

# A HARD LOOK AT COSTS

As care costs rise, so does the gap between those who can and cannot afford treatment. Key industry players must come onboard to drive down fees and increase healthcare accessibility.



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**H**ere in the United Kingdom, as in the rest of the world, health matters. It can bring down governments and, as we have seen several times in the United States, shake the authority of new presidents. One of the ministerial founders of the British National Health Service, Nye Bevan, observed that “a bedpan falling on a hospital floor in Tredegar should echo around the Palace of Westminster.”

Across the world the provision of this politically sensitive service is running into a core contradiction. Technological and scientific advances do not make healthcare cheaper, as happens, say, with computing power, electronics, or other consumer goods and services; rather, like defense technology, science increases costs as treatments grow in their ambition. Life can be extended by clinical and drug programs that may amount to tens of thousands of dollars per year for a life extended.

Yet growing numbers of people expect access to such life-extending treatments. Nobody fighting for care for oneself or a loved one can be expected to stop and weigh the accumulated GDP cost of these interventions to the national economy.

So where health administrators cannot gather the authority or courage

to ration and make choices — and, understandably, few can — the market steps in. Whether a health system is deemed public or private, rising costs are returning spending choice, beyond basic public or insurance coverage, to individuals and their capacity to pay. Hence, across the world, the rich enjoy the prospect of access to a glistening new array of treatments while poorer patients are returning to fearful patterns of denial of illness as the health outcomes they yearn for slip out of their reach.

It is a moral and public dilemma of enormous consequence at a time when I meet growing numbers of health entrepreneurs from countries such as India who casually observe that with the current pace of medical breakthroughs, there is no reason a child born now should ever die. That is a dangerous dream to hold out because whatever its literal truth, miracle health solutions will drive up health spending ever further, keeping the financially and the politically powerful alive rather than the middle class and the poor well.

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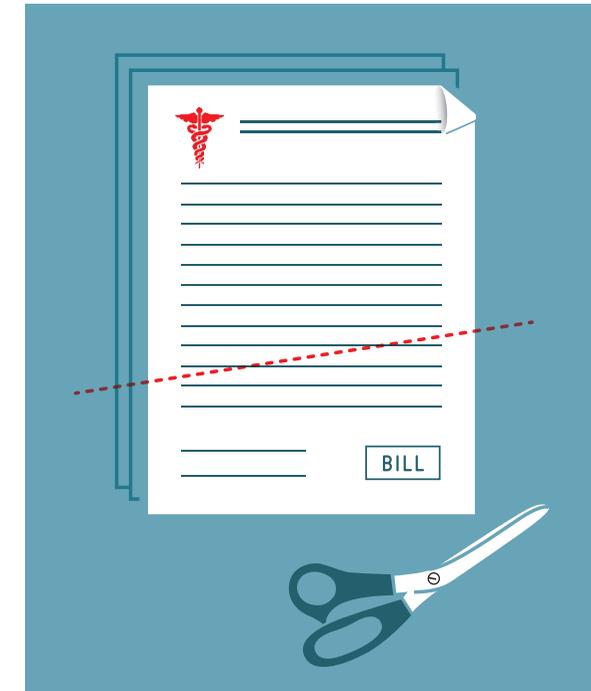
There are areas that we in the FTI Consulting family are engaged in that can help mitigate some of this and contribute to keeping healthcare as broadly available and affordable as possible.

First, through our Strategic Communications practice, we are assisting clients in the pharmaceutical and health management sectors to drive home the message that disease patterns globally are shifting with the sharp rise of noncommunicable diseases. Effective primary care and social messages, together with lower-cost primary, nonhospital care, can sharply reduce a huge unnecessary cost for health services.

Second, through our Economic Consulting practice, we can bring clear analysis to the choices that healthcare faces around value — both ethical and financial — in the care provided and the care excluded. Similarly, we contribute to the debate on fair drug pricing and the impact on R&D as well as the debates about public and private provision and competition.

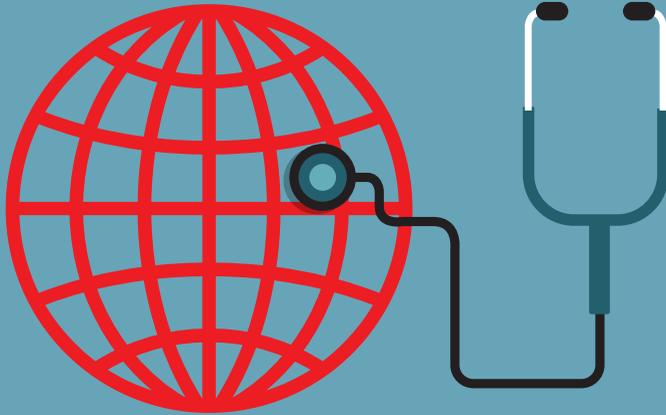
Third, through our work on restructuring healthcare systems, we can both help ensure massive cost reductions and establish appropriate allocation of funds between primary care physicians and hospitals. We can assist those developing countries still increasing their health spending to build new systems wisely, learning from the mistakes of others.

And within this restructuring work, we can address one of the ironies of



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healthcare. While within the laboratory and the operating theater a technology revolution is taking place, the support systems frequently are antiquated. In the back office, billing, accounting and administrative systems often remain mired in a largely pre-information technology age. In Britain, where doctors still write out prescriptions by hand, sometimes in a dangerously



illegible hand, the NHS has just given up on its controversial and hugely expensive effort to computerize medical records.

When policy, restructuring of healthcare delivery and innovation come together, costs can come down dramatically. When I took charge of U.N. development activities around

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the world, treating a single person with AIDS with an effective cocktail of antiretroviral drugs that controlled the illness cost more than \$15,000 a year. Consequently, almost nobody in Africa was being treated. In a few years, the cost had dropped to a few hundred

dollars a year. As a result, there are now millions getting treatment — although many more still do not receive it.

*The Economist* attributes this “to an alliance of science, activism and altruism.” In fact, it was some hard bargaining among activists, the health community and pharma chiefs who accepted that they must move to a marginal cost pricing model for these markets and recoup their R&D costs elsewhere. This was combined with simple innovations in delivery, which largely empowered the patient, and which overcame concerns that the drugs would not be properly administered and would therefore build up resistance.

Now infection rates are down 25%, and 5 million lives have been saved. This public health achievement, even though there is still much more to be done, makes my broader point: Costs can come down and treatment reach can be expanded when the right coalition of players is assembled.

Health is a matter of life and death for all of us. In the poorest countries, expenditure per head, beyond AIDS treatment, remains in the tens of dollars as expenditures soar elsewhere. We all want health, and we need to tackle every step in the critical path of its provision if more of us are to enjoy it. After all, it is a matter of life and death. ■

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