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Financialisation and Global Healthcare

Presentation at SID event: The Surging Pandemic of Health and Food Financialization (30th Jan 2024)

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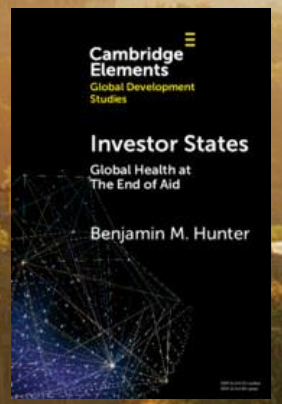

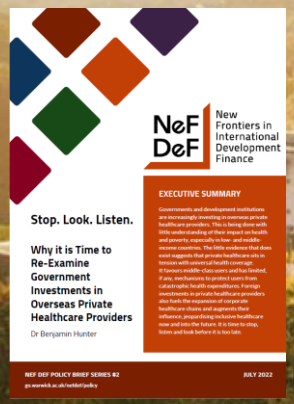

WORLD CHANGING GLASGOW

THE TIMES THE SUNDAY TIMES GOOD UNIVERSITY GUIDE 2024 SCOTTISH UNIVERSITY OF THE YEAR

Financialisation is '*the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of domestic and international economies*' (Epstein, Financialization and the World Economy, 2005)

It is important to understand how '*financialisation has transformed specific markets and how financial motives and values, specifically the prioritisation of returns to shareholders over other corporate and social values, have trickled down into everyday practices and processes*' (Storm, Financialization and Economic Development, 2018)

Financialisation and Global Healthcare

Pathways of financialisation in global health and healthcare

1. Changes in the financing and governance of global health
   - Multi-stakeholder forums that promote engagement with private finance
     - e.g. IFC Private Healthcare Conference since 2005
     - e.g. Investors for Health initiative since 2017
   - Creation of new instruments to attract private finance into global health
     - e.g. International Finance Facility for Immunisation (IFFIm), 2006–
     - e.g. Pandemic Emergency Financing (PEF) Facility, 2017-2020
   - COVID-19 created opportunity for further involvement of private finance, e.g. COVAX

→normalise idea that global health institutions and donors should engage with, and subsidise, profit-making by private finance

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Pathways of financialisation in global health and healthcare

2. Changes in ownership within healthcare industries
   - Expansion of models for healthcare which can receive private investment
     - e.g. corporate chains of hospitals and clinics
     - e.g. public-private partnerships for infrastructure
   - Incentivised by assistance and funding from development finance institutions
     - problems in health systems during COVID-19 provided further impetus

*We are seeing '**the transformation of healthcare into saleable and tradeable assets for global investors**.' (Hunter and Murray, Deconstructing the Financialization of Healthcare, 2019)*

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Why does this matter?

1. Attempts to attract private finance **are expensive**
   - they must provide the returns expected by investors (and their backers), and protection from risks of loss
   - also fees for fund managers and professional services

   '*We find evidence of **nontrivial private profit making**, hiding in plain sight, at the expense of beneficiaries and donors […] **We must ask whether the costs of innovative financing mechanisms are worth it**.*' (Hughes-McClure and Mawdsley, Innovative Finance for Development? Vaccine Bonds and the Hidden Costs of Financialization, 2022)

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Why does this matter?

2. Private finance **incentivises profiteering** within healthcare industries
   - evidence from the pharmaceutical sector shows: companies neglect R&D; use company acquisitions, patenting and price gouging to generate profits; shareholders are rewarded through dividends and share buybacks
   - in hospitals/clinics: rapid growth through acquisitions; revenue maximised through closure of non-profitable departments, and through unnecessary referrals, testing and treatments

'*the logics and institutions of finance reign supreme far beyond the financial industry; they **have come to dominate how pharmaceutical businesses operate and how we price and value new medicines**.*' (Roy, Capitalizing a Cure: How Finance Controls the Price and Value of Medicines, 2023)

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Why does this matter?

3. Private finance promotes corporate models of healthcare that are **incompatible with an equitable vision for universal health coverage**
   - exclusionary pricing practices in pharmaceuticals
   - fees charged to users in invested hospitals; private insurance also exclusionary
   - also rights abuses by invested hospitals, incl. unlawful detentions
   - evidence from the US links private equity ownership in corporate healthcare to increased treatment costs and deteriorating quality

‘*The population incurring catastrophic OOP health spending continuously increased globally since 2000 and* ***surpassed 1 billion by 2019***.’ (World Health Organization, Tracking Universal Health Coverage 2023 Global Monitoring Report, 2023)

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Why does this matter?

4. Platforms and investments involving private finance display a **lack of transparency**
   - platforms to attract private finance into global health tend to involve complex financial flows that are difficult to untangle
   - DFIs have failed to monitor and publish data on the impacts of their blended financing on health
     - widespread use of intermediary fund managers exacerbates this

→Prospect that key institutions in global health and healthcare are becoming driven by the (assumed) need to attract private finance, and neglecting the costs and impacts of this