

Investing for a healthy society

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We're living longer lives – but not necessarily healthier ones. Since 1960, average global life expectancy has increased by 19 years, but the proportion of our existence spent in poor or moderate health has not changed.¹ As the world's population continues to age, one of the biggest societal challenges we face is keeping everyone healthy. This is where private investment in medical technology can help.

Whether it's funding the development of new therapies to target solid tumours, using advanced data analytics to optimise the design of clinical trials, improving efficiency across the whole care system, or leveraging artificial intelligence (AI) to enable a faster and more comprehensive drug discovery process, investing in healthcare contributes to a happier and more productive society.

The COVID-19 pandemic underscored the link between health and positive social outcomes, bringing it to the attention of policymakers and society at large. Yet there is a lot more that private investment could achieve.

Cancer, for example, claims some 24,000 lives every day, with diagnostics and treatment often delayed by staffing shortages. Advances in personalised medicine could help bring that number down.

Another area of unmet need is women's health, which has historically been overlooked and starved of investment. Closing the women's health gap could boost the global economy by some USD 1 trillion per year by 2040, according to research from McKinsey.²

Disability-adjusted life years (DALYs) show that only 5% of women's health issues are related to gender-specific conditions such as endometriosis, menopause, polycystic ovary syndrome (PCOS) or ovarian cancer. In fact, around 51% are linked to conditions that affect women uniquely, disproportionately, or differently (see chart). Yet much of medical testing and measurement is still conducted on men, which can lead to gaps in understanding.

Source: Global Burden of Disease data (2019), McKinsey Health Institute, rate per 100,000 people.

Nurturing innovation

The healthcare industry's capacity to bring about a positive societal change can be seen in the new generation of drugs based on glucagon-like peptide-1 (GLP-1) agonists. Originally approved for diabetes patients, they have now transformed the treatment of obesity – a condition that affects one billion people around the world. Although there are still hurdles to overcome, including cost, the GLP-1 revolution highlights the scope for progress in healthcare and opens the door to reducing the incidence of many related conditions such as cardiovascular disease (CVD).

Private finance crucial

None of this would have been possible without the financing provided by private investors. Private markets can offer a particularly effective way for investors to support innovation in the health industry as privately held healthcare companies far outnumber publicly traded ones. In the biotech sector, 85% of companies in the US and 94% in Europe are privately owned.³

These private companies are also the ones behind most of the industry's innovation, which is how healthcare companies have a social impact. Research on the US, for example, shows that biopharmaceutical innovation was responsible for 35% of the total increase in life expectancy over the past 25 years by reducing mortality from HIV, breast cancer and heart disease.⁴

Investors in private markets have a lot of scope to help the businesses they back succeed. That can include creating syndicates of industry experts from different fields or fostering strategic connections between biotech start-ups and major players in the pharmaceutical industry.

Kate participates in a neuroscience study measuring how time in nature affects mental health. The EEG cap records her brain activity as she sits by a river in rural Utah. Kate in an EEG Study of Cognition in the Wild, Strayer Lab, University of Utah, USA 2015.

Societal impact and investment return

For healthcare investment to have the most impact, we believe capital should be allocated to areas where there is both unmet need and the potential to meaningfully raise the standard of care.

We see particularly strong opportunities to make a difference in two areas: therapeutics and healthcare providers.

In therapeutics, new medical interventions and new technologies, such as AI and machine learning, are increasingly being applied to drug design and discovery, improving efficiency and paving the way for precision medicine. Biotech is seeing strong growth, backed by investment from venture capital and buyout firms. There are many promising early stage companies which need investment to continue innovating.

For healthcare providers, innovation comes in a different form. An ageing population means new payment and care models are needed to offset the increasing cost burden on societies while addressing patients' needs. The focus is on improving systems efficiency, together with safety — areas where technology and AI can have an impact. Encouraging engagement is a priority: the more frequently patients interact with healthcare professionals, the better their adherence and behaviour, and therefore outcomes. In this sector, there is the potential to invest in mature private companies, helping them to refine their strategy and adapt to a changing environment.

By allocating capital to these key areas, we can have a positive impact on society and help secure a healthier future.

Source: <https://www.pictet.com/us/en/insights/am/investing-for-a-healthy-society>