

Hospital Priorities: Strategic Implications and Insights for Healthcare Providers



Contents

Executive summary	3
Healthcare services and hospital priorities: Three key themes	5
Key Findings	5
Financial Outlook and Recovery	6
State of recovery from COVID-19	6
Financial outlook	8
Business Priorities	11
Strategic priorities	11
Shifting decision-making dynamics.....	13
Leveraging digital	14
Conclusion	17
Research Premise	18
Methodology.....	18
About the Author	21

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Executive summary

Over the past three years, L.E.K. Consulting has undertaken an annual survey of healthcare leaders across key hospitals in the Asia-Pacific (APAC) region, which includes Southeast Asia (SEA), India, China, Japan and South Korea. The goal of this survey is to gain a richer understanding of the strategic priorities and challenges of healthcare providers within a complex environment.

This year, we surveyed a range of hospital decision-makers from across the APAC region in roles that included the C-suite as well as heads of nursing, medical, procurement, operations and other departments, in both public and private hospitals.

Several trends have emerged from the responses — namely, a rapidly recovering healthcare system across the region, expanded willingness to invest in better outcomes for staff and patients, and a growing focus on new technology and digital solutions. All these trends have different levels of traction across the five regions but are key operational priorities for hospitals as they look ahead to 2024.

While the global pandemic continues to leave its mark on hospitals' financial planning, safety and technology, there has been a steady increase in elective surgeries and digitalization efforts that show the sector is reviving. The latter is gaining traction as hospitals become increasingly open to digital engagements and platforms that allow them to better connect with suppliers and patients. In fact, digital engagement is widely accepted across most hospitals within the APAC region, allowing healthcare services to tap into new channels of engagement with patients and with product and service providers.

In this survey, we found that healthcare leaders are leveraging a steadily improving financial performance to invest in new medical technologies, cutting-edge treatments, staff safety and operation optimization.

Hospitals are also seeking out more efficient and cost-effective approaches to healthcare while rebuilding their foundations post-pandemic to become increasingly resilient and capable of withstanding complexity and uncertainty. .

"Hospitals are increasingly realizing the diverse value from digital health solutions in redefining their patient acquisition strategies."

Arnaud Bauer, Partner, L.E.K. Consulting



Healthcare services and hospital priorities: Three key themes

The research across more than 600 healthcare decision-makers provides significant insights into how healthcare institutions are managing core challenges, shaping their strategies and overcoming new complexities. Three key themes emerged, around financial recovery, business priorities and digitalization, which are explored in this report.

Key Findings

01: Financial outlook and recovery

- A robust recovery from COVID-19, represented largely by the return of elective procedure volumes across the region, heralds significant financial improvements for public and private hospitals.
- With the majority of respondents expecting balanced or surplus budgets (in the case of public hospitals) and positive EBITDA (for private institutions), hospitals are committed to resuming investment in services that drive resilience and growth over the next three years.

02: Business Priorities

- The strategic priorities for hospitals across APAC are closely aligned around improvements in clinical outcomes and staff experiences.
- Hospitals are considering different mechanisms for achieving these aims, including investment in new medical technologies, workflow efficiency and information technology (IT) infrastructure.

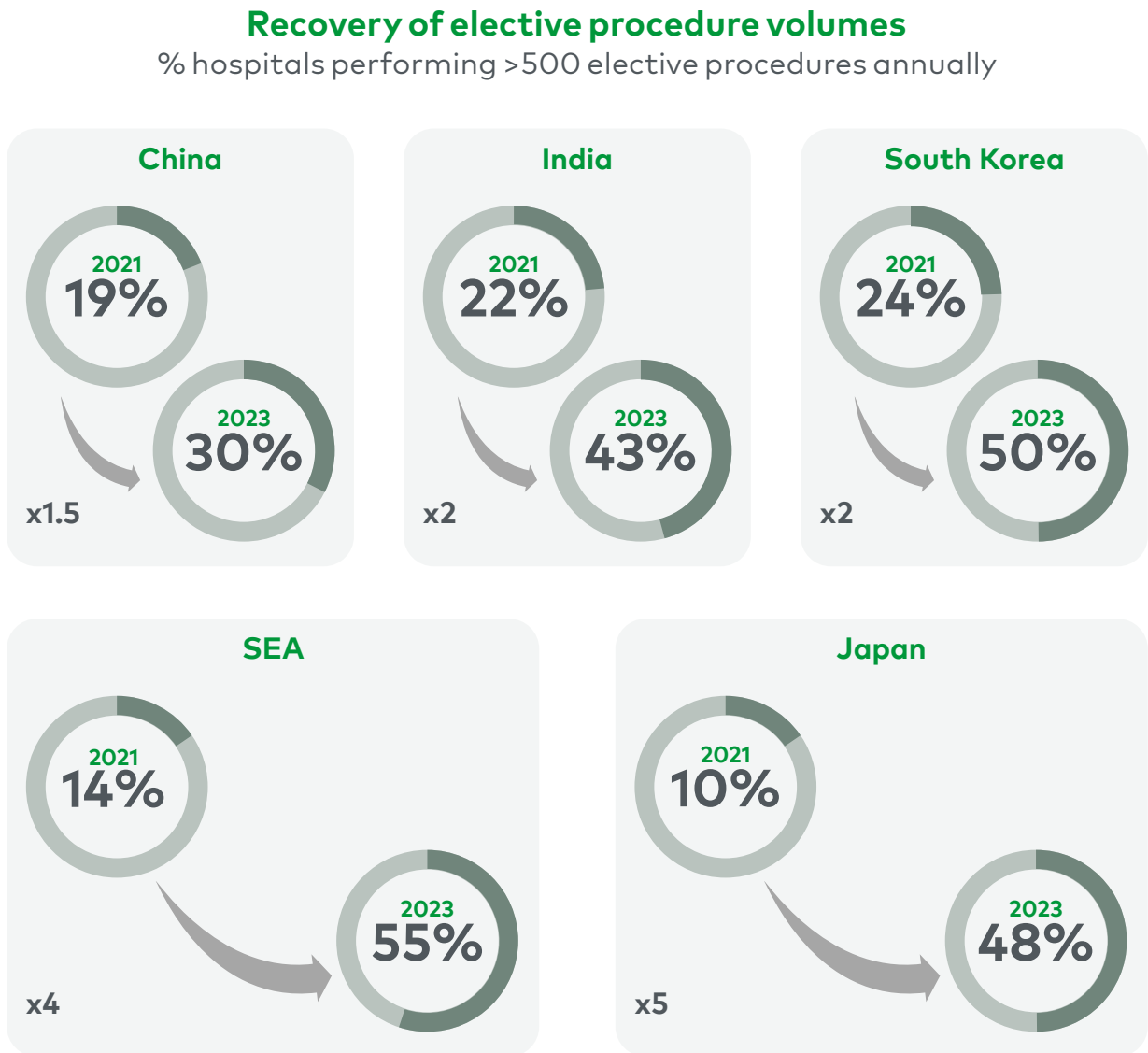
03: Leveraging Digitalization

- Digital solution implementation is perceived as a key enabler for hospitals in the region.
- There is increased value perception around digitalization as an enabler of patient care, cost optimization and process delivery.
- IT infrastructure and solutions that bolster physician capabilities remain business priorities.

Financial outlook and recovery

State of recovery from COVID-19

Figure 1:
Percentage of hospitals performing more than 500 elective procedures annually



Most regions in APAC have demonstrated a strong recovery in elective procedures (see Figure 1), with 80%-90% of respondents across regions reporting a return to pre-COVID-19 numbers across most surgery-focused departments. Overall, recovery has been strongest in long-term care, oncology, orthopedics, post-acute care and OBGYN.

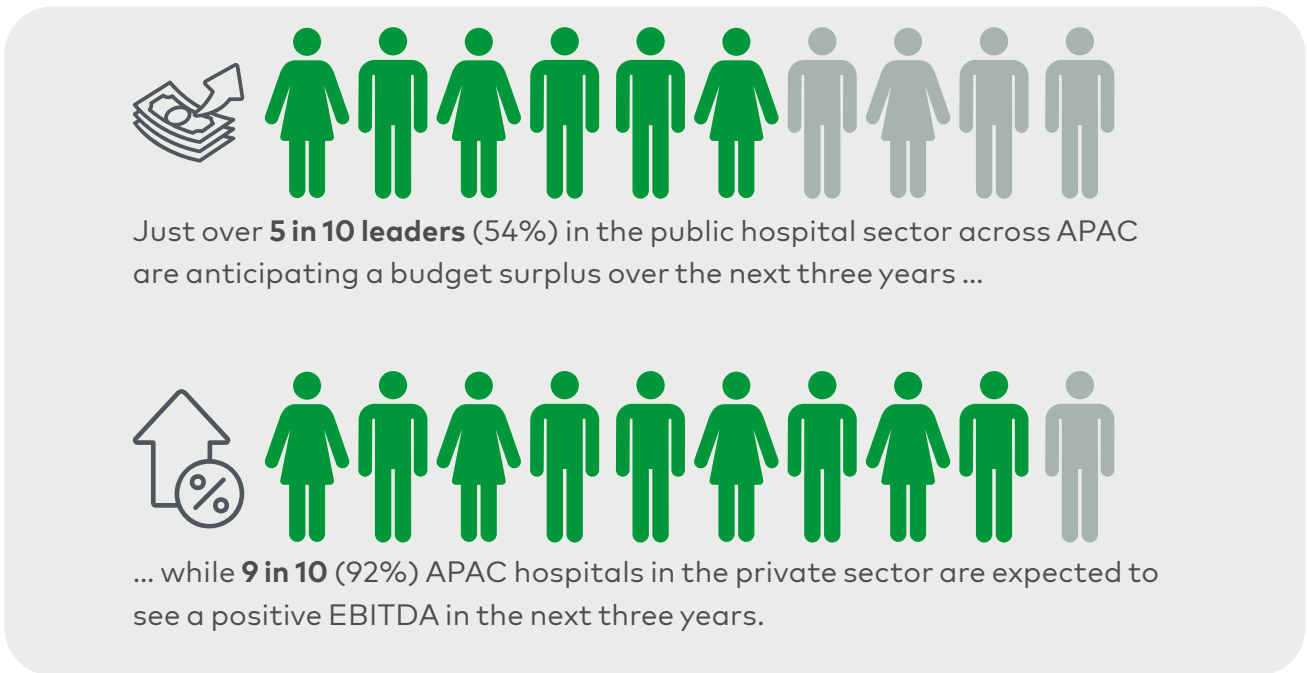
Of all surveyed regions, India has shown a particularly strong rebound, with elective procedure volumes in 2024 expected to exceed pre-COVID-19 levels. The significant volume increase is driven in large part by a strong private-sector rebound and double-digit growth in healthcare spend. China has also shown a strong recovery, with elective surgery volumes bouncing back to pre-COVID-19 levels in many departments, including cardiology, oncology and orthopedics.

Japan's elective procedures, which were heavily affected during the pandemic, have likewise demonstrated a resilient recovery, with close to a five-fold increase from 2021 to 2023 in the proportion of hospitals reporting >500 annual elective procedures, and with expectations for further volume recovery in 2024.

The recovery in procedure volumes in South Korea has been comparatively mixed, especially in terms of procedures in general surgery (35% of South Korean respondents reporting recovery to pre-COVID-19 levels vs. 75% survey wide average), cardiology (35% vs. 74%) and gastroenterology (46% vs. 79%). On the other hand, the number of respondents who reported >500 annual elective procedures more than doubled between 2021 and 2023 (expected), suggesting that the recovery is ongoing, albeit at a slower pace than in other regions.

Financial outlook

Figure 2:
Financial recovery estimates among APAC hospitals



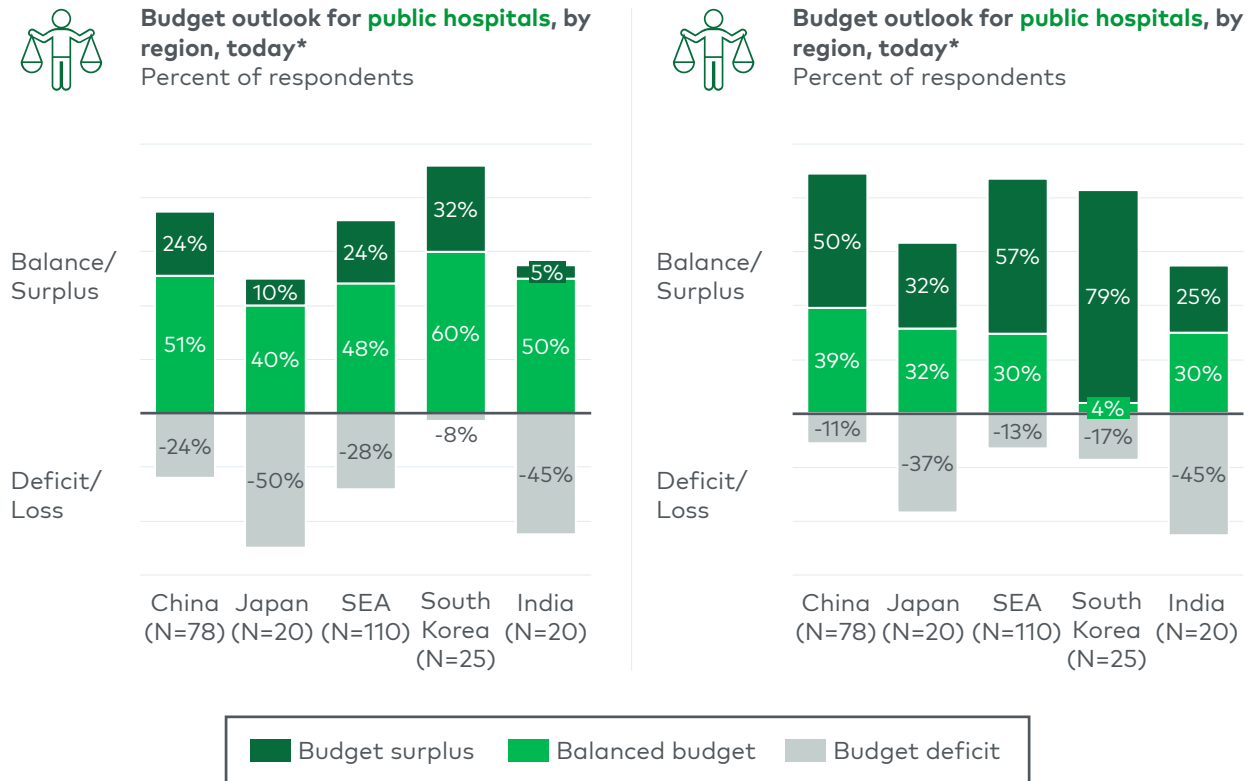
Across the five regions, both public and private hospitals have reported a growing trend of surpluses/profitability and are generally optimistic about finances over the next three years (see figures 2, 3 and 4). Nevertheless, hospitals look set to focus on business sustainability and cost optimization alongside continuous improvements to services and patient care.

The financial situation in private hospitals in Japan, SEA and India has improved markedly post-pandemic, with 80% reporting profitability in each region, forecast to increase to >90% by 2026. The financial outlook of public hospitals across the three regions has similarly exhibited an upward trend, with more than five times the number of respondents in each region expecting a budget surplus by 2026 compared to those reporting actual surpluses in the past three years.

Despite lagging procedure volumes, South Korean hospitals too have seen a solid financial recovery, with most respondents in both the public and private sectors anticipating a budget surplus or profitable margin over the next three years. The financial outlook in China is decidedly more mixed. While public hospitals reporting budget surpluses tripled to 31% from 10% in the past three years, a figure that is expected to exceed 50% in the next three years, improvements in the private

sector are expected to be much more tempered: Only 79% of respondents expect to be profitable in the next three years, a level that remains virtually unchanged from the 78% currently reporting profitability.

Figure 3:
Budget outlook for public hospitals

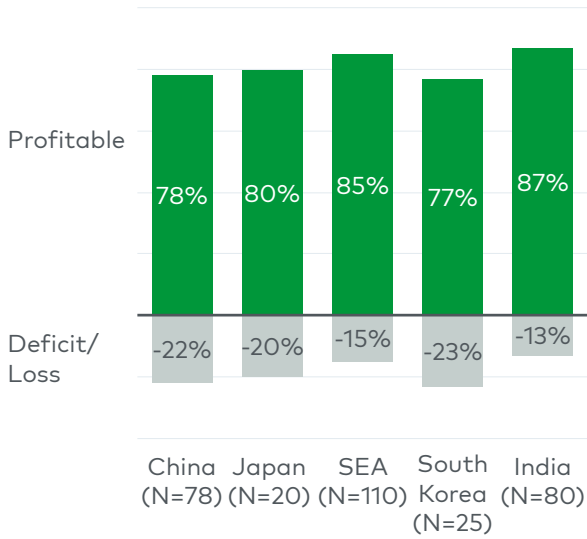


Note: *Question: What is the level of budget surplus / deficit incurred by your hospital over the following time period?
Source: L.E.K. 2023 APAC Hospital Priorities Survey

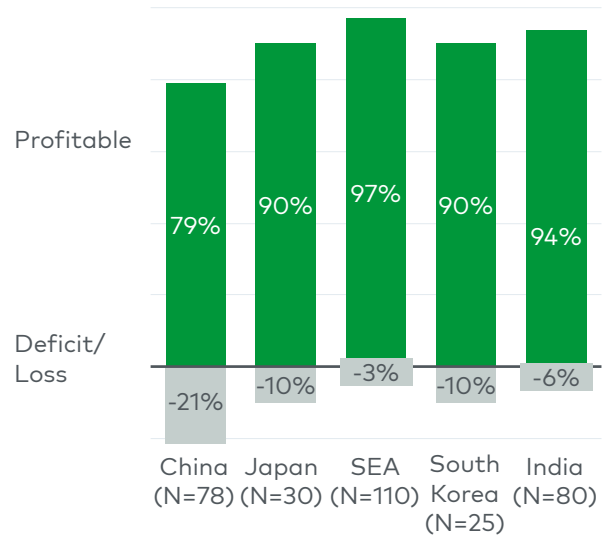
Figure 4:
Budget outlook for private hospitals



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



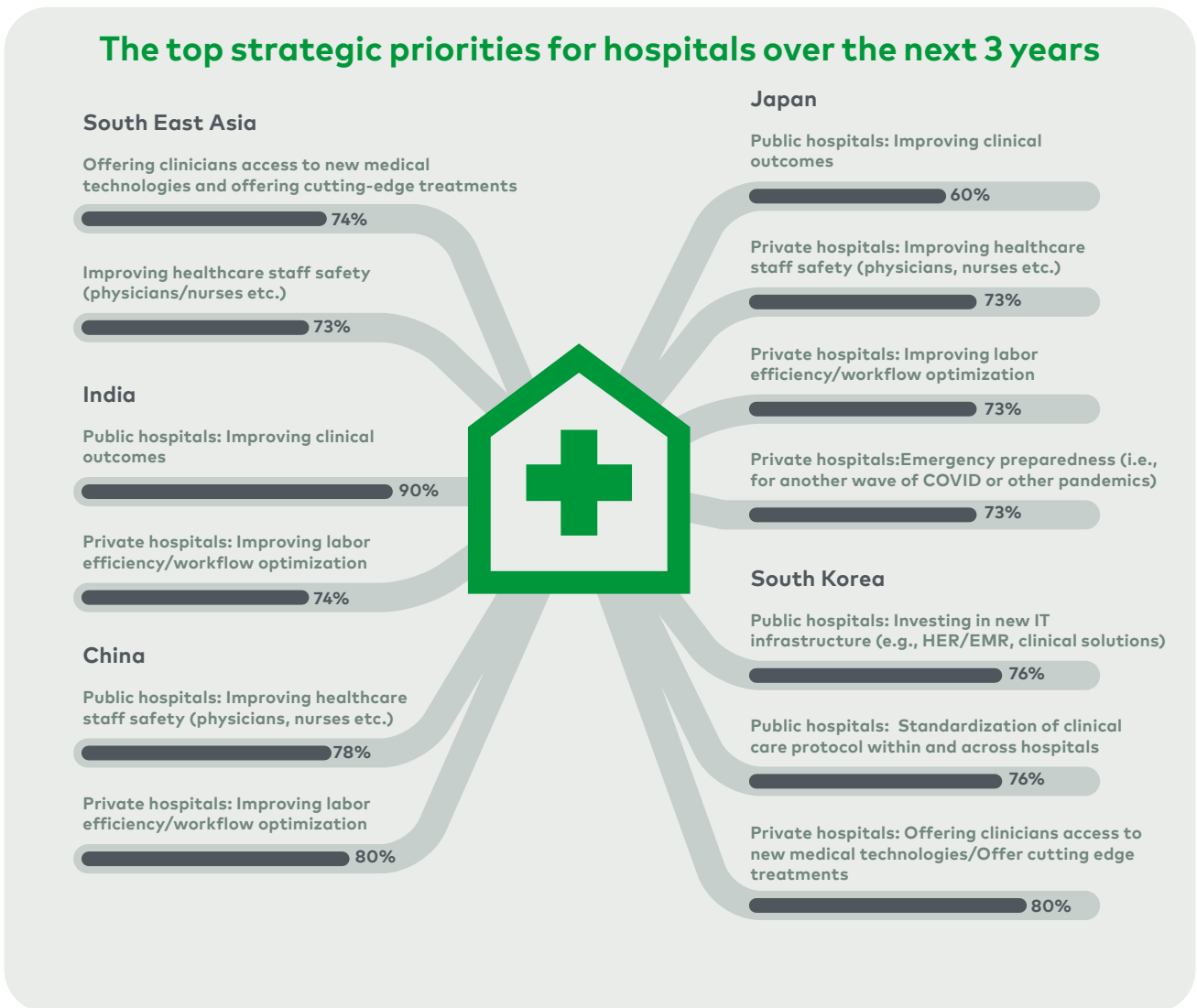
Note: *Question: What is the EBITDA margin / profitability level of your hospital over the following time period?
Source: L.E.K. 2023 APAC Hospital Priorities Survey

Business priorities

Strategic priorities

Hospitals in the region are focusing on a range of operational improvements to support better patient outcomes and more efficient operations through investment in new technologies, improvements in workflows and operating procedures, and changes in purchasing processes (see Figure 5).

Figure 5:
Top selected strategic priorities among surveyed hospital decision-makers



Across APAC, public hospitals in particular are focused on improving outcomes for patients and staff. Private hospitals' priorities exhibit greater heterogeneity, driven by region-specific circumstances.

In the SEA region, private hospitals are predominately prioritizing access to new technologies to improve service delivery and differentiate themselves from competitors. Diagnostic imaging, primary care and general surgery are reported as priority areas for investment to meet growing healthcare demands.

India's private hospitals have a dual focus. Decision-makers are emphasizing cost-control measures, such as improving workflow efficiencies, reducing cost of medical supplies and standardizing medtech product usage, alongside targeted investment, especially in digital health and new medical technologies.

Across both the private and public sectors, hospitals in China are shifting focus toward improving workflows and care management capabilities, with growing spend on developing physician capabilities and operational efficiencies. Public L3 hospitals are focused on improving treatment capabilities based on existing infrastructure, while public L2 hospitals are more focused on healthcare capability and facility building.

In Japan, 6 in 10 public hospitals surveyed are focused on improving clinical outcomes, and reducing costs is a priority for more than half of Japanese hospitals. Despite COVID-19 being in the rearview mirror, nearly three-quarters of Japanese private hospitals continue to prioritize emergency preparedness as well as general operating efficiency. Expenditure on capital equipment is anticipated to see a moderate increase, with 7 in 10 Japanese respondents expecting greater investment.

In South Korea, more than three-quarters of public hospitals are focusing on both investment in new IT infrastructure and the standardization of clinical care. In contrast, the priority for private hospitals is differentiated delivery of care in a sustainable manner, with 8 in 10 prioritizing the introduction of new medical technologies and 7 in 10 prioritizing dealing with staff shortages to reduce frontline worker fatigue.

These varied priorities, particularly in the private sector, highlight how healthcare institutions are at a strategic inflection point, providing support and services that align with strategic priorities and investments.

Shifting decision-making dynamics

Hospital management was generally cited as the main decision-maker for critical investment decisions across APAC regions. Nevertheless, many respondents emphasized the importance of other hospital stakeholders, including clinical department heads and procurement departments, in the decision-making process, with expectations that decision-making power will become even more distributed over the next three years.

However, the evolution of purchasing processes varies across the region. SEA and South Korean hospitals indicate a preference for selecting preferred suppliers for individual procedures or products, while hospitals in Japan and India place greater emphasis on consolidating each department's spend with a single preferred supplier. In China, the degree of purchasing standardization both within individual hospitals and across hospital networks is high, with >80% of respondents reporting high standardization of medical supplies, although that does not rank highly as a strategic priority (No. 10). The top purchasing criteria for equipment also varies across regions. Hospital administrators in China and Japan emphasize the need for improved quality and delivery of care. SEA and South Korean decision-makers place the highest emphasis on the ability to improve clinical decisions through greater accuracy of diagnosis, which is reflected in the high expectation (in both regions) of increased spending on diagnostic imaging equipment and plans for expanded offerings of diagnostic imaging.

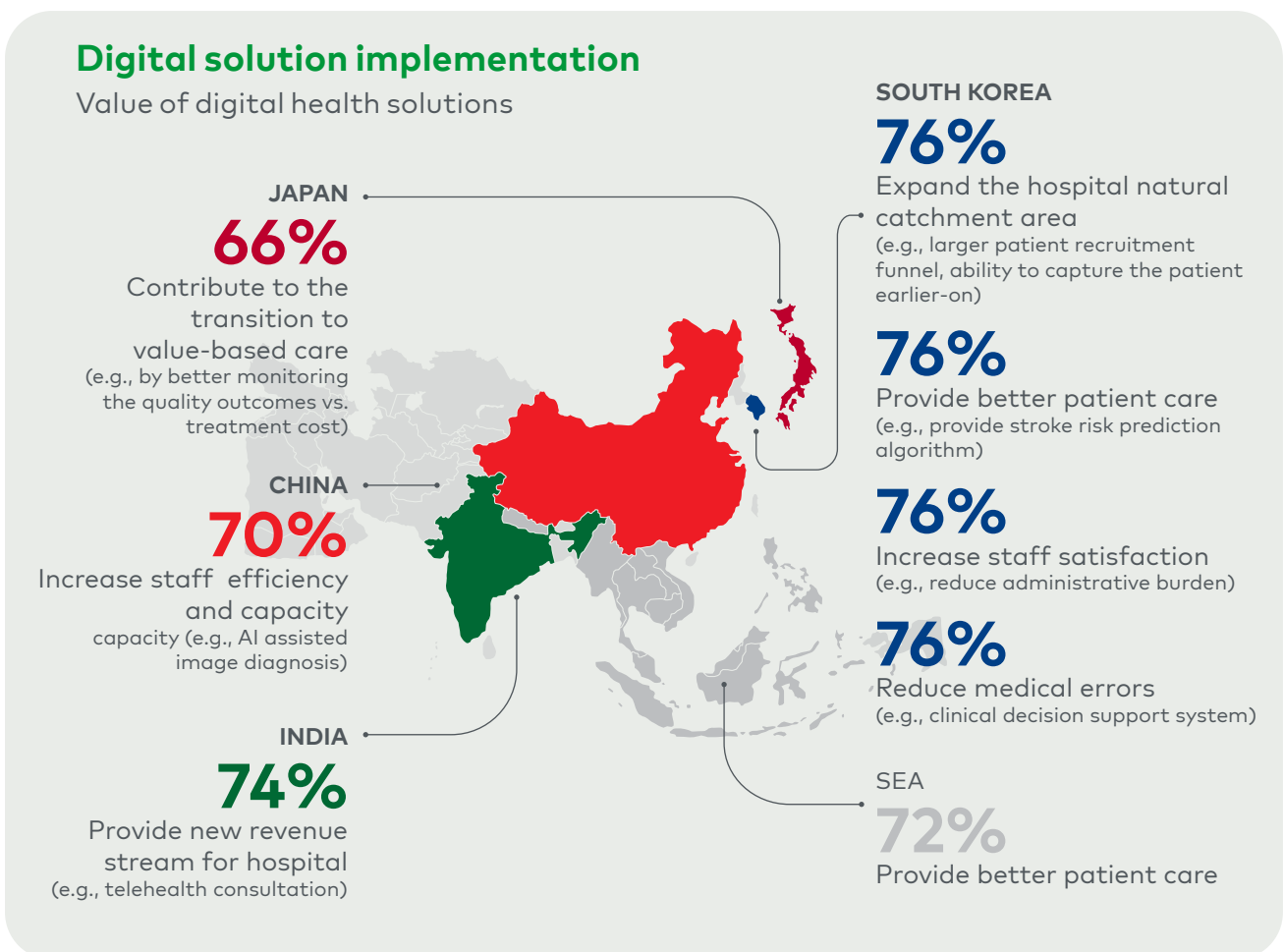
With regard to supplier interactions that facilitate these purchasing decisions, hospitals throughout the APAC region are implementing more rigorous restrictions on access for sales and medical representatives. While originally a result of constraints from the pandemic, this is now largely due to a growing need to accommodate busy physician schedules and to reduce the potential for disturbing patients and hospital operations.

The role of Group Purchasing Organizations (GPOs) in decision-making is also evolving, with increasing relevance to hospitals across SEA, Japan and Korea as they seek to reduce costs and administrative burdens. Hospitals within the SEA region list GPO procurement as the No. 1 priority for adding a drug to their formulary list. Use of GPOs in Japan and Korea was also emphasized, with 86% and 94% of surveyed hospitals using GPOs, respectively. Interestingly in Korea, just over half of respondents reported using two or more GPOs. Key features of these GPO contracts include use of preferred supplier lists and aggregation of purchasing volume to achieve discounts.

Leveraging digital

There is little doubt that digital is redefining the shape of healthcare and the way hospitals interact with patients. It is also rapidly becoming a key enabler for the healthcare services industry across relationship building, patient administration and innovation. Hospitals throughout APAC highlight the potential value of digital health solutions, though the most urgent use cases vary based on market context and key unmet needs (see Figure 6). By contrast, hospitals across APAC share similar concerns focused on patient privacy, a shortage of talent to develop and implement digital health solutions, and incompatibility of different health solutions.

Figure 6:
Top selected reasons for digital solution implementation by country/region



We asked respondents about their current use of 18 digital solutions over six categories and found average use across regions to be similar at approximately 40% overall, although the specific tool mix has some variation across regions, with Japan and South Korea the most distinct.

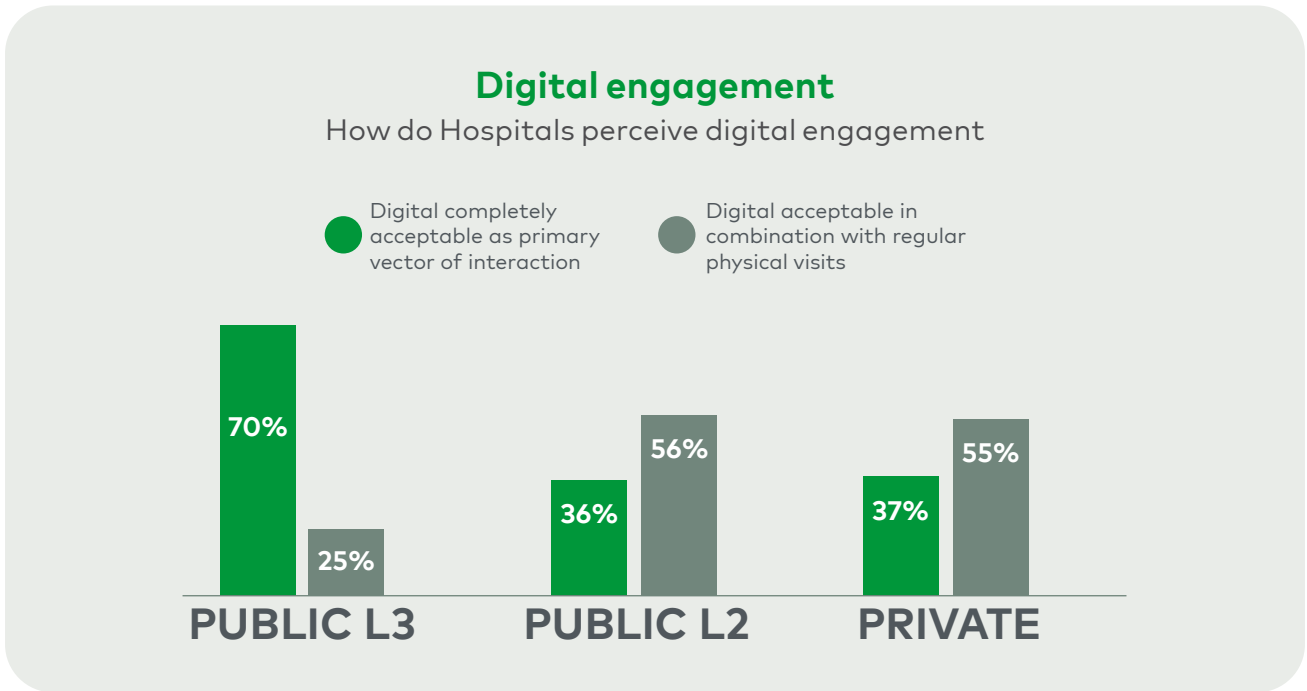
Patient administration and information tools were among the most widely used in all regions, with China, India and SEA all reporting online scheduling as the most implemented tool (60%, 58% and 53%, respectively); other commonly adopted solutions include bill estimation, personalized information for patients and patient-accessible health records. Use of wellness- and treatment-related solutions, especially tailored disease management programs and diagnosis based on artificial intelligence (AI), distinguishes South Korean hospitals from the rest of APAC, where adoption of such tools is at around 50%-60% vs. 30%-40% in other regions. Japan stands out from all the other regions for the comparatively high level of adoption of remote consultations, with close to 50% of respondents reporting use in GP/specialist interactions.

In SEA, improving patient care was reported as the main benefit of digital solutions in both public and private hospitals, while private hospitals also emphasized the potential value of digital providing new revenue streams (e.g., telehealth consultations). Increasing staff efficiency, improving patient satisfaction and reducing medical errors were also viewed as key benefits in both the public and private sectors.

Hospitals in India are also advancing digitalization, with public and private hospitals focusing on how to deliver value, albeit in different ways. Eight in 10 public hospitals see the benefit of potential new revenue streams, while three-quarters of private hospitals see value from enhanced staff efficiencies and expansion opportunities. Both public and private hospitals in India have similar levels of adoption of digital solutions, particularly around post-discharge monitoring, consultation and wellness programs.

China's digital engagement with suppliers is gaining acceptance across all types of hospitals. China's L3 hospitals are leading the way, with 70% of respondents indicating that digital is completely acceptable and here to stay as a primary mode of interaction (see Figure 7).

Figure 7:
Perceptions of digital solutions across Chinese hospital type



Similarly, use of digital tools has been normalized within the region since the pandemic. Online registration and scheduling tools are already being implemented by 6 in 10 Chinese respondents (60%), and approximately half of surveyed hospitals currently utilize patient-accessible health records and personalized information pushed to the patient. Of note is the use of AI to optimize processes throughout the patient journey in China, with provider-facing AI applications gaining traction in the capital market.

In Japan, public and private hospitals differ in their views on digital solutions. Public hospitals see the benefit of digitalization specifically on delivery of quality care, whereas private institutions emphasize potential business development opportunities, e.g., expanding catchment areas. In general, private hospitals have a higher digital solution implementation rate versus public institutions, especially in patient administration, logistics and initial consultation.

Hospitals in South Korea are interested in adopting digital solutions in various areas of healthcare service. Public hospitals see the most value in increasing patient and staff satisfaction, while private institutions see the benefit in better patient care. There is also widespread interest in the use of digital tools in a wide variety of applications, including IT systems and administrative digital solutions.

Conclusion

The findings from L.E.K.'s in-depth survey across the region provide rich insights into evolving hospital priorities.

Hospitals throughout APAC have largely recovered from the impacts of COVID-19 and are beginning to look ahead to opportunities for improved care delivery and operational efficiency. Growing budget surpluses/profitability in the industry are expected to support necessary investments over the next three years.

The improvement of clinical outcomes remains paramount for hospitals over the next three years, particularly in public settings. Meanwhile, private hospitals are increasingly focused on improving conditions for healthcare staff and optimizing workflows.

Delivery on these objectives will include new processes for decision-making and contracting to ensure value for the hospital, and for increasing exploration of digital solutions. Despite some remaining concerns over its widespread use, digitalization remains an imperative for most hospitals across APAC and will be a key driver of change for the industry.

The next three years will be a period of rapid evolution for the region as hospitals bolster final recovery efforts and look to invest in the future.

Research premise

This is an extensive survey of healthcare leaders within the APAC hospital system, analyzing their top priorities, challenges and concerns.

The L.E.K. Consulting report **Hospital Priorities: Strategic Implications and Insights for Healthcare Providers** is based on proprietary research conducted across China, Japan, South Korea, Southeast Asia and India.

This specialized report focuses exclusively on healthcare institutions, their core challenges and overarching strategies, and how they are managing key healthcare complexities.

L.E.K. believes in a data-driven and highly analytical approach that leverages world-class market insights to provide a deep understanding of the healthcare market and its requirements. This ensures that the industry gains the visibility it requires to invest in solutions that have value and that allow for the development of strategies that are actionable, relevant and realistic.

The objective of this report is to provide healthcare services companies with strategic perspectives that inform investment and planning.

Methodology



Countries:



Job titles:

PRESIDENT				
DIRECTOR OF OPERATIONS	DEPARTMENT HEAD		DIRECTOR OF PURCHASING DEPARTMENT	
ADMINISTRATIVE STAFF (E.G., IT TECHNICIAN, BILLING OR CODING SPECIALISTS, ETC.)		CEO		CFO (FINANCE)
DIRECTOR/VP OF HOSPITAL OPERATIONS OR COO (CHIEF OPERATIONS OFFICER)	CMO (CHIEF MEDICAL OFFICER)	DIRECTOR/VP OF MEDICAL (CLINICAL) SERVICES		DIRECTOR/VP OF NURSING OR CNO (CHIEF NURSING OFFICER)
CHIEF OF STRATEGY		DIRECTOR/VP OF PURCHASING/ PROCUREMENT		CLINICAL DEPARTMENT HEAD (E.G., HEAD/DIRECTOR OF GENERAL SURGERY, HEAD/DIRECTOR OF ONCOLOGY, ETC.)
VP OF FINANCE	VP OF HOSPITAL OPERATIONS	VP OF MEDICAL	VP OF NURSING AND CARE	VP (OTHER AFFAIRS)
DIRECTOR/VP OF PURCHASING/PROCUREMENT			HEAD OF PHARMACY/HEAD OF EQUIPMENT	

Types of hospital

HOSPITAL SIZE – 100+ BEDS

PRIVATE

- Stand-alone private hospital/ Stand-alone private hospital (except for university hospital)
- Private hospital of a hospital group with 3+ sites
- Private hospital group with less than 3 sites
- Stand-alone private university hospital
- Private hospital of a hospital group
- Private university hospital of a hospital group
- Tertiary private hospital
- Private hospital of a hospital group
- Specialized Private Hospital Group hospital/ clinic/treatment centre (i.e., eye centre, dialysis centre)
- Stand-alone Class A/ Class B private hospital
- Class A/Class B private hospital of a hospital group
- Stand-alone private general hospital
- Specialty hospital/clinic/ centre (e.g., mental health, eye centre, dialysis clinic)
- Other private hospital

PUBLIC

- Public Level 3 hospital
- Public Level 2 hospital
- Regional/provincial public hospital
- National public hospital (except for university hospital)
- Tertiary public hospital
- Public hospital
- Public general hospital
- Regional/provincial public hospital
- General public hospital
- Public Class A/Class B hospital
- Public Class C hospital
- Public general hospital
- SEHA public hospital
- DHA public hospital
- MOH public hospitals
- Other public hospital (e.g., Armed Forces, National Guard, etc.)
- Prefectural/municipal public hospital (except for university hospital)

OTHER

- University/teaching hospital
- Community hospital
- Specialized hospital/ clinic/treatment centre (i.e., eye centre, dialysis centre)
- Specialty hospital/clinic/ centre (e.g., mental health, eye centre, dialysis clinic)
- Other (e.g., Level 1 hospital, CHC/THC, specialty clinic - dialysis, homecare provider)
- National university hospital (National Hospital Organization, KKR, etc.)
- Prefectural/municipal university hospital

About the author



Arnaud Bauer

Arnaud Bauer is Head of Healthcare Services and Healthcare M&A for Southeast Asia at L.E.K. Consulting, which he joined as a Partner in the Singapore office.

Arnaud's experience in the healthcare provider space spans the entire care continuum, including with government agencies for healthcare investment planning and promotion across the Middle East and APAC regions



Saleem Butt

Saleem Butt is a principal in L.E.K. Consulting's APAC Healthcare practice, where he specializes in advising Asian and multinational companies on opportunities across the APAC region.

Prior to joining L.E.K., Saleem worked for a European consulting firm, supporting multinational companies and private equity firms in their growth strategy and business development efforts across Europe. Saleem earned a Medicinal Chemistry master's degree from Imperial College London and also spent time in Hermen Overkleeft's biosyn research group at Leiden University, developing novel treatments for orphan indications such as Gaucher's disease. Saleem has also spent time as a researcher at BASF, Singapore.

