinventing Healthcare Innovation
- Consumer Healthcare – Up Close and Personal
- Healthcare Businesses in the Age of Globalization.

These themes were debated by a diverse range of panellists from the healthcare, finance and media industries, along with special contributions from leading academics and NGOs.

Opening Remarks and Keynote Speech

The conference was opened by Dr. Franz Saladin of BaselArea, a key sponsor of the event. The interest of Basel in the healthcare industry is understandable, given that 30% of the regional GDP is derived from this sector. Dr. Saladin expressed his support for the conference and stressed the need for government to create an environment where this important industry can thrive.

André Hoffmann, Vice-Chairman of the Board at Roche and member of the INSEAD board, spoke next and gave an overview of how each of the three themes was of importance to industry. Speaking about innovation, he illustrated how the need for more personalised healthcare, to address the large variation in patient response rates, would impact the industry from discovery to delivery. The trend towards personalised healthcare also has links to consumer healthcare, as people increasingly demand the right to healthcare information. Consumers of healthcare want to understand their own specific disease, and expect to be treated as individuals, both in diagnosis and treatment.

On globalisation, he stated that the 'eastward shift' of the industry was only part of a trend towards true globalisation – where non-western countries are seen not just as markets but as contributors to healthcare research, provision and solutions to the disease challenges of tomorrow. In closing, Mr. Hoffmann declared that it was still a good time to be in the healthcare sector and that the fundamentals of the industry were strong.

Professor Stephen Chick, Director of the INSEAD Healthcare Management Initiative, wrapped up with an update on the school's recent developments, including the opening of a new centre in Abu Dhabi, the establishment of R&D centres in Israel and India and the expanded cooperation with the Universities of Wharton and Tsinghua. Healthcare management research is now integrated with other areas such as sustainability and social entrepreneurship, giving additional weight and perspective to this important field.

The keynote address of this year's conference was given by Elizabeth Teisberg, Professor at the Darden School of Business and Co-Author (together with Michael Porter) of "Redefining Healthcare". Drawing on themes from her book, she showed how the healthcare industry everywhere faces the same basic challenges of increasing costs, variable quality of results, skewed incentives and fragmentary care cycles. Looking at the USA as healthcare reform is hotly debated, she observed that these challenges arise due to a 'zero-sum-game' type of competition, where actors seek to shift costs and divide value, rather than

Exceptionally, this event was blogged in real-time and presentations, video and extracts from the speeches can be found on the conference website: <http://inseadhealthalumni.net/blog/page/2/>. Two INSEAD alumni, Marc Michel and Silja Choquet, made this possible and the results are very professional. As a result, this summary covers primarily the panel discussions, which are not to be found on the blog.

create more value within the market. The creation of value is not about more care, she stated, but about more health. Creating more health depends on addressing the basic challenges head-on:

- By offering solutions for health that encourage early and effective treatment, as early care is invariably less expensive than later acute care. Such solutions need to be organised across the entire treatment cycle by integrated practice units
- Learning, outcome measurement and value demonstration need integration into care provision
- Financial incentives need to be aligned to medical success and health indicators, not care provision.

This new model for health provision would be patient centric, clinician led, results driven and value based. By pursuing all elements together, meaningful reform can be made to deliver better health outcomes and to increase the provision of value.

Panel Discussions

Following the keynote speech, three panels were convened to discuss the three conference themes. For each theme, the four panellists gave short presentations of their activities and then there was an extended and interactive moderated Q&A session with the audience. Audience members were also encouraged to contribute directly by means of electronic voting in response to questions related to each theme. This resulted in active and lively sessions with a high level of debate.

Reinventing Healthcare Innovation

Dr. Ulrich Thess of Civitas International chaired this panel and brought his insight to the question of how the industry will deliver innovation in the future. The panel was composed of two pharmaceutical industry veterans, a senior financial industry advisor and the director of a not-for-profit devoted to fighting AIDS, TB and Malaria. Following the individual presentations, panellists explored the new types of research models that had been discussed. There was consensus that personalised medicine and public-private partnerships (PPPs) would become more widespread in the future, but that these models cannot be generalised to all research. Innovation in financial models, such as risk-pooling, was attractive to some and worrisome to others. There was much debate about how such schemes might work in practice. Another question about cost-effective innovation, with the idea of developing a drug to meet a target price, was greeted with scepticism. Although common in other industries (e.g.: Tata's "100,000 rupee car" for India), this type of market-orientation is not yet pervasive in pharmaceuticals.

Some of the most important life-saving advances, such as medicated malaria nets, will come from PPPs, but for pharmaceuticals, the demands and costs of R&D mean that size still matters. The words 'size', 'stratification' and 'structure' came up repeatedly during the debate in relation to pharmaceutical R&D, showing that the industry has still not found the right – or even the 'right-for-now' answer as to the best way to innovate. Yet panellists emphasised that much innovation in health is about prevention and the delivery of healthcare, particularly in emerging markets where such measures are highly cost effective compared to expensive cures that may not even be available.

In closing, the audience was asked to vote on the impact of challenges facing the industry, with 78% rating these as having "serious" or "dramatic" consequences, particularly in the fields of Oncology (29% voting) and CNS (19% voting) diseases. In terms of new approaches to address these challenges, 34% felt that breakthroughs in how innovation is done would be the most important advance, while 36% felt that more and better integration of different actors (such as PPPs) would be most important. Finally, there was a strong vote in favour of small firms driving these advances (41%), versus only 19% of the audience which felt that large firms would lead.

The strong feeling that the industry is facing dramatic change, together with the low level of belief that today's 'big pharma' will drive new advances in innovation, present a paradox to many of those who participate in the industry – and to those present at the conference. Industry mergers, which have created the large companies of today, have been repeatedly criticised for not delivering value and spurring innovation. Perhaps the answer to better innovation lies not in scale but in networks, risk-pooling and the involvement of actors from outside the industry itself?

Consumer Healthcare – Up Close and Personal

This panel, chaired by Dr. Roman Rittweger, sought to find a balance between several complex themes; the role of the consumer in health and healthcare, communication with the consumer and provision of care to the empowered healthcare consumer. This last phrase is important, as today's healthcare consumer is empowered, with more access to information on disease, drugs and health than ever before. But empowerment does not stop at gathering information, as today's consumer can also provide advice to others, express very public opinions about drugs, treatments and doctors, and even – while we don't always want to acknowledge it – buy many drugs without the intervention of a healthcare professional. Faced with these facts, the panellists explored how the healthcare industry could best engage this new stakeholder.

National regulations and norms differ and in developed markets this has created a well-known split between the USA and Europe. Yet consumers in both countries seek similar information and behave in similar ways towards their health. New tools on the Internet (such as HealthVault from Google) are increasing consumer empowerment and the industry is to a degree sidelined by these changes. The challenge, indeed the imperative, according to panellist Elizabeth Apelles, is to listen, engage, connect and lead the new healthcare consumer without being patronizing or duplicit. Companies have an important role to play in the dialogue with healthcare consumers, but it is not easy to strike the right balance.

Audience members declared by a 2:1 ratio (62:31%) that many specialists underestimated the consumerist change ahead of us. They also felt that social media such as Google, Youtube and Twitter on consumers would have an important impact (42%), but as for all questions on this panel, there was an important “no” (36%) and “don't know / something else” vote. Clearly, many people believe we have not seen the end of innovation in consumer health and that despite almost two decades of Internet evolution, the technology and its applications are far from maturity. When asked what consumerist changes would impact healthcare the most, personalised media was most often cited (41%), yet “something else” captured 27% of votes. Interestingly, for the final question on the most important stakeholder in healthcare in the future, consumers did not come out on top, with 26% of the vote. The leading position was taken by payers, with 31% of the vote. Perhaps payer relations is a topic for the next Healthcare Alumni summit in 2010?

As follow-up to the conference, sponsor RolandBerger will prepare a report on the key results from the meeting, with a detailed analysis of audience responses. With more than 100 industry actors and observers present, the responses of this influential group will give important insight into future developments in healthcare.

Healthcare Businesses in the Age of Globalization

The final panel on globalisation, chaired by Aleksandar Ruzicic of RolandBerger, brought together four speakers who each presented fascinating stories about their own businesses. Each has built a business on the opportunities arising from globalisation, from the interest created by an open South Africa to the possibilities of teleradiology or private sector provision of diagnostic services to the public sector across Europe. Globalisation has made new business models possible and these companies have more than risen to the challenge.

Panellist Dr. Arjun Kalyanpur, CEO of Teleradiology Solutions, showcased his company as proof that emerging markets such as India are not just destinations for exports, but can become centres of excellence in the provision of healthcare services, as shown by his company that has been accredited to provide teleradiology in the demanding markets of the USA and Singapore. Furthermore, such a business is also a solution to the challenges of providing services within India, as their centre also provides support to locations in India where no trained radiologists exist.

Joseph Priel, co-founder of Euromedic, closed the panellist presentations with a fascinating review of the growth of his company, from a single lab in Budapest in 2001 to over 200 labs across Europe today. Each is a PPP, providing diagnostic (and increasingly dialysis) services to public sector hospitals, billed at state prices, but performed for lower cost. Despite the success of this company, he did caution that PPP was not feasible everywhere, primarily due to resistance from the public sector itself.

The audience was very involved in the panel debate, and seem open to the challenges of globalisation (this is perhaps a reflection of the global INSEAD audience as much as the sector). Emerging market growth rates and the patient populations of India and China were identified as having the most impact on the healthcare market by 49% of the audience. But again, globalisation is about more than just new markets, as 75% declared that they would outsource healthcare services to India now or in the near future, and 33% identified BRIC countries (especially India) as a source of global healthcare service leaders by 2020.

Concluding Address

After the three panels, Roger Longman, Managing Director Pharma of Elsevier Business Intelligence, gave his perspective on the day and the prospects for the healthcare industry. He declared that “damaged industries don’t change”, and yet that change will have to come, not least to meet the challenges of healthcare reform in the USA. Offering a different point of view on globalisation, he declared the USA to be the “largest emerging market in the world” if healthcare reform succeeds, as coverage will rise and prices – due to lower payer discounts – may also rise.

Commenting on the structure of the industry, Mr. Longman felt that big pharma was missing an opportunity, created by the financial crisis, to change by acquiring biotech companies with promising innovations in their pipelines. These companies, almost shut out of the capital markets, can only turn to big pharma for funding, yet the deal-flow for 2009 is substantially down on 2008. Acquisitions could be a way to boost pipelines without spending heavily on internal (and generally less-productive) R&D.

Finally, considering the near-term launches in the USA, he declared that the FDAAA changes and the creation of REMS programmes have changed FDA attitudes to drug approvals. REMS programmes mean that the FDA can finally tightly control “who gets what” and limit drug use to specific populations. This has increased the willingness of the FDA to approve drugs and created several very attractive niches, where targeted drugs such as Entereg (a constipation drug used only in hospitals) and Xenaxine (Ovation’s Huntington drug) contribute substantial revenues to the companies.

A Benchmark for the Future

The conference organising committee deserve special recognition for managing an excellent event, which was without fault and which more importantly, brought together a very high-level group of speakers and panellists for a truly valuable dialogue. Chandra Leo, Marc Michel, Roman Rittweger, Aleksandar Ruzicic and Ulrich Thess all made exceptional contributions of their time and effort.

Recognition should also go to Olga Alekseychik of Novartis, who helped organise the pre-summit mixer on Wednesday evening. This relaxed affair enabled early-arrivals to network in an informal setting and proved popular, with more than forty of the participants passing by the Bar Rouge on the 31st floor of the nearby hotel Ramada Plaza. In addition, the sponsors of the event deserve thanks for their support: [RolandBerger](#), [BaselArea](#), [Civitas International](#), [HBM Bioventures](#), [McDermott Will & Emery](#), [Medtronic](#) and [MSD](#).

Finally, picking up on two of the conference themes, it was suggested that the 2010 meeting be held at the INSEAD research centre in Abu Dhabi, a great way to combine innovation and globalisation in one event. Wherever it is held, the event was a great opportunity to learn, network and contribute to the evolution of our industry in the coming years.

You can find all information about the INSEAD Healthcare Alumni summit on the conference web page: <http://inseadhealthalumni.net/2009summit.html>

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