

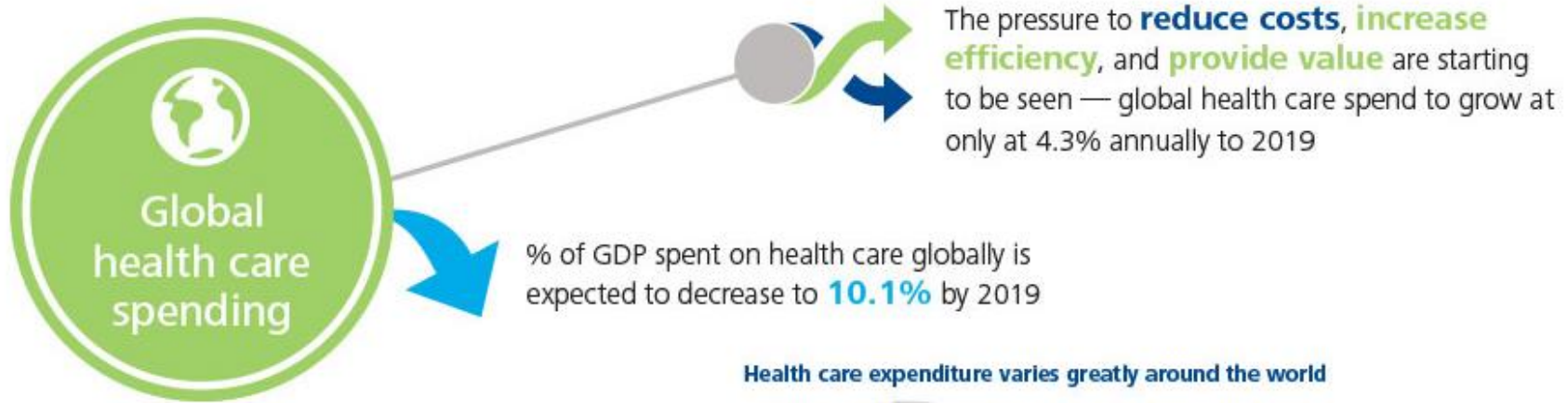
Deloitte.

2016 Global health care sector outlook

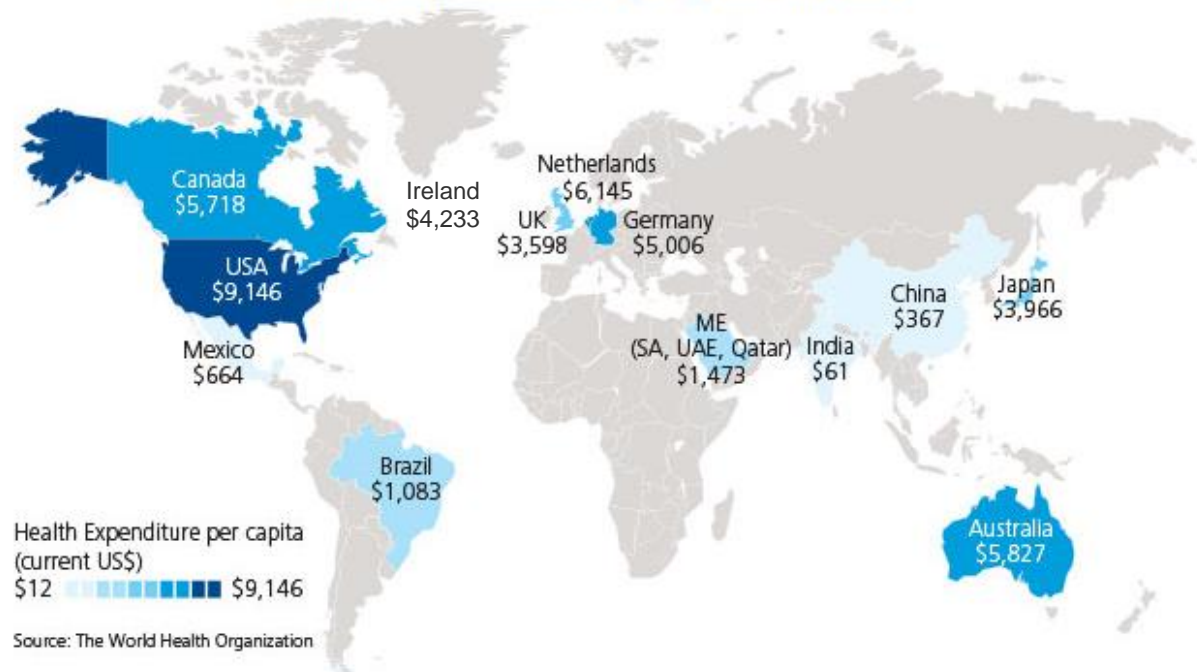
Battling costs while improving care



Global health sector overview



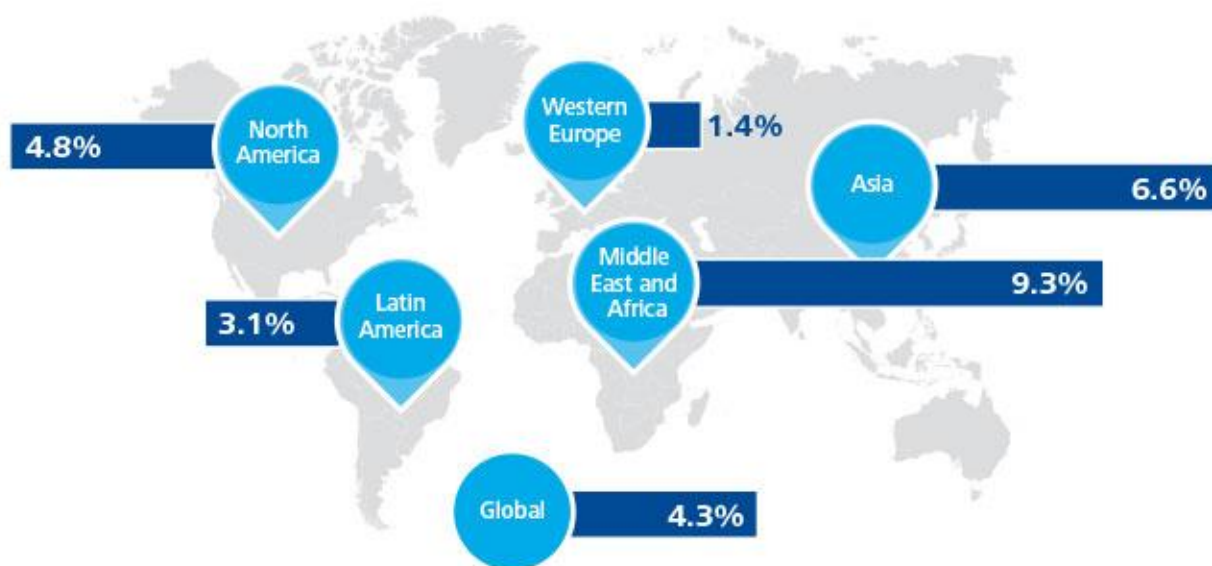
Health care expenditure varies greatly around the world



Global health sector overview

Where's the growth expected?

Economic uncertainty, Eurozone crisis, and currency devaluation are expected to impact spending. India to lead the way at 16.1% growth by 2019



Expected drivers of growth

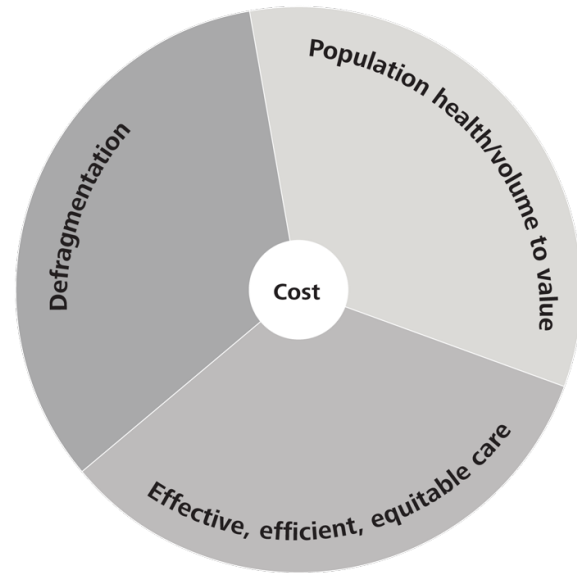


Expected constraints to growth



Top issues

Macro issues



Three macro issues are framing the cost discussion



Sector defragmentation — formation of large health systems, leveraging economies of scale, risk-sharing, innovation, collaborations.



Population health management/value-based care — Addressing the cost curve with innovative approaches to managing the health of a population through a full spectrum of health needs. Health and social care systems will need to join forces, and the public and private sectors will have to transition financial incentives from the “break-fix” model of care to prevention, predictive maintenance, and outcome optimization. Employers, health plans, and government are pushing for a transition to outcome- or value-based care (VBC) payment models, that align physician and hospital bonuses and penalties with cost, quality, and outcomes measures.



Delivery of effective, efficient, and equitable care — Health care stakeholders will need to work more collaboratively and operate more efficiently, lower their unit costs, raise their quality levels, and identify ways to optimize the value of their limited resources.

Top issues

Demographics



Consumer engagement

Today's consumers are more informed, involved in, and financially responsible for their health care decisions. They also have higher expectations for the services and products they receive. Increasingly, consumers are defining their ideal health care experience beyond traditional clinical elements to include convenience, amenities, and service. Changing consumer attitudes and behaviors are prompting sector stakeholders to invest more in new and expanded customer engagement capabilities.

Aging population — over 1 and 10 people in the world will be over 65 by 2019.

Chronic and communicable diseases — Obesity, cardiovascular diseases, hypertension, and dementia are becoming persistent, widespread health problems and appear to be challenging public health systems to meet increasing demand for drugs and treatments.

People to have **diabetes** to grow to 592 million by 2035.

Fight against **communicable diseases** continues, especially in developing countries.



Access

Universal health care continues, with more countries expanding public and/or private health care system coverage or deepening it in order to reduce out-of-pocket spending — varies around the globe.

- **Africa and Southeast Asia** — seeking infrastructure basics such as clean water, sanitation, and treatments for communicable diseases.
- **Developing economies** such as India and China that have an opportunity to leapfrog the break-fix model but are fighting both third- and first-world diseases.
- **Mature markets** such as the United States, Japan, and Europe that have plenty of hospitals but issues with cost containment.

Top issues

Financial

Government spending

Health care is one of the largest industries in the world, at close to 10 percent of global GDP.

However, challenging economic conditions are making it difficult for governments in many of the world's regions to devote the necessary financial resources to handle expanding health care demands, especially when they are coupled with ever-rising costs.



Drug price controls

Amid the reform-driven shift to outcomes-focused, value-based payment, and reimbursement systems, numerous countries are instituting reform-driven drug price controls.

Alternative financial and business models

Value based payment models



FFS



Shared
services



Bundles



Shared
risk



Capitation

Many providers have been hesitant to move to value-based payment models but are now accelerating their build-out of the risk-management capabilities. They need to function in a VBC-based ecosystem, but not all countries are on board with the shift to VBC payment models.

Opportunity, entrepreneurship, and favorable government policies are prompting increased use of **public-private partnerships** (PPPs) to fund infrastructure, technology, and other operational improvements.

Top issues

Financial

Health reform

US — Affordable Care Act, implementation of the “Cadillac tax”.

Implementing health care reform may produce major changes for several key sector players in **Mexico**.

Recent restructuring of **India’s** government health care budget could impact efforts to improve basic health indicators and the quality of public sector health care services.

China — shifting its focus from increasing health care service volume to enhancing provision efficiency, and is making strides in providing higher-quality care.

Top issues

Operational

Infrastructure

Numerous developing countries are hampered in their efforts to deliver health care services, especially in rural areas, by an acute lack of resources and infrastructure.



Structural



Broadband and mobile communications

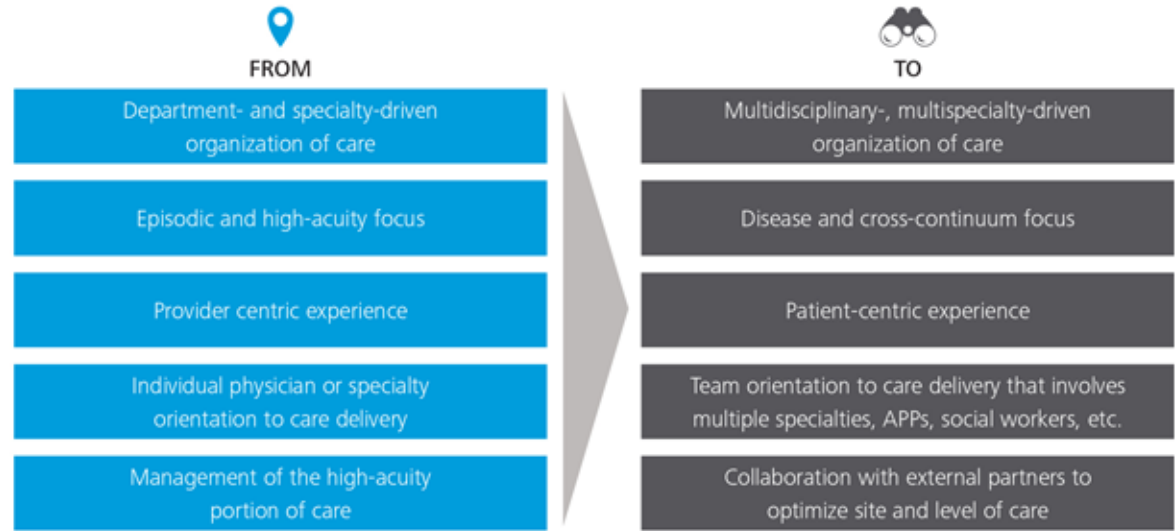


Technology infrastructure

Waste

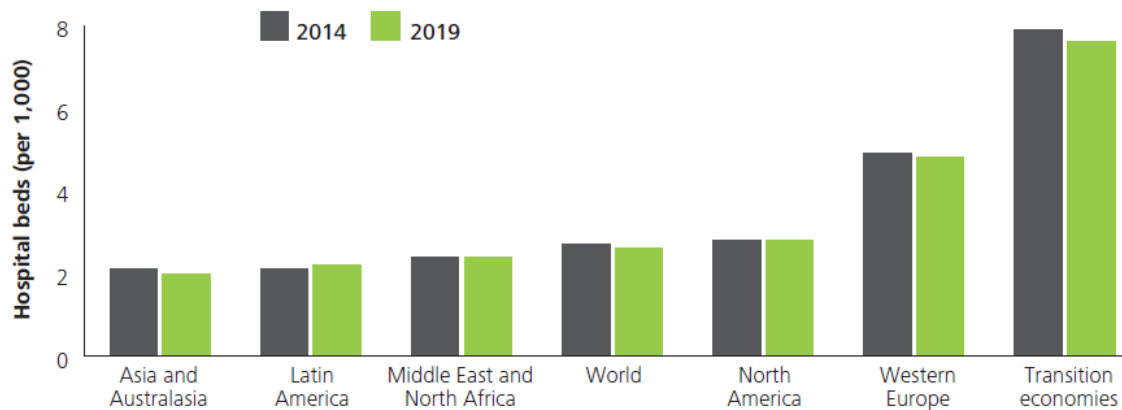
The need to deliver health care to more patients for less money requires that stakeholders continually identify ways to drive waste out of the system.

Move to a patient-centered health care provider operating model



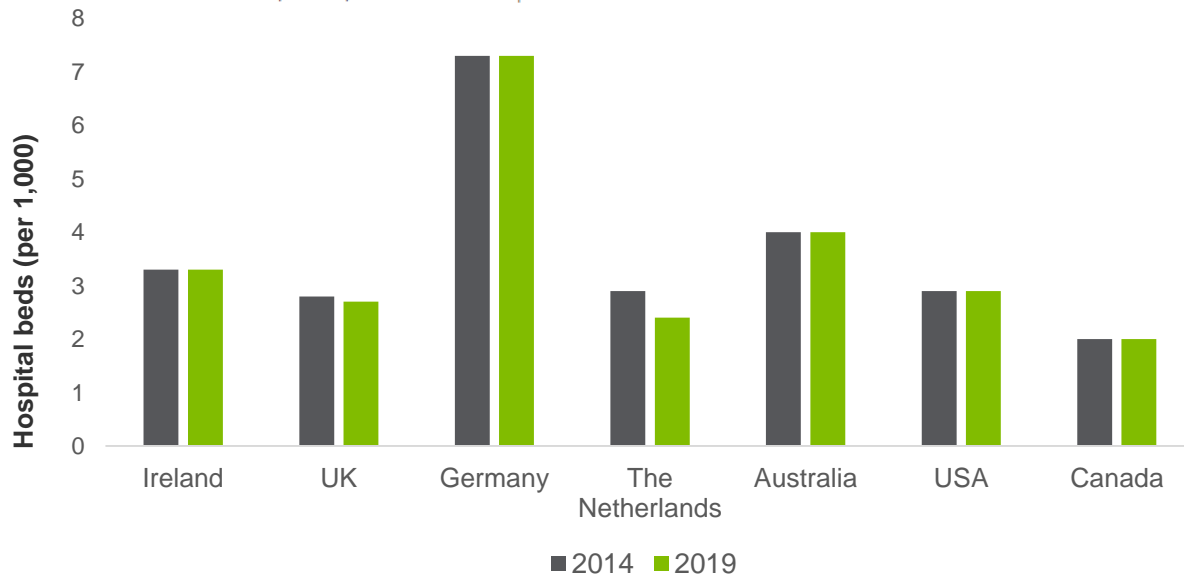
Source: HBR, "The Strategy that Will Fix Healthcare"

Hospital beds per 1,000 population



Source: DITL LSHC Industry Group analysis of EIU database (accessed July 6, 2015).

*Transition economies include Russia, Ukraine, and East-Central European countries.



Top issues

Operational

Alternative financial and operational models

Cost pressures, changing staffing models, technology advancements, and consumer preferences are creating a business case for “everywhere care.” In response, numerous health care systems are introducing alternative care delivery and operational models, such as decentralizing or “devolving” from national to local control, and shifting the spectrum of care from hospitals to lower-cost settings.



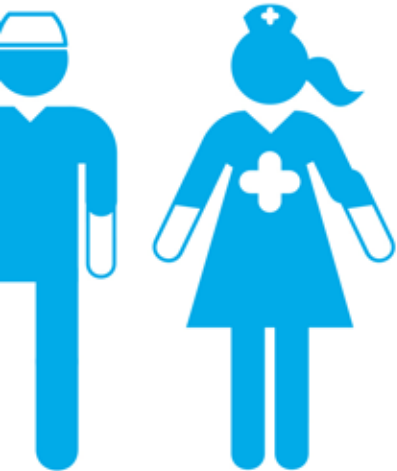
Retail clinics



Home care



Telehealth medical tourism



Talent

As their populations and health care needs grow, countries all over the world struggle to match the demand for trained medical professionals, mainly physicians and nurses. Workforce shortages are a major contributor to health care access problems in developing countries and increasing health care costs in developed countries.

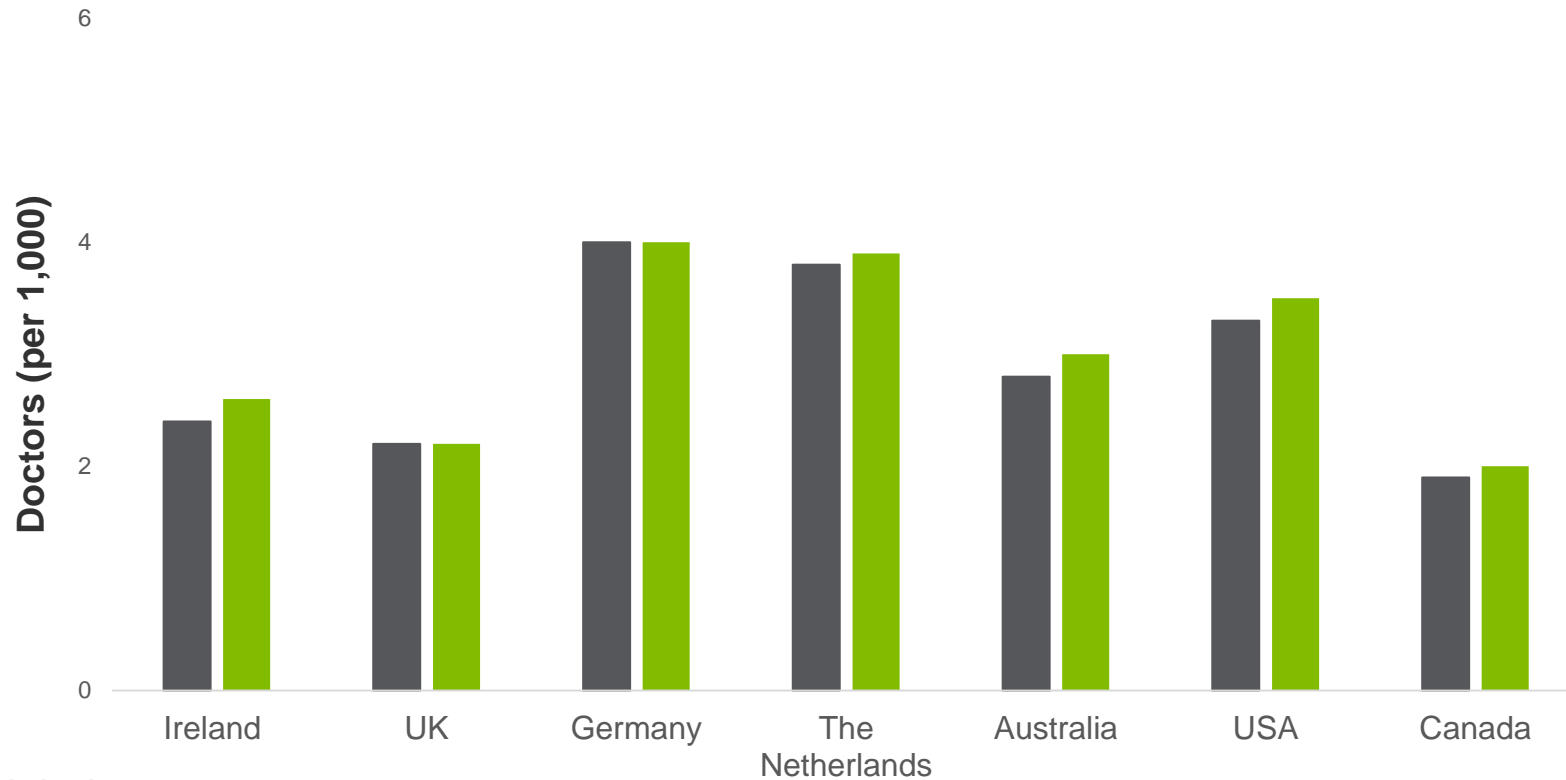
Number of doctors per 1,000 population is projected to **remain almost the same globally** between 2014 and 2019.



M&A

Spurred by market competition, reform-driven financial challenges, and persistent regulatory pressures, increasing numbers of health care providers are using M&A to **consolidate hospitals** and form **large health systems** that offer economies of scale and broader service reach.

Doctors per 1,000 population



Ireland

2.4 Doctors per 1,000 people in 2014.

2.6 Doctors per 1,000 people estimate 2019

Source: EIU database (accessed February 19, 2016)

■ 2014 ■ 2019

Top issues

Innovation

Medical advances — Unraveling the human genome, emergence of precision medicine, however, medical innovation comes with a high price tag.

Case in point — Cures for diseases like hepatitis C, but costs are substantial.

Personalized care — Shifting clinical offerings from mass generalization to mass customization.



Telehealth



mHealth



Electronic
medical
records



Wearables

Data and analytics

The combination of data and analytics is being touted as a possible missing key to unlock new sources of value for health care stakeholders.



Top issues

Regulatory compliance

Patient and product safety — Regulatory agencies focusing on off-label marketing, failures to disclose safety risks, and concerns about the clinical trial process.

Cyber security — Digitization could lead to increased cyber risks that can leave organizations vulnerable to debilitating business losses and reputational damage.



Cloud-based
attacks



Med device
security



Privileged
access



Fraud and abuse

Tracking and analyzing relationships is an important part of minimizing fraud and abuse. Increasingly, regulators are emphasizing relationship scrutiny in their fraud and abuse enforcement efforts. Use of analytics is growing to identify which improper relationships may present fraud and abuse risks.

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