

The Golden Age of Health Care Innovation Meets Rising Global Need

Innovative new treatments are revolutionizing medical care to meet the growing needs of an aging global population.



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This is an interview with Michael Li, Senior Portfolio Manager of the Health Care Impact strategy. Michael discusses why he believes we are entering a “golden age” of health care innovation, and why global demographic trends make such progress and discovery more important now than ever.

Kevin Lewis: Michael, why do you believe now is such an important moment for health care investors?

Michael Li: Health care, like few other sectors, presents the opportunity to invest for social impact and financial return. We think that’s particularly true now because we’re in the early stages of a revolution in health care technology and treatments. At the same time, global demand for health care solutions is rising because of economic development and population aging.

KL: How did we arrive at this remarkable place in medical history?

ML: We’re opening new treatment frontiers because of the Human Genome Project’s completion, lower genome sequencing costs, and enhanced research and laboratory capabilities. For example, the ability to sequence DNA rapidly and cheaply allows the study and diagnosis of diseases at a granular, genetic level in a way not previously possible.

The remarkable thing is that we’re at the beginning of this medical revolution. Consider that after roughly

20 years of research and development, we have only just reached the point where many new treatments are ready for commercialization. For example, the U.S. Food and Drug Administration (FDA) approved the first commercially successful antisense RNA drug in December 2016. The agency approved the first immuno-oncology cell therapy in August 2017 and the first commercial gene therapy in December 2017.

Biotechnology is currently one area of particular interest. The combination of innovation, growth and positive social impact by investing in the industry is significant. Research and development efforts are strong, and we see product pipelines suggesting companies could maintain growth for many years, not just quarters.

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KL: That explains why you often say we’re entering a new biotechnology “golden age.” Can you explain how these developments relate to demographic changes and demand for health care?

ML: Several big trends underlie the rising demand for health care globally. First, increasing wealth levels in emerging economies, especially China and India, highlight the drive for greater access to health care. This will place considerable stress on health care systems, so we need to see investments in infrastructure and capacity as well as innovations in treatments and drugs. We must find cost-effective ways to expand health care services to new, growing populations.

At the same time, effective public health policies mean that people worldwide are living longer, healthier lives. The World Health Organization (WHO) estimates the proportion of 60-year-olds will nearly double from 2015 to 2050, with 80% of those people in low- and middle-income countries. This represents a demographic sea change with important implications for health care because illness and chronic conditions become more common with age.

Among developed economies, Japan and Germany are super-aging societies. That means the proportion of citizens 65 and older is already 20% or more of their populations. Estimates suggest the United States, France and other developed economies will join them

by 2030. But what’s more remarkable is that WHO data suggest that China and Russia among others could be in the same position by mid-century

KL: What are some implications of a rapidly aging global population?

ML: Simply put, an older, longer-lived population means an increasing percentage of spending on health care, which is heavily concentrated in the over-65 group. In the U.S. for example, not only is the share of population age 65+ increasing, but the annual health care spend for this demographic is three times that of those ages 19-64.

Now consider that U.S. spending on health care was 17% of gross domestic product (GDP), according to 2019 OECD data. Health care spending in Switzerland, Germany, France and Japan all topped 11% for the same period. By contrast, China and Russia, two of the most rapidly aging societies, currently spend only about 5% of GDP on such costs. We believe these aging trends represent enduring, secular forces that are creating strong demand for new, cost-effective health care treatments and technologies.

KL: What does the response to COVID-19 tell us about innovation in health care?

ML: We think the pandemic is a valuable proof point about the ability of innovative health care companies to have a positive impact on society. The fact that we had testing, treatments and vaccine candidates only months into the disease is remarkable.

Kevin Lewis, CFA, CAIA, is a Senior Client Portfolio Manager at American Century Investments. Kevin brings more than 30 years of investment industry experience to his role providing clients with insights about American Century’s U.S. growth-equity philosophy, process and performance results.

Michael Li, Ph.D., is a Senior Portfolio Manager at American Century Investments. Before joining American Century in 2002, Michael worked as a scientist and project manager at the Pharmaceutical Research Institute of Bristol-Myers Squibb Co. In that capacity, he managed cross-functional teams in filing investigational new drug applications to the U.S. Food and Drug Administration.

