



CR Strategy

Wealth and Health: Reframing healthcare costs as economic investments

Novartis Materiality Assessment Webinar Series

July 30, 2020

 **NOVARTIS** | Reimagining Medicine

Agenda



- **Welcome**

- Access to healthcare as major material issue cluster
- Health investment as an economic stabilizer
- Governmental and public expectations
- Facilitating the dialogue about resilient health systems
- How to reframe healthcare costs as economic investments?
- Open Q&A



Jeff Sturchio

Welcome

- Duration: **1 hour**
- At any time, we invite you to **type your questions** in the Q&A box
- If you are **struggling to connect**:
 - Audio is typically more reliable over a telephone/mobile line than computer audio.
 - Close other applications not in use, especially those that take bandwidth (e.g. email and additional internet browser tabs).
 - Connect to the internet via cable rather than wireless, if possible.

Welcome



Jeff Sturchio
Chief Executive

Rabin Martin



Prof. Dr. Dennis A. Ostwald
CEO

WifOR Institute



Alan Donnelly
G20 Health & Development
Partnership

Sovereign Strategy



Dan Casserly
Group Head Public Affairs

Novartis

Agenda

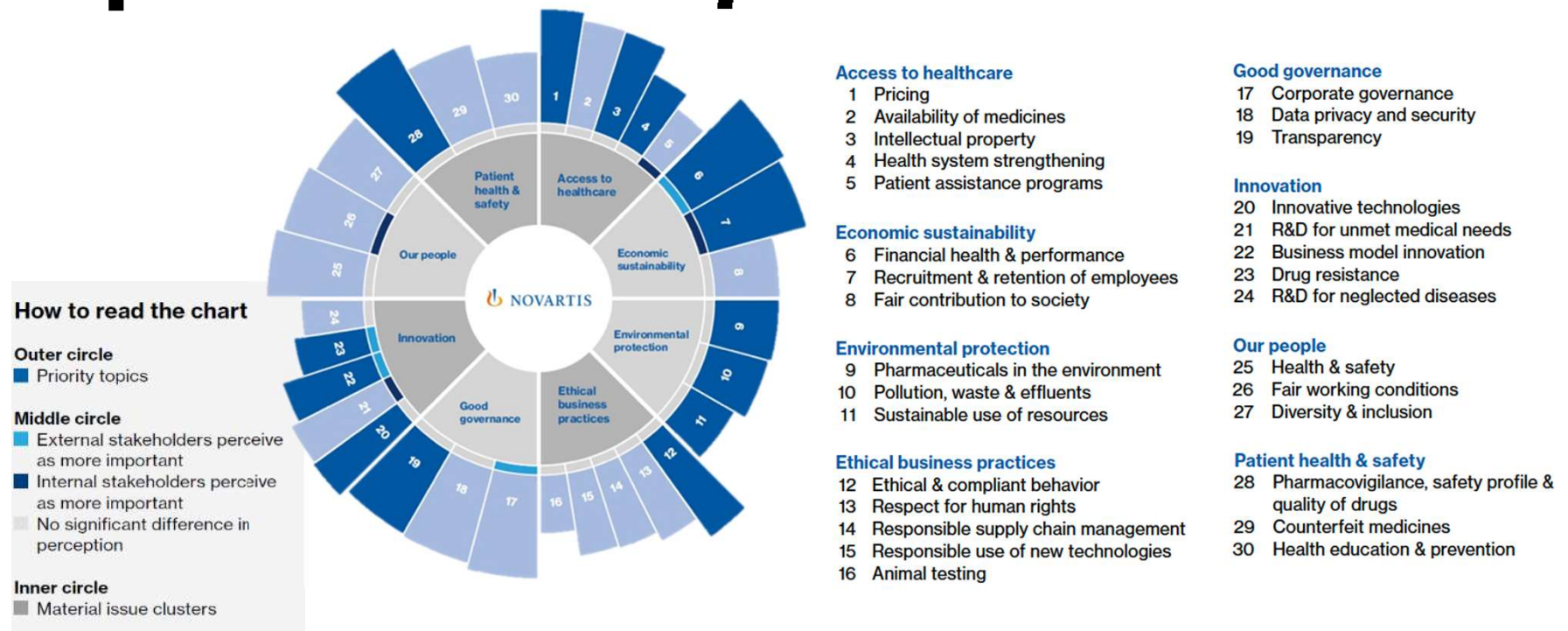


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Jeff Sturchio

2017 Results at a glance show each topic's relative importance



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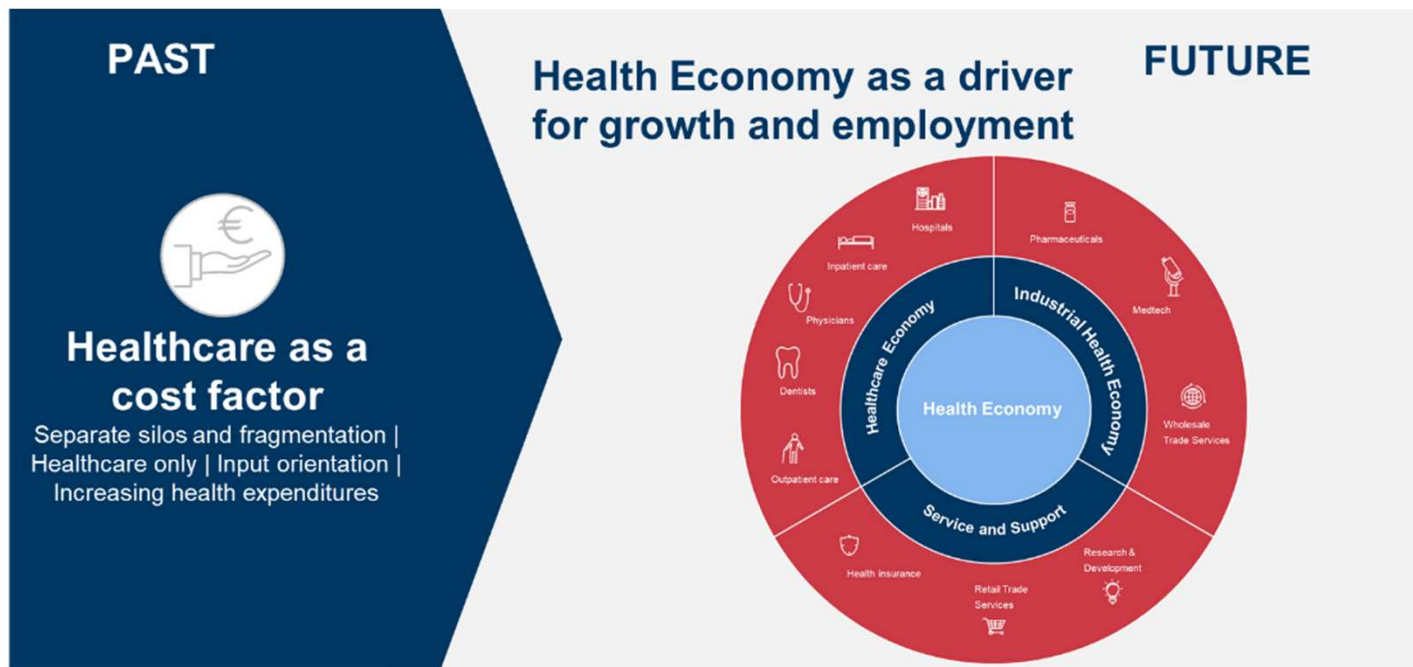


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Prof. Dr. Dennis Ostwald

Paradigm shift – From a cost factor to a driver for growth and employment



Health expenditures are seen only as a cost and not as an investment



Governments aiming to keep costs down

Over 80% of current health spending from pooled sources

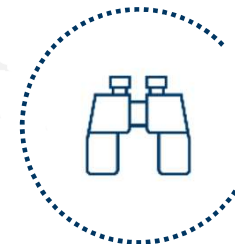
Public budgets on health are overstretched across the globe



Increasing health expenditures are necessary to achieve SDGs

SDG 3 “Ensure healthy lives and promote well-being for all at all ages”

Annual new investments of up to USD 371 billion are required in lower- and middle-income countries to achieve SDG 3 (WHO estimate)

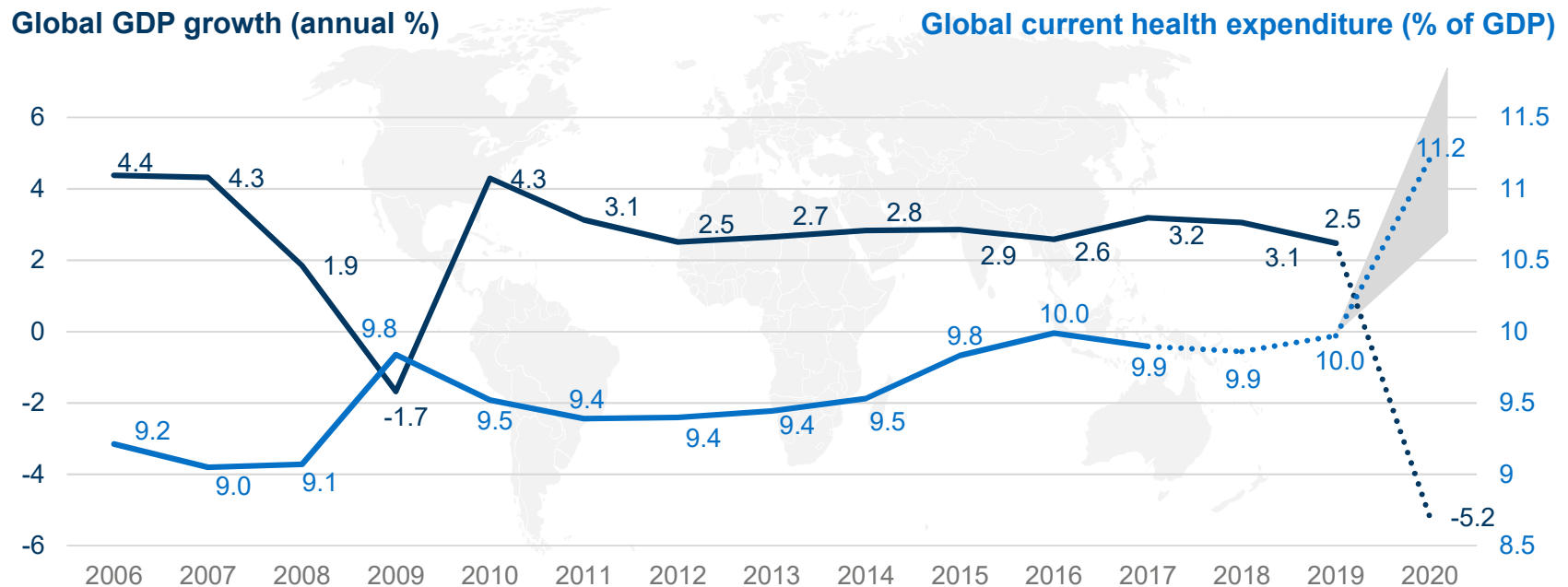


Health expenditures are expected to increase to USD 11.0 trillion by 2030

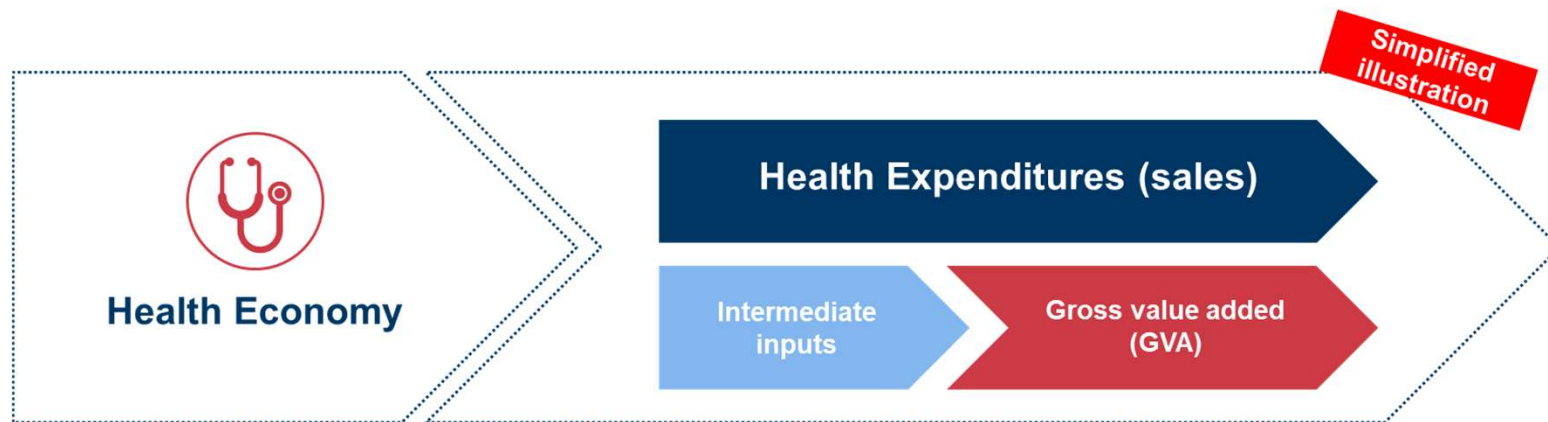
Health spending set to outpace GDP growth

Convincing the right stakeholders to invest in health and cost-effective solutions is decisive for sustainable growth

During crises, health expenditures are essential to stabilize the economy



From health expenditures to gross value added of the Health Economy



- Health expenditures do not translate into GVA if intermediate inputs are high or products are not produced domestically.
- Conversely, if a country exports many products of the Health Economy, the share of the sector can be higher than the share of health expenditures.

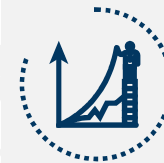
The Health Economy created USD 5.6 trillion and supported 183 million jobs

5,600 ^{bn} USD
Gross value added (GVA)
in 2014

7.6 %

Share in global GVA

2x 



WifOR estimate
for 2020

9.3 %

Share in global GVA

183 Million

Labor force
in 2014

5.8 %

Share in global labor market

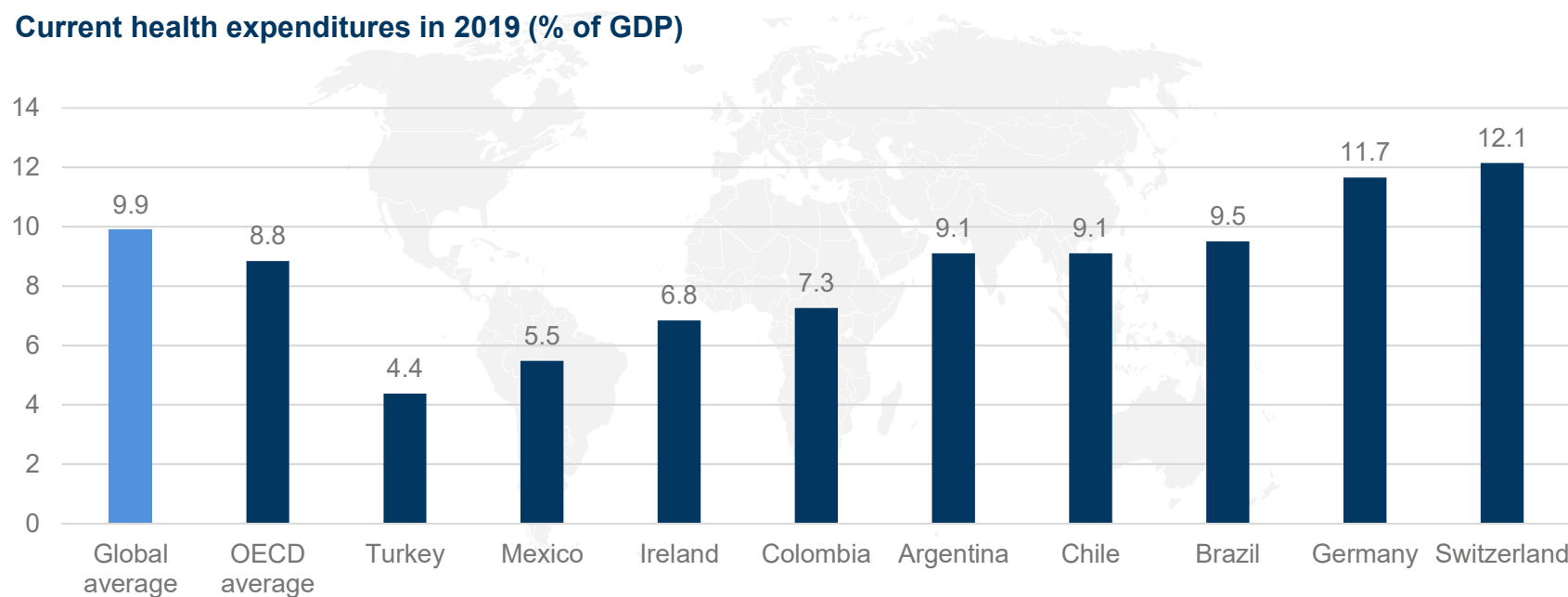


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Investments in health differ substantially between countries

Current health expenditures in 2019 (% of GDP)



Higher health expenditures result in stronger Health Economies

							
	Brazil	Mexico	Colombia	Argentina	Turkey	Global	Germany
Share of health expenditures in GDP in 2017	9.5 %	5.5 %	7.2 %	9.1 %	4.2 %	9.9 %	11.2 %
Share of Health Economy in GDP in 2017	7.2 %	5.3 %	6.8 %	8.8 %	4.1 %	8.0 %	12.0 %
Labor force share in overall economy in 2017	7.4 %	5.6 %	7.4 %	8.6 %	5.7 %	6.2 %	17.0 %

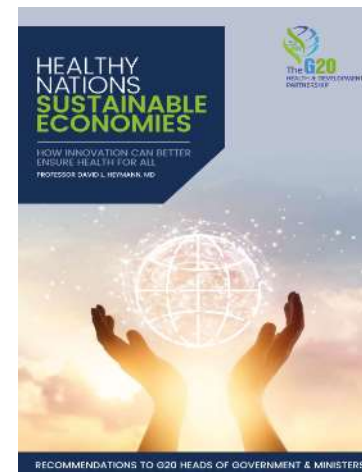
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Alan Donnelly



Health care spending must not be viewed as disaster relief

“For its first report, the Global Preparedness Monitoring Board reviewed recommendations from previous high-level panels and commissions following the 2009 H1N1 influenza pandemic and the 2014-2016 Ebola outbreak, along with its own commissioned reports and other data. The result is a snapshot of where the world stands in its ability to prevent and contain a global health threat. Many of the recommendations reviewed were poorly implemented, or not implemented at all, and serious gaps persist. For too long we have allowed a cycle of panic and neglect when it comes to pandemics: we ramp up efforts when there is a serious threat, then quickly forget about them when the threat subsides. It is well past time to act”.

Foreword – Global Preparedness Monitoring Board Annual Report 2019.



"A devastating epidemic can start in any country at any time, and kill millions of people, because we are not prepared, because we're still vulnerable". — @Dr. Tedros, 2018



Health as a political priority

- The first ever G20 Health Ministers meeting was held under the German Presidency in 2017.
- The first joint Health and Finance Ministers meeting was held under the Japanese presidency in 2019.
- Public Health is not currently considered as a factor in the IMF Article 4 multi-lateral surveillance process which measures national economic resilience



Actions for leaders to take



- Heads of government must commit and invest in health.
- Countries and regional organizations must lead by example.
- All countries must build strong healthcare systems.
- Countries, donors and multilateral institutions must be prepared for the worst.
- Financing institutions must link preparedness with economic risk planning.
- Development assistance funders must create incentives and increase funding for preparedness

Achieving the health-related SDGs

- There are currently USD 200 Trillion existing in capital markets globally. 1% of global capital market can be used to close the entire SDG gap. (USAID 2019)
- Less than 50% of that would close the gap in Health-related SDGs.
- Currently, Green bonds are worth around USD 1 trillion, about 1% of the world bond market.
- Isn't it finally time to Act?



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Dan Casserly

COVID-19 is likely to cause the worst global recession since World War II



According to the latest forecasts, the global economy will shrink by **4.9%** (IMF) to **5.2%** (World Bank).



Advanced economies to shrink 7%

Disruption of domestic demand and supply, trade, and finance



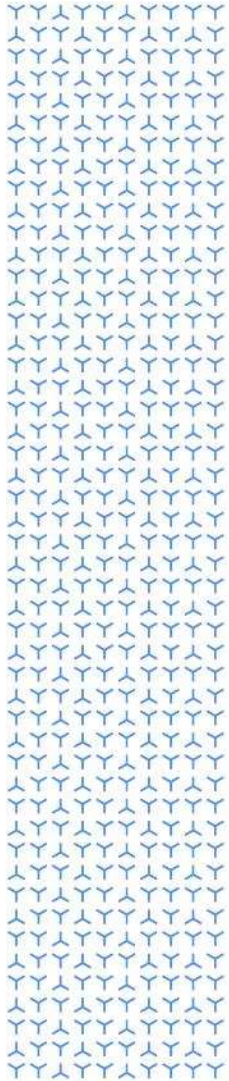
Emerging market and developing economies to shrink 2.5%

Per capita incomes to decline by 3.6% putting millions of people into extreme poverty



Regional outlooks differ substantially

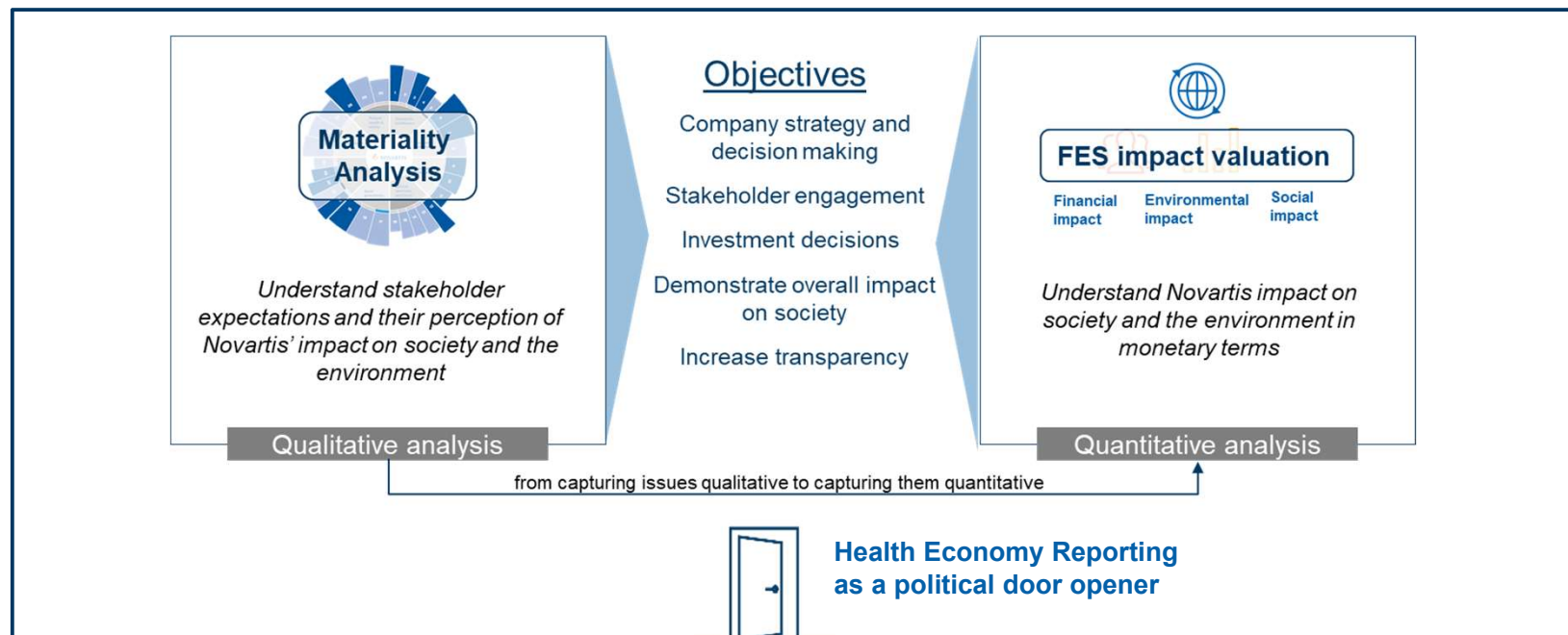
Europe + Central Asia: - 4.7%
Latin American + Caribbean: - 7.2%
Sub-Saharan Africa: - 2.8%



“There is a critical need to invest in resilient health care systems that prioritise national health security in order to prevent and mitigate similar crises”

Global Economic Prospects. World Bank June 2020.

Health Economy Reporting paves the way for Novartis existing reporting



Examples of Novartis engagement with policy makers and government stakeholders



EU Health Coalition



Improving lives of patients with sickle cell disease in India



Making Cancer a policy priority



Policy papers and senior management engagement in China

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How to reframe healthcare costs as economic investments?



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Thank you for your attention!

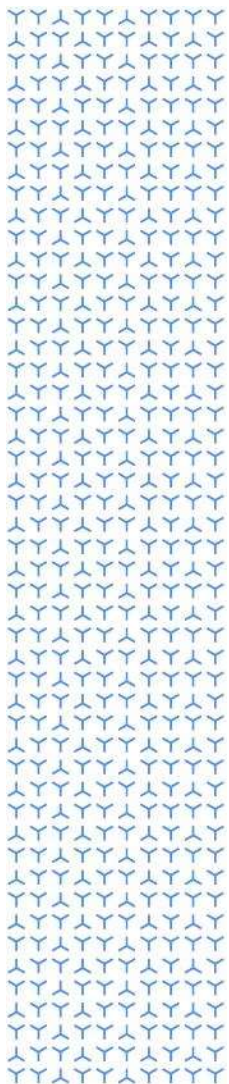
For more information...

1. Our Website: www.Novartis.com
2. CR Materiality Assessment Results Report 2017
3. Novartis In Society Report 2019

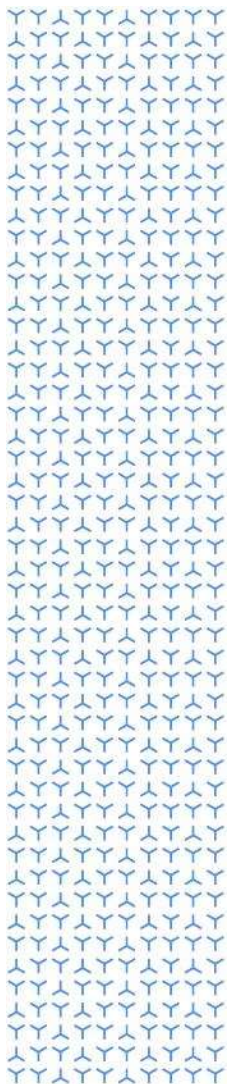
Any feedback? Please fill out the short survey by scanning the QR code.

Other inputs? Write us an email to cr.materiality@novartis.com





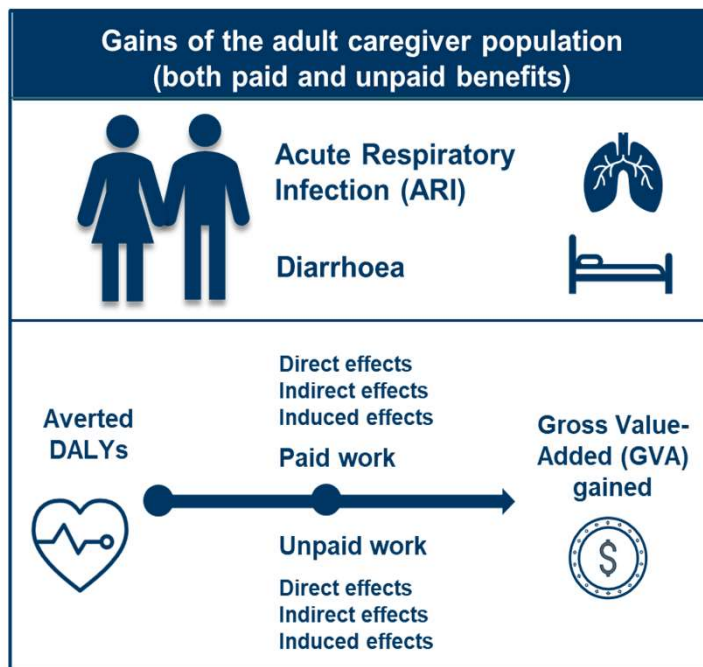
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Backup

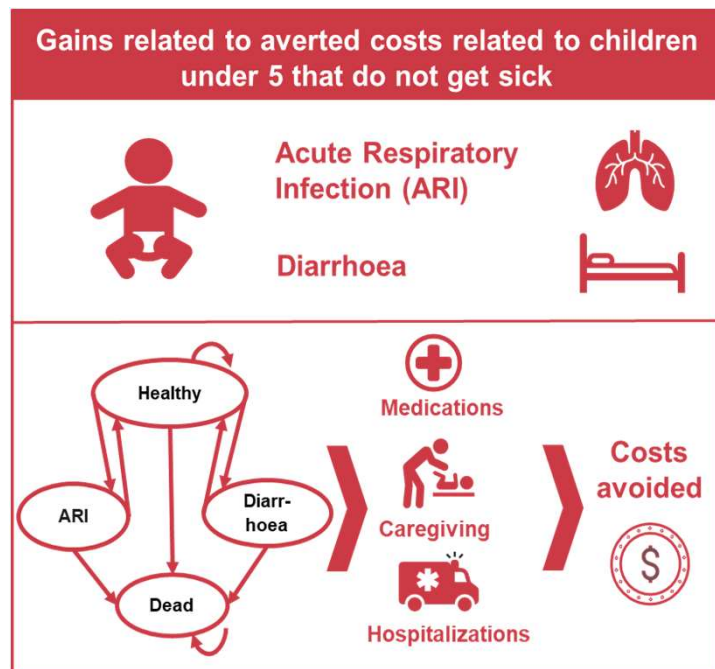
Old slides already published

ADALYs analysis of the adult population



- We developed a Markov model to analyze the effect (costs and health outcomes) of the intervention regarding the two diseases “Diarrhoea” and “ARI”
- Input parameters for the model were obtained from comprehensive literature review and online databases
- We developed two scenarios with four different health states and several transition probabilities
 - Scenario 1: No intervention
 - Scenario 2: Intervention
- Outcome
 - Costs: Caregiver, Medication, Hospitalization
 - Health outcome: DALYs

Extended analysis: Markov modelling for population under 5 years



- We analyzed averted disability adjusted life years (ADALYs) in combination with Rwanda-specific Gross Value Added (GVA) parameters to quantify the Social Impact of the adult population
- Input parameters for the model were obtained from comprehensive literature review and online databases
- We used the methodology developed by WifOR for measuring Social Impact
- Outcome
 - Gross value added for paid work
 - Gross value added for unpaid activities