

19th Annual Global CEO Survey: Healthcare industry key findings

Growing in complicated times / Addressing greater expectations / Transforming: technology, innovation and talent / Measuring and communicating success

Redefining business success in a changing world

Healthcare industry key findings



70

healthcare
executives
interviewed
in 30 countries



About the 19th Annual Global CEO Survey

In this year's survey, global business leaders voice fresh concerns about economic and business growth. At the same time, they see a more divergent and multi-polar world where technology is transforming the expectations of customers and other stakeholders. In *Redefining business success in a changing world*, we explore how CEOs are addressing these challenges. We surveyed 1,409 CEOs in 83 countries and a range of industries in the last quarter of 2015, and conducted face-to-face interviews with 33 CEOs.

Today's business leaders have a tough job finding growth and delivering results year in, year out. But they know an even tougher task lies ahead: to prepare their organisations for a more complex future where customers and other stakeholders increasingly expect them to do more to tackle society's important problems.

To equip themselves for this challenge – and to build trust and ensure long-term success – CEOs are focusing on three core capabilities. Firstly, they're focusing even more strongly on customer needs as well as drawing on their organisational purpose – what their companies stand for – to define a more comprehensive view of how their business operates within society. Secondly, they're harnessing technology, innovation and talent to execute strategies that meet greater expectations. And finally they're developing better ways to measure and communicate business success.

About the Healthcare industry key findings

This report looks in more detail at the views of 70 healthcare CEOs in 30 countries, as well as drawing on in-depth interviews with:



Robert J. Henkel
President and
Chief Executive Officer,
Ascension Health,
US



Dan Wolterman
President and
Chief Executive Officer,
Memorial Hermann Health
System, US



Gilberto Quinche
CEO for Healthcare Sector,
Grupo Coomeva,
Colombia



Stuart Fletcher
CEO,
BUPA,
UK



Healthcare is an industry in transition. Facing the challenge – and vast opportunity – healthcare CEOs must contend with new technology, demographic shifts that profoundly change the world's population and high public expectations.

Growing in complicated times

The business environment is more complex, and more challenging than it's ever been, and healthcare is at the cutting edge of that change

Global megatrends like demographic change and technological advances are having a bigger impact on healthcare than on many other sectors. There are predicted to be nearly 500 million more people over 60 by 2030,¹ for example, and the rapidly ageing populations in most Western economies are putting enormous and growing pressure on healthcare. There will also be a steep rise in chronic conditions, like diabetes, as a result of changes in diet and higher levels of obesity. Not surprisingly, healthcare CEOs are more likely to see stakeholder expectations of their business changing as a result of demographic shifts (77%, versus 61% overall).

Demographic change could also open up new commercial opportunities too, but the threats are more pressing than the positives, especially for firms dealing with a shortage of skilled healthcare professionals and resources. Ongoing budgetary constraints mean that government finances are tight, which in turn puts downward pressure on what public sector providers can pay for treatments or care. There are possibilities for growth in emerging markets, with nearly 4.9 billion of the global population in 2030 expected to be middle class,² and these people will have more money to spend on health, and higher aspirations. They will look to their governments to meet these needs, and the BRIC countries alone are predicted to see a 117% increase in health spending over the next 10 years.³

Of the healthcare CEOs surveyed, 30% see the US, the world's largest healthcare spender, as the most likely market to drive growth over the next year, but China's not far behind (27%). Interestingly, some healthcare CEOs are struggling to identify which markets will drive growth: 26% said they didn't know or didn't want to answer, compared with a global figure of 8%.

When it comes to the immediate future, healthcare CEOs' confidence levels have remained fairly stable – 41% are very confident they will increase revenues over the next 12 months, compared to 43% last year. Looking forward three years, though, that percentage actually decreases to 37%. That's in contrast with most other industries, where CEOs are notably more confident looking ahead three years, and probably reflects the industry's concerns about the sustainability of healthcare costs. Nearly three-quarters of healthcare CEOs plan to implement a cost-reduction initiative this year, in line with other industries, but whether their efforts will be enough to bend the cost curve remain to be seen.

The relationship between healthcare and government raises specific issues

Regulation is – predictably enough – a key concern for the industry. Healthcare CEOs are understandably more concerned about the potential impact of over-regulation (54% are extremely concerned, compared to 42% of CEOs overall).

54%

of healthcare CEOs are extremely concerned that regulation could threaten growth

¹ United Nations Department of Economics and Social Affairs, Population Division, "World Population Prospects: The 2015 Revision," United Nations Department of Public Information, 2015.

² Mario Pezzini, "An emerging middle class," OECD Observer, 2012.

³ World Economic Forum, "Health Systems Leapfrogging in Emerging Economies" (2014). 2. 2040 health expenditure projections from "The Financial Sustainability of Health Systems", World Economic Forum and GDP data from the OECD (2013), PwC 2010-2020 spending projections.

They are also much more concerned about the way governments are tackling fiscal deficits and debt, compared to the global sample – 50% are extremely concerned, compared to 30% of CEOs overall, which probably reflects their greater dependence on governments as customers for their services.

New entrants are shaking up the industry

Healthcare CEOs' level of concern around new entrants has been rising steadily over the past five years. While just 28% worried that new entrants could pose a threat to growth in 2012, by 2016 that number had nearly doubled to 50%. That reflects the advent of a whole host of new players entering the industry, from retailers offering medical services in stores, to technology companies and manufacturers developing new platforms for mHealth apps – and that's just the beginning. Incumbents are facing critical decisions around whether to compete or collaborate with companies entering their market space.

Many healthcare companies are turning to strategic alliances as a way to navigate through uncertainty

For many companies the answer seems to be partnering. Healthcare CEOs are much more likely than their peers to be looking beyond their own business for productive ways forward: 66% are planning to enter into a new strategic alliance or joint venture over the next 12 months,

which is higher than most other industry sectors, and compares to an overall average of 49%. That continues a trend we've seen over the past several years. In addition, more than a quarter of healthcare CEOs (27%) are planning a domestic merger and acquisition (M&A). Costs are primary consideration (see quote).

Every year there has been a steady increase of healthcare CEOs contemplating a cross-border M&A but results this year are still low – only 17% of CEOs are considering one compared to the overall average of 24%. This may be a missed opportunity as healthcare – like other industries – becomes more global.

“The new ways of doing business in the world today, and particularly with the arrival of new players – new areas, and new countries – there's a clear convergence...” said Gilberto Quinche, CEO for Healthcare sector of Grupo Coomeva in Colombia. “...from the point of view of the health industry, there is a need to look at the world in a very global way.”

“Right now we are actually in discussions with some companies in other countries with a view to forming strategic alliances. The idea is for those allies to take advantage of our experience in insurance models and health service models, and for us to bring those models to other countries.”

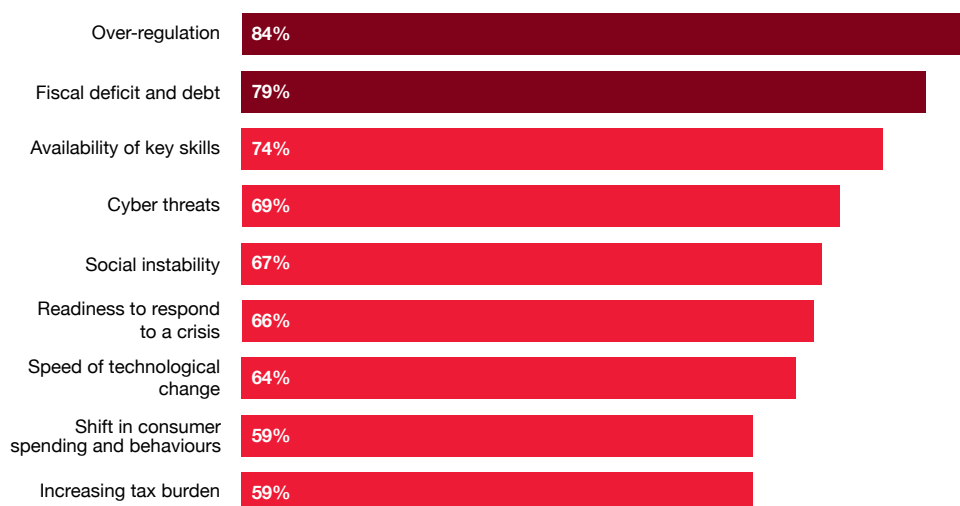
Consolidation must decrease the true cost of healthcare, and it must also add value – i.e., it must improve the outcomes – to produce healthier people in this country, a more productive workforce, and people who are in a better position to have the right relationships within the framework of their community.

Robert J. Henkel
President and
Chief Executive Officer,
Ascension Health, US

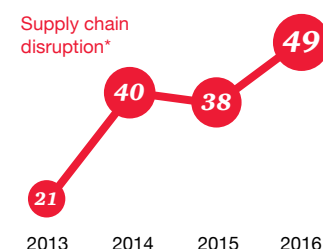
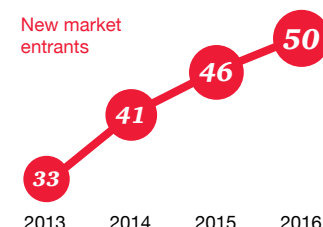
Figure 1: Healthcare CEOs are mostly concerned about over-regulation, fiscal deficit and debt as key threats

Q: How concerned are you about the following potential economic, policy, social and environmental threats to your organisation's growth prospects?

Key risks



Moving upwards



*2010-2012 worded as 'Security of supply chain'

Base: All respondents (Healthcare, 2016=70, 2015=68, 2014=81, 2013=90).
Source: PwC, Annual Global CEO Survey data

Addressing greater expectations

There are few sectors that have such a direct and personal impact on those who buy their services, so it's no surprise that stakeholder and customer expectations are top of mind for the industry's CEOs

Healthcare CEOs are ahead of the curve when it comes to taking external expectations into account when planning and executing their strategy. Of healthcare CEOs, 83% say customers have a high or very high impact on their organisation's strategy, and even more (87%) say they are influenced by government and regulators. In addition, 46% cited local communities, compared with 27% for CEOs overall. The sector's high public profile is also reflected in the numbers for the media (43% versus 25%), and general public (51% versus 30%).

Technology has played a major role in enabling and empowering consumers to take greater accountability for their care. Robert J. Henkel, President and Chief Executive Officer of US-based Ascension Health describes what he calls the "the era of democratisation of healthcare." He explains that "The information available to inform consumers about healthcare is literally at everybody's fingertips. It doesn't take more than five seconds to go onto the Internet to get information that's required, information that has both price transparency and more and more data around outcomes."

Healthcare is expected to have a wider social purpose – and its CEOs believe it does

Healthcare companies are more likely to have an organisational purpose that includes the broader impact they have on society – 56% of healthcare CEOs told us they had either always had this or had established it more than three years ago, compared to 45% for their peers as a whole.

Similarly, 81% of healthcare CEOs say their company's purpose is centred on creating value for wider stakeholders, versus 67% overall, which is noticeably higher than most other sectors. And there's self-interest in play here too, since 74% of the industry's CEOs believe that top talent prefer to work for organisations with social values which are aligned to their own.

Healthcare's importance to society as a whole brings with it greater expectations. Industry CEOs aren't just expected to improve their own company's performance: stakeholders are looking to them to help turn the tide of rising healthcare costs.

Dan Wolterman, President and Chief Executive Officer of US-based Memorial Hermann Health System describes how his company is now partnering with the community to enhance wellness – not just treat illness: "We're partnering with other community entities – from grocery stores to food banks and other social services – gathering the data and trying to make a tangible difference. We believe we can improve nutrition, improve people's educational outlook and performance, and ultimately improve health down the road. We're measuring things that we never would have looked at five years ago."

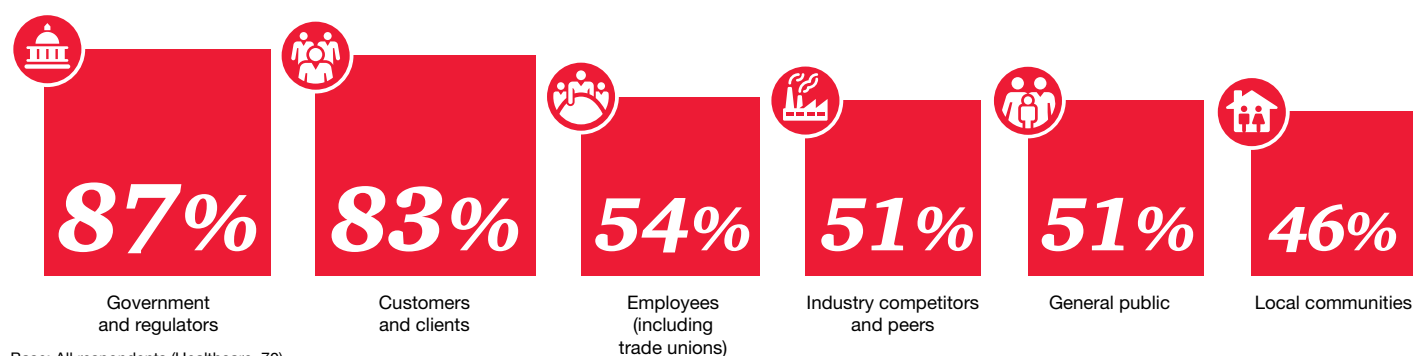
This type of focus represents a significant shift in mind-set for the industry – and one that's enabled and enhanced by technology and changing consumer behaviours, as consumers turn increasingly to exercise, nutrition, disease monitoring and other apps to enhance their well-being.

A number of things affect our industry. Regardless of breakthroughs in care, we're getting to a point that the cost of healthcare in this country is unaffordable. Government can't afford it, corporations can't afford it for their employees, and the individual can't afford to pick up the burden. So until we come to grips with how to get costs down and value or quality up in the system, the country is on a collision course in the healthcare world to a dramatic downturn.

Dan Wolterman
President and
Chief Executive Officer,
Memorial Hermann Health
System, US

Figure 2: Healthcare CEOs see government and their customers as key stakeholders

Q: What impact do the following wider stakeholder groups have on your organisation's strategy?



Base: All respondents (Healthcare, 70)
Source: PwC, 19th Annual Global CEO Survey

Transforming: technology, innovation and talent

New technology is creating opportunities – and challenges

Digital technology is transforming healthcare, thanks to mHealth apps, alternative delivery channels and other systems that can monitor people's health remotely and deliver health services without the need for a practitioner to be physically present. These trends are set to expand even more with the growth of the 'Internet of Things'. This will make it possible, for example, for household appliances, wearable medical devices and remote sensors in the homes of elderly people to transmit information to medical practitioners. And that's only one of many possible uses. According to the Economist Intelligence Unit, 49% of consumers expect mHealth to change how they manage their overall health.⁴

Another key area for digital is communications: 66% of the healthcare CEOs who responded to the survey told us they are making significant changes in how they use technology, to help them assess wider stakeholder expectations and respond to them better (compared to 51% for all respondents). Healthcare companies see greater value than other companies in using social media (64% versus 50%) and online reporting technologies (e.g. mHealth solutions) (67% versus 33%) to engage stakeholders. And many are using data and analytics (64%) too.

Robert J. Henkel explains how his company gets more out of using these tools for external engagement by combining them with tools that help spread the word internally: "We are investing in different tools to make sure that we are able to spread information very quickly so that we're able to take our best practices, whether they be clinical or administrative, and learn from each other. We are determining whether we have the right kind of data analytics – the right ability and the capability to engage with our consumers on an ongoing basis using social media, mobile apps, and all of the other components of the world of technology that we live in. The combination of those two are critical – both the outside and the internal engagement – to make sure that we navigate this transformation well."

Keeping private medical data safe is a top priority. Healthcare CEOs are aware of the risk involved – 69% are concerned about cyber threats, and 24% are extremely concerned. These figures are similar to the overall average, but significantly higher than those for pharma and life sciences. They also reflect an upward trend over the past few years; in 2014, just 53% of healthcare CEOs were concerned about cyber threats. Yet many still don't recognise that cybersecurity can be a strategic business advantage. Just 49% of healthcare CEOs think enhancing personal data security could be a strong way to engage their stakeholders.

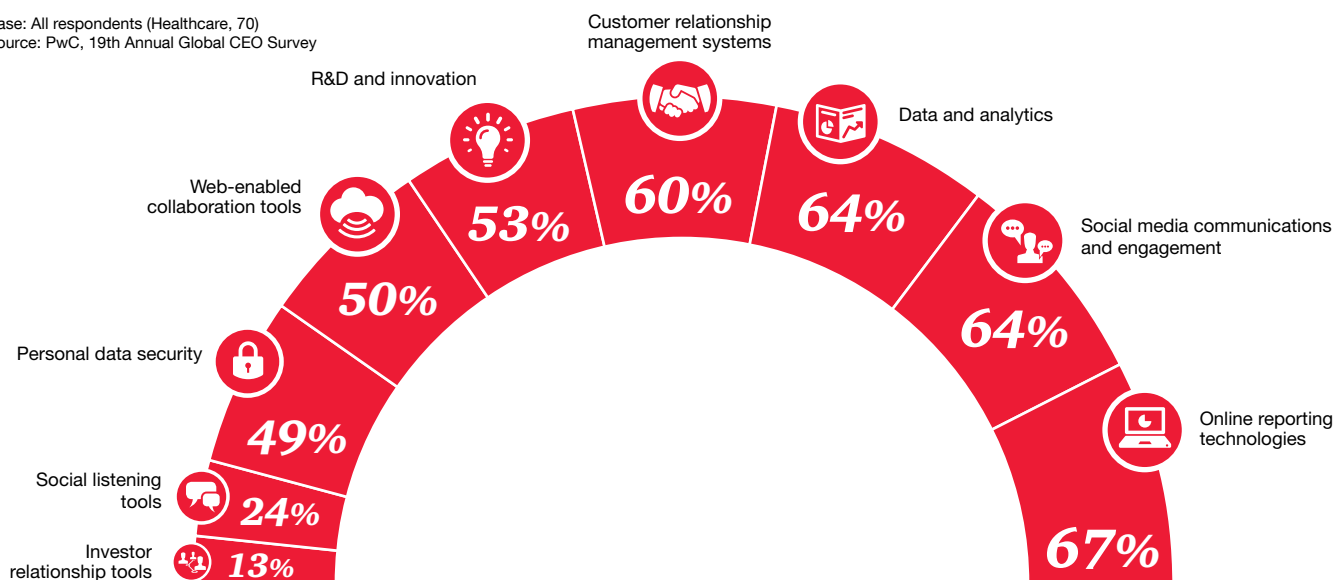
66%

of healthcare CEOs are making significant changes to how they use technology to engage stakeholders

Figure 3: Online reporting technologies and social media are digital tools healthcare CEOs believe offer the greatest return to connect with stakeholders

Q: Moving to technology, please select the connecting technologies you think generate the greatest return in terms of engagement with wider stakeholders

Base: All respondents (Healthcare, 70)
Source: PwC, 19th Annual Global CEO Survey



⁴ Economist Intelligence Unit, *Emerging mHealth: Paths for growth*, 2012.

Measuring and communicating success

How should business be doing more in order to measure impact and value as stakeholder expectations evolve?

We've already flagged the importance of technology in a changing sector, so it's not surprising to see that innovation is the top area that healthcare CEOs want to measure better. That's notoriously hard to do. But with innovation critical to new business models emerging in the sector, companies will need to improve.

Not surprisingly, healthcare CEOs also see a need to measure key risks (54%) but they also recognise the importance of measuring non-financial indicators (e.g. brand) better. UK-based BUPA CEO Stuart Fletcher explains: "We've put a lot of work into the whole measurement protocol around the degrees to which we are helping people live longer, healthier, happier lives by providing access to health information." According to Stuart Fletcher being transparent not only helps supports their customers' needs but it also demonstrates the company's commitment to its purpose.

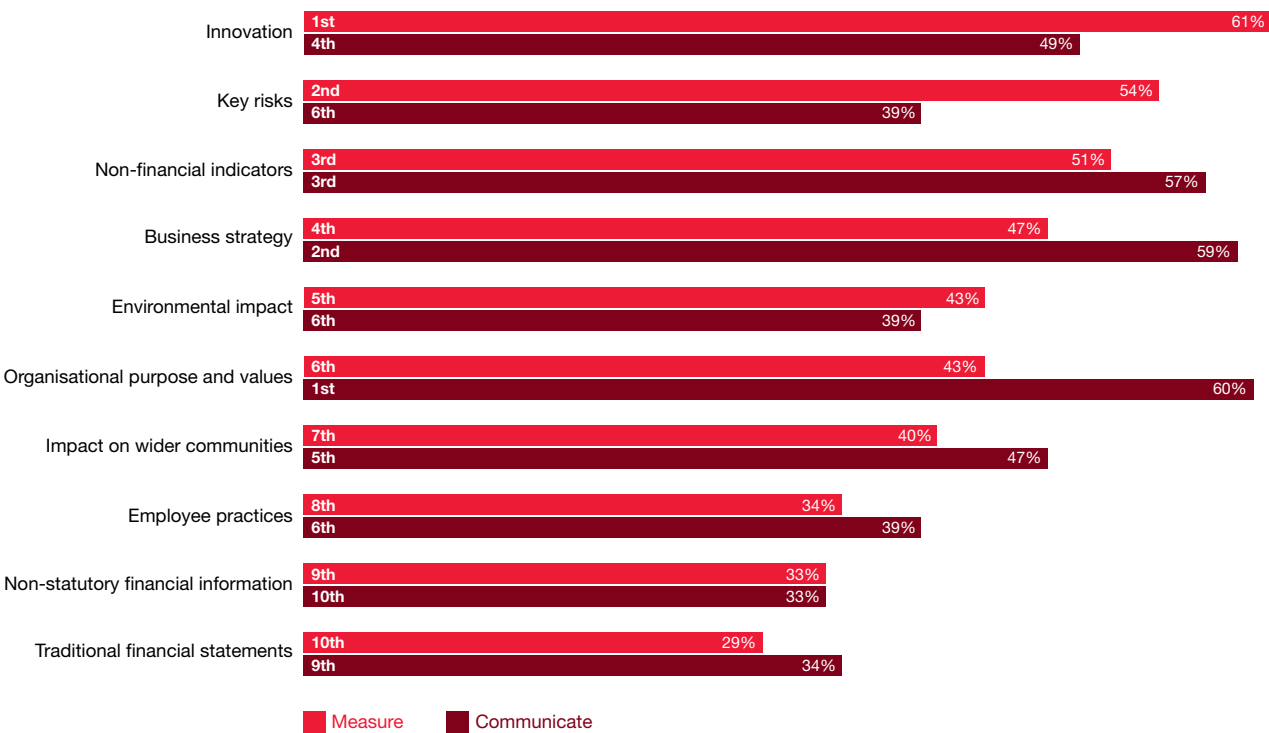
For healthcare CEOs, organisational purpose and values stands out as an area where companies need to communicate more, together with business strategy and non-financial indicators like brand. Both measuring and communicating are vital across all business functions. They are the biggest enablers of a purpose-driven company (no matter what that purpose is). Without metrics, it's difficult to define what success looks like, let alone how to implement it. And without communication stakeholders won't know what companies are doing.

I think beyond the commercial targets – whether you're talking about revenue, profit, cash flow, return on investment, all of that stuff which is important – I think we should be measuring our impact on society.

Stuart Fletcher
Chief Executive Officer,
BUPA, UK

Figure 4: Healthcare CEOs think they can better measure innovation, key risks

Q: In which of the following areas do you think business should be doing more to measure/communicate impact and value for wider stakeholders?



Base: All respondents (Healthcare, 70)
Source: PwC, 19th Annual Global CEO Survey

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Explore the data

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Acknowledgments

PwC gratefully acknowledges the contribution to *Redefining business success in a changing world: Healthcare industry key findings* provided by the CEO who participated in our in-depth interview programme, listed below. Watch the CEO video interview for more great insights.

Robert J. Henkel
President and Chief Executive Officer,
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[Watch the full interview](#)

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