

Press Release

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Groundbreaking Report Identifies Best Practices Around the World to Fixing Ailing Health Systems; Identifies Seven Key Features for Sustaining National Health Systems

PricewaterhouseCoopers Calls on Healthcare Organizations and Governments to Look Beyond Their Own Borders for Solutions

Brussels, November 7, 2005 – Faced with rising costs, diminished resources and growing demands, healthcare systems around the world are under siege and many will be unsustainable in 15 years unless fundamental change occurs. The crisis is prompting healthcare organizations and policymakers to seek urgent solutions in unlikely places – outside their own borders. In a groundbreaking report released today, PricewaterhouseCoopers Health Research Institute unveils results of the largest global healthcare survey of its kind, identifying best practices from around the world that will sustain health systems for the future.

Concerns about sustainability are growing as costs seem to be running out of control. PricewaterhouseCoopers projects that global healthcare spending will triple over the next 15 years to \$10 trillion, consuming 21 percent of gross domestic product in the U.S. and 16 percent of GDP in other OECD countries. Financing future demand is crippling national health systems and economies because the consumption of healthcare resources is greater than health systems can support. Creating a sustainable health system, one that balances cost controls with the need to provide citizens with safe, quality care, will be not only a moral obligation but also a global economic imperative, according to PricewaterhouseCoopers.

“The approach to healthcare solution-seeking has traditionally been local, parochial and highly territorial, particularly when it comes to financing schemes,” said Jim Henry, global leader for Healthcare with PricewaterhouseCoopers. “But conventional approaches are failing, and it is time to break down the barriers, both within the health industries and across national boundaries. While no country has all the healthcare answers, the solutions are out there. Many are in practice. The lessons being learned can and should be transferable if we only open our minds and our eyes.”

The report called *HealthCast 2020: Creating a Sustainable Future* includes survey results of 578 healthcare executives, policymakers and employers to assess their opinions about health systems sustainability. PricewaterhouseCoopers also conducted in-depth interviews with more than 120 healthcare thought leaders in 15 countries, including Australia, Canada, Europe, India, the Middle East, Japan, Singapore, South Africa, the United Kingdom and the United States. Key findings of PricewaterhouseCoopers HealthCast 2020 global survey include:

- **Health spending is accelerating:** More than half of survey respondents agree that future healthcare spending is accelerating at a greater rate than in the past. Health spending growth rates of OECD countries are expected to converge, although spending in the U.S. is expected to remain highest in the world, currently accounting for 53 percent of health spending in all OECD countries versus 47 percent for all 23 other OECD countries combined. While consumers are increasingly interjected as a solution to rising health spending, government, hospitals and physicians are seen as having the most opportunity to eliminate wasteful spending in healthcare. Patients were cited as fourth.
- **There is wide support for shared financial responsibility among private and public payers.** More than 75 percent of survey respondents believe that financial responsibility should be shared. Only a minority of industry leaders in the U.S. Canada and Europe think that a sustainable system is one that is mostly tax-funded. Even in systems where healthcare is primarily tax-funded, such as in Europe and Canada, only 20 percent of respondents favored that approach. More than 50 percent of respondents globally said that a mix of competition, taxpayer funding of some or all of healthcare, regulated cost controls and cost sharing by patients are important to sustaining their health system.
- **Demand management has untapped potential to enhance health status and reduce costs.** Preventive care and disease management were cited as most important to reducing healthcare costs and demand on healthcare systems. Four in ten respondents said that direct cost sharing by patients is effective or very effective method to manage demand for healthcare services. Lack of care integration is seen as the biggest problem facing the health delivery system, according to more than 80 percent of respondents.
- **Interest in consumer-directed care is intensifying across the world.** As patients assume a greater share of healthcare costs, they also will demand greater accountability and are increasingly questioning the “value” of healthcare spending. Their trust of the health system will depend on meeting growing demand for increased transparency around cost, quality and safety. Eight in ten executives surveyed said that transparency in quality and pricing is important to future sustainability. Eight-five percent of organizations surveyed have already initiated pay-for-performance initiatives. But two-thirds of respondents believe hospitals are unprepared to meet the challenges of empowered consumers.
- **Information technology is an important enabler to resolve healthcare issues, not a solution in and of itself.** Approximately three-quarters of respondents viewed information technology as most important to integrating care (74 percent) and information sharing (78 percent). A smaller percentage sees IT as important for improving patient safety (54 percent) or restoring patient trust (35 percent).

“Innovative solutions to common healthcare challenges are emerging, primarily involving technological innovation, preventive care and patient-focused business models,” said Sandy Lutz, director of research for PricewaterhouseCoopers Health Research Institute and author of the report. “These solutions are changing the way the Chinese think about financing hospitals,

Americans recruit physicians, Australians reimburse providers for care, Europeans embrace competition and Middle Eastern governments build for future generations. More important, they are improving health outcomes while saving money. “

HealthCast 2020 provides a context for understanding global healthcare trends and imparts transferable lessons about what’s working. It identifies seven common features for sustainability that include: the urgent need for common ground among stakeholders; a digital backbone; incentive realignment; quality and safety standardization; strategic resource deployment; innovation and process change; and adaptable models of care delivery centered on the needs of patients.

The report describes the global and industry wide convergence of healthcare as best practices are shared. This convergence, borne out of necessity and collaboration, will further blur the lines among pharmaceuticals, life sciences, providers, payer and clinicians, and the role that each plays in reducing costs, providing delivery care, creating access and ensuring patient safety.

In addition, healthcare is going global, just as other industries such as manufacturing and technology have before it. The globalization of healthcare is illustrated with numerous case studies through the report. For example, the U.S. is now turning to Indian and Australian companies for outsourcing radiology readings. The United Kingdom built a patient safety reporting system, using the same concept as the U.S. aviation safety system. Pharmaceutical manufacturers are moving clinical trials from the U.S. and Europe to India. The Philippines is exporting nurses around the globe. Australia enhanced the U.S.’s use of diagnostic-related groups (DRGs) to clinical coding, and Singapore, France and Germany are subsequently adapting this system.

About the PricewaterhouseCoopers Health Research Institute

PricewaterhouseCoopers Health Research Institute provides new intelligence, perspective and analysis on trends affecting all health-related industries, including healthcare providers, pharmaceuticals, health and life sciences and payers. The Institute is part of PricewaterhouseCoopers’ larger initiative for the health-related industries that brings together expertise and allows collaboration across all sectors in the health continuum.

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Notes to Editors

About PricewaterhouseCoopers

PricewaterhouseCoopers (www.pwc.com) provides industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 130,000 people in 148 countries work collaboratively using connected thinking to develop fresh perspectives and practical advice.

“PricewaterhouseCoopers” refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Members of the media interested in a complete copy of PricewaterhouseCoopers HealthCast 2020: Creating a Sustainable Future report, or any charts, graphs and maps may contact: valerie.vandenbemden@pwc.be.

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