

## Healthcare: investing for the 21st century and beyond

Warren Buffett has described US healthcare as the “tapeworm of the economic system”, suggesting that the constant rise in healthcare costs is taking away companies’ ability to compete. Further, this is also inhibiting the free movement of talent within the workforce at large.

In 1960, the cost of healthcare per person in the US was \$146. Today, it is \$10,739<sup>1</sup>. As this represents a move from 5% of GDP in 1960 to nearly 18% in 2017, employers have pushed some of this cost onto their employees. Now consumers have skin in the game, it is hardly surprising they are pushing back.

It is overly simplistic for politicians and others to place the onus solely on the biopharmaceutical industry. There is a wealth of data to show the opposite – adequately prescribed medications are extremely cost-effective investments<sup>2</sup>. Healthcare systems are complicated; there is no ‘magic bullet’ solution.

The real story is individuals all over the world are taking on more responsibility, and cost, for their healthcare yet having to operate within a marketplace that is unfriendly, inefficient and lacks transparency. There is plenty of room for improvement though it is easier said than done. Healthcare delivery systems and related supply chains are complex as well as highly regulated so, while not impossible, it is going to take time.

There is a lot of noise on the unacceptable state of healthcare, though the reality is that the healthcare industry, together with regulators and government bodies, have been hard at work to deliver improvements. When speaking about Berkshire Hathaway’s healthcare collaborative effort with JPMorgan and Amazon, Warren Buffett readily acknowledges the challenges are great and that there are no easy answers but it is an area where the private sector tends to lead.

The answers likely lie in readily accessible data and making this data work much harder than it does today. The good news is that most healthcare systems have transitioned from being paper-based to an electronic system using increasingly cloud-based medical records. While it is a huge step forward it is largely underappreciated as the functionality to date is limited, partly down to cost and time to implement the IT systems and partly the limited ability to share the data. Ensuring medical information privacy laws, security of data and regulation requirements are met are mission critical before patient information can be securely shared in a virtual healthcare marketplace.

Previously, investors played an important role and shared in the success of bringing 21<sup>st</sup> century treatments to the marketplace. For these to reach those who would benefit most, we now have the opportunity to address the outdated healthcare systems within which patients are assessed and futuristic treatments are administered. While innovative breakthrough treatments and procedures will always be welcomed, patients’ greatest unmet medical need today is a marketplace within which they can easily see and readily appreciate the variety of world-class medical options available to them.

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<sup>1</sup> <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsHistorical.html>

<sup>2</sup> <https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.2012.1074> or Cosgrove et al. Health Affairs 32, No. 2 (2013): 321–327

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