Wealth and Health: Reframing healthcare costs as economic investments
Novartis Materiality Assessment Webinar Series
July 30, 2020
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
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

Prof. Dr. Dennis A. Ostwald
CEO

Alan Donnelly
G20 Health & Development Partnership

Dan Casserly
Group Head Public Affairs

Rabin Martin
WifOR Institute

Sovereign Strategy

Novartis

Novartis Materiality Webinar | Wealth and Health | 30.07.2020
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2017 Results at a glance show each topic's relative importance
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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**
  - Share in global GVA

- **183 Million**
  - Labor force in 2014

- **5.8 %**
  - Share in global labor market

WifOR estimate for 2020:
- **9.3 %**
  - Share in global GVA
Investments in health differ substantially between countries

Current health expenditures in 2019 (% of GDP)
Higher health expenditures result in stronger Health Economies

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<td>Brazil</td>
<td>9.5 %</td>
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<td>Mexico</td>
<td>5.5 %</td>
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<td>Colombia</td>
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<td>Argentina</td>
<td>9.1 %</td>
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<td>Turkey</td>
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<td>Global</td>
<td>9.9 %</td>
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<td>Germany</td>
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Higher health expenditures result in stronger Health Economies.
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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”.


"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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**Facilitating the dialogue about resilient health systems**
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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.”

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 an economic investment?
How to reframe healthcare costs as economic investments?
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
Thank you
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