



# The Economic Challenges of Healthcare

New Technology / innovation must demonstrate efficiency

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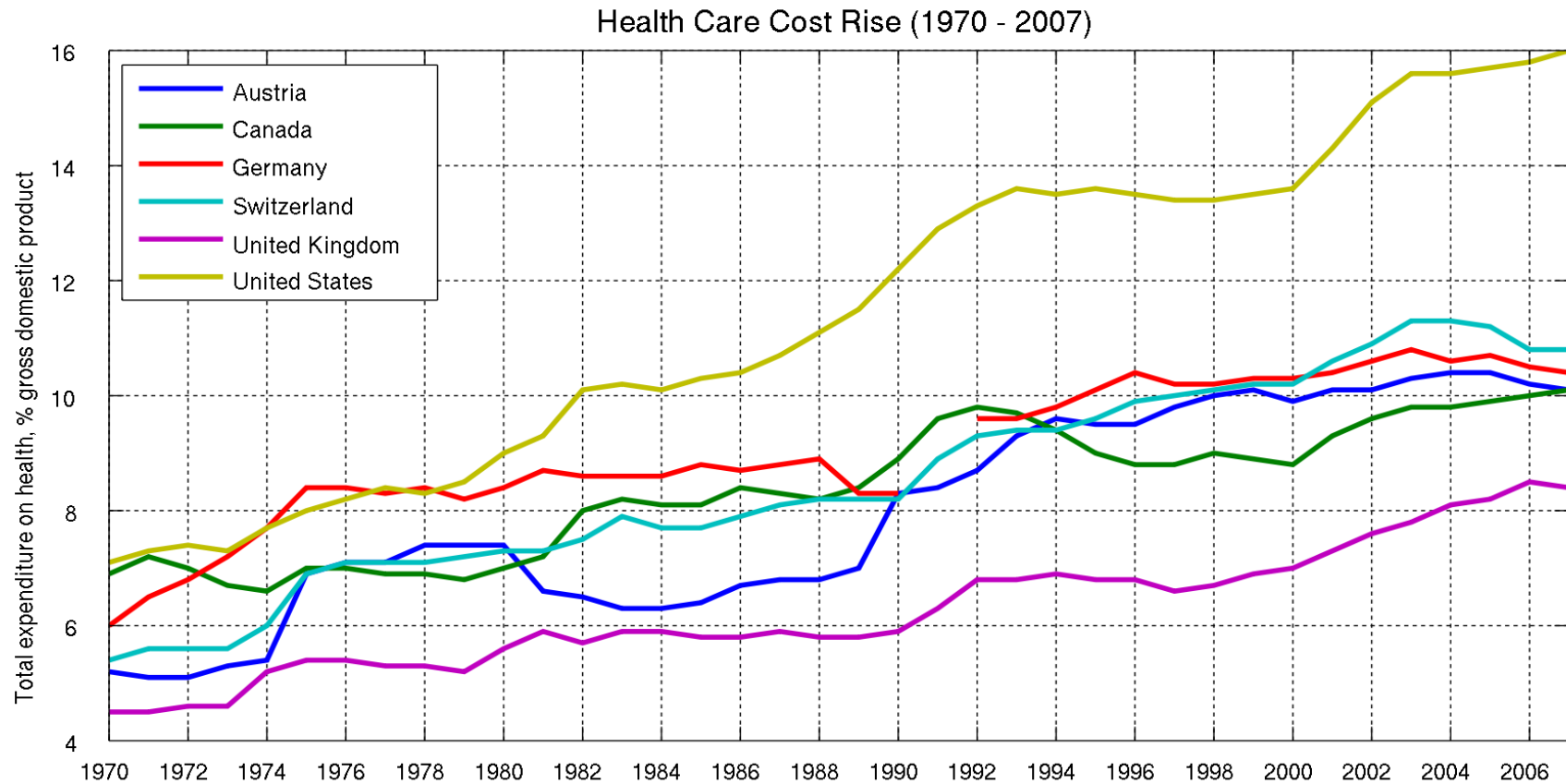
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# Healthcare Trends

- . When Smith & Nephew was founded just over 150 years ago, average life expectancy in the developed world was just **38**.
- . Today - It's almost **80!**
- . That's good news. But it brings challenges.
- . One of them is keeping people healthy throughout their long lives.
- . Another is that governments and payors don't have unlimited resources
- . Clinicians are now global citizens and demand access to new technology offers

# Cost of Healthcare



# Australia

- Move from hospital to community care delivery –  
Where is the funding pathway to follow the population move?
- Hospital infrastructure 8x the cost of building a 5 star hotel with a 30 year life span requiring 1-3 “refreshes” in the cycle
- Hospitals currently structured around cost centre funding model Vs a Patient activity / flow model of budget allocation
- Structures drive behaviours
- Behaviours drive search for narrow solutions



# Tension everywhere in the system

**They (procurement) are only interested in the money and reducing costs – at any cost.**

Wound nurse

**Our goal is cost-efficiency with no compromise to effective care**

Procurement

**As a Lead TVN, I've become more of a business manager now. I have to think that way because that's what's demanded of me.**

Wound nurse

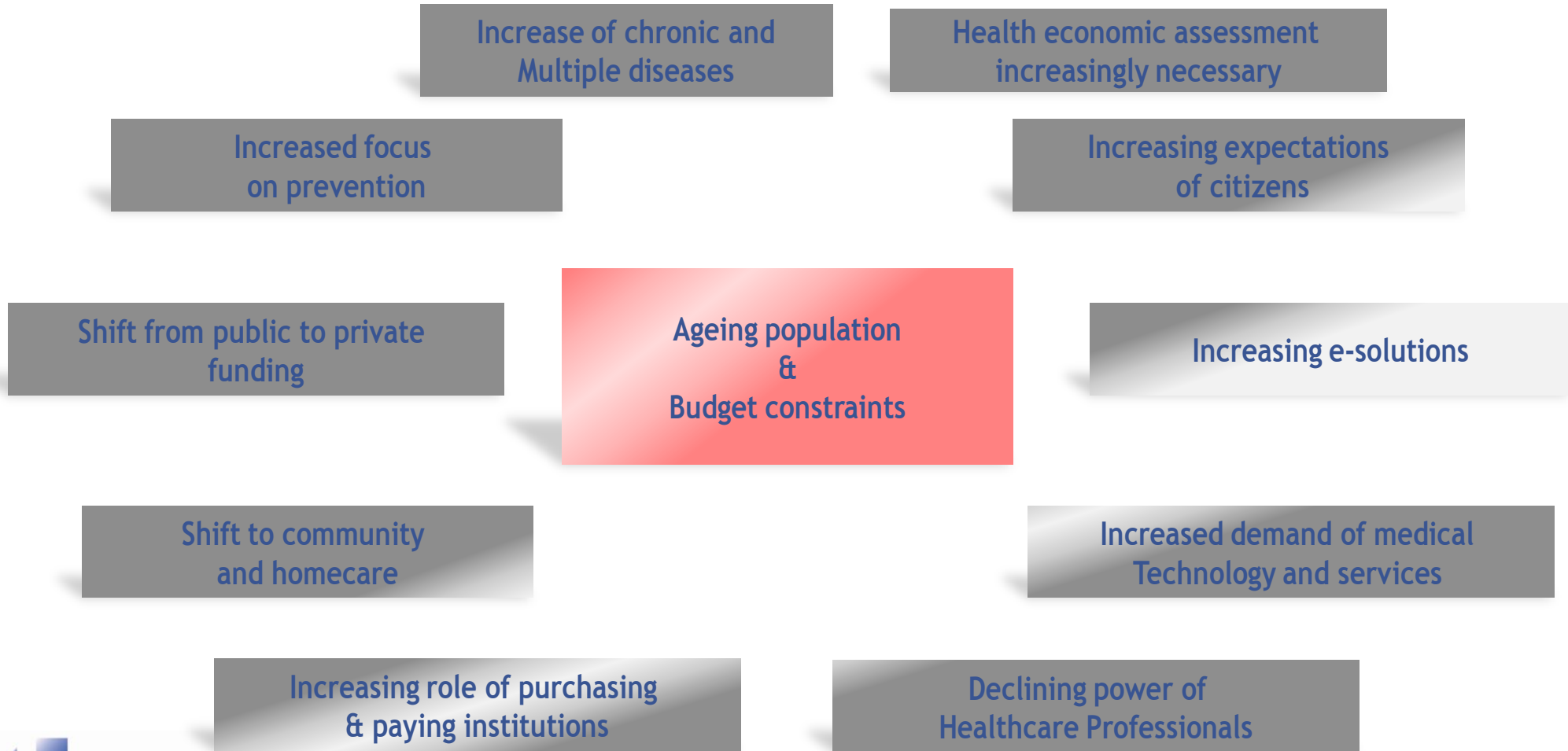
**Clinicians have no concept of the pressures we are under**

Procurement

**Product is 'good enough'**

Stakeholder

# Key trends in healthcare





# Our world is changing



Ageing populations



Human suffering



New challenges



Health systems under pressure

Wounds:

an often un-considered problem for patients, health systems and society



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# Australia Expenditure

- \$3b per year on wound care
- Only \$200m of that is on products
- Remainder on pathology, staff, infrastructure, service cost
- Economic impact of lost productivity only now being quantified. QUT Leg Ulcer project is a lead in this area
- Medicare funding changes
- Environment is right for significant practice and structural change as economics are better



# Influence of the purchaser growing



Nurse



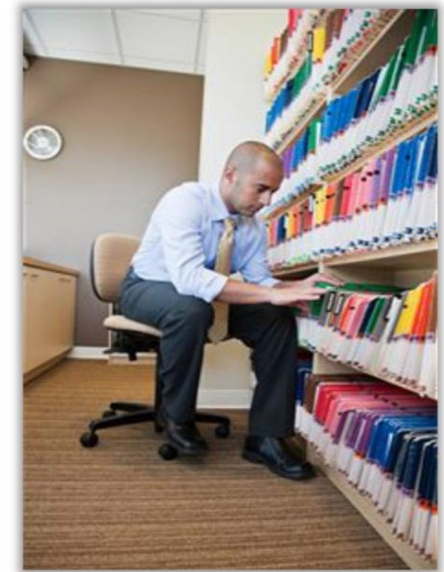
Surgeon



Manager



Procurement



Growth of purchasing influence



# Customer Filters

- Clinicians think of their patient's conditions, treatment regimes  
Challenges (cost models).
- Procurement think of their  
No of SKUs  
Inventory value, turns, complexity, logistics, payments  
Products are "*same same but different*" = change & challenge



# Customer Filters

- Patients think of their
  - Condition and anxious about resolution
  - Odour
  - social exclusion
  - lifestyle impact
  - financial impact
  - ability to return to work / activities
  - body image, self-esteem



# Industry Think...

- How do I solve a technical / scientific issue
- How can we innovate treatments
- How do we achieve a competitive advantage through technology
- How do we advance the outcome / result
- How do we achieve reimbursement
- How do we navigate multiple regulatory systems

The future requires us to demonstrate how new treatments and technologies provide tangible Economic benefits to the patients and the health system

How is the change sustainable / affordable



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# New products / Technologies

- Must be affordable and practical
- Must answer a defined un-met need rather than..  
*“Because we can”*
  - Eg: Electro-spun technology – is it making a simple product expensively?
- Must release resource allocation within the system
- Must be safe and logical for the lowest skill level in the system
- Must bring a human benefit



# Economic exploration

- Can the activity

- Be sped up

- Be done less often

- Be done with less complexity

- Be done in an alternative setting / by someone else

- Be accelerated in healing / intervention

Be done more effectively....



# Wound Management Innovation CRC

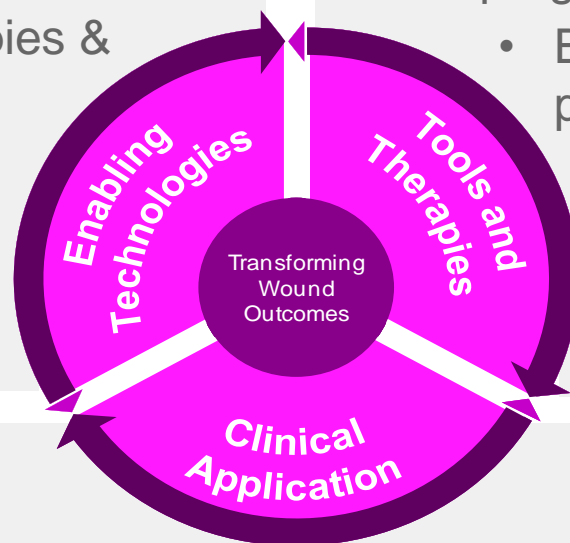
- Govt, Universities, HCPs, Industry – 22 participants
- 8 years (18 months in)
- \$100m in research funding and coordination



# Research Outputs

- Biomarkers for novel diagnostics & prognostics
- Identification of new therapies & therapeutic targets
- New pre-clinical models
- Bio-informatic tools

- Prototype diagnostics and prognostics developed
  - Bio-actives identified and produced
  - Prototype dressings/therapies developed



- POC & clinical trials
- New wound assessment tools
- New strategies for prevention

- Translation of evidence-based care into practice
- Sustainable models of care & clinical services developed





# Human Exploration

- How does treatment / condition impact
  - Ability to travel to and from treatment
  - Ability to work
  - Ability to socialise
  - Ability to conduct their life to their capacity
  - Ability to sleep / rest
  - Ability to eat, maintain good nutrition
  - Ability to achieve good cosmetic outcome post healing



# QUT – ARC Venous Leg Ulcers

- Examined the path to diagnosis
- Economic impact along the journey
- Impact of diagnosis , standardised treatment, cost and economic benefit
- Challenge in health system to fund community based treatments Vs Hospital based care provision
- Challenge aged care health support and preventative health
- Hospital Challenge move from cost centre budgeting to patient activity capture



# Prevention better than Cure & Inclusive

- Skin care and conditioning is essential to prevent
  - Reoccurrence
  - Further wounds
  - Costly treatment of wounds (Human & Economic)
- Pressure assessment and relief is critical in the prevention and healing of all wounds
- Infection prevention is cheaper (H&E) than treatment
  - Pathology, drugs, time, complications, cross infection, resistance, co-morbidity



# Innovation

- Must embrace technology that changes the clinical activity
  - Acticoat
  - Renasys NPWT – Gauze & Foam options, Port systems
  - Pico – Disposable NPWT
- Working with CSIRO & University partners on new technology opportunities
- Industry Partner in CRC Wound Innovation
- Internal development and innovations that are driven by Health Economic principles
- Service agreements and shared benefits



## Our belief

It's time to reduce the human and economic cost of wounds.



## Values

Performance, innovation, trust

## One-sentence proposition

**Smith & Nephew helps you reduce the human and economic cost of wounds.**



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