

## Introduction

The healthcare industry is composed of establishments devoted to prevention, diagnosis, treatment, and rehabilitation of medical conditions. Such treatment may be through providing products or services, and may be provided privately or publicly.



## Industry Composition

The healthcare industry consists of those companies that manufacture medical products or provide services including prevention, diagnosis, and treatment of illness or other health issues, and rehabilitation.

There are many different kinds of healthcare facilities. In the United States, around 76 percent of establishments are practitioners' offices, from dentist to doctor to optometrist. Hospitals make up approximately two percent of establishments, but account for around 59 percent of revenues earned. Other establishments include Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (PPOs), which are a kind of hospital-insurance company mix. There are also nursing and residential care facilities, specialty providers such as nursing homes or specialty treatment centers (such as those for diabetes treatment, physical therapy, or chemotherapy), home care providers, and medical laboratories.

The healthcare industry is highly fragmented and healthcare systems vary from country to country. In the United States, insurance coverage is the responsibility of the individual; however, recent legislation will transition it to a more universal care. In other developed countries, including United Kingdom, Canada, Australia and Italy, healthcare is provided by the government for all citizens.

Healthcare is the largest of the industries listed on globalEDGE. The United States' healthcare system is the largest in the world, worth around \$1.7 trillion, as compared to \$700 billion in Europe. Despite the government control in Europe, healthcare providers are suffering due to the rising costs and demand exceeding capacity. In the United Kingdom, they have started teaming up with private care providers to handle the excess demand.

## Industry Leaders and Fragmentation

\* All amounts are given in Billions USD

Company	Country	Sales	Profits	Market Value
CVS Health	161	268.7	7.2	99.6
UnitedHealth Group	161	262.9	16.9	369.6
Cigna	161	160.6	8.5	87.7
Anthem	161	121.9	4.6	92
Centene	161	111.1	1.8	37.8



## Profitability and Demand Drivers

### Primary Demand Drivers:

- Demographics
- Advances in medical care and technology

### Profitability Drivers:

- Obtaining grants and federal funds
- Efficient operations

## Trends

One trend in the industry in the United States is the rise in the popularity of PPOs and HMOs, which are prepaid plans that focus on preventive care, thereby greatly reducing the costs associated with ailments caught too late. These plans tend to be more affordable than typical insurance. For the healthcare providers, there has been a rise in e-procurement of medical products.

Technological advances have dominated activity in the healthcare industry during the last decade, and have led to improved methods of diagnosing and treating illnesses and injuries. Clinical developments have emerged, such as infection control, less invasive surgical techniques, advances in reproductive technology, and gene therapy for cancer treatment. Research also remains an important part of companies' budgets; although it is not as critical as in industries such as technology or pharmaceuticals, but it is primary to retaining market share and revenue levels. The healthcare industry is also turning towards using electronic records to save time and cost of operations.

However, on the reverse side, several issues are causing problems for healthcare establishments. The cost of healthcare and providing advance treatments has increased rapidly. Insurance premiums are going up due to malpractice lawsuits. The cost of prescription drugs is rising. Increased bad debt expenses, due to inadequately insured and uninsured patients, are also a growing problem. The cost of medical supplies such as syringes or other plastic-based disposables is also rising due to increased petroleum costs. Much of these higher costs come from the increased emphasis on patient safety. This emphasis leads to higher standards placed on operating physicians. The higher standards mean that physicians must go through more years of school and training, making the occupation much less attractive. For these reasons, there is expected to be a shortage of physicians and other operating medical professionals in upcoming years. The United States federal government is predicting that by 2020, nurse and physician retirements, without suitable replacements, will contribute to a shortage of approximately 24,000 doctors and nearly 1 million nurses.

International competition has started playing a large part in the healthcare industry too. Many companies outside the U.S. are developing patents to compete with many of the blockbuster products already on the market. This is putting a strain on R&D departments for more products blockbuster products. Additionally, with rising healthcare costs, many people are finding it less expensive to travel outside of the U.S. for expensive procedures and care.

Another effect of the higher cost of insurance is that many more people are either going uninsured or are receiving fewer benefits. This is leading to government intervention, particularly in the United States, where President Barack Obama has stated that his primary goal in office is to reform the healthcare industry.