Interview: Alberto De Negri – Partner, KPMG, Italy

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KPMG is committed to providing long-term support to public as well as private institutions as they tackle challenges and transform the way healthcare is provided. Alberto De Negri, partner of the healthcare practice, discusses his perspective about the Italian healthcare system and the challenges it is currently facing.

What have been some of the key milestones for KPMG's healthcare practice in Italy over the last few years?

I've been leading the healthcare practice at KPMG Italy for the past 20 years, and over this time we have been working with institutions at all three levels of Italy's healthcare system, being local, regional and national institutions. Given some of the constitutional changes that have been made over the past decade and a half, and the overall macroeconomic situation our country is currently in, we are facing a decisive moment. Over the past ten years, we have been working intensively with the government to implement reforms and changes at a national level to assure the sustainability of Italy's universal healthcare system, and thanks to this tight collaboration, we are in a good position to be a witness of what's going on within the system, and to try and forecast how things may develop in the coming months and years.

In recent years we have reached milestones that place us in a great position in the Italian healthcare system. The first one is a huge recovery program encompassing several regions in the South and more recently the Piedmont region in the North, where we have been advising the

regional governments and have achieved a decisive impact in terms of financial savings; additional improvements are though required in the quality of service. The second and most recent milestone is the program implemented within the framework of the so-called “Spending Review” under the government of the current Prime Minister Renzi with the commissioner of the program Yoram Gutgeld. The changes implemented in the healthcare system are quite significant and I think they are here to stay.

We are collaborating intensively to ensure these changes are successfully implemented over the coming years. We are convinced we can help find a balance and a win-win situation between the life science world providing innovation to the healthcare system and the sustainability of those innovations. To help facilitate this convergence we started a specific practice: today we have a team focused on the pharmaceutical environment and on the medical devices but mostly concentrated on understanding the contextual scenario to see how all developments can be adjusted locally, taking into consideration their sustainability and all their possible changes.

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Could you give us your perspective on how the regional healthcare structures and the national healthcare authorities in Italy will be evolving over the coming years?

Since 2001 the changes to the Italian Constitution have strengthened the autonomy of regions with regard to provision of healthcare. However, six or seven years after the constitutional reforms we discovered that some regions weren’t managing their autonomy very well, or ensuring their financial sustainability, which led them to develop a huge deficit. This forced the national government to retake a leading role and implement the “Recovery Plan” program, under which every quarter the regions involved had to demonstrate where they were standing in terms of reforming healthcare services. Now, regional governments have set common targets for many healthcare performance metrics. Today, the central government has more control over financing and is setting a common methodology for the regions, which can be applied even at a sub-regional level, which ensures hospitals (as a starting point) can have a balance between cost and revenues and a good level of clinical outcomes. The same approach is expected to be applied to Community Care. These pressures are important tools to help raise efficiency and quality of all healthcare institutions to meet certain national standards.

Rationalizing systems is an extremely complex task. How would you tackle the problem of reorganizing Italian healthcare facilities and the procedures they carry out to improve efficiency?

Over the past years the main problem of the Italian healthcare system has been the lack of growth in financing and having no clue of how it will grow again in the future. To support the progress in rationalizing the provision of services, we have also applied a special regulation, which defines the number of specialties that are acceptable within each regional territory based on the catchment population of each hospital specialty. These changes are slowly happening but we know they have to take place eventually.

One of the processes undergoing significant changes is purchasing. We have defined certain priorities for the year 2016 and, for instance, institutions are not allowed anymore to purchase at local level. This will be a very strict measure, as the national anti-corruption agency will be monitoring the departments allowed to do. However, one of the biggest challenges in Italy is the continuum of care for chronic conditions whereby chronic residential care and rehabilitations will need to be linked to what happens before and afterwards (hospitals and home).

Giving the recent challenges, do you think a certain portion of the demand will be relocated to the private healthcare system?

Unfortunately, this is already happening for ambulatory care, but obviously only for the part of the population that can afford the out-of-pocket expense. Maybe this is the only way out, because today we do not really know how much we can organize the costs to keep the universal coverage truly universal; we have so many areas where we can do better with less. For example, by approaching hospitals of an independent trust with a reasonable threshold of efficiency targeted, we have found that we could achieve savings of up to EUR 2 billion. How far can we go if we really look for more efficiencies and being even more strict?

Your colleague Anna van Poucke in the Netherlands discussed how KPMG was helping many clients transition from B2B models to more customer/patient centric B2C models; how much progress have Italian life science companies shift towards more B2C models?

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The environment is providing very difficult conditions, but the ability to talk and discuss with the system is important. So rather than a shift, today it’s a growth. Local companies and affiliates have made some progress, but they tend to wait on what falls from global HQs, which can be dangerous in markets with challenging conditions.

For example, I have been directly working with a medical devices company whose HQ took for granted the existence of a local buyer to be matched with a local seller. We told them to target a

different sales model because the one they had in mind will soon be outdated; they understood and adjusted. In Italian companies there is a higher degree of understanding. In general, convergence of healthcare and life sciences should be done much more at the local level than it currently is.

We tend to hear that they have innovation that tend to reduce overall spending and foster long-term savings, but the administration is not willing to pay so much upfront to reduce long-term costs. How is the mentality of payers towards products, which may be expensive now but reduce costs in the long-term?

I think there are two sides of the same coin: institutions try to negotiate on the price of products, but they do not like to put in place the actions that enable the change in the process. In the areas of infectious diseases, for instance, over the past 15 years we have had two major “revolutions”; HIV drugs and Hepatitis C drugs. The number of hospital departments that treat those diseases is pretty much the same as when the treatments were not available. This leads me to ask what are we waiting for to reduce costs, improve quality and get the benefits of the existing cure? Institutions are often reluctant or anyways slow to take innovation as an opportunity to change the way diseases are treated. But at the other side of the coin, life sciences companies are also reluctant to adjust their “global” value propositions to the local situations and to become an actor in national/regional discussion about the improvement of the whole “value chain” of the treatment of diseases.

I feel we have come to an end where either both sides try to look from a different perspective or difficult choices will have to be made. We need to get closer even in analyzing and understanding what are the savings within an organization. The gap of understanding each other is dramatic.

We saw that you were one of the authors on a KPMG publication called “Digital health; heaven or hell?”. What are some of the ways in which digital technologies could be made to be more effective in Italy?

A good example has been finding common names for services provided and classify resources allocated to the system and costs. This is an upfront investment which may take a while but once turned into standardized information systems, which do not have to be the same —we know every hospital has different tools—, help improve the overall system. If we invest in standardization, the benefits we get to track the performance are incredible. We have been good at implementing this in Italy, even if slowly, and today are able to measure treatments, which represent up to 80-85 percent of healthcare costs, which is a lot compared to other countries. We are still lagging behind

in measuring resources and costs and in having interoperable information systems in the benefit of the patient. Some regions are better off, but others really need to start from scratch.

What makes KPMG the partner of choice for both government and private institutions?

Our specialization: we really know what we are talking about and focus. In addition, we are complementary to the medical and sanitary profession: we do not replicate what they do, we complement it to bring the organizational point and the feasibility. We also strategically address the process of convergence between Life Sciences and Healthcare. Healthcare is slow. I think turn-around programs in public providers of care need professional resources dedicated to initiate, enable and monitor the changes implemented. Obviously, afterwards you need to shift responsibilities and train local people to manage ordinarily the improvements and keep the results achieved.

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