

HealthCast 2020: Creating a Sustainable Future*

Executive Summary

Look out. Better yet, look outward.

There is growing evidence that the current health systems of nations around the world will be unsustainable if unchanged over the next 15 years. Globally, healthcare is threatened by a confluence of powerful trends – increasing demand, rising costs, uneven quality, misaligned incentives. If ignored, they will overwhelm health systems, creating massive financial burdens for individual countries and devastating health problems for the individuals who live in them.

It is time to look outward. The attitude that all healthcare should be local is dangerously provincial and, in extreme cases, xenophobic. The days when healthcare sectors operate in silos must end. New solutions are emerging from beyond traditional boundaries and innovative business models are being formed as healthcare becomes globalized. These solutions are changing the way the Chinese think about financing hospitals, Americans recruit physicians, Australians reimburse providers for care, Europeans embrace competition, and Middle Eastern governments build for future generations.



In a world in which economies are globally interdependent and the productivity of nations relies on the health of its citizens, the sustainability of the world's health systems is a national competitive issue and a global economic imperative. Moreover, there is a moral obligation to create a global sustainable health system. The stakes could not be higher.

The idea of sustainability is subject to many interpretations. It is often used in the context of environmental protection and renewal of natural resources. One comprehensive definition can be found in Paul Hawkin's book, *The Ecology of Commerce*: "Sustainability is an economic state where the demands placed upon the environment by people and commerce can be met without reducing the capacity to provide for future generations." This definition applies in profound ways to healthcare. At the current rate of consumption and at the current level of thinking, the healthcare organizations of today will be unable to meet demand in the future. Our health systems will be unsustainable.

Beginning in 1997, health spending has been accelerating as a percent of Gross Domestic Product (GDP) among Organisation for Economic Co-operation and Development (OECD) countries. In 2002, the cumulative health spending of 24 OECD countries was \$2.7 trillion. PricewaterhouseCoopers estimates that health spending for OECD countries will more than triple to \$10 trillion by 2020.

Healthcare organizations and governments around the world are urgently seeking solutions to temper costs while balancing the need to provide access to safe, quality care. Yet, conventional approaches are failing, even in the most advanced nations of the world – throughout Europe, Asia, the Middle East, Australia, Canada and the United States.

Because they are often viewed as a local industry, healthcare organizations haven't exchanged ideas globally as much as other industries such as manufacturing and services. While each country faces unique hurdles – regulatory, economic, cultural – the challenges they face are remarkably similar. In their responses, common themes are emerging.

Despite the complexity of the challenges that the healthcare industry faces, successful initiatives – often involving technological innovation, preventive care and consumer-focused business models – are occurring in many places. These are efforts that have improved health outcomes while also saving money.

In this, the third edition of *HealthCast*, PricewaterhouseCoopers looks at the responses around the world to the globalization of healthcare and efforts to create a sustainable health system. It highlights best practices in innovation and shares insight and lessons learned from around the world. Specifically, the report has four goals:

- Provide a context for understanding global healthcare trends
- Compile a rich variety of “transferable lessons” from the around the world on what’s working in a converging global health market
- Identify “solution drivers” within the control of executives and administrators, where health leaders can take action and effect change
- Serve as a call to action for healthcare organizations to look beyond their own boundaries to tackle the complex challenges of sustainability

Our research included a survey of more than 580 executives of hospitals and hospital systems, physician groups, payers, governments, medical supply companies and employers from around the world in 27 countries. In addition, PricewaterhouseCoopers conducted in-depth interviews with more than 120 healthcare thought leaders in 16 countries. They included policy makers, employee benefit managers and top executives of health organizations in Australia, Canada, Europe, India, the Middle East, Japan, Singapore, South Africa, the United Kingdom and the United States.

This extensive study identified several specific findings:

- **Future health spending is expected to increase at a much higher level of growth than in the past.** By 2020, healthcare spending is projected to triple in real dollars, consuming 21% of GDP in the U.S. and 16% of GDP in other OECD countries. PricewaterhouseCoopers' HealthCast 2020 survey showed that nearly half of healthcare executives from 26 countries believe healthcare costs will increase at a higher rate of growth than in the past. Executives in areas with high population growth (e.g., Middle East and Asia) were more likely to say that healthcare costs would accelerate, but more than half of U.S. and Australian executives also said that costs would exceed previous growth rates. Governments, hospitals and physicians are seen as having the greatest opportunity to eliminate wasteful spending in healthcare.
- **There is wide support for a health system with shared financial risks and responsibility among private and public payers versus the historic cost-shifting approach.** Only a minority of industry leaders in the U.S., Canada and Europe think that a sustainable system is one that is mostly tax-funded. More than 75% of HealthCast 2020 survey respondents believe that financial responsibility should be shared. Even in systems where healthcare is primarily tax-funded, such as in Europe and Canada, only 20% of respondents favored that approach. More than 50% of respondents said competition, taxpayer funding of some or all of healthcare, regulated cost controls, and cost sharing by patients were important.
- **Universally, health systems face challenges to sustainability around cost, quality and consumer trust.** Transparency in quality and pricing was identified by more than 80% of HealthCast 2020 survey respondents as a contributor to sustainability. Respondents' opinions

regarding who is making the most progress in improving quality vary by locale. In the U.S., patient advocacy groups rated first, while in Europe and Canada, physicians ranked highest. In the Middle East, Australia and Asia, government was viewed as making the most progress.

- **Preventive care and disease management programs have untapped potential to enhance health status and reduce costs, but require support and integration across the industry for their benefits to be realized.** The most effective means of demand management, according to the HealthCast 2020 survey, are wellness, immunization and disease management programs. The vast majority (75%) of respondents viewed queues (waiting lists) as an ineffective way to manage demand. Yet only 26% of respondents thought government and private initiatives promoting better health had been effective and only 33% thought educational and awareness campaigns had been effective. More than 80% of respondents identified lack of care integration as a major problem facing the health delivery system.
- **In support of more empowered consumers, interest in pay-for-performance and increased cost sharing is soaring.** Industry leaders expect tremendous growth in consumer-oriented programs. Only 35% of respondents in the HealthCast 2020 survey said hospital systems are prepared to meet the demands of empowered consumers. But a large majority (85%) of organizations surveyed has initiated pay-for-performance initiatives, above the 70% who had started such programs in 2002. Forty-three percent of respondents said that direct cost sharing by patients is an effective or very effective method to manage demand for healthcare services.
- **Information technology (IT) is an important enabler in resolving healthcare issues when there is systemwide and organizational commitment and**

investment. The vast majority of HealthCast 2020 survey respondents viewed IT as important or very important to integrate care (73%) and improve information sharing (78%). But IT is not a solution in and of itself. A smaller percentage saw IT as important or very important for improving patient safety (54%) or restoring patient trust (35%).

Global and industrywide convergence is occurring as best practices are shared and the lines become blurred among pharmaceuticals, life sciences, providers, clinicians and payers in the provision of care, access and safety. It is time that health systems – hospitals and physicians, public sector agencies, governments and other commercial health-related entities – view the benefits of working together and connect by formal partnership or informal business affiliations to deliver health services to consumers.

To create a sustainable health system, what are the common characteristics? PricewaterhouseCoopers' study identifies seven key features of sustainable systems, whether they be governments, networks of affiliated health-related organizations, or individual organizations:

1. **Quest for Common Ground:** A vision and strategy is needed to balance public versus private interests in building an infrastructure and in providing basic health benefits within the context of societal priorities.
2. **A Digital Backbone:** Better use of technology and interoperable electronic networks accelerate integration, standardization, and knowledge transfer of administrative and clinical information.
3. **Incentive Realignment:** Incentive systems ensure and manage access to care while supporting accountability and responsibility for healthcare decisions.
4. **Quality and Safety Standardization:** Defined and enforced clinical standards

establish mechanisms for accountability and enhanced transparency, thereby building consumer trust.

5. Strategic Resource Deployment:

Resource allocation appropriately satisfies competing demands on systems to control costs while providing sufficient access to care for the most people.

6. Climate of Innovation:

Innovation, technology and process changes are a means to continuously improve treatment, efficiency and outcomes.

7. Adaptable Delivery Roles and Structures:

Flexible care settings and expanded clinical roles provide avenues for care that are centered on the needs of the patient.

How, specifically, are various health systems addressing the need for sustainability? Some solutions will require far-reaching changes in national policy. Policy solutions can be influenced – but are not made – by the managers of healthcare organizations. Other areas over which management has some ability to effect change are plentiful and are driving solutions. By looking at these solution drivers, health leaders can begin to formulate responses to the major challenges facing their health systems.

Transferable lessons are emerging. The range of potential solutions that are emerging from health systems across the globe is depicted throughout the body of this report. They involve changes to systems, policies and structures. New financing incentives and models. Modifications to people's roles, skills and attitudes. Altered processes and workflows. Discoveries of new technologies and new uses of old devices.

Across boundaries, languages and cultures, these are the strategies being employed by health systems across the world. The solutions are out there. In the global market of health.

Conclusion

Threatened sustainability and convergence. At the broadest level, these are the issues facing health systems across the globe.

Transferable lessons are emerging. The variety is astounding yet so are the commonalities. Around the world and across all sectors of the industry, healthcare leaders are exploring many of the same solutions:

- **Collaboration.** Payers, hospitals, physicians, and community service organizations are working together to foster standardization and adoption of technology and process changes. They are teaming to enhance access and portability of healthcare services. They are coming together to realign incentives to accomplish mutual goals.
- **Consumerism.** Providers are reorganizing themselves in a patient-centric continuum through care management approaches. Payers are developing consumer-oriented benefits plans. Pharmaceutical and life sciences companies are using new pharmacogenomic discoveries to pursue personalized medicine.
- **Technology assessment and dissemination.** Payers, providers and community organizations are coming together on a regional and/or national basis to establish infrastructure and communications standards. They are developing incentives that will distribute the risks and rewards more evenly. Payers and research organizations are evaluating technology relative to productivity and lifespan.
- **Transparency.** New payment and reporting methods are emphasizing safety, performance and accountability for health organizations across all industry sectors. Payers and providers are participating in pay-for-performance programs. Industry trade groups are establishing quality and safety standards. Governments are establishing reporting mechanisms and requirements.
- **Portfolio management.** Hospitals, pharmaceutical companies, life science organizations, and payers are increasingly called upon to manage their service portfolios in a balanced, fiscally responsible manner. Governments are calling for rational approaches to regional service planning. Providers are organizing and allocating services to meet consumers' needs for access, manage quality of care, and reduce duplication and inefficiency.
- **Manpower management.** New models of developing, recruiting and retaining manpower are developing to address the root causes of gaps in service and impending future needs.



The following table summarizes the solution drivers for change.

Solution Drivers for Change

Solution Driver	Description	Transferable Lessons
 <p>System</p>	<p>Industry standards and government regulations are the solutions over which individual organizations have the least direct influence. However, healthcare organizations must devote some resources and participate in national policy debates in order to create a more sustainable health system.</p>	<ol style="list-style-type: none"> 1. Collaborate across traditional sectors and territory boundaries 2. Determine what care or benefits are basic to public health and structure an insurance system for the rest 3. Use regulation to encourage and strengthen competition 4. Organise care from the patient's point of view: establish a patient-centric continuum of care 5. Think small 6. Anticipate ways to deliver care to patients who increasingly move and travel
 <p>Finance</p>	<p>Organizations must concentrate on improving their financial position in order to meet global challenges. These solutions will be based in both revenue and expense areas, as well as knowing when and how to make investments.</p>	<ol style="list-style-type: none"> 1. Make consumers more personally responsible for the cost of seeking care 2. Put prices on the menu; disclose charges 3. Learn from existing systems when designing performance-based reimbursement 4. Incentivize clinicians for outcomes, not activity, through pay-for-performance models 5. Design financial incentives to anticipate cream-skimming 6. Access new sources of capital through public-private partnerships
 <p>People</p>	<p>Ultimately, healthcare is delivered by people for people. The capacity for staff to accept and embrace change will make or break solutions because people are the implementers. Organizations that can help their people manage change will be at an advantage in the global health system.</p>	<ol style="list-style-type: none"> 1. Establish shared incentives to accomplish mutual goals 2. Make wellness the preferred, if not mandated, lifestyle 3. Train workers in new technologies 4. Leverage nursing more widely 5. Challenge conventional training models to create new resources and roles that meet future needs
 <p>Process</p>	<p>Process redesign to increase efficiency and efficacy will be a required competency in the fast changing healthcare environment. Exploiting new technologies, clinical developments and globalization will require process change for organizations to be efficient and nimble.</p>	<ol style="list-style-type: none"> 1. Reinforce clinicians' roles as facilitators of appropriate care 2. Reach agreement on quality standards 3. Make error reporting voluntary and anonymous 4. Publish or perish: report performance to enhance transparency and knowledge sharing 5. Leverage quality to move the market 6. Listen to consumers
 <p>Technology</p>	<p>New medical technologies and new ways to capture and use medical data are just a few examples of how technology can make health systems better. Health organizations will need to choose wisely within limited budgets when it comes to how and what technology they buy.</p>	<ol style="list-style-type: none"> 1. Invest in a shared IT infrastructure 2. Leverage technology to eliminate duplication and administrative inefficiencies 3. Make technology a reason to collaborate 4. Move information, not people 5. Customize care to patients' genetic needs 6. Value technology's impact on productivity and lifespan

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PricewaterhouseCoopers Healthcare practice is one of the leading healthcare professional services organizations, providing assurance, tax, advisory and consulting services to this highly integrated sector. The firm works with organizations that represent the healthcare delivery spectrum: integrated delivery systems, hospitals, physician organizations, payer and managed care organizations, pharmaceutical and health science companies, ministries of health, government and other policymakers, professional associations, and investors. Visit PwC on the Web at www.pwc.com/healthcare.

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Health Research Institute

PricewaterhouseCoopers Health Research Institute provides new intelligence, perspective and analysis on trends affecting all health-related industries, including healthcare providers, pharmaceuticals, health and life sciences, and payers. The Institute helps executive decision makers and stakeholders navigate change through a process of fact-based research and collaborative exchange that draws on a network of more than 4,000 professionals with day-to-day experience in the health industries. The Institute is part of PricewaterhouseCoopers' larger initiative for the health-related industries that brings together expertise and allows collaboration across all sectors in the health continuum.

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