

# TOWARDS A GLOBAL HEALTH MARKET: STRONGER GROWTH, BETTER HEALTH

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An integrated, cooperative global health market is an extraordinary opportunity. Above all it is a chance to improve health outcomes and the quality of life for hundreds of millions of human beings. Less widely recognized, it is also a chance for governments, companies, and nations to tap one another's strengths, in order to take full advantage of the opportunities the health sector offers for economic growth and high-wage job creation, and to manage the fiscal challenges the world's aging, urbanizing, and more affluent population poses for health systems everywhere.

## THE WORLD HEALTH MARKET: COMMON CHALLENGE, SHARED OPPORTUNITY

Health is the largest and fastest-growing sector of the world economy. Valued at \$6 trillion in 2010, it is likely to surpass \$8.5 trillion – just over a tenth of the world's likely economic output, and one dollar in eight of global growth – by 2015.

There are logical, predictable, and well-understood reasons for this surge in growth. One is that the world's population is aging. The global over-60 population likely to double in the next 20 years while the youth population remains stable. In developing regions everywhere, the world's population is urbanizing, with global city populations likely to rise by 1.4 billion in the next 20 years while rural populations remain stable. And the world is growing more affluent, with the global middle class expanding from 1.7 billion to 4.0 billion over the next 20 years.

All these factors mean a rapidly growing demand for health care. Older people need more preventive care and more treatment. City residents, living closer to hospitals and clinics, are more likely to seek care when they need it, and also more likely to use preventive care. And a middle-class population, secure against deep material deprivation, is more likely to seek and demand regular high-quality care.

Thus the world's medical industries will need to provide regular preventive care and treatment for 2 billion more people; provide the additional medicines needed for an additional 600 million elderly people; build the clinics and hospitals needed for these patients; and finance treatment through some mix of out-of-pocket payments, public financing, and private insurance.

This is an objective fact, rather than an option. Governments often debate its consequences in terms of financial challenge. Understandably so - the costs of responding to growing demand are considerable. Developing countries will need to spend hundreds of billions of dollars on modern health infrastructure from hospitals and clinics to health IT, modern medical devices and medicines, new health IT systems capable of managing larger patient loads, and payment systems which relieve out-of-pocket costs for patients. Wealthier and demographically 'older' nations likewise face rapidly escalating costs, often measured in trillions of dollars, as aging accelerates.

## HEALTH AS A DRIVER OF GLOBAL GROWTH

But as important as the financial challenges may be, the high demand for health care is still salient. Over the next two decades it will be a powerful stimulus for global growth and investment, a driver of technological progress, a key factor in stimulating productivity, and a means of channeling young people into highly paid, technically demanding careers.

This is because the vast scale of demand naturally elicits a response through investment and production on the part of the world's 'health ecosystem' – that is, the web of hospitals, clinics, and other providers, manufacturers of medicines and devices, insurers and other payers, health IT systems, pharmacies, and public and private research labs that join in provision of health care.

- Health industries are among the world's leading sources of the demand that stimulates investment, production of manufactured goods, construction of buildings, software design, and therefore global growth;
- They are responsible for roughly \$250 billion of the \$1.1 trillion global investment in scientific research and development;
- They are the world's largest and fastest-growing job-producers, and most prolific creators of small and medium enterprises. Already in the United States, 19 percent of all net new job creation is in the health sector.

These strengths of the health sector are already evident on national levels. If we can imagine a more integrated, genuinely global, health ecosystem, they will allow all of us to gain the maximum advantage of our different strengths and comparative advantages, and also will ease many of the financial challenges health can pose.

Currently, developed countries are prolific inventors of new medicines and medical devices, offer advanced design of hospitals, and are innovators in telemedicine, payment systems, and health IT. Developing countries have matching and complementary strengths. The Philippines, South Africa, Jamaica, and other developing countries train nurses who staff hospitals and clinics throughout the world. Thailand, Costa Rica, and other medium-income states have developed world class medical tourism industries, drawing patients from around the world. India and other South Asian countries are early adapters of m-health systems that help ensure care for rural and isolated areas until recently deprived of all but the most basic care, and expert in IT, accounting, and other professional services essential to effective management of costs.

Over time, countries will experiment with elements of the health ecosystem and develop new approaches and strengths. South African companies, for example, have developed innovative new approaches to private insurance and to pharmaceutical manufacturing and distribution. With the right set of global economic policies regarding health, these innovations could be shared more readily with all nations.

## THE HEALTH SECTOR IN GLOBAL ECONOMIC POLICYMAKING

These complementarities, and the economies of scale a global health sector will naturally create, mean that governments should focus on two basic points as they consider national health policy challenges:

- The growth of health demand is not only a promise of better lives for individuals but also of growth for nations, offering a unique opportunity for investment and growth in a world still struggling to recover from the financial crisis of 2008-2009;
- Different countries and regions have strengths and comparative advantages, and if they are able to share these strengths, governments and publics in all countries will be able to manage the financial challenges of health more effectively.

With this in mind, we suggest that the opportunities health offers for growth take a central place as governments meet on macroeconomics, regulatory dialogues, trade negotiations and other international economic discussions. Such discussions should not take the form of attempts to 'export' national health care systems - each country's health care system is after all unique, reflecting local history, values, political decisions and social arrangements. They should instead be ways to find the best approaches to meeting common challenges, take full advantage of national strengths, complementarities and future innovations, and develop "win-win" propositions in which all participants find their goals easier to reach.

Discussions toward these goals can proceed in many different international economic fora, ranging from regional and multilateral organizations such as APEC, the WTO, the Summits of the Americas, the G-8 and the G-20, to the webs of Free Trade Agreements in the Pacific, the Americas, and elsewhere.

APEC, the Asia-Pacific Economic Cooperation forum, has recently provided a good example of how such discussions can proceed. Choosing health as a major topic for the 2011 summit in Hawaii, APEC members discussed topics ranging from increased transparency in health reform programs to ensure that policy changes reflect the ideas and take advantage of the strengths of all actors in the health ecosystem; reducing the economic burden of disease by improving cooperation in tracking health risk and outcomes and sharing best practices; promoting convergence in medical product regulation and approvals, so as to disseminate new medicines and devices more rapidly; joint efforts against counterfeit products; and several more topics.

### CONCLUSION

This is a starting point for a broader global effort to confront a large shared challenge, and to take full advantage of an even greater opportunity.

The health sector is likely to lead the growth of the world's economy, posing some difficult policy challenges but more than compensating for this by promoting steady growth, improving productivity, creating high-quality jobs, and driving technological progress. And this opportunity will be all the larger if governments and health industries are able to work together,

finding common ground and shared benefit as they work toward a genuinely global 'health ecosystem.

Different industries and different countries, with their different strengths, will complement and support one another. Each will advance as others succeed, increasing the opportunities for growth and simultaneously easing the fiscal challenges that rising demand for health care will pose – and ultimately offering better lives for the world's people. And that, of course, is the mission of all the businesses, governments, researchers and others involved in the world of health.

*AHC is a group of 21 leading businesses and non-profits involved in health care provision, insurance, health IT, biotechnology, construction, standards, device and pharmaceutical manufacturers, and other fields of the health industry. Our members operate worldwide as suppliers of medicines and devices, designers and operators of hospitals, caregivers, and payers, and offer the following ideas based on our experience.*