



SUSTAINABLE INVESTMENT 2023 INVESTMENT THEMES



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HEALTHCARE AFTER COVID-19

The healthcare sector was in the spotlight in the fight against Covid-19 and whilst a vaccine was developed in remarkable time, the pandemic emphasised that the sector needs to become more efficient. This is particularly important as demand is increasing due to a growing and ageing population – a development, due in part, to the evolving healthcare industry. However, as demand increases, it puts pressure on healthcare systems which have trouble trying to contain costs when compromising on quality of service is not an option.

The healthcare system is transforming for several reasons, including medical advances, availability of data as well as evolving consumer behaviour and how individuals feel about, and access, healthcare. Innovation and new technologies are helping change the way healthcare is delivered with a greater focus on patient convenience. It is also paving the way to new drugs, diagnostics and treatments.

The pandemic helped to accelerate some of the disruption in areas such as telehealth, robotic surgery and home health. This transition to digital, in certain areas, served as a catalyst to technological advancements and the need for improved data infrastructure with patient information, data analysis and clinical decision making becoming more integrated.

Whilst digital products will be unable to replace certain aspects of healthcare, better technology can help create efficiency - especially since a significant portion of healthcare spend is on administration. Healthcare expenditure can be a significant percentage of GDP in some countries, with the US spending more on healthcare than comparable countries, with National Health Expenditure as a percentage of GDP typically in the high teens. Drug pricing is often one of the areas within healthcare expenditure that generates significant attention in the US, as healthcare companies can typically charge higher prices in the US than in other countries. However, prescription drugs only represent around 10% of National Health Expenditure in the US with a larger percentage spent on hospital and physician payments.

Prevention is one of the best ways to help alleviate pressures on the system, while a more personalised and convenient offering also has a role to play. Keeping people out of hospitals and serving their medical needs in other more convenient settings such as at home or in ambulatory surgery centres can help reduce wait times, provide greater comfort, as well as a lower cost setting.

New tools and approaches to drug discovery, such as the increased use of artificial intelligence which has the ability to improve research and development efficiency and decision making, will help in the development of new treatments which have the potential to deliver better patient outcomes. Personalised medicine is an example of an area which continues to drive change with the 'one disease, one drug' paradigm becoming a thing of the past.

Whilst the sector is highly innovative, it can often take time for changes to occur, due in part to regulatory hurdles. That said, the pandemic has highlighted that, when needed, transformative changes can be made. Innovation in new approaches, new technologies and new diagnostics can enhance offerings and deliver better health outcomes. The healthcare system is undoubtedly changing, whether it is enforcing price transparency, moving from the fee-for-service model to value-based care or new means of delivering care and technological advancements and innovation are helping drive disruption within the sector.



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