Value and ROI of Health

March 2022

U.S. Chamber of Commerce

Issue overview

Over the past century, economic historians estimate that improved health accounted for about one third of overall GDP per capita growth of developed economies. In fact, better health and aligned investment could add $12 trillion to global GDP in 2040—an 8 percent boost, or 0.4 percent a year faster growth.

Conversely, underinvestment in public health infrastructure and cuts to public health interventions can generate billions in additional cost burden across household, state, country and global levels.

Investment in health drives and enables sustainable growth through three key pathways:

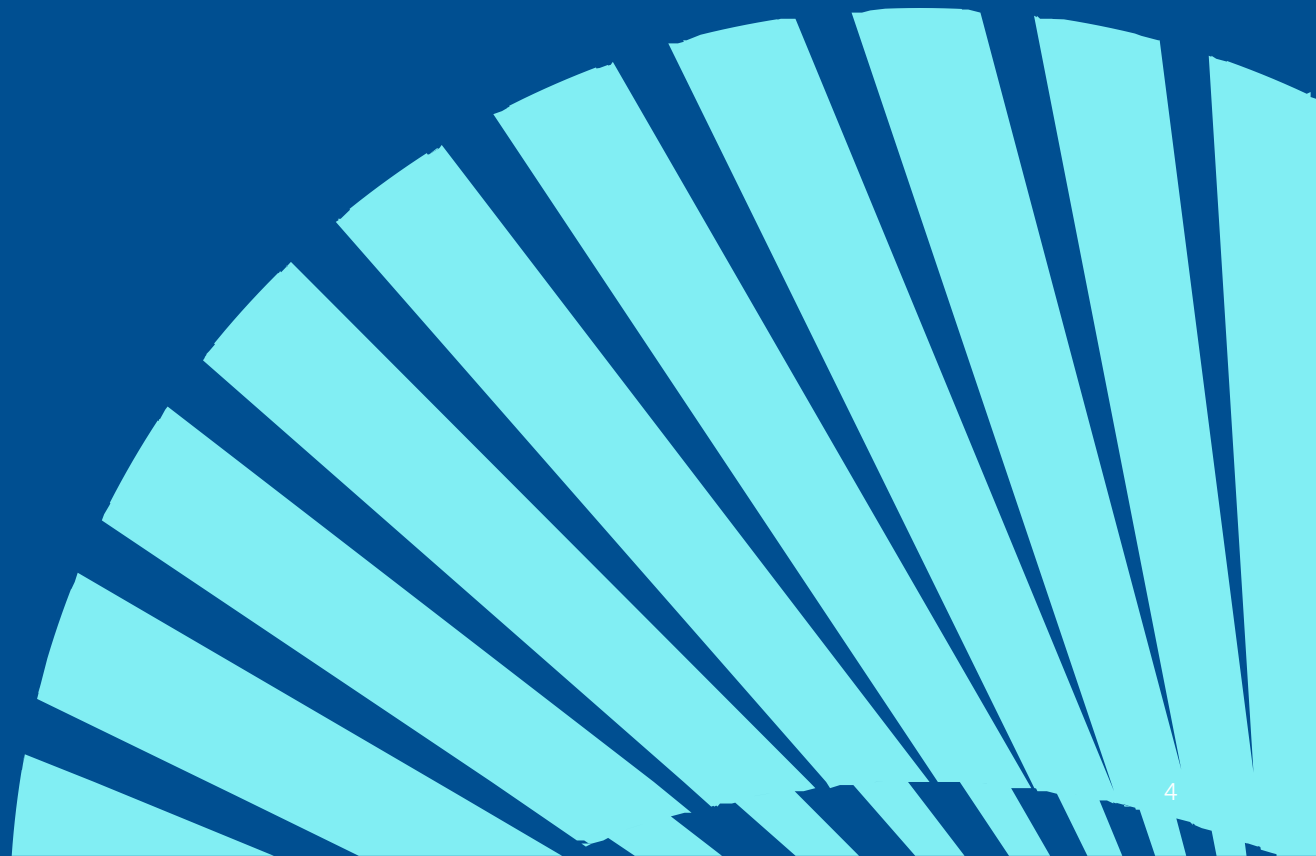
1. Micro-economic: increasing life expectancy, improving quality of life, building human capital and enhancing labor productivity;
2. Mid-macro: reducing the health gap by race, gender and economic status and creating social stability
3. Macro: direct and indirect economic effects, including growing national GDP to invest back into the global ecosystem, driving innovation, building infrastructure, purchasing goods, and inducing tax and security contributions.

While the global economy is still rebounding from the COVID-19 crisis, it is critically important to identify areas to reinforce both health infrastructure and health care provision to ensure proper pandemic preparedness and foster resiliency going forward.

Positioning statement

We support public, private and integrated strategies to drive greater investment in health to support the full realization of human potential, strengthen societies, and drive economic value at all levels. An investment in health is an investment in economic growth and stability, as strong health systems create healthier and more productive workforces. Investment in health drives sustainable growth through direct and indirect economic effects, including growing national GDP to invest back into the global ecosystem, driving innovation, building infrastructure, purchasing goods, and inducing tax and security contributions.

Our core principles



Healthcare investments are a necessary tool to preserve and grow the economy

Investment decisions around health have been evaluated as a cost factor, rather than a growth driver with significant opportunity for return.[1]

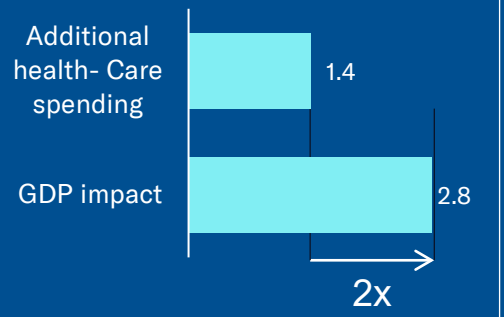
Research has demonstrated a strong and consistent correlation between economic development and government healthcare spending.

The cost of poor health was more than $12 trillion in 2017, about 15% of global real GDP.[2]

For Each $1 Invested in Improving Health, There is an Expected Return of $2 to $4[2]

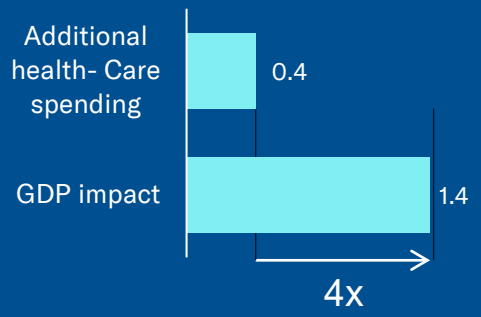
Healthy growth scenario, 2040, USD trillions

Upper middle income countries



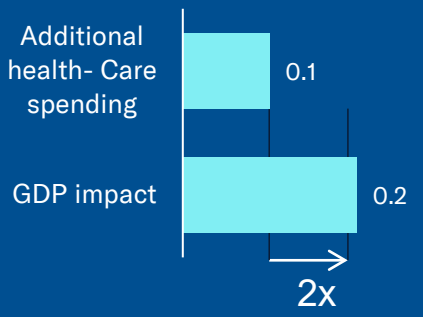
GDP boost 7%

Lower middle income countries



GDP boost 6%

Low income countries



GDP boost 11%

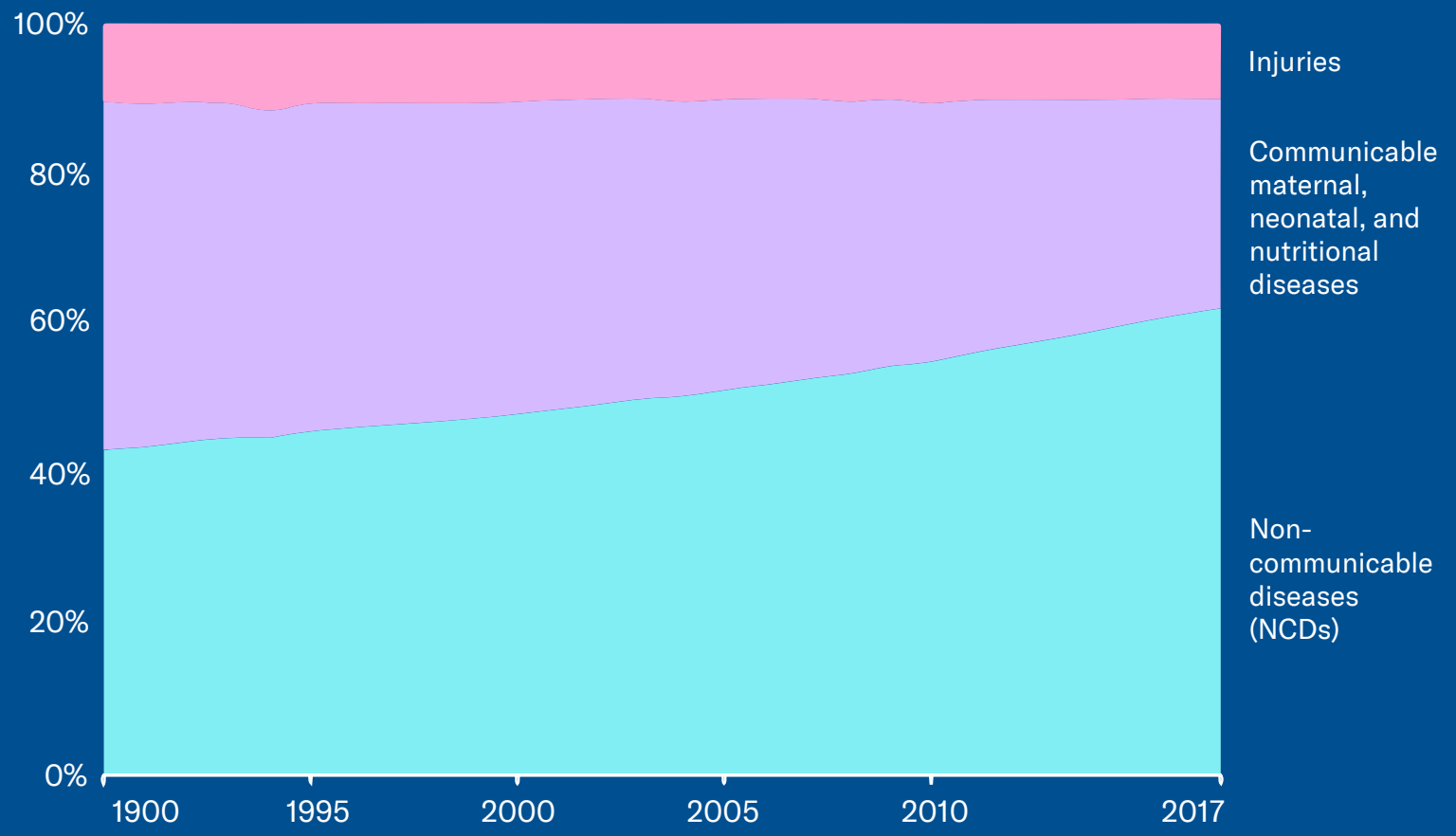
Increasing rates of chronic disease will negatively impact workforce productivity, global development and economic opportunity

There is an inverse relationship between non-communicable diseases (NCDs) and economic growth: a macroeconomic analysis demonstrated that each 10% rise in NCDs is associated with 0.5% lower rate of economic growth.

According to this estimate, the expected 50% rise in NCDs predicted in Latin America by 2030 would correspond to about a 2.5% loss in economic growth rates.[3]

Total Global Disease Burden by Cause, 1990 to 2017[4]

Total disease burden measured as Disability-Adjusted Life Years (DALYs) per year. DALYs measure the total burden of disease – both from years of life lost due to premature death and years lived with a disability. One DALY equals one lost year of healthy life.



Non-communicable disease interventions will drive national cost-saving

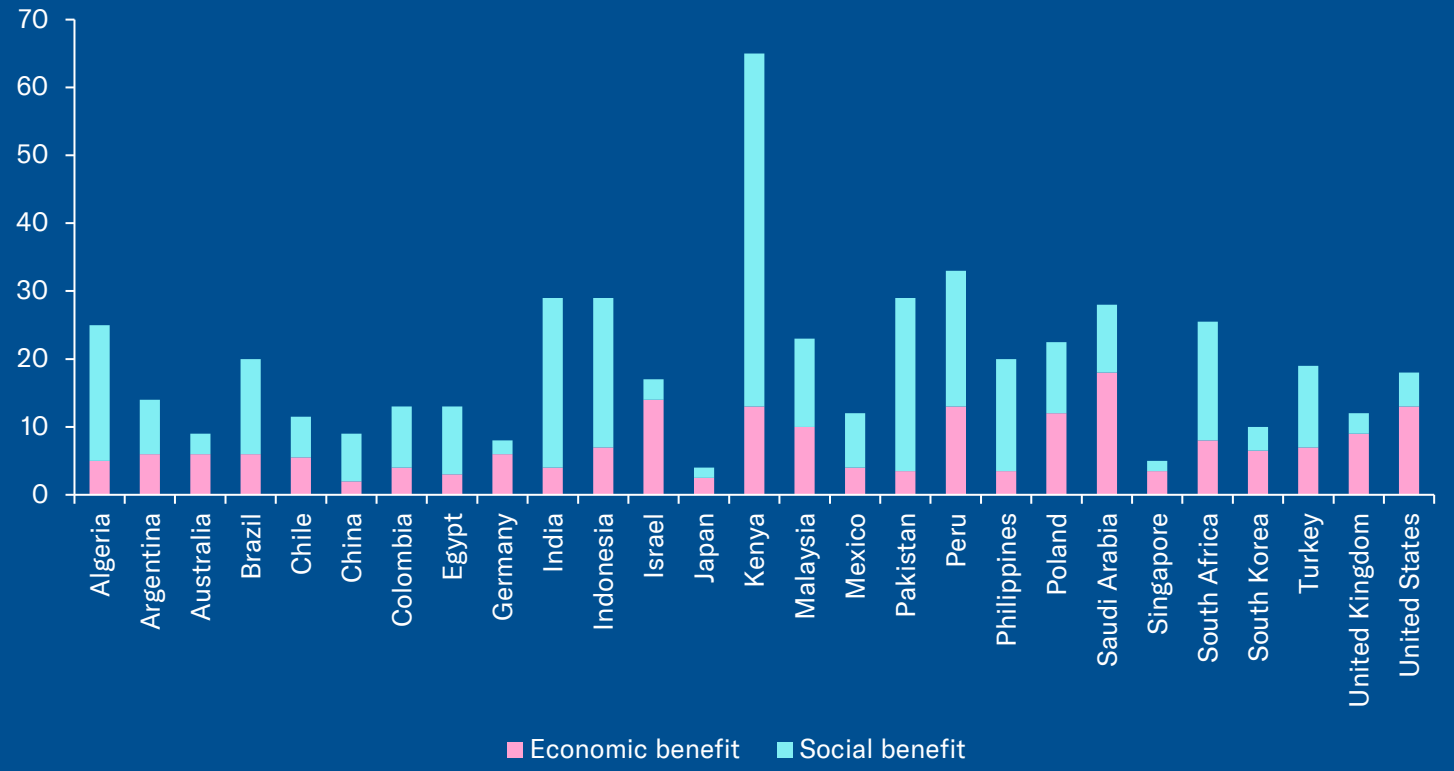
Non-communicable diseases (NCDs) are the leading cause of disease burden globally.[5]

Although the magnitude of the problem is large and projected to increase, many options exist to prevent and manage the major NCDs (cancer, cardiovascular disease, chronic respiratory disease, and diabetes) as well as their major modifiable risk factors (salt intake, tobacco use, diet, physical inactivity, and harmful use of alcohol).

Many of these options are cost-effective and can be implemented at the policy, health services or community levels.

> “On average, countries may realize a return of $20 for every $1 invested in cardiovascular disease and diabetes interventions. Likewise, countries may realize a return of $22 for every $1 invested in anxiety disorders and depression interventions.”[6]

Benefit-cost Ratios for CVD and Diabetes; 2020-2030[6]



Budget cuts to health sector will negatively impact economic strength

High out-of-pocket spending on health has several severe consequences, such as pushing individuals and households into poverty.

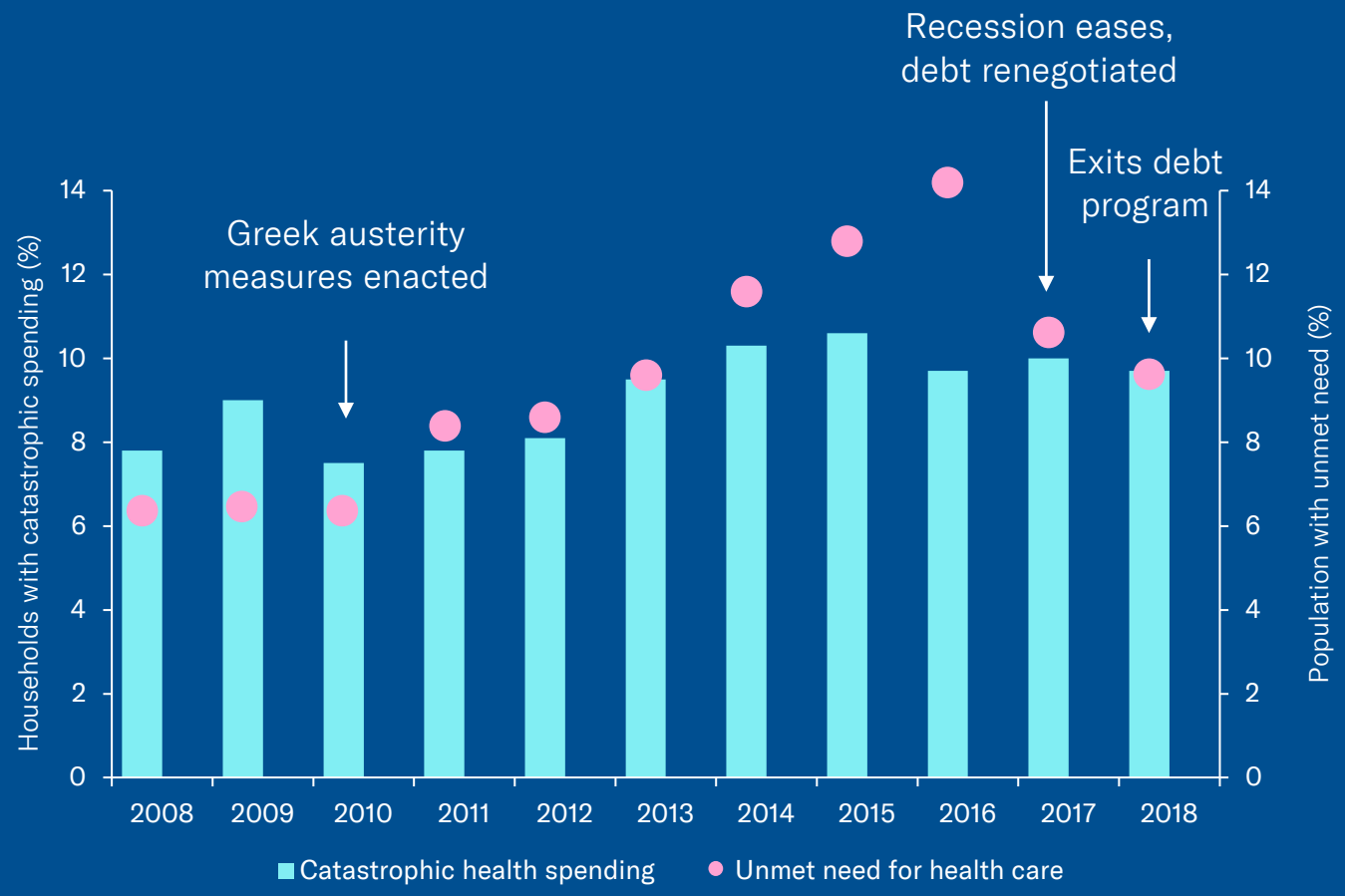
The out-of-pocket share of health expenditure is generally higher in countries that spend less publicly on health.[7]

Austerity measures, like those taken in many countries during the 2008 financial crisis, have repeatedly been shown to have adverse socio-economic effects and should be superseded with:

- Broadening the public revenue base for the health system
- Using priority-setting processes and other instruments to ensure additional public and private investment in the health system will help meet equity and efficiency goals

Learning from the 2008 Financial Crisis: Austerity Measures Increased Financial Hardship[10]

Shifting health care costs onto households increased unmet need and financial hardship in Greece and other European countries



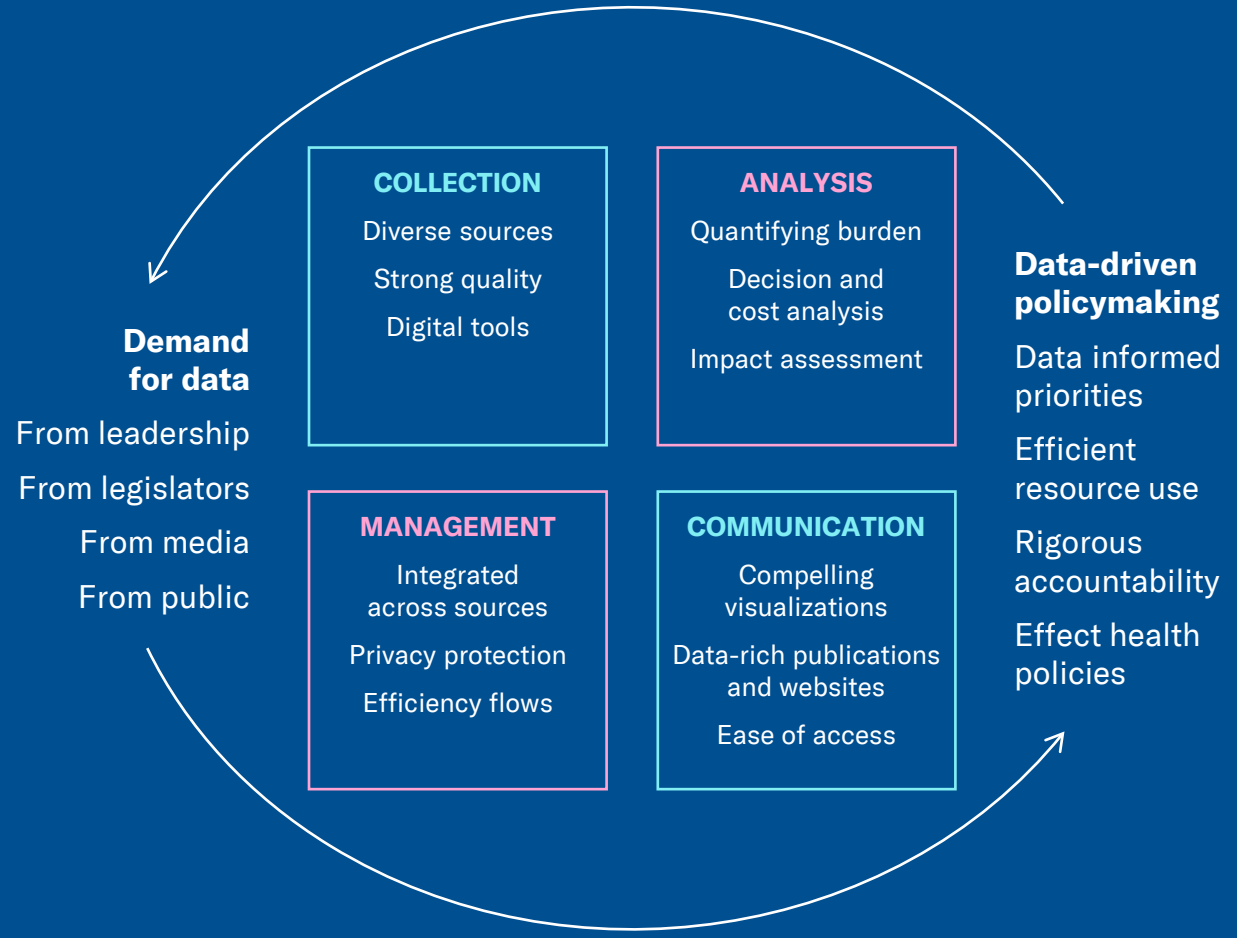
Global metrics on returns on investment in health are needed to enable informed decision making

To support sound decision-making and supportive policy, the use of metrics in assessing and evaluating health system reform and policy interventions is critical.

Rigorous evaluation and monitoring of health systems investments can also contribute to identifying 'best buys' in health, allowing for evidence-based prioritization.

With a better understanding of the scale of linkages between health and wealth, policymakers can improve their decision-making criteria to drive social and economic stability and growth. [8]

Gathering, storing and analyzing health ROI data using a standardized methodology can foster dialogue among decision-makers, enable evidence-informed policymaking, upscale efficiency and compare returns across sectors



Ministers of Finance need to coordinate with traditional health officials to maximize economic and social benefits

As with typical investments, health systems costs are mostly upfront, while returns and benefits (e.g., increased workforce productivity, increased GDP) occur over time. However, the economic and societal benefits of health interventions are often excluded from value assessments (e.g. health technology assessments).

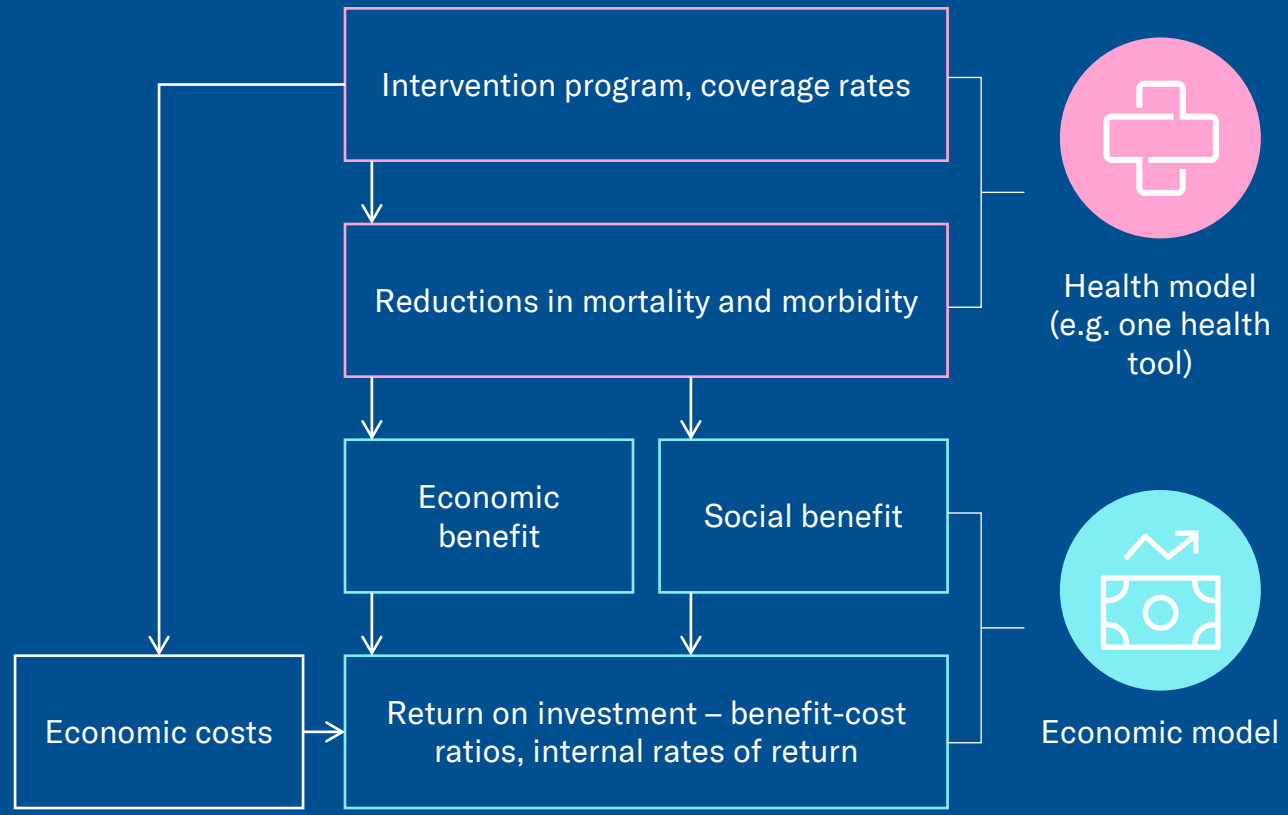
The impact on morbidity and mortality derived from intervention programs and products should be measured using a standardized model (e.g., OneHealth Tool).

This data can be fed into an economic model that values productivity gains delivered from increased work attendance to project long-term economic benefit.

Data sharing, close coordination and dialogue between MoH and MoF will contextualize line-item health costs and rationalize cost to projected benefit.

Cost-benefit Frameworks Demonstrate the Long-term Economic Value of Health Investments from a Finance Ministry Perspective[6]

Schematic outline of modelling methodology



Employer investments in the health of employees reduces health care costs

Economic and business advancement is heavily reliant on the health of working employees.

Ill health and poor living conditions make it hard for employees to realize their full productive potential.

A total of 580 million person-years was lost to poor health among those aged 15 and 64 in 2017, leading them to be absent from work or quit employment altogether.[2]

Business Case for Investing in Employee Health

↓ $3.27 drop in medical costs for every dollar spent on employee health and wellness[11]

↓ $2.73 drop in employers costs from absenteeism for every dollar spent on employee wellness[11]

Employer wellness programs help lower healthcare claims and costs, increase productivity, improve hiring and retention[12]

↓ 11% lower employee turnover for employers who create cultures of health than those who don't prioritize employee well-being[13]

Public-private partnerships are an innovative way to further investment in health across government and industry sectors

Public-private partnerships (PPPs) leverage the private sector's financial and technical capabilities to deliver infrastructure and services that advance public priorities.

This model distributes risk across partners, aligns public-private incentives, and provides stabilization through continued investment.

PPPs may also deliver greater ROI than initiatives with traditional all-private or all-government fulfillment.

The Case for PPP to Mend Medical Infrastructure

To address severe constraints to its state medical infrastructure, with demand for specialists outpacing supply by 95 percent, the Government of Jharkhand, India structured its first health PPP to set up a network of modern diagnostic centers to provide comprehensive radiology and pathology diagnostic services. The first step was to adopt the "hub and spoke" PPP model—in which services are distributed and routed into and out of a central location.[14]

SPOKE

Below-poverty-line patients received free radiology and pathology services from smaller district and village hospitals

HUB

Patients with need for thorough examination/treatment were referred to district hospitals and three state medical colleges

$12M

Unlocked in private investment to create a network of radiology and pathology diagnostic centers

2

Service providers signed 10-year concession contracts to build, operate, and transfer the facilities back to the state government

Enabled **3.5M** patients to access affordable, quality primary and preventative health care[14]

References

1. Ostwald D. Wealth and Health: Reframing Healthcare Costs as Economic Investments (2021). WifOR Institute.
2. Remes, J., Linzer, K., Singhal, S., Dewhurst, M., Dash, P., Woetzel, J., Smit, S., Evers, M., Wilson, M., Rutter, D. K.-A., & Ramdorai, A. Prioritizing health: A prescription for prosperity (2021). McKinsey & Company. https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/prioritizing-health-a-prescription-for-prosperity
3. NCDs and Development. NCD Report: Chapter Two. World Health Organization. https://www.who.int/nmh/publications/ncd_report_chapter2.pdf
4. Roser M., H. Ritchie. Burden of Disease (2021). Our World In Data. ourworldindata.org/burden-of-disease#income-and-disease-burden-from-non-communicable-diseases-nc-ds
5. Bertram M., Chisholm D., Watts R., Waqanivalu T., Prasad V., Varghese C. Cost-Effectiveness of Population Level and Individual Level Interventions to Combat Non-Communicable Disease in Eastern Sub-Saharan Africa and South East Asia: A WHO Choice Analysis. Int J Health Policy Management 2021, 10(11), 724–733. https://www.ijhpm.com/article_4056_c7eacd1bd932f1db3550f5930ff5d931.pdf
6. Rasmussen B, Sweeny K, Welsh A, Kumnick M, Dayal P. Increasing Social and Economic Benefits Globally. Rates of Return on Health Investments (2020). The Victoria Institute of Strategic Economic Studies (VISES).
7. Sirag, A., & Mohamed Nor, N. (2021). Out-of-Pocket Health Expenditure and Poverty: Evidence from a Dynamic Panel Threshold Analysis. Healthcare (Basel, Switzerland), 9(5), 536. https://doi.org/10.3390/healthcare9050536
8. Ostwald,, If We Can't Measure It, We Can't Fix It, WifOR Institute, 2021, https://www.wifor.com/uploads/2021/05/G20_Health_Metrics_ROI_G20_B20.pdf
9. Garcia-Ramirez JA., Akkazieva B., Thomson S., Habicht T., Evetovits T. Spending on Health in Europe: Entering a New Era (2021). World Health Organization, Barcelona Office for Health Systems Financing. https://www.euro.who.int/__data/assets/pdf_file/0011/502121/Spending-on-health-in-Europe-entering-a-new-era-eng.pdf
10. Commission and Germany's Presidency of the Council of the EU underline importance of the European Health Data Space (2020). European Commission, Press Corner. https://ec.europa.eu/commission/presscorner/detail/en/IP_20_2049
11. Baicker, Katherine, David Cutler, Zirui Song. Health Affairs. Workplace Wellness Programs Can Generate Savings (2019). https://www.healthaffairs.org/doi/10.1377/hlthaff.2009.0626
12. RAND Corporation. Workplace Wellness Programs Study (2019). https://www.rand.org/pubs/research_reports/RR254.html.
13. Mercer. The Surprisingly Strong Connection Between Well-being and Turnover (2018). https://www.mercer.us/our-thinking/healthcare/the-surprisingly-strong-connection-between-well-being-and-turnover.html
14. Eldridge M., Cadwell C. Could Public Private Partnerships Improve Health Outcomes in Developing Countries? (2021). Urban Institute. https://www.urban.org/urban-wire/could-public-private-partnerships-improve-health-outcomes-developing-countries