

# The Health Quality Agenda

## Executive Summary

Over the past century, governments have increasingly focused their energies and their expenditure on health care. The better off we have become, the more we have tended to spend on health care. Subsequently, we have also experienced an increasing improvement in health outcomes. This is undoubtedly a positive trend. However, for policymakers, one aspect of this 'higher income = higher spending = better health' equation is also causing a major headache.

In most OECD countries, there is now a growing concern over both rising healthcare costs and rising national expenditures on health care. In Europe, an ageing population is demanding more and better health care from what remains a largely government-funded and managed health care sector. This has resulted in a substantial political debate in many European countries over what type of care the government does (and does not) cover, and should (and should not) cover.

This paper attempts to re-evaluate the way health care expenditure is understood. As such, it pertains to a much wider understanding of health and health care than is normally taken into account by policymakers. In particular, it has examined consumer spending on a novel basket of health and wellbeing goods, which relate to this wider understanding of health. This paper has demonstrated that in categories ranging from sport and fitness expenditure to alternative medicine, cosmetic surgery, healthy eating and medicines, consumers are sending a clear message. Our desire for health and wellbeing is growing in a hitherto unprecedented manner and, based on observed trends, demand for better health is expected to keep on growing. Indeed, no longer a fringe industry, the global health and wellbeing sector was last year estimated to be worth a staggering \$1 trillion.

Having defined a novel basket of health and wellbeing goods and services, this paper analyses how consumers are actually spending a growing share of their income on these products. Based on the evidence, this study questions traditional assumptions about the negative implications of growing health expenditures, instead viewing it as a growth industry and as a market that consumers are choosing to invest in. The growth in healthcare spending and the growing consumption of health and wellbeing goods are clearly here to stay.

As demand for health care in both the private and the public sectors is only set to grow, policymakers will need to find ways to tap into this private willingness to spend on health, in order to ease the pressures on public spending. In future, demographic changes and changes in consumer attitudes and behaviour will put ever greater pressure on governments' role in the funding and provision of health care. Whether voters like it or not, the desire for universal and equal coverage (which, even now, is more often only true in theory rather than in practice), may feasibly only be achieved by a combination of public and private spending. Greater purchasing power and economies of scale can be replicated within private care by appropriate combinations of government regulation and the power of consumer choice and competition in a healthcare market which will allocate economic resources most efficiently and drive up standards.