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AN INNOVATIVE APPROACH TO COMBAT NON-COMMUNICABLE DISEASES IN EMERGING MARKETS

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Non-communicable diseases, such as diabetes, are proliferating in emerging markets, putting pressure on government budgets. The private sector can alleviate this pressure by providing specialist, high-quality care. Dr. Mohamad Hamade and Charles P. Floe argue that private providers should change their approach to be more holistic, and results-oriented – but for that to happen, incentives and reimbursement schemes must be rethought.

1. Why has there been such a rapid increase in the incidence of non-communicable diseases in emerging markets?

Non-communicable diseases, or NCDs, such as diabetes, cardiovascular disease, cancer, and chronic respiratory disorders, are on the rise across the emerging markets of the world. This is inextricably linked to rising incomes and urbanization, which have changed lifestyles, diets, and in some cases have led to a more sedentary lifestyle. For example, around 60 percent of diabetes cases can be attributed to obesity and weight gain.

It is a large, and growing problem. Low- and middle-income countries carry nearly 80 percent of the global burden of NCDs, which account for seven of every 10 deaths in developing countries. The number of people dying from NCDs has increased 30 percent in 15 years to cause 15 million deaths in developing countries in 2015 – a quarter of whom were under the age of 60.

2. How do NCDs impact emerging market healthcare costs?

NCDs are particularly prevalent in pockets of affluence such as the Arabian Gulf, where patients are typically able to pay for treatment. NCD treatment costs in the Gulf Cooperation Council (GCC) region were close to $36 billion in 2013 — one-and-a-half times the official healthcare spending – and are expected to rise to around $68 billion by 2022.

And the incidence of NCDs is growing rapidly across the Middle East, with spending on diabetes care alone is expected to rise 50 percent by 2035.

On the other end of the scale, many developing countries are concurrently dealing with outbreaks of communicable diseases, from bird flu to malaria, which tend to impact the poorest sections of society and have the potential to provoke public panic. This means that both patients and governments in these countries are less able to direct money towards care for NCDs.

3. What is the role for the private sector?

Generally, there are two strands to public policy – prevention and early disease management. Both tend to be difficult for developing countries to implement, from a logistical as well as financial standpoint.

In this context, the private sector can play an important role in early disease management. The costs of treating NCDs to the health system are large. NCDs require sophisticated and expensive interventions, which are costly for state hospitals.

Private sector service providers that offer high-quality treatment of diseases such as diabetes reduce the strain on government hospitals and ICU beds.

4. Is the private sector doing a good job? What innovations would you like to see?

So far, private healthcare providers have focused on establishing the infrastructure – for example, building clinics to offer conventional care. In particular, specialist homecare facilities that offer personalized rehabilitation treatments now allow patients to lead as near to normal lives as possible, in a familiar environment, and surrounded by relatives.

However, in areas such as diabetes, the private sector could demonstrate more value and produce much better outcomes for patients wants through a more holistic approach.

There is a real investment opportunity in creating comprehensive cardio-metabolic centers, with a one-stop-shop capability for the diagnosis, treatment, and follow up of diabetes and associated conditions. This means offering strong capability in the other medical practices that support diabetes treatments – nephrology, cardiology, ophthalmology, and podiatry.

Equally as important as the capability is the approach. Private sector providers should be educating patients and empowering them by providing them with insights and treatment options, rather than being prescriptive.

5. What are the challenges to implementing such a model?

The main issue is the lack of incentives for the private sector to take such a holistic approach. Payment schemes tend to compensate providers based on patient visits or procedures performed.

Obviously, this is not what success looks like. Success would be a patient who is prevented from acquiring such diseases, and if they do, are treated holistically in order not to reach advanced stages of disease, thus requiring less hospitalization. The objective must be for patients to enjoy highest quality of life as possible.

6. Can the challenges be overcome?

Changing incentive schemes is a very challenging objective, especially in the MENA region. That said, we should strive to achieve it in phases. Initially, the private sector, including investors, operators and healthcare solution providers should co-invest money, time and energy to develop an innovative model of care to prevent, treat and monitor patients.

This model would utilize the latest technology geared towards offering evidence-based medicine and measuring impact on patients. This model should appeal to public health systems given the quality of care provided, its wide reach and accessibility, cost efficiency, and the clinical outcomes achieved.

If we can use education, coupled with continual monitoring, to prevent patients from developing late-stage diabetes and associated diseases and burdening the healthcare system, the private sector should be rewarded. It will need a concerted effort that also brings in healthcare-economics arguments.

For example, in India, it is estimated that NCDs will cost as much as $5 trillion for a powerful argument to change the way the public sector and private sector combine in the battle against diseases such as diabetes.

TVM Capital Healthcare

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Dr. Mohamad Hamade is a clinician focusing on the business side of healthcare with over six years of healthcare industry, research, consulting, and investment experience in the USA and the Middle East. Dr. Hamade joined TVM Capital Healthcare as an Executive-In-Residence with a wide spectrum of responsibilities including investments screening and due diligence, fundraising roadshows, portfolio management, and exit strategies on a variety of healthcare investments in the GCC and wider MENA region. Dr. Hamade's previous consulting experience at Booz & Company covered a wide variety of assignments including strategy, organization, and operational excellence for national health systems, hospitals, and medical cities. Dr. Hamade holds an M.D. from the American University of Beirut; an MBA from Cornell University; a Research Fellowship Certificate in ENT surgery from Harvard Medical School; and a BS in Biology from the American University of Beirut.

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Chad Floe is an Operating Partner with responsibility for corporate finance and advisory activities with portfolio companies. Over a career of more than 27 years in investment banking, Chad built and led international teams of up to 80, focused on healthcare and cross border advisory. He has advised clients in more than 200 M&A, equity, and leveraged finance transactions in Europe, the US and the Middle East, while at HSBC, Dresdner Kleinwort Wasserstein, Lehman Brothers, First Boston and originally at Morgan Bank. Chad has successfully transitioned from an established investment banking career to a plural healthcare industrial career, recently serving as International Director at HCA International (London's leading private hospital group), responsible for evaluating, structuring and negotiating opportunities in the international clinical services space, particularly in the GCC and India. Chad has also served since 2006 as board member and senior advisor to Ottobock Group GmbH (a private German company and global leader in prostheses and mobility) and on the Executive Committee of the Board of HealthRight International (an international not-for-profit organization providing long-term healthcare solutions in the emerging markets). He received his MBA (with Distinction) from The Wharton School, and his BA in International Relations from Pomona College.