

Iacovos Ghalanos - Life Sciences Head, KPMG Cyprus



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Healthcare and life science industry advisory services head at KPMG Cyprus, Iacovos Ghalanos, discusses the challenge of implementing the National Health Insurance Scheme, pricing pressures and how their innovative services help companies manage this crucial trend. Ghalanos also touches on the need for greater collaboration between the public and private sectors.

How important do you feel the implementation of GeSY is for the country's healthcare sector?

Cyprus is currently the only European country without a universal healthcare system. It has been a long-standing target of previous governments to establish a universal national health insurance system and this was finally formalized with the passing of the relevant legislation of June 2017 whereby legislations for the NHIS implementation and autonomization of the public hospitals were approved. It is crucial to highlight that the legislation was unanimously approved by all parties, something that is not commonly seen elsewhere for reforms of this scale and scope. The main goal of the national health insurance system is to provide high quality, universal healthcare to everyone. Cyprus has a couple of peculiarities in terms of the current healthcare sector characteristics, with the highest out of pocket expenditure in the European Union amounting to approximately 50 percent of the total healthcare spending occurring within the private healthcare sector. On the contrary public healthcare providers are increasingly struggling to meet skyrocketing demand brought about by shifts in demographics and it is noteworthy that Cyprus has

one of the lowest percentages in terms of healthcare spending as a percentage of the GDP.

It is hence undeniable that a substantial overhaul of Cyprus' healthcare sector has to be a top priority for the country.

The current roadmap towards the implementation of NHIS has been worked on for several years. Numerous studies have been performed to date with the aim of establishing a functional and sustainable NHIS that is tailored to Cyprus but also follows international best practices. The NHIS legislation as voted in June 2017 has taken these insights on board and in my view the end result, if properly managed, could become an efficient and highly applicable system to deploy in Cyprus. But significant challenges remain to be overcome if the goal of an effective and sustainable NHIS is to be achieved.

KPMG Cyprus is actively involved in healthcare matters relevant to NHIS' implementation and have organized the conference "Implementing National Healthcare Systems (NHS): Global Experiences and Key Success Factors" back in October 2017. What are the main learnings your speakers have communicated to the audience, and the challenges they are foreseeing?

Obviously, funding will be one of the key elements, but first let's focus on the efficiency and operations of the healthcare industry as such. I am mainly referring to the public healthcare providers and the inefficiencies currently observed: We need to eliminate the long waiting lists and ensure an efficient provision of quality services. An effective IT system implementation capable of integrating public and private providers and enabling the seamless exchange of information (for example Electronic Patient Records) is of utmost importance. Efficient payment and review processes need to be put in place on all levels of service provision from medical audits to governance and internal controls. From our experience, our clients are facing several issues in the areas of regulatory compliance, tax and transfer pricing and there is widespread interest in creating cost-efficiency processes. In this regard, there is an industry-wide push to drive forward digitalisation and automation of internal processes. KPMG is assisting our clients in understanding which actions would make the most sense in terms of short and long-term strategies that could be implemented. This includes areas such as innovative management systems, monitoring procedures and distribution strategies. Such initiatives will of course require funding, hence it is important that healthcare budgeting has accounted for these considerations and any other areas where at the moment there is no full realization of what the specific sector requirements will be.

What is the role of KPMG within the healthcare ecosystem in Cyprus, both helping the government and the private sectors?

First of all, healthcare and its development is one of the strategic growth initiatives of KPMG. This is not a decision we took only in Cyprus, it is one of the firm's global strategy growth initiatives. KPMG is one of the leading healthcare partners for the private sector and the government in Cyprus. In recent years and even before the reforms had gathered the momentum we currently observe, we took the decision to invest significant resources towards the Cypriot healthcare sector and we are happy to see our investment paying off now that change is taking place. We have managed to mobilise a team of experts from other KPMG member firms including our global centre for universal healthcare who have assisted with such reforms in several countries across the globe, therefore I feel we are on the right track both in terms for the implementation of NHIS or "GeSY" as well as the involvement of KPMG in this process. Our involvement is focused on providing the most comprehensive international expertise and knowledge through our global network, combined with our in depth understanding of the local situation, both to the government as well as the private sector.

We might be late in applying and developing an NHIS but we have the hindsight of the failures and problems from the other countries that preceded Cyprus with introduction of the national health insurance system. We can pick and choose the best solutions.

After interviewing CIPA, we were very surprised to learn that despite global success stories in Cyprus and pharmaceuticals being the country's leading export goods, life sciences were not identified as a key potential sector for the island. How do you explain this?

We believe the sector will soon become one of the biggest priorities and the shift will not be just as a result of the implementation of GeSY, it will also come about from other areas that have to do with private hospitals, private health tourism and teaching hospitals/ academia and research for example.

I would say that despite the fact that it might be true that CIPA has not yet placed healthcare and life sciences at the top of its priorities this certainly does not mean that the sector is not fruitful for investment. We are aware of various Healthcare initiatives or investment opportunities in the sector that CIPA is also actively promoting.

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