Atlantic Council

FUTURE HEALTH

SERIES

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FUTURE HEALTH

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Welcome to FutureHealth, a new discussion series on the leading trends shaping healthcare, featuring decision-makers and influencers from business and government. The Atlantic Council and PwC launched the series in 2013 with Novartis Chairman and Atlantic Council International Advisory Board Member Dr. Daniel Vasella. This brief incorporates his ideas and the discussion of the group.

The Future at a Glance:

The delivery of healthcare in the United States is undergoing dramatic transformation, driven by the need to achieve better quality and lower costs. Dr. Vasella highlights the challenges the US faces as it migrates to a more efficient, consumer driven healthcare system.

The path he paints forward is focused on best practices, new technology, and better education.

How we deal with five major challenges on the demand and supply side of the cost equation will define the future of healthcare in the US and Europe:

Demand side:

1. An ageing population
2. Increased chronic disease
3. Overreliance on specialists and hospitals

Supply side:

4. Determining best practices
5. Misaligned incentives

FutureHealth focus:

- Greater emphasis on preventive care
- New healthcare professions
- Transparency in diagnosis and treatment
- Lower costs through higher quality

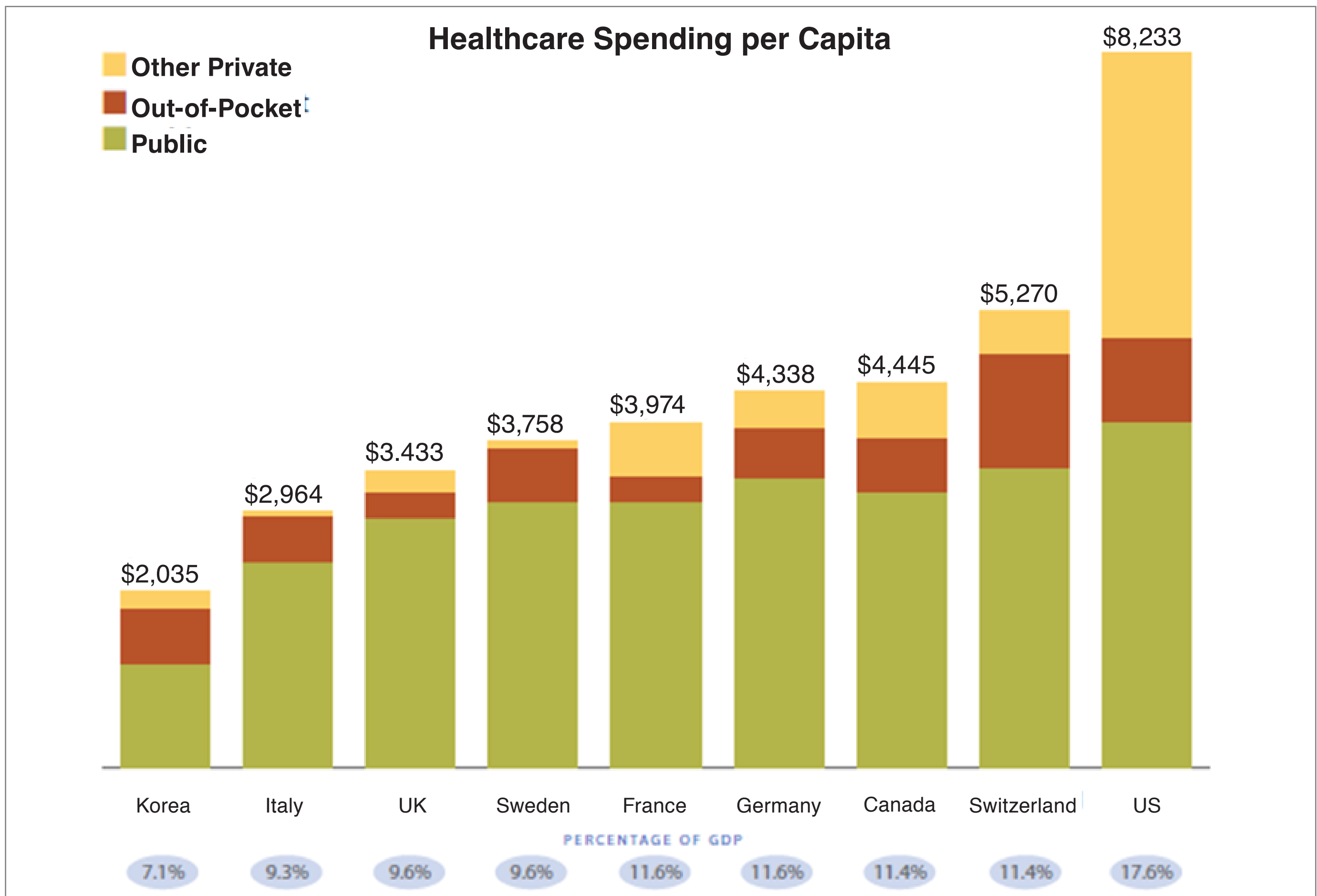
Game changers:

- Advancing diagnostics through mobile technology
- Targeting treatments with bioinformatics
- Developing new cures from regenerative therapy

Former Novartis Chairman Daniel Vasella.

Governments across the globe are confronting rapidly rising healthcare costs, forcing them to rethink how they go about delivering and paying for medical services.

At the inaugural FutureHealth briefing, Dr. Vasella outlined the fundamental drivers of costs in the healthcare industry, and a set of solutions based on more than twenty-five years in the pharmaceutical industry and as a practicing physician. He made a clear call for the United States to reduce its annual health care bill, which stands at $2.8 trillion per year or about 18 percent of GDP.



Source: Organization for Economic Cooperation and Development, OECD Health Data 2012, June 2012, www.oecd.org

The United States is not alone facing this sort of challenge. Other developed countries are dealing with rising healthcare costs. Yet the United States spends much more per capita on healthcare than any other developed nation without clear evidence that the money is well spent. No single country has the perfect formula for combating every health issue it faces. But Vasella said that countries in the transatlantic community can learn from each other as they develop solutions. Otherwise, the West faces a precipitous decline in its economic competitiveness.

Demand and Supply: Challenges and Solutions

Dr. Vasella focused on five factors that are driving the explosion in healthcare costs. While much of the data on performance is disease-specific, making system-wide solutions challenging, on the "demand side" of the equation—what patients are looking for and need—there are three main issues:

Demand Challenges

An ageing population: The good news is that people are living longer. As Vasella noted, "The society is aging. And if you look at people over sixty-five, the number is constantly increasing." According to the US Census Bureau, the population of Americans over the age of sixty-five has increased from 25.5 million in 1980 to 40.3 million in 2010, and is projected to nearly double to 72.1 million by 2030. Those sixty-five and over also represent a much larger share of the total US population, having grown from 11.3 percent in 1980 to 13.0 percent in 2010, and the proportion is projected to rapidly increase to 19.3 percent by 2030.[1]

1 Federal Interagency Forum on Aging-Related Statistics, Older Americans 2012: Key Indicators of Well-Being. http://www.agingstats.gov/agingstatsdotnet/Main_Site/Data/2012_Documents/Docs/EntireChartbook.pdf

While otherwise great news, longer life means higher costs as patients and their families seek more expensive interventions and need medical care for a longer period. The cost of end of life care is also rising. One out of every four Medicare dollars, more than $125 billion annually, is spent on services for the 5 percent of beneficiaries in their last year of life. In 2009, 6.6 percent of the people who received hospital care died; they accounted for 22.3 percent of total hospital expenditures. The data underscores why the US healthcare system needs to adjust to the new realities of longer life.

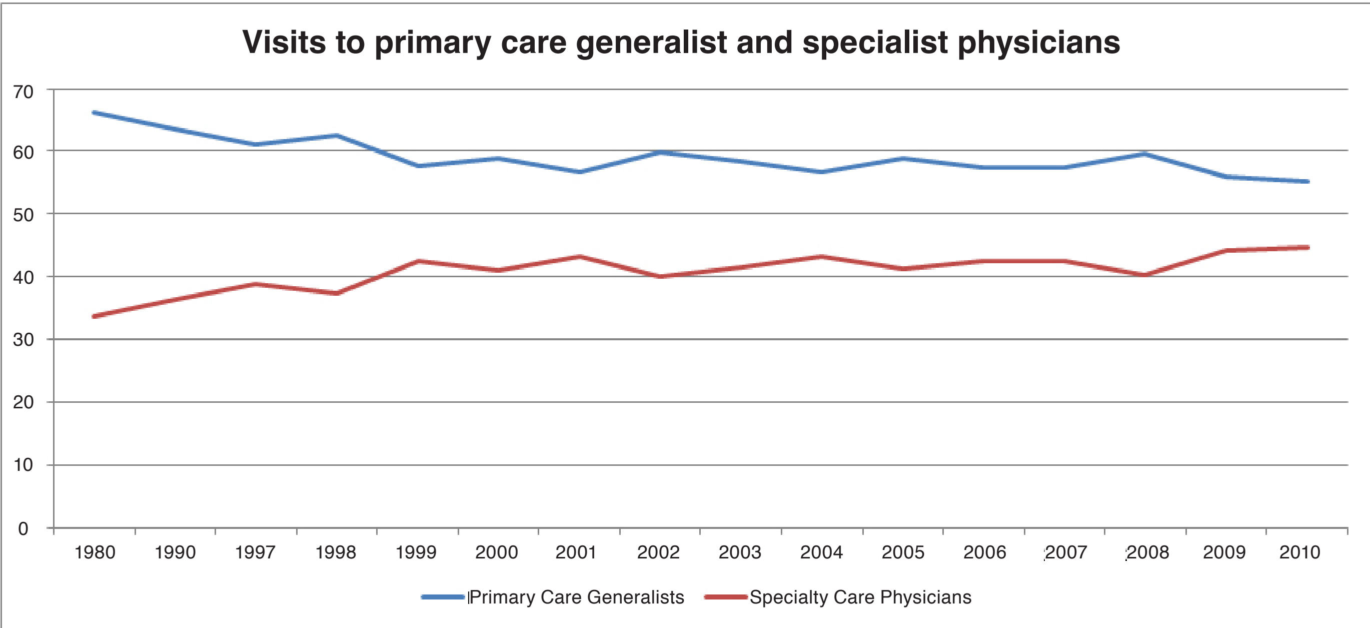
Increased chronic disease: Dr. Vasella reminded the audience, "we shouldn't forget that the biggest risk factor for cancer is not smoking, it's aging." But even at younger ages people are getting sicker, as we have seen with escalating rates of obesity and diabetes. This means that by the age of 85, many patients have three or more chronic conditions—such as high blood pressure, chronic obstructive pulmonary disease, and muscular skeletal diseases—that sharply increase the complexity and cost of treatment.

"We shouldn't forget that the biggest risk factor for cancer is not smoking, it's aging."

-Daniel Vasella
Former Chairman of Novartis

Overreliance on specialists and hospitals: Vasella argued that the US reliance on hospital treatment is due to a lack of fully integrated, standardized, and proactive care at the general practitioner level. US patients prefer to see a specialist over their general practitioner. They have good reason. As Vasella noted, "…we have very good data on [medical] centers which perform surgeries often or transplantations and have better outcomes than the ones who only do it rarely."

This care often takes place in hospitals, which, according to Vasella, is the last place we want to be: "Once you end up in the hospital, you can only pray." The costs are also far higher. According to Vasella, the average cost to treat a diabetes patient in the hospital is $6,500, versus $2,500 through a general practitioner.



Note: HRI chart of data based on reporting by a sample of office-based physicians.
Source: CDC/NCHS, National Ambulatory Medical Care Survey

Dr. Vasella engages in conversation with Atlantic Council President & CEO Frederick Kempe.

Demand Solutions

A move to preventive care: At its most basic level, preventive care starts with better health education. It is neither revolutionary nor complicated, but it may be the single biggest way to reduce healthcare costs. Obesity is one of the most preventable diseases and one of the most expensive to treat, leading to much higher costs and health complications later in life. On an average, for every dollar invested in patient education, $3-4 were saved, according to studies related to the cost-benefit of patient education in managed care and other settings.[1]

New healthcare professions: In addition to a greater use of general practitioners (especially in the US), the industry should create new professions that can help deliver preventive care and education. Vasella said, “We need to understand what the needs are, and we need to train people accordingly, and develop new professions.” This can be highly effective in managing costs for end of life care. Keeping people at home and out of the hospital lowers costs and increases the comfort and dignity of a patient.

Transparency in diagnosis and treatment: Despite privacy concerns, doctors should be able to share more information about what works. According to a recent PwC Health Research Institute survey, half of consumers agree that being able to access electronic health records using a mobile device would help their providers work together more effectively to coordinate their care, and one-third believe that doing so would result in a quicker response to their health questions. Also, 61 percent of consumers are willing to communicate with a clinician via email, and 91 percent who have done that were satisfied with the experience.[3]

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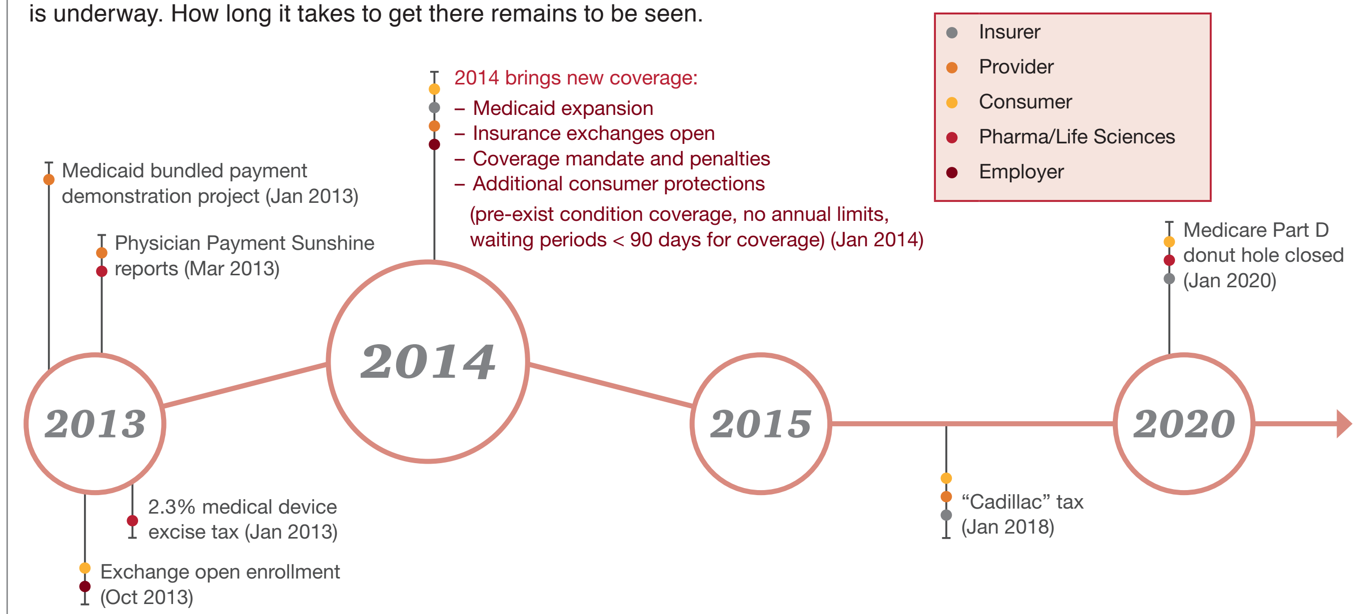
2 Bartlett, E. E. (1995). “Cost-benefit analysis of patient education.” *Patient Education and Counseling*, 26, 87-91.

3 PwC’s Health Research Institute. *Top health industry issues for 2013: Picking up the pace on health reform*. January 2013. http://www.pwc.com/us/en/health-industries/top-health-industry-issues/index.jhtml

Affordable Care Act: Implementation Timeline

Obama's 2010 health reform law

2014 is the pivotal year for expanding healthcare coverage to about 27 million people under the Affordable Care Act (ACA). But the law also experiments with new payment models for doctors and hospitals. The push for more efficient, lower cost care is underway. How long it takes to get there remains to be seen.



Sources: HRI analysis, Kaiser Family Foundation, US Department of Labor, Patient Protection and Affordable Care Act.

Even so, consumers are not enthusiastic about physicians accessing their health information on a personal device, with 73 percent saying they would be concerned about privacy. They have reason for concern. While 75 percent of hospitals permit clinicians to access EHRs on their personal devices, PwC's Global Information Security Survey found that 46 percent have a security strategy governing the use of mobile devices.

Supply Challenges

Determining best practices: Every country is trying to discover new cures and determine the best way to deliver care. In doing so, some countries have figured out what works best when treating one disease, but not another. Vasella said, "There was not a single country which was great in everything, very interestingly…I think there was no country where I would say they had it all."

Misaligned incentive structures: Reflecting a known but still challenging issue, Dr. Vasella pointed out that the incentives for US doctors remain skewed toward practicing defensive medicine, and toward high cost testing, not toward keeping the patient from getting sick. As he pointed out, "In the UK…physicians are paid to take care of the patient…not fix him once he's sick."

Supply Side Solutions

A focus on quality: "If you want to fix something which is expensive just by cutting costs, not really fixing quality, it never works," Vasella said. A renewed focus on quality would help restructure the incentive system for doctors and lower costs. Suggesting that doctors in the US should be paid to treat the patient, and not just the illness, Vasella underscored that preventive medicine—which focuses on patient wellness rather than treatment—could substantially reduce the cost of care in the US and elsewhere.

Game Changers

Despite these demand and supply challenges, Vasella sees reason for optimism. While the ACA does not solve everything, he said, observing that it is largely silent on preventive care for obesity, for example—he argued that new innovations, including new diagnostic technologies, bioinformatics, and regenerative therapies will drive a sea change in the industry.

> **"The common goal is the well-being of people and the affordability and financial sustainability of the system."**
>
> ***-Daniel Vasella***
> ***Former Chairman of Novartis***

Improving diagnostics though mobile technologies:
Increasingly providers, patients and family caregivers are using mobile technology to communicate and deliver care, including diagnosing illnesses. By 2018, 1.7 billion smartphone or tablet users will have downloaded a mobile health application according to industry estimates. The US Food and Drug Administration has already approved hundreds of devices that work with mobile technology, such as smartphones that can be transformed into remote glucose monitors. "There are innovations which are becoming available from a diagnostic point of view: you can measure blood pressure, ECG, temperature, you can take blood samples…and you can send them via wifi or via phone," said Vasella.

Learning and Partnership

Vasella emphasized that no single country has all the answers to the future of healthcare. The industry is shaped by its social context and by unique approaches to policy. Yet there are international success stories. Countries need to talk more to each other in the form of enhanced dialogue between policymakers and practitioners. Some US innovation efforts are underway. But we can learn more from others as well. The key will be to engage globally. As Vasella noted, "We have to have partners…and we need to be listening to each other and to find ways to serve a common goal. And the common goal is the well-being of people and the affordability and the financial sustainability of the system."

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