

Sustainability Matters

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Health and Prevention – How Sustainable are Our Healthcare Systems?

Health expenditure is at a high level in numerous countries and is continuing to increase. Since it promotes longer-term growth and welfare, it tends to have positive effects on the economy. However, rising health expenditure can also be a sign of inefficiency and cause harm to other sectors of the economy. Since households are obliged to spend ever-increasing amounts on their healthcare, there is less of their budget left for other expenditures such as education or social security. Many economies are therefore trying to stem the growth of healthcare expenditure.

From a corporate perspective, efficient healthcare systems are essential, as absence from work caused by illness or accidents is extremely costly for companies. The resources devoted to healthcare provision must therefore be used in the most targeted and efficient way possible. One appropriate solution to this question is prevention and the promotion of healthy lifestyles; these two issues were also the focus of the 64th global meeting of the WHO in May 2011.

The increasing significance of prevention and promoting healthcare is beneficial to companies whose products and services promote a healthy lifestyle. Companies that also maintain comprehensive healthcare and safety management systems for their employees and suppliers are also reducing their medium- to long-term internal costs, which should also have a positive effect on their business. Investing in such companies is thus advantageous for longer-term investors. On the other hand, companies offering products and services that are problematic from a healthcare policy perspective – the classic example being the tobacco industry – pose more of a problem for investors.

Is rising healthcare expenditure a double-edged sword for the economy?

The healthcare sector generates relatively high levels of value and employment compared with other industries. Rising healthcare expenditure, as observed in many countries – including Switzerland and Germany – is thus not a bad thing per se from an economic perspective: if more funds flow into the health sector, this can increase the value generated and lead to more employment in the medium term. This was shown by a study carried out by INFRAS (2010) and commissioned by the Swiss Pharmaceutical Firms Association (vips): in many European and Scandinavian countries, healthcare is already one of the most value generation-intensive industries. In

Switzerland, for example, it was responsible for 11.4% of GDP for 2009. Higher healthcare expenditure also has a positive effect on the health of the population. Since healthier people are also more productive, this tends to lead to economic growth. Over the longer term, this leads to a better quality of life and greater welfare (INFRAS 2010).

However, is rising healthcare expenditure really only a good thing for the economy and society? Or are there losers in the equation? The fact that high expenditure on healthcare can also lead to some downside effects was illustrated by the OECD and WHO's analysis of the Swiss healthcare system in 2010. According to this analysis, although the Swiss healthcare system is one of the world's best in terms of quality, it is also expensive, relatively inefficient and not transparent enough. Switzerland's healthcare expenditure expressed as a percentage of gross domestic product is exceeded by only six OECD countries (USA, Holland, France, Germany, Denmark and Canada). The report contains 26 recommendations for reform, including numerous proposals on how to reduce costs.

As the INFRAS report (2010) shows, cost trends in the healthcare industry have a tangible effect on public finances. The more expenditure the population has to shoulder for healthcare, the less budget remains for other outgoings. The biggest winners in

Value creation and employment at rising healthcare expenditure

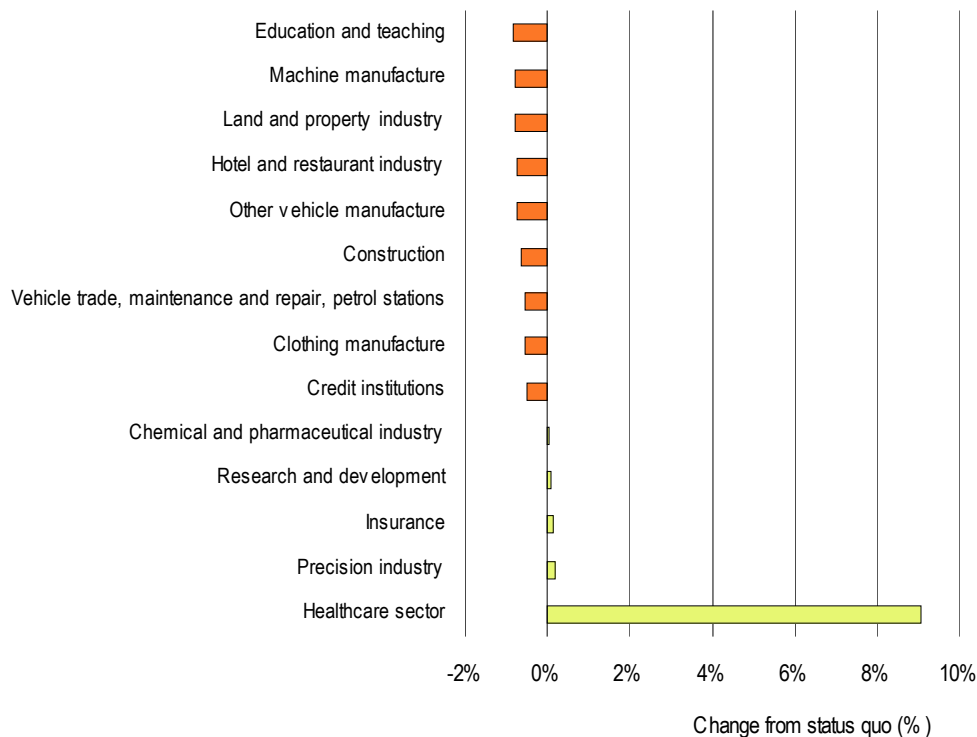


Figure 1 Simulation of the effects on value creation and employment of an increase of just under 10% in healthcare expenditure
Source: INFRAS 2010.

terms of rising healthcare expenditure are chiefly healthcare providers (hospitals, doctors, care centres, etc.) and, downstream, the medical equipment manufacturers, insurers, and research and development (Figure 1). The Swiss pharma industry benefits only slightly at first from an increase in demand for its pharmaceuticals on the domestic market. Since it is heavily export-orientated, it really profits only if demand for pharmaceuticals also rises in export countries. The manufacturers, credit institutions, the hotel and restaurant industry and many other sectors, on the other hand, tend to suffer from high healthcare costs, as they leave no room for other expenditure, i.e. they cause 'opportunity costs'. For this reason, these sectors have a direct interest in making cost savings with regard to healthcare.

Prevention for increased efficiency

Preventing illness is an effective way of improving the population's health and increasing life expectancy. Prevention is considerably more cost-effective and associated with fewer unpleasant side-effects than restoring health via curative measures once an illness has taken hold. This was also stressed by the recommendations for reform made by the OECD and the WHO (2010): if Switzerland wants to run its healthcare system more efficiently, prevention and health promotion should be bolstered. Whereas on average, OECD countries devote 3.1% of their healthcare expenditure to prevention, only 2.3% of expenditure in Switzerland is

devoted to preventing illness (Figure 2). The neighbouring countries of France and Italy spend even lower shares, at 2.0% and 0.7% respectively. Germany, on the other hand, attaches more value to prevention, spending 3.7%.

In many places, politics plays an active role in promoting prevention. In Switzerland, for example, the parliament has recently passed a new law on prevention that is intended inter alia to prevent chronic illnesses such as cancer and diabetes, together with mental illnesses. Similar campaigns are on the political agenda in Germany, France and the UK.

The global health organisation WHO also focused on the topic of preventing and fighting non-transmissible illnesses at its 64th worldwide meeting in 2011. The fact that the spotlight is on non-transmissible and chronic illnesses such as cardiovascular disorders, cancer, respiratory diseases and diabetes is no coincidence. These conditions have become the leading causes of death worldwide and are continuing to increase in industrial nations alongside greater life expectancy. Merely adopting a healthy lifestyle considerably reduces the risk of catching these illnesses. Therefore, prevention, raising awareness and early detection are of the utmost importance, as well as being relatively cost-effective. Last but not least, social framework conditions should also be configured to ensure that a healthy lifestyle is within the reach of everyone.

Expenditure on prevention and advertising as a percentage of healthcare expenditure in OECD countries 2008

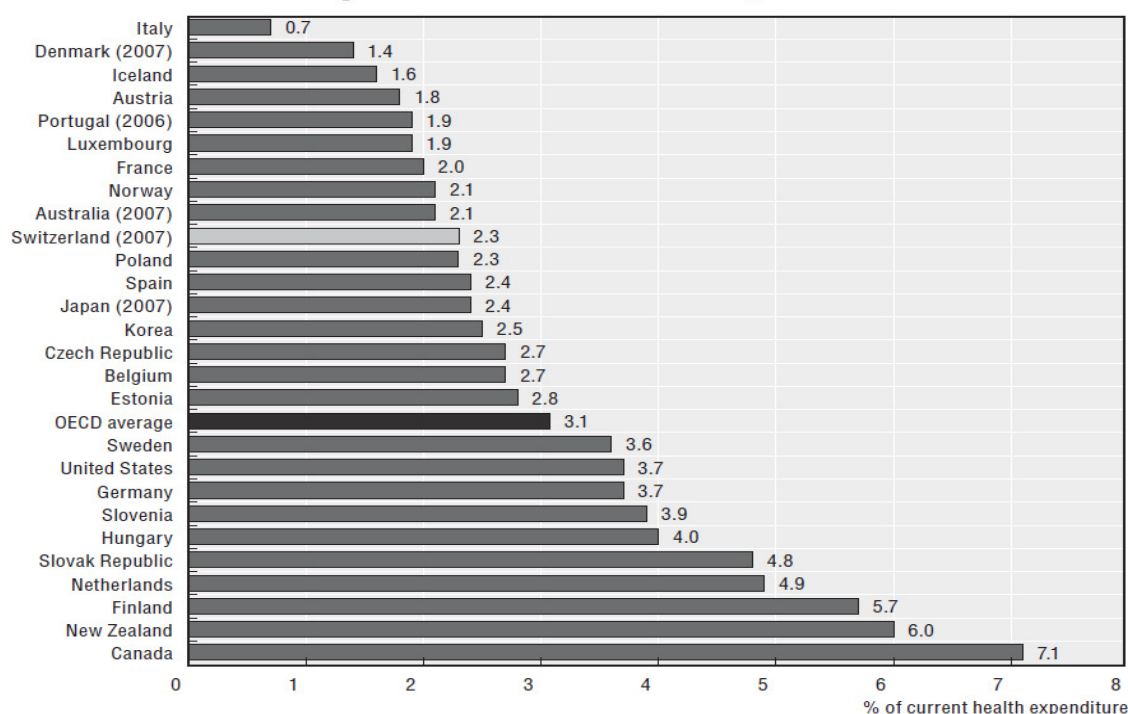


Figure 2 Source: OECD Health Data 2010.

Obstacles to prevention

Placing greater weight on promoting prevention would require a paradigm shift in healthcare policy. This does however pose certain obstacles. One fundamental uncertainty inherent in prevention is the fact that people's health is the result of a great many different factors. Other than in terms of curing illnesses, the purposes and success rate of prevention are not always easy to determine. If several measures are employed at the same time, it can also often be difficult to assess which measure was the most effective. Do prevention campaigns curb cigarette smoking? Or is the drop in smoking more due with the tax on tobacco, the ban on smoking in restaurants, clubs and bars or even a purely social trend?

If health-related investments are to be helped to break through on a broad scale, cooperation from the economy is vital. This is not, however, always easily achieved: as mentioned above, rising healthcare costs result in lower expenditure in other sectors. For this reason, wide sections of the economy are interested in an efficient and cost-effective public health service, which could be promoted via prevention. However, the individual economic sectors involved would benefit comparatively little and often only indirectly. This explains why they show such little effort and involvement in favour of prevention. Against this, several powerful players in the healthcare and nutrition industry whose revenues would be hurt by prevention are resisting efforts to promote prevention: 'calorie producers' in the food and drink industry, for example, or manufacturers of pleasure items such as alcohol and tobacco actually benefit from unhealthy nutritional and lifestyle habits. Many wholesalers also want to protect their profit margins in the low-price segment in particular and thus rely chiefly on unhealthy foods laden with fat and sugar. No wonder they are so attached to the status quo and want to protect their economic interests (*Neue Zürcher Zeitung*, 2011a). This also applies to companies in the healthcare sector, because fewer people becoming sick would result in a drop in demand for pharmaceuticals and medical services. Pharma companies rely only on preventive medicine if they would profit financially by doing so, e.g. by providing new vaccines or molecular early diagnoses, and/or if they are able to depict themselves as exemplary. Some foodstuff producers also strive to follow this path to success by championing foods such as low-calorie products as effective against obesity, or promoting products with added vitamins.

Preventing illnesses within companies

Companies typically have a vested interest in ensuring their own employees remain healthy. Absences from work – whether caused by accidents

at home or in the workplace or by illness – are a burden both on the employees affected and on the company itself, and generate high costs. Healthy employees, motivated workers and successful teams can no longer be taken for granted – changes, reorganisations and increasing demands from customers leave employees and teams faced with formidable challenges. Investing in corporate health and safety management systems that include precautionary measures means that companies can obtain and nurture employees who are healthy, happy, effective and motivated. It also enables any excessive loads placed on employees to be identified early and avoided by raising awareness and taking appropriate measures. This minimises health-related absences and costs. Similarly, companies can also benefit from using guidelines, audits or informational services as a contribution towards creating good working conditions at their suppliers as well.

That said, companies are faced with a similar dilemma to political bodies: preventive measures involve costs, and their usefulness is difficult to assess in advance and difficult to measure after the event. For example, some companies first become aware that actively regulating workload or taking out insurance against lengthy employee absences can be financially worthwhile when incidences of stress-related illnesses such as burn-outs or cardiovascular problems increase.

In light of the facts mentioned above – healthcare expenditure in many countries is rising and efficient uses of that expenditure, such as prevention and health promotion, are increasingly being regarded as important – we can assume that products dangerous to health will see restrictions imposed on them by the political sphere, whereas products that promote health or prevent disease will tend to be promoted more strongly. Therefore, companies that provide healthy products have better longer-term prospects for investors. On the other hand, companies offering products and services that are problematic from a healthcare policy perspective – the classic example being the tobacco industry – pose more of a problem for investors.

In addition, an ever-increasing number of companies are expected to implement preventive healthcare measures for their employees. Over the medium-to-long term, companies can profit from solid health and safety management systems by saving operating costs and thus generating higher returns. Companies on the other hand whose strategy is to skim on preventive measures represent a risk not only to their employees but also to investors, since a large number of employee sick days for illnesses or accidents will also end up affecting their economic performance.

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