

# Interview: Wayne Samuels, Partner, PwC Canada

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*Wayne Samuels, partner at PwC Canada, discusses the most pressing issues in the country's healthcare system and pharmaceutical industry, and outlines the changing dynamics in Canada's pharma business model.*

## **What have been some of the key developments in life sciences during your tenure at PwC Canada so far?**

The most significant development has definitely been the convergence in the way we think about pharmaceutical / life sciences and healthcare. In Canada, healthcare and life sciences have traditionally been separated into the public and private sectors, respectively. However, in the US and other countries around the world, government and private companies, healthcare and life sciences are intermingled. PwC Canada has started to identify ways to bring these stakeholders together, which is one of my ongoing initiatives.

PwC really believes that the future for the patient is a converged marketplace. Traditionally, healthcare providers, pharmaceutical companies, medical device companies and even pharmacies have had a very silo-based approach to the market. Everybody simply interacts with the patients in their own way, at the point of care. This is not sustainable from a cost point of view, and it does not lead to the best outcome for patients. These companies should come together and approach the market from a truly patient-centric perspective.

PwC globally has issued a series of thought papers about the pharmaceutical industry, titled Pharma 2020. In this series, we lay out how we believe the industry will evolve through the decade. Many pharma companies are now focusing on providing a more comprehensive solution than just a pill, including: patient education, delivery and drug administration services, monitoring and counseling, and clinical management. There are great solutions and outcomes being achieved by companies with a very holistic view of the patient. PwC believes this is where companies' business models will go. We see companies moving in two directions; bigger companies providing this through an owned, fully diversified model, while smaller companies will seek out partners to provide this through a collaborative model. Either way, it is about providing an overall service to the patient as opposed to just selling pills.

PwC Canada sees this as a convergence agenda, and that is one of the reasons that the company is developing solutions that will span all the "health industries". The silo-based approach is obsolete; it must be patient-focused, meaning healthcare, pharmaceutical, life sciences, retail, technology and telecoms need to come together and present a truly patient-centric solution.

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## **What is the main challenge in bringing everyone together and bridging these gaps?**

Historically, private companies have functioned solely on a "profit-alone" basis. They are looking to compete and work in this ecosystem while getting their fair share. On the other side, non-profit providers like hospitals are being forced to minimize their spending, while maintaining excellent patient outcomes. This is unsustainable, and the sector really needs to think about how to benefit together, while keeping costs in check and improving patient outcomes. Even if individual costs continuously decrease, healthcare spending continues to rise because of a growing population and new technologies. The only way to break that rising cost curve is by creating new, efficient and collaborative solutions that address both costs, and outcomes.

## **In what ways can PwC Canada really help biotech companies with access to capital?**

PwC Canada is ensuring that the deals it creates are universally beneficial. R&D is becoming more difficult in pharmaceuticals and the cost of developing drugs continues to skyrocket. It costs \$2.3 to \$4.3 billion to bring a drug to market and even at that early stage, the chance of failure is high, which makes it a risky investment. PwC Canada looks to assist clients in two ways, through helping clients articulate their value to maximize investments, and in securing access to capital / funding.

On the value articulation side, companies have to think more about how and why they develop a drug, and for what they are testing in initial studies. They need to consider outcomes, real world data, and how they are going to sell products in the marketplace. Capital is in short supply everywhere and especially here in Canada. On the capital side, PwC has extensive relationships with a number of investors in the industry and can assist companies with raising of capital to fund their operations. In addition, as companies mature and are looking to license their compounds or technology to pharmaceutical companies we can provide assistance to them in executing a transaction with a potential partner given our network of clients which include all of the major pharmaceutical companies.

## **What does the industry as a whole need to do in order to bring the level of R&D investment up to the same standard as from the 1990s?**

This is a very difficult question to answer, and one that is at the heart of any new startup's business plan and strategy. Many large life sciences companies have begun to move their R&D capacity to emerging markets, which are themselves a key component of any growth strategy. Not only are these companies seeking cost efficiencies, they are moving closer to what they perceive as their future markets. Many of these countries are looking for companies to bring R&D closer to their markets, as they look to build their domestic capabilities.

Another key trend is the drive from companies to "outsource" their early-stage R&D, usually through venture funding, or by focusing efforts on acquiring companies or late-stage compounds. To compete in this market, governments, universities, and private organizations all have a role to play in building techniques and skills from discovery to early stage commercialization, so as to be attractive to companies that will buy later on in the development life cycle.

One key tactic that could help stimulate R&D spending is the introduction of flow-through tax credits, similar to the program that helps support Canada's natural resources sector. In an economic impact study completed in 2010 for BIOTEC Canada, PwC estimated that mature flow-through share mechanism for life sciences could generate nearly \$1BN of economic output in Canada.

## **How do you find the balance between innovation and entrepreneurship in Canada? What more could be done to foster the business development side of science and technology?**

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That is going to be a key focus for PwC Canada. Many great initiatives already exist, such as at the University Health Network and at UBC, to name a couple. But in the United States, universities like MIT and Stanford have created huge engines to help their researchers develop and commercialize their discoveries. PwC Canada is working in this area; everybody is moving in the right direction but we need to keep pushing and focus on bringing those capabilities to bear.

There are so many small companies in Canada that were started by scientists and that are now looking at commercialization. It is no longer enough to simply have a great drug; companies need to think about early-stage funding, clearing all the regulatory hurdles, bringing it to market, and obtaining value. They need to think about outcomes, payers and how to demonstrate this value. Those are skills that people will not be expected to have intrinsically. PwC Canada provides that skilled expertise, and looks to help companies bring products to market. This is true for pharmaceuticals, medical devices and more broadly in innovation everywhere. Commercialization creates value.

### **What is the strategic importance of Canada to PwC's worldwide operations?**

PwC operates as a network of individual firms, and PwC Canada works very closely with other firms in the network. PwC Canada, alongside other member firms, is aligning with the global health industries group, which is now setting out its ten year plan. A big part of our global thinking will be centered on the idea of convergence, and we will be bringing that thinking to the Canadian market.

Everybody talks about being patient-centric, but that only works if you're truly working from the patient's perspective. Companies do not think about the holistic needs of patients, and this is really starting to change. PwC works with a variety of organizations to help them think about how to break down those boundaries, to create new healthcare solutions. In Canada, we are working with our clients to help them understand that they will need a Canadian-made solution, developed province by province, and not by their international parent company. Each provincial healthcare system is moving in its own way, with many moving towards activity-based funding models, with more price transparency in the services they provide. All these efforts will start to increase pressure on individual prices. When looking at spending on pharmaceuticals, the implications are clear; year on year growth in drugs spending has declined from 16 percent in 2000 to just two percent in 2011.

PwC Canada also sees how providers and companies use virtual or mobile tools to change the way care is delivered. Patients around the world are ready for this change; they see mobile tools dramatically taking over in many industries. Based on a survey conducted with 2,400 Canadians, 70 percent were interested in mobile applications that provided them access to their personal health information, 79 percent would email their doctors, 79 percent would be comfortable with virtual monitoring for chronic conditions, and only 15 percent said that privacy was more important than convenience when it came to mHealth tools. PwC believes that companies can collaborate to use mobile tools as a way of enhancing the lowering of overall cost and improve patient outcomes.

### **Are there specificities in the Canadian health care system to which PwC adapts?**

Each healthcare system is unique. The fact that the Canadian health care system is government-funded with single-payer systems makes it very different from the US system in terms of how the government thinks about innovation, investment, technologies and standardization of clinical processes. Some provinces are currently undergoing transitions in funding reform that will change the way they pay for healthcare. This will also change the way healthcare is provided, with an added focus on quality. Healthcare officials have issued guidelines for certain procedures around best practices, whereas US payers rarely offer such strict guidelines.

### **What is your strategic vision for the next five years?**

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There are three pillars in the global health industry group on which we have set to measure ourselves, and those translate to Canada, as well. Firstly, we must expand our growth, as measured by the number of clients we serve, the number of engagements we do, and the revenue we drive across the health industries. Secondly, we want to continue to build our reputation as thought leaders across health care, life sciences and pharmaceuticals. Thirdly, we will assess our ability to attract and retain the best people. I would add that people support the other two pillars; you cannot be a leader in the industry or drive significant growth unless you have the right people.

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