The Deloitte Centre for Health Solutions

The Deloitte Centre for Health Solutions, part of Deloitte UK, generates insights and thought leadership based on the key trends, challenges and opportunities within the healthcare and life sciences industry. Working closely with other centres in the Deloitte network, including the US Center for Health Solutions in Washington, our team of researchers develop ideas, innovations and insights that encourage collaboration across the health value chain, connecting the public and private sectors, health providers and purchasers, and consumers and suppliers.
Deloitte’s Healthcare and Life Sciences Predictions 2020 report was launched in November 2014 at the Financial Times Global Pharma & Biotech Conference. The report sets out ten predictions that draw on observations of industry trends, events and small but bold steps that – if accelerated through to the year 2020 – paint a picture of a world that is very different to today.

In this supplement we explore the supply chain consequences for each of the predictions and then roll forward today’s observable supply chain trends to 2020 along with some of the constraints that will need to be overcome. We suggest that a bold response and sense of urgency is required and present a supply chain vision for 2020, mapping out the tangible steps in a transformational journey towards achieving that vision.

Introduction to the Main Predictions 2020 Report

The Healthcare and Life Sciences Predictions 2020 report was published by Deloitte UK’s Centre for Health Solutions. The Centre publishes numerous reports on the current and future issues of the healthcare market place. Insights are drawn from primary research, desk research, significant interaction with our clients and stakeholders in the health and life sciences sector, and from the depth and breadth of capability within our global network.

Predictions 2020 is deliberately challenging about the future world, perhaps even provocative. It is our response to a question that our clients often ask – “do you have a paper setting out the challenges of our future market place?” The predictions lean more towards an optimistic view of the future while recognising the constraints that need to be overcome and is intended to create rich dialogue and facilitate a move to action. The full report can be downloaded here:


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Ten Predictions for 2020
Provocative insights – and their Supply Chain consequences

1. Health consumers in 2020
   Informed and demanding patients are now partners in their own healthcare
   - Online and connected patient communities share stories about product quality and any problems obtaining the products resulting in stockpiling (e.g. Nicorette Lozenges) or changing products, which in turn, impacts production and distribution planning.
   - Analysis of patient social media chatter indicates changes in demand patterns by geographical area due to disease outbreak, local prescribing habits and patient sentiment.
   - Barcodes or QR codes on packaging direct patients to instructional information and videos (e.g. GSK inhalers) or electronic patient information leaflet – and latest publically available clinical trial results.

2. Healthcare delivery systems in 2020
   The era of digitised medicine – new ideas drive new models
   - Travelling and waiting times are reduced as physician interactions are increasingly virtual and care is delivered in the home.
   - Players enabling mobile or home connectivity are beginning to integrate health capabilities.
   - The physical supply chain needs to adapt. Paper prescriptions and pharmacy visits are gradually being replaced by home delivery.

3. Wearables and mHealth applications in 2020
   Measuring quality of life not just clinical indicators
   - Pharmaceutical products, delivery devices and packaging interact with wearables and mHealth applications to track adherence, manage dosage and replenishment (which will vary based on usage rather than be the standard 28 days) impacting packaging and distribution channels.
   - Wearables and smart-pill devices track patients’ real-time physiological response to drugs.

4. Big Data in 2020
   Health data is pervasive – requiring new tools and provider models
   - Data are a critical value driver in the Supply Chain, with value accruing to those with the analytics tools that can aggregate and convert these data into insights, which are then used to guide strategic actions.
   - Product serialisation enables track and trace and a record of the complete end-to-end lifecycle for every product providing opportunities to improve Good Distribution Practices compliance, diversion, expiry date management, recalls and anti-counterfeiting.

5. Regulatory compliance and patient safety in 2020
   Regulations reflect the convergence of technology and science
   - Regulators have adopted a more data driven approach based on patient outcomes and have achieved alignment and global reach and, by sharing data, have increased the efficiency and effectiveness of inspections of manufacturing plants.
   - Inspections are risk-based working from a global shared regulatory data pool.
   - Direct to consumer distribution is more prevalent.
Research and Development in 2020
The networked laboratory – partnerships and big data amidst new scrutiny

- R&D collaborations lead to an expansion in administration models and dosage forms requiring more complex manufacturing technologies and supply chains.
- Clinical supply chains become decentralised as trials are driven by more informed patients working virtually with physicians and less by trial sites.

The pharmaceutical commercial model in 2020
Local is important but with a shift from volume to value

- The supply chain service model including packaging becomes integral to differentiating products.
- Voice of the Customer analyses identify ‘beyond the pill’ Supply Chain services that drive commercial advantage, with Supply Chains having to mirror developments in tailored therapy area strategies which are led by market access first and sales and marketing second.
- Outcomes based pricing challenge current Supply Chain financial models including costing/valuation processes and sourcing decisions.

The pharmaceutical enterprise configuration – the back office in 2020
Single, global organisation responsible for insight enablement

- Global and Regional Control Towers are the nerve centres of the manufacturing and distribution network enabling end-to-end visibility.
- Managed Services in Supply Chain become the norm in an effort to stand up capabilities faster and more efficiently.

New business models in emerging markets in 2020
Still emerging, but full of creativity for the world

- New supply chain models establish a global reach with local relevance and create more effective and rapid manufacturing and delivery capabilities.
- Transportation utilising drones in infrastructure deprived areas have unlocked the ability for deliveries of specialised medicine in hard to reach places.
- Security and brand protection measures are more important than in developed markets but need to balance cost and local technology maturity.

Impact of behaviours on corporate reputation in 2020
A new dawn of trust

- Unified approach to quality and compliance starts to take shape.
- Low cost supply chains and opening up of emerging markets improves access to affordable innovative medicines.
Establishment of an end-to-end accountability mind-set

- A patient-focused approach has galvanised the supply chain organisation to move beyond just the delivery of a product.
- Moving from independent regional supply chains to a global operation has helped drive scale and flexibility. Supply chains are globally optimised while maintaining a regional flavour.
- Segmentation of supply chains based on product and market characteristics is common practice (e.g., packaging designed for needs of patients).
- Supply chain IT systems integrated into clinical systems.
- Leaders are driving a performance, outcome-oriented culture and have moved away from a manufacturing, push-based culture.
- Cross-functional teams are working on understanding and fulfilling customer/patient needs, driving adherence and outcomes in a safe, efficient and scalable manner.
- The supply chain as a value driven network, provides a clear competitive advantage when executed well and a true differentiator for the industry’s leaders.
- The supply chain now permits direct interaction by patients – for some diseases linking barcodes in the pill/packaging to info, adherence and PRO programmes.
- The supply chain comprises an increasingly complex product portfolio (incl. more med-tech, cold chain and personalised medicine) in a move towards a specialty model as opposed to the current blockbuster model.

The 2020 world

- An outside-in business operating model and IT architecture has improved alignment of information to ensure the right decisions are made in a timely manner throughout the global supply chain.
- Control Towers are tied into global processes focused on efficient and effective execution and not just visibility.
- Better understanding of patient, clinician, and payor needs has replaced one-size-fits-all supply chains with segmented supply chains to deliver appropriate better clinical outcomes and improved economics.
- The best companies have addressed skill gaps by developing local talent with new digital skills. Their sustainable talent pool with engaged and continually learning teams keeps them ahead.
- Internal misconceptions about the value of the supply chain are overcome; its competitive advantage is appreciated by the C-suite as in other industries.
- Advanced analytics has filled the data void and made formerly reactive supply chains proactive.
- Regulatory fear of global supply chains is addressed by using a unified, IT driven model.

Prediction

The supply chain now is at the centre of the delivery of healthcare – not just supplying a product but delivering a better clinician and patient experience; in some cases the supply chain reaches the patients home directly. Working together with R&D, new products in 2020 are designed to capture data from the point of manufacture to the point of administration with the patient and even tracking compliance. Regulators can more than ever be assured of compliance, clinicians and patients benefit from tracking of medicines, and pharmacies from understanding exact usage and the elimination of waste. The digital enablement of supply and delivery channels will lead to a true networked operation, with supply chain playing a key role as orchestrator.
News snippets from 2020

• PharmaforToday was commended on its rapid response to the viral epidemic in South America. They quickly mobilised resources along the value chain orchestrated by its Global Centre of Excellence and the skills and flexibility of its local networks. Leading to rapid containment and recovery of infected patients.

• In collecting her award the global CEO was quick to highlight how the global supply chain is operating at an unprecedented level of efficiency; and has become a driver of profitable growth while delivering an enhanced patient experience.

• Recent surveys confirm that the supply chain is not only the purveyor of safe and effective products available to patients at the right time and place, but is leading the way in creating alliances to drive outcomes throughout the continuum of care.

The 2020 patient portrait

Louis’ drug treatment is personalised to his needs, and optimised, on a weekly basis, in response to measurements of his physiological response. These are monitored via a digital sensor in his bio-sensing bracelet, provided by the drug company. Louis has full confidence in the home care delivery system due to the education and training provided by the company and the feedback he shares with his on-line patient community. He is also confident that the technology underpinning the delivery system has been approved by the regulator and is checked and re-calibrated on a regular basis: A true end-to-end operation bringing the maximum value to the patient.

A pharmaceutical supply chain manager view in 2020

The Supply Chain Manager works hand-in-hand with his R&D, Commercial and Healthcare provider colleagues to analyse customer data and to customise the supply chain to meet very different patient needs across an increasingly complex product portfolio. A connected end-to-end mind-set and effective supply chain segmentation that takes into account sales, products, packaging sizes, channels and customers are the keys to creating a competitive advantage in a safe, efficient and scalable manner.
Evidence in 2014
Supply Chain as a strategic enabler

“The biggest challenge that Life Sciences companies face is the lack of transformational change leadership and talent to manage this change. Companies who realise that an integrated, patient-value focused supply chain is the priority, will break away from the pack”.

Hussain Mooraj, Deloitte Principal, Supply Chain, Life Sciences

The Change Leadership model is dominated with cross-functional excellence, collaborative capabilities, and agility across the lifecycle of a product. Supply chains need to be segmented in order to leverage the global model, and deliver a service or a product in a cost-appropriate and agile manner. Life Sciences leaders will need to:

• Treat transformation as a strategic imperative
• Prioritise, outside-in, information and technology strategy implementation
• Have leadership and governance guide the transformation
• Align the operating models to enable the end goals
• Build new skills and competencies within the supply chain employee base

A company’s transformational journey to an integrated, patient value focused supply chain will be shaped by the external environment and internal industry performance shaping predictions for the world of 2020. This journey, as for any other, must begin with an understanding of the departure point, i.e. level of maturity, as only then will it be possible to map out the steps needed to transform and align all aspects of the supply chain operating model. The Value Chain Transformation model depicted below shows the four key stages through which today’s supply chain leaders have been observed to progress during their deliberate multi-year transformations.

Value Chain Transformation Journey & Maturity

Integrated, patient-focused supply chains become the priority where cross-functional & network collaboration are key.

**External Focus**
- Drive for greater scale, efficiency & synergies across the business.

**Internal Focus**
- Supply chains are enabling the top line whilst focussing on the bottom line, usually organised by business unit with functional priorities.

**Collaborative Leadership**
- Collaboration with value chain stakeholders
- Outcome driven
- End-to-End Cost
- Integrated analytics

**Patient Value Focused**
- Focus on outcomes across the care continuum
- Systematic process for minimizing variation in care practice
- Mature analytics

**Efficiency Focused**
- Integration and centralization
- P2P transactional efficiencies
- Early value chain collaboration & view beyond sourcing
- Safe & secure capable

**Cost Focused**
- Legacy growth
- Volume aggregation
- Focus on contracting & unit cost reduction
- Limited talent and resources

Focus is on creating value with trading partners via strategic alignment supported with cultural characteristics and outcome focused organizations.

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