Interview with drs. David W. Voetelink RA, Partner KPMG Gezondheidszorg – Audit, KPMG Netherlands

14.02.2011

Tags: KPMG Netherlands

While doing our research we couldn't help but notice that you are quite passionate about issues related to healthcare and an avid proponent of healthcare reform. In this vein, what would be the ideal situation for the national healthcare system of the Netherlands and how should the country get there?

The current situation is that the government is still willing to transform healthcare to a more market-oriented model where stronger competition between institutions takes place. However, the difficulty in that transition is that the amount of money that The Netherlands spends on healthcare is increasing very rapidly. In the last years alone, its growth was 5 to 6 per cent per year, whereas the national product is growing with 1 to 2 per cent. So the part of the national product that goes into the healthcare grows very fast. We should find a way in which the growth rate diminishes a little bit, and there are some certain ways to do that.

In Holland we have a very high number of hospitals, nearly 100 hospitals at the moment, and there are all kinds of treatments present in all of them. I believe we should find a way in which hospitals can patronize some particular areas of expertise. For example, one hospital would be focused on this kind of disease, while the other hospital is specialized in another kind. In this way, we can reduce the amount of hospitals to some extent. We should look at the importance of each hospital, particularly in border areas, and maybe move or merge them with another hospital nearby.

We should thus not only reduce the number of hospitals in the Netherlands, but also find a way to make them specialized in particular areas to raise treatment and service levels. Of course, it is a

different story for emergency care, since the emergency service should arrive within 30 minutes after the call. We need a certain level of emergency care – in Amsterdam, we have over seven hospitals and all of them have emergency care units.

As with any situation in life, there are ideal situations and then there is reality. In the case of the Netherlands, the reality for the healthcare sector is that there is a new government coming into place that is proposing to transfer some of the public functions over to insurance providers. While this might ease the burden of public institutions and streamline some processes within the system, does the proposal truly represent an improvement in the quality of healthcare for the common Dutch individual?

It should generate improvements for the common individual, and it will do so in the end. The proposal is mostly based on the quality of treatment, of course.

What you see in the last couple of years is that insurance companies are looking at hospitals and the quality of service they provide. If a hospital performs a predetermined minimum amount of operations in a certain period of time then the hospital might continue its operations. Those qualitative criteria should really work.

Those changes are recent. The insurance companies thought that the hospitals were not good enough and that the level of care could still improve.

Of course it will affect hospitals in the Netherlands, especially the small ones outside big cities, but I think that people will benefit from those initiatives.

Let us move on to speak about the Netherlands as an attractive destination for investment opportunities for pharmaceutical companies looking to establish themselves in this country. What advantages does the Netherlands have to offer these companies in terms of financial and tax incentives?

Tax levels in the Netherlands are rather low for the quality of human resources you can get, especially because education levels are so high in the country. I think that is the most particular aspect about the Netherlands, and a good reason for foreign companies to come here.
We spend a lot on healthcare today and we will spend plenty in the future. In the Netherlands, healthcare expenditure amounts to roughly 12 percent of the National income, and from that amount about 10 percent goes to the pharmaceutical industry. Last year this was about EUR 7 billion. We can say that the Netherlands is a small but very attractive market.

All of the global pharmaceutical companies we have met have spoken to us about the Netherlands as a country that offers world-class services and infrastructure for clinical research that is essential to the pharmaceutical R&D cycle. Nevertheless, there also seems to be consensus on the difficulty of bringing products into the Dutch market. In this context,

what services does KPMG offer pharmaceutical companies to facilitate their process of introducing new products into the Netherlands?

What KPMG mainly does for the foreign companies is advising them what they can do here, and assist with their decisions. For example, we have some clients from Germany who recently entered the Dutch market, and we explained to them how it works here with the legislation, the management of human resources and the payment system. Also the price system is something quite complicated and not obvious to foreign companies, and we educate them about it as well.

One of the precious assets of the Dutch pharmaceutical industry are the small biotech companies that have been quite successful in driving forward innovative research to develop new treatments. How sustainable are these small ventures in the face of a global trend of consolidation within the pharmaceutical industry that is in fact driven by rising costs of R&D?

I think they are stable, because the universities and associations in Holland are aggressive in developing those ventures, and very supportive of them. There is a lot of pressure from the universities in particular.

The academic hospital in Groningen, for example, is looking for all those kinds of opportunities, and what students or professors can do with their projects. Universities can be a great source of funding for such start-ups and promising projects.

Another global trend that has been hampering the growth of innovative pharmaceutical companies is the move from branded products to generics. As a specialist in risk management what advice do you have to give to the research-based companies with regards to their management of R&D investments and capital?

While pushing the investment in R&D, you also need a product that will bring you money. If it is a protected product you have around ten years to make money on it. After ten years, the patent will expire and your margin will obviously drop, but that is just the way it works in this industry. There is not much risk associated with it.

Moreover, I do not think that we should move R&D to smaller biotechs, as there is great potential for everyone.

Beyond KPMG’s audit, tax and advisory activities, the company is also deeply committed to CSR efforts in collaboration with numerous NGOs and international organizations. Similarly, most of the large pharmaceutical companies we have interviewed in the Netherlands have showcased their community programs. In this context how does KPMG Netherlands contribute to the local community and what opportunities are there for you to collaborate with your pharmaceutical counterparts?

We have dedicated a small portion of our human resources to CSR today. We have about ten people working there now, so it still is a small department, but they are doing excellent activities.

To sum up the interview, what advice would you offer to a pharmaceutical company wishing to break into the Dutch market, either from your personal point of view as a Dutch executive or from your role as a partner at KPMG?

The Dutch market is a small market, but as a part of the European community it can offer great opportunities. Coming to the Netherlands is step one, while entering the rest of Europe, is step two. An amazing change in the last ten years has been the introduction of the euro and the integration of all markets into a single unified market. This has happened quite fast, and involved many rapid changes.

From the healthcare perspective, those changes included the decline in the number of hospitals, where previously we had over 200 hospitals in the country. People also became more informed about products and services, and what they should expect from the doctor.

Today, we have developed a sustainable healthcare sector in the Netherlands. The Netherlands is a true gateway to Europe.

On behalf of KPMG, what would your final message be for our readers here in the Netherlands and for the international community?

The Netherlands is a very developed country that spends a lot on healthcare. In the coming years these expenditures are expected to increase. We have a good climate for businesses to come here and the Netherlands is a good stepping stone to enter the rest of Europe

See more interviews