The Economist

Schumpeter

Getting on the treadmill

A South African company has some bright ideas for promoting health

Oct 8th 2011 | From the print edition

Brett Ryder

THE thorniest problem facing the health-care profession is how to strike the right balance between promoting health and curing illness. As is routinely pointed out, prevention is better than cure—and cheaper too. But the forces ranged against this benign cliché are formidable. The sick require immediate treatment. The medical profession values surgeons more than dieticians. And most of us are greedy and short-sighted: why forgo the instant ecstasy of a Mars bar, or the joy of unprotected sex, when the rewards of restraint are so distant?

This is one reason why it is so hard to curb health-care inflation. Insurance premiums have surged 9% in America since 2010. In emerging economies, too, greater prosperity means people are eating more and slouching behind desks instead of sweating in fields. So these countries are increasingly suffering from rich people's illnesses, such as heart disease and diabetes. The World Health Organisation expects the incidence of such non-communicable diseases to rise by 17% over the next decade.

Some policymakers are reaching for a new tool: behavioural economics. Behavioural economists are mapping out ways to "nudge" people to drop the cream pie and chew an apple instead. Cass Sunstein, the co-author of "Nudge: Improving Decisions About Health, Wealth and Happiness", works in Barack Obama's White House. David Cameron, Britain's prime minister, has established a "nudge unit" in Downing Street. Mr Obama's health-care law encourages employers to offer wellness programmes.

At the same time technology is making it easier for people to look after themselves. Monitoring equipment is becoming cheaper and easier to use: Philips is developing an app which uses the camera in an iPad2 to measure heart and respiration rates. You can keep your health records up to date with programmes such as Microsoft's HealthVault. You can also use social media to shame yourself into shaping up. It is remarkable how much more effective a new year's resolution to lose weight is if you make it public—and agree to a forfeit if you fail.

America is beginning to embrace nudges. Some of the biggest health insurers are introducing incentives of one kind or another. Most reward people for having their vital signs tested and hitting goals such as lowering blood pressure or burning off flab. Some have added interesting bells and whistles to this basic formula. Aetna offers discounts for gym equipment and medical devices that can be used at home. Anthem provides e-mail access to a health coach. SonicBoom uses a combination of high-tech and peer pressure: members can monitor vital signs with tiny devices attached to their shoes and join groups such as Weight Warriors. A new type of health-care firm helps companies design incentive systems. Examples include IncentOne and Anderson Performance Improvement, both based in America.

Perhaps surprisingly, the most interesting incentives have been developed in an emerging economy: South Africa. The Discovery group, based in Johannesburg, has crafted a programme called Vitality that applies the “air miles” model to health care. You earn points by exercising, buying healthy food or hitting certain targets. You rise through various levels, from blue to gold, as you accumulate points (rewards are adjusted to your starting level of fitness to give everybody a chance of making progress). And you are given a mixture of short- and long-term rewards ranging from reduced premiums to exotic holidays.

Discovery has formed alliances with a host of companies to provide rewards linked to your “vitality level”. Pick 'n' Pay, a South African grocery chain, provides discounts of up to 25% on 10,000 “healthy foods”. Airlines such as Kulula offer discounted flights. Discovery can measure whether people actually go to the gym, rather than just join, by swiping their membership cards. It says it has solid evidence that participation in the programme more than pays for the rewards: active participants are less likely to fall ill and, if they do, they spend a shorter time in hospital.

This model has taken Discovery from “one man and a desk” in 1992 to become South Africa's largest health insurer, with 5,000 employees. The company is now entering new markets. It has formed partnerships with Humana, an American health insurer, and Prudential, a British company. It has also taken a 20% stake in Ping An Health, one of China's largest private health insurers. The model has even been stretched to other industries, including a credit card that offers discounts linked to well-being and car insurance that offers cheaper petrol to people who drive safely (a telemetric device installed in your car monitors aggressive driving, like harsh acceleration or sharp cornering).

Medical necessity

The Discovery story is another reminder of how quickly new ideas are starting to flow out of emerging markets. In the past 30 years Indian firms have become experts in processing information and Chinese firms masters of frugal manufacturing. Discovery may be a harbinger of another wave which challenges the West's lead in health care and other sophisticated services. Adrian Gore, Discovery's founder and chief executive, says the company was forced to concentrate on prevention because there are so few doctors in South Africa to effect cures: even those with private insurance share one GP between 1,000 people.

The Discovery story also poses a challenge to emerging markets. How can they apply the same spirit of innovation to their fledgling welfare states? Since they are building more or less from scratch, they can experiment with public systems, private ones and a mixture of both. Emerging-market governments can learn from Discovery and other firms that are using judicious incentives to nudge people towards sensible behaviour. Their people will be the healthier for it, as will their budgets.

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From the print edition: Business