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HEALTH & CARE: DRIVERS OF URBAN GROWTH?

✍ By Willem van Winden and Luís de Carvalho*

Here is something that all Europeans find of prime importance: affordable access to good health care; high quality elderly care; being able to live independently, even if you are handicapped or chronically ill.

For most governments in Europe, healthcare is a growing (and therefore worrying) cost category. Health inflation rises faster than retail price indices and the demands on the service from an ageing population are growing. Add to this the growth in types of interventions and the increasing costs of breakthrough drugs and you have a sector that is bound to grow. Europe's population is ageing, life expectancy is higher and the elderly are more 'heavy users' of health and care services. Moreover, the industry, often in partnership with knowledge institutes and patients, produces a lot of innovation: new treatments, medicines and medical equipment, but also all sorts of eHealth applications, prevention concepts etc.

From a city perspective, one can also look at the opportunity side: it is a big and growing industry, which is very important for citizens, with a lot of scope for improvement (if we organise things more smartly), it offers new business opportunities for tech entrepreneurs and jobs for those with middle to low qualifications. New organisational models of care provision are emerging (partly driven by austerity measures) particularly around how to link health with social care. In this new space there are a range of social enterprise and new public-private delivery models emerging (albeit with large variations between countries).

In this article, we look at the potential of health and care for the urban economy. How can cities make the most of this, taken all the restrictions of national health systems for granted? What can cities do to stimulate a strong and inclusive local 'health economy'?

Source: Freepik

SOME FACTS AND FIGURES

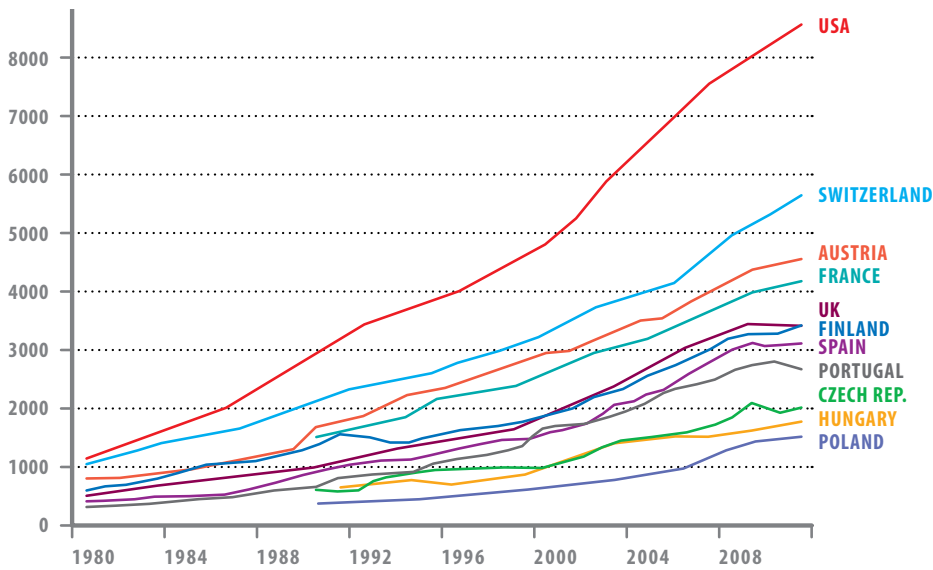
The health & care economy can be subdivided into three main categories, namely:

- The care sector (hospitals, other types of care and support for elderly, people with disabilities, young people at risk, retirement houses, social and proximity services, etc.);
- Medical technology/equipment industry, including, e.g., scanning machinery, medical devices (e.g. precision tools, advanced textiles), diagnosis kits and assistive technologies (e.g. visual, walking and hearing disability aids, wheelchairs, emergency response systems, prosthesis, home automation, eHealth applications);
- Pharmaceutical and biotech industry: drugs and medicine production, sales and development.

On top of that, there is a large industry growing around health prevention and personal health management, fuelled by new possibilities of

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Figure 1. Total expenditure on health per capita, 1980–2011, US\$ purchasing power parity



Source: OECD Health Data 2013¹

smart phones and software. Many start-ups have emerged in recent years, and giants like Google, IBM and Apple have also become active in this market. Finally, a wider definition of the health & care economy also includes all sorts of alternative treatments outside the regular medical circuit, spas and wellness concepts. And the latter should not be underestimated: they make up for important shares of many smaller cities' economies, namely in southern Europe and Eastern Europe.

Over the last three decades, spending on health has steadily increased in most countries across Europe (see Figure 1). Despite the recent slowdown (and even decline) in the public health budgets of some EU countries – namely the ones most severely hit by austerity measures – it is fair to say that health care spending will remain one of the most relevant categories of public spending in EU. Deloitte (2014) expects annual average growth in health care spending of about 2 percent during 2013–2017, still a strong figure in the light of on-going economic woes and subsequent cost-cutting measures in many countries.

Health is clearly an urban industry.

Cities typically provide health services for a much wider catchment area, and most R&D, equipment, hospital facilities and care providers are located in cities. For example, the City of Berlin calculated that an astonishing 313,700 people are employed in the Gesundheitswirtschaft ('health economy'), generating a total annual turnover of €19,1 bn². Namely, personal homecare is also an important economic segment in cities, and one in which job routinisation is not yet in sight, although with a downside that many of the jobs are low paid.

There are naturally many caveats related with growth in health &

care sector. For example, it has been widely observed that the growth in United States health expenditure (Figure 1) is unsustainable in the long term, namely as the rates of chronic and expensive conditions such as obesity and diabetes spiral out of control. And after all, a lot of health spending represents an 'end-of-pipe' solution to societal problems that would be more cheaply dealt with if approached through earlier interventions and prevention.

All in all, health spending has to be made more sustainable, and new approaches to deal with health-related challenges are needed. Across the health industry, digital technologies are having a big impact, making health access, management and delivery more efficient. This offers much scope for newcomers to develop new solutions. Several EU programmes support start-ups in health; a recent one is called 'The Future Internet CHallenge eHealth' (FICHe) accelerator³ for smaller European eHealth firms. Successful applicants win up to €217,000 per team, but also access to business mentors, coaching, PR and other support. Moreover, beyond technology, other solutions – and economic opportunities – involve change in lifestyles. This is the case with the

1 Adapted from data available at: <http://mercatus.org/publication/us-health-care-spending-more-twice-average-developed-countries>

2 <http://www.healthcapital.de/gesundheitsregion-b-bb/daten-fakten/>

3 <http://ec.europa.eu/digital-agenda/en/news/future-internet-challenge-ehealth-smes-and-startups-across-europe>



well-being segment. Cities with relevant natural resources – e.g. thermal waters, clean air and healthy lifestyle activities such as walking or yoga – are active fostering links between tourism and the health/wellbeing economy. The size of the global ‘wellness industry’ was estimated to be approximately \$2 trillion in 2010 (Global Wellness Institute, 2014).

OPTIONS FOR INTERVENTION

In the light of this, what can cities do to capture the opportunities offered by the dynamic health and care economy? A number of options are open.

Empower medical cluster organisations Cities with strengths in medical technologies or biotech may develop and support cluster organisations that bring together the partners in a triple helix, support start-ups, and facilitate access to external knowledge and funding. Copenhagen and Malmo’s ‘Medical Valley’ are the textbook examples of public-private initiative to boost the region’s biotech and med-tech industries, but also Cantanhede, a small city in Portugal, managed to harness the research competences and international networks of the University of Coimbra to spearhead the first biotech park in the country which has been very successful.

It is not just about business and technology.

Mireia Sanabria, Lead Expert of URBACT 4D CITIES network⁴, stresses the growing social dimension of health innovation. The network focused on new types of health innovation in cities that are more patient-centred: “Health innovation will not be limited to technological or biomedical innovation fields anymore: the personal and social situation of the patient is key for their condition and thus must enter the equation”. This also implies that **companies in health business must change, and learn to be more ‘social’**. Sanabria explains: “Tools such as living labs, hospital simulators, scenarios for experiential designs, etc. help revealing the real needs of people, and increase the effectiveness of organisations and treatments”. The cities that can create these new

collaborative and user-centred environments will become important test centres for future services and technologies.

Line up stakeholders to develop new care concepts and solutions Cities may support or initiate new care concepts, for example eHealth solutions that enable elderly or less mobile people to get counselling or medical checks from home. For this to happen, stakeholders in the health sector must come out of their silos. Coalitions are needed between care providers, technology firms, housing companies and, importantly, end-users. Cities are well placed to play the role of network broker and catalyst. Marieke van Beurden explains how the region of Eindhoven managed to create a ‘healthy coalition’ between many partners, with significant economic spin-offs in her interview following this article.

According to Sanabria, **new care concepts offer plenty of business opportunities for SMEs**, particularly in the ICT field (related to eHealth technological devices, software for data collection, patients medical records, etc.). But these firms need some attention: they are flexible and innovative but work in a risk-prone and complex environment. The regulations in health are necessarily more rigorous and complex than in any other business sector. Sanabria thinks that “to make them successful, they need coaching and support, and cities must organise that”.

Build an ‘innovation district’ around the (academic) hospital Hospitals are potential engines of urban growth; they may become ‘anchor institutions’ in urban innovation districts, with spillover effects on adjacent neighbourhoods. But this does not happen without intervention: the challenge lies in connecting the dots, bringing stakeholders together, and see how the area can be made stronger as a joint effort. The North-American City of Memphis (TN), in partnership with many stakeholders, is seeking to create an Innovation District in and around the Memphis Medical Center, located within two miles of downtown⁵. The area concentrates a number of life science institutions and related jobs in a small geographic area. There are six hospitals, several schools, two junior colleges, a biotech incubator, and about 60 life science firms. In total, they employ approx. 11,000 people and attract some 450,000 visitors annually. The plan is to build on these assets, and develop the existing, underutilised yet eclectic ‘Edge’ neighbourhood that lies between

⁴ <http://urbact.eu/4d-cities>

⁵ <http://uli.org/research/centers-initiatives/daniel-rose-center-for-public-leadership-in-land-use/fellowship/fellowship-cities/memphis-tn/>



the Medical District and downtown, where there is land available, as well as appropriate zoning for mixed-use development. Moreover, the area is connected to downtown via a trolley bus. The goal is to leverage the area's human capital, facilities and existing activity to create, attract and nurture research, development and technology commercialisation in a reinvigorated mixed-use urban neighbourhood.

A European example is the 'Oncopole'⁶, a health cluster that is being developed in Toulouse (France) as part of a regeneration scheme of an industrial area at the southern edge of the city. This €1 billion development includes a hospital and a number of research institutes, focused on cancer treatment and research (European Commission, 2013). It also includes facilities for services and recreation. About 4,000 people work in the area, and it has become a powerhouse of cancer research. But it also has economic spin-offs in adjacent distressed neighbourhoods. Training and job creation for people living in the area have been included in the early stages of the plan, supported by local NGOs, the public employment services, and coordinated through the Integrated Urban Programme of Toulouse Metropolitan Council. The 'Neighbourhood growth booster' started in 2009; its aim was to facilitate staff recruitment among neighbourhood job seekers and to adapt the local training supply accordingly (nursing, care, transport, security, gardening, etc.). But due to the crisis, results had been modest at the time of writing the case study (European Commission, 2013).

Develop urban tourism around health and wellness concepts

Health tourism and wellness tourism are important growth industries with significant opportunities for cities across Europe. An estimated 1.6 million US residents travelled abroad in 2012 for medical care, according to Deloitte (2009). In recent years, Hungary, Poland and the Czech Republic are becoming popular destinations for US and Canadian citizens, offering well-equipped medical facilities and low prices.

This type of tourism brings various returns to the region. It might reduce existing capacity surpluses in

the health sector; moreover, it may entail an incentive to improve the quality of the health service provision that ultimately benefits the local population as well; and, it creates substantial spin-offs to other sectors (tourism, cultural industries). In order to nudge these industries, an entrepreneurial and professional approach is a precondition. **Foreign clients not only ask for health care, but for a high quality 'package'.** Such a package includes smooth logistics (for instance transportation to and from the hospitals), the provision of hotel accommodation for family and relatives, a well-organised transition from hospital to after-hospital treatment, revalidation etc. In short, what is needed is the creation of demand-oriented new combinations, not only within the health sector, but also with actors in other sectors such as tourism. This asks for high levels of 'organising capacity'. In many cities, the health sector is far from ready to create such packages; it is too much supply oriented and lacks incentives to behave entrepreneurial.

CHALLENGES FOR CITIES

Many cities are only now starting to explore the relations between the growing relevance of health & care activities and the development of 'new urban economies'. When one looks beyond pharmaceutical and medical technologies, a large number of new urban opportunities emerge in the health and care economy, and in many more cities of all sizes.

When it comes to health and care economies, **the challenge for local action is mainly organisational, not technological.** The involvement of users in the development of new solutions is central key aspect of health innovation. Local governments can do a lot to facilitate and mediate these interactions. This can include working with local housing companies, developing living labs and other types of intermediaries. Moreover, health can be linked with other types of activities in cities, such as tourism. This will require better coordination between different departments in cities, such as housing, social and economic development units and overall a more integrated approach not just between departments under the control of the city but also with other national and regional agencies and health bodies as well as with the private and social economy sector. Keeping the user-focus at the centre of complex stakeholder partnerships will be a critical factor for competitiveness. ●

⁶ The Oncopole Toulouse was analysed in the report 'Good practice in urban development: projects and approaches supported by the ERDF during the 2007–2013 programming period', see http://www.aeidl.eu/images/stories/50bestpractices/fr_toulouse_analytical-fiche.pdf