

# Industries of the Future

# Health



## Powerful economic, social and technological trends mean healthcare is one of the fastest growing sectors of the world economy.

### The challenge

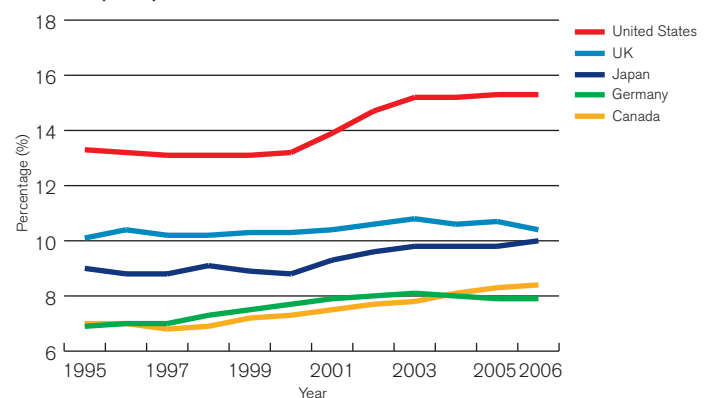
- The global population reached 6.7 billion in 2008, and is expected to surpass nine billion by 2050.<sup>1</sup> This would equate to healthcare spending in 2050 of €8 trillion, compared with €4.4 trillion in 2005.<sup>2</sup>
- An ageing global population also needs greater healthcare. Since 1950, the proportion of persons aged 60 or older has been rising steadily, moving from 8% in 1950 to 11% in 2007, and it is expected to reach 22% in 2050.<sup>3</sup>
- According to the World Health Organisation (WHO), chronic diseases<sup>4</sup>, are the leading causes of mortality globally, representing 60% of all deaths. As populations in emerging and developing economies continue to adopt western lifestyles and diets, this exacerbates the challenges posed by chronic disease.
- Communicable diseases<sup>5</sup>, are still a major cause of death and disability for millions of people, the burden falling disproportionately on those in the developing world. More generally, healthcare inequalities still persist globally.

### Markets & drivers

Changing demographics and global disease patterns present major challenges and opportunities for healthcare management, with the central aim being to deliver better quality healthcare at a lower cost. These pressures, coupled with technological innovation and greater consumer power, are leading to increased demand for healthcare goods and services.

- Increasing emphasis on prevention and early detection can improve healthcare outcomes. WHO states that 80% of premature deaths caused by heart attacks and strokes are preventable. Early detection can also reduce costs, for example early discovery of breast cancer can reduce costs by up to five or six times compared to late stage treatment.<sup>6</sup>
- The healthcare products market in 2007 was worth US\$629bn, with medical devices representing 34% of the total and showing sales growth of 6% (2007-2009E).<sup>7</sup>
- The global in vitro diagnostics (IVD)<sup>8</sup> market was estimated at US\$30bn in 2005, with growth at 6-8% a year.<sup>9</sup>
- Within healthcare services, growth is fastest in the speciality/secondary care setting (eg hospitals) compared with primary care.

**Chart 1: OECD spending on healthcare as % of Gross Domestic Product (GDP)**



Source: OECD Healthcare data, 2007  
(Organisation for Economic Co-operation and Development)



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GLOBAL INVESTORS

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“ ...the international right to the highest attainable standard of health gives rise to legally binding obligations on States... The right has a pre-occupation with disadvantaged groups, participation and accountability. It demands that health-related services are evidence-based, respectful of cultural difference, and of good quality ”

Paul Hunt, UN Special Rapporteur on the Right to Health, August 2007<sup>10</sup>

## Investment opportunities

The Health theme focuses on companies whose goods and service enhance, maintain or restore medical health. This includes companies in the following sub-themes:

- **Prevention & detection** – providing solutions to prevent or reduce the likelihood of ill health, and enabling early diagnosis so reducing potential severity
- **Treatment** – providing effective treatment, focusing particularly on areas of high need as well as significant unmet medical needs (eg cancer, HIV/AIDS)
- **Access** – providing or facilitating access to healthcare by offering key supporting goods and services

Examples of companies within the Health theme are:

- **Intercell** (Germany), involved in the research and development of vaccines to treat infectious diseases
- **Mednax** (US), a provider of maternal, newborn and paediatric physician services
- **Quest Diagnostics** (US), a diagnostic company providing testing services to healthcare organisations
- **Smith & Nephew** (UK), a healthcare company focusing on orthopaedics, wound care and endoscopy, making products to repair joints, skin, soft tissue and bone

## Notes:

- 1 <http://www.unfa.org>
- 2 If growth rates remain stable from 2020. Philips Electronics, '2007 Sustainability report'
- 3 Philips Electronics, 2007 Sustainability report
- 4 Chronic diseases such as heart disease, stroke, cancer, chronic respiratory diseases and diabetes
- 5 The most significant in terms of global health burdens include HIV/AIDS, malaria and TB
- 6 Refers to early discovery in Stage 1 vs late Stage 4 treatment, GE healthcare conference presentation, Sept 2007
- 7 Goldman Sachs, 'Medical devices presentation: go defensive due to consumer headwinds', February 2008
- 8 In vitro diagnostics is the process of diagnosing disease 'outside' of the body. For IVD, a sample is taken from the patient e.g. blood, and sent to a lab for analysis, with the results used to determine a diagnosis and course of treatment for the patient.
- 9 Goldman Sachs, 'Medical devices presentation: go defensive due to consumer headwinds', February 2008
- 10 Presentation by Paul Hunt, 'The millennium development goals and the right to the highest attainable standard of health', The John D. and Catherine T. MacArthur Foundation International Lecture Series on Population Issues, Abuja, 21 August 2007

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