L.E.K. Consulting

2019 APAC Hospital Priority Study Overview

The voice of MedTech

March 2020

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Introduction and context for the 2019 APAC Hospital Priority Study

Facts and information …

- An online-based survey of ~400 APAC hospital decision-makers across 8 markets
- Interviewees included senior executives (e.g. VPs, CEOs, COOs, CMOs, CFOs and Procurement Directors)
- The questions focused on which areas are viewed as strategic and investment priorities, in the context of evolving healthcare landscape over the medium term
- This presentation includes extracts from the research and provides perspectives on implications for MedTech suppliers to these customers

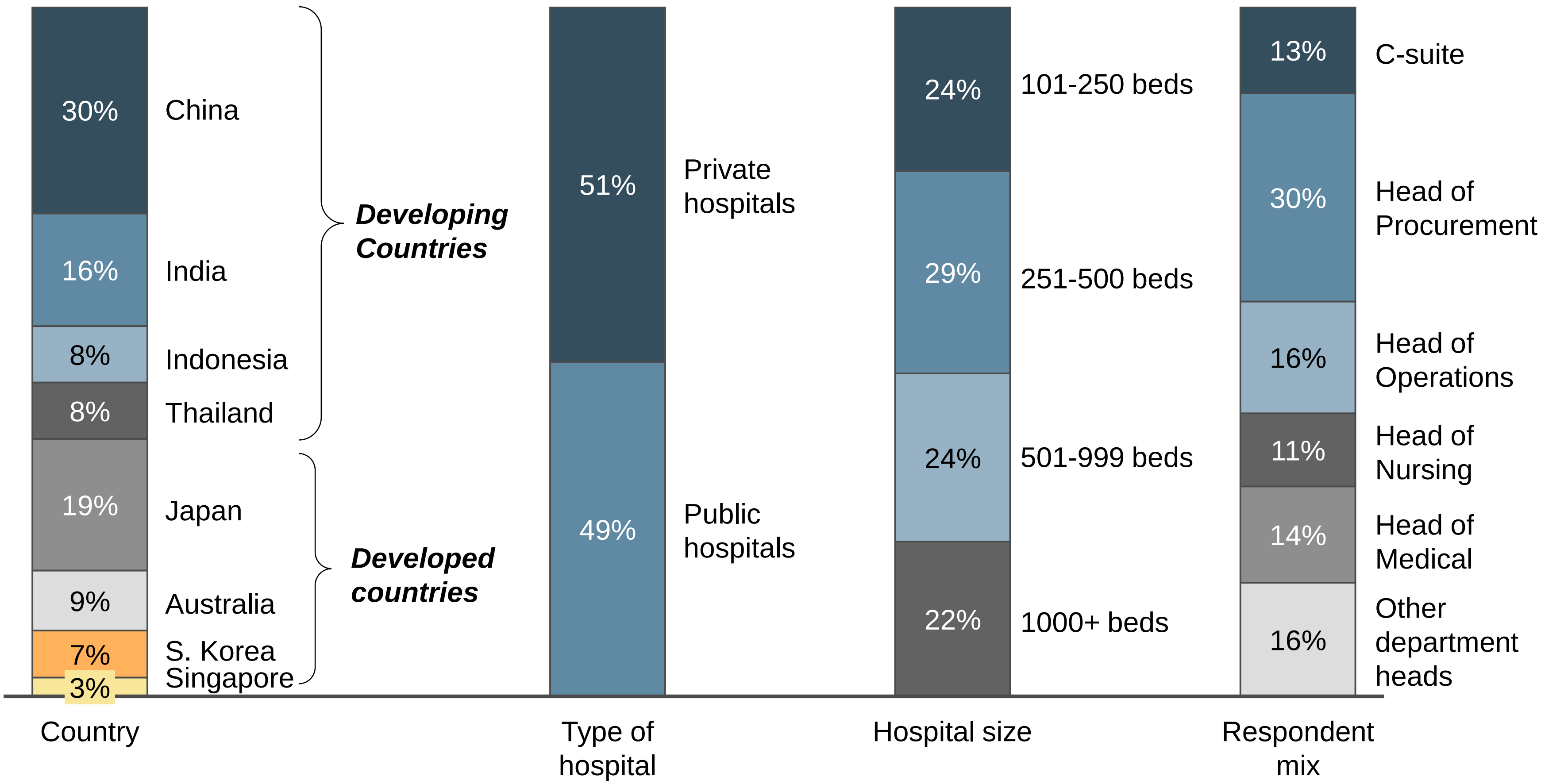
… leading to actionable insights

- A tool for understanding hospital strategies and priorities in the fast changing APAC healthcare market
- A compendium of macroeconomic trends providing context for MedTechs' business development
- A trigger for strategic thinking and action for MedTechs across key markets in APAC

L.E.K., in collaboration with APACMed, conducted a survey with ~400 hospital executives across both public and private hospitals in key APAC markets

L.E.K. 2019 Asia Pacific hospital survey respondent mix

Percent of respondents (N = 368)

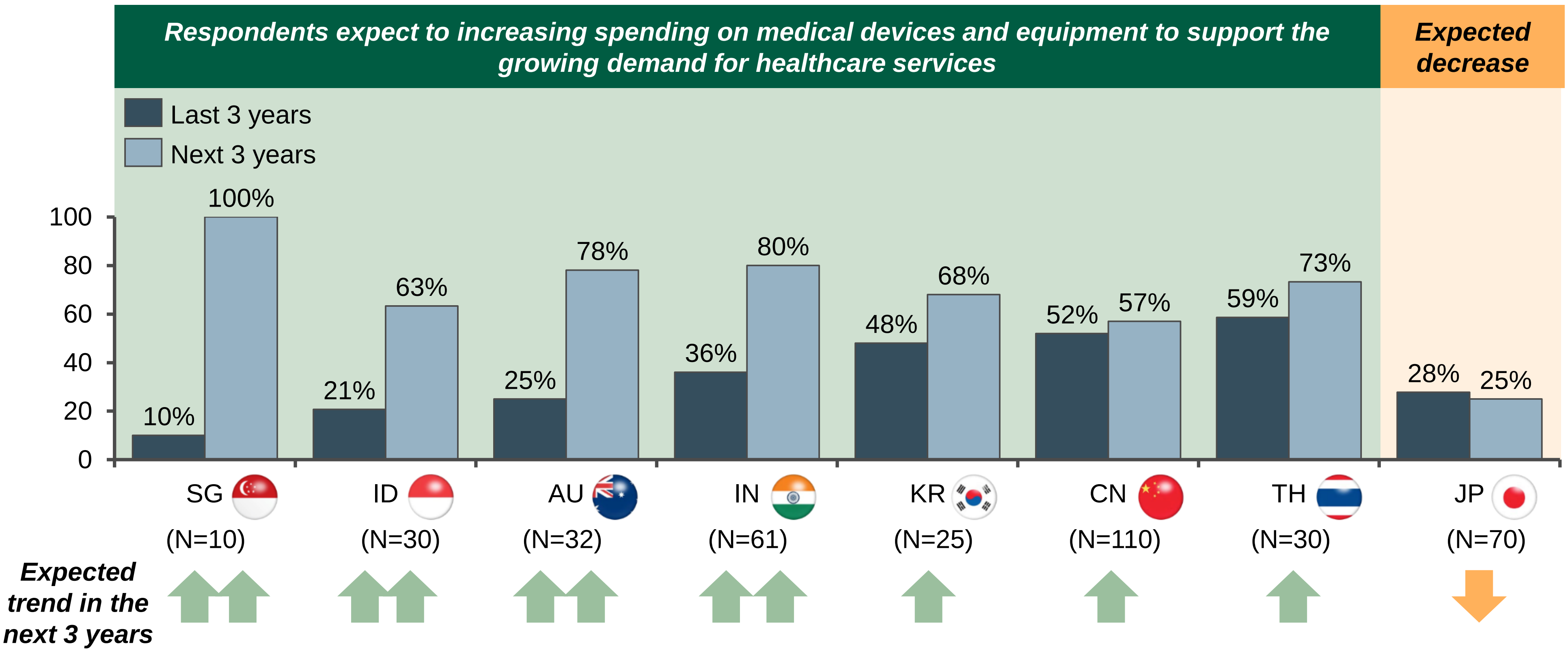


Source: L.E.K. 2019 APAC Hospital Priority Survey

Overall, the outlook for medical devices is positive across APAC as hospitals are expecting to increase spending on devices / equipment, except Japan

Change in hospital expenditure on medical devices / equipment* (2019)

Percent of respondents expecting at least moderate increase in capex spending^



Note: *Question: How have your hospital's capital expenditure on medical devices / equipment changed over the last 3 years (CAGR)? ^Responses with "I do not know / prefer not to disclose" have been excluded.
Expenditure levels provided in the questionnaire: Significant decrease (>5%), Moderate decrease (2.5 to 4.9%), Slight decrease (0 to 2.5%), No change, Slight increase (0 to 2.5%), Moderate increase (2.5 to 4.9%), Significant increase (>5%)

Source: L.E.K. 2019 APAC Hospital Priority Survey

The following three themes have emerged based on hospital strategic priorities – see example findings in the next few pages

1

Cost management and optimizing hospital operations

Hospitals across APAC are focused on either reducing costs or streamlining the operations

2

Greater collaboration opportunities with MedTech

Hospitals are looking to MedTech companies to provide services and solutions beyond the mere provision of products

3

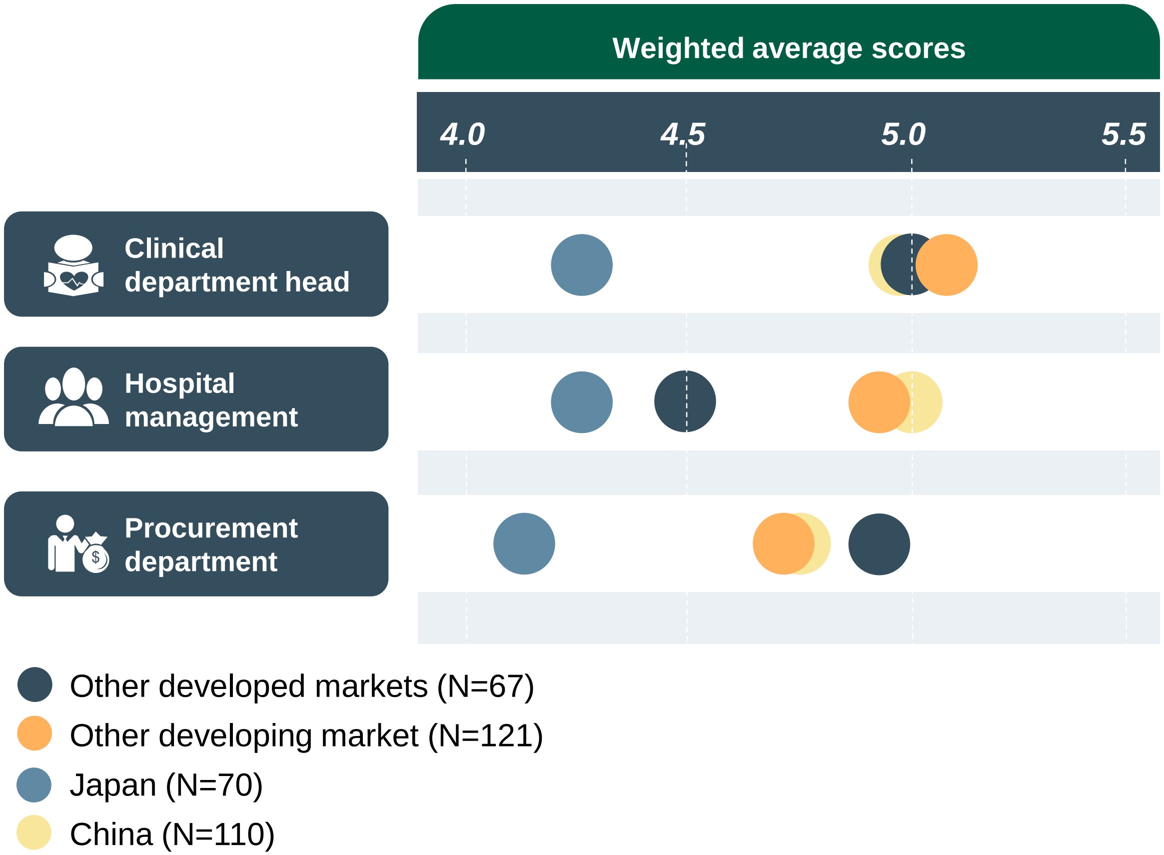
Improving access to healthcare

Alternative sites of care are also created to re-channel patients and increase access to healthcare

Procurement and hospital management are gaining influence across all markets except in Japan

1

Level of influence on purchasing decisions* (2019)
Weighted average score



- Hospital management are gaining influence in the developing markets, while procurement department are gaining influence in the developed markets
- MedTech companies need to identify key stakeholders for the purchasing process and engage them as part of the promotional strategy

Note: *Question: To what degree is the influence of hospital administrators, clinical department heads, and clinical staff (non-department heads) changing with regards to purchasing decisions for medical products and services in your hospital? (1= Losing influence, 4 = No change, and 7= Gaining influence)
**Responses with "I do not know" have been excluded. Other developed markets include S. Korea, Australia and Singapore and other developing markets include India, Indonesia and Thailand

Source: L.E.K. 2019 APAC Hospital Priority Survey

Hospitals in the developed APAC countries are looking for solutions to improve operational efficiency, while developing countries are prioritizing new innovation

2

Ranking of top criteria for procuring from a medical equipment supplier* (2019)

	Criteria for procurement from supplier	Developed (N=137)	Developing (N=231)
1	Help improve diagnoses cost, accuracy and turnaround time	1	4
2	Help meet required standards, regulations and guidelines	2	6
3	Help improve efficiency of medical staff	3	7
4	Provide tools and solutions that will reduce total cost of operations	4	1
5	Help improve quality of care and patient satisfaction	5	8
6	Improve clinical decisions and patient outcome by increasing accuracy of diagnoses	7	2
7	Provide latest innovations to improve delivery of care	6	3
8	Provide the best medical equipment and products	8	5
9	Help optimise revenue cycle management	9	10
10	Provide tools and solutions to optimize resources and increase efficiency of processes	10	9

Note: *Question: Please rank the top 3 most important criteria for procuring from a medical equipment supplier.
Source: L.E.K. 2019 APAC Hospital Priority Survey

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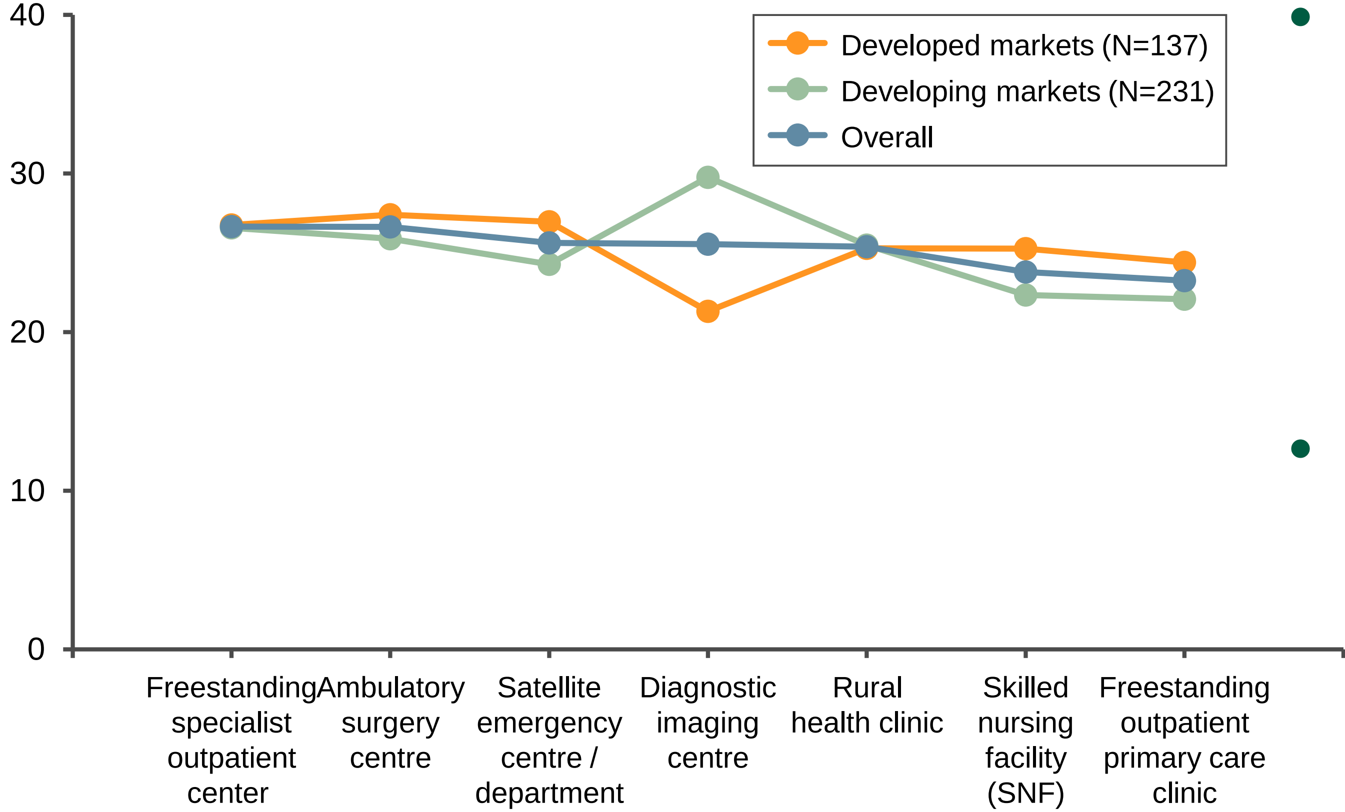
Hospitals are looking to set up alternative sites of care such as specialist outpatient centers and ambulatory surgery centers to provide better access

3

Alternative sites of care hospitals are pursuing in the next 3 years* (2019)

Percent of respondents who ranked the respective site as top 3



- Providing greater access to healthcare services
  - Hospitals are setting up alternative sites to ease hospital over-crowding
  - Diagnostic imaging centres and specialist outpatient centres are expected to be the most common in China and Japan respectively
- Demand for medical devices and equipment will no longer be restricted to traditional hospital settings

Note: *Question: Please select top 3 alternative sites of care that your hospital is looking to pursue over the next 3 years; others include onsite / worksite clinics, assisted living facility, rehab facility, home health services; Developed markets include Japan, S. Korea, Australia and Singapore and Developing markets include China, India, Indonesia and Thailand

Source: Global Times, Ministry of Public Health Thailand, L.E.K. 2019 APAC Hospital Priority Survey

Who are the MedTech companies perceived to deliver the best solutions for hospitals in APAC?

Top 8 MedTech companies in APAC perceived to deliver hospital solutions (2019)
Average share of respondents who ranked the respective MNC as top 3

Country ranking

	Average share of respondents who ranked the respective MNC as top 3	Japan	Other developed	China	Other developing
Company 1	32%	3	2	5	5
Company 2	29%	2		2	3
Company 3	26%		1		1
Company 4	25%	5		1	
Company 5	24%	4	4	4	4
Company 6	23%	1		3	
Company 7	23%		3		2
Company 8	17%		5		

Note: Other developed countries include South Korea, Australia and Singapore and other developing countries include Indonesia, Thailand and India; *Question: Among the following multinational MedTech vendors, please indicate which company in your view delivers the best solutions that most effectively address your organization's needs

Source: L.E.K. 2019 APAC Hospital Priority Survey

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