

Global Medical Inflation: Trends and Implications for Cross-Border Planning



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Medical inflation is becoming a significant concern for countries and their healthcare systems worldwide. The rising cost of healthcare affects private individuals, governments, and health insurance providers, creating economic challenges and threatening accessibility of quality healthcare. With medical inflation rates topping the overall rate of inflation in many countries, budget constraints can be consequential and impact on relocation planning.

Key factors influencing medical inflation

Several common factors contribute to medical inflation, including technological advancements, aging populations, and the increasing prevalence of chronic diseases and cancer. The cost of pharmaceuticals and medical devices plays a crucial role in driving inflation, with the high prices of new treatments posing issues for healthcare budgets. For example, the latest gene therapies for spinal muscular atrophy or hemophilia B come with **price tags** of USD 2–4 million.



On the other hand, novel surgical approaches drive the cost of healthcare because of the high acquisition and training costs to use the new technique. For example, the da Vinci Surgical System®, which is an advanced robotic surgical system that allows surgeons to perform minimally invasive procedures. Becoming more and more popular, 3D printed knee prostheses are individually built as a perfect copy of one's natural bone structure. Compared to traditional prostheses, the usual complication and discomfort rate with 3D printed prostheses is much lower due to its customization to a person's individual body type and bone structure. However, because of the extensive imaging required, the customized printing of the prosthesis and the individualized surgery costs are two to three times higher than a traditional prosthesis.

Moreover, the differing healthcare models in each region lead to unique challenges and approaches to addressing medical inflation. Countries with universal healthcare systems, such as Spain and the UK, grapple with balancing accessibility and quality with limited resources. In contrast, countries with predominantly private systems, like the US, face challenges associated with profit-driven healthcare.

Europe: The challenge of balancing universal healthcare

Europe boasts a diverse range of healthcare systems, from universal coverage in Spain and the UK to the mixed public-private models in Switzerland. The European Union places a strong emphasis on the provision of universal healthcare, contributing to an attractive system with good access to medical care. However, the rising cost of medical care poses trouble to the sustainability of these systems.

In Spain, a country with a predominantly public healthcare system, medical inflation has been driven by factors such as an aging population, innovations in medical technology, and the rising commonness of chronic diseases. The Spanish government faces the delicate task of balancing budget constraints with the need to provide quality healthcare for its residents. Those who can afford it often opt for private healthcare to reduce significant waiting times, either through private insurance or out of pocket. Similar difficulties can be observed in Portugal, where even waiting times in the private sector can be frustrating, as a lengthy referral process is needed for more complex matters that may not be treatable by an internist or general practitioner.

Switzerland, on the other hand, operates a unique healthcare model with mandatory health insurance for its residents. The country's decentralized system relies on competition among more than 50 insurers to ensure efficiency. Despite the high quality of healthcare in Switzerland, the rising costs have led to debates about the sustainability of the current model that primarily benefits from a returning and sick population. The government has implemented measures such as cost-sharing and increased patient cost responsibility to mitigate the impact of medical inflation.

UK: The NHS struggle and the implications of Brexit

The UK, home to the National Health Service (NHS), faces its own set of challenges in managing medical inflation. The NHS, a publicly funded system, has been strained by demographic shifts, technological developments, and increasing patient expectations. Budget constraints and an aging population contribute to the struggle to maintain quality healthcare without compromising accessibility.

Brexit has added a layer of complexity to the situation. The economic implications of the UK's departure from the European Union have potential repercussions on healthcare funding, medical research collaboration, and the (lack of) availability of skilled healthcare professionals. Despite offering some of the most advanced and comprehensive healthcare in the private sector, these implications have led to an emerging stream of medical tourism to continental Europe where healthcare is accessible faster.

US: A complex landscape of private healthcare

The US operates a predominantly private healthcare system characterized by a complex web of insurers, providers, and pharmaceutical companies. Medical inflation in this North American country has consistently outpaced general inflation, driven by factors such as high administrative costs, the prevalence of fee-for-service models, and the cost of prescription drugs.

The lack of a centralized healthcare system contributes to inefficiencies and variations in care delivery. The Affordable Care Act (ACA, or Obamacare) aimed to address some of these issues by expanding access to healthcare coverage. However, the debate over healthcare reform persists, reflecting the issue of reconciling the need for affordable care with the interests of various stakeholders in the private healthcare industry.

Asia: Diverse approaches and challenges

Asia presents a diverse picture of healthcare systems, ranging from the government-driven models in China to the mixed systems in countries like Japan. China, with its massive population, has witnessed significant economic growth in recent decades, leading to improvements in healthcare infrastructure. However, the country faces difficulties such as an aging population and disparities in healthcare access between rural and urban areas. A major advantage of a government-driven healthcare environment is that the cost of medical services depends to a large extent on government policies. Just recently, initiatives have been taken to drastically cut the cost chargeable for specific medical services. As such, healthcare remains affordable for its citizens. Meaning that going forward, a stent surgery, for example, may only cost half of what it has cost so far. With its strongly **government-driven** healthcare system, China may be the only country worldwide that is able to achieve a negative medical inflation.

In Japan, a rapidly aging society poses a unique set of challenges. The country's universal healthcare system provides access to all citizens, but the increasing demand for healthcare services from an aging population strains the system. Efforts to control costs include the promotion of generic drugs, the use of health technology assessments, and the encouragement of preventive care.

Private insurance as an indicator of overall inflation

Apart from select insurance benefits, the premium calculations of international health insurance providers are primarily based on two driving factors of the expected claims value: The age of an insured person and the healthcare cost in a country. The three most expensive countries in terms of medical insurance premium are the US, Hong Kong, and Singapore. They're followed by the emirate of Dubai in the UAE. The US experienced an increase in premium rates of 25–30% in the last year, often forcing individuals into ACA (which was originally designed for low-income households) or to jeopardize their savings and assets to continue being able to afford medical care. Of course, this is typically somewhat of a lesser concern for wealthy families, but there is still a significant collateral impact on medical service offerings, for example for emergency services. Hong Kong, Singapore, and Dubai experienced increases in the range of 9–16%. Medical insurance and healthcare cost increases are therefore a major contributor to the overall economic inflation in these countries that still hold a reputation as some of the top medical centers of excellence globally.

At the other end of the scale, the lowest medical insurance premiums can be found in Eastern Europe (including for example Poland and Romania) and in Thailand.

Considerations for a globally mobile population

Balancing healthcare expenditure, accessibility, and quality is becoming a challenge globally, with no single person being exempt. Retirement budget planning on a global level, including the consideration of relocation options, becomes inevitable to plan aging in good health and without financial constraints. Depending on the country of residence, an increase in expenditure between 3–20% year on year for medical care or medical insurance must be budgeted for. Planning one's residence status in a country with low medical inflation can potentially save hundreds of thousands over only a few years.

The access to and the quality of medical services are also critical considerations. For wealthy individuals, these two factors are more important than the actual costs of these services. However, even for affluent globally mobile families, in some cases, only with good medical health insurance or medical family office plans in place can the right access to medical facilities be secured. And these costs, especially for top-end medical insurance plans, tend to increase year-on-year above the general rates of inflation globally.

The obstacle to overcome is that the highest quality medical care can often only be found in countries with a generally cost-intensive environment. One notable exception is **Thailand**, a country where a generally affordable lifestyle can be paired with very good and accessible medical care. Being resident in a cost-effective location and accessing essential high-quality medical care abroad is one approach to this multi-faceted issue. Whether medical care abroad is financed out of pocket or by the benefits of a global health insurance plan may depend on many personal preferences. However, the planning of your personal healthcare infrastructure – ranging from access to hospitals, specialists, emergency care evacuation, traveling possibilities, and the financing thereof – should without a doubt be an important consideration, especially since it will affect you no matter where you live and travel to.

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