



# Global Privatization Trends in Healthcare and Health Insurance

Invest 2001 Dubai  
3 April, 2001

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**Global Health Access, LLC**  
a PHM International company

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# **INVEST 2001 DUBAI**

## **HEALTH CARE & INSURANCE**

<b>1</b>	<b>BACKGROUND, CHANGES, TRENDS</b>
<b>2</b>	<b>OPPORTUNITIES</b>
<b>3</b>	<b>CONCLUSIONS</b>

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# Background

- Health care is world's largest service business
- 2010 Private global investment in healthcare = \$4trn vs. \$1.5trn in 1998.<sup>1</sup>
  - 2010, \$750bn in emerging markets
- Government changes limiting health budgets
- Growth of private health insurance
- Aging population

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# Background

- 1960 -1997 health care as % of GDP for the 29 members of OECD doubled 3.9% to 7.6%<sup>2</sup>
- 1997, of the 8 industrialized nations:
  - 13.6% for US, 6.7% for UK<sup>3</sup>
- Each 1% increase in wealth = 1/2% increase in health care costs<sup>4</sup>

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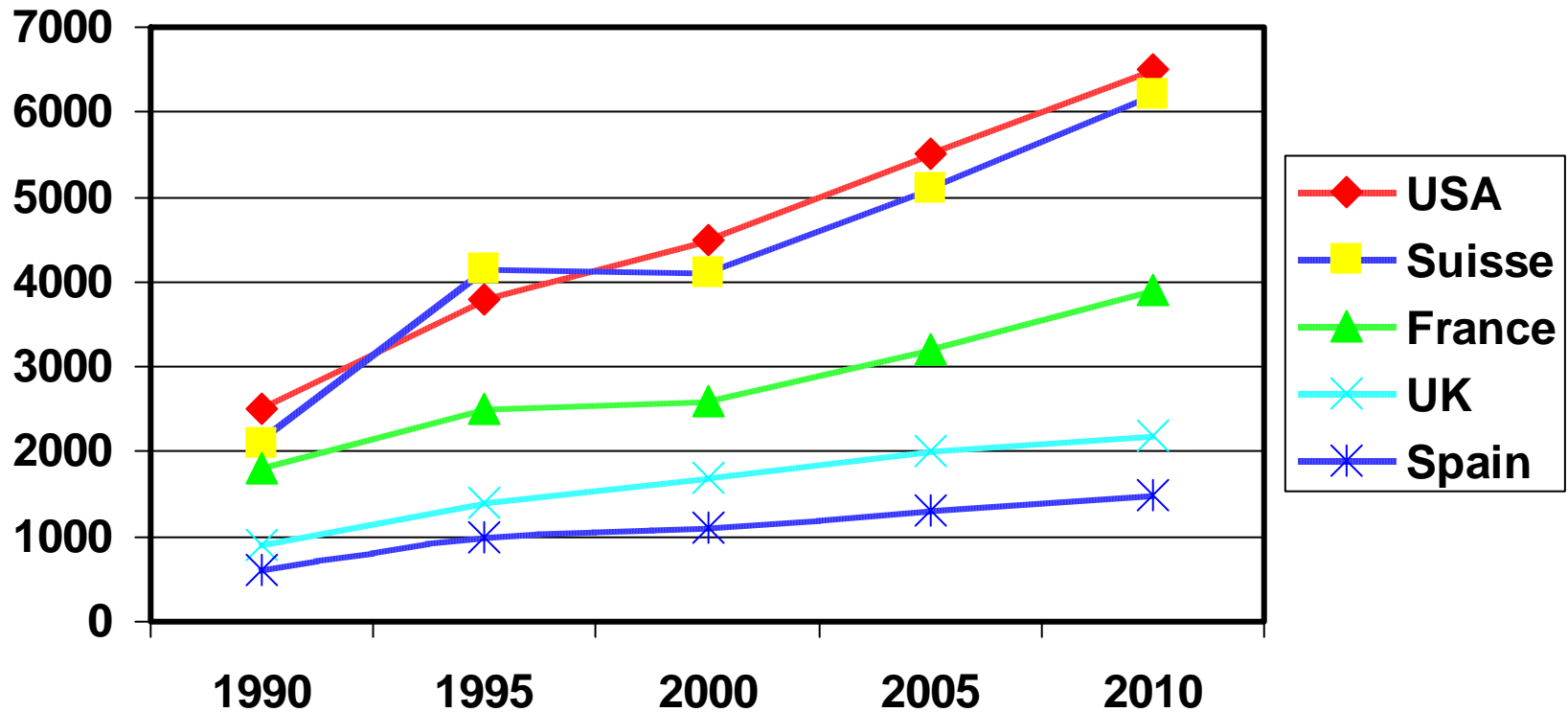
# Background

- **Health care cost pressures**
  - **Technology**
  - **Medical advances**
  - **Aging society**
  - **Consumerism**
    - **Combined = 2.5% - 3.5% increase in health care costs<sup>5</sup>**
- **Increasing health care costs**
  - **Average hospital daily costs US\$2,364<sup>6</sup> or 85104. UAE Dirhams**



# Background

## Health expenditures per capita



OECD, 1998. \$US Exchange Rate

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# Changes

- Government - Insurance
- Society
- Technology



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# Changes

- **Governments increasingly looking to private health insurance companies to control and decrease costs**
  - **EU - the Maastricht Treaty**
  - **OECD - Belgium**
  - **Asia - India, Australia**
  - **Poland, Slovakia**





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# Background

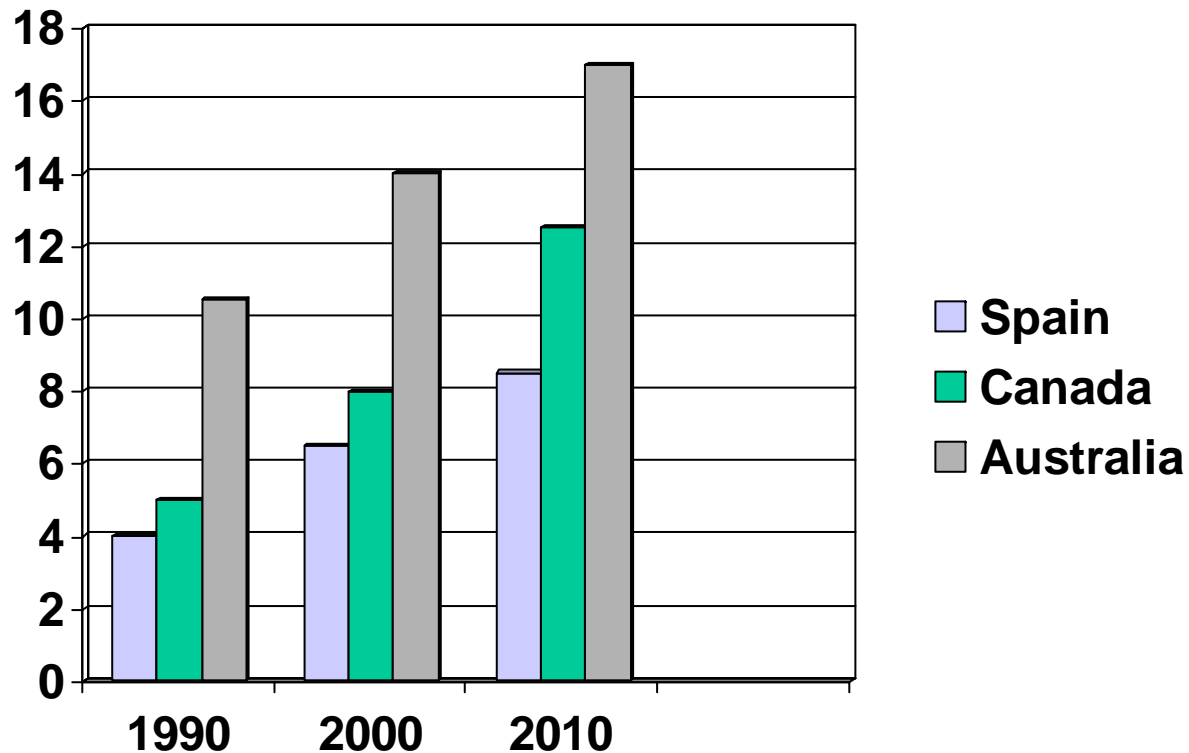
- **Health Insurance**

- Europe has 5-7% growth in PRIVATE health insurance<sup>7</sup>
  - Growing dissatisfaction with state plans
  - Use of private insurance to support employees
- Netherlands reducing number of sickness funds
- Singapore uses 3 Ms system to increase patient pay
- Turkey: 10% market penetration<sup>8</sup>



# Changes

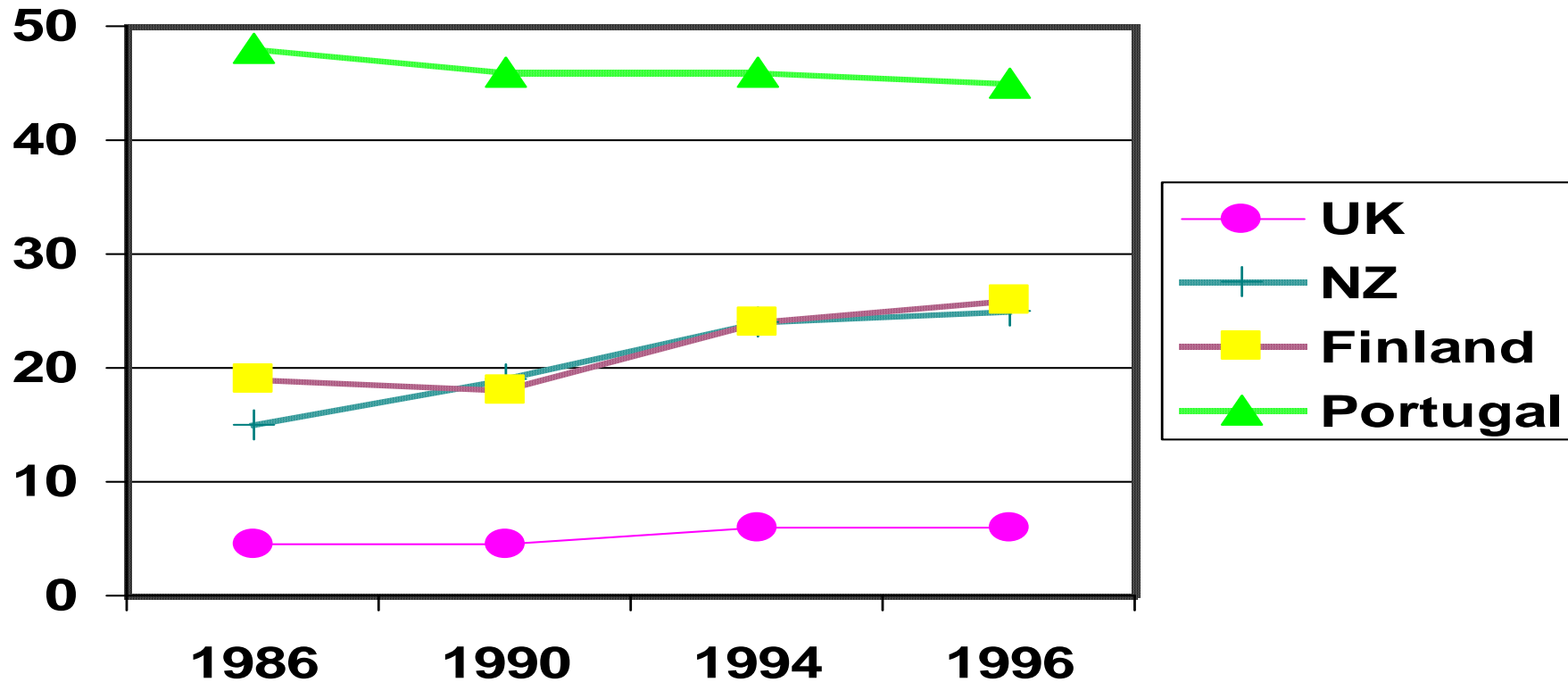
## % Private health insurance of total expenditures



**Australia introduced “Lifetime Community Rating” 2000**

# Background

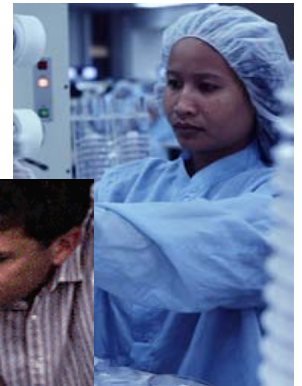
% of total expenditures paid for health by consumer



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# Changes

- **Governments increasingly looking to private insurance companies to support societal wealth**
  - **Privatization**
  - **Increase/removal foreign ownership restrictions**
  - **Removing price controls**
- **Egypt**
- **India**



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# Changes

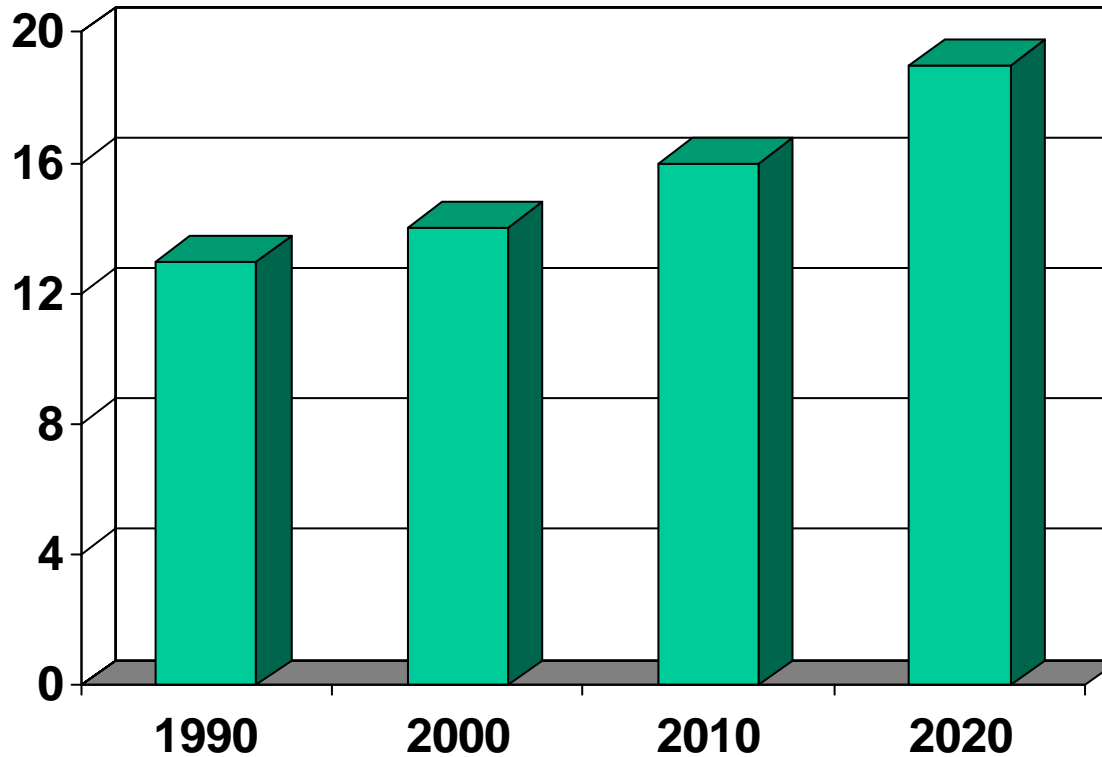
- **Societal**
  - **Consumerism**
    - **Increased knowledge, information access**
    - **Direct to consumer advertising**
    - **Increased use of personal resources**
      - **\$21.2 US billion in US on alternative care, 1997<sup>9</sup>**
  - **Aging population**
    - **Baby boomers**
    - **Parents of baby boomers**

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# Changes - Societal



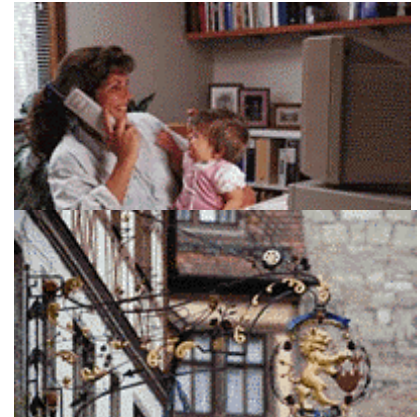
## Percent of population 65+ years old



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# Changes - Technology

- **Internet & Telemedicine**
  - **Hospitals**
  - **Insurance**
  - **Providers**
  - **Consumers**
- **Biotechnology - Genomics**
  - **Health risks**
  - **Prevention**
  - **Transplants**



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# Changes - Technology

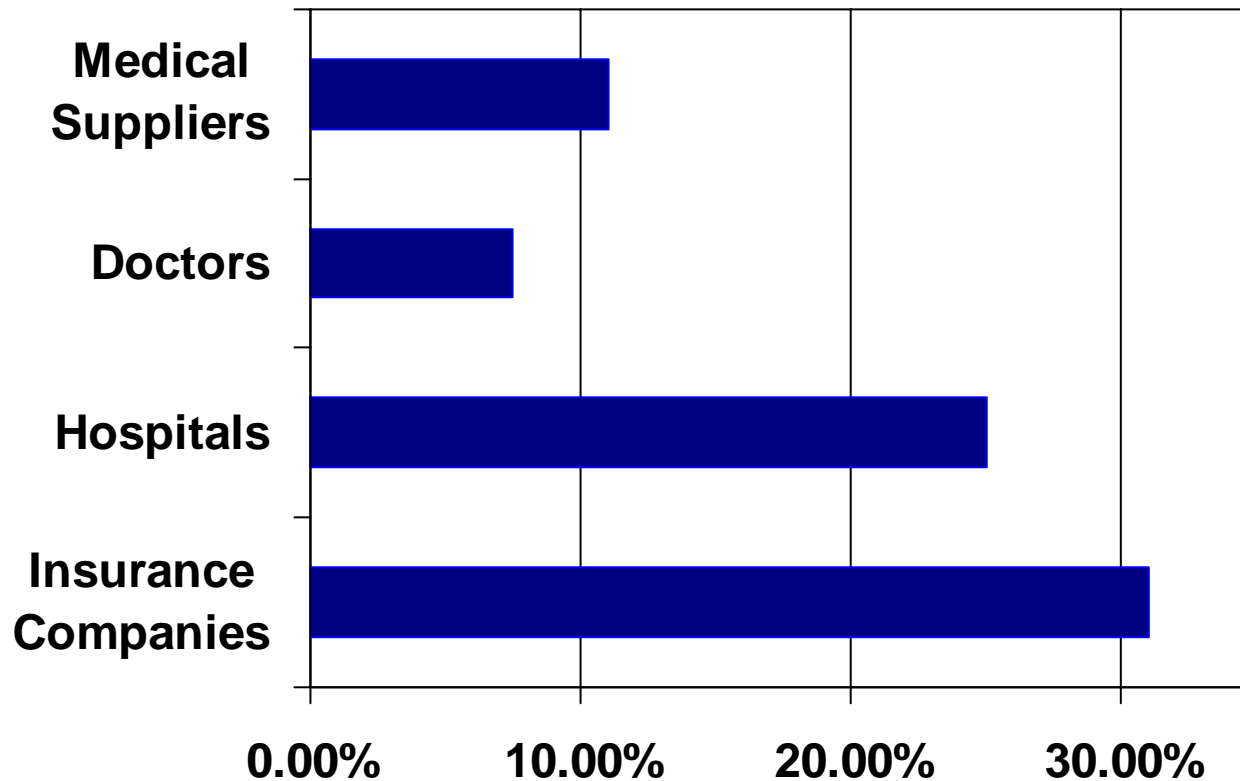
- **Internet**
  - **98% of homes in Singapore have broadband, Singapore ONE internet access<sup>10</sup>**
  - **Electronic prescription programs in UK & Netherlands**
  - **Smart card technology projects:**
    - **40 million in France**
    - **Germany, Czech, Russia**
    - **Spain using biometrics to scan fingerprints**



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# Changes - Internet

## Segments with greatest opportunity for success in e-business



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# Changes - Internet

- **Telemedicine advantages**
  - Rural & remote access
  - Cost effectiveness
  - Reduction in hospital visits
  - Reduction in mis-diagnosis
  - Continuing medical education
- **Telemedicine challenges**
  - Telephone lines
  - Costs

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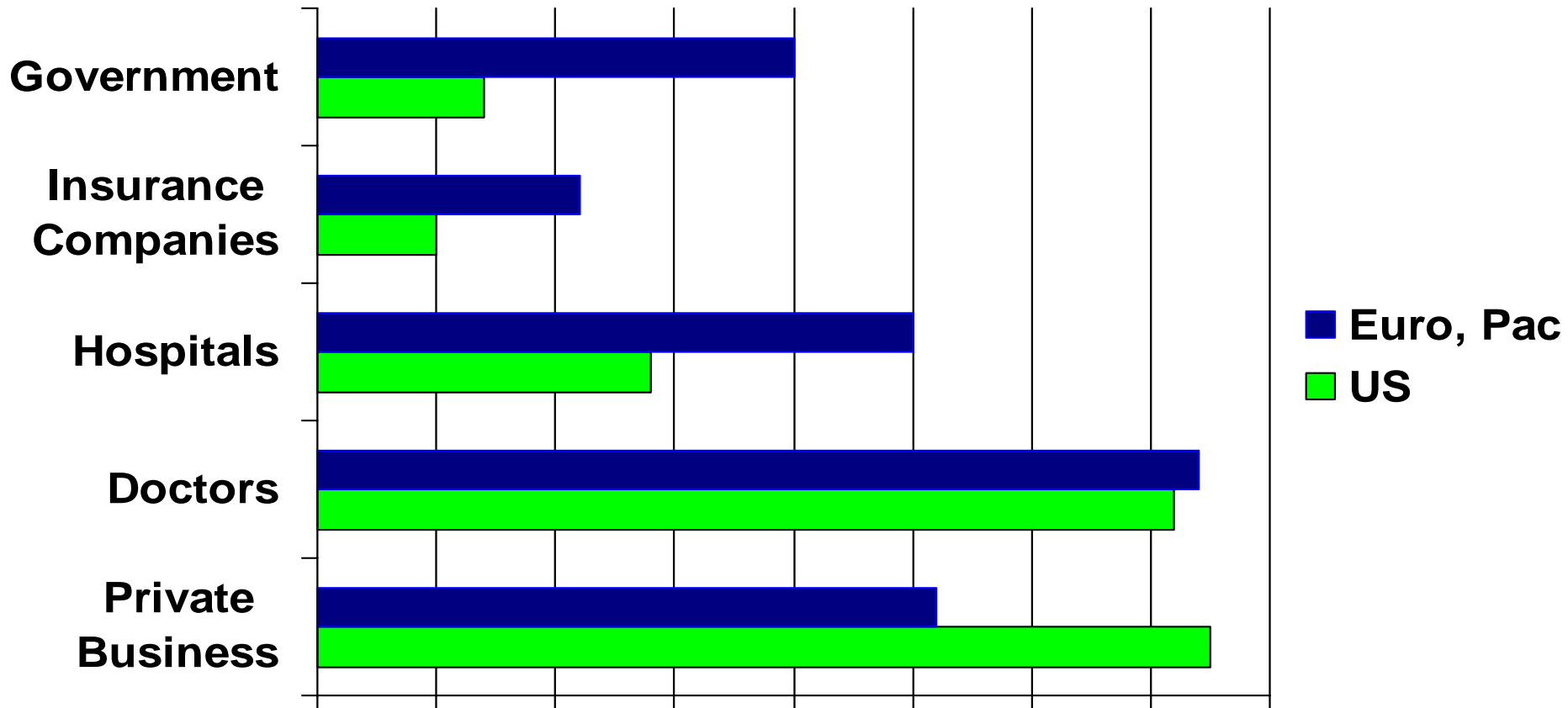
# Changes - Biotech & Genomics

- **Pharmacogenetics: use of individualized drug treatments matched to individual genetic profile**
  - **Global patient communities via Internet to support research**
  - **Image technology advances**
  - **Biomaterials & tissue generation**
  - **Transplantation advances**



# Changes - Biotechnology & Genomics

## Most likely source for genetic maps



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# Trends

- **Health insurance converging globally**
- **Standardization of health processes**
- **Workers adapt to technology**

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# Opportunities

- **Technology**
- **Infrastructure**
- **Insurance**

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# **Opportunities - Technology**



## **Death of Distance**

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# Opportunities - Technology

- **Internet applications in health care - Winners**
  - **Electronic medical records**
  - **CRM - customer relations management**
  - **Electronic prescriptions**
  - **ASPs Interfacing with existing health care organizations:**
    - **hospitals, pharmacies, clinics**
    - **doctors' offices (US 50% online)**
      - **Pfizer, IBM, Microsoft**
- **Negatives**
  - **Health content**
  - **Medical suppliers on line**
  - **“New” metrics**



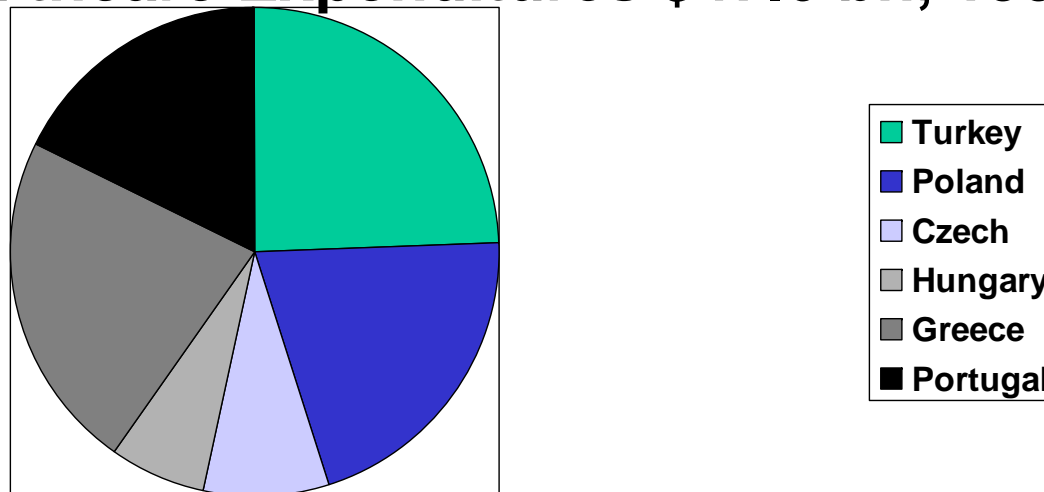
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# Opportunities - Infrastructure

**2010 Private global investment in healthcare = \$4trn vs. \$1.5trn in 1998.<sup>11</sup>**

- **2010, \$750bn in emerging markets**
- **Developing markets**
  - **Hospital and clinic development, laboratories, specialty care**

**Total Healthcare Expenditures \$47.6 bn, 1998**



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# Opportunities - Infrastructure

**2010 Private global investment in healthcare = \$4trn vs. \$1.5trn in 1999.**

– **2010, \$750bn in emerging markets**

- **Emerging markets**

– **Hospital and clinic development, laboratories, specialty care**

- **Developed markets**

**Smaller facilities**

**Hospital days per capita:<sup>12</sup>**

**1.1 in US**

**2.6 in France**

**4.0 in Japan**

**Bedside computers - 80% reduction in medical errors<sup>13</sup>**

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# Opportunities - Insurance

- **Insurance companies and support services**
  - **Global orientation**
  - **Internet focus for processing**
  - **Internet compliment for consumers**
  - **Emerging markets**
    - **Higher risks due to government changes**
  - **Mature markets**
    - **Market segmentation**

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# Opportunities - Insurance<sup>14</sup>

- **Global migration and travel**
  - **France**                      **70 million**
  - **US**                                **63 million**
  - **Spain**                            **46 million**
- **Visitors to US pay 40+% more for health care than US citizens**
- **50% increase in international travel growth by 2010**

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# Conclusions

- **Global oriented health insurance**
- **Consumer oriented health care**
  - **Branding will be key**
  - **Customer satisfaction**
  - **Service and speed**
- **E-business & Internet**
- **Outsourcing of services**
- **Prevention services through genomics**

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# Contact

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# Presentation Footnotes

- 1 **“Healthcare International,” The Economist Intelligence Unit, 1Q, 1999.**
- 2 **“Healthcast 2010 Survey,” PriceWaterhouseCoopers, 2001.**
- 3 **Ibid.**
- 4 **“Health and Wealth: An International Study on Health Spending,” J. Maxwell. 1981 and “Escalation of Healthcare Costs: How do we get there,” B. Abel-Smith. OECD-Healthcare, Paris, 1996.**
- 5 **Ibid.**
- 6 **Wall Street Journal, January 13, 2000.**
- 7 **“Healthcast 2010 Survey,” PriceWaterhouseCoopers, 2001.**
- 8 **“Emerging Europe Healthcare Fund,” Global Environment Fund, Wash, DC, 2001.**
- 9 **“4 of 10 People Use Alternative Medicine in the US,” JAMA, November 11, 1998.**
- 10 **“Building a Nation of E-citizens,” Stephen Vined, The Independent-London, July 21, 1999.**
- 11 **“Healthcare International,” The Economist Intelligence Unit, 1Q, 1999.**
- 12 **Highlights of the 1998 Multinational Comparisons of Health Care, The Commonwealth Fund, October 1998.**
- 13 **“Healthcast 2010 Survey,” PriceWaterhouseCoopers, 2001.**
- 14 **Global Health Access, LLC Plan, 2001.**