Globally, health care costs are rising for individuals and employers. What is driving this increase and how are employers responding?

Due to a combination of ageing populations, declining health, poor lifestyle choices, cost shifting from social programs and increased utilization of employer-sponsored health insurance plans, health care costs are rising worldwide at a rate far higher than the average rate of inflation.

“No discussion about the future of medical costs can be had without focusing on the rapid spread of non-communicable diseases (NCDs) around the world,” says Wil Gaitan, Senior Vice President and Global Consulting Actuary, Aon. Primarily associated with bad lifestyle choices – particularly tobacco use, unhealthy diets, physical inactivity, and the harmful use of alcohol – non-communicable diseases are on the rise worldwide.

Today, NCDs are responsible for as many as 70 percent of all deaths around the globe, and are expected to cost the world around 5 percent of the world’s GDP by 2030 in lost economic output according to the World Economic Forum studies. Lifestyle-related health risks are all among the top five factors expected to drive future claims.
Meanwhile, four NCD's (cardiovascular, cancer, respiratory and diabetes) cause 82 percent of all NCD deaths, affecting all age groups and all regions of the world:

“The high incidence of NCDs is no longer a ‘rich world’ phenomenon,” Gaitan says. “Even in developing economies, the incidence of non-communicable diseases is reported to be on the rise, and in some cases exceeding the experience of developed countries.” According to the World Health Organization, of the 38 million people who die from NCD's in the world each year, around 75 percent come from low and middle income countries.

“These diseases are driven by global ageing, rapid urbanization in developing and underdeveloped countries, and the propagation of unhealthy lifestyles around the world,” Gaitan says. As a result, medical costs are rising in every region – and on average, they are growing fastest in the less developed parts of the world.

While countries face their own unique challenges as it relates to health care, it appears as though poor diet, physical inactivity and demographic forces such as population ageing are dominating forces impacting many populations and risk behaviors expected to drive future medical claims:
Unsurprisingly, the biggest sources of health care costs stem from the cost of treatment – hospitals, health care professionals and drugs.
Tackling The Rising Cost Of Health Care

With non-communicable diseases increasingly affecting the working age population, the cost of health care is increasingly a concern for employers, who risk losing productivity to sick leave and health-related underperformance more than ever before. Even in countries where employer provision of health insurance is not common, employers are increasingly having to pay closer attention to their staff’s health to remain competitive.

Yet the cost of health insurance does remain a considerable concern, especially in the U.S., but also in other developed markets. “There are different stages of maturity in the management of employer-sponsored medical costs around the world,” Gaitan says. Common strategies have included:

Other common approaches include optimizing the financial underpinning of medical plans, which tend to produce immediately visible results on medical costs, as well as more strategic measures to keep the workforce healthy such as engaging individuals themselves, especially through wellness programs.

In short, given the dramatic rise of NCDs as a core driver of health care cost increases, there is an opportunity to save treatment costs by a greater emphasis on preventative medicine. Prevention could prove to be much cheaper than cure.

"Low-cost solutions exist to reduce the common modifiable risk factors," says Gaitan. "High impact NCD interventions delivered through a primary health care approach can strengthen early detection and timely treatment."

Employers can play a key role through their medical plans and through the implementation of wellness and prevention programs. In fact, most employers are already proactively sponsoring various types of preventative health care programs:

Targeted effectively, such a preventative approach should not only help slow the rise of NCDs, but also reduce long-term health costs on individuals, employers, governments and society as a whole.

But much more needs to be done to reverse the trend of rising costs. "A comprehensive approach is needed," says Gaitan. "This will require all sectors of society, not just employers and the health care industry, but also, education, agriculture, urban planning and others, to work together to reduce the risks associated with NCDs, as well as promote the interventions to prevent and control them."
TALKING POINTS

“The challenges are much more in costs than in feasibility. I’m not saying everything is possible but I think in rolling [treatments] out to populations in general we will be struggling with cost problems. The cost of antibody treatment can be in the order of $15 to $75,000 per year and that’s a lot for anybody.” – Gregory Winter, University of Cambridge

“Today we have a similar emergency on our hands, but one that is largely silent and failing to secure the necessary global attention and funding. The prevalence of non-communicable diseases (NCDs) is comparable to the greatest global health challenges we have had to confront in recent history.” – Professor Peter Piot, Director of the London School of Hygiene & Tropical Medicine

FURTHER READING

- Rising Medical Costs Top Risks In Region – Gulf News, February 12, 2017
- Chronic Non-Communicable Diseases Ailing Indians – Times of India, February 10, 2017
- Developing Countries Are Ill-Equipped To Manage The Growing Chronic-Disease Burden – Huffington Post, January 1, 2017
- 2017 Global Medical Trend Rates – Aon Hewitt, January 5, 2017