APAC Hospital Survey Findings

Summary materials

2023

Every year, L.E.K. surveys several hundred hospitals across the APAC region to understand their priorities and support MedTech companies as they make key decisions

L.E.K. conducts an annual survey of several hundred decision-makers at key hospitals in the APAC region, including China, Japan and SEA, to better understand how key strategic priorities and purchasing behaviors are shifting

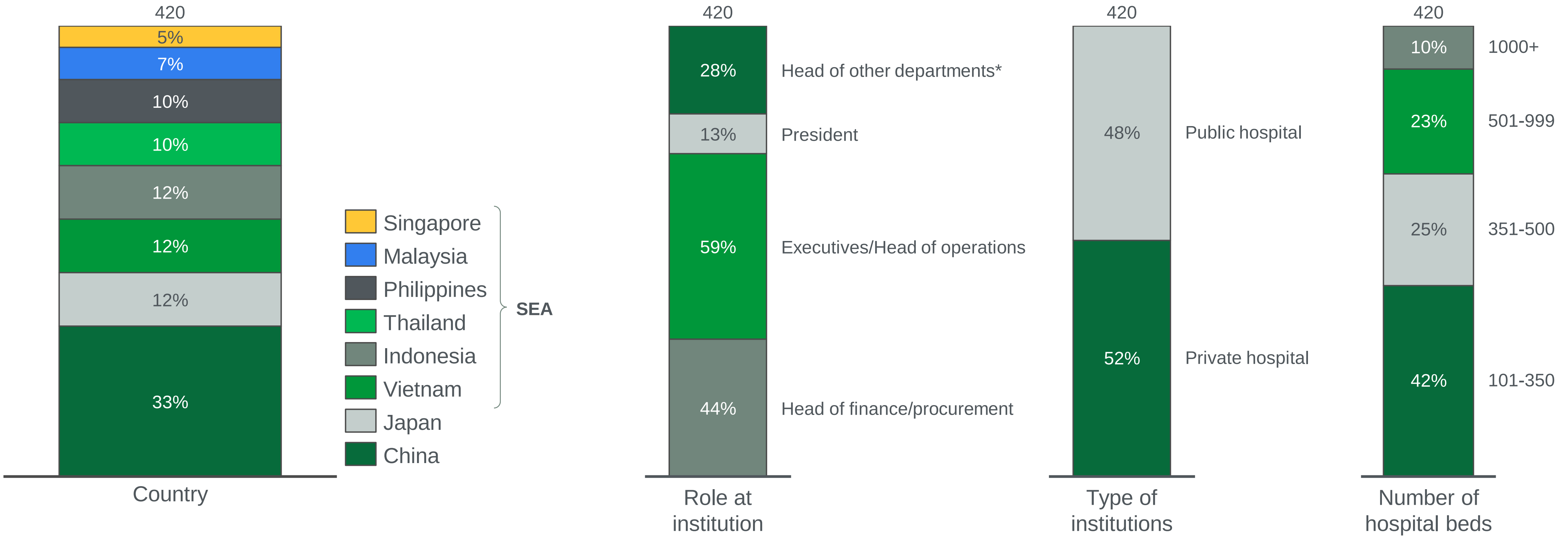
The survey addresses issues relating to the financial outlook of hospitals, top operating priorities in the next few years, as well as the impact of digitalization on hospitals and their relationships with healthcare companies

The insights gleaned from these surveys enable healthcare companies to make informed decisions, including:

- Which stakeholders to engage and how
- How to tailor their product and service value propositions to address hospitals' priorities
- How to leverage digital channel and enhance their service offerings/engagement models

L.E.K. sponsors a unique analysis of hospital priorities in APAC; the 2023 study engaged 420 respondents across China, Japan and countries in SEA

L.E.K. Hospital Priorities APAC survey respondent mix
Percent of respondents (out of 420 respondents in total)



*Other departments include medical, nursing, pharmacy, and equipment
Source: L.E.K. 2023 APAC Hospital Priorities Survey

Agenda

- **Summary**
- Hospital financials & priorities
- MedTech purchasing
- Expanding digitalization
- About L.E.K.

Key findings of 2023 hospital survey and implications to MedTechs in APAC

	Key findings	Implications for MedTech
1 **Hospital financials & priorities**	• Budgets **remain constrained in most public hospitals** in APAC, although a surplus in budget is expected within the next 3 years; Japan has more budget constraint than in China or SEA • **Private hospitals are predominantly making a profit** and further increase in the next 3 years is predicted • Specialties of focus for hospitals over the next 3 years vary widely, without clear trends across the region. **Country- or hospital-specific approaches** will be needed to meet varying needs	• How do we **optimize our products** and services to meet hospitals' budget constraint? • How could we better help hospitals expand their specialties capability?
2 **MedTech purchasing**	• Hospitals in APAC **see MedTechs as a strategic partner** rather than a product manufacturer • Hospitals are seeking MedTech solutions that **improve the quality of care** delivered, with optimisation of operations a secondary objective • Japan and SEA are seeking to standardize the purchase of medical consumables and diagnostic imaging equipment; hospitals in China have been adjusting to the implementation of VBP and Order 551	• How can we best engage with hospitals to act as a strategic partner in meeting their operational needs? • How will we adjust to the hospitals' changing procurement approaches by country?
3 **Expanding digitalization**	• **China has the largest adoption rate** of digital health solutions, followed by SEA then Japan; currently popular solutions include online scheduling tools and patient information managing tools • Hospitals in SEA value digital solutions consistently higher than China or Japan; Japan tends to value the solutions that improve patient care, while China is more focused on staff efficiency • Hospitals across APAC are concerned about **patient privacy, talent shortage and solution incompatibility** in digital solution adoption	• How could we best deliver new digital capabilities to maximize our competitiveness? • Are we taking advantage of the development in China's digital ecosystem to expand our commercial footprint and operations? • What could we do to alleviate concerns around digitalization?

Source: L.E.K. 2023 APAC Hospital Priorities Survey; L.E.K. analysis

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- Summary
- **Hospital financials & priorities**
- MedTech purchasing
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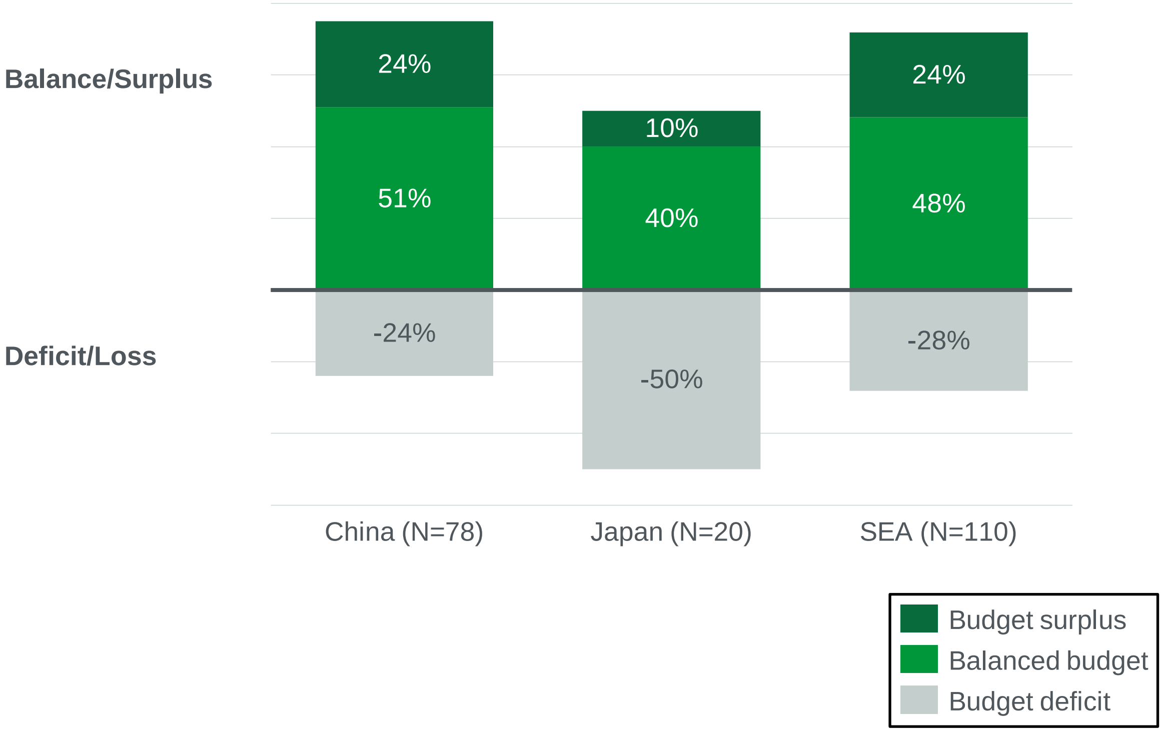
Public hospitals across APAC are budget-constrained, though most expect a move to budget surplus within the next 3 years

1 Hospital financials & priorities

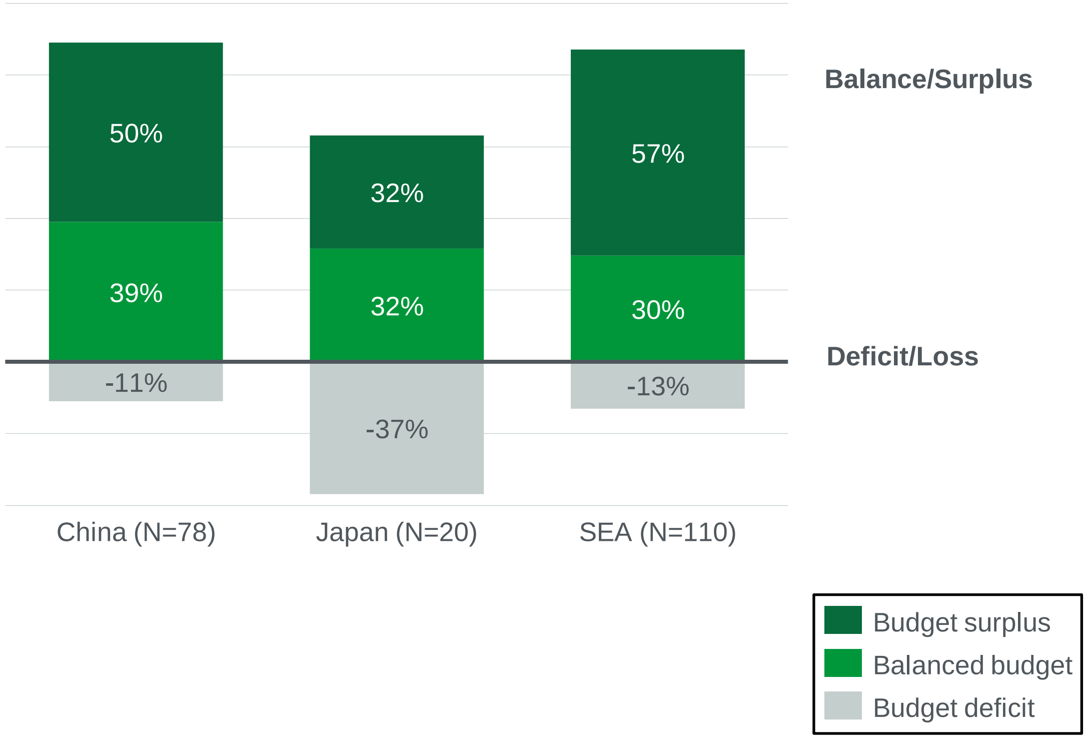
Budget outlook for public hospitals, by region, today*

Percent of respondents



Budget outlook for public hospitals, by region, next 3 years*

Percent of respondents

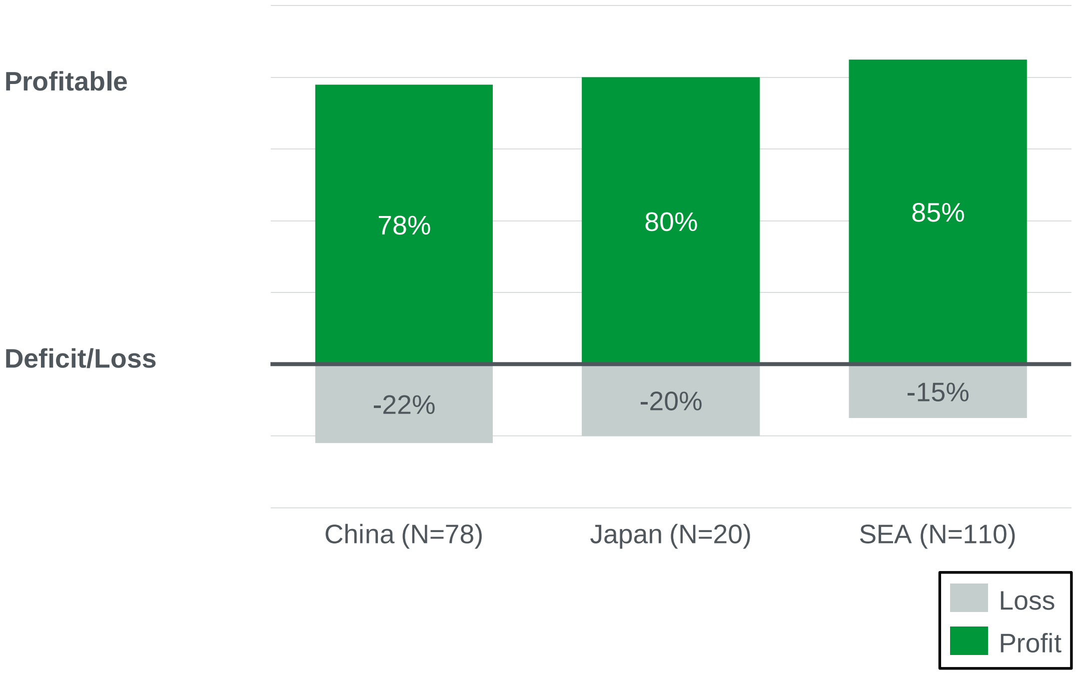


*Question: What is the level of budget surplus/deficit incurred by your hospital over the following time period?
Source: L.E.K. 2023 APAC Hospital Priorities Survey

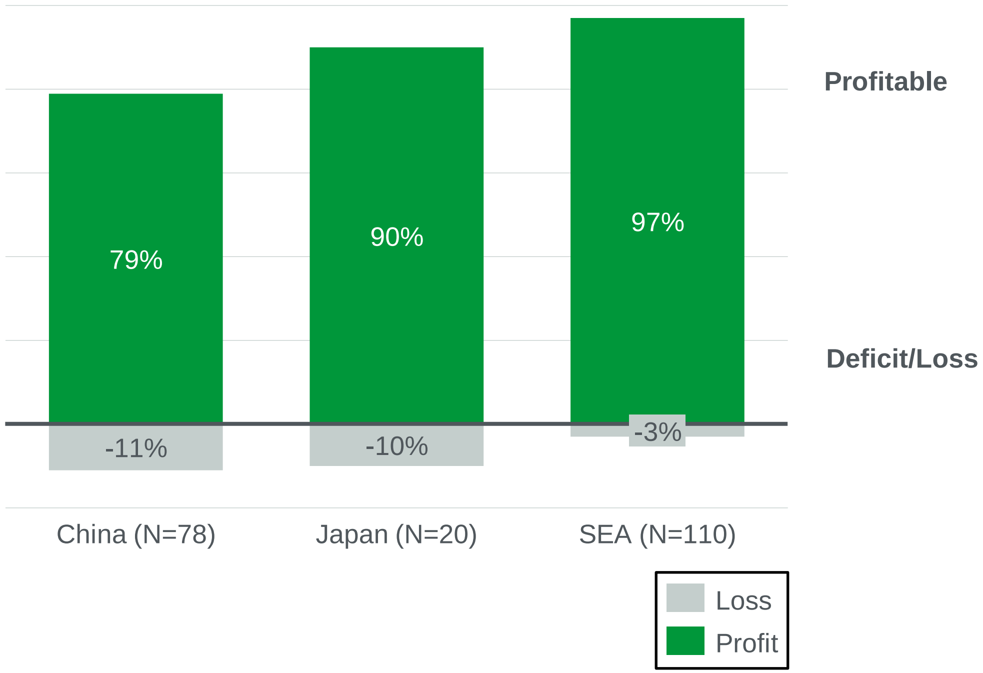
Private hospitals, by contrast, are predominately profit-making, and expect continued profitability through 2026

1 Hospital financials & priorities

Profitability/EBITDA margin outlook for private hospitals by region, today*
Percent of respondents



Profitability/EBITDA margin outlook for private hospitals by region, next 3 years*
Percent of respondents



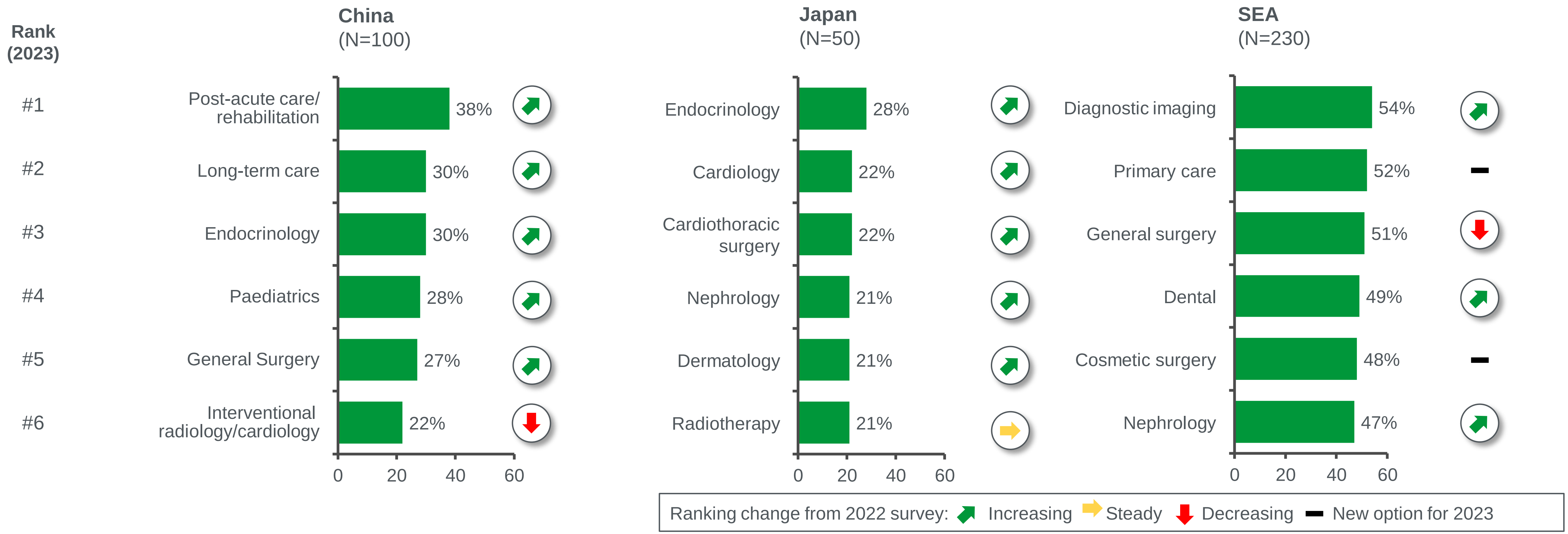
*Question: What is the EBITDA margin / profitability level of your hospital over the following time period?
Note: EBITDA=Earnings Before Interest, Tax, Depreciation and Amortization
Source: L.E.K. 2023 APAC Hospital Priorities Survey

Areas of priority growth vary by region, indicating a need for country-specific approaches to specialist expansion

1 Hospital financials & priorities

Top 6 specialties hospitals in APAC are looking to expand*

Percentage of respondents who selected "Expand offering" in the next 3 years



*Question: Which clinical specialty is being offered in your hospital, what are the expected changes in offering in the next three years? Options provided were primary care, cardiology, cardiothoracic surgery, endocrinology, dermatology, cosmetic surgery, bariatric surgery, interventional radiology/cardiology, neurology (including trauma), obstetrics and gynaecology, orthopaedics, oncology, radiotherapy, paediatrics, diagnostic imaging, ophthalmology, general surgery, gastroenterology, nephrology, dental, geriatrics, physiotherapy, post-acute care/rehabilitation, long-term care

Source: L.E.K. 2022 and 2023 APAC Hospital Priorities Survey

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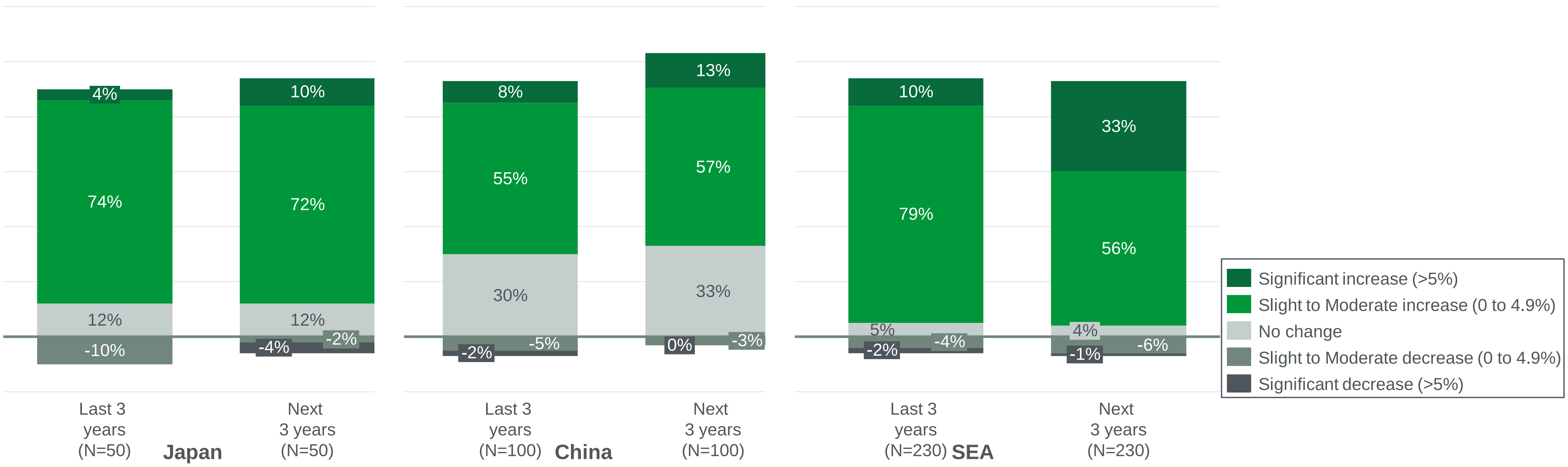
- **MedTech purchasing**
- Expanding digitalization
- About L.E.K.

Within this ecosystem, expended capital expenditure for medical devices is mixed. However, in all geographies there is a tendency toward increased spend in the next 3 years

2 MedTech purchasing

Capital expenditure outlook on medical devices/equipment*
Percent of respondents



*Question: How have your hospital's capital expenditure on medical devices/equipment changed over the following time period?
Source: L.E.K. 2023 APAC Hospital Priority Survey

The majority of respondents see MedTechs as strategic partners rather than product manufacturers

2 MedTech purchasing

Relationship with MedTech*
Percentage of respondents who chose “6” or “7”
(1=not at all important; 7=very important)

MedTech as **strategic partner** and **solution provider**

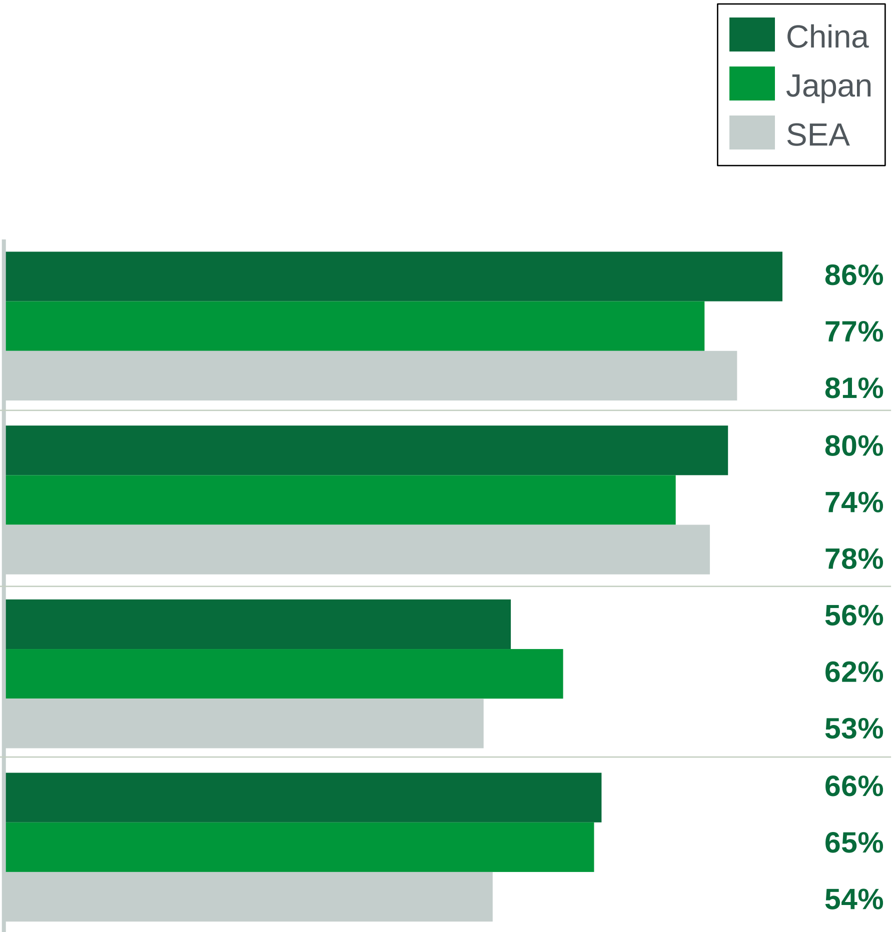
“When it comes to working with MedTechs, we want **partners who can help us achieve our goals**, not just provide us with products”

“MedTechs can provide **valuable services, solutions, and support beyond their products**”

MedTech as **product manufacturer**

“MedTechs are **not well suited to provide services, solutions, or support** beyond their products”

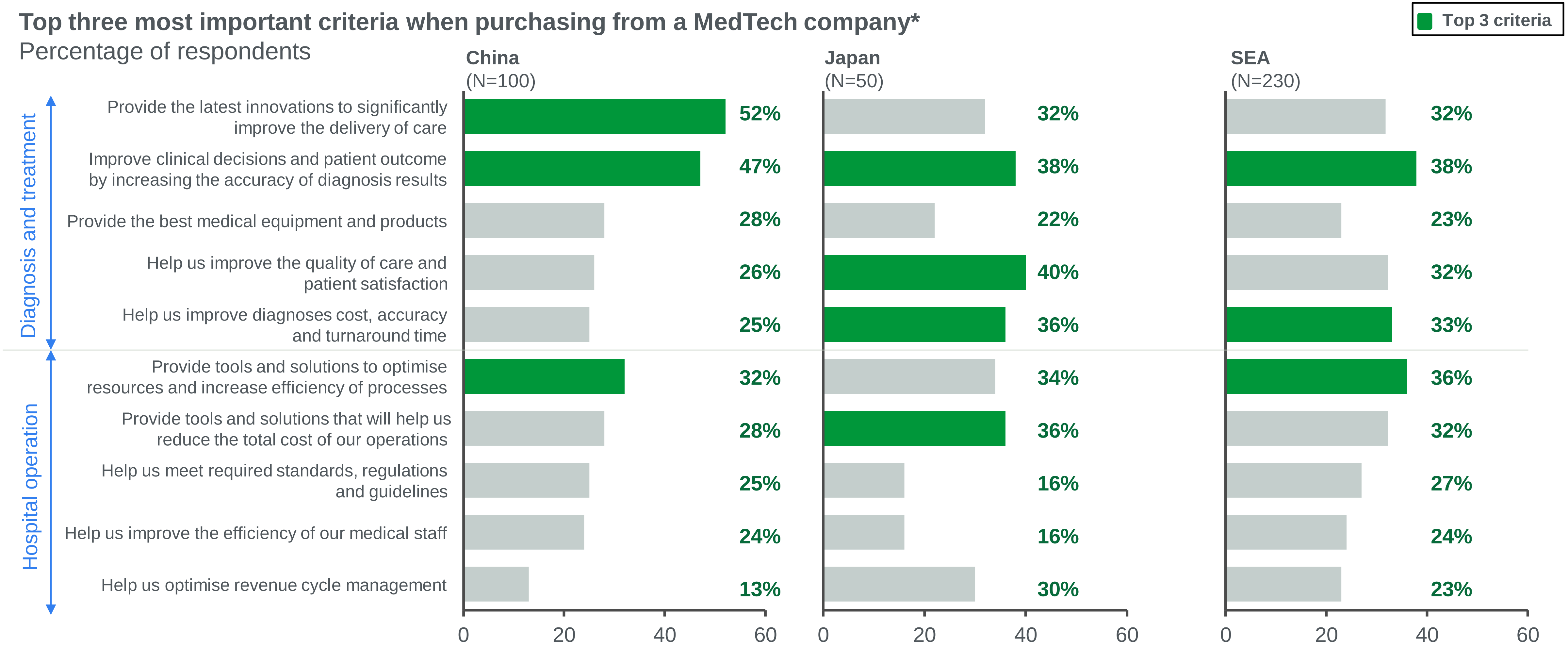
“When it comes to working with MedTechs, we **just want to get the products we need** and are **not looking for a deeper relationship**”



*Question: Please indicate the extent to which you agree or disagree with the following statements
Source: L.E.K. 2023 APAC Hospital Priority Survey

When procuring, respondents seek superior solutions to improve quality of care delivered, with efficiency improvements for the hospital often secondary

Top three most important criteria when purchasing from a MedTech company*
Percentage of respondents



*Question: Please rank the top 3 most important criteria for procuring from a medical equipment supplier
Source: L.E.K. 2023 APAC Hospital Priorities Survey

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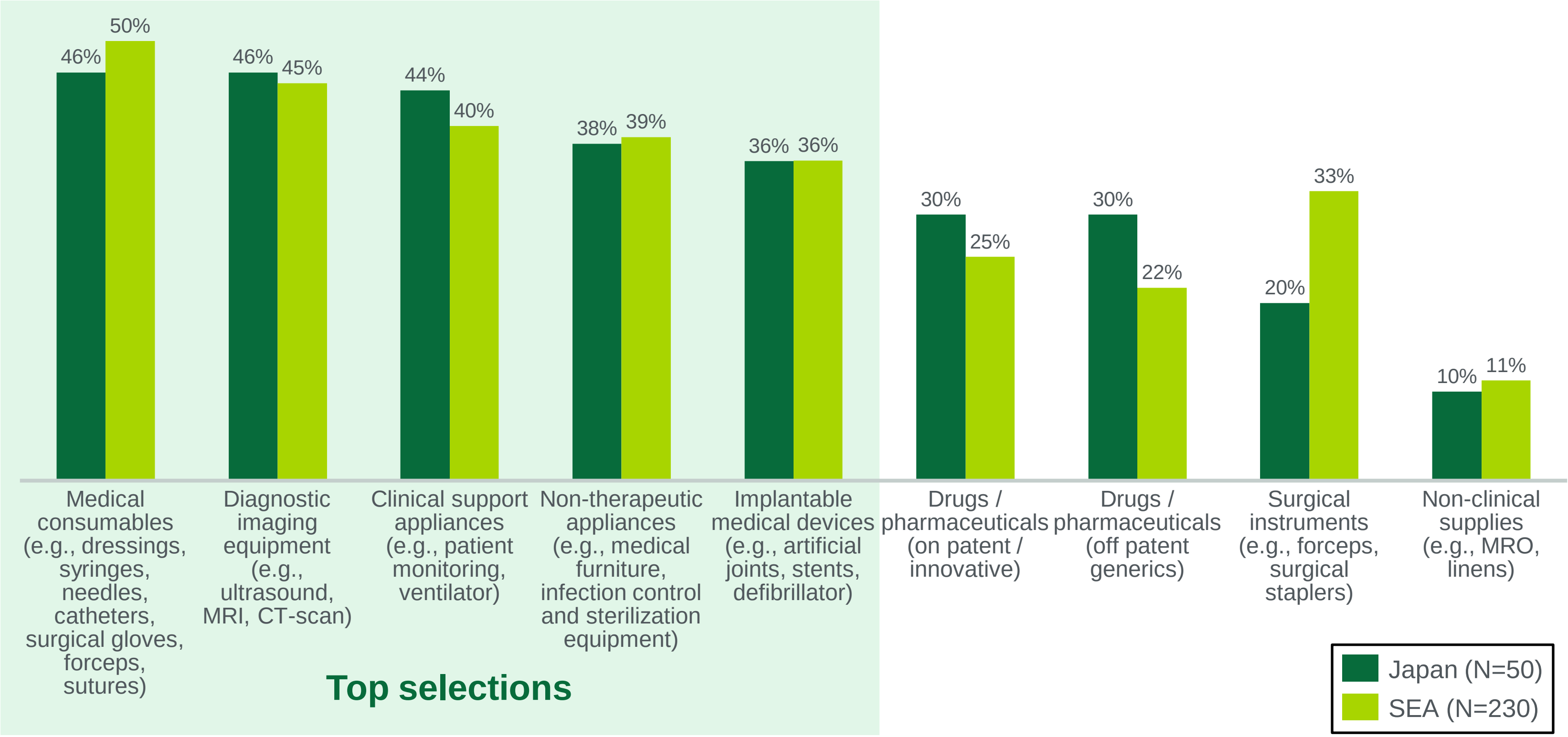
Hospitals in Japan and SEA are increasingly considering standardizing purchasing, with medical consumables, diagnostic imaging equipment, and support appliances current priorities

Medical supplies/equipment that hospitals look to standardize purchasing* in Japan and SEA
Percentage of respondents



The main approach to the purchasing standardization differs between Japan and SEA:

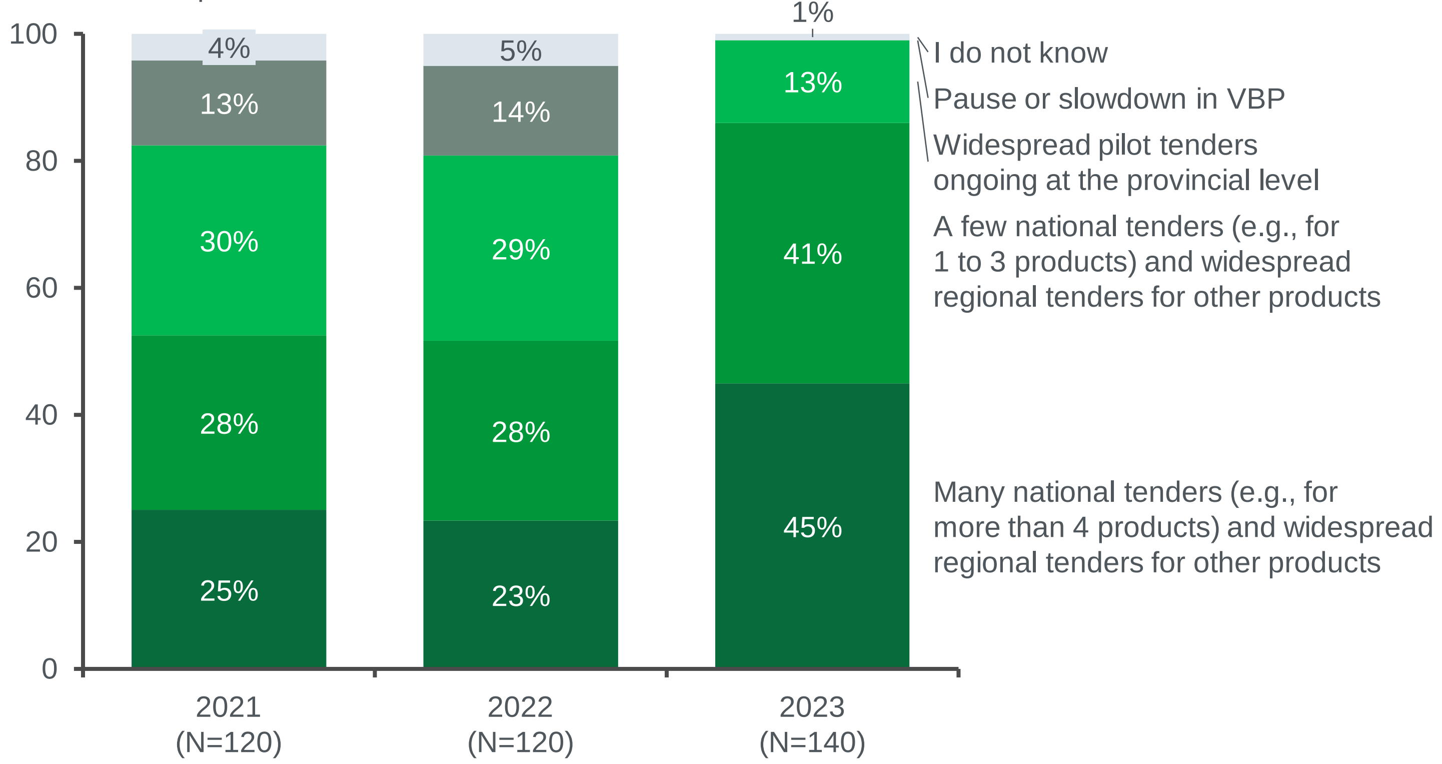
- In Japan, it is through a consolidation with a preferred supplier *at the scale of the department* rather than product or procedures categories
- In SEA countries, the most common approach is through a preferred supplier for *given product or procedures*

*Question: Please select top 3 medical supplies / equipment that your hospital is looking to standardize the purchasing
Source: L.E.K. 2023 APAC Hospital Priorities Survey

Hospitals in China are, instead, adjusting to the implementation of VBP, standardizing tendering at the national and regional levels

Expected adoption of VBP in China* (2021-23)

Percent of respondents



- Both private and public hospital management have reached a consensus regarding the occurrence of widespread provincial tenders throughout this year
- 45% of respondents foresee there will be more products going through national tenders this year, approximately twice as many compared to last year, in which over 50% public hospitals expect higher number of products going through VBP tenders, indicating a higher expectation than private hospitals

*Question: This question pertains to volume-based centralized procurement (VBP) of medical consumables. Currently certain products are being procured at the province level, and some are being procured at the national level (e.g., cardiac stents). What do you expect to be the status of VBP by the end of 2023?

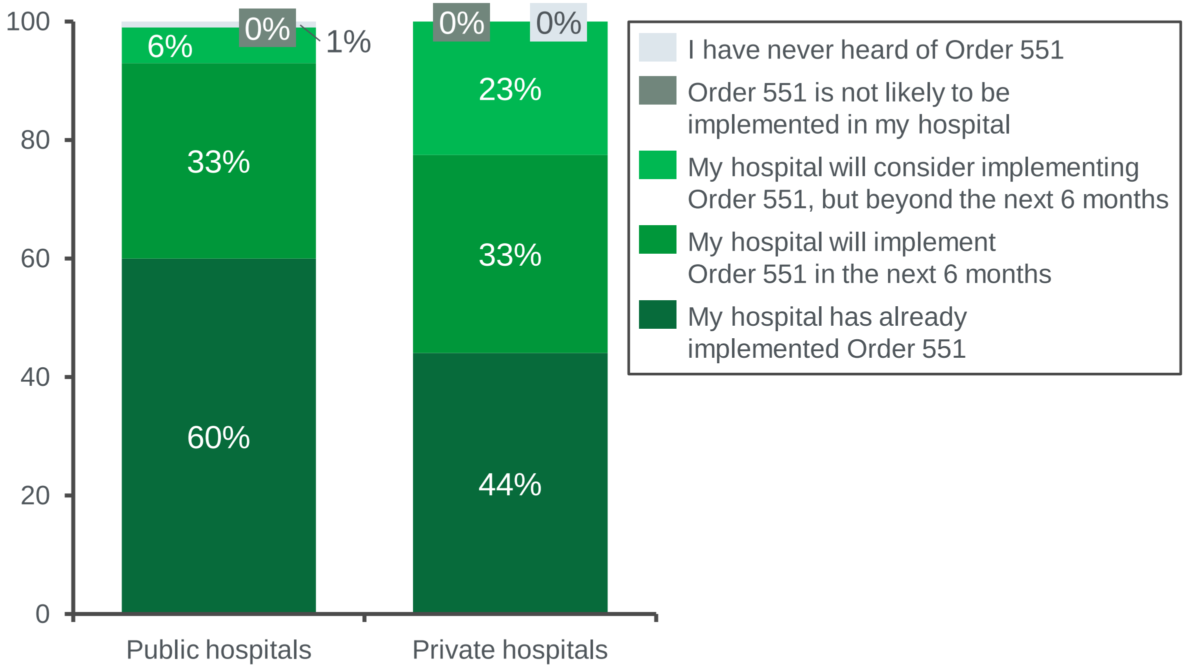
Note: VBP=volume-based procurement

Source: L.E.K. 2021, 2022 and 2023 APAC Hospital Priority Survey

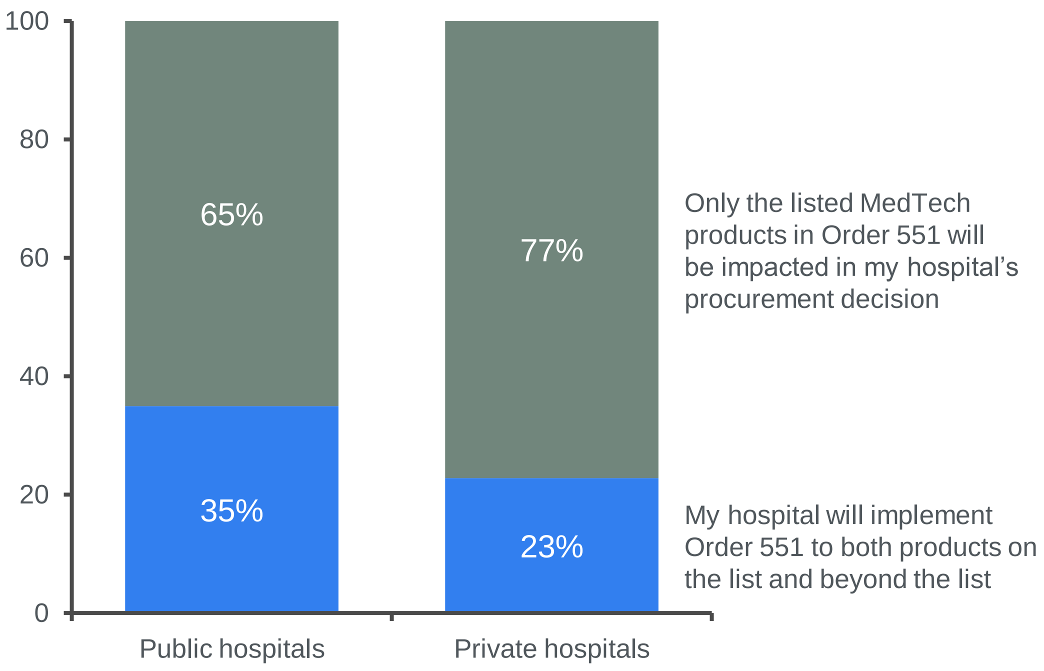
Import-only MedTechs are facing growing market access challenges in both public and private hospitals in China due to widespread implementation of Order 551

2 MedTech purchasing

Hospital attitudes toward the implementation of Order 551 in China*
Percentage of respondents



Medtech products that are impacted by Order 551 in China**
Percentage of respondents



*Question: Which of the following statements best describes your hospital's attitude towards the implementation of Order 551?
**Question: What is the scope of MedTech products that are impacted by Order 551?
Source: L.E.K. 2022 and 2023 APAC Hospital Priorities Survey

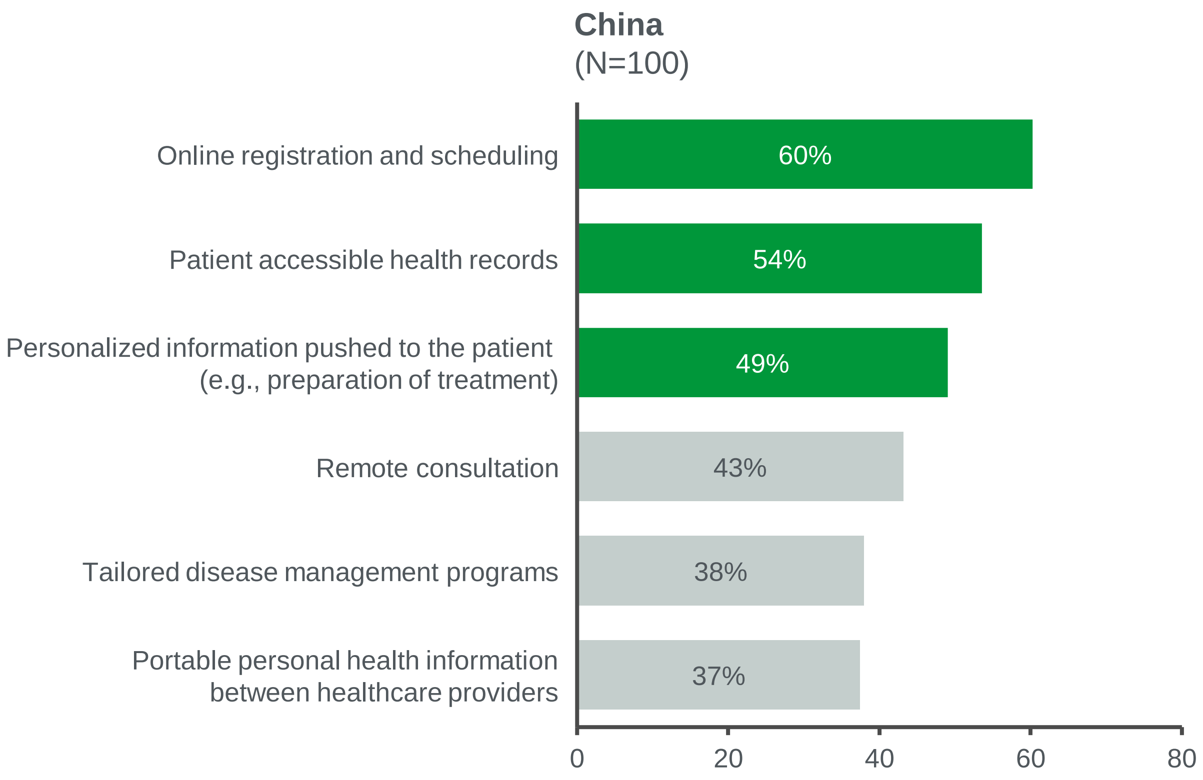
Agenda

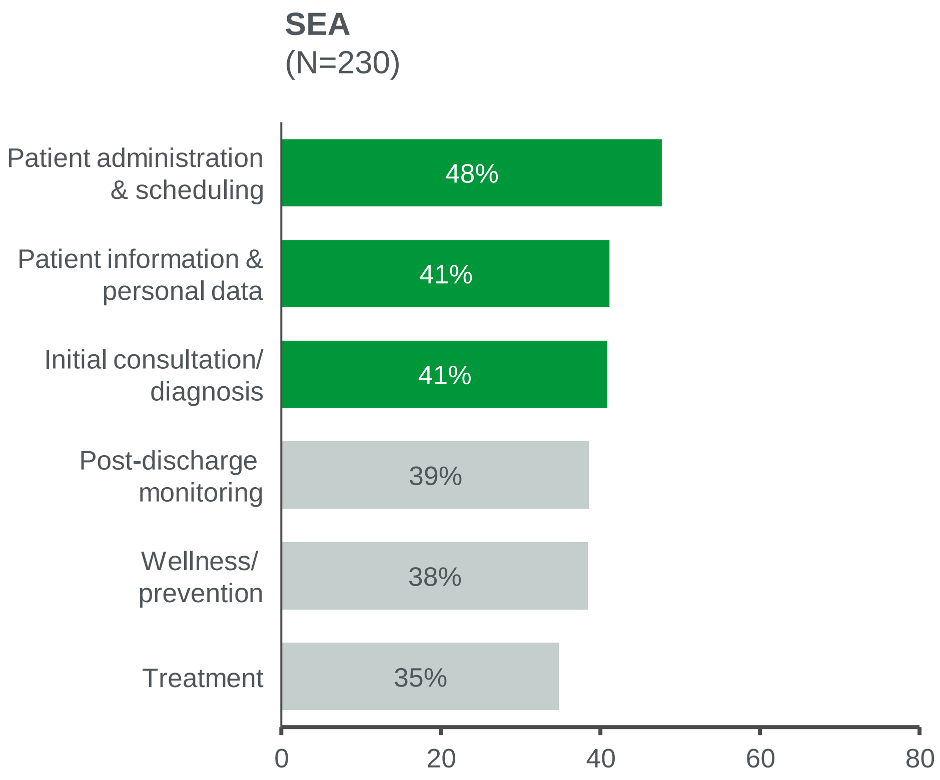
The adoption of digital solutions is another critical shift occurring across APAC. Primary use cases vary by geography, with China as the largest adopter primarily for patient administration and health records

3 Digitalization

Adoption of digital solutions*

Percentage of respondents currently using digital solutions





*Question: Digitalisation of hospitals is gaining traction in many countries. What digital health solutions have you adopted/would you like to adopt?

Source: MHLW; L.E.K. 2023 APAC Hospital Priorities Survey

By contrast, SEA respondents indicated the highest value of adoption, largely in increasing staff efficiency and satisfaction; Japan is largely considering implementation to improve patient care

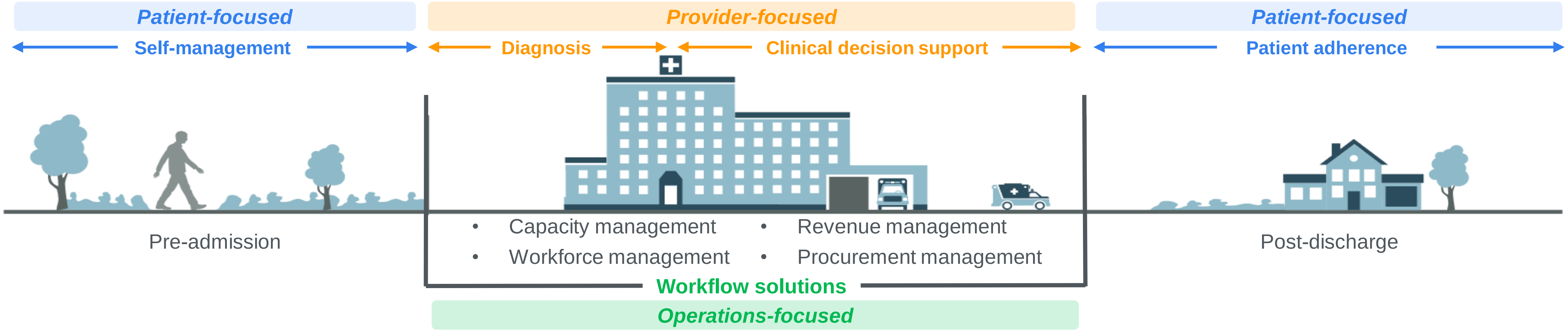
Value from digital health solution adoption*
Weighted average (1=not likely; 7=very likely)

*Question: What value do you think digital health solutions will likely bring about for your hospital? (1=not likely; 7=very likely)
Source: L.E.K. 2022 and 2023 APAC Hospital Priorities Survey

AI is one avenue of digital health application seeking to optimise all processes along the patient journey; provider-facing AI applications are particularly catching rising waves in capital market

3 Digitalization

AI across the health system business continuum



Patient-focused

A **Patient adherence:** AI solutions developed to assist HCPs in improving patients' post-discharge compliance with their treatment (e.g., taking medications, follow-up visits…)

B **Self-management solutions (Patient services):** A broad category of healthcare AI solutions encompassing fitness and wellness (e.g., personalized health trackers), consumer health information (e.g., knowledge tools, personal assistants), care coordination, and on-demand healthcare services (e.g., telehealth)

Provider-focused

C **Diagnostics:** AI tools developed to assist in the disease diagnosis, often for conditions that are under-reported or under-diagnosed (e.g., diabetes)

D **Clinical decision support:** AI systems with the objective of providing physicians and other healthcare staff assistance in making decisions related to a patient's care

E **Disease prevention, monitoring, and treatment:** Aims to improve the way in which HCPs prevent the spread of disease, as well as monitor and treat diseases among their patient population

F **Population health management and benefits administration:** Programs with the goal of maintaining and improving the health of broad patient populations, as well as administering benefits (e.g., insurance) to those populations

Operations-focused

G **Workflow solutions:** Solutions seeking to improve the efficiency and accuracy of both clinical and non-clinical workflows for healthcare providers (e.g., medication prescription, data entry, patient communication, etc.)

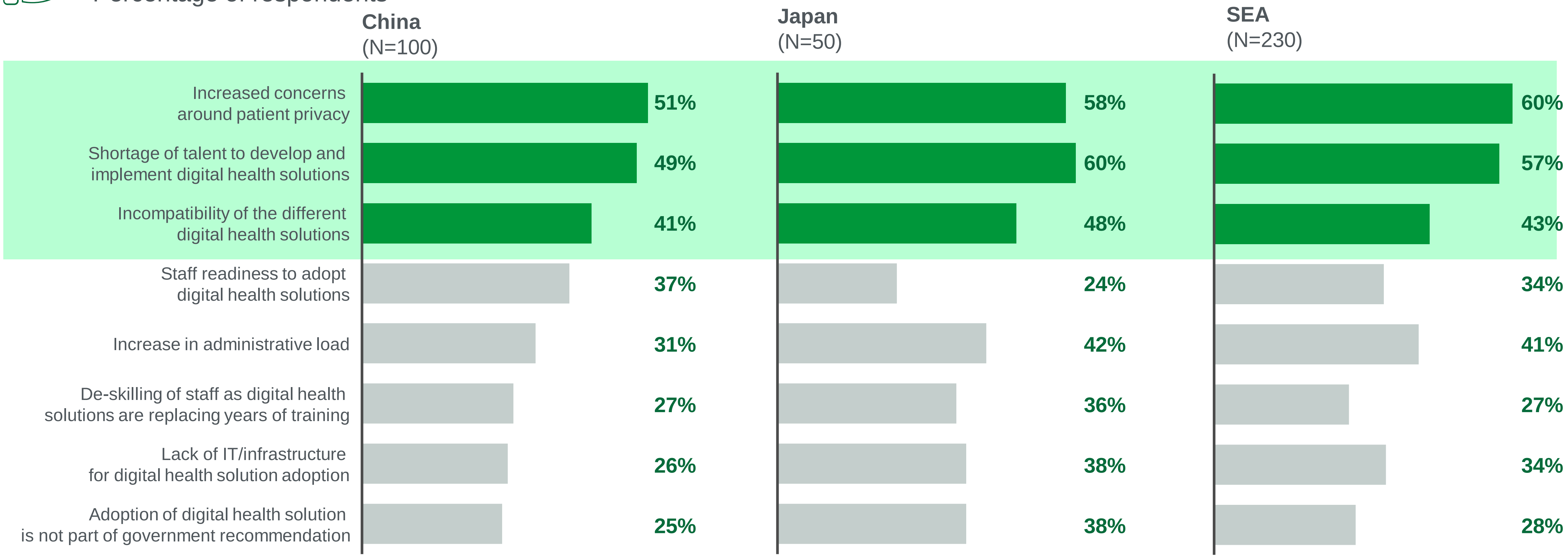
Note: AI=artificial intelligence; HCP=healthcare provider
Source: Kansal & Company, CVSource, L.E.K. research and analysis

Patient privacy, talent shortage, and solution incompatibility are major concerns for digital health adoption across China, Japan and SEA

3 Digitalization

Top concerns for digital health adoption*
Percentage of respondents

Top 3 criteria



*Question: What are your concerns for digital health adoption?
Source: L.E.K. 2023 APAC Hospital Priorities Survey

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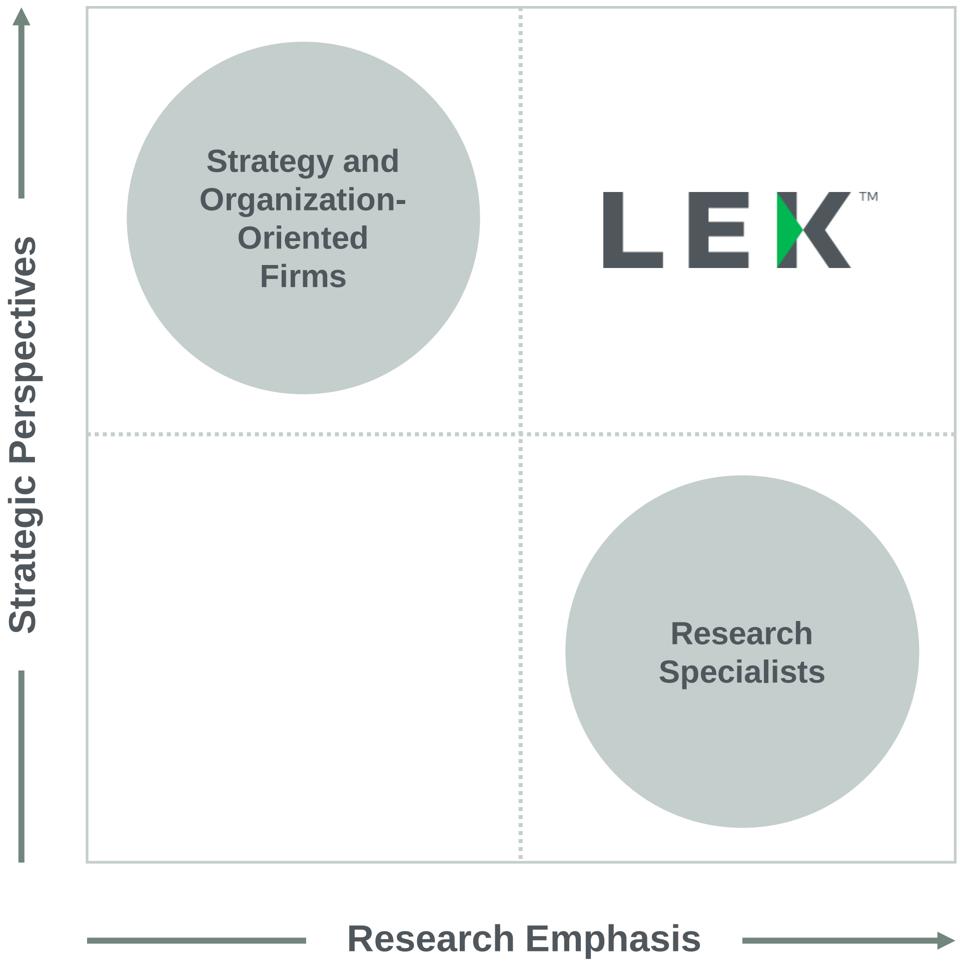
- **About L.E.K.**

L.E.K. is a consulting firm uniquely positioned to deliver the strategic perspectives of a large strategy firm combined with the granular insights of a research specialist



L.E.K.'s key points of differentiation

Hands-on senior team with deep expertise	L.E.K.'s Partner-led execution model ensures depth of insights and an actionable strategy
Fact-based approach	Data-driven and highly analytical approach leveraging world-class Market Insight capability; conclusions are based on facts, not conjecture or "pre-packaged solutions"
Industry thought leadership	High caliber team of PhDs, MDs, and MBAs regularly publishing insights and engaging with market leaders & innovative challengers
Bias to action	Acknowledgement that solutions have no value unless they can be readily acted upon. Deep experience working with management teams to develop actionable strategic plans
Speed and flexibility	L.E.K.'s heritage as a transaction advisor has created a working style enabling high-quality, rapid execution

L.E.K. covers all parts of the healthcare ecosystem with deep expertise across all major practice areas

L.E.K. Healthcare Sector Overview

L.E.K. Vertical Practices

Life Sciences:
- Emerging & Mid-Cap Pharma
- Large Pharma
- Diagnostics & Research Tools
- Pharmacy

- Medtech
- Healthcare Supply Chain
- Healthcare IT
- Providers
- Payers

L.E.K. Horizontal Practices

- Investors & Advisors (e.g., Private Equity)
- Organization & Performance (O&P)
- Consumer Healthcare
- Digital Healthcare
- Healthcare Insights Center (HIC)

L.E.K. Capabilities

- **~75** full-time healthcare-focused Managing Directors/Partners globally across 9 vertical and 4 horizontal practices
- **Hundreds of dedicated** healthcare consulting staff across the world (plus hundreds more in critical supporting functions)
- Global network of **10,000+** healthcare industry executives, experts, clinicians, thought leaders (for research and industry insights)
- **Hundreds of projects** per year with a diverse range of large-cap, mid-cap and PE-backed clients
- Industry-leading **thought leadership and Intellectual Property** (e.g., best-in-class methodologies, benchmarks, market fact-bases, industry surveys)
- Recognized as a leading advisor in **growth strategy, M&A support** and solving key **strategic and complex business issues**

Our MedTech practice is a recognized thought partner and trusted advisor to senior executives across the MedTech industry

L.E.K.'s MedTech Practice

Engaged with **9 of the top 10** largest medical device companies

Works across **all medical device categories** and the entire **value chain**

Completed **600+ engagements** in the MedTech industry

Global network of **10,000+** healthcare **industry experts** and **thought leaders**

Experience across key customer segments including **IDNs** and **payers**

Deep experience with **Corporate M&A Strategy, Acquisition Screens, and Diligence**

Creativity and Energy engagements in and outside of MedTech

Customized and experienced team of **Ph.D.s, M.D.s, MBAs** and **industry experts** for each engagement

Dedicated, "Hands-on" Senior Team that executes projects

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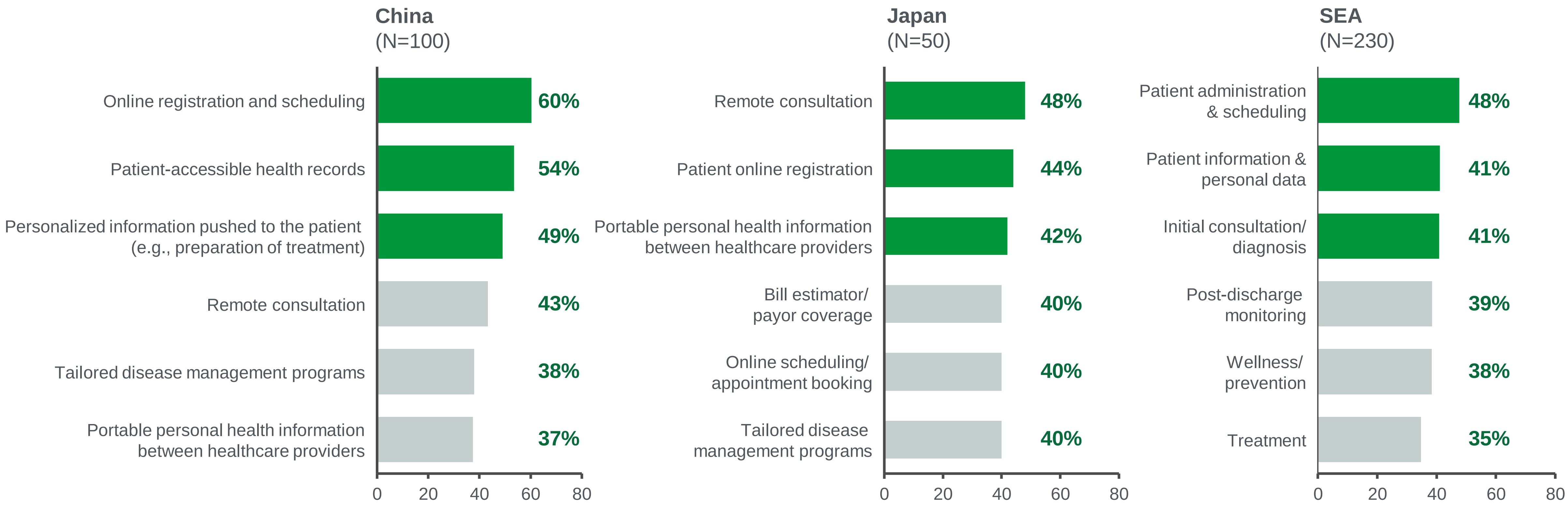
Percentage of respondents “currently using” digital solutions



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