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Value-Based healthcare in this part of the world will be implemented in different ways. It will come less through contracts, but more through pricing regulations

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EY's Abhay Bangi highlights the key trends across the ASEAN life sciences space, how the COVID-19 pandemic has accelerated them, and charts Singapore's course towards becoming a world-class biotech investment destination.

Can you begin by introducing your responsibilities as EY's Life Sciences and healthcare lead for ASEAN?

EY's life sciences practice serves pharma and medical device companies while healthcare covers hospital groups, chains of GP clinics, and diagnostic centres. There is a payer segment as well, in terms of the work that we do with health insurance and government bodies. We work across both products and services in four categories: public strategy (market entry, growth etc), commercial strategy (product launches, pricing, market access etc), commercial excellence (go-to-market, salesforce excellence etc), and transaction (supporting companies with due diligence when they are looking to make an acquisition, post-merger integration, restructuring etc).

The past year and a half has been very challenging for all healthcare stakeholders, with travel restrictions, border closures, supply chain stresses, and drops in medical tourism

and non-essential hospital visits. What items have been at the top of your clients' agenda over this period?

When COVID happened, the immediate reaction of most was ensuring that business was not overly impacted, securing supply chains, and maintaining connectivity with customers. For a lot of pharma companies that meant switching to virtual means of communication, a switch for which some were better prepared than others. Many companies were not aware of the regulations surrounding omnichannel marketing, especially in tough markets like Indonesia, Thailand, or the Philippines where infrastructure is a challenge. Beyond infrastructure, regulations are never clear and there are a lot of grey areas. Pharma companies are extremely cautious about everything related to compliance, which is an area they spend a lot of time and effort on.

Beyond that, as people started to accept that the pandemic was here to stay, the questions slowly moved towards how to future proof business; being better prepared and leveraging digital technology holistically in all parts of the business, whether in terms of improving employee productivity, customer engagement, or supply chain. Data and analytics also started to come to the forefront.

Additionally, access-related challenges were key. We started to think about innovations in market access, which is always a topic top of mind. Last year, we saw more and more of our clients talking about innovation in market access. Lastly, as the year drew to a close, many of our clients started thinking about salesforce restructuring. These conversations would have been had regardless, but they were accelerated by COVID.

To what extent are these trends simply adjustments to a challenging situation? Do you foresee this shift towards greater digital engagement as being here to stay in the longer term?

To communicate this succinctly to clients, we use a 'now, next, and beyond' framework. 'Now' is what needs to be done in the next three months, which was the conversations we were having in March/April 2020. 'Next' is once the current situation was contained and covered the following six-month period. 'Beyond' is a three-year horizon. The full results of these changes will not be visible any time soon – this requires a mindset shift, especially on the part of healthcare practitioners who have traditionally been resistant to change. Although we are seeing greater acceptance of digital tools, I do not predict widespread change for about three years.

ASEAN is a large region with a big population that is getting older and wealthier, with a shift in the disease burden from communicable to chronic diseases. Which disease areas are today most relevant in the region?

Cardiovascular health and oncology are the disease areas becoming most prevalent in the region. Lung and breast cancers are especially prevalent here, due to genetic and environmental factors, and companies are looking to target these areas. Beyond that the next frontier is going to be neurology, gastroenterology, and orthopaedics, where we are already seeing big investments.

You mentioned that COVID has forced innovations in terms of market access; what do you see as the main market access challenges in the region?

Affordability is obviously a big issue in ASEAN. Any firm looking to launch a product or service needs to be aware of the affordability challenges in the region, outside of Singapore. For Singapore itself, the country is heavily dependent on medical tourism, which now makes up a significant portion of the revenue for most big players here and has been almost non-existent for the past year. In the future there will be a 'de-premiumization' of pricing in Singapore, which is something that companies will have to adapt to.

There will also be a lot of pressure from government payers, as is always the case historically after a pandemic. During a pandemic, government spending increases, and then afterwards reduces in an attempt to balance budgets. Companies will also have to adapt to this new reality.

How open are governments in ASEAN to utilising value-based contracts to bring high-price innovations to patients?

This topic has been being discussed for a long time. In ASEAN, value-based contracts are not very prevalent, and I do not foresee outcome-based pricing here. The challenge with these contracts is the need to capture a lot of data related to patient conditions on a regular basis and being able to prove that outcomes have either improved or not.

Value-Based healthcare in this part of the world will be implemented in different ways. It will come less through contracts, but more through pricing regulations. In Malaysia, there is an impending Drug Price Control Act, which the government has floated to some of the private players, both pharma companies and hospital groups. This Act involves control of drug prices across the value chain, in terms of the prices at which pharma companies sell to distributors, distributors sell to hospitals, and the hospitals sell to patients. This is not necessarily outcomes-driven, but a different method of implementing value-based healthcare. Europe is already far down this road with value-based healthcare, but ASEAN is now ready to embark on Version 1.0.

Data is the new currency of healthcare, both through real world data and real world evidence as well as more integrated information flows throughout the development process and the patient journey. How well is data currently being utilised in ASEAN?

There has been an increased focus on data in the last 12 to 18 months. However, even in Singapore, electronic medical records (EMRs) and electronic health records (EHRs) are not yet fully prevalent. Outside of Singapore, data is spotty at best. Having EMRs in place is a fundamental requirement, then it is about combining those EMRs with diagnostic reports, making more interoperable and interconnected systems where data can be utilised in a structured manner. ASEAN is not there yet.

Singapore is ahead of the game compared to the region and the Singaporean government is doing a lot in that respect. It has to be driven by the government because this needs to operate at scale for it to be beneficial in any way.

Singapore is looking at how to interconnect data silos, develop use cases for AI algorithms, how these use cases can be connected to predictive intelligence, identifying population health risks early, providing therapy guidance, making sure that this data can help specialists to calibrate patient treatment protocols. All of this is being done in a structured fashion, but we are still at an early stage.

How far along the path to building a globally competitive innovation ecosystem is in Singapore? What challenges are healthcare start-ups facing?

There are three main challenges. The first is the ability of Singaporean start-ups to develop products that are fit for market. Unlike their counterparts in India, China, or Indonesia, Singaporean firms to not have a big local population, which makes testing products more difficult. The Singaporean government offers sandboxes to companies which are typically built in a fashion where all the regulatory and compliance aspects are taken care of. However, for these companies to be successful, the product must be appealing to a mass market in the bigger countries. Those sandboxes are useful to progress the product to some extent, but the full value can only be unlocked if a product is able to be launched in the US, China, or India, where the big populations are. International cooperation also needs to be increased to extend these sandboxes to other markets.

The second challenge is talent. Tech start-ups need data scientists and, on the biotech side, the country needs to continuously churn out biochemistry PhDs, which can be a challenge for such a small population. Volumes are not enough currently, although the government is working to attract talent to study and work in Singapore, offering grants, and creating incubation centres in universities.

The third challenge is funding. Singaporean companies tend to have no problem accessing Series A and B funding, but Series C funding and beyond is a different story. The government is trying to address that by inviting big VCs – which generally provide Series C and D funding – to set up offices here. When a company becomes revenue generating, it cannot be limited to the Singaporean population alone, meaning that companies must implement an international focus from the outset.

What work do Singaporean biotech start-ups need to engage in to bridge this funding gap?

Many companies here are getting smarter and starting to look at the US market early because of the reimbursement and funding mechanism that is available there, as well as the clarity. For example, a diagnostics company can very quickly in the US market identify specific codes for reimbursement of diagnostics tests. That kind of clarity is missing in most other geographies.

As well as companies becoming smarter, the Singaporean government is working to share the stories of successful start-ups and foster a more collaborative and integrated ecosystem. EY works with government stakeholders to advise some of these start-ups on market, organization, talent, and from a funding standpoint.

From where do you see the most important investment flows coming into Singapore?

Singapore itself now has a thriving investment ecosystem. Series C was an issue in the past, but that has been identified and rectified. In terms of capital, there is not necessarily one source that dominates; mostly it is institutional capital putting money into these start-ups. Historically, Singaporean healthcare start-ups and biotechs have struggled as the VCs have not appreciated the regulatory challenges surrounding health technologies. VCs today are better informed and appreciate the high risk/high return nature of the healthtech industry and the journey that healthcare start-ups must go through. While some of these focused VCs do exist in Singapore, there is still greater expertise and experience in European and US VCs that understand the gestation period for these products to be developed and launched.

What makes EY the partner of choice in what is a very competitive ASEAN life sciences consultancy market?

Our approach has been to be selective, focusing on fewer accounts but building a relationship of trust with our clients and working with them for a longer period. We do not take a short-term approach, but instead identifying the clients’ problems and bring them ideas and how they can be solved.

The other area in which EY has performed well is combining the consulting approach to tackling problems with people that we bring in from the industry. For example, one of our recent hires is a trained physician with experience as CEO of multiple hospitals in the region. Combining industry expertise with a consulting skillset allows us to go to market with practical ideas and solutions. This also allows us to have more wide-ranging conversations with clients.

Looking into the future, what are your priorities?

We are looking to build our own capabilities broadly to serve our clients better. Secondly, we are attempting to drop the silos within the large EY organization and implement a unified approach across all our service lines. Thirdly, especially in healthcare, we want to engage more with public sector organizations. Lastly, while we serve a lot of international clients in pharma and medtech business, we also want to develop closer relationships with local and regional businesses.

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