

The Future of Healthcare

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The healthcare industry is undergoing a fundamental transformation. Rising costs, shifting demographics, and regulatory changes have created an imperative for change. The adage “necessity is the mother of invention” is aptly applied to our rapidly changing healthcare system.

Our current healthcare system was designed to treat the sick. However, evidence is mounting that this current model is not serving the needs of patients. Healthcare costs in the United States are growing at rates faster than GDP, yet average life expectancy has decreased in recent years¹.

The healthcare system of the future must produce better outcomes, while at the same time become more affordable, accessible, convenient, and efficient. We believe personalized medicine and preemptive, continuous care will shape the future of healthcare.

As long-term investors, we spend a lot of time talking to and learning from the people and teams creating the solutions to these challenges and leading the efforts of change. We look to invest in businesses that are creating, enabling, and capitalizing on the advancements in technology, data, and science that will transform healthcare as we know it today.

A quickly emerging frontier changing the healthcare system is genetics. The first human genome was deemed to be sequenced in 2003 after 13 years and nearly a half a billion dollars of investment by the U.S. government². Today, companies such as Illumina, a leading developer and manufacturer of genetic sequencing tools, continue to innovate, driving scale and cost reductions. Thanks to the technological advancements, a full human genome can now be sequenced in approximately one day for about \$1,000. This has led to significant progress in research and is making genetic information more affordable and accessible, which is in turn improving how diseases and conditions are diagnosed and treated.

Companies such as Roche, a leading pharmaceutical and diagnostics company, are using this emerging understanding of genetics to develop drug therapies and diagnostic tests. For example, because of the

developments in genetic research, cancer is being detected earlier and treated with approaches tailored specifically to the patient based on their own genetic make-up, along with the specific cancer’s characteristics. New therapies harness the power of a patient’s own immune system to fight cancer.

The field of genetics is being used to better understand, prevent, and treat myriad other conditions such as neurological diseases, diabetes, heart disease, and reproductive health. These breakthroughs in precision medicine are helping patients live longer, healthier lives.

Healthcare delivery is also changing for the better. Today, most healthcare is delivered at a clinic or hospital by an on-site care team. But these settings are not cost effective and do not always best meet the needs of the patient.

Many conditions can be treated effectively in settings outside a clinic or hospital. Companies such as Teladoc are enabling these changes. As a leading provider of telehealth services, patients can access physicians, dermatologists, and behavioral health specialists 24/7 from their home, which is more convenient and reduces costs. Traditional hospital and clinic systems are adopting telehealth to increase patient engagement and follow-through, helping to create better outcomes.

Alternately, companies like Amedisys are providing healthcare to patients in their homes. Coordinating care and proactively providing the services to manage the patient’s condition reduces hospital visits, improves outcomes, and allows patients to remain in their home for longer.

It isn’t just traditional medical companies that are working to help transform our healthcare system. Technology companies like Google, Amazon, and Microsoft are developing platforms that use data analytics and artificial intelligence to predict outcomes and improve health. Investments in robotics, nanotechnology, and connected devices are advancing patient monitoring and treatment options. Consumer engagement and empowerment is increasing through wearable devices that can monitor vital signs and mobile applications that can track goals and provide accountability.

The innovations and advancements in the healthcare industry are leading to extraordinary and exciting change. For more than 30 years, Riverbridge has sought to invest in companies that lead and adapt with the future in mind. This does not mean we can predict the future, but by investing for the long-term in well-managed businesses with an enduring competitive position and the ability to navigate change, we can be patient and take advantage of the opportunities change presents.

¹ www.cdc.gov

² U.S. Department of Energy; <http://www.ornl.gov/hgmis>; U.S. Human Genome Project Information

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