

GROUP PROCUREMENT



BY: JAMES HERBERT

PRIVATE SECTOR PROCUREMENT DISCLAIMER

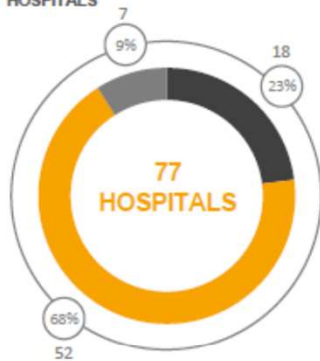


MEDICLINIC INTERNATIONAL DIVERSIFIED GLOBAL FOOTPRINT

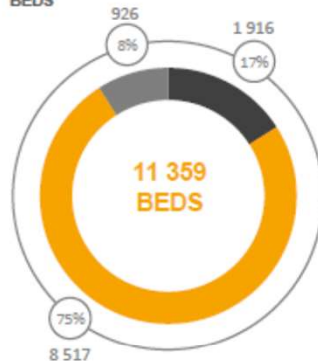


As at 31 March 2019

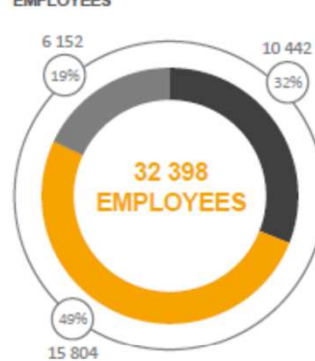
DISTRIBUTION OF THE GROUP'S HOSPITALS



DISTRIBUTION OF THE GROUP'S BEDS

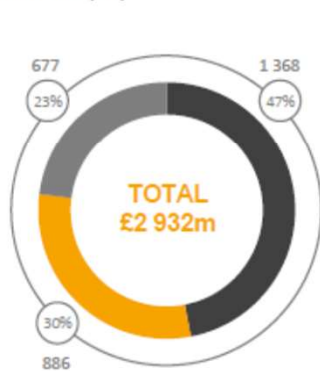


DISTRIBUTION OF THE GROUP'S EMPLOYEES

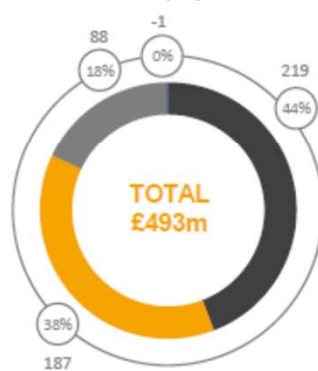


For the 12 months to 31 March 2019

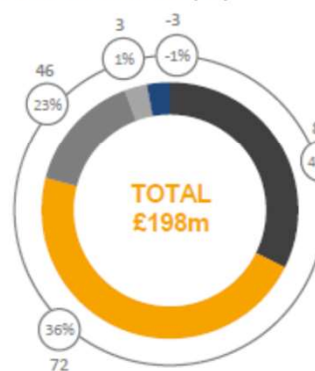
CONTRIBUTION TO GROUP REVENUE (£'M)



CONTRIBUTION TO GROUP ADJUSTED EBITDA (£'M)



CONTRIBUTION TO GROUP ADJUSTED EARNINGS (£'M)



Switzerland Southern Africa Middle East UK Corporate





OPERATIONS HIRSLANDEN

OPERATIONS

- 🔧 Largest Swiss private healthcare provider; competitive mature market; comprehensive range of inpatient and outpatient services delivered to an ageing population
- 🔧 All Swiss hospitals operators affected by rapidly implemented regulatory change:
 - Outpatient tariff reductions (TARMED)
 - Outmigration of care - insurance mix change
- 🔧 Adapting to changes; benefiting from cost-savings and efficiency initiatives
- 🔧 New management team
- 🔧 Hirslanden 2020 strategic programme:
 - Standardise, centralise and simplify
 - Develop outpatient delivery models
- 🔧 Combined La Colline with Les Grangettes in Geneva; strengthens leading market position

OPERATIONAL OVERVIEW



HOSPITALS
18



DAY CASE CLINICS
2
OUTPATIENT CLINICS
3

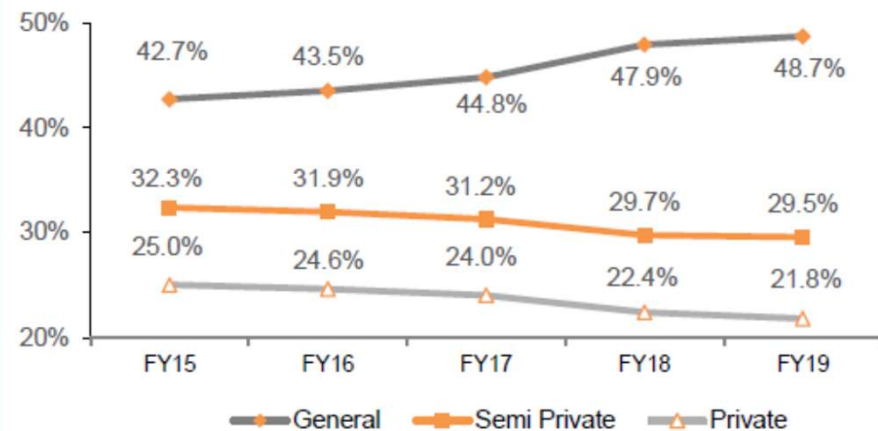


BEDS
1 916



EMPLOYEES
10 442

INPATIENT INSURANCE MIX*



* Includes Klinik Linde and Clinique des Grangettes



OPERATIONS MIDDLE EAST

OPERATIONS

- Well positioned to benefit from long-term growth opportunities in the UAE; building on our leading market position in Dubai
- Continuing to make steady progress; embarking on period of sustained growth in revenue and EBITDA margin expansion
- Successfully opened Parkview Hospital in Dubai and integrated recent outpatient investments; reached peak capex phase
- Actions taken in Abu Dhabi have set the foundations for future growth; insurance mix change enhancing the quality of revenue; divested non-core assets
- Supporting new doctors to ramp up activity in Abu Dhabi following recent investments in facilities, technology and rebranding
- Abu Dhabi hospital projects remain on track

OPERATIONAL OVERVIEW



HOSPITALS
7



DAY CASE CLINICS
2
OUTPATIENT CLINICS
18

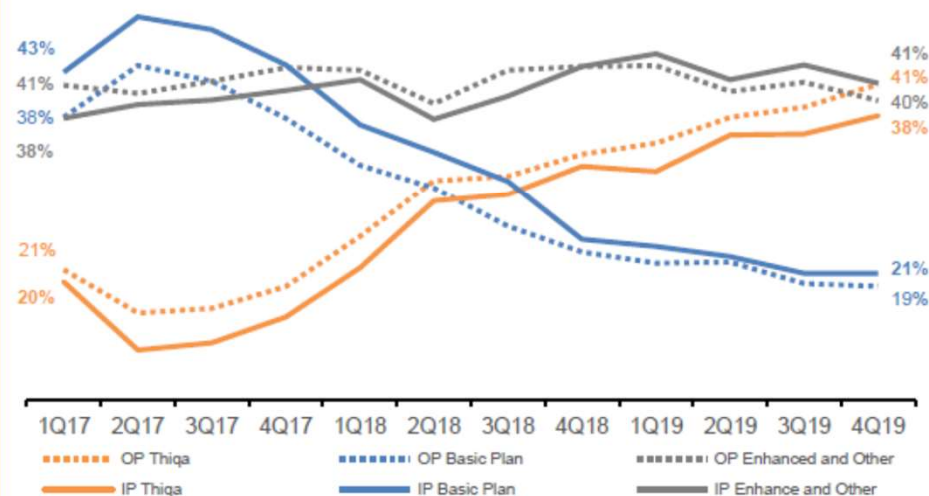


BEDS
926



EMPLOYEES
6 152

ABU DHABI INSURANCE MIX





OPERATIONS SOUTHERN AFRICA

OPERATIONS

- ⚙️ Maintaining strong market position with an excellent footprint across all provinces
- ⚙️ Stable medical insurance membership of c.9m with an ageing population and increase in chronic diseases
- ⚙️ Patient volumes impacted by macro environment
- ⚙️ Stable EBITDA margin supported by excellent operational performance
- ⚙️ Investing across the continuum of care:
 - Day case clinics and sub-acute hospitals
 - Digital platform and technology
- ⚙️ Continued investment in clinical services
- ⚙️ Health Market Inquiry and National Health Insurance review both ongoing; Mediclinic responses submitted

OPERATIONAL OVERVIEW



HOSPITALS

52

SUB-ACUTE HOSPITALS

5



DAY CASE CLINICS

8*



EMPLOYEES

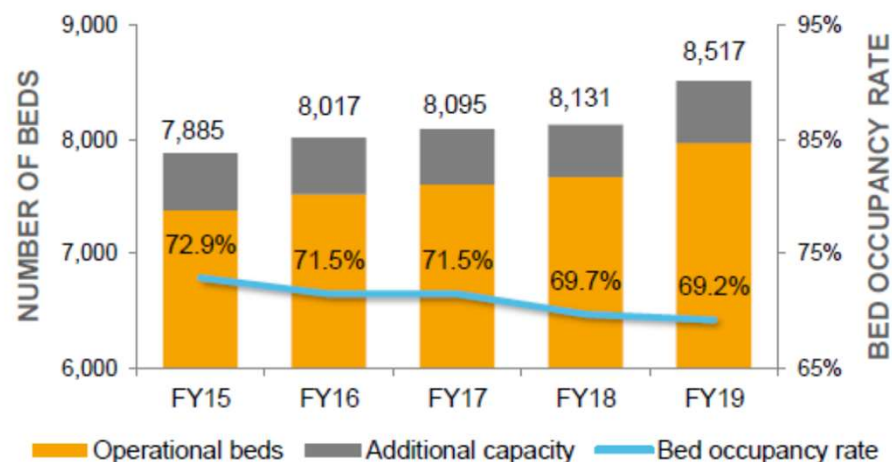
15 804



BEDS

8 517

BED NUMBERS AND OCCUPANCY



* Includes 4 Mediclinic and 4 Intercare day case clinics

GROUP SUMMARY

FY20 PRIORITIES

CONTINUED FOCUS ON OPERATIONAL DELIVERY ACROSS ALL DIVISIONS

GROUP WIDE INITIATIVES

- Enhance patient engagement through technology and EHR rollout
- Focused engagement with government and regulators
- Deliver outstanding patient experience
- Continue to improve clinical outcomes
- Leverage procurement benefits
- Maintain leading market positions

DRIVE EFFICIENCIES

- Adapt the business to changing global healthcare environment
- Optimise the delivery of services and care we provide
- Build on business and operational improvements in Abu Dhabi
- Deliver on the HIT2020 strategic project in Switzerland
- Successfully integrate new investments

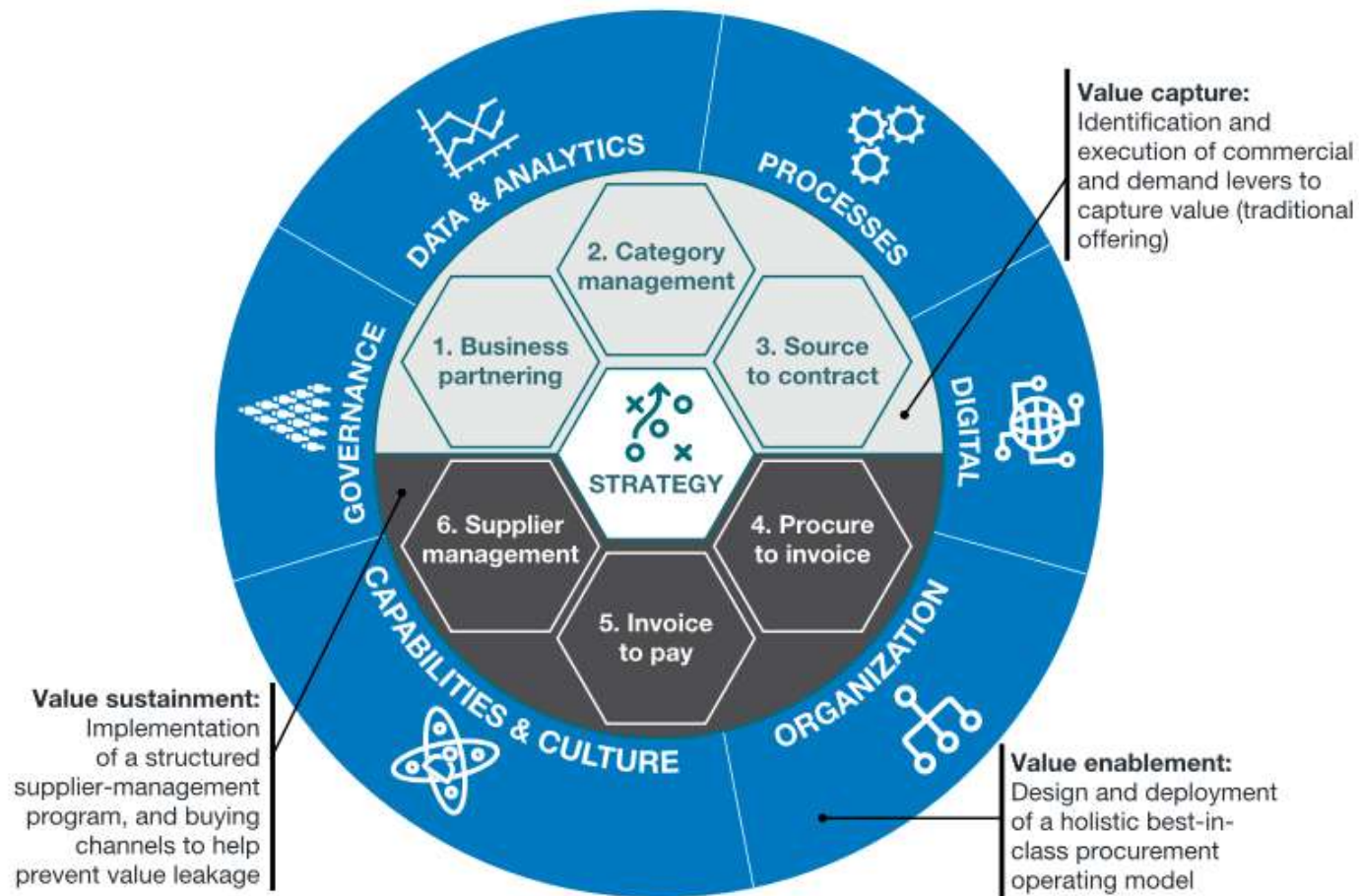
GROWTH OPPORTUNITIES

- Evaluate opportunities to invest across the continuum of care
- Continue to ramp-up Mediclinic Parkview Hospital in Dubai
- Deliver Mediclinic Al Noor and Airport Road projects on time in Abu Dhabi
- Open 2 more day case clinics in Switzerland
- Open Mediclinic Stellenbosch Hospital and 2 more day case clinics in Southern Africa

PROCUREMENT

END TO END PROCUREMENT PROCESS

A successful procurement operating model coordinates multiple capabilities to enable, capture, and sustain value.



SUPPLY CHAIN RISK MANAGEMENT POLICY STATEMENT

- **Patients first – quality care**
- **Carry out business fairly, honestly and transparently**
- **Protect company brand and reputation**
- **Process improvement and increased efficiencies**
- **Products and Services meet minimum standards**

NB:

Group commitment to implement systems and controls to support

GENERAL PRINCIPLES AND RULES

- Reference to Anti-Bribery policy
- Balancing rewards against risks – lowest price not always best
- Legal compliance
- Good corporate governance throughout procurement process
- Total cost of ownership approach
- Reduce impact on environment
- Implement procedures related to supplier and product selection
- Procurement undertaken by suitably skilled staff



SUPPLIER AND PRODUCT SELECTION

SUPPLIERS

- Ethical behavior
- Proven track record for service delivery
- Stable brands and relations
- Training of end-users

PRODUCTS

- CE and/or FDA, ISO 13485, etc.
- New technologies – credible Health Technology Assessment
- HTA Safe – Strategic decision possible
- Total cost of ownership



ANTI-BRIBERY POLICY

- Carry out business fairly, honestly and transparently
- Zero tolerance attitude towards Bribery
- Not offer or pay bribes to gain business advantages
- Not take or accept bribes to give business advantages
- Avoid doing business with others who do not accept our values or could harm our reputation



NOTE:

- New guidelines and procedures related to sponsorship to third party events

MODERN SLAVERY

WHAT IS IT?

It is a confronting reality that in the present day, **men, women and children** all over the world remain victims of modern slavery.

They are bought and sold in public markets, **forced to marry** against their will and **forced to work** inside clandestine factories on the promise of a salary that is often withheld, or on fishing boats where men and boys toil under threats of violence. They are forced to work on construction sites, in stores, on farms, or in homes.

Labour extracted through force, coercion, or threats produces some of the **food we eat, the clothes we wear, and the footballs we kick**. The minerals that men, women, and children have been made to extract from mines find their way into **cosmetics, electronics, medical devices and cars**, among many other products

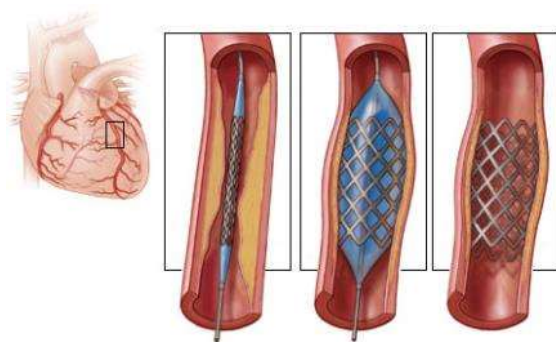
MODERN SLAVERY IS A REALITY

SOME STATISTICS

- An estimated **40.3 million** men, women, and children were victims of modern slavery on any given day in 2016
- Of these, **24.9 million people were in forced labour** and 15.4 million people were living in a forced marriage
- **Women and girls**, make up **71 percent** of victims
- **Arab States** hosts 17.6 million migrant workers and estimated 1 in 4 are victims of modern slavery
- **China** imports \$1bn-worth of coal a year from North Korea, dug out by miners who toil because of an inherited-worker
- The **cotton** industry in Central Asia depends on migrant labourers
- Supply chains based on modern slavery may **reach into the West**

PROCUREMENT SPEND CATEGORIES

- **Ethical products (medicine, drugs)**
(No opportunities in MCSA and Hirslanden)
- **Capital Investments**
- **Surgical & Implants products**
- **Medical consumable products**



© Healthwise, Incorporated



GROUP CONTRACTS

CAPITAL INVESTMENTS

- Centralization
- Standardization
- Total cost of ownership approach
- Appropriate technology
- Volume incentive agreements (7 Suppliers ± 65 % of spend)
- Bulk buying



GROUP CONTRACTS SURGICAL SUPPLIERS

- **Multi-year agreements**
- **Price reductions**
- **Efficiency projects**
- **Service delivery – KPI's**
- **Volume commitments**



MEDICAL INNOVATIONS

GPO ESTABLISHED JANUARY 2017

Ethics Line: +27 12 543 5332 Toll-free: 0800 005 316 (South Africa only) Office: +27 21 851 8484



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SUPPLIER OF MEDICAL DEVICES AND CONSUMABLES

Designed for professionals by professionals

Medical Innovations

Medical Innovations was formed in 1988 and has subsequently become recognised as a supplier of quality hospital equipment, with innovative solutions to a broad range of customer demands.

Over the years, Medical Innovations has introduced innovative new products and solutions to the local and international market. Continual improvement and growth has been an integral part of the company's culture. The company's business model is based on a quality-oriented approach with core values of patient safety, client focus, mutual trust and respect, team work, performance driven, being an employer of choice, appointing and retaining competent staff.

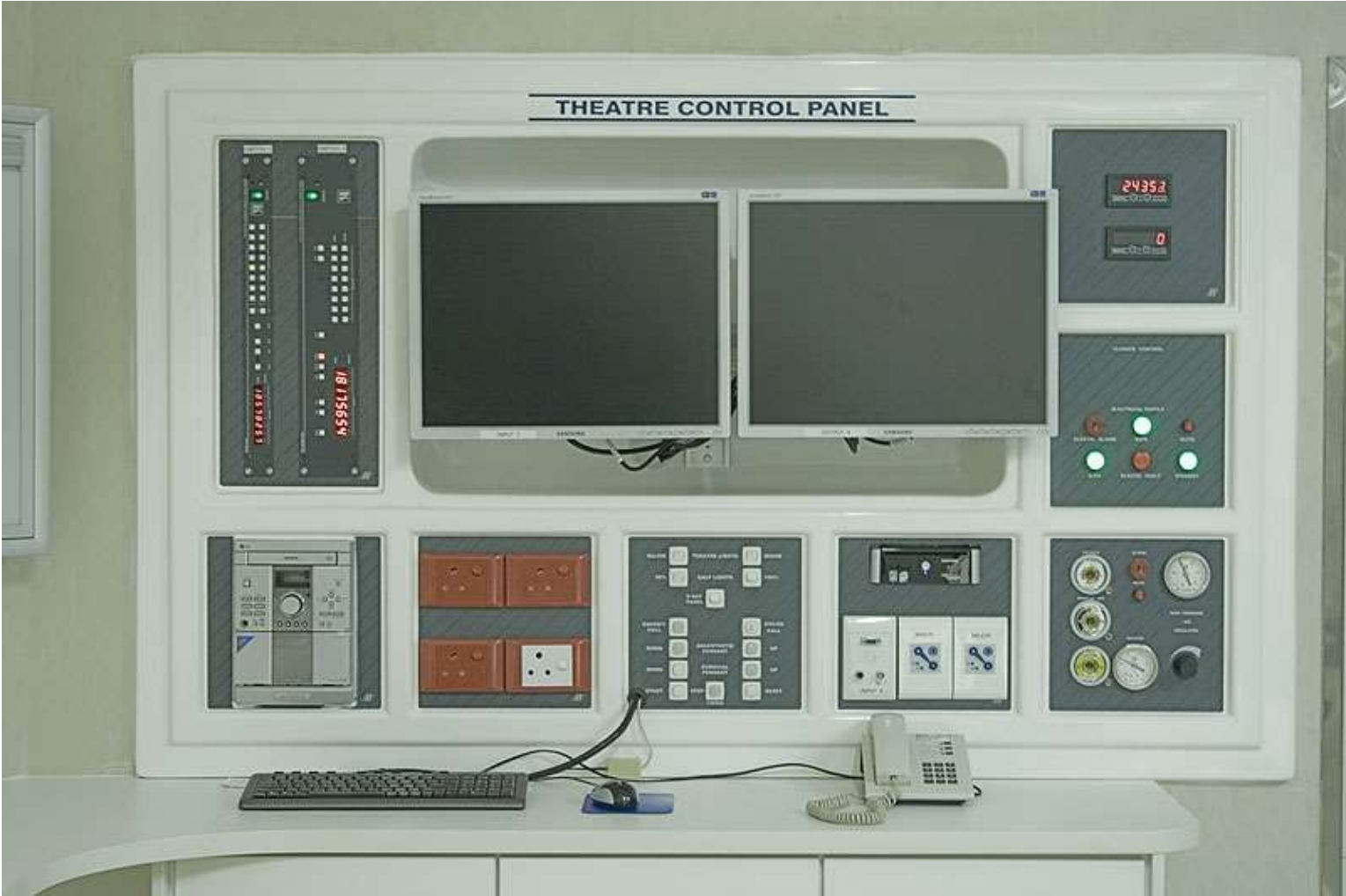
Technology is what we are.
Service is what we do.



PROJECTS OVERVIEW



PROJECTS OVERVIEW



MEDICAL INNOVATIONS PROJECTS OVERVIEW



TRANSPORT AND STORAGE QUALITY STANDARDS



DIRECT IMPORTS CUSTOMISATION

ICU and operating
room Pendants





Medical Innovations
Workshop



Outsourced
Logistics

Pendant
Customization



SINCE 2014

LAUNCH OF DIRECT CONSUMABLES

Nitrile examination gloves - over 220 mil. pieces sold to date



DIRECT IMPORTS PRODUCTS



SPEND MANAGEMENT PROJECT OBJECTIVES

To provide a world class global Spend Management framework for Mediclinic International by establishing the following:

- Improve existing spend data management capabilities and bring about relevant improvements
- Ensure that we have quick access to all spend data within the Enterprise
- Expand data cleansing and classification capabilities for all spend categories
- Classify spending at detail level across master data
- Enhance our data with appropriate business intelligence
- Increase the frequency and coverage of our spend analysis cycles
- Utilize advanced reporting and decision support tools

NHS Procurement Dashboard

Trust name here

Report Date / Period

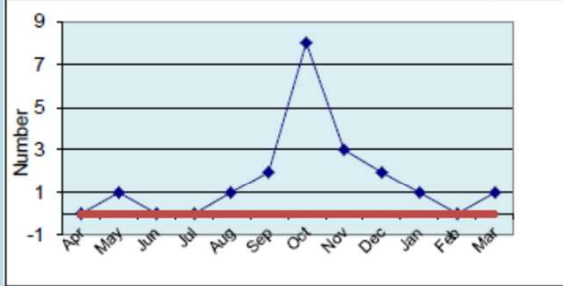
Doing it Well

C1 - Impact on Patient Care

RAG

Number of instances where patient outcome, experience or safety has been adversely affected by a lack of product or service availability

R

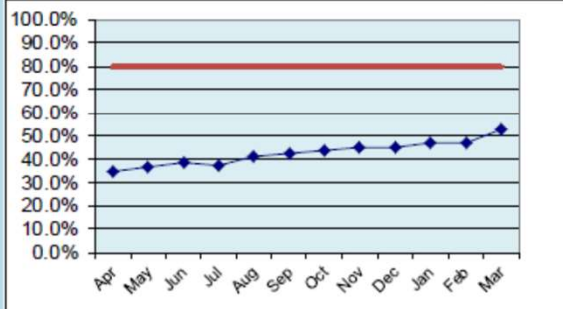


C2 - Spend Control

RAG

Percentage of non pay expenditure captured electronically through purchase to pay systems

R



Commentary

Enter notes to assist interpretation of dashboard

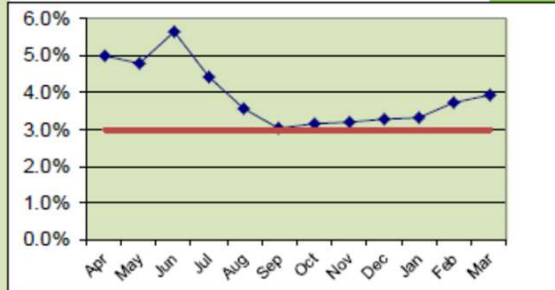
Doing it Efficiently

C3 - Cost Improvement

RAG

Value of contribution to cost improvement as a percentage of non pay expenditure

G

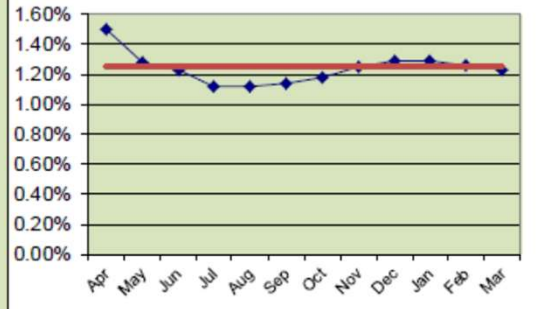


C4 - Cost to Procure

RAG

Cost to procure as a percentage of non pay expenditure

G

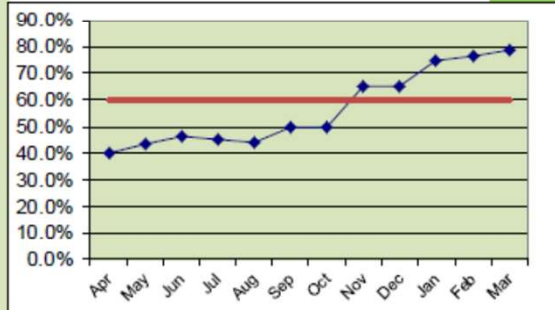


C5 - Collaboration

RAG

Percentage of non pay expenditure through national and/or collaborative purchasing arrangements

G



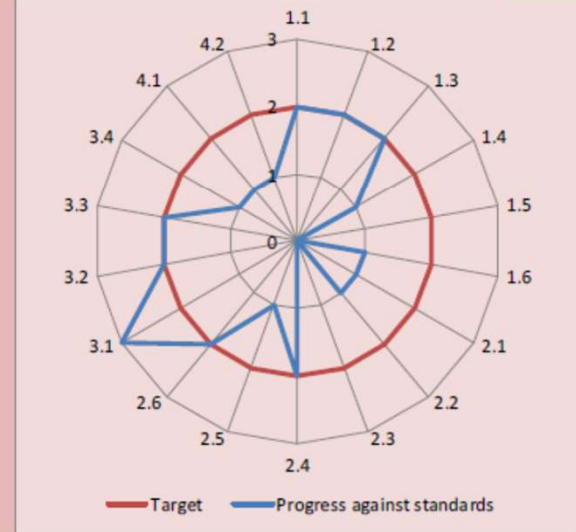
Doing it Right

C6 - Standards of Procurement

RAG

Progress against the NHS Standards of Procurement

A



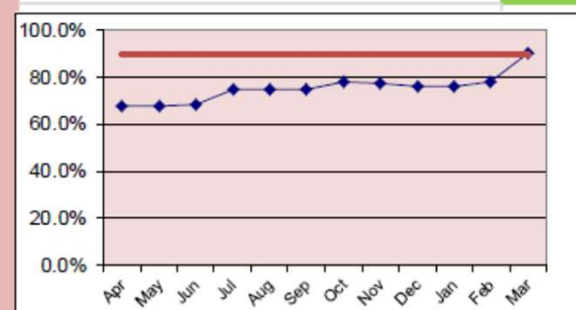
Enter notes on NHS Standards of Procurement

C7 - Staff Qualification

RAG

Percentage of recognised procurement staff with an appropriate formal procurement qualification(s)

G



GLOBAL BUYING CONGLOMERATES

WHY NOT IN SA?

6 of the largest GPOs | 2015

Written by Erin Dietsche (Twitter | Google+) | July 02, 2015 | Print | Email

187 The following are six of the largest group purchasing organizations ranked by acute-care hospital members, according to each organization's self-reported* numbers. Data was accessed July 1, 2015.

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Tweet

9

Share

3

+

1. Novation (Irving, Texas) — 5,200 health system members and affiliates as well as 118,000 non-acute health systems. As of April 2015, VHA and UHC combined to form a new company, the name of which will be announced in January 2016. The new organization has 11 regional offices and its combined purchasing volume is over \$50 billion annually. Novation previously served as the contracting arm for VHA, UHC, Children's Hospital and Provista.

2. MedAssets (Alpharetta, Ga.) — 4,500 hospitals and 123,000 non-acute healthcare providers. MedAssets is an exclusively healthcare-focused GPO that serves four out of five hospitals in the U.S. The GPO manages \$59 billion in total spending by healthcare providers and \$400 billion in gross revenue on behalf of its clients.

3. Amerinet (St. Louis) — 3,488 hospitals and more than 75,000 non-acute healthcare providers. Amerinet is a privately owned organization that was established in 1986. In 2012, Amerinet members spent a total of \$8.9 billion. The GPO also extends its reach through 14 affiliates and over 13 alliance companies.

4. Premier (Charlotte, N.C.) — 3,400 hospitals and 110,000 other healthcare providers. In addition to leveraging contracts for its member providers, Premier also has a clinical database containing information on approximately \$41 billion in annual purchasing data, approximately 2.5 million real-time daily clinical transactions and data on one third of discharges nationwide.

5. HealthTrust Purchasing Group (Brentwood, Tenn.) — 1,400 hospitals and 10,600 non-acute care sites. Founded in 1999, HealthTrust offers three types of memberships, including one offering procurement options in Europe and the United Kingdom. An affiliate of Parallon, HealthTrust also offers initiatives in sourcing, supply chain consulting and spend analytics.

Source : <http://www.beckershospitalreview.com/finance/6-of-the-largest-gpos-2015.html>

Tab. 6.2: Procurement volume of leading GPOs in Germany: Prospitalia GmbH (status 2013), Clinicpartner eG (status 2010), and Agkamed GmbH (status 2013); Important hospital groups in Germany: Sana Kliniken (status 2013), Rhön Kliniken AG (status 2013), Helios Kliniken GmbH (status 2012), and Asklepios Kliniken GmbH (status 2012)

Source: Prospitalia (2014), Clinicpartner (2010), Agkamed (2014), Sana (2014), Rhön-Klinikum (2014); Asklepios (2012), Helios Kliniken (2012)

GPO	Procurement volume p.a. (Euro)	Operating units
1. Prospitalia GmbH	1.1 billion	690 clinics/800 facilities*
2. Clinicpartner eG	850 million	112 clinics
3. Agkamed GmbH	580 million	190 clinics
Hospital Group	Procurement volume p.a. (Euro)	Operating units
1. Sana Kliniken AG	>1 billion	400 clinics/400 facilities*
2. RhönKliniken AG	777 million	90 clinics/54 facilities*
3. Helios Kliniken GmbH	738 million	72 clinics
4. Asklepios Kliniken GmbH	651 million	100 clinics/150 facilities*

* facilities include nursing homes, pharmacies, etc.

Source : Healthcare: Market Dynamics, Policies and Strategies in Europe, edited by Mario Glowik, Slawomir Smyczek

THANK YOU

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