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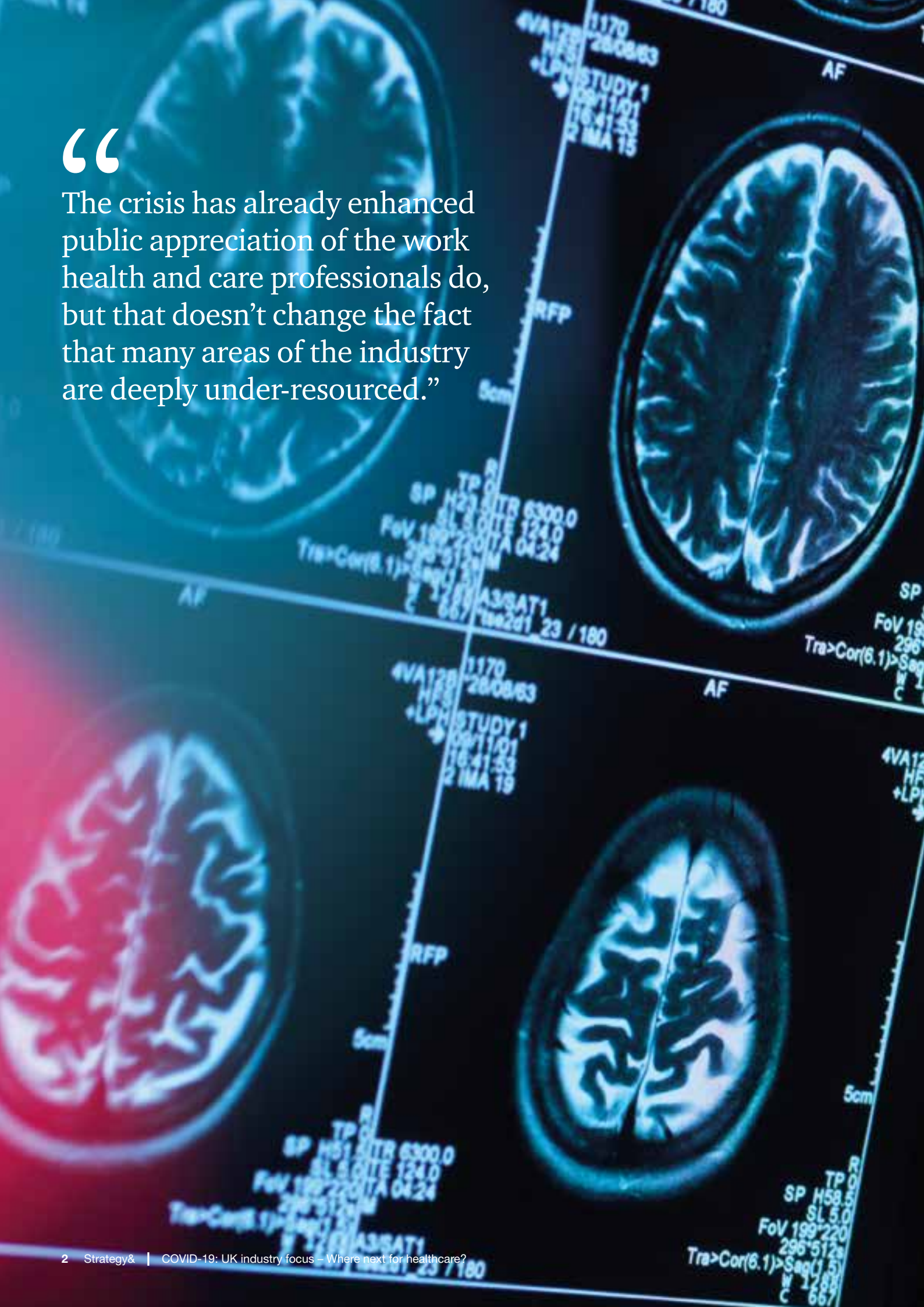
COVID-19: UK industry focus

# Where next for healthcare?



“The crisis has already enhanced public appreciation of the work health and care professionals do, but that doesn’t change the fact that many areas of the industry are deeply under-resourced.”

# Where we are today

COVID-19 has placed immense pressure on an already strained healthcare system. A massive demand shock resulting from the rapidly spreading virus has forced both public and private healthcare organisations to dramatically change the way they operate and to co-operate in new ways.

> “COVID-19 will significantly increase healthcare spending overall, but with pent up demand for healthcare building and pressure on businesses and household incomes, resources to address these needs remain stretched.”

The healthcare system has had to adapt and make changes quickly, with limited planning and without the tools and resources required to make them sustainable.

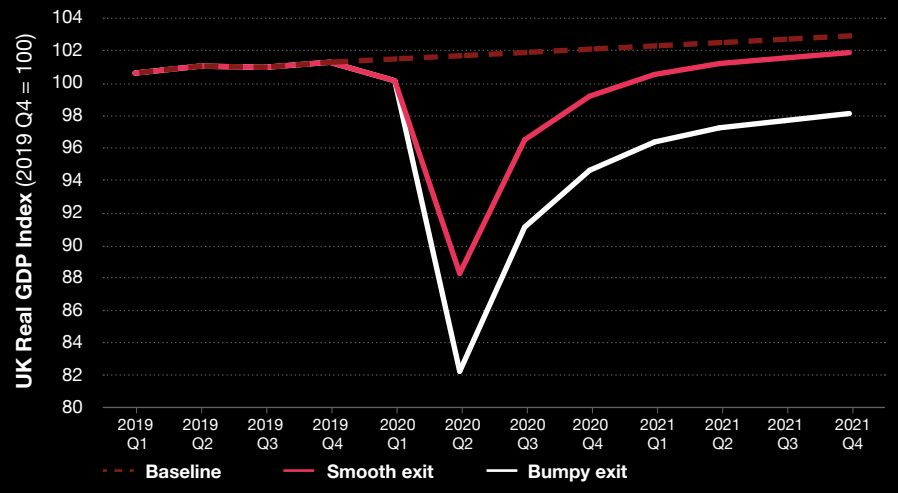
Many in the industry are frontline workers who find themselves in situations where their physical and mental health face considerable threats. The crisis has already enhanced public appreciation of the work health and care professionals do, but that doesn’t change the fact many areas of the industry are deeply under-resourced.

COVID-19 will significantly increase healthcare spending overall, but with pent up demand for healthcare building and pressure on businesses and household incomes, resources to address these needs remain stretched.

The virus has also underscored weaknesses in supply chains and the need for investment in healthcare technology. A recent rise in the use of remote care and virtual appointments has helped reduce the number of people requiring in-person consultations, while raising awareness of the need for improved IT infrastructure, data sharing and tools to support these models of care. This has seen the proportion of face-to-face GP appointments decline from around 80% according to NHS Digital, to an estimated rate of below 10% in a matter of weeks.

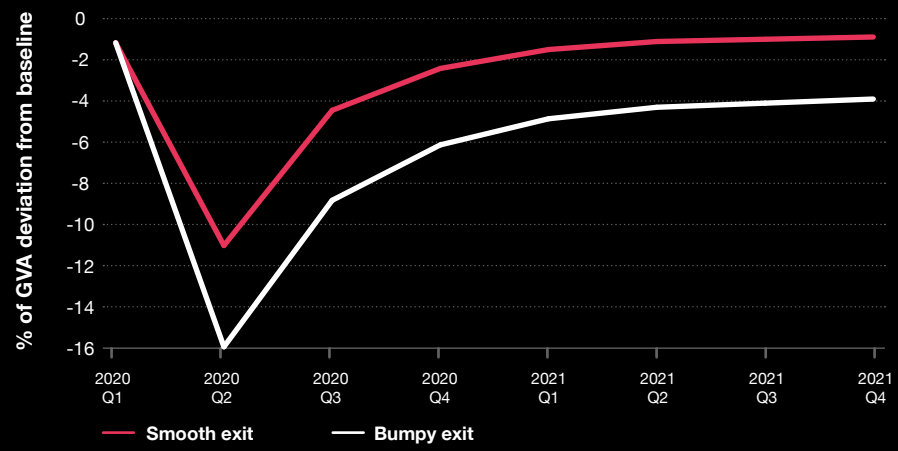
Though imperfect, the market has shifted across the healthcare spectrum. Alternative operating models have proven their potential and that will force structural change.

**UK GDP index (Q4 2019 = 100), quarterly levels in each scenario**




**Source:** Strategy& UK Economic Analysis May 2020

**Impact of COVID-19 on Healthcare GVA by scenario**




**Source:** Strategy& UK Economic Analysis May 2020

The chart above includes both the public and private sector impact. While some public sector activities have been stepped up, mainly the COVID-19 response, other areas have been set back e.g. elective surgery. Therefore the way the ONS measures economic activity means that healthcare is set to have a dip in GVA, just not as great as other sectors. This is a real challenge for healthcare coming out of COVID-19, as these neglected areas will need to be addressed.

# 4m

## Current no. of sector employees

'Total number of employees' represents the total number of employees in the Healthcare sector. These figures are deduced from ONS data, specifically the Business Register and Employment Survey 2018 provisional.

# Low

## Jobs at risk RAG rating

'Jobs at risk' rating reflects the analysis conducted by the International Labour Organisation. They assessed the global impacts of COVID-19 on different sectors, assessing those most likely to lay off workers due to lower cash flow.

# What are we learning?

## The Government is willing to spend its way out of the crisis

The immediate surge in demand for healthcare products and services as a result of COVID-19 has been met with a blank cheque after years of constrained NHS budgets. But the lack of capacity and preparedness across the health and care systems that has long been known is now visible and can no longer be ignored.

The NHS will continue to face significant pressures when COVID-19 subsides, as it struggles to address pent up demand while grappling with how to reward those who have delivered the NHS response. Significant investment has been made in COVID-19-related services, such as the Nightingale hospitals to support peak ICU demand, but the debate around sustainable long term funding remains unresolved.

As a sector, healthcare will be far more resilient than most, but it certainly won't be immune to economic shockwaves.

Beyond public funding, the pandemic's macroeconomic impact – the damage it's done to employers across practically every sector, will lead to a reduction in healthcare benefits – including private medical insurance. Protecting jobs and salaries will become a priority, placing corporate benefits on the chopping block. In the wake of the 2008 financial crisis, the number of employees with company paid medical cover decreased by around 7% according to market intelligence firm LaingBuisson.

A decline in personal income, as a result of furloughs and job losses, could also curb demand for more discretionary private healthcare services, as happened during and after the 2008 financial crisis. But providers who can cost-effectively serve demand should see some benefit.

Nonetheless, COVID-19 has reengaged the public with the importance of healthcare and in some cases it has enhanced a sense of personal responsibility. If this persists it's likely individuals will become more willing to spend a greater proportion of their finances on health and wellness if and when they're able to.

**8,000**

The NHS in recent weeks block booked 8,000 beds and 20,000 clinical staff at cost in private sector hospitals

And so the healthcare system will emerge from this crisis higher on the public and government agenda. Public polling by Kekst CNS showed as the economy recovers the public would like the government to prioritise paying NHS and key workers more. The need to robustly fund a resilient system will be clear but the assumption the system needs to look and work like the one we are used to has been proven to be false.

Previous strategies employed to drive efficiencies have been largely incremental whereas radical change is now required; new ways of working, new operating models, new funding models, new technology. This is not new but the crisis has shown they can work in practice and will accelerate their uptake.

## Collaboration is not as hard as everyone says it is... and it works

COVID-19 has irrefutably demonstrated the need for closer collaboration across the system, both within the NHS and working in partnership with private sector partners. This crisis has highlighted the interdependencies between health and social care, and the need to reform both systems in parallel. But it has shown the integration of primary care, secondary care and community services, along with mental health and social care, is both critical and possible.

For example, the NHS in recent weeks block booked 8,000 beds and 20,000 clinical staff at cost in private sector hospitals. Elsewhere, it issued a 48-hour tender for the immediate provision of online primary care consultation support to serve patient needs while reducing the risk of infection transmission. The NHS, local authorities and social care providers have been working together to discharge medically-fit patients from hospitals quickly, to release capacity and reduce exposure to COVID-19.

A collaborative response to the virus has been adopted out of necessity – with central decision makers taking a more active role, clinical leadership being more prominent and bureaucratic, consensus-based decision making processes being bypassed. Health and care professionals have worked with flexibility and fluidity outside of their old ways of working. These strategies and ways of working prove services can be delivered in a different, integrated and effective way and will be maintained beyond COVID-19.

Once the immediate crisis is resolved, this will act as a catalyst for change.

## Perceived barriers to innovation are overstated

COVID-19 has forced experimentation when it comes to established models of care, and demonstrated that barriers to innovation might actually not be as impenetrable as previously suspected.

A quick transition to virtual consultations in primary care, and outpatient appointments in secondary care has widely been labelled a success. At this point it's difficult to accurately predict to what extent patients or clinicians will resist this model of care when lockdowns are lifted, but it's demonstrated the potential for digital transformation. It may also accelerate progress in the development of healthcare information exchange solutions, AI enabled diagnostic and decision tools and at-home or community-based testing – all of which would improve the quality and efficiency of care.

For certain patients and health needs, hospital or facility-based treatment will remain essential but a happy medium could prove popular in the long run. This might mean rapid-access, one-stop clinics, in specialties where it makes sense to implement, with remote follow-up appointments using robust healthcare data, monitoring and AI to manage patient referrals and flows.

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## Safe sharing of healthcare data is the backbone of change and there is work to do

Both in the UK and much further afield, COVID-19 has irrefutably demonstrated the value of effective information exchange. This will shift the debate around the availability and value of health data and the protection mechanisms needed.

South Korea’s containment strategy, which has set the global benchmark to date, relied on access to data for contact tracing that would be unthinkable in Europe. By contrast, just identifying vulnerable patients in the UK has been a slow and arduous task undermined by omissions and the need for manual interventions. And consumers recognise this. Our own consumer research found 29% are more inclined to share their health data with the government than before COVID-19 to respond to health crises with younger consumers especially supportive.

Better and more consistent health information exchange, and enhanced opportunities for individuals to take greater ownership of their own health data, have the potential to drive the efficacy of new models of care. It will support informed and efficient consultations based on accurate, comprehensive personal healthcare information, and also facilitate much better use of AI to help triage, manage and prioritise referrals.

**29%**

of consumers are more inclined to share their health data with the government than before COVID-19

“There is a unique and valuable opportunity to reset relationships between the NHS, the public and the wider health ecosystem.”

# How do we respond?

## Maintain the engagement of all parties to drive change

There is a unique and valuable opportunity to reset relationships between the NHS, the public and the wider health and care ecosystem.

Working more collaboratively and flexibly across NHS and private sector providers and partners to continue to explore the potential benefits and synergies available will be essential. This applies at all levels across leaders, clinicians, support staff and beyond. This requires relationships, ways of working and decision making processes that have been established to be maintained and developed and the relative strengths of different parties to be recognised.

For example, the infrastructure and tools to enable new models of care, such as access to online consultations and at-home testing, are best served by the private sector operating and investing at scale, rather than a multitude of NHS-developed solutions. Local authorities, NHS Trusts and social care providers can support better patient outcomes and more efficient use of resources through a less siloed approach to supporting patient needs.

Sustained, increased individual responsibility for health and wellbeing supported by practical public health messages and interventions would be a further positive development.

Harnessed effectively, these relationship resets can facilitate better use of limited NHS and Local Authority resources, ensuring better outcomes for the entire system and most importantly for patients. In parallel, private organisations who can support the evolution of the system will benefit.

71%

of consumers have or would use online pharmacies

> “The healthtech sector will need to respond to expanded demand for healthcare information exchange solutions and workflow tools that support and enhance virtual care models to capture this potential.”

## Lock in the changes that work – reassess operating models in light of new clinical models and patient expectations

Not all changes in patient and clinician behaviours during the crisis will prove sticky, but many will.

There will be opportunities for online pharmacies with home delivery services, online healthcare consultation platforms and private hospitals and clinics that integrate digital care solutions into their propositions. This is supported by our consumer research which shows 71% of consumers have or would use online pharmacies and a quarter of current users only adopted this model since COVID-19. Counter to expectations, older consumers who have tried this model are more likely to use it again than younger consumers – but they are also more reluctant to try it in the first place.

We also foresee an increasing demand for affordable diagnostics and preventative services that forward-thinking private providers can address.

Equally, hospitals could choose to shift many outpatient appointments away from the hospital setting permanently. This would release estates capacity and enable some consultations to be substituted for ongoing patient monitoring in the community without compromising care. What is less clear is how the greater convenience of online consultations might lead to increased demand.

## Invest in data and technology

Access to necessary data and technologies has been highlighted as a systemic weakness. The organisations that succeed in future will be those that prioritise investing to resolve this now. Effective and proven solutions mostly already exist in the market; the constraints relate to prioritising investment and the talent and engagement needed to make them work in practice.

The healthtech sector will need to respond to expanded demand for healthcare information exchange solutions and workflow tools that support and enhance virtual care models to capture this potential. AI tools for managing referrals and patient flows and supporting decision making might also become more popular as patients and clinicians adapt to new operating models. For example, Ping An Smart Healthcare uses AI to read CT scans in China both to diagnose the clearest cases and to help clinicians prioritise higher risk and more ambiguous cases for review.

> “COVID-19 can offer a fresh sense of urgency to resolve these issues and leave us with a system that works better and that we can all be proud of.”

### A catalyst for change

The siloed nature of the healthcare system harms outcomes, patient experience and efficiency. Technology and digital transformation is not being taken full advantage of. These widely known problems have plagued the healthcare system for years.

COVID-19 can offer a fresh sense of urgency to resolve these issues and leave us with a system that works better and that we can all be proud of.

## Who to talk to


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