



PERFORMANCE & TECHNOLOGY

## Project 'Gunstbetoon'

Research into '**Gunstbetoon**' towards stakeholders in medical aid segments in the Dutch extramural healthcare market - diabetes test strips and incontinence materials

January 2010

ADVISORY



**KPMG Advisory N.V.**  
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**Private & Confidential**

Ministerie van VWS  
Mr. Hurts  
Postbus 20350  
2500 EJ Den Haag

Amstelveen, [date]

Dear Mr. Hurts,

**Project Gunstbetoon**

In accordance with the terms of reference set out in our engagement letter dated 16 November 2009, we enclose our first draft report. The engagement letter is attached as Appendix 1 to the report. The terms of reference comprise the agreed scope of our enquiries, directed at those issues which you determined to be critical to the Ministry of VWS. Please note that our findings do not contain recommendations as to how to make policy adjustments in the sector

Our report is for the benefit and information of the addressee only and should not be quoted or referred to, in whole or in part, without our prior written consent. This report is written in English for the purpose of potentially sharing outcomes in Europe. In agreement with your staff we have chosen not to translate the word "Gunstbetoon" as we have not been able to find a proper translation.

The terms of reference for this report included as Appendix 1 have been agreed by the Ministry of VWS and we will not accept responsibility or liability to any other party to whom the report may be shown or who may acquire a copy of the report.

Yours sincerely,  
KPMG Advisory N.V.

Fred van der Waa  
*Partner*

KPMG Advisory N.V., registered with the trade register in the Netherlands under number 33263682 and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Important notice

Our work commenced on 19 November 2009 and was completed on 19 January 2010. We have not undertaken to update our report for events or circumstances arising after that date.

In preparing our report, our primary source has been interview data from a large list of interviewed stakeholders as discussed with VWS staff. We also refer to generally available data sources and shared data sources such as the GIP data base. We do not accept responsibility for the content of shared information by stakeholders. We use their information as reference material to understand the market and we use cross referencing to double check the information

Our principal information sources were interviews with industry experts, representatives from insurance companies, industry, wholesalers; doctors, nurses, pharmacies, patients etcetera..

The primary scope of our work was to analyse and comment on the existence of and forms in which gunstbetoon in the markets for incontinence materials and diabetes test appear. The procedures we have performed as mentioned in the engagement letter only include the procedures which you indicated as important in respect of this research and agreed upon during the course of this assignment.

As a consequence, we may not have discovered matters which may have come to our attention if we had performed an audit or review with respect to the information presented in this report (including Appendices) and which would have been of relevance to you considering the underlying situation. As such, this report may not necessarily disclose all significant matters with regards to quantitative data about the market or reveal errors or irregularities, if any, in the underlying information.

We draw your attention to the significant limitations in the information available to us, as we have based this report mainly on interview feedback, given the absence of dedicated market research and the limited number of industry specialists.

We would like to emphasise that we do not express an opinion or any form of assurance on the information presented in this report (including Appendices). Furthermore, we do not make any representations regarding the sufficiency of the procedures we performed for your informational needs.

Our report makes reference to 'KPMG analysis'; this indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented; we do not accept responsibility for the underlying data.

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## Key findings (1)

Issue	Summary observations	Section of report
General	<p><b>By and large, little tangible evidence of “gunstbetoon”<sup>(a)</sup> has been found, and generally most signs point to a steady decline in gunstbetoon in recent years in the researched submarkets</b></p> <ul style="list-style-type: none"> <li>● Gunstbetoon<sup>(a)</sup> is a measure which commercially driven stakeholders in the market are engaging in to induce other parties in the value chain to buy/use more of a supplied or manufactured product. Effectively, these measures are therefore often seen as activities to ‘steer’ stakeholders to preferred products, and are not necessarily favourable to the end-user in terms of quality received or price level</li> <li>● Types of gunstbetoon found are very diverse and different in nature, and cannot always be clearly depicted as wanted or unwanted in relation to the overall perspective of the Ministry of safeguarding optimal quality of healthcare for patients for acceptable costs to society as a whole             <ul style="list-style-type: none"> <li>– Examples of gunstbetoon are distributing free test supplies, servicing brand-subjective training sessions, offering discounts to customers in return for customer loyalty, etcetera</li> </ul> </li> </ul> <p><b>The altered financing structure of healthcare in the diabetes test strips and incontinence materials markets and the varying incentives of the stakeholders in the value chain appear to have diminished the necessity for “gunstbetoon” as a measure with which to “steer” volumes through the value chain</b></p> <ul style="list-style-type: none"> <li>● Although the notion of “gunstbetoon” seems to have decreased in its effectiveness/popularity, we have found indications that steering is now more apparent in volume/price contracts between stakeholders</li> </ul> <p><b>“Gunstbetoon” appears to have shifted to more subtle activities that are initiated higher up in the value chain</b></p> <ul style="list-style-type: none"> <li>● Influencing volume throughput by direct contractual agreements between and vertical integration among players appears to have become the primary means by which “gunstbetoon” manifests itself in the markets for diabetes test strips and incontinence materials in the current market</li> </ul>	All

Note: <sup>(a)</sup> Due to a lack of a translation of the Dutch word ‘Gunstbetoon’ in the English language, we are referring to activities known in Dutch as ‘Gunstbetoon’ by the untranslated word ‘Gunstbetoon’. For a full definition we kindly refer to page 8 of this report

## Key findings (2)

Issue	Summary observations	Section of report
<p><b>Diabetes test strips</b></p>	<p><b>The diabetes test strips market is estimated to be worth €170-190 million (2009), and is likely to grow considerably due to growing numbers of type 2 diabetes patients with insulin treatments</b></p> <ul style="list-style-type: none"> <li>● Insulin-administering diabetes patients account for the bulk of diabetes test-strip consumption</li> <li>● Test-strips are typically unique to each brand’s measuring device, and patients generally stay loyal to the brand they’ve first been introduced to</li> </ul> <p><b>Key advisors include diabetes nurses at hospitals and GP’s offices (nurse practitioners), providing relatively independent advice based on their limited commercial incentive to deviate from their professional ethics and own experiences in use</b></p> <ul style="list-style-type: none"> <li>● Brand awareness at “first point of contact” of these materials (meters and strips) appears crucial due to low numbers of patient switching. Patients are initially provided with a starters kit comprised of a meter and several strips             <ul style="list-style-type: none"> <li>– As a result, the diabetes nurses at hospitals and GPs offices occupy a vital role as key patient advisors</li> </ul> </li> <li>● Nurses, as key advisors, appear relatively independent; perhaps explaining the limited degree of gunstbetoon evident in their activities and implying that very few anecdotes of patient referral to preferred parties were unearthed</li> </ul> <p><b>Although insurers negotiate price-driven contracts with pharmacies and medical-supply stores, these parties have limited opportunities to influence brand-specific volume throughput even though they also function as the suppliers of these products to end-users</b></p> <ul style="list-style-type: none"> <li>● Repeat supplies of strips are sourced by patients from pharmacies or through mail order channels</li> <li>● Distributors appear to have limited success in steering patients towards specific brands, but nonetheless are actively engaged in what appears to be relatively “normal” marketing activities to increase customer retention and enhance value per customer</li> </ul>	<p>Page 11-24</p>

## Key findings (3)

Issue	Summary observations	Section of report
<p><b>Incontinence material</b></p>	<p><b>The incontinence material market is sized indicatively at €150-160 million in 2009</b></p> <ul style="list-style-type: none"> <li>● Correspondingly, there are approximately 1,0 million people exhibiting symptoms of incontinence in the Netherlands, of which only an estimated 60% are actively using materials provided through medical professionals</li> <li>● Interview feedback suggests that a significant majority of patients are provided solely with incontinence materials (“care”), notwithstanding alternative remedial methods which remain unfamiliar to these patients; primarily due to a knowledge gap on the part of “gate-keeping” GPs but also due to the inherent embarrassing nature of the illness</li> </ul> <p><b>Absorbent incontinence products are largely generic, although subtle price and fit differences exist between brands</b></p> <ul style="list-style-type: none"> <li>● A patient’s brand loyalty is limited, and appears to be predominantly based on the perceived lack of alternatives</li> <li>● Many interviewees indicate that patients are still significantly under informed and as a result often not fully conscious of all possible product options and the insurance coverage thereof</li> </ul> <p><b>The distributors to patients operate in dual, often conflicting roles; as parties with an important advisory role but also with their own commercially-driven agendas</b></p> <ul style="list-style-type: none"> <li>● Several interviewees indicated that patients were supplied with ill-fitting products resulting from a lack of knowledge of alternative options, product range differences or simply as a result of established commercial relationships in place between supplier/advising party and a manufacturer or insurance company</li> <li>● Several distributors have developed their own brands, which are often marketed as a preferred product</li> <li>● In addition, due to value chain integration (for example between pharmacies in ownership of distributor/manufacturer) there do not seem to be sufficient structural prohibitions to steering patients to certain products (with a higher margin for the supplier)</li> </ul> <p><b>Patients appear to be largely unaware of the subjective advice they are apt to receive, and accordingly they may not receive the appropriate medical solution</b></p> <ul style="list-style-type: none"> <li>● Patients are often unaware that their choice of insurance company restricts them to the use of certain products under full coverage, nor can they be expected to be fully aware of the commercial incentives of the advising party</li> <li>● Due to the illness characteristics, patients are often elderly people with an by interviewees mentioned apparently lower assertive attitude to their product supplier and/or advisor</li> </ul>	<p>Page 25-38</p>

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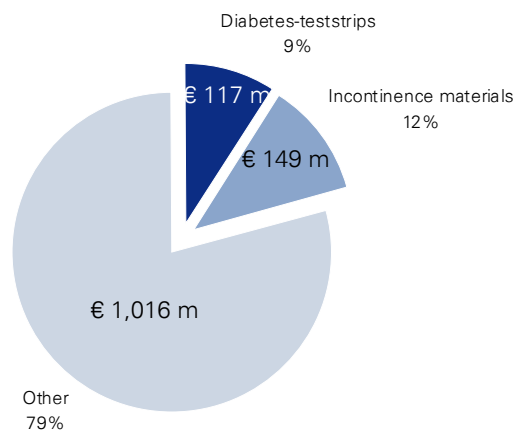
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## Engagement scope and background

Previous research performed induced reason for the Ministry to explore some specific segments in more detail

The Ministry of VWS has informed us they have chosen the segments diabetes test-strips and incontinence materials due to the expected growth of the relevant underlying patient bases, the industry and product characteristics

Medical aids in the Netherlands (in € millions), 2008



Source: CvZ (2009)

**The share of wallet of the market segments researched within our scope add up to approximately 21% of the total medical aid healthcare market**

- These healthcare costs reflect costs from extramural care only
- Both diabetes test strips and incontinence materials are considered growth markets in their underlying number of patients

**We have been informed that the Ministry has found cause to explore these segments in more detail, specifically on the prevalence of 'gunstbetoon'**

- Key questions we have focused our work on, as discussed and agreed upon by the Ministry, are:
  - What does the industry value chain look like?
  - Where is it most likely that – based on status quo value chain – 'gunstbetoon' can be used?
  - Where have we found evidence of it actually happening?
  - To what extent and in what form is it noticed?

**The Ministry has further indicated the key underlying principle to this scope is to ensure the quality of healthcare provided to patients is sufficiently high and whether the costs to provide this healthcare as a society is acceptable**

- We believe these underlying questions result in additional focus in our fieldwork and analysis on the apparent separation of the prescribing or advising parties and the commercial entities in the sector
  - We are aware that the current state policies are in essence stimulating privatisation and competitive commercial activities to some extent
  - However, we believe this approach provides a relevant theoretical base to understand incentives of and between stakeholders in these segments
- We have specifically not been asked to provide a quantitative independent view on the market in relation to gunstbetoon
  - We will however briefly provide a high-level estimate of the size of the market segments for reference purposes.

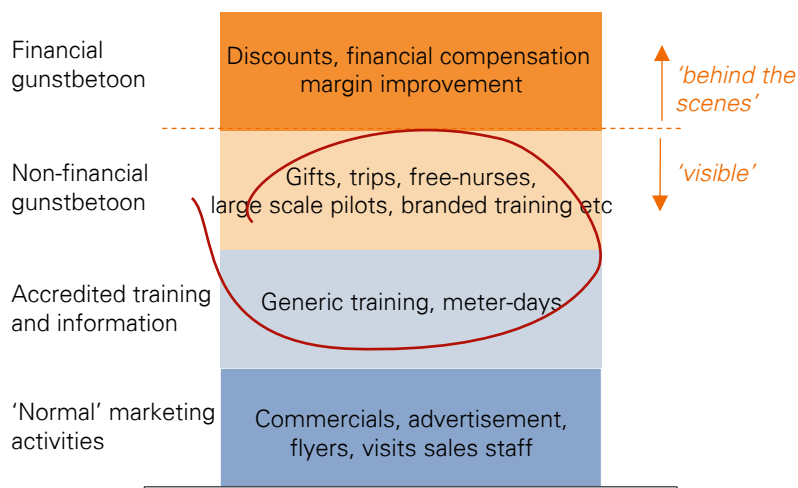


# Engagement scope and background

There are various types of gunstbetoon, of which some types can be regarded upon as normal marketing activities, but others as unwanted or unethical activities

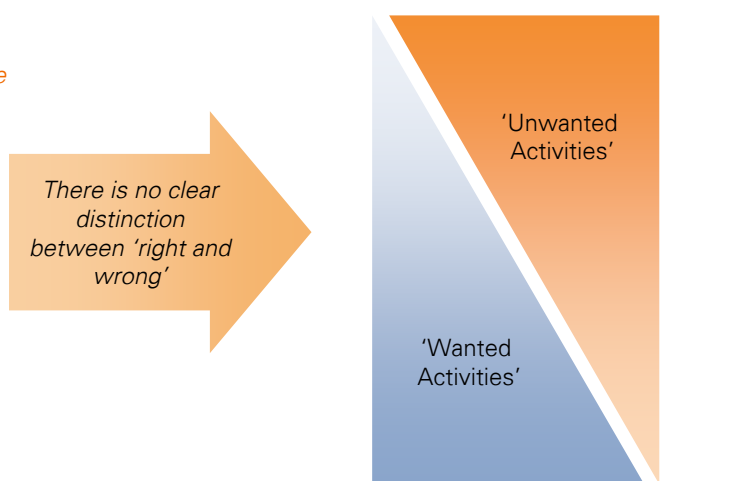
As there is not always a clear distinction between wanted and unwanted activities, this should be taken into consideration when interpreting feedback from interviewees

## Types of Gunstbetoon



Source: KPMG Analysis

## Perception of gunstbetoon



### The definition of gunstbetoon is relevant to our analysis and to place findings in perspective

- In this report we use the term gunstbetoon for non financial influencing of stakeholders other than pure functional information sharing about the product or service. Gunstbetoon is beyond "normal marketing activities such as commercials and general advertisement material. Gunstbetoon does not include financial influencing such as discounts, financial compensation and margin improvement. Examples of gunstbetoon include Gifts, Free rides, Trainings and conferences in attractive environments etc.

### In addition, it is relevant to understand the individual perception of gunstbetoon in relation to 'right' and 'wrong', which can be notably different for each interviewee

- Apart from our definition of elements which can be seen as wanted or unwanted gunstbetoon, it is crucial to understand that each individual interviewee has its own perception of 'right and wrong'
- There is a thin line between some forms of commercial activities, which can be looked upon as unwanted gunstbetoon, or as normal marketing activities

**We have not sought to establish a 'right or wrong' label to each form or evidence found in relation to gunstbetoon, but have limited our commenting on the apparent impact of such activities on the sector in the background of the key underlying questions as stated on the previous page**

**The purpose of this assignment has been to describe what is happening in the market for incontinence materials and diabetes test strips in relation to gunstbetoon.**

## Engagement approach and research method

During the course of our work we performed almost 100 interviews representing a selection of participants of each stakeholder group in the researched market segments

In addition, we analyzed publicly available data

### Method and limitations

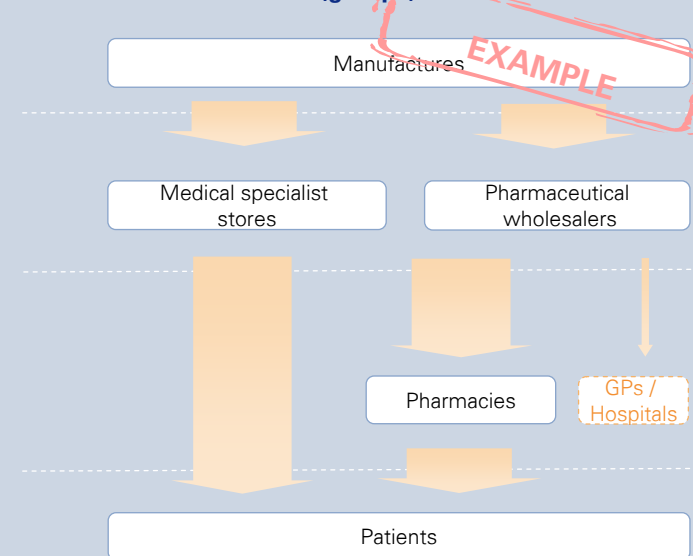
- Our work is predominantly based on interviews, and is meant to be a largely qualitative viewpoint on the segments within our scope. However, where possible, we provide a quantitative context to our findings with publicly available information
- We have sought to increase the accurateness of our findings by performing in-depth, anonymous interviews consisting of closed and open questioning with all key stakeholders in the markets researched. However, it must be taken into account that the interview based approach inherently provides biased responses based on the incentives of each interviewee and/or a different perceptions of 'gunstbetoon'

### Interviews performed have been anonymous, and in-depth

- We have performed interviews with key stakeholder (groups) in the segments within our scope
- Our interviews have been on an anonymous basis
- We have performed almost 100 interviews, of which over 25 on location
  - Manufacturers (C-level)
  - Insurance companies
  - Medical specialists (commercial management)
  - Wholesalers (commercial management)
  - Nurses (in hospital as well as practitioner nurses at GPs and home care)
  - Pharmacies (pharmacists, pharmacists' assistants)
  - Patients

We believe our approach provides a methodological 'best possible' outcome within the limited scope and timeframe of our work

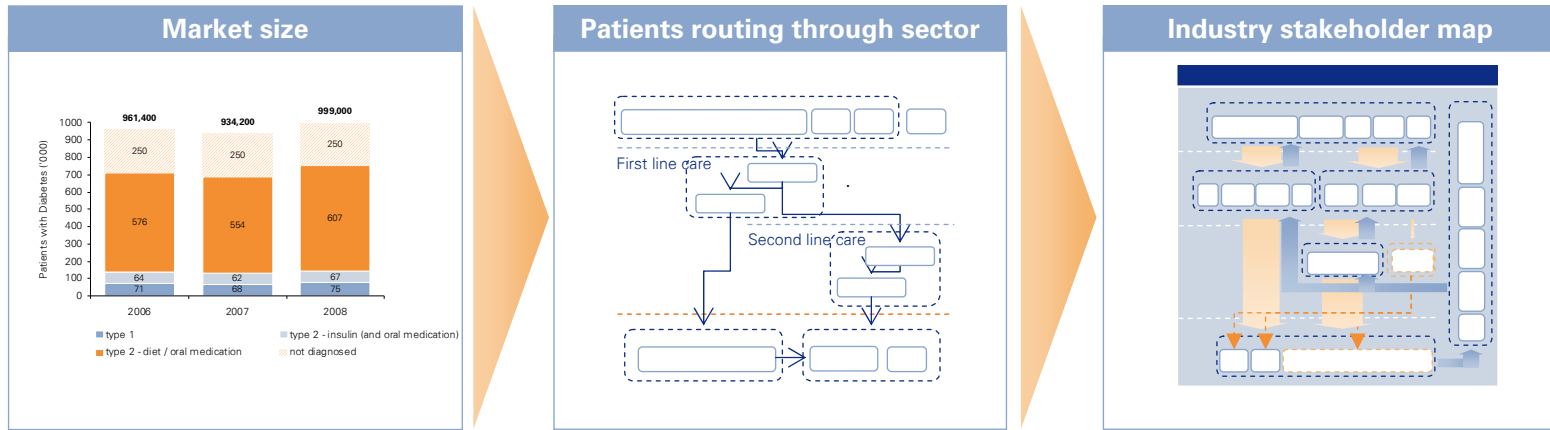
### ...focused on all stakeholder (groups) in the sectors researched



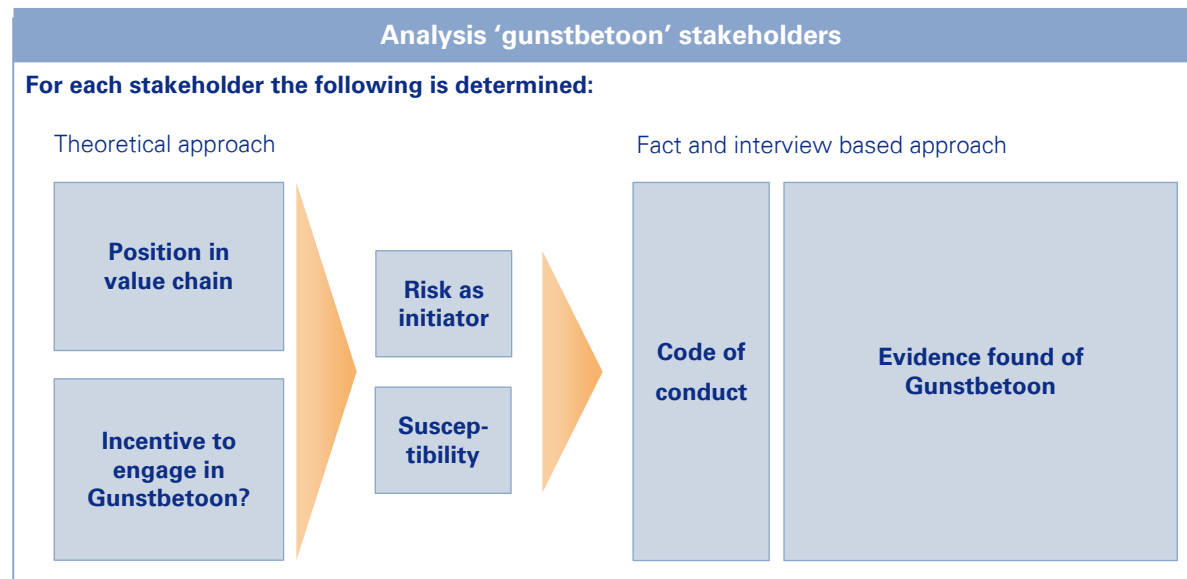
### Other sources used

- CvZ (GIPdatabank extracts, GIPpeilingen 2008, 2007, 2006)
- Assurantie Magazine (Maart 2009)
- RIVM (2009) 'Experimenteren met keten-dbc diabetes'
- SFK (Stichting Farmaceutische Kengetallen)
- Diabetesfonds
- Diabeteszorgwijzer DVN
- Diabetesfederatie (Figures & trends)
- KNMG (Artsennet)
- NAZ (Nederlandse Artikelendatabank voor Zorg)
- [www.incontinentie.net](http://www.incontinentie.net)
- [www.wikipedia.nl](http://www.wikipedia.nl)
- Several manufacturers', insurers', and distributors' websites

Our report is structured as illustrated in adjacent graphics



Provides necessary context to findings



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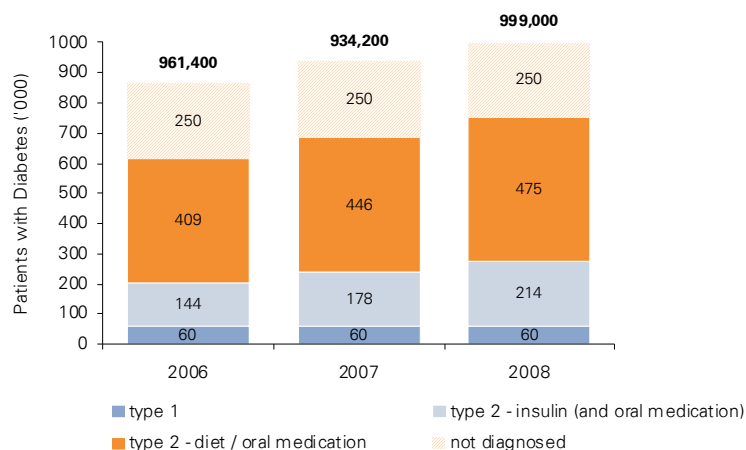
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## Diabetes test strips market size - patients

Although top-line growth in the number of diagnosed diabetes patients (2% CAGR) does not appear extraordinary, the composition changes by type of patients could cause considerable impact on the degree of medical aid required by patients

Patients with diabetes in the Netherlands, 2006-2008 <sup>(1),(2)</sup>



Note: (1) RIVM and DiabetesFonds both state similar approximation of patients 'Not diagnosed' 2007 and 2008 total number of patients conform CvZ (GIPpellingen). We have adjusted the 2006 number downwards, based on comments of CvZ indicating a possible double-count in these numbers  
(2) Interview feedback indicates type 1 patients to be approximately 60,000, which we have assumed stable over 2006-2008

Source: KPMG analysis based on CvZ, RIVM, DiabetesFonds and interview feedback

### BACKGROUND TO ILLNESS

- Diabetes is a disorder where the human body is not able to make (sufficient) amounts of insulin. A stable insulin level can be artificially generated by the means of oral medication or insulin injection
- If left untreated, an unstable level or lack of insulin will create a life threatening situation, sometimes even within hours. As such, patients have to (be) manage(d) to keep a relatively stable and sufficient insulin level
- There are generally two distinct types of diabetes.
  - Type 1 is generally a condition where the body cannot make insulin at all and is often referred to as 'youth diabetes'. Treatment consists of insulin injections and frequent monitoring of blood glucose levels via self-testing
  - Type 2 diabetes is a condition where insufficient and possibly unstable levels of insulin are produced by the body. Often referred to as 'wealth diabetes' as it is often a result of obesity and therefore more prominently present with elderly people. Treatment consists of oral medication in early stage, most likely in later stages accompanied or replaced by insulin injections.

The number of patients diagnosed with diabetes is expected to grow from approximately 750,000 diagnosed patients (2008) to approximately 1,3 million patients in 2025

- This corresponds to an annual growth of 2% (CAGR 2008-2025)

**Key drivers for growth are the aging population, unhealthy lifestyles (obesity) and growing awareness of public for diabetes**

- The largest patient group, the Type 2 patients, is expected to grow considerably due to unhealthy lifestyles causing obesity and eventually also diabetes
  - Market feedback suggests that many type 2 diabetes patients will eventually also be using insulin, as the condition slowly deteriorates if no significant lifestyle changes are made
  - Interview feedback indicates after 8-10 years (or sooner if first diagnosis has been in a late stage of development) the use of insulin is needed after being first diagnosed with type 2 diabetes. Available data from CvZ and branch organizations however indicates this is on average after 13 years
- In addition, due to increasing awareness, the estimated 250,000 consumers with early stage Type 2 diabetes but whom have not been diagnosed as such are expected to become diagnosed sooner
- Type 1 diabetes is a condition where patients do not have insulin production at all, which are therefore typically younger patients

**Generally, only insulin using patients are covered in the insurance for their use of diabetes-teststrips**

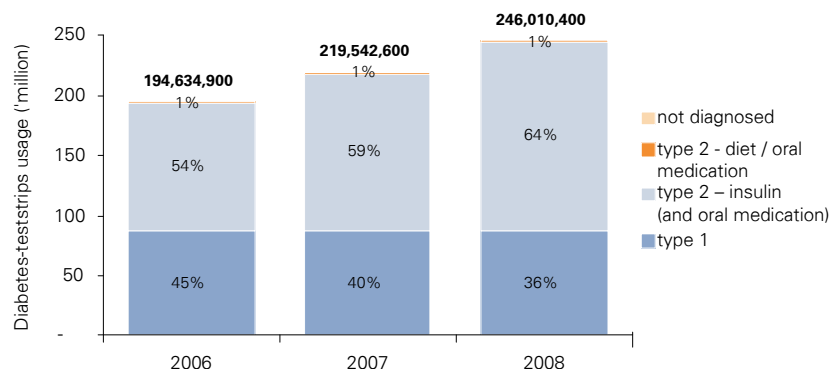
- The bulk of the patients, namely early stage type 2 diabetes, are not often engaging in self-metering
- "Without insulin prescribed, patients are covered for their visits to GPs but not for additional supplies for self-testing" - manufacturer

# Diabetes test strips market size – consumption and value

Typically, the insulin using diabetes patients are accounting for the bulk of the consumption of diabetes-teststrips

Due to the expected growth of these segments, the healthcare costs could be rising considerably going forward

Consumption of diabetes-teststrips in the Netherlands, 2006-2008



Consumption of diabetes teststrips		Consumption	
Patient type	Self testing?	frequency	Annual
type 1	yes	4 per day	1,460
type 2 - insulin	yes	2 per day	730
type 2 - diet / oral	no	4 annually	4
not diagnosed	n/a	n/a	-

Approximate market value  
€ 170-190 million (2008)<sup>(1)</sup>

Note: (1) Please note the comment on the difference between this estimate and CvZ figures in the body of the text  
(2) Please note we have not tested this price level. Several interviewees however informed us with this price level as being representative  
Source: KPMG Analysis based on interview feedback

Based on our analyses of both the number of patients per type, consumption characteristics and interview feedback, we estimate the market to be worth approximately € 170-190 million (2008)

- This corresponds with an average price per strip of €1,0 minus an approximate discount from AIP prices of 25% <sup>(2)</sup>
- CvZ figures indicate that in 2008 for an amount of € 117 million has been declared with insurers, which is considerably lower than the bottom-up figure we constructed with our approach
  - We have not sought to find an explanation for this difference as we believe it is likely to be the result of discounts in the market, which has been out of scope of this assignment

Due to illness/treatment characteristics, the two smallest patient segments jointly account for virtually all consumption of diabetes-teststrips

- Generally, only the type 1 and late stage type 2, i.e. the insulin using patients, are self-metering on a frequent basis often multiple times per day

Going forward, with an indicative additional 30-40,000 late stage diabetes patients on a yearly basis, the demand for test strips could possibly double already by 2012

- This is under the assumption that current early stage type 2 diagnosed patients are not making sufficient lifestyle changes to prevent worsening health conditions
  - "A type 2 diabetes patient could just as well be only using pills for the rest of their lives, as long as they make considerable and sufficient changes to their lifestyle" – diabetes nurse
  - "We see number of patients increase considerably" – branch org

Societal costs for these medical aids could possibly grow in a slightly lower pace, due to price pressures in the value chain

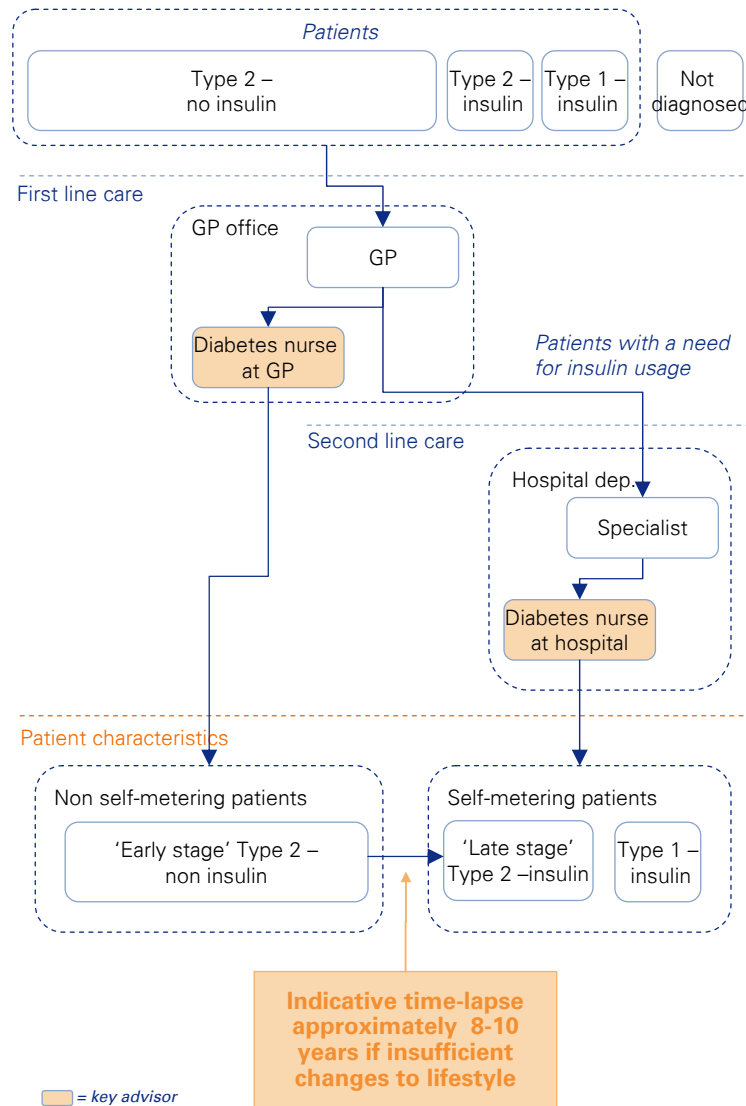
- "Prices for teststrips have been decreasing steadily for the last 10 years, by about one or two percent annually" – Roche
- "Prices in other countries, such as Greece, Spain or Portugal are considerably lower, approximately 10 to 20 cents each" - insurer

# Routing patients through healthcare system

Generally, the GP functions as gatekeeper in the healthcare system

Key advisors are diabetes nurses at hospitals or GP office (nurse practitioners)

## Routing diabetes patients through healthcare system in the Netherlands



Generally, only insulin users are self-testing blood glucose levels on a frequent basis, thereby these patients account for the majority of test strips consumption

- Most of these patients are routed to specialists, when it becomes apparent that insulin treatment is vital

**The GP, with in-house nurse practitioners, generally services Type 2 diabetes patients him (her) self (non-insulin users) while insulin using patients are mostly directed to specialists in hospitals**

- Interview feedback indicates that GPs are more often also servicing patients with a need for insulin as part of their treatment
  - “Due to the movement to functional payment in the healthcare sector, there is a move from 2nd to 1st line care resulting in GPs expanding to servicing type 2 insulin patients” - Manufacturer

## Diabetes test strips consumption characteristics

Test-strips are typically unique for each brand meter, and patients are typically loyal to the brand they have first become acquainted to in daily use

Patients are generally provided with a starters kit including a meter and some strips at first diagnose

Repeat supplies of strips are sourced from pharmacies or mail order companies

Consumption characteristics				
Products supplied	Consumption pattern	Comment	Advising parties	Distributor (s)
<b>Starters kit</b>	<ul style="list-style-type: none"> <li>Once</li> </ul>	<ul style="list-style-type: none"> <li>Includes meter and several test strips</li> <li>Supplied free of charge by diabetes nurse</li> </ul>	<ul style="list-style-type: none"> <li>Diabetes nurse at hospital</li> <li>Practitioner support nurse at GP</li> </ul>	<ul style="list-style-type: none"> <li>Provided with first self-metering instruction by diabetes nurse (from stock supply) or recipe for collection from pharmacy / mail order</li> </ul>
<b>Repeat orders</b>				
<b>Glucose meter</b>	<ul style="list-style-type: none"> <li>Replaced when broken or when patient finds it useful (e.g. for lifestyle)</li> </ul>	<ul style="list-style-type: none"> <li>Technical lifetime 3 years</li> <li>Often supplied free of charge by manufacturer</li> </ul>	<ul style="list-style-type: none"> <li>Distributor (Pharmacy or Medical specialist store), manufacturer</li> <li>Branch events reps</li> </ul>	<ul style="list-style-type: none"> <li>Provided by manufacturer directly or via distributor</li> </ul>
<b>Diabetes test strips</b>	<ul style="list-style-type: none"> <li>Every reading one strip consumed</li> <li>Insulin using patients are heavy consumers (2-4 daily)</li> </ul>	<ul style="list-style-type: none"> <li>Strips are unique for each brand and type meter</li> </ul>	<ul style="list-style-type: none"> <li>No relevant advise sought by patient               <ul style="list-style-type: none"> <li>Price insensitive</li> <li>Lock-in with meter brand/type</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Mail order, pharmacist</li> </ul>

Source: KPMG Analysis based on interview feedback and publicly available information

### Test strips are branded consumables which are used in combination with the same brand blood glucose meter

- "there used to be generic strips in the market, but they have not survived because of negative news items, for instance in relation to the fake needle affair of MediQDirect. This results in patients anxious to use non-branded products and stick to their brand just to be safe" - Distributor

### Patients are typically loyal to their brand as they perceive much comfort in a reliable product they are familiar with

- "Patients do not easily switch between brands as they rely on the readings of the meter they have and feel secure with these readings" – Manufacturer

### Although the glucose meter is a key determinant of which test strips a patient will order, the margin is made from selling test strips in repeat orders

- "Generally no insurer will pay for a single meter if ordered. There is no need for it, as many Manufacturers are very willing to offer these free of charge since the real margin is made on subsequent strip orders"- Roche
- A new upcoming trend is the development of glucose meters by wholesalers that support home brand test strips. This trend is expected to have a major effect on the market in the short to medium term

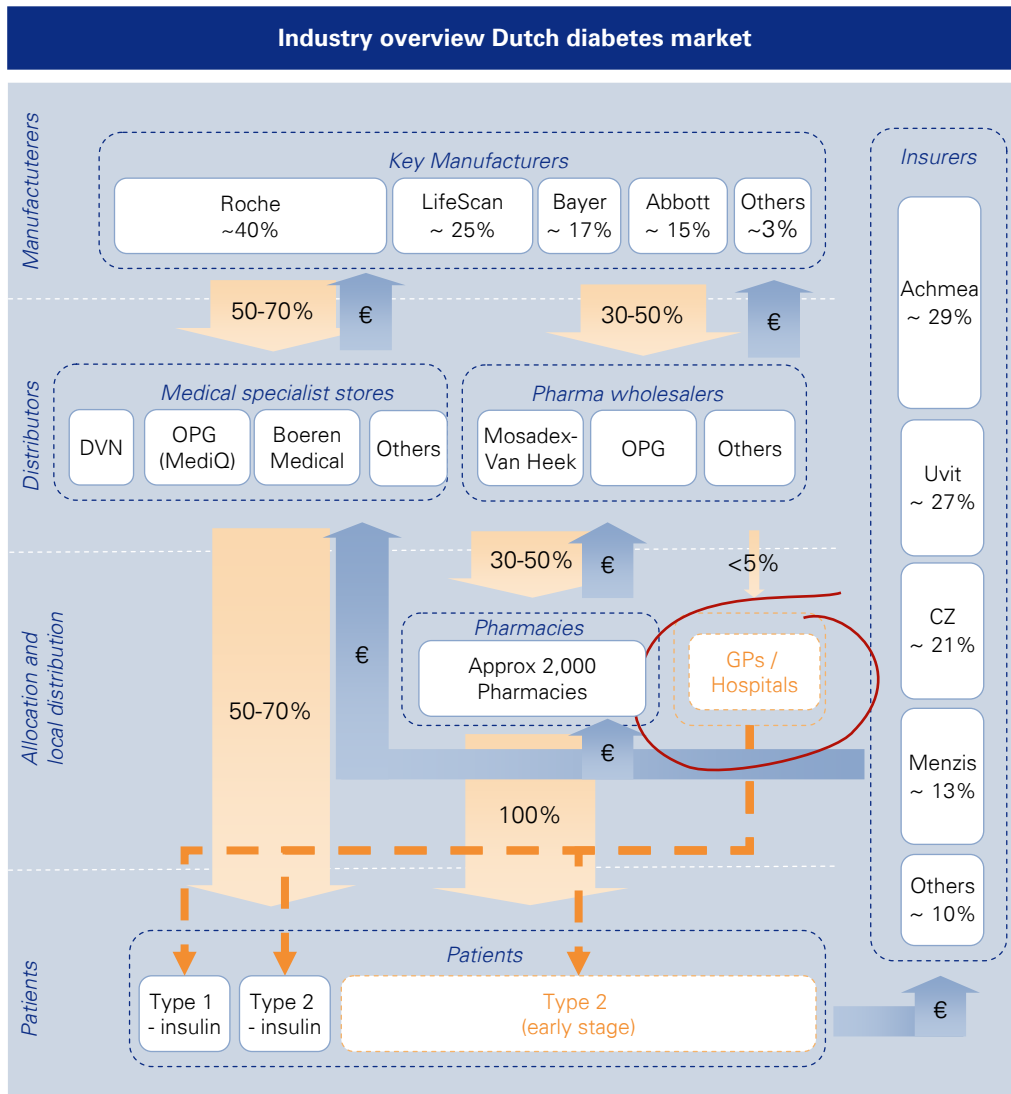


# Industry map diabetes

Brand awareness at 'first point of contact' of patients with these materials (meters and strips) appears crucial due to low switching of patients

As a result, the (practitioner) diabetes nurses appear to have a crucial role in this sector as key patient advisors

Although insurers are negotiating contracts on price with pharmacies and medical specialist stores, which are also the suppliers of these products to patients, these parties have limited possibilities to influence volume throughput on brand type



Key:   
 - Orange arrow: flow of products   
 - Blue arrow: flow of money   
 - Dashed orange arrow: flow of 'advise'

Source: KPMG analysis based on interview feedback, Assurantie Magazine Maart 2009, documents provided by CvZ (2009)

## Only a few manufacturers dominate the market for test strips and accompanying blood glucose meters

- "there is a cloud of manufacturers trying to enter the market with new meters. We do not perceive much competition from these players however as they appear to have problems entering the marketplace" - Manufacturer

## Key influencers in this market in relation to brands are diabetes nurses at hospitals and GPs

- Diabetes nurses at hospitals and GPs are the key advisors in this market
- As diabetes nurses at GPs also service many early stage type 2 patients, they are also in close contact with likely future diabetes test-strip consumers

## Although most repeat orders are ordered from mail order or pharmacies, patients do not appear to be strongly influenced in their product choice via these channels

- Product and brand choice is generally made at first contact with the diabetes products
- Key advising parties appear not to be present in the commercial value chain of diabetes test strips, therefore at high-level it appears to be relatively fair to assume that quality of products are not

## Patients are not price sensitive as these consumption items are fully insurance covered, and will therefore choose the most convenient sourcing method

- Patients do not appear to seek or be influenced to switch brands. However, distributors do appear to adhere to consumer 'wants' by offering free gifts or stamp booklets for discounts on other consumables
  - Only when insulin is part of treatment, the self-metering is covered by insurance schemes

# Overview Gunstbetoon findings - diabetes

Nurses as key advisors appear relatively independent, as a result of which limited gunstbetoon is found to induce them to direct patients to preferred parties

Distributors appear to have little result directing patients to specific brands, but engage in fairly 'normal' marketing activities to increase customer retention and value per customer

Prevalence of Gunstbetoon per stakeholder				
Corresponding slide	Stakeholder	Incentive to initiate	Susceptibility	Evidence
1	Manufacturers	medium	n/a	low
2	Medical specialist wholesaler	medium	low	low
3	Pharmacies & pharma wholesalers	medium	low	low
4	Nurses at hospital	n/a	low	low
5	Nurses at GP	low	low	low
6	Patients	n/a	low	low
7	Insurers	medium	n/a	low

Key:

- = low impact
- = medium impact
- = high impact
- = stakeholder with key advisor role in sector

Please refer to following pages for detailed findings

Across the board, severity of gunstbetoon appears relatively low, but this is likely due to more commercially attractive – financial - methods of influencing stakeholders behind-the-scenes

- Several interviewees indicated some forms of gunstbetoon have been common practise, but this has significantly decreased in prevalence in recent years
- Based on positioning in the value chain and accompanying incentives to perform gunstbetoon as a result thereof, some stakeholders are likely to engage in these activities, albeit most likely to be focused on volume and price negotiations without being able to largely influence brand choice of patients/distributors

Typically, patients appear hard to influence once being frequent users of a brand product. However, the key advisors for first use appear relatively independent in their professional attitude

- Patients appear hard to influence, after having issued a first meter/brand test strips. They are not price driven, and will order brand of personal choice regardless of price
- Distributors facilitating repeat orders for customers undertake several actions within their reach to influence patients directly, although these are more focused to induce patients to switch distributor, not necessarily brand
  - If distributors manage to market own brands, the role of these parties is changing, and likely to result in more directing of volume flows



Insurers increasingly seeking preferred suppliers and value chain integration in ownership might change industry dynamics going forward

Source: KPMG Analysis based on interview feedback

Although manufacturers have a natural incentive to increase their market penetration, little evidence of Gunstbetoon is found, other than what appears to be relatively normal marketing activities

Visible forms of Gunstbetoon seems to have decreased in recent years

It is however likely the method has shifted to distributors to get a preference supplier status through offered discounts

Incentive to initiate	Susceptibility
 medium	n/a
<b>Evidence</b>	
 low	

## Summary Gunstbetoon related findings for manufacturers

Area	Role/Function	Supporting evidence
Position in value chain	Manufacturer of materials	<ul style="list-style-type: none"> <li>All manufacturers of branded diabetes materials include diabetes blood glucose meters and accompanying test strips</li> <li>In addition, they often provide product information online, brochures/advertisements and they provides accredited trainings for professionals in sector</li> </ul>
Incentive to engage in Gunstbetoon?	Commercial incentive to increase revenues while upholding margins	<ul style="list-style-type: none"> <li>While diabetes nurses as advisors are inherently the 'sales team' of manufacturers for first customer contact, it is key to have a strong, and increasing preferred brand position with these prescribers / advisors in the value chain. Due to their professional position, best approached/influenced through trainings</li> <li>In addition, as patients are getting repeat orders of strips via pharmacists or mail order companies, it appears lucrative to also actively address these parties, most likely susceptible for discounts</li> <li>Manufacturers would be keen on obtaining patient contact details in order to engage in direct marketing</li> </ul>
Evidence found of Gunstbetoon	Mostly seems to be 'normal' marketing efforts for brand awareness Incidental less wanted forms	<ul style="list-style-type: none"> <li>"Trainings are performed local or at hospitals" - Manufacturer</li> <li>"Manufacturer: often offers meters free of charge to patients. With accompanying warrantee cards, they try to build a database of patient contact details to engage in direct marketing efforts thereafter" – Manufacturer</li> <li>"New products can be tested in pilots, but I believe it is sometimes exploited to unnecessary large scale to induce further market penetration. Hospitals are receiving financial compensation when they cooperate to upscale these pilots" – Manufacturer</li> <li>"Placement of additional nurses at hospitals which are delivered by manufacturers" – Manufacturer</li> </ul>
Severity	Appears to have decreased considerably in recent years	<ul style="list-style-type: none"> <li>Several interviewees indicate that they have decreased or sobered training activities in order to reduce costs but this also appears to have taken place in order to prevent possible negative publicity or regulatory interference</li> <li>"There is absolutely unfair trade happening in our market, in which individuals are receiving personal gains. However, I believe this only accounts for maybe 4-5% of all trade, and needs therefore to be regarded in this context. I believe this is due to 2 key players in this market, which name I will not mention" - Manufacturer</li> <li>"We have had one pilot where we supplied 2,800 patients with new meters. This was the only one in recent years" - Manufacturer</li> </ul>
Code of conduct	Internal and branch	<ul style="list-style-type: none"> <li>Diagned is the branch organisation for manufacturers of diabetes products. This institution has a collectively agreed code of conduct. Manufacturers however indicate that since they are often part of an international holding, they face internal risk &amp; compliance measures often stricter than the code of conduct of Diagned</li> <li>Nurses branch organisation EADV indicates manufacturers need to comply with their code of conduct to become an accredited training institution. This implies they are not allowed to show brand names or logos in presentations or trainings. Outside training rooms it is however not restricted</li> </ul>

Source: KPMG Analysis based on interview feedback

Appear to be limitedly engaged in forms of gunstbetoon which can be viewed upon as fairly normal commercial activities based on their position in the value chain

Influencing seems more focused on inducing patients to switch distributors, not so much to switch brands, however if in due time distributors can market own brands, this can change in nature

Incentive to initiate	Susceptibility
medium	low

**Evidence**

low

## Summary Gunstbetoon related findings for medical specialist wholesalers

Area	Indicator	Supporting evidence
Position in value chain	Distributor and handling of expenses for insurers, little advising role	<ul style="list-style-type: none"> <li>Multi-role company, as it functions as intermediary between manufacturers and patients by distribution of products to patients, predominantly by mail order but also has contractual agreements with insurers on volume and prices</li> <li>IT systems link directly into back-office of insurers, and as such outsource some of the administrative function of insurers to these intermediaries. This seems to validate an added margin in the value chain</li> <li>Additional services consists of customer helpdesk and information portal for patients</li> </ul>
Incentive to engage in Gunstbetoon?	Hardly, incentives are margin driven without influencing demanded brands	<ul style="list-style-type: none"> <li>As non-branded items are uncommon in this sector, these intermediaries generally have incentives to increase margins through price negotiations with manufacturers, optimising the distribution function and by stimulating customers to order large volumes at once</li> <li><i>“Contracts with insurers include restrictions on number of strips consumed per patient and budget per patient”</i> – Distributor and Wholesalers</li> <li><i>“Volume reductions are equally important as price reductions for Insurers. The combination is a driver for long term contracts with Insurers. Home brand developments go hand in hand with this trend”</i> - Wholesaler</li> </ul>
Evidence found of Gunstbetoon	Seems limited directly towards patients, more focused on price negotiations with insurers  First signs of own brands	<ul style="list-style-type: none"> <li><i>“The mail-order channel has much higher margins as we have a leaner distribution channel than pharmaceutical wholesalers. This is supported by price-insensitive customers”</i> - Distributor</li> <li><i>“We lure patients by means of coupons and stamp books. This also services as incentive to order larger quantities at once”</i> - Distributor</li> <li><i>“We supply starters kits for a little more than cost price to non-insulin users [not insured]. Although margin is low, we always hope that if customers will become insulin users in the future, they will stick to the brand and even more so, stick to us as preferred supplier”</i> – Distributor</li> <li><i>“We set contracts with these parties. This is either based on fixed discount per brand or one fixed discount for all brands”</i> –Insurer</li> <li><i>“During the last year we noticed that some distributors are starting to make their own meters. I do not doubt the quality of these products per see, but foresee that the patients choice would be lower as these parties also negotiate with insurers, have patient contact details and are margin driven”</i> - Manufacturer</li> </ul>
Severity	Appears limited, could increase	<ul style="list-style-type: none"> <li>Although current gunstbetoon levels appear limited at first glance, it could increase in coming years when these specialist wholesalers can successfully market their own brands</li> </ul>
Code of conduct	Individual	<ul style="list-style-type: none"> <li>DVN foundation (also mailorder) has specifically mentioned code of conduct in relation to gunstbetoon. Maximum values of received gifts (€50 euro per item, max €150 per year) or trainings (€500 per training, €1,500 max per year) mentioned.</li> <li>Code of conducts appear set by each medical specialist individually. We have not sought to check each code of conduct individually under the current scope of our work</li> </ul>

Source: KPMG Analysis based on interview feedback

# Gunstbetoon – Pharmacies & pharma wholesalers

As most customers generally already have a brand-of-choice, influencing these to switch appears limitedly possible

Larger pharmacy chains or pharmacies with organizational ties to distributors have however opportunity to obtain higher margins

Smaller pharmacies however seem to incidentally limit carried brands, likely due to their small client base

Incentive to initiate	Susceptibility
medium	low

**Evidence**

low

## Summary Gunstbetoon related findings for pharmacies and pharmaceutical wholesalers

Area	Indicator	Supporting evidence
Position in value chain	Distributor, handling of expenses for insurers, little advising role	<p>NOTE: 'Pharmacies' are individual pharmacies, pharmacy keeping hospitals/GPs and pharmacist collectives</p> <ul style="list-style-type: none"> <li>• Distributor function with a local presence. Pharmacist chains can act more like medical specialists in the value chain due to larger client base</li> <li>• Set contracts with insurers on price and volumes. As a result often have gate keeping role on ordered volumes of patients</li> <li>• Individual pharmacists have lower volume throughput due to local patient addressable market</li> </ul>
Incentive to engage in Gunstbetoon?	Limited possibilities to influence brand of choice patients	<ul style="list-style-type: none"> <li>• As a result of the face-to-face patient contact appear to have more possibilities/success in influencing patients compared to medical specialists</li> <li>• Although most patients approach pharmacies for repeat orders of test-strips of the brand they already use, and hence not so much inclined to switch. However, facilitating meter check-up days allow airtime with patients to influence their brand of choice</li> </ul>
Evidence found of Gunstbetoon	Some found but most commercial win appears to be generated in back-office function of pharmacy as patients are hard to influence	<ul style="list-style-type: none"> <li>• "I do not have the idea patients are being steered to choose for a specific brand by pharmacies. Although I can imagine this could play a part in pharmacies with organisational ties to distributors" – Diabetes Nurse</li> <li>• "My pharmacy gives me stamping coupons where I receive 10 Euros discount on all products" - patient</li> <li>• "Compared to the mail-order companies, my pharmacist is actually quite stringent on the size of my order. I always have to explain my usage demand before they provide it" – patient</li> <li>• "Generally it is the diabetes nurse at GP or hospital who – together with the patient – decide which type and make is best to use. We also have contacts with nurses and agree on which brands to carry" – Pharmacist</li> <li>• "We choose to perform meter check-up days independently. Although we can get support from the manufacturers, we prefer to stay independent in our advice" – pharmacist</li> <li>• "Chains of pharmacies make deals on headquarters level on which brands to support" –Manufacturer</li> <li>• "Margins on home brands are higher for wholesalers so it could be interesting for a pharmacist to at least provide trial meters to patients and benefit both insurer and pharmacist" - Wholesaler</li> </ul>
Severity	Appears limited, could increase due to vertical integration in value chain	<ul style="list-style-type: none"> <li>• Although current gunstbetoon levels appear limited at first glance, it could increase in coming years when further ownership entanglements arise vertically up the value chain</li> </ul>
Code of conduct	Branch	<ul style="list-style-type: none"> <li>• The Royal Dutch Association for the Advancement of Pharmacy (KNMP) has a code of conduct in place that touches on all facets of a pharmacist's work but remains vague and noncommittal in the area of interaction between pharmacists and the suppliers of medical supplies. It does not specify what kind of behaviour is allowed and what isn't and there is no mention of a definition of unethical behaviour</li> </ul>

Source: KPMG Analysis based on interview feedback

Diabetes nurses at hospitals appear to be relatively independent and value their professional ethics very high

Although starters kits are provided free-of-charge by manufacturers, there do not appear to be financial or other gains from this for nurses

Gunstbetoon appears to be mainly focused on trainings

Incentive to initiate	Susceptibility
n/a	low

Evidence
low

## Summary Gunstbetoon related findings for diabetes nurses at hospital

Area	Indicator	Supporting evidence
Position in value chain	Advisor to patient, user of products	<ul style="list-style-type: none"> <li>Diabetes nurses at hospitals give advise to patients along with instructions on how to use these materials</li> <li>Most patients are type 1 or late stage type 2, i.e. insulin using patients</li> <li>Appear relatively independent in their positioning in the value chain due to professional ethics to remain independent and focused on providing best advise based on patients' condition and lifestyle</li> </ul>
Incentive to engage in Gunstbetoon?	Limited as professional ethics are dominant and (financial) incentive is missing	<ul style="list-style-type: none"> <li>Interviewees indicate strongly that they value compliance to their professional ethics very high, and as such remain as independent as possible in their advising role in the sector</li> <li>Limited as there is no direct financial gain from such activities. Money trail for these extramural care items does not go through hospital financials</li> </ul>
Evidence found of Gunstbetoon	Limited, seem relatively independent in advising role	<ul style="list-style-type: none"> <li>"Nurses are in our perception generally fairly independent in their advise to patients. They advise a specific brand based on functional characteristics which fit patients best. For example, sight-impaired elderly will get a meter with large digit display, whereas a young, mobile patient will get a small handy one" - insurer</li> <li>"The diabetes nurse is not declaring costs herself. She gives a starters kit with a card where customers can place repeat orders" – Distributor</li> <li>"We have 5-6 different types of meters in our hospital for consulting patients. These are from the major brands, based on their crystallised technological development and as these larger players are able to invest in trainings and customer service" – hospital nurse</li> <li>"We do supply patients with a brochure/leaflet with possible distributors listed for their repeat orders. We do not mention pros or cons for any of these players, this is up to them" – Branch</li> <li>"Generally have 2-3 brands on the table" – Manufacturer</li> <li>"Attendance to trainings/congresses could be facilitated in bowling alley or Hilton. However, in line with accredited courses regulations, there is always a contribution in costs for all these events for each attendee" - EADV</li> </ul>
Severity	Limited	<ul style="list-style-type: none"> <li>"I do believe there is limited gunstbetoon focused on hospital nurses, based on their ethical and functional based advise" - insurer</li> </ul>
Code of conduct	Branch and moral standard	<ul style="list-style-type: none"> <li>EADV code of conduct (branch organization for diabetes nurses at hospitals and GPs), including article 13 stating nurses are expected to remain independent and are not allowed to receive any financial benefits. Non-financial benefits are not described in Code of Conduct</li> <li>"There is no control measure on compliance to this code, neither is there a duty to report unethical conduct" - Branch</li> </ul>

Source: KPMG Analysis based on interview feedback

Diabetes nurses at GPs appear to be relatively independent and value their professional ethics very high

However, as they are also frequent users of these materials, they might be inclined to prescribe brands based on their own experiences of quality

Gunstbetoon appears to be mainly focused on trainings

Incentive to initiate	Susceptibility
low	low
<b>Evidence</b>	
low	

## Summary Gunstbetoon related findings for diabetes nurses at GP

Area	Indicator	Supporting evidence
Position in value chain	Advisor to patient, user of products on daily basis	<ul style="list-style-type: none"> <li>Diabetes nurses at GPs give advise to patients along with instructions on how to use these materials</li> <li>However, for many early stage type 2 patients, they perform blood glucose level testing on site, thereby they are also considered to be influenced in their preferred brands based on their own experiences in the use</li> <li>Appear relatively independent in their positioning in the value chain due to professional ethics to remain independent and focused on providing best advise based on patients' condition and lifestyle</li> </ul>
Incentive to engage in Gunstbetoon?	Limited as professional ethics are dominant although financial inc	<ul style="list-style-type: none"> <li>"Similar to hospital nurses, we do state our advised brand name on the recipe. This is based on our professional opinion which brand suits best for which patient" – Diabetes Nurse</li> <li>Interviewees indicate strongly that they value compliance to their professional ethics very high to remain independent, but are also very aware of quality of products as they are frequent users</li> <li>Limited as there is no direct financial gain from such activities. However, GP could be incentivized by distributors indirectly, without nurses being fully aware. We have not found any evidence hereof however</li> </ul>
Evidence found of Gunstbetoon	Limited, seem relatively independent in advising role	<ul style="list-style-type: none"> <li>"We do engage in trainings, but most often via hospital instead of via industry to ensure we are receiving information updates from multiple brands" – Diabetes nurse</li> <li>"We have starters kits in stock here, which are offered free of charge by manufacturers"- Diabetes nurse</li> <li>"From the pharmaceutical industry we used to get gifts in the past (candy for assistants, office supplies for the GP or sometimes trips) but these activities do not play such a role in the medical aids industry" – Diabetes nurse</li> <li>"We are using Bayer at our GP office. All nurses use these now, after a long struggle internally to get all nurses and GPs on one system. This is easier for our internal test strips-usage. We have chosen Bayer based on TNO and ISO certification and since it is calibrated and therefore more reliable readings. This does not imply we also advise patients this brand, as this differs depending on their needs" – Diabetes Nurse</li> </ul>
Severity	Limited	<ul style="list-style-type: none"> <li>Diabetes nurses at GPs appear slightly more susceptible for gunstbetoon compared to hospital based nurses, due to their heritage from the pharmaceutical gunstbetoon-era</li> </ul>
Code of conduct	Branch and moral standard	<ul style="list-style-type: none"> <li>Similar to code of conduct diabetes nurses in hospitals (same branch organisation)</li> </ul>

Source: KPMG Analysis based on interview feedback

Patients are relatively unaware of prices, switching therefore generally only occurs based on qualitative product characteristics (including customer service levels)

Patients appear more loyal to their brand than to their supplier

Gunstbetoon appears to have limited effect and can be seen as ‘normal’ marketing activities from distributors

Incentive to initiate	Susceptibility
n/a	low

Evidence
low

## Summary Gunstbetoon related findings for patients

Area	Indicator	Supporting evidence
Position in value chain	User of products	<ul style="list-style-type: none"> <li>Intensive use of product on a daily basis (often multiple times per day)</li> <li>High reliance on these products functioning as subnormal levels of insulin can quickly result in a life threatening situation</li> </ul>
Incentive to engage in Gunstbetoon?	Patients are likely to become more critical over time, and will make own decisions	<ul style="list-style-type: none"> <li>Not relevant as patients will not engage in gunstbetoon activities themselves</li> <li>However, patients have ample opportunity to seek information on the available products in the market and are likely to being perfectly able to make correct decisions on their preferred brands</li> <li>In practise, patients are likely to embrace nurses’ initial advise, while after a few years of use they have become more informed and inclined to seek a meter which fits maybe better with lifestyle</li> </ul>
Evidence found of Gunstbetoon	Switching appears low, and if occurred appear more dominantly based on product characteristics and customer service levels instead of being able to receive perks	<ul style="list-style-type: none"> <li>“patients often don’t even know what the price is of these products” - Distributor</li> <li>“Patients become streetwise after a number of years of using these equipments. It is often seen that patients initially follow exactly the advise from the nurses after first being diagnosed. This seems logical as they have other things to worry about than being picky on product characteristics. Over time, patients are however more aware of the available products” - Manufacturer</li> <li>“Patients have low switching out of choice, and base their loyalty on product characteristics and customer service levels” – Branch</li> <li>“I receive brochures at home from my pharmacy, the distributor I have used once and from the manufacturer. I have no reason to switch brands. I’m used to this one, so why change. I cannot think of essential technological differences with other brands so this one works out fine for me”- patient</li> <li>“The coupons or discounts provided by suppliers are fine, but this doesn’t induce switching for me, it might at the most make me switch from which distributor I order”- patient</li> <li>“Research shows the key purchasing factor for patients is the level of service it receives through call center, customer service and immediate assistance services” – Manufacturer</li> </ul>
Severity	Limited	<ul style="list-style-type: none"> <li>Appears to be present in various forms, from various stakeholders trying to induce switching</li> <li>Patients appear more loyal to the brand product they are acquainted with, although supplier (distributor) switch could occur based on more attractive coupon/gift options</li> </ul>
Code of conduct	n/a	<ul style="list-style-type: none"> <li>N/a</li> <li>Patients act opportunistically in favour of their individual health</li> </ul>


Source: KPMG Analysis based on interview feedback




Insurers are commercially driven to seek lowest cost base for healthcare service accessibility for patients

This results in contractual agreements with preferred distributors (pharmacies and medical specialist wholesalers) on volume and price

Insurers however generally advocate freedom of choice in brands for its customers (patients)

Incentive to initiate	Susceptibility
 medium	n/a

Evidence
 low

## Summary Gunstbetoon related findings for insurers

Area	Indicator	Supporting evidence
Position in value chain	Facilitating access to healthcare services for a premium, negotiator on price, volume and relations	<ul style="list-style-type: none"> <li>The insurance provider facilitates access to various healthcare providers</li> <li>Within the medical aid segment, insurers are able to choose freely which providers they cover under the insurance</li> <li>Insurers set contracts on price with the parties closest to delivery of products to patients, i.e. pharmacies and medical specialist wholesalers. These contracts sometimes also include a gate keeping role on volumes for these parties</li> <li>Each insurer appears to have a different approach in their methods to contractual agreements</li> </ul>
Incentive to engage in Gunstbetoon?	Commercially driven to direct patients to their contractual suppliers	<ul style="list-style-type: none"> <li>Insurers are in principle allowed to restrict insurance coverage of certain products</li> <li>Insurers have an incentive to set contractual agreements with suppliers, on price and volume</li> </ul>
Evidence found of Gunstbetoon	Insurers' method to influence product flows is by means of contractual agreements	<ul style="list-style-type: none"> <li>"CZ uses a daily consumption calculation" – Distributor</li> <li>"We have a policy which gives patients freedom of choice in the products they want" - insurer</li> <li>"it is not transparent which insurers have which contracts with whom. It seems that most contracts are made only with large players, thereby squeezing smaller distributors out of the market" - Distributor</li> <li>"We have tried to set up our own distribution network and closing contracts with manufacturers directly. This plan has failed as it turned out that professionals in the sector are not easily steered in one direction" – insurer</li> <li>"We set volume restrictions with our contractees, as well as price negotiations" – insurer</li> <li>"Every insurer uses their own strategy to influence the market" - wholesaler</li> <li>"Use of home brands is only way to maintain margins. Branded products are sold at a loss under insurance contracts" - wholesaler</li> </ul>
Severity	Increasingly to preferred suppliers, not on preferred brands	<ul style="list-style-type: none"> <li>Insurers appear to be increasingly focused on getting preferred suppliers for diabetes medical aids</li> <li>"Insurers are increasingly steering towards their preferred suppliers" – pharmacist</li> </ul>
Code of conduct	(Governmental) authorities	<ul style="list-style-type: none"> <li>ZN (Zorgverzekeraars Nederland) acts as an intermediary spokesperson for the healthcare insurance providers. The code of conduct for Health Insurance Companies is signed by every health insurance company by means of their membership of ZN. This code of conduct has a holistic approach and does not serve the purpose of quality control in the chain or in the role of health insurance companies towards preventing "gunstbetoon"</li> </ul>

Source: KPMG Analysis based on interview feedback

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# Incontinence market size

The incontinence material market is sized indicatively on €150-160 million in 2009

Of the 1,0 million people with incontinence problems in the Netherlands, only 60% are actually using materials received via medical professionals

Incontinence material market size in the Netherlands, 2009 <sup>(a)</sup>							Est. 2009 market size in € millions
Type of user	Number of users (2009)	Usage frequency (# products per day)	Usage frequency (days of year)	Average price per product (AIP)	Discount on AIP		
'not visible, not in medical circuit'	400,000	x	n/a	x	n/a	x	≈ 5-10
Light	120,000 (20%)	x	0-1	x	€0,50	x	} Insured users. Corresponds to 60% of all persons with incontinence problems
Medium	300,000 (50%)	x	0-2	x	€1,00	x	
Heavy	120,000 (20%)	x	3 to 5	x	€1,50	x	
Event driven	60,000 (10%)	x	n/a	x	n/a	x	≈ 5-10
<b>Total</b>	<b>1,000,000</b>						<b>€ 150-160</b>

**INDICATIVE**

Note: <sup>(a)</sup> Only relates to the absorption materials, we have not sought to differentiate between urinary and faecal incontinence patients  
 Source: KPMG Analysis based on limited interviews, desk research

**In the Netherlands, there are approximately 1 million people with incontinence. This number of people is expected to grow slightly in line with an aging population**

- "Approximately 6-7% of a countries' population has incontinence problems" - Manufacturer
- "Incontinence is most prevalent with elderly people, predominantly women. 1 in 3 women over the age of 55 are incontinent" - Incontinence nurse

**The incontinence material market is indicatively worth €150-160 million (2009)**

- Please note that we have based our market sizing on a bottom-up approach, with limited data from various publicly available sources, as well as interview feedback. Therefore our total market size deviates slightly from (2008) reported healthcare costs for these products by CvZ (€149 million)
- This market value only reflects extramural medical aid costs covered by health insurance





**Approximately only 60% of people with incontinence problems are actually using materials via medical professionals**

- A large number of people with incontinence problems appear to be facilitating themselves with non-professional incontinence materials, due to embarrassment of the problems, lack of appropriate referrals within the healthcare system or public unawareness of the possibility to get costs reimbursed via insurers

# Incontinence products characteristics

Absorbent incontinence products are largely generic, although differences appear to exist between brands on fit and price level

Patients brand loyalty appears to be based on perception of available alternatives, but are often not fully informed

Consumption characteristics				
User type	Products used	Comment	Advising parties	Distributor (s)
'not visible, not in medical circuit'		<ul style="list-style-type: none"> <li>Female menstrual pads, panty-liners and even toilet paper</li> </ul>	<ul style="list-style-type: none"> <li>None</li> <li>None reimbursable costs</li> </ul>	<ul style="list-style-type: none"> <li>Retailers (Grocery stores/convenience stores)</li> </ul>
Light		<ul style="list-style-type: none"> <li>Often early stage condition</li> <li>Not necessarily daily use</li> </ul>	<ul style="list-style-type: none"> <li>Pharmacist</li> <li>Medical supply stores</li> </ul>	<ul style="list-style-type: none"> <li>Pharmacies and medical supply stores</li> </ul>
Medium		<ul style="list-style-type: none"> <li>Increased usage, deteriorating situation</li> </ul>	<ul style="list-style-type: none"> <li>Incontinence nurse at hospital</li> <li>Pharmacist</li> <li>Medical supply stores</li> </ul>	<ul style="list-style-type: none"> <li>Pharmacies and medical supply stores</li> </ul>
Heavy		<ul style="list-style-type: none"> <li>Referred to hospital specialists by GP</li> <li>Sustained and daily usage of products required</li> </ul>	<ul style="list-style-type: none"> <li>Incontinence nurse at hospital</li> <li>Pharmacist</li> <li>Medical supply stores</li> </ul>	<ul style="list-style-type: none"> <li>Pharmacies and medical supply stores</li> </ul>
Event-driven	<ul style="list-style-type: none"> <li>Diverse, depending on situation</li> </ul>	<ul style="list-style-type: none"> <li>Temporary condition</li> <li>Accidents, strokes, illness, pregnancy</li> </ul>	<ul style="list-style-type: none"> <li>Incontinence nurse at hospital</li> <li>Pharmacist</li> <li>Medical supply stores</li> </ul>	<ul style="list-style-type: none"> <li>Pharmacies and medical supply stores</li> <li>Retailers (Grocery stores/convenience stores)</li> </ul>

In scope

Source: KPMG Interview feedback and desk research publicly available information

### Interview feedback indicates that generally most available brands carry a product range suitable for most patients' conditions

- Although in relation to protection levels each brand appears to offer a full range and therefore incontinence materials appear to have commodity characteristics, interview feedback strongly indicates that differences are predominantly in the 'fit' with the patients body as well as in price levels
  - "We carry three brands at our pharmacy. We believe we are able to accommodate all patients with this selection and able to offer various fits and price ranges" – Pharmacy

### Interview feedback indicates that patients are often not fully aware of available alternatives, and as a result do not always use the best available product

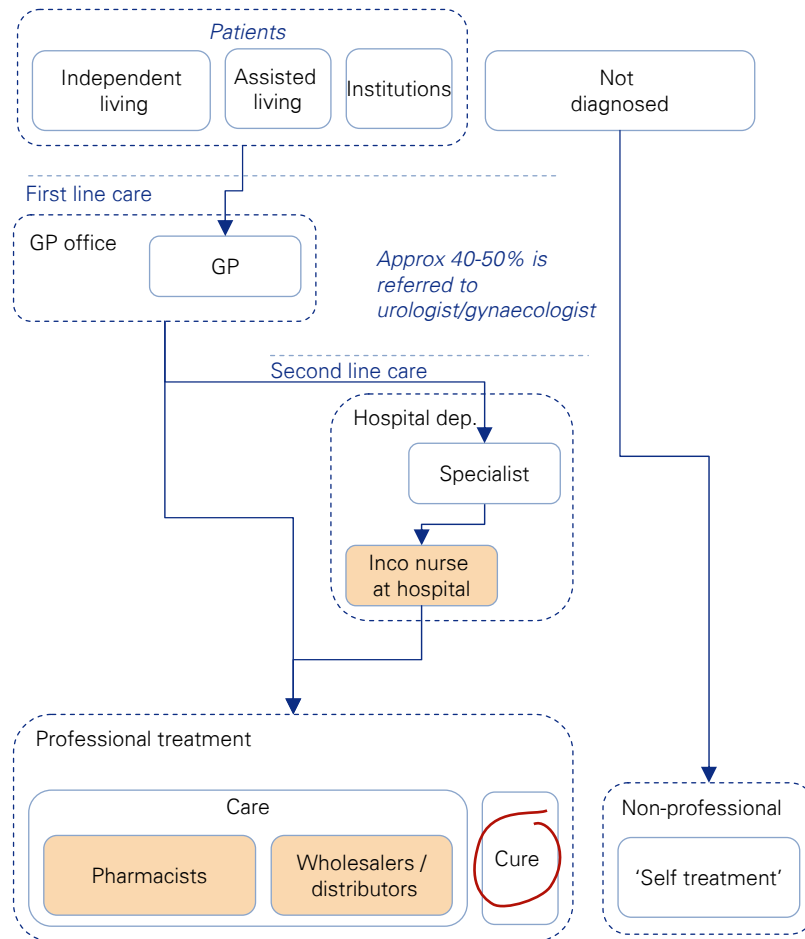
- Patients are often of age and embarrassed with their illness
- "There are too many patients who are offered a product for use which are not the optimal solution for them. They are less assertive due to their age or embarrassment, and are inclined to believe the product offered is 'the best available'." – incontinence nurse hospital
- Patients are generally not price sensitive as these products items are covered by health insurance

# Routing patients through healthcare system

Mapping the routing of incontinent patients through the healthcare system reveals that the dominant advising parties are also the commercially engaged stakeholders

Several interviewees indicate that in several cases patients are supplied with ill-fitting products due to a lack of knowledge of cure options, product range differences or simply because of commercial benefits of the supplier/advising party

## Routing incontinence patients through healthcare system in the Netherlands



## Pharmacies and medical specialists play a key role in this sector as advisors and suppliers of incontinence materials to patients

- In line with their function as gatekeeper, GPs often directly refer to the local pharmacist. A GP is legally only allowed to provide an 'indication', stating the patient suffers from a certain severity level of incontinence
  - Interview feedback indicates some GPs do in fact state a brand name on this indication, although they are officially not allowed to
- The patient is subsequently issued with a specific brand and type incontinence material by the pharmacist or medical specialist wholesaler
- Alternatively, patients are referred to a specialist. This happens in approximately 40-50% of all patients which are generally the more severe conditions or when curing methods seem possible

## Although in 2nd line care incontinence nurses are present, the distribution channel appears to have ample opportunity to follow-up or deviate from this advise

- "Pharmacists can simply mention to patients that the prescribed brand is 'not in stock' while in fact they just make more margin on another brand" – Manufacturer
- "We often supply free starters kits of the brand we believe that patient should use. This is based on qualitative grounds. We do notice however that over time patients come back and they've been consulted by others to use something else. We don't have much control over this" – Incontinence nurse

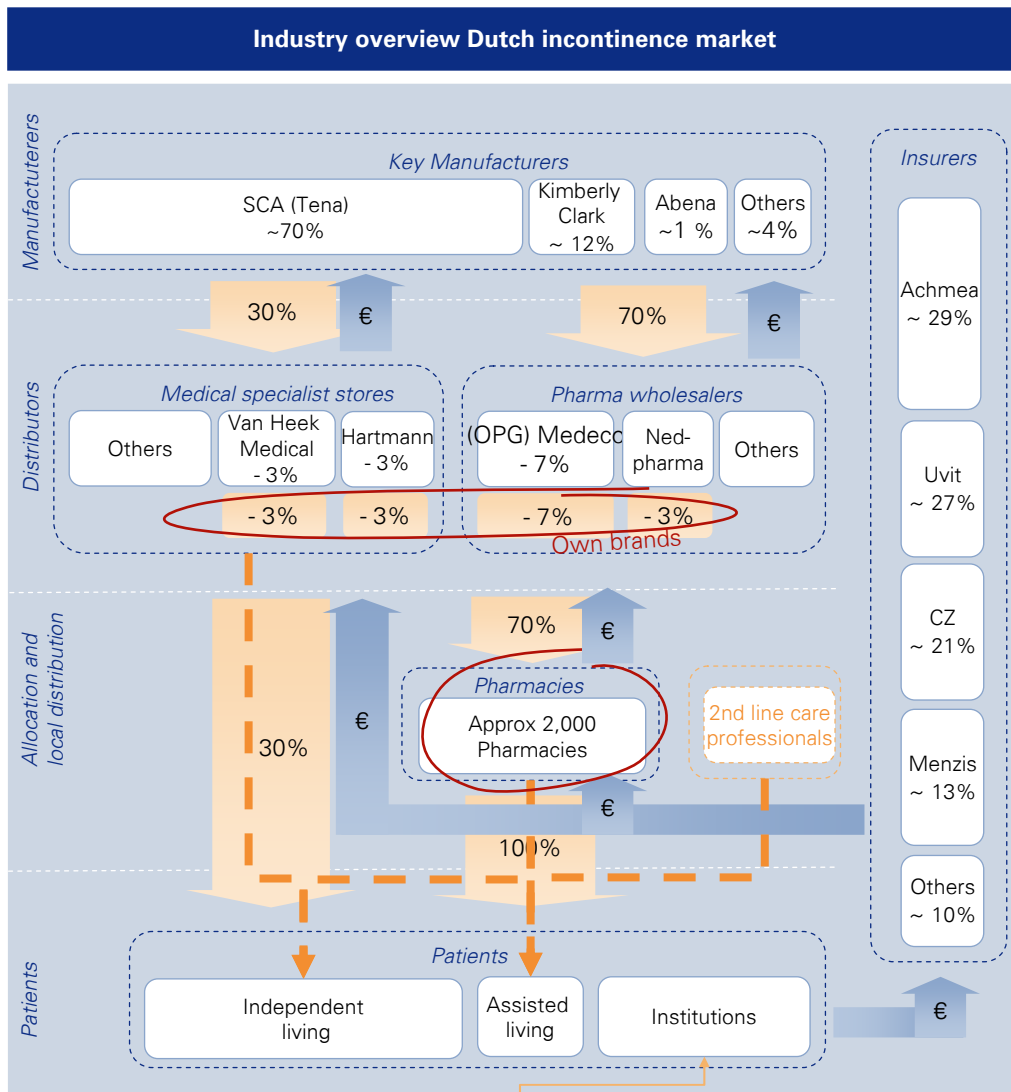
## Several interviewees indicate that the current dynamics between stakeholders, and predominantly the unclear split between advising and commercially driven parties, often creates suboptimal levels of healthcare provided

- The distributors have a natural commercial incentive to maximize profitability whilst increasing the share-of-market in volumes. Several interviewees indicate the 'advise' given is biased and not always in favour of patients' needs
  - "Pharmacists make deals with insurers and sourcing channels. As a result, the pharmacist mentions to its assistants they will need to offer brand A first" – Manufacturer
- In addition, we have been told that there remains a lack of sufficient knowledge of all options for cure at medical professionals, resulting in too many patients being directed to use incontinence materials instead
  - "GPs and other medical specialists are often not fully aware of all possible curing methods. As a result many patients are using diapers for ages while a simple, low-cost procedure would have been possible. The key issue in this market is lack of knowledge" – Rep patient pilot researcher / GP

# Industry map incontinence

The distributing parties have a dual role, as they are commercially driven as well as advising patients on which products to use best

Showcasing the ultimate effect of this dual role, several distributors have developed own brands, which are often pushed as preferred brand



Key:   
 -> flow of products   
 € flow of money   
 - - -> flow of 'advise'

Source: KPMG analysis based on interview feedback, Assurantie Magazine Maart 2009, documents provided by CvZ (2009)

Management of nursery homes often decide on behalf of their patients, negotiating deals with distributors/manufacturers. Divide between extra- and intramural care costs appears often neglected

**The incontinence materials market can be characterized as being a monopolistic oligopoly**

- Only a few major players of which Swedish owned SCA (Tena) holds an approximately 70% market share
  - "We have been the pioneer in the Netherlands, which has resulted in our apparent dominancy" - Manufacturer
- Due to the low tech character of the product, several distributors are also marketing their own brand of incontinence materials, which are likely to have accounted for decreasing shares of the incumbent manufacturers
  - Of the major distributors, Van Heek Medical, Hartmann, OPG and Nedpharma are currently marketing relatively large quantities of their own brands in the market

**Pharmacies and medical specialist wholesalers set contracts with insurers and suppliers, whilst also being the dominant patient's advisor**

- The position in the value chain makes these parties commercially driven organizations, whilst often in the eyes of patients their services are perceived as relatively independent
- "Pharmacies generally supply those products on which they make the highest margin" – insurer
- "Several pharmacies/medical specialist wholesalers already have preferred supplier contracts with insurers, and as such are likely to neglect a patients' specific needs, but to supply them with the preferred brand from a commercial perspective" – manufacturer

**Additionally, several interviewees indicate that nursery homes' management is often taking control in which products patients are being offered**

- A manufacturer showed documents which appeared to be evidence of illegal price negotiations between several manufacturers and a nursery home in which a (one-time) discount was offered on intramural care costs if more than a certain percentage of extramural demand was ordered from a single supplier

# Overview Gunstbetoon findings - diabetes

Particularly the distributors within the incontinence material industry appear to have the most incentive to engage in, but also to be most susceptible to gunstbetoon

As a result, these parties appear to be increasingly successful in marketing their own preferred brands

Patients appear not fully informed on the subjective advise they are being given, and are likely to not always receive optimal quality medical aids

Prevalence of Gunstbetoon per stakeholder				
Corresponding slide	Stakeholder	Incentive to initiate	Susceptibility	Evidence
1	Manufacturers	high	n/a	medium
2	Medical specialist wholesaler	high	medium	medium
3	Pharmacies & pharma wholesalers	high	high	high
4	Medical professionals 1st line	low	low	low
5	Medical professionals 2nd line	low	medium	medium
6	Patients	n/a	medium	medium
7	Insurers	high	low	medium

Key:

- Light orange circle = low impact
- Orange circle = medium impact
- Red circle = high impact
- Light orange background = stakeholder with key advisor role in sector

The incontinence market stakeholders appear generally more susceptible to gunstbetoon, when compared to the diabetes market

- Mostly due to the advising role going hand in hand with commercial roles in the sector

Interview feedback indicates that on the back of often ill-informed patients, distributors are promoting the most profitable products, being (in) directly supported by buying policies of health insurance companies

- Patients appear often unaware of the advise given to them being biased
- Distributors are encouraged to enter into agreements with health insurance providers and manufacturers alike, thus creating the incentive to promote selling the product with highest margin, ultimately even marketing own manufactured brands

Although total cost of ownership (societal costs for healthcare) is being brought down, quality levels offered are likely to become subordinate

- Described behavior, albeit commercially sound, is limiting the selection ultimately patients have in terms of product. While this does inevitably drive down unit costs of the entire sector, that may come at the expense of appropriate protection/quality of healthcare for the patient
- Also, several interviewees have indicated the apparent thin-line between intra and extramural care, resulting in some stakeholders (2nd line hospital, management of institutions) to allocate costs and discounts in possibly unwanted ways


Please refer to following pages for detailed findings


Source: KPMG Analysis based on interview feedback

Although it seems likely that manufacturers are tended to influence patients to use their products, gunstbetoon appears limited

Forms encountered are mostly 'normal' marketing activities such as facilitating trainings and supplying free starters kits

However, market positions are more strongly protected/enhanced by price negotiations with distributors

Incentive to initiate	Susceptibility
 high	n/a

Evidence
 medium

## Summary Gunstbetoon related findings for manufacturers

Area	Indicator	Supporting evidence
Position in value chain	Manufacturer of materials	<ul style="list-style-type: none"> <li>● Manufacturer of branded incontinence products, often offering a full range of products servicing most patients' incontinence severity levels</li> <li>● Brands are likely to differ on specific design and fit as technology is low tech</li> <li>● In addition, often provides product information online, brochures/advertisements and through accredited trainings for professionals in sector</li> </ul>
Incentive to engage in Gunstbetoon?	Commercial incentive to increase revenues while upholding margins	<ul style="list-style-type: none"> <li>● Incentive to negotiate on price with distributors in the sector, while similarly assuring inclusion in the covered brands with insurers</li> <li>● Influencing the advising parties in the sector, which are in particular incontinence nurses at hospitals, pharmacists and wholesalers with direct contact with patients (i.e. medical specialist wholesalers)</li> <li>● Manufacturers would be keen on obtaining patient contact details in order to engage in direct marketing</li> <li>● In addition, the management of institutions are likely to be approached as these act on behalf of their inhabitants for incontinence materials</li> </ul>
Evidence found of Gunstbetoon	Efforts are made to steer stakeholders on brand, although this nowadays appears to be more a financial negotiation than by means of other forms of gunstbetoon	<ul style="list-style-type: none"> <li>● <i>"Distributors set contracts with insurers and then turn to manufacturers to negotiate their buying price"</i> – Manufacturer</li> <li>● <i>"...many stories in nursing circles about all-expenses-paid trips to far-off places to attend manufacturer-sponsored "trainings" and such but these sort of practices have died down in recent years, they are far too obvious, she thinks "steering" has taken on less obtrusive forms"</i> - Nurse</li> <li>● <i>"We provide trainings to advisors in the sector. This is not only on incontinence materials and instructions on how to advise best on these, but we also provide information on which curing methods there are available"</i> – Manufacturer</li> <li>● <i>"The largest manufacturers have the financial headroom to engage in more marketing activities compared to us as a smaller player. They also can offer more trainings, also stimulating their dominance in the market"</i> – Manufacturer</li> <li>● <i>"GPs are offered a financial kickback in return for manufacturers' ability to place a brochure-rack at the GP's office"</i> – Insurer</li> </ul>
Severity	Decreased in recent years, now more financial negotiations	<ul style="list-style-type: none"> <li>● Gunstbetoon in the forms of gifts and perks are not commonly seen in the current incontinence market</li> <li>● Steering is however possible more dominantly by means of contractual negotiations with distributors and institutions</li> </ul>
Code of conduct	Branch and internal	<ul style="list-style-type: none"> <li>● Most of the major manufacturers of incontinence material are global players who, in keeping with their own internal risk management procedures, adhere to local variants of an overriding global set of regulations. The Dutch federation of medical Manufacturers also requires its members to comply with a code (Nefemed)</li> </ul>

Source: KPMG Analysis based on interview feedback



Due to the functional dual role as advisors and contracting party with insurers, the medical specialist wholesalers appear fairly active in gunstbetoon

Whilst patients are influenced with visible forms of gunstbetoon, contracts with other stakeholders create steering of volume throughput, including their own brands

Incentive to initiate	Susceptibility
<b>Evidence</b>	

## Summary Gunstbetoon related findings for medical specialist wholesalers

Area	Indicator	Supporting evidence
Position in value chain	Distributor and handling of expenses for insurers, manufacturer and key advising role	<ul style="list-style-type: none"> <li>Multi-role company, as it functions as intermediary between manufacturers and patients by distribution of products to patients, predominantly by mail order but also has contractual agreements with insurers on volume and prices</li> <li>Due to low tech product characteristics and lower brand loyalty characteristics, also able to take an advising role in the sector towards patients and some wholesalers have introduced own brands</li> <li>IT systems link directly into back-office of insurers, and as such outsource some of the administrative function of insurers to these intermediaries. This seems to validate an added margin in the value chain</li> <li>Additional services consists of customer helpdesk and information portal for patients</li> </ul>
Incentive to engage in Gunstbetoon?	Yes, incentives results from dual role as advisor and commercial organisation	<ul style="list-style-type: none"> <li>As a result of the liberalization of the health insurance market, insurance providers are free to explore the lowest cost solution in all manner of medical supplies. As a result, they are squeezing the distributor who in turn negotiates with manufacturers</li> <li>Since some medical specialist wholesalers are also manufacturers, they have an incentive to steering patients and pharmacies towards their highest margin brand, which is generally their own brand</li> </ul>
Evidence found of Gunstbetoon	Limited 'out-in-the open' gunstbetoon found, possibly also due to dual role in sector  Appears more based on financial negotiations	<ul style="list-style-type: none"> <li>"We are forced to give away margin while the manufacturers are stiff in going down in their price level. I believe our value chain group (distributors) is under significant pressure...Due to contracts insurers have with distributors, patients are being forced to buy certain brands" - Distributor</li> <li>"As we set contracts with insurers (as distributor), we can determine which product is supplied to the customer. The advising parties determine a material and volume use for a patient, which is then interpreted by us into specific brand/make" – Distributor</li> <li>"Medical specialist distributors offer coupons and gifts to patients in return for long term customer loyalty" – Insurer</li> <li>"When insurers set contractual agreements with distributors as preferred supplier, they do not need to engage in more gunstbetoon-like activities as this is more successful" - insurer</li> </ul>
Severity	Increasing due to incentive to further increase margins	<ul style="list-style-type: none"> <li>Although current gunstbetoon levels appear limited at first glance, it could increase in coming years when these specialist wholesalers can successfully market their own brands</li> <li>Likelihood for increasing gunstbetoon increases when price pressure in the value chain continues</li> </ul>
Code of conduct	Non found	<ul style="list-style-type: none"> <li>Non found</li> </ul>

Source: KPMG Analysis based on interview feedback

# Gunstbetoon – Pharmacies & pharma wholesalers

Similarly to medical specialist wholesalers, pharmacies and their functional wholesaler sourcing parties are fairly sensitive to engage in various forms of gunstbetoon

Influencing appears more and more common good and takes place face-to-face with patients and by means of contracts with insurers and their sourcing parties

Incentive to initiate	Susceptibility

**Evidence**

## Summary Gunstbetoon related findings for pharmacies and pharmaceutical wholesalers

Area	Indicator	Supporting evidence
Position in value chain	<b>Distributor, handling of expenses for insurers, key advising role</b>	<p>NOTE: 'Pharmacies' are individual pharmacies, pharmacy keeping hospitals/GPs and pharmacist collectives</p> <ul style="list-style-type: none"> <li>• Distributor function with a local presence. Pharmacist chains can act more like medical specialists in the value chain due to larger client base</li> <li>• Set contracts with insurers on price and volumes. As a result often have gate keeping role on ordered volumes of patients. Individual pharmacists have lower volume throughput due to local patient addressable market</li> <li>• Key advising role for patients</li> </ul>
Incentive to engage in Gunstbetoon?	<b>Yes, incentives results from dual role as advisor and commercial organisation</b>	<ul style="list-style-type: none"> <li>• As a result of the face-to-face patient contact appear to have possibilities to influencing patients</li> <li>• In addition, because patients are often routed from GP to local pharmacist for advise these are likely to perceive the 'pharmacy' as being independent in their advise given</li> <li>• Pharmacists can increase internal margins by advising patients to use higher margin products. As products are insured, patients themselves are not likely to be price sensitive</li> </ul>
Evidence found of Gunstbetoon	<b>Pharmacists appear to be very active in steering patients to preferred internal margin products</b>	<ul style="list-style-type: none"> <li>• <i>"4 product lines currently carried but moving to 3 as a result of health insurance price pressure and health insurance preferred supplier system – better rates negotiated and thus cheaper"</i> - Pharmacist</li> <li>• <i>"Although some GPs mention a specific brand on the medical indication for pharmacists, the latter is able to deviate from this quite easily"</i> - Manufacturer</li> <li>• <i>"Health insurance providers are much freer to establish preferred supplier agreements thus negotiating sharper rates for medical supplies with distributors"</i> - Pharmacist</li> <li>• <i>"Even if specialists provide quality advice to a patient, this is sometimes neglected by a pharmacist's/nursing home attendant smooth talking a patient into getting a product that could potentially be less suited to the needs and requirements of the patient but provides the pharmacist/nursing home with a higher margin/greater kickbacks."</i> - Nurse hospital</li> </ul>
Severity	<b>Due to weakened profitability of pharmacies, likely to remain substantial</b>	<ul style="list-style-type: none"> <li>• As pharmacies have difficulties to uphold profitability levels, especially compared to recent years with higher price levels of medicines</li> <li>• As a result, it is likely that pharmacists will remain to influence patients considerably to retrieve margins</li> </ul>
Code of conduct	<b>branch</b>	<ul style="list-style-type: none"> <li>• The Royal Dutch Association for the Advancement of Pharmacy (KNMP) has a code of conduct in place that touches on all facets of a pharmacist's work but remains vague and noncommittal in the area of interaction between pharmacists and the suppliers of medical supplies. It does not specify what kind of behavior is allowed and what isn't and there is no mention of a definition of unethical behavior</li> </ul>

Source: KPMG Analysis based on interview feedback

Little incentive to initiate or be susceptible for gunstbetoon due to limited role as advisor or commercial position in value chain

Limited gains can be obtained by allowing folder stands at the GP's office

Incentive to initiate	Susceptibility
low	low
<b>Evidence</b>	
low	

## Summary Gunstbetoon related findings for medical professionals – 1st line

Area	Indicator	Supporting evidence
Position in value chain	Gatekeeper, limited advising role	<ul style="list-style-type: none"> <li>Functioning as gatekeepers to the Dutch healthcare system</li> <li>Often no incontinence nurse is present at GPs office, therefore often directly referred to pharmacy for advise</li> <li>For more heavy incontinence symptoms, referred to specialist in hospital</li> </ul>
Incentive to engage in Gunstbetoon?	Limited, due to lack of considerable commercial gains	<ul style="list-style-type: none"> <li>There is limited commercially-driven motive for GPs to engage in any sort of gunstbetoon-related activities</li> <li>Furthermore, their exposure to incontinence-related issues is limited, they refer patients to specialists for a more informed opinion or pharmacists with a prescription</li> </ul>
Evidence found of Gunstbetoon	<p><b>Very limited evidence found</b></p> <p><b>Do not appear to be the most likely stakeholder group to offer gunstbetoon as GP has limited enforcement to direct patients to certain brands</b></p>	<ul style="list-style-type: none"> <li>"GPs generally directly refer to the pharmacist with 'medical indication' indicating patient has incontinence symptoms or often also brand name mentioned on it" - nurse</li> <li>"Many GPs do not have sufficient knowledge about all treatment ('cure') options. This is a key deficit in current quality of care as many people will be issued to use diapers for the rest of their life while it could have been possible to solve or decrease symptoms with pelvis physiotherapy or minor surgery for instance " - GP</li> <li>"GPs often just write down a make or brand on the medical indication, although they officially are not allowed to prescribe brands. They just write down which brand is in the top of their head, often Tena because of their dominance in the market" – insurer</li> <li>"Pharmacies have ample opportunity to deviate from GPs indicated brand, if even mentioned on medical indication at all. Therefore gunstbetoon directed at GPs is just not a very fruitful undertaking" – Insurer</li> <li>"Can be persuaded to place information rack / folder stand of manufacturer at GPs office for a small financial benefit" - insurer</li> </ul>
Severity	Low, not likely to increase considerably	<ul style="list-style-type: none"> <li>Limited evidence found of gunstbetoon</li> <li>Due to position in value chain not likely to increase considerably</li> </ul>
Code of conduct	Doctors' oath, branch	<ul style="list-style-type: none"> <li>KNMG has a code of conduct that is regularly reviewed and updated. The last update was about commercial outings of doctors. The rules in the code of conduct serve as guidance but are not binding</li> <li>Medical doctors swear on the Hippocratic oath when they receive their degrees</li> <li>No visibility on actual compliance to this oath within the scope of this project</li> </ul>

Source: KPMG Analysis based on interview feedback

Interesting party to being approached for gunstbetoon

Appear limitedly susceptible for steering due to limited commercial benefit

However, it is mentioned that due to interlinkage of intra- and extramural care within hospitals, these professionals are offered/asked beneficiary schemes

Incentive to initiate	Susceptibility
low	medium
<b>Evidence</b>	
medium	

## Summary Gunstbetoon related findings for medical professionals – 2nd line

Area	Indicator	Supporting evidence
Position in value chain	Advisor to patients	<ul style="list-style-type: none"> <li>These hospital-based medical professionals function as the second line of advisors following a patients' diagnosis and subsequent referral.</li> <li>The urologists and incontinence nurses of a hospital are specialists in the field of incontinence and are thus in a position to formulate a more accurate opinion on the patients' condition and what type of treatment/material is needed</li> </ul>
Incentive to engage in Gunstbetoon?	Limited as professional ethics are dominant and (financial) incentive is missing	<ul style="list-style-type: none"> <li>There should be little reason for the hospital-based specialists to be susceptible for gunstbetoon practices based on their professional ethics and limited own commercial motivations</li> <li>However due to their advisory role they are likely to be high on the list of manufacturers as key influencers</li> </ul>
Evidence found of Gunstbetoon	Appear limitedly persuasive for gunstbetoon due to professional ethics Although financial kick-backs in relation to intramural care creates susceptibility to gunstbetoon	<ul style="list-style-type: none"> <li>"In the past, we were offered week-long training courses in e.g. Gran Canarias, Greece etc... all paid for by the manufacturers but this has all but disappeared" - nurse</li> <li>We are supplied with free samples and training opportunities from the manufacturers that we then distribute to patients" - nurse</li> <li>Certain insurance companies do not reimburse everything anymore, like CZ for example. Then we advise patients simply to switch health-care providers so they can obtain the products which suit them best" - nurse, hospital</li> <li>"Hospitals receive free starter kits from manufacturers, which are not declarable but manufacturers are willing to offer these as it increases brand awareness. Distributors are unhappy with this system but have virtually no means of tapping into this channel" - Health insurance provider</li> <li>"I think often hospital's intramural costs for incontinence materials is waived by manufacturers to being able to place their products at the incontinence nurses advising extramural patient care" - Insurer</li> </ul>
Severity	Decreased some	<ul style="list-style-type: none"> <li>The general consensus is that overt "gunstbetoon" aimed at hospital-based specialists has all but disappeared, professional relationships are maintained by bi-annual sales rep visits and occasional trainings</li> </ul>
Code of conduct	Branch, doctors' oath	<ul style="list-style-type: none"> <li>Medical doctors swear on the Hippocratic oath when they receive their degrees</li> <li>Both the Dutch Association of Urologists as well as the Incontinence Nurses Association are in possession of codes of conduct that govern their behavior</li> </ul>

Source: KPMG Analysis based on interview feedback

As patients appear to be relatively unaware of their rights for reimbursements and freedom of choice and (but not in the least the result of) the low assertiveness of elderly, these patients are very vulnerable for steering practices

Also, in institutions often the management is deciding on behalf of their patients with commercial beneficiary rationale

Incentive to initiate	Susceptibility
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n/a	medium
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Evidence

high

## Summary Gunstbetoon related findings for patients

Area	Indicator	Supporting evidence
Position in value chain	Users of products	<ul style="list-style-type: none"> <li>Users of products</li> <li>Patients which are in assisted living or institutional living environments can be influenced in the home environment by third parties such as home care nurses and management of institutions</li> </ul>
Incentive to engage in Gunstbetoon?	Patients are embarrassed, of age and likely under informed of available products	<ul style="list-style-type: none"> <li>Not relevant as patients will not engage in gunstbetoon activities themselves</li> <li>However, patients are typically elderly people when first symptoms of incontinence become apparent.</li> <li>They are also often embarrassed with their illness and are likely to be under informed / assertive</li> </ul>
Evidence found of Gunstbetoon	Passively very susceptible for steering, although not even needed to be incentivised by gunstbetoon	<ul style="list-style-type: none"> <li>"Patients are often embarrassed with their illness and are due to their age often not assertive to speak about their illness This results in them taking for granted what is offered to them by advising parties, even when they still have discomfort in the use" - nurse</li> <li>"Large nursing homes frequently enter into exclusivity contracts with major manufacturers of incontinence materials and often arbitrarily administer these to patients, regardless of whether the need is there. The management receives discounts in intramural care costs in return" - Manufacturer</li> <li>"Only TENA is used in this facility, sourced centrally by the management of our holding" - Nursing home manager</li> <li>"Visiting nurses in home care situations, often without certification in matters of incontinence, advise products to patients and offer to handle supplies for them. This is often with good intentions to help patients when they notice incontinence symptoms, although they are not always certified accordingly" - manufacturer</li> </ul>
Severity	High, but passively	<ul style="list-style-type: none"> <li>Appears to be present in various forms, from various stakeholders trying to induce use of a specific brand</li> <li>Patients appear often not aware of their freedom of choice, the available products and the possibilities to get reimbursements for these kind of products</li> <li>Brand loyalty is limited and therefore interesting to being contacted / influenced by other stakeholders</li> </ul>
Code of conduct	n/a	<ul style="list-style-type: none"> <li>N/a</li> <li>Patients act opportunistically in favour of their individual health</li> </ul>

Source: KPMG Analysis based on interview feedback

Health insurance providers, driven to achieving cost leadership, increasingly engage in exclusivity deals with distributors of incontinence products

Insurers appear aware of guardian role on volume and quality level, but seem primarily cost driven

<b>Incentive to initiate</b>	<b>Susceptibility</b>
 <p>high</p>	 <p>low</p>
<b>Evidence</b>	
 <p>medium</p>	

Summary Gunstbetoon related findings for insurers		
Area	Indicator	Supporting evidence
Position in value chain	Facilitating access to healthcare services for a premium, negotiator on price, volume and relations	<ul style="list-style-type: none"> <li>The insurance provider facilitates access to various healthcare providers</li> <li>Within the medical aid segment, insurers are able to choose freely which providers they cover under the insurance</li> <li>Insurers set contracts on price with the parties closest to delivery of products to patients, i.e. pharmacies and medical specialist wholesalers. These contracts sometimes also include a gate keeping role on volumes for these parties</li> <li>Each insurer appears to have a different approach in their methods to contractual agreements</li> </ul>
Incentive to engage in Gunstbetoon?	Commercially driven to direct patients to their contractual suppliers	<ul style="list-style-type: none"> <li>Strictly speaking, Insurers are allowed to restrict insurance coverage of certain products</li> <li>Insurers have an incentive to set contractual agreements with suppliers, on price and volume</li> </ul>
Evidence found of Gunstbetoon	Insurers' method to influence product flows is by means of contractual agreements	<ul style="list-style-type: none"> <li>Insurance companies often enter into exclusivity agreements with distributors ensuring that their network of affiliated pharmacies receives adequate reimbursement for only a specific brand of incontinence products</li> <li>Insurers do not appear to engage in other gunstbetoon-like activities</li> <li><i>"With the discounts on reimbursements negotiated between pharmacists and insurance companies, pharmacists are subtly encouraged to provide patients with products that are priced such that their internal margin is optimal"</i> - Manufacturer</li> <li><i>"A lot of the changes in selection being undertaken by pharmacies all over the Netherlands are being driven by health insurance company reimbursement policies in collusion with exclusivity contracts signed with major (TENA and Depends) manufacturers"</i> - Pharmacist</li> </ul>
Severity	Increasingly to preferred suppliers, indirectly also on brands	<ul style="list-style-type: none"> <li>Seems to be increasingly directed at preferred suppliers, which often also have their own brands to distribute. Hence, indirectly the insurance companies support opportunities for distributors to influence down the value chain on their most profitable products</li> <li>Although aware of, insurance companies do not appear to be closely watching sustainability of quality levels</li> </ul>
Code of conduct	Governmental authorities	<ul style="list-style-type: none"> <li>ZN (Zorgverzekeraars Nederland) acts as an intermediary spokesperson for the healthcare insurance providers. The code of conduct for Health Insurance Companies is signed by every health insurance company by means of their membership of ZN. This code of conduct has a holistic approach and does not serve the purpose of quality control in the chain or in the role of health insurance companies towards preventing "gunstbetoon"</li> </ul>

Source: KPMG Analysis based on interview feedback

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