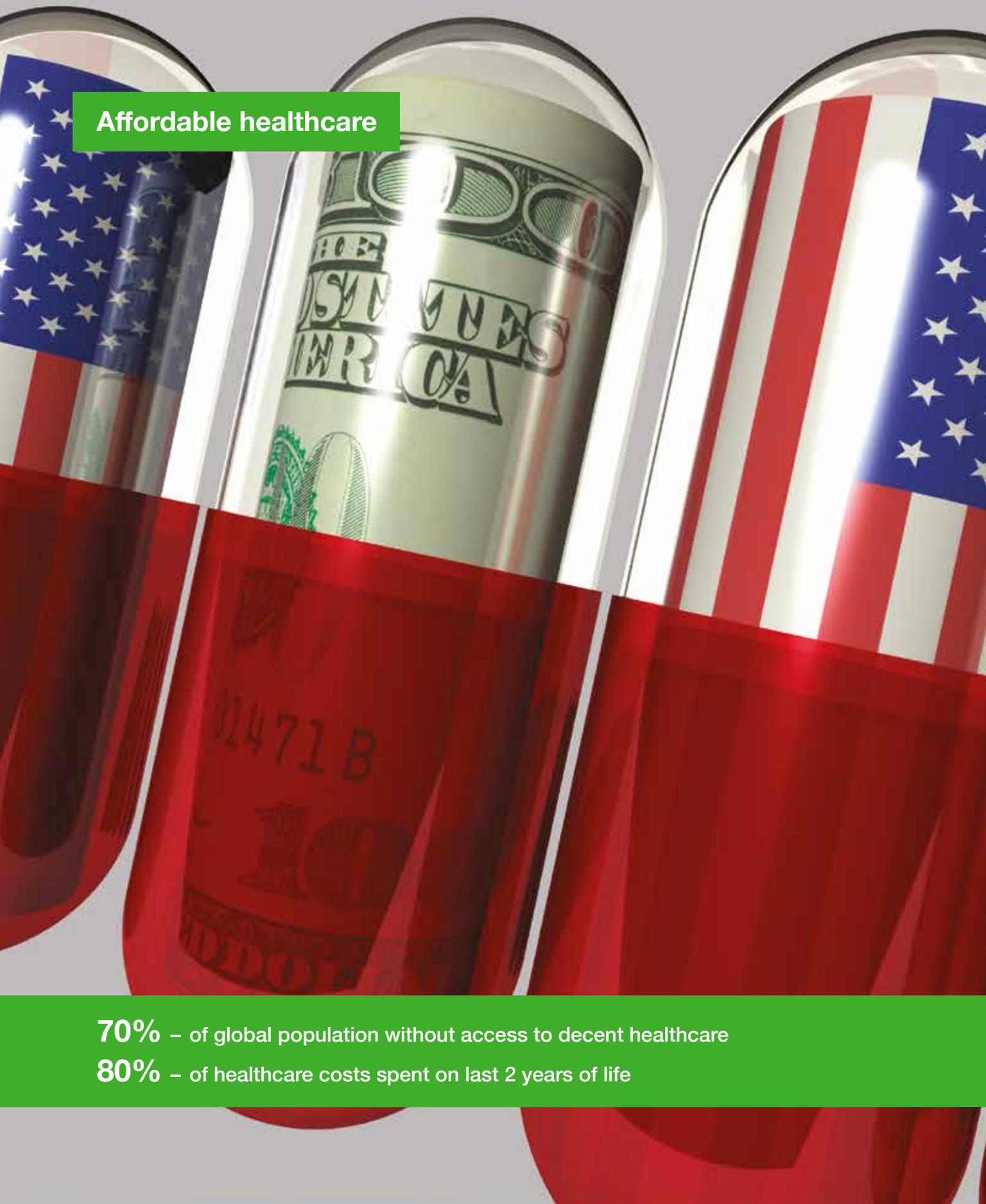
Affordable healthcare



70% – of global population without access to decent healthcare

80% – of healthcare costs spent on last 2 years of life

Affordable healthcare

The escalating cost of healthcare is further stressed by the need to support the old and the chronically ill. Spending 20% of GDP on healthcare is seen as unsustainable so hard decisions are taken around budgets and priorities.

As nations develop and their economies grow, so does spending on healthcare. Improved health is a priority issue and the challenge for governments is how to provide an efficient, cost effective system. This is no easy task and many are buckling under the pressure of rising costs, ageing populations and increased public expectations; across the world the whole healthcare system seems to be imploding. Fear of failure is not quite at a point that will instigate change, many agree that something has to be done, but fewer know quite what this should be.

30% of the global population has access to decent healthcare; most developed countries use upwards of 9% of their GDP on health care – in the US, it's over 17%. In India, spending is now over 4%, in China it's approaching 6% and in Indonesia over 3%. Costs are escalating not only because of the general desire to reach more people but also because of the growth in preventative healthcare, health monitoring solutions and the increasing variety of medicines to treat the sick. Unlike other areas of high consumption, such as energy, where eventually demand plateaus, spending on healthcare is showing no sign of levelling off and there seems little hope in the current circumstances that it will do so. With healthcare the numbers just keep going up. What is paid for drugs in the US generally sets the standard in other markets. In most developed countries funding for this is picked up either by the state or the insurance system so the patient rarely has to come to terms with the real cost of care. But the money has to come from somewhere.

The beginning of life can be expensive. Many countries are lowering the threshold at which they are able to support premature births from 26 weeks down to 22, but this costs: around £250,000 for a birth at 23 weeks, thirty times the cost for a full term baby. Meanwhile, global life expectancy increases on average by six months every year, largely due to better healthcare provision. Although each of us needs more overall medical attention because of this, our main requirements are associated with the last 2 years of life where more frequent admittance to hospital will account for around 80% of our healthcare costs. Better end of life provision is therefore a big issue – and one where the balance between hospital and palliative care is key.

We cannot, though, blame the elderly for all the escalating cost of care. Our sedentary lifestyles and appetite for alcohol and cigarettes also lead to a huge rise in chronic conditions such as diabetes, heart conditions, emphysema and cirrhosis, all expensive to treat. Most seem to agree that we need an alternative solution, one that focuses on preventative healthcare measures rather than treatment. We also need technology that delivers improvements at scale and at low cost. India has become a standard bearer for redesigning processes delivering high quality healthcare at a fraction of the usual cost. $50 per patent cataract surgery from Aravind, or $2000 cardiac surgery from Narayana Health, innovation that drives the delivery of world class surgery at 1/50th of the cost of the same care in the

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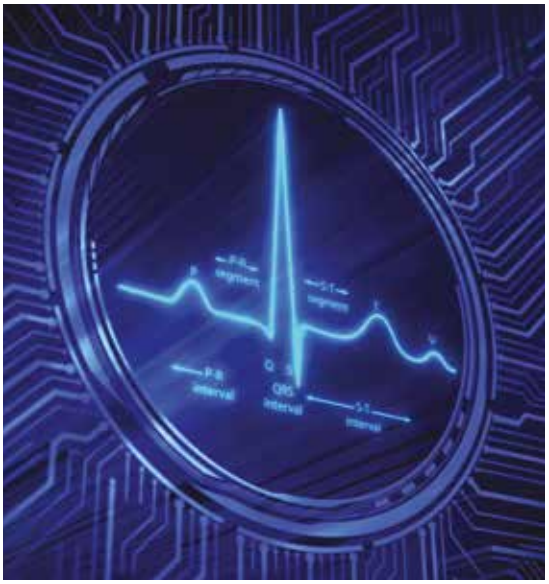
Interconnected systems



US. High-tech, personalised treatments tailored to an individual's genetic make-up rather than generic profiles is another fast-developing area. Significant investments have already been made by the biotech industry and will impact soon, particularly in the provision of bespoke drugs that can dramatically increase efficacy. The cost of such treatment is however currently prohibitively high because it requires the development of specific drugs for small populations and in all probability the additional provision of customised support systems. While some are sceptical of large-scale impact by 2025, because of the expense, all agree that personalised healthcare is a great opportunity for those who can afford to pay.

The current system in many countries is tilted towards rewarding sick care rather than prevention, high development costs and high healthcare costs naturally follow.

Perhaps it all comes down to the business model. For the pharmaceutical industry, the system is based on the expectation of a $1bn revenue windfall from an occasional blockbuster, but as R&D budgets can only to be justified on the promise of a major drug discovery, this takes time and is extremely expensive to deliver – which explains the high average costs of patented drugs. There is a general acceptance of high failure rates in product development, and the reality is that very few of the drugs currently coming out of the system deliver reasonable returns either from a financial perspective or a health care perspective. Some see sequencing technologies helping to improve the efficiency of drug development, while others hope that Big Data will reduce or even eliminate costly clinical trails. While share prices are based on high drug prices, few believe that any of the big pharmaceutical players will seriously consider a different approach. And, while the current system in many countries is tilted towards rewarding sick-care rather than prevention, high development costs and high healthcare costs naturally follow.

The principle of preventative healthcare is lauded, especially when tied into improving overall public health, but the system is not set up to align with this and there are few economies that are prepared to fund it at the scale required. Improved public education is an integral part of the process. Little things matter; in India between 4 -16% of pregnant women are anaemic, and better education around diet could have a dramatic impact on child survival rates at birth. However such is the scale of change required that few see a dramatic shift in public awareness any time soon particularly as the financial cost saving benefit does not come for 20 to 50 years down the line.

Paying for healthcare is a balance between state intervention and personal responsibility; shifting from a national system towards private healthcare insurance is supported and rejected in equal measure. Some support the notion of each citizen having a personal healthcare budget, where there is a limit of spending beyond which the state either stops providing support or reclaims it via tax or benefits. Generally speaking, there are increasing expectations of 'co-pay' where sick patients will directly or indirectly pay for an element of their treatment, whether drug or hospital costs.

In emerging economies, where private healthcare is already in place, the big challenge is to develop appropriate systems for everyone else. While most support the concept of the UK's National Health System, many believe that it is simply not sustainable in the long term. Potential alternatives being explored in India and South America are focused around micro health insurance, where people pay a small amount a month extra on their mobile phone bill, used to fund a workable healthcare insurance system for the majority. Outstanding questions remain: what level of support can be provided, and how much additional government financing is also required? India is never going to spend as much on health care as the US, but will a combination of more innovation, effective use of data, new pricing systems for drugs, micro-insurance initiatives, more public-private partnerships and a slight rise in government funding provide an equivalent service?

Certainly scalable, sustainable solutions are needed if we are to see affordable healthcare for all. Most likely we will see few global answers but more probably there will be a host of regional and local shifts, all aimed at a more cost efficient, more effective and more equitable healthcare system for a growing, aging but still, on average, healthier population. As one US health economist put it, ideally 'we want to die quickly as late as possible'. Achieving that for all in the next decade really would be a success.

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