

Executive Summary

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# Misaligned Stakeholders and Health System Underperformance

## Industry Agenda Council on the Future of the Health Sector

December 2016

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The following is an Executive Summary of the Industry Agenda Council on the Future of the Health Sector's white paper, *Misaligned Stakeholders and Health Systems Underperformance*. For the full paper, please go to [www.weforum.org](http://www.weforum.org).

Despite significant progress in global health and healthcare delivery, massive disparities are among the most jarring features of the contemporary human condition. These range from the nearly four-decade cross-country gap in life expectancy, to the fact that the child mortality rate in low-income countries is 12 times higher than in high-income countries, to health spending per capita that varied from less than \$50 in over a third of WHO member states to more than \$4,000 in over a dozen in 2012.<sup>1</sup> The cross-country disparities are further magnified by equally sizeable gaps within countries – in terms of access to nutrition, safe water, sanitation, accurate information and health services (including both treatment and prevention).

Recognizing the persistence of these shortfalls in global health and healthcare delivery, the World Economic Forum's Industry Agenda Council on the Future of the Health Sector has undertaken research to better identify situations in which the global health sector is underperforming and to articulate potential solutions. Its working hypothesis is that misalignments among stakeholders (such as patients, regulators, pharmaceutical and device manufacturers, providers, insurers, academics, policy-makers and investors) significantly contribute to the underperformance of the healthcare sector.

The council views misalignments as situations in which conflicting incentives, behavior, structures, or policies affecting these stakeholders result in wasted resources. This waste can be in terms of suboptimal health outcomes for a given allocation of resources, or excessive spending for a given set of health outcomes.

As part of its research, the council attempted to estimate the magnitude of the resources wasted, at least partially, due to misalignments. The analysis reveals that for current levels of health spending, global life expectancy could potentially be increased by over four years if existing resources were used more effectively.<sup>2</sup> Alternatively, current levels of health could potentially be maintained for as little as one-third of the amount currently spent on health.<sup>3,4</sup> These figures suggest that the waste associated with misalignments is potentially significant and they serve as a starting point for discussions on how to rectify the situation.

The council concentrated much of its research on misalignments affecting global healthcare outcomes in three of the most daunting health arenas currently facing the world: cancer, diabetes and mental health.

For this document, *Misaligned Stakeholders and Healthcare Systems Underperformance*, the council focused on three common types of misalignments:

- **Divergent objectives.** These reflect disjointedness among the interests of stakeholders – such as health supplier/provider interests in selling pills and procedures, people's interest in attaining the best possible health, and political leaders' interest in being re-elected.

- **Power asymmetries.** These can occur when one stakeholder has an economic, political, legal, or informational advantage over other stakeholders, which they use to impose their will on decision-making processes.
- **Cooperation failures.** These typically reflect disconnected budgets, lack of leadership, or barriers to data-sharing.

Although the ideal of a fully aligned healthcare system<sup>5</sup> does not appear to exist,<sup>6</sup> the council identified a number of options and instruments for achieving better alignment that would translate into better health and healthcare delivery and lower costs. These include:

- Well-established instruments – such as taxes, subsidies, regulations and public health education – to remove obstacles to alignment and facilitate efficient behaviour.
- Technical and institutional innovations, such as new modalities for high-quality digital health consultations and harmonized electronic medical records.
- New models of value-based care, payment mechanisms that are keyed to health outputs rather than inputs, and pricing schemes for health and life insurance that incentivize consumers to engage in healthy behaviour.

The council also distilled insights from instances in which stakeholders have been able to better achieve reasonably good alignment among themselves. The lessons learned from these examples include:

1. Alignment is almost exclusively the result of leadership and a commitment to improving quality, affordability, equity and efficiency of care.
2. Stakeholders should work together to highlight and overcome misalignments.
3. Occasionally, misalignments are overcome by a disruptive and unpredictable change.
4. Particular alignment approaches tend to pair with different types of misalignment.

These lessons may be applied to other scenarios to promote both economic efficiency and human health.

#### (Endnotes)

1. Bloom, D.E. "The Shape of Global Health". *Finance and Development*. 2014, <http://www.imf.org/external/pubs/ft/fandd/2014/12/bloom.htm>
2. For details, see the Potential Magnitude of the Problem, p. 11, and Appendix: Estimation Methodology, p. 19, in the white paper.
3. All references to health spending in this Executive Summary and in the white paper are based on the following definition of "health expenditure" from the World Bank: "Total health expenditure is the sum of public and private health expenditures as a ratio of total population. It covers the provision of health services (preventive and curative), family-planning activities, nutrition activities and emergency aid designated for health, but does not include provision of water and sanitation."
4. The World Bank. "Health Expenditure, Total (% of GDP)". 2016, <http://data.worldbank.org/indicator/SH.XPD.TOTL.ZS>
5. Healthcare systems encompass organizations and individuals that are directly or indirectly involved in providing or financing health services and healthcare delivery, along with the formal and informal rules and the contexts that guide their behaviour and interactions.
6. Britnell, M. In *Search of the Perfect Health System*. Palgrave Macmillan. October 2015, <https://he.palgrave.com/page/detail/?sf1=barcode&st1=9781137496614>