



# Healthcare and Medicine sector

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# Introduction



The healthcare industry (also called the medical industry or health economy) is an aggregation and integration of sectors within the economic system that provides goods and services to treat patients with curative, preventive, rehabilitative, and palliative care. It includes the generation and commercialization of goods and services lending themselves to maintaining and re-establishing health. The modern healthcare industry includes three essential branches which are services, products, and finance, and may be divided into many sectors and categories and depends on the interdisciplinary teams of trained professionals and paraprofessionals to meet the health needs of individuals and populations.

Industries within the healthcare sector:

## **Drugs**

Drug manufacturers can further be broken down into biotechnology firms, major pharmaceutical firms, and makers of generic drugs. The biotech industry consists of companies that engage in research and development to create new drugs, devices, and treatment methods.

## **Medical equipment**

Medical equipment makers range from firms that manufacture standard, familiar products—scalpels, forceps, bandages, and gloves—to those that conduct cutting-edge research and produce expensive, hi-tech equipment, such as MRI machines and surgical robots. Medtronic PLC is an example of a medical equipment maker.

## **Healthcare facilities**

Healthcare facilities firms operate hospitals, clinics, labs, psychiatric facilities, and nursing homes. Examples include Laboratory Corp. of America Holdings, which operates facilities that perform blood tests and other analyses, and HCA Healthcare Inc., which operates hospitals and other healthcare facilities in the U.S. and U.K.

# Market Dynamics

The healthcare industry is experiencing a period of change, and five key factors are driving this development, according to a new report.

The five factors the report points to are the:

- **The growing influence of consumerism:** Patients now have far more access to data and are more plugged into finding the care options that best benefit them--and their bank accounts, according to the report. Price transparency allows them to shop, and programs that connect and inform consumers are becoming more common.
- **Transition to value-based care:** This is the factor most likely to produce immediate, wide-scale results, according to the report, as the Centers for Medicare & Medicaid Services push for alternative payment models in its programs. The shift could produce new sources of revenue for healthcare facilities.
- **Widespread use of technology:** In addition to the adoption of electronic health records, new technologies are changing the way clinicians provide care and how patients can connect with the industry, according to the report. Artificial intelligence programs like Watson and precision medicine genomics expand the realms of individualized healthcare.
- **Decentralization of care:** Remote patient monitoring and virtual clinics bring care directly to patients, instead of bringing consumers to a centralized location, according to the report. This means consumers can obtain care wherever and whenever they want.
- **Increased focus on wellness:** Patients, insurers, and healthcare employees all benefit from this trend, according to the report. Encouraging patients to eat better and exercise more, for instance, improves their overall health, and offering wellness programs in-house reduces burnout among staff members.



# Economic Overview



The COVID-19 (coronavirus) pandemic indicated more than ever the need to strengthen national health systems' preparedness and capacities and to ensure the continuity of essential health services, particularly for women, children, and adolescents. Achieving Universal Health Coverage (UNIVERSAL HEALTH CODE) is at the core of these efforts. The World Bank Group ("WBG") is supporting countries' efforts towards this goal and to provide quality, affordable health services to everyone –regardless of their ability to pay– by strengthening primary health care systems and reducing the financial risks associated with ill health, and increasing equity.

The latest World Bank/World Health Organization research shows that already before the pandemic more than half a billion people were pushed or further pushed into extreme poverty because they had to pay for health services out of their own pockets. The COVID-19 pandemic will likely have made the situation worse and halt two decades of global progress towards Universal Health Coverage.

In addition, by disrupting the delivery of essential health services, the pandemic affected years of hard-won gains in health and human capital outcomes, especially for the most vulnerable groups such as women, children, and adolescents. Ensuring that every woman and child has access to health care is also fundamental to ending poverty, building robust economies, and achieving Universal Health Code.

The Global Financing Facility for Women, Children, and Adolescents ("GFF"), a multi-stakeholder partnership hosted at the World Bank has been supporting countries with the world's highest maternal and child mortality burden and financial needs. Since the GFF was founded in 2015, partner countries have made significant progress to improve maternal and child health.

# Emerging Trends

Following are the emerging trends in the healthcare and medicine sector:

## 1. Rise of telemedicine and virtual healthcare services

The increasing use of telemedicine and virtual healthcare services is a major trend to watch. Due to the COVID-19 pandemic, telehealth became an essential tool for providing remote patient care, and it is expected to continue to grow in popularity, particularly in North America where advanced healthcare technologies are adopted at a high rate. The global telemedicine market was estimated at \$104.44 billion in 2021, and it is projected to rise to \$272.76 billion in 2027, growing at a robust compound annual growth rate ("CAGR") of 20.5% over the forecast period, according to the recently published report *Telemedicine Market – Growth, Trends, COVID-19 Impact, and Forecasts (2023-2028)* by Mordor Intelligence.

## 2. Growth of AI and machine learning in healthcare

Another trend is the increasing use of artificial intelligence ("AI") and machine learning ("ML") in healthcare. AI and ML can be used to analyze patient data, detect patterns, and improve clinical decision-making. They can also be used to personalize treatment plans and improve patient outcomes. For example, the company Caption Health—which is in the process of being acquired by GE Healthcare—developed a clinical application that uses AI to assist in conducting ultrasound scans to identify signs of heart failure. This technology can be used by non-specialists, making it more accessible and affordable for patients.

## 3. New wearables and remote monitoring devices

Another trend is the increasing use of wearables and other remote monitoring devices. Wearables can track a patient's health status, including their heart rate, blood pressure, and physical activity. Remote monitoring devices can also be used to help manage chronic conditions, such as diabetes or hypertension, and provide real-time data to healthcare providers.



#### 4. Value-Based Care Gains Momentum

A shift towards value-based care was also highlighted by market analysts. In value-based care, healthcare providers are paid based on patient outcomes rather than the volume of services they provide. This unique model could help address unsustainable levels of healthcare spending in countries like the U.S.

“This value-based care (“VBC”) model aims to offer better outcomes and care quality to patients cost-effectively,” according to the report US Value-Based Care for Medical Technology Growth Opportunities by Frost & Sullivan. “Multiple stakeholders, including payers, healthcare providers, and medical technology (MedTech) players, can share the revenue risk and incentive for providing better value. The United States is a pioneer in VBC adoption, followed by countries in Western Europe.”

Value-based care has experienced a surge in momentum recently; investment quadrupled during the pandemic, per McKinsey & Company, and the model has the potential to benefit both patients and investors.

#### 5. Importance of Healthcare Cybersecurity

The final trend is the pressing need for healthcare cybersecurity. With the increasing amount of patient data being stored and transmitted electronically, healthcare providers are facing growing security risks. Cyberattacks can compromise patient data, disrupt healthcare services, and damage a provider's reputation.

In 2020 alone, the number of hacking incidents reported in healthcare jumped 42% in North America, as cybercriminals sought to exploit a vulnerable period for already strained health systems, according to Healthcare Cybersecurity Market – Global Outlook & Forecast 2021-2026.

To prevent these types of nightmare security breaches, healthcare providers are investing in cybersecurity measures, which will boost the healthcare cybersecurity market growth.



# Major Investments



Following the pandemic, we are witnessing many countries around the world facing difficulties in making improvements to their healthcare systems –or even getting them back on track. India is no different. This is despite Indian healthcare services making steady progress over the last decade.

Contrary to the size of the country and its disproportionate disease burden, the provision of healthcare remains largely inadequate with high regional disparities and inequitable access. Healthcare services have attracted around \$7 billion of private equity investment in the past decade, but less than a third has gone into new capacity additions; the rest are secondary transactions where investors have secured exits. Even so, compared with the estimated capital need of at least \$35 billion over the next decade to bring India close to the World Health Organization ("WHO") prescribed minimum per capita hospital bed, it is not enough.

Through our investment journey in this sector, we have identified four clear lessons on investing in healthcare. First, healthcare delivery is a long-gestation play. It takes time for an operator to establish clinical prominence and franchise value. This is important because we see consistently that medical excellence trumps convenience, with patients preferring to travel to superior medical centers regardless of cost, whether financial or physical. This long-term outlook requires a patient investor that can align its investment horizon or provide flexible risk-weighted capital in order to achieve value and the best outcomes for patients. Operators must build deeper regional presence and clinically tiered 'hub and spoke' models to optimize their returns.



Second, as healthcare is an important societal need, profit and purpose are deeply entwined. Navigating this isn't always easy for investors, so our institution developed a framework in partnership with experts at Imperial College, London to measure the impact a provider can create. The impact could be across four key dimensions –access, quality, workforce, and stewardship. By using this framework, operators can either work towards improving equity of access and making quality care affordable at scale for patients or bring in a systemic ecosystem change by developing their workforce or pioneering different clinical approaches.

Third, the maturity of the healthcare sector in a country can be seen in the relative weightage of these dimensions—private investment is skewed towards quality and stewardship in a relatively nascent and underdeveloped healthcare sector, followed by a gradual shift towards access and affordability as the sector matures. We see this trend playing out in emerging markets in South Asia and Africa. India, interestingly, presents both contrasting trends, where large urban-focused private operators and investors alike remain apprehensive of expanding in smaller towns and rural markets on account of a high-cost structure and limited availability of talent. Addressing this will require an active private-public collaboration and the use of catalytic capital to build last-mile access and to demonstrate viable 'hub and spoke' models.

Last but not least, the need for continued focus on both human resource development and ESG (Environmental, Social, and Governance) standards is vital. For both clinical and non-clinical staff, India lags the prescribed per-capita need, which constrains growth, and skews costs especially in non-urban areas where the workforce gap is much higher. In addition, healthcare is among the few sectors, which is favored with a high women workforce participation and gives an opportunity to advance quality economic access further. In our experience, a strong independent board is key to driving these ESG initiatives and building a sustainable healthcare institution



# How we can help?



- **Continuous learning and professional development:** The team can stay informed about ethical and legal best practices in our respective fields. Engaging in continuous learning and professional development helps us stay updated on new laws and regulations, industry standards, and ethical frameworks;
- **Advocacy and influence:** The team can use our voice and influence to advocate for ethical business practices and contribute to discussions on ethical and legal issues within our professional networks, industry associations, and communities;
- **Engaging in social responsibility:** The team can actively participate in corporate social responsibility initiatives, volunteer programs, or community engagement activities organized by businesses. By contributing our time and resources, the team can help businesses address social and environmental challenges;
- **Collaboration and partnerships:** Businesses, professionals, government bodies, and civil society organizations can collaborate and form partnerships to address ethical and legal challenges collectively. By working together, we can share best practices, develop industry standards, and advocate for regulatory reforms that promote ethical conduct.

## SERVING CLIENTS WORLDWIDE



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