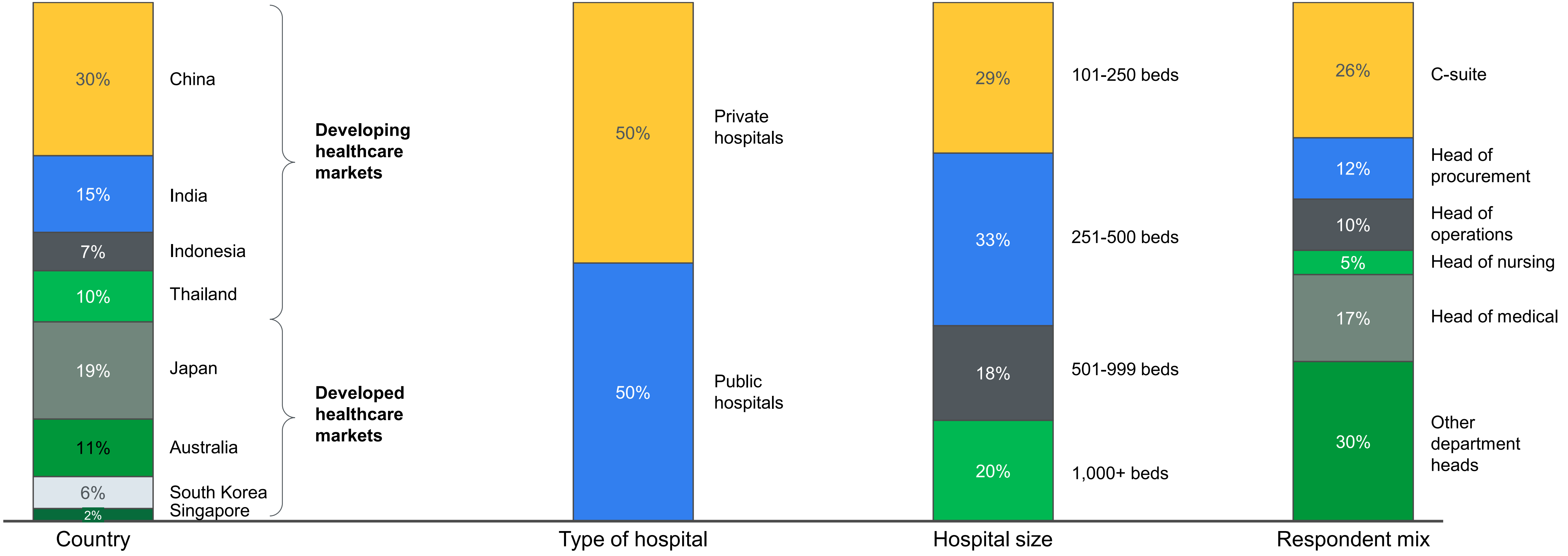
Asia-Pacific 2022 Hospital Priorities: Strategic Implications for Medtech Firms

April 2022

L.E.K. Consulting sponsors a unique analysis of hospital priorities in APAC; our third annual study engaged more than 400 hospital executives across public and private providers in eight key markets

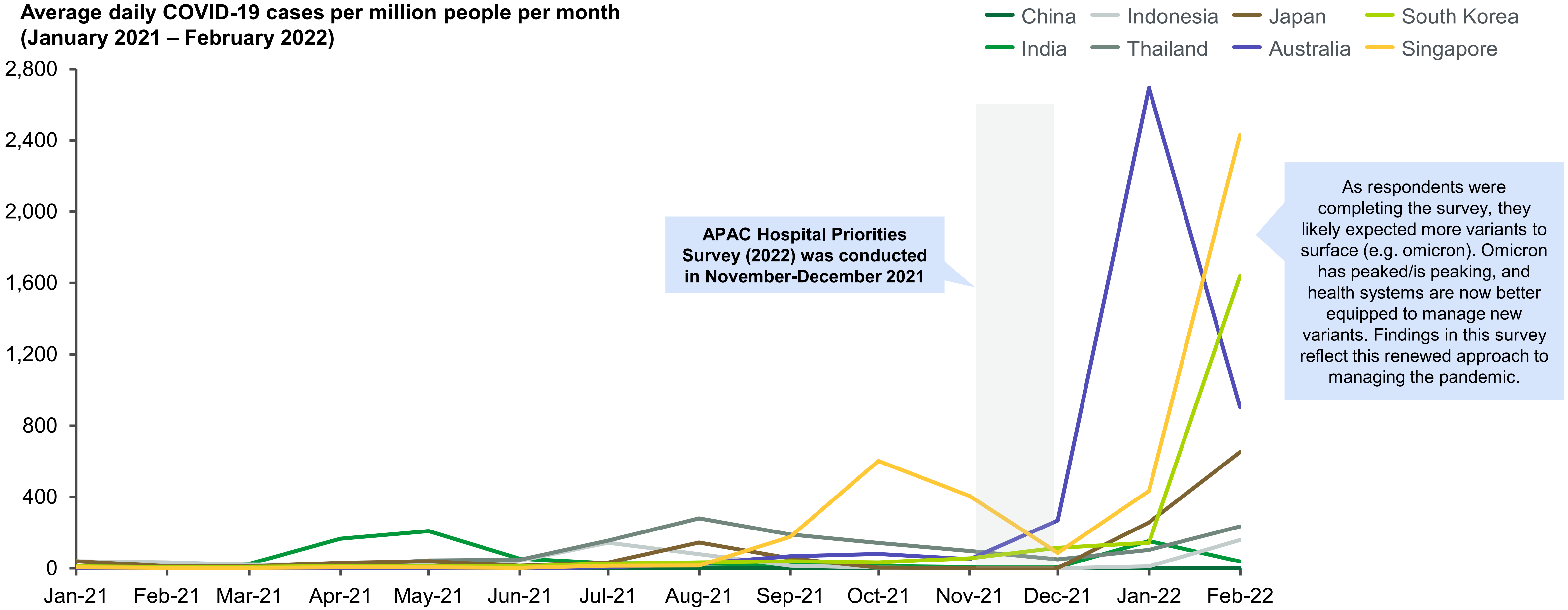
L.E.K. Hospital Priorities Survey respondent mix
Percentage of respondents (N=406)



Note: APAC – Asia-Pacific
Source: L.E.K. 2022 APAC Hospital Priorities Survey conducted in November-December 2021

The survey was conducted in November 2021 as average daily COVID-19 cases per month tapered down in most markets

Average daily COVID-19 cases per million people per month (January 2021 – February 2022)



Note: Data representation as of 27 February 2022
Source: Our World in Data; L.E.K. analysis

We explore three key areas: financial outlook, customer priorities and preferences, and digitalisation and customer engagement

Financial outlook

Although hospitals are currently facing financial challenges, both private and public hospitals indicate a paced recovery; most providers expect to deliver more elective procedures this year than before the pandemic

Customer priorities and preferences

Across most hospitals, improving healthcare worker safety and enhancing clinical outcomes are top strategic priorities

Digitalisation and customer engagement

Most hospitals are currently adopting, trialling or interested in exploring various digital solutions and indicate acceptance of digital engagement

Source: L.E.K. 2022 APAC Hospital Priorities Survey; L.E.K. research and analysis

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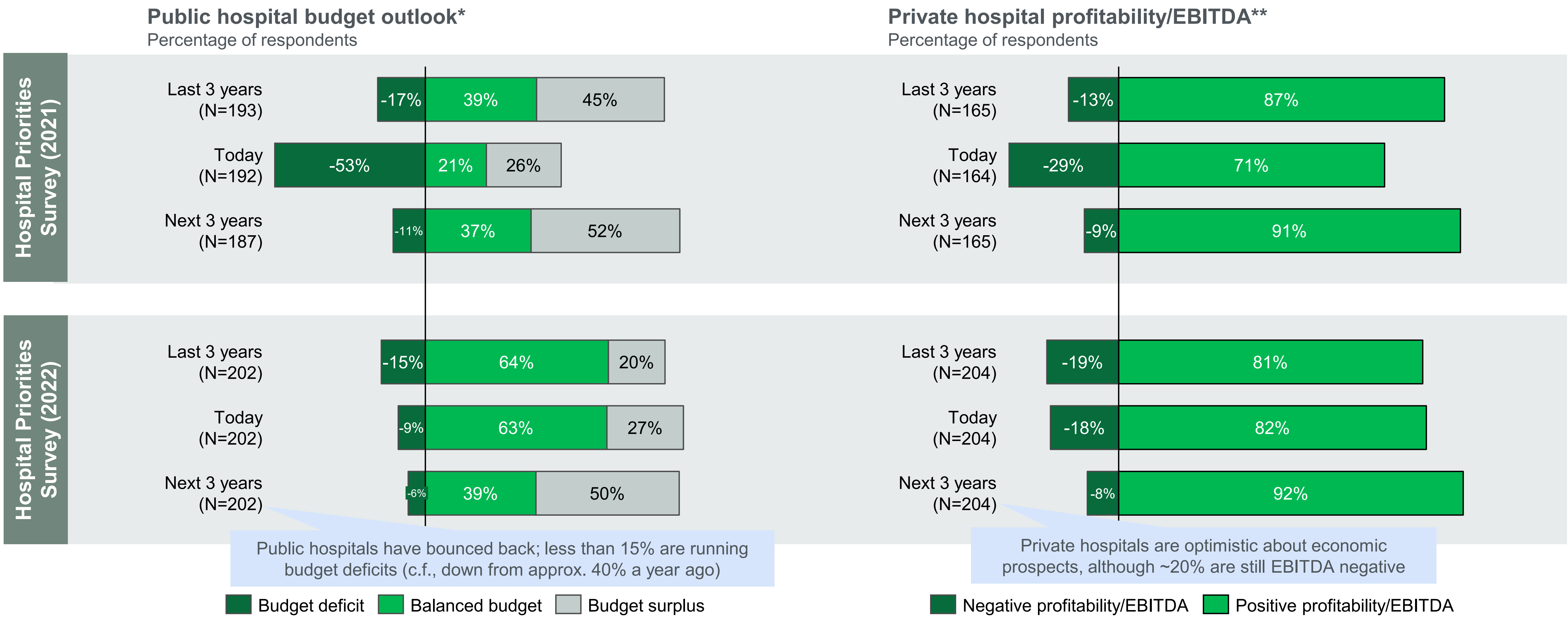
Key findings of 2022 APAC hospital survey and implications for medtechs

Key findings	Key questions for medtech
Across APAC hospitals, elective procedures are returning to pre-pandemic levels, with expected growth in the coming years	Do we have the supply chain resilience and global capacity to cater to the backlog in elective procedures and delayed diagnoses?
As hospitals expand their facilities, adoption of digital patient-facing solutions and physician support systems are the top spending priorities for APAC hospitals	How can we best deliver new digital capabilities that can reflect diverse care practices and needs across the region?
Clinical decision support, operational efficiency and equipment services are key considerations of hospitals when choosing to work with medtechs; hospitals see medtechs as partners in solving problems beyond product offerings	As underlying hardware commoditises, where and how should we be investing globally, in the region or at the national level to deliver a broader menu of more-complex, higher-margin solutions?
Digital engagement from medtech companies appears well accepted across APAC; facilities that treated COVID-19 patients show greater acceptance of digital engagement	How best and how quickly can we navigate the changes in organisational priorities required to take advantage of a new openness to more efficient engagement, and avoid lagging behind our peers?

Source: L.E.K. 2022 APAC Hospital Priorities Survey; L.E.K. research and analysis

~80%-90% of hospitals have achieved a balanced budget or positive EBITDA margin, indicating recovery from COVID-19 impact since 2020

1 Customer financial outlook



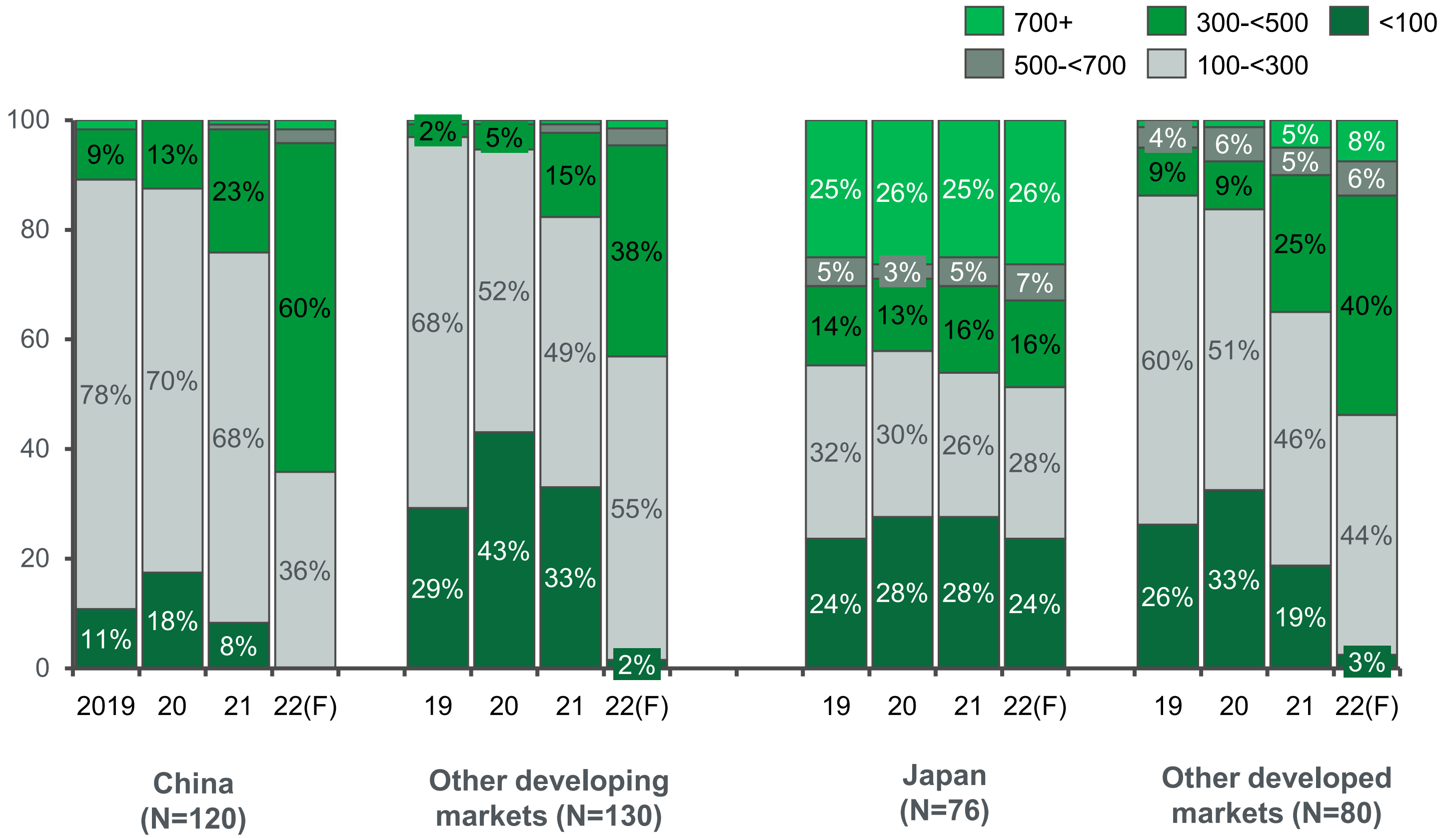
Note: *Survey question: What is the level of budget surplus/deficit incurred by your hospital today? Responses with “I do not know/prefer not to disclose” have been excluded
** Survey question: What is the EBITDA margin/profitability level of your hospital? Responses with “I do not know/prefer not to disclose” have been excluded

Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

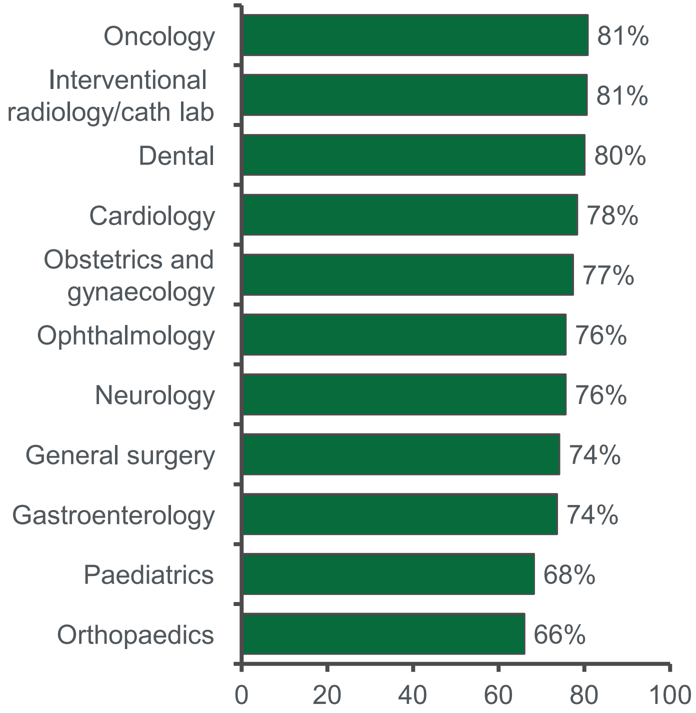
Across most APAC hospitals, elective procedure volumes have mostly returned to pre-pandemic levels across the region, with growth expected over coming years

1 Customer financial outlook

Number of elective procedures per month performed/expected each year*
Percentage of respondents



Departments recovered to pre-COVID-19 levels of operations in terms of number of elective procedures*
Percentage of respondents



Note: *Survey question: How many elective surgeries did your hospital perform/do you expect your hospital to perform over the following time period (monthly figures)?; Other developed markets include South Korea, Australia and Singapore. Other developing markets include India, Indonesia and Thailand
** Survey question: Which departments are still below pre-COVID levels in terms of number of elective procedures performed?;

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

Strategic priorities have shifted from COVID-19 recovery back to fundamentals — better healthcare worker safety, patient care and operational efficiency

2 Customer priorities and preferences

Pandemic response
Care enhancement
Operational enhancement
Top 2 rank

Strategic priorities over the next 3 years*

Percentage of respondents that chose “6” and “7” (“1” – not at all important, “7” – very important)

Rank (2022)	Strategic priorities	Overall (N=406)	China (N=120)	Japan (N=76)	South Korea (N=25)	Australia (N=45)	Singapore (N=10)	India (N=60)	Thailand (N=40)	Indonesia (N=30)	Rank change (from 2021)
#1	Improving healthcare worker safety	**70%**	70%	**66%**	60%	**76%**	**80%**	**73%**	**68%**	**77%**	+2 ↑
#2	Improving clinical outcomes	**69%**	**76%**	49%	64%	67%	70%	**78%**	**73%**	**73%**	+2 ↑
#3	Improving labour efficiency/workflow optimisation	63%	58%	**59%**	56%	**69%**	**90%**	72%	60%	67%	+2 ↑
#4	Reducing acquisition costs of capital equipment	63%	63%	55%	52%	64%	70%	68%	65%	67%	+4 ↑
#5	Reducing costs of medical supplies	61%	63%	58%	**68%**	51%	**80%**	65%	53%	63%	+1 ↑
#6	Standardisation of clinical care protocol within and across hospitals	59%	**72%**	38%	56%	47%	50%	**73%**	55%	60%	+3 ↑
#7	Investing in digital health capabilities (e.g. telehealth, AI-assisted image analysis)	58%	66%	25%	**72%**	67%	60%	65%	**70%**	60%	+8 ↑
#8	Investing in new IT systems	58%	66%	36%	**72%**	60%	70%	65%	55%	60%	+6 ↑
#9	Recovering from financial impact of COVID-19 (e.g. hospitals unable to open due to high infection rate)	58%	58%	51%	52%	62%	**80%**	57%	63%	63%	-7 ↓

Note: *Survey question: How important are the following strategic priorities for your hospital over the next 3 years? (Please rate the importance of each strategic priority on a scale of 1 to 7, where “1” means not at all important and “7” means very important)

Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

Further, many hospitals are looking to invest in patient-facing digital solutions and to expand and develop new facilities …

2 Customer priorities and preferences

Spending priorities over the next 3 years*

Percentage of respondents that chose "6" and "7" ("1" – will definitely reduce spending, "7" – will definitely increase spending)

Top 2 rank

A larger proportion (~80%) of Japan hospitals don't expect to have significant change in spending**

Spending priorities	Overall (N=406)	China (N=120)	Japan (N=76)	South Korea (N=25)	Australia (N=45)	Singapore (N=10)	India (N=60)	Other SEA (N=70)
Innovative drugs and therapies	49%	51%	21%	60%	62%	89%	53%	55%
Physician support systems	45%	54%	18%	36%	53%	90%	47%	44%
Patient-facing digital solutions such as telemedicine, drug e-dispensing, etc.	44%	48%	26%	44%	47%	50%	52%	49%
Expansion/improvement of existing facilities	44%	53%	20%	40%	51%	100%	52%	39%
Diagnostic imaging equipment	43%	49%	23%	32%	56%	33%	52%	44%
Back-end IT systems	42%	52%	19%	32%	51%	90%	43%	36%
Development of new facilities	41%	44%	26%	56%	42%	80%	42%	40%
Physicians	41%	45%	26%	25%	52%	50%	40%	47%

Note: *Survey question: Please select top 3 alternative sites of care that your hospital is looking to pursue over the next 3 years; ** Average % of respondents that chose "3", "4" and "5" across all spending priorities; SEA – Southeast Asia

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

… and radiotherapy and general surgery are some of the key specialities hospitals are focusing on for expansion

2 **Customer priorities and preferences**

Top 6 specialities hospitals in APAC are looking to expand*
Percentage of respondents that selected “Expand offering” in the next 3 years

Top 2 rank

Rank (2022)		Overall (N=406)	China (N=120)	Other developing markets (N=130)	Japan (N=76)	Other developed markets (N=80)	Rank change (from 2021)
#1	Radiotherapy	33%	38%	28%	24%	42%	+3 ↑
#2	General surgery	30%	28%	30%	17%	43%	-
#3	Diagnostic imaging	29%	31%	22%	34%	30%	-1 ↓
#4	Oncology	29%	25%	32%	27%	29%	-1 ↓
#5	Geriatrics	28%	32%	29%	22%	27%	+1 ↑
#6	Dental	28%	43%	26%	9%	26%	+3 ↑

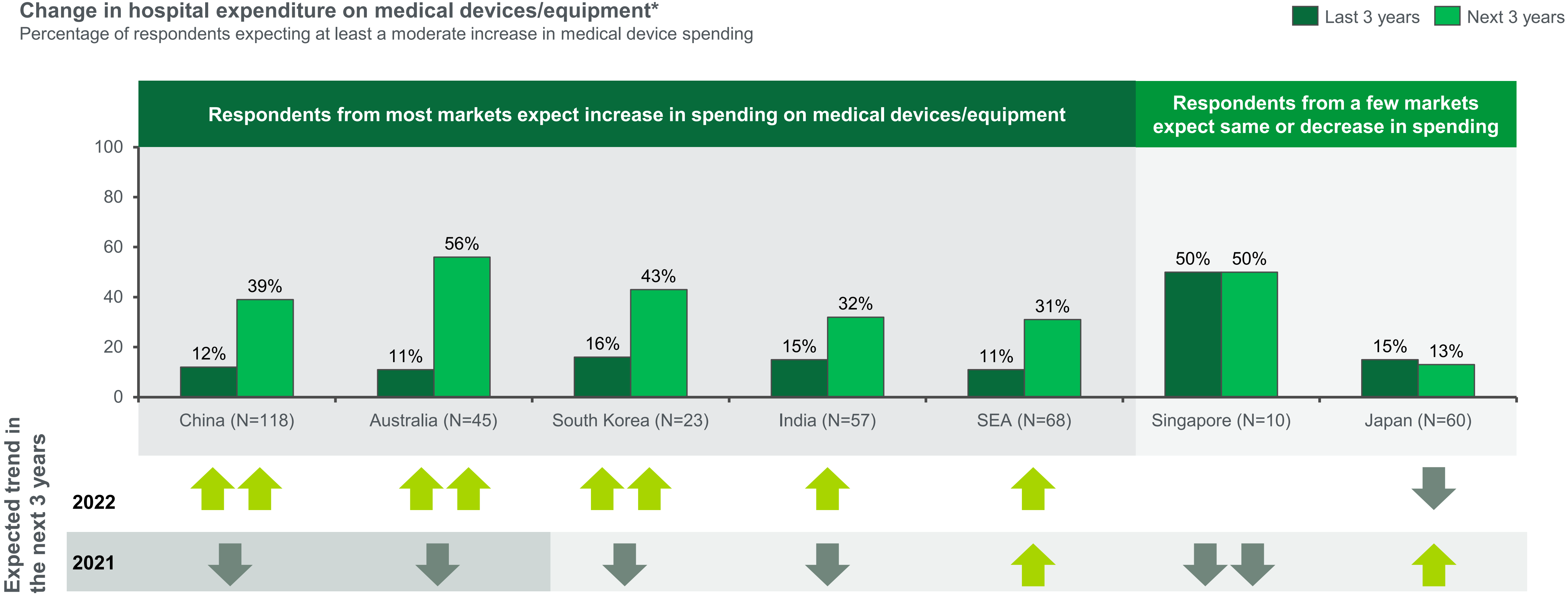
Note: *Survey question: Which clinical speciality is being offered in your hospital, what are the expected changes in offering in the next three years? Options provided were cardiology, interventional radiology, neurology, obstetrics, orthopaedics, oncology, radiotherapy, paediatrics, diagnostic imaging, ophthalmology, general surgery, gastroenterology, nephrology, dental, and geriatrics; Other developed markets include South Korea, Australia, Singapore, and other developing markets include India, Indonesia and Thailand
Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

Consequently, most markets expect to increase medical device expenditure over the next 3 years; this is generally a major improvement from 12 months ago

2 Customer priorities and preferences

Change in hospital expenditure on medical devices/equipment*

Percentage of respondents expecting at least a moderate increase in medical device spending



Note: *Survey question: How have your hospital's capital expenditure on medical devices / equipment changed over the last 3 years (CAGR)? How do you expect your hospital's on medical devices / equipment to change over the next 3 years (CAGR)?; SEA – Southeast Asia

Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

Influence in purchasing decisions varies by medical device type — hospital management most influential for capital equipment, clinical staff most influential for medical consumables

2 Customer priorities and preferences

Most influential position for each type of medical device purchase decision*
Percentage of respondents selected “1 – most influential”

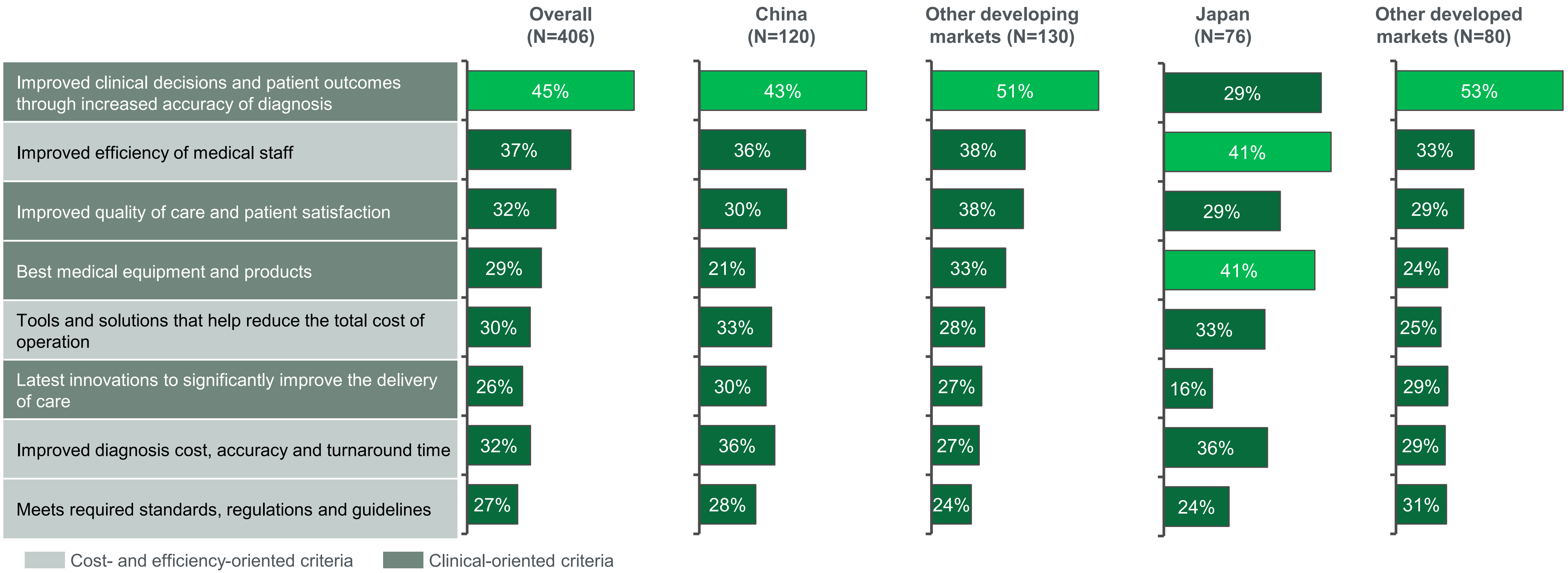
Most influential position

Position	**Capital equipment** (e.g. ultrasound, MRI, CT scan, endoscope)	**Implantable medical devices** (e.g. stents, artificial joints, defibrillators)	**Medical consumables** (e.g. dressings, syringes, catheters, surgical gloves)	**Clinical support appliances** (e.g. patient monitoring, ventilators)
Clinical department heads (e.g. surgery, oncology)	25%	**28%**	24%	25%
Hospital management (e.g. C-suite, VP, director)	**28%**	23%	19%	**28%**
Clinical staff (e.g. physician, nurse)	24%	24%	**27%**	22%
Procurement department (e.g. finance director)	14%	17%	23%	17%

Note: *Survey question: Who has the most influence in purchasing decision for the following medical products today? Responses with “I do not know” have been excluded
Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

Key criteria considered by hospitals for purchase of product offerings from medtech companies include improved clinical decisions, patient outcomes and efficiency of medical staff

Top 3 most important criteria when purchasing from a medtech company*
Percentage of respondents



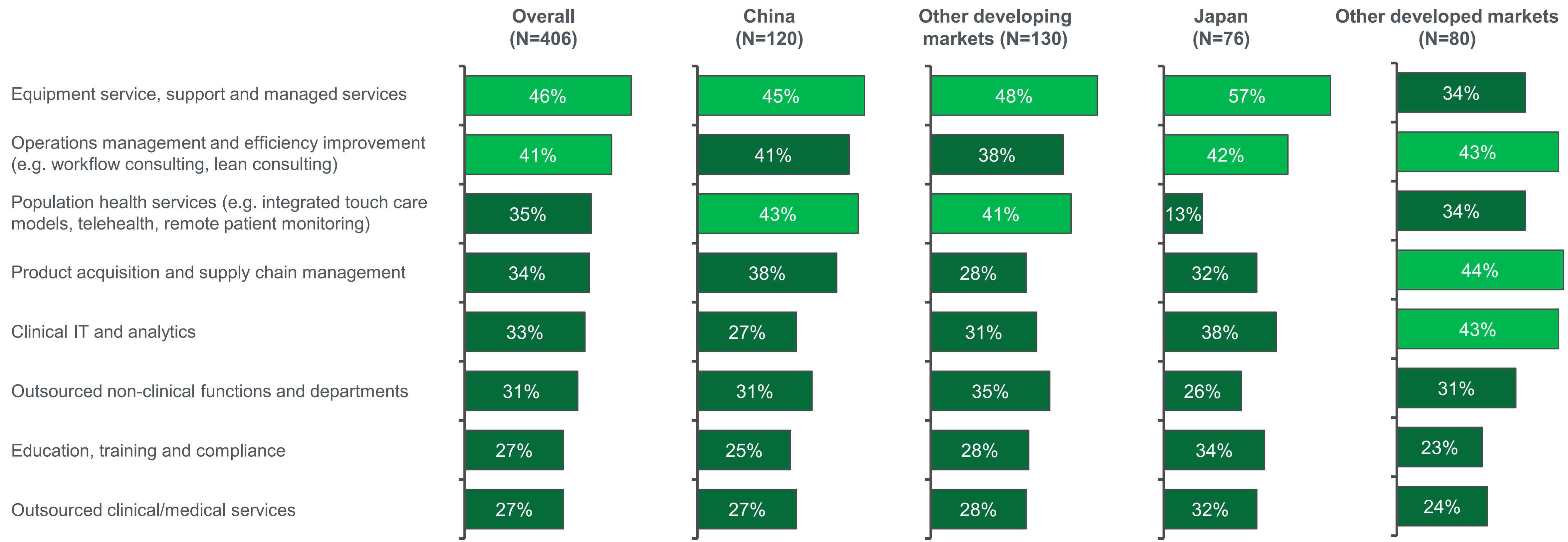
Note: *Survey question: Please rank the top 3 most important criteria for procuring from a medical equipment supplier; Other developed markets include South Korea, Australia and Singapore. Other developing markets include India, Indonesia and Thailand
Source: L.E.K. 2022 APAC Hospital Priorities Survey

As part of service offerings, hospitals continue to look for equipment service and support in improvement of operations efficiency when purchasing from medtech companies

2 Customer priorities and preferences

Top 3 service offerings that can be provided by medtech companies*
Percentage of respondents

Top 2 rank



Note: *Survey question: Please rank the top 3 service offerings that medtech companies could provide to your hospital; Other developed markets include South Korea, Australia and Singapore. Other developing markets include India, Indonesia and Thailand

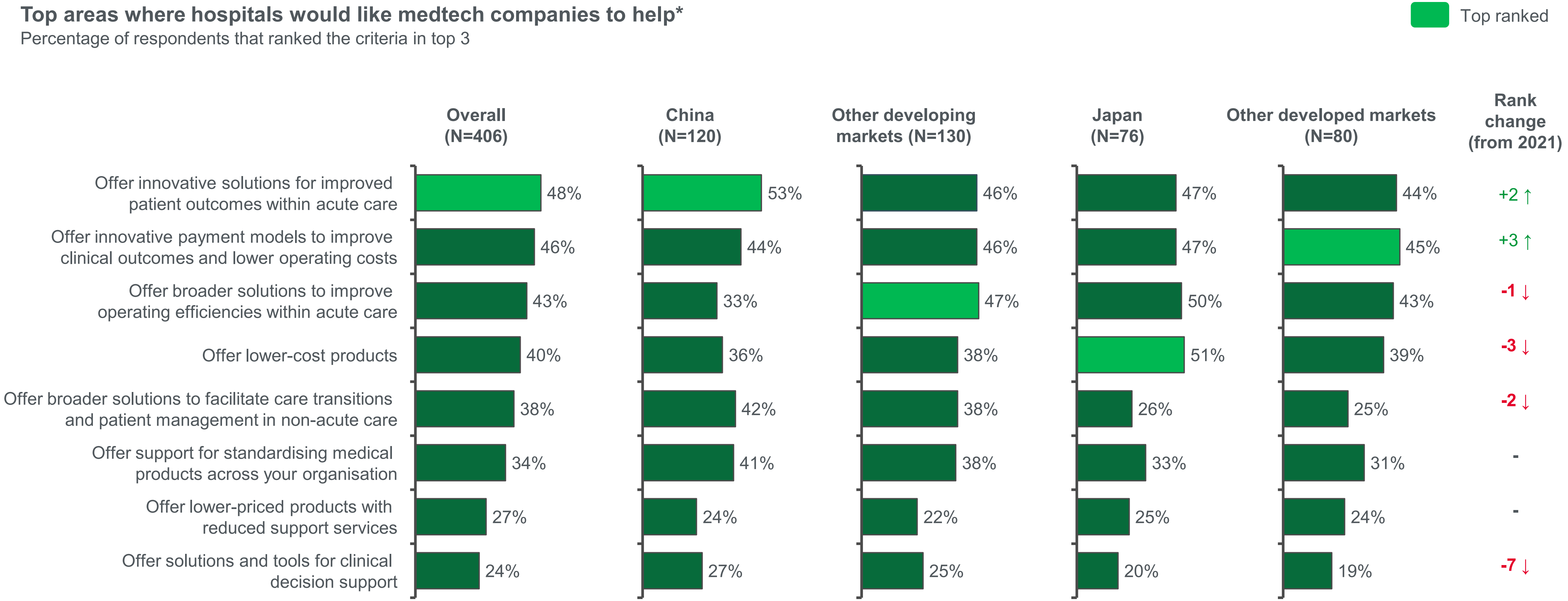
Source: L.E.K. 2022 APAC Hospital Priorities Survey

With greater financial optimism, cost-centricity appears to have reduced; hospitals would primarily like medtechs to provide innovative devices that can improve patient outcomes

2 Customer priorities and preferences

Top areas where hospitals would like medtech companies to help*

Percentage of respondents that ranked the criteria in top 3



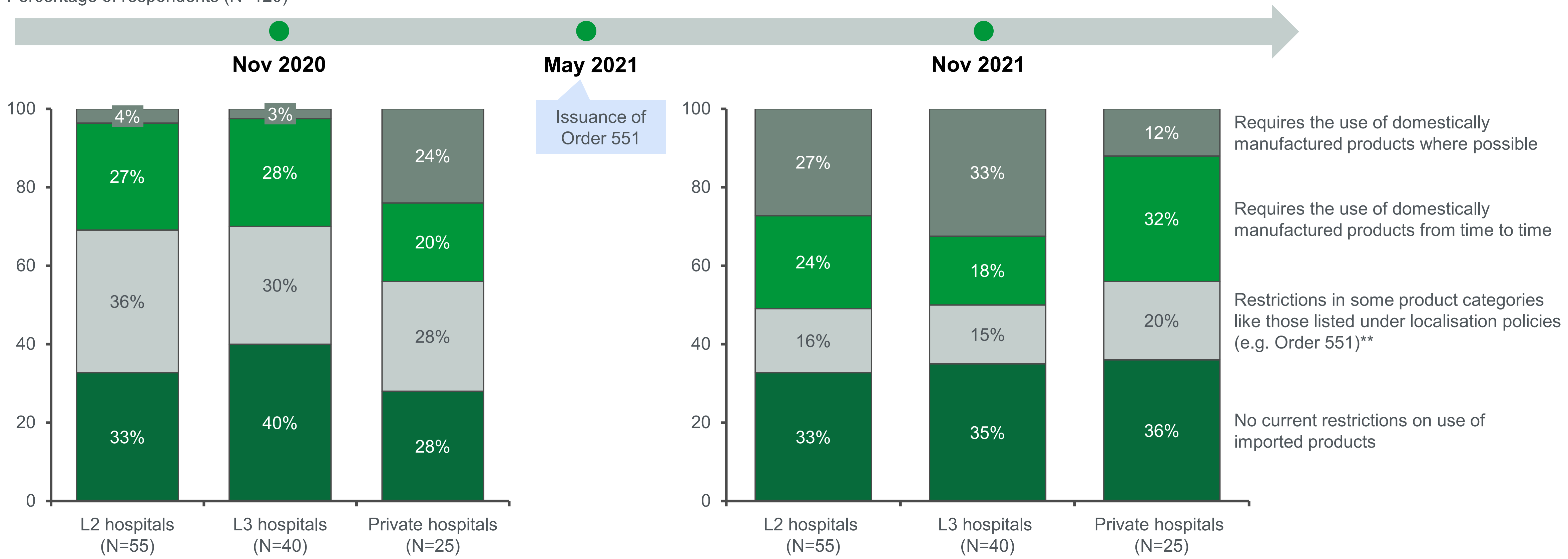
Note: *Survey question: Please rank the top 3 focus areas where you would like medtech companies to help you in achieving your hospital goals; Other developed markets include South Korea, Australia and Singapore. Other developing markets include India, Indonesia and Thailand

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

Due to localisation policies, ~65% of hospitals have some restrictions on the use of imported products; stricter restrictions in public hospitals after issuance of Order 551 (China)

2 Customer priorities and preferences

Restrictions on the use of imported medical device/medtech products*
Percentage of respondents (N=120)



Note: *Survey question: Which of the following statements best describes your hospital's attitude towards the use of imported medtech/medical device products?; L2 refers to public level 2 hospitals, which are hospitals with 100-499 beds
**Wording for option provided was adjusted between 2021 and 2022 surveys; Order 551 was included as an example in the 2022 hospital survey after the announcement in May 2021
Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

There is a clear desire and platform for medtechs to evolve and engage beyond the provision of products

2 Customer priorities and preferences

Relationship with medtech companies
Percentage of respondents that chose “6” or “7” (“1” – not at all important, “7” – very important)

Top 1 rank

Relationship preference	Overall (N=406)	China (N=120)	Japan (N=76)	South Korea (N=25)	Australia (N=45)	Singapore (N=10)	India (N=60)	Thailand (N=40)	Indonesia (N=30)
Partners who can help us achieve our goals, not just provide us with products	**33%**	**26%**	**32%**	**44%**	**40%**	30%	**33%**	**40%**	**40%**
Medtechs can provide valuable services, solutions and support beyond their products	28%	25%	**32%**	36%	29%	**60%**	**33%**	15%	23%
We just want to get the products we need and are not looking for a deeper relationship	11%	11%	16%	20%	7%	20%	8%	5%	7%
Medtechs are not well suited to provide services, solutions or support beyond their products	10%	8%	7%	24%	16%	40%	8%	5%	3%

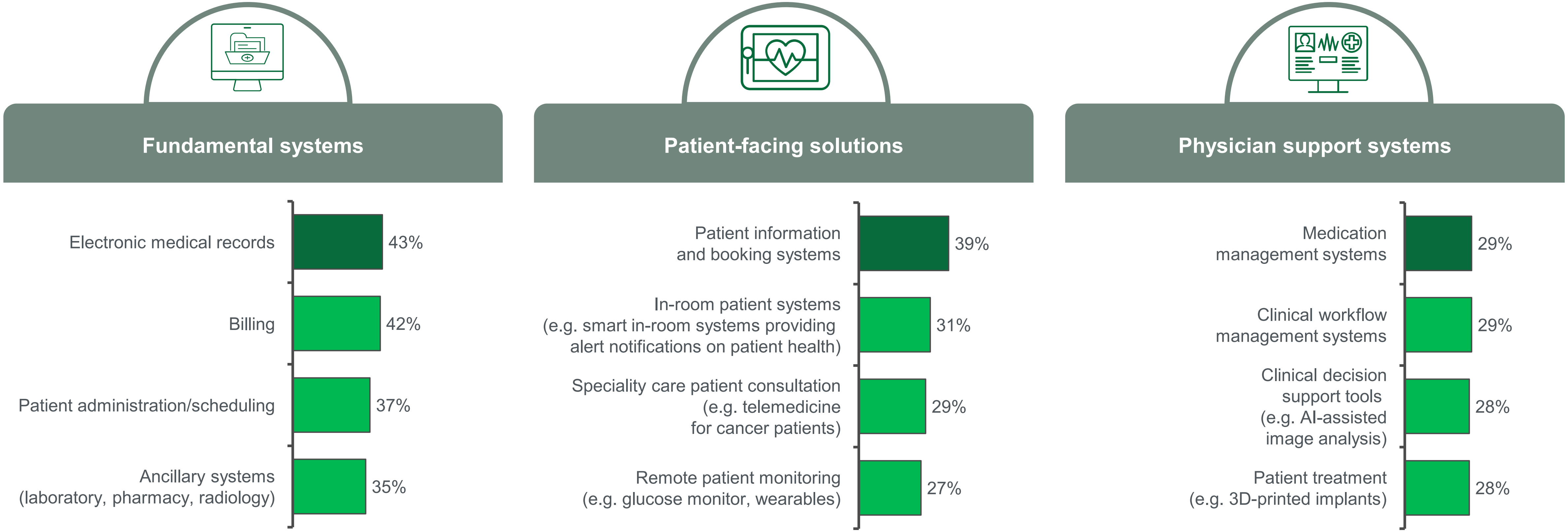
Note: *Survey question: Please indicate the extent to which you agree or disagree with the following statements
Source: L.E.K. 2022 APAC Hospital Priorities Survey

With fundamental systems in place, hospitals are trialling solutions and interested in expanding their digital capabilities to support patients and physicians

3 Digitalisation and innovation

Adoption of digital solutions*

Percentage of respondents “currently using” digital solutions



Note: *Survey question: Digitalisation of hospitals is gaining traction in many countries. What digital health solutions have you adopted/would you like to adopt?; Respondents who answered that the hospital is “currently using” each digital solution

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

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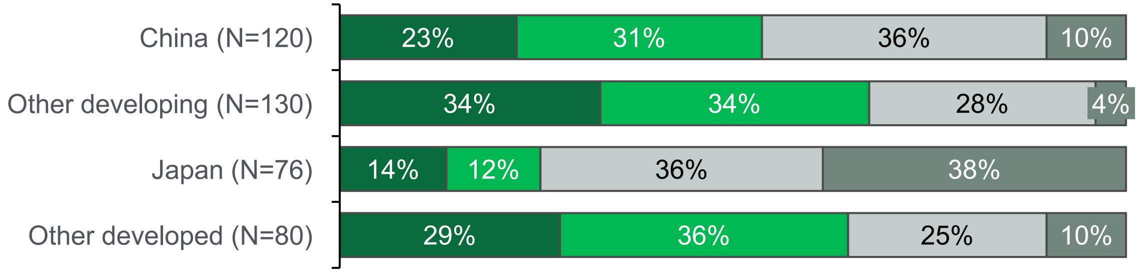
Over 50% of hospitals are trialling or interested in patient-facing and physician support digital solutions; medtech companies will be critical in supporting hospitals' adoption (1/2)

Adoption of select digital solutions*

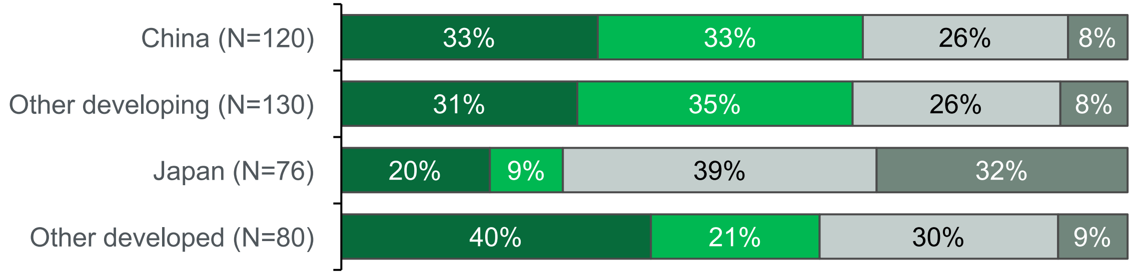
Percentage of respondents

Primary care patient consultation



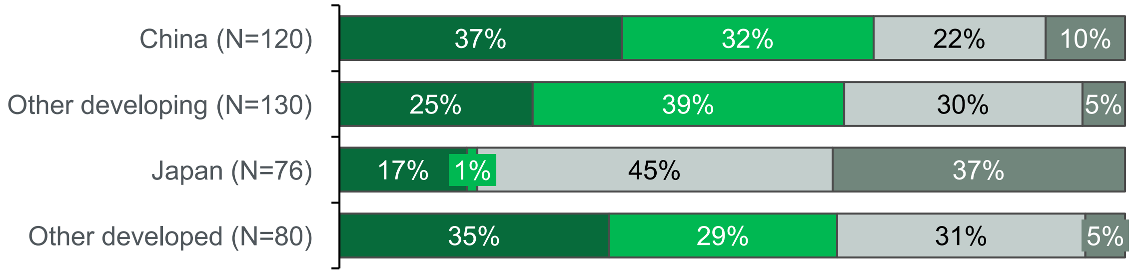
In-room patient systems

(e.g. smart in-room systems providing alert notifications on patient health)



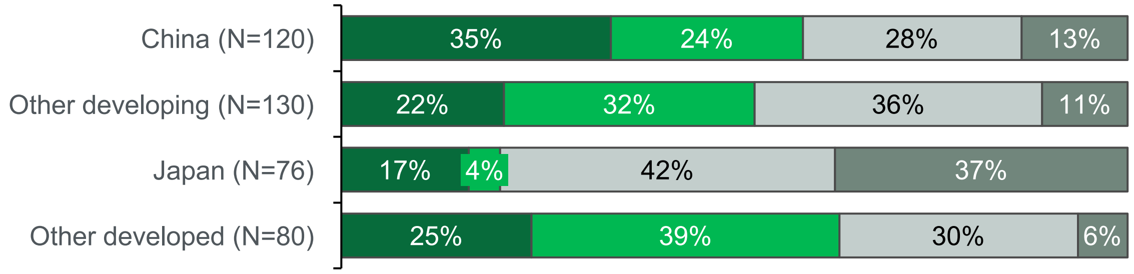
Speciality care patient consultation

(e.g. telemedicine to offer speciality consultation to cancer patients)



Drug e-dispensing

(e.g. medication delivery)



Currently using | Trialling | Interested, exploring how this can be adopted | Not a priority

Note: *Survey question: Digitalisation of hospitals is gaining traction in many countries. What digital health solutions have you adopted/would you like to adopt?; Other developed markets include South Korea, Australia and Singapore. Other developing markets include India, Indonesia and Thailand

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

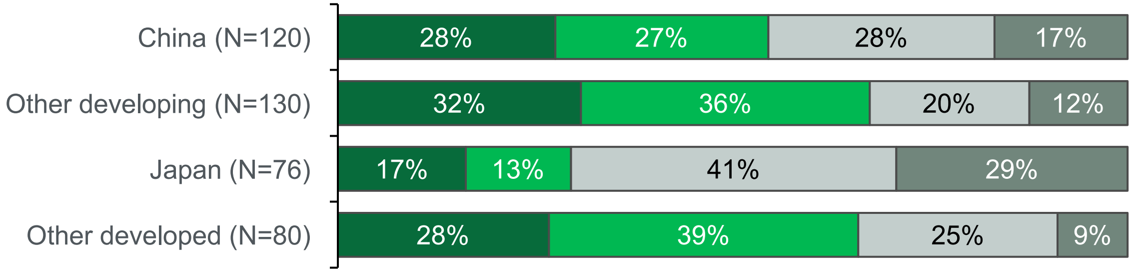
Over 50% of hospitals are trialling or interested in patient-facing and physician support digital solutions; medtech companies will be critical in supporting hospitals' adoption (2/2)

Adoption of select digital solutions*

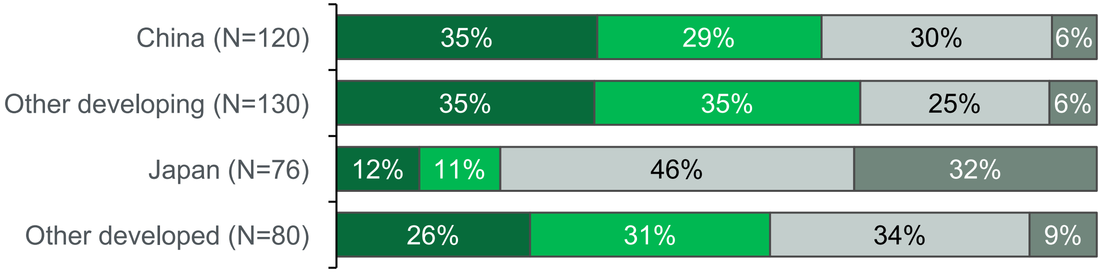
Percentage of respondents

Remote patient monitoring

(e.g. glucose monitor, heart rate monitor)

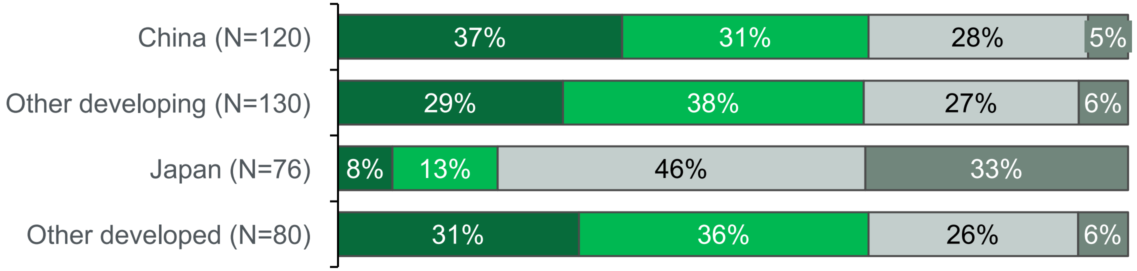


Clinical workflow management systems



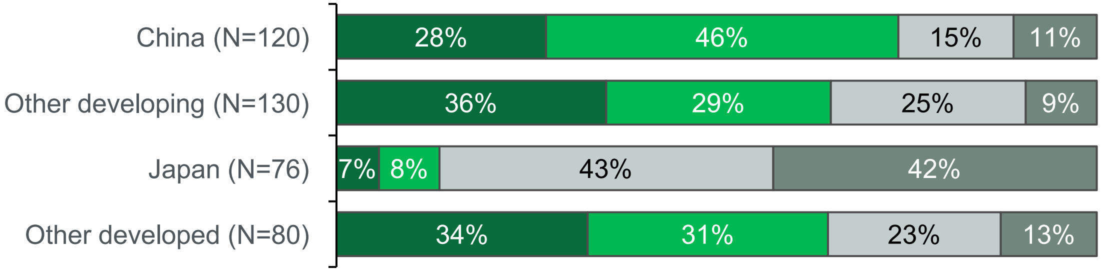
Clinical decision support tools

(e.g., AI assisted image analysis)



Patient treatment

(e.g. 3D printed implants)



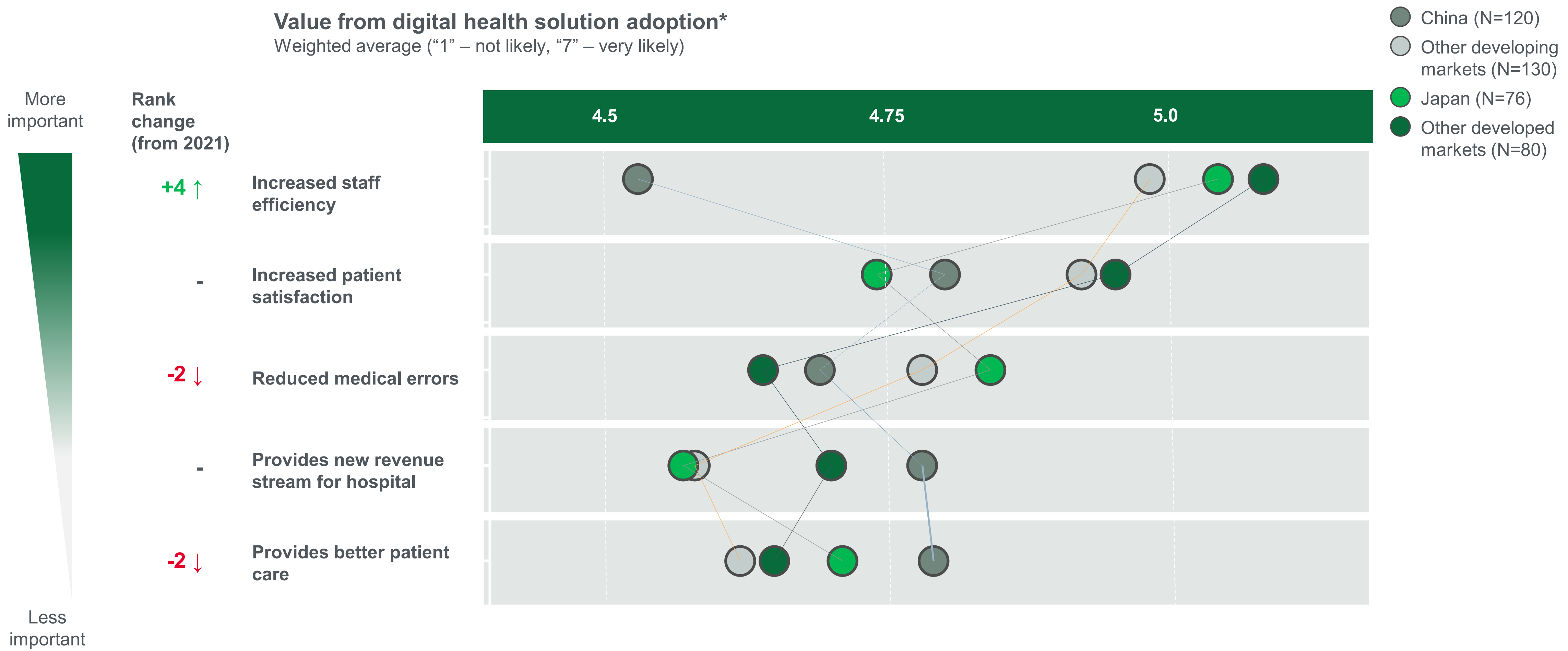
Currently using | Trialling | Interested, exploring how this can be adopted | Not a priority

Note: *Survey question: Digitalisation of hospitals is gaining traction in many countries. What digital health solutions have you adopted/would you like to adopt?; Other developed markets include South Korea, Australia and Singapore. Other developing markets include India, Indonesia and Thailand

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

Most countries expect to increase staff efficiency/capacity and increase patient satisfaction with the adoption of digital health solutions; this is a shift in focus from reducing medical errors

Value from digital health solution adoption*
Weighted average (“1” – not likely, “7” – very likely)

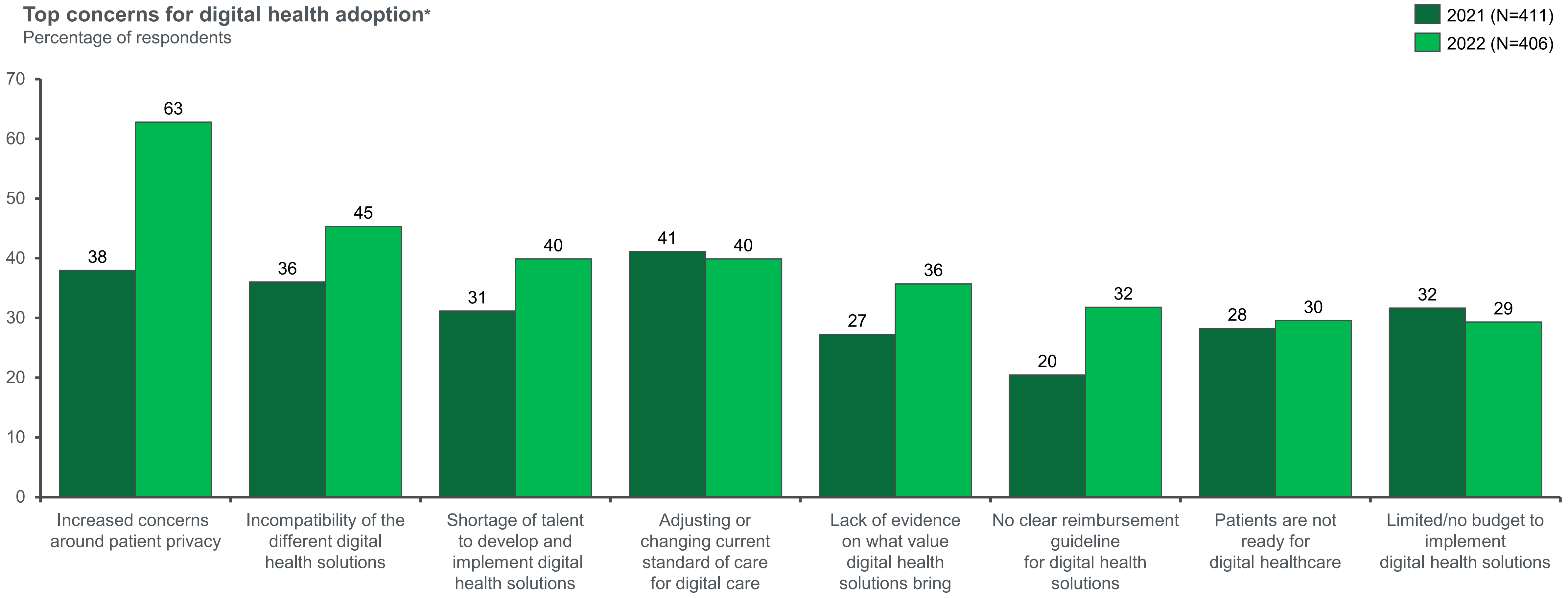


Note: *Survey question: What value do you think digital health solutions will likely bring about for your hospital? (“1” – not likely, “7” – very likely); Other developed markets include South Korea, Australia and Singapore. Other developing markets include India, Indonesia and Thailand
Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

With increasing digital adoption, concerns around patient privacy and incompatibility between digital solutions are growing

3 Digitalisation and innovation

Top concerns for digital health adoption*
Percentage of respondents

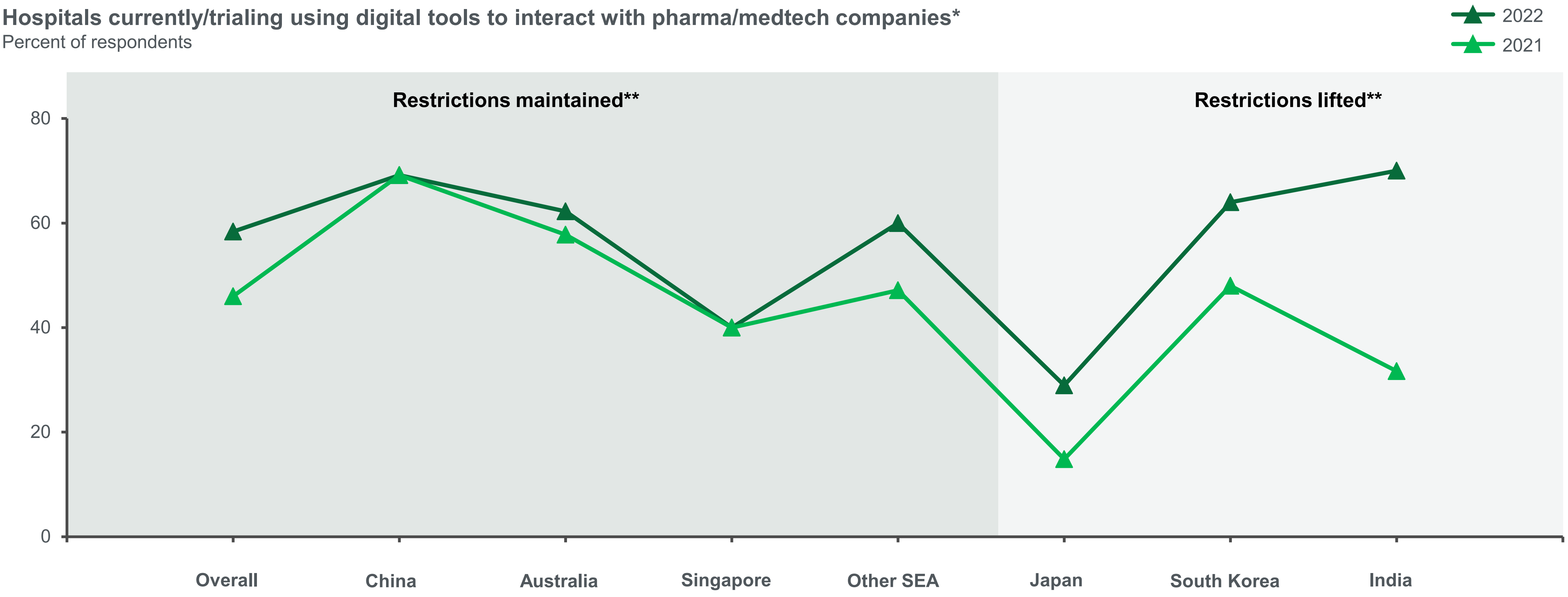


Note: *Survey question: What are your concerns for digital health adoption?
Source: L.E.K. 2022 APAC Hospital Priorities Survey

When it comes to using digital engagement tools, China and Australia have been early adopters; others are increasing adoption, regardless of restriction changes

3 Digitalisation and innovation

Hospitals currently/trialing using digital tools to interact with pharma/medtech companies*
Percent of respondents

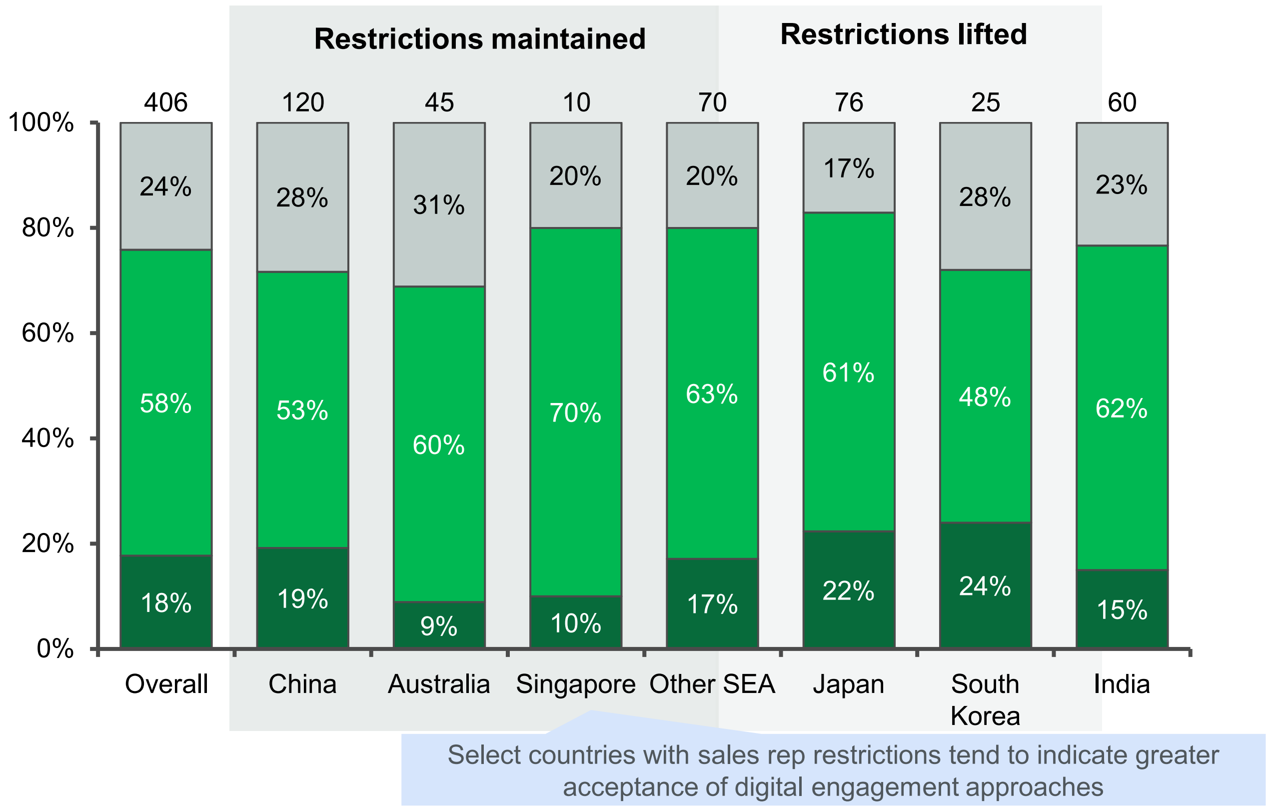


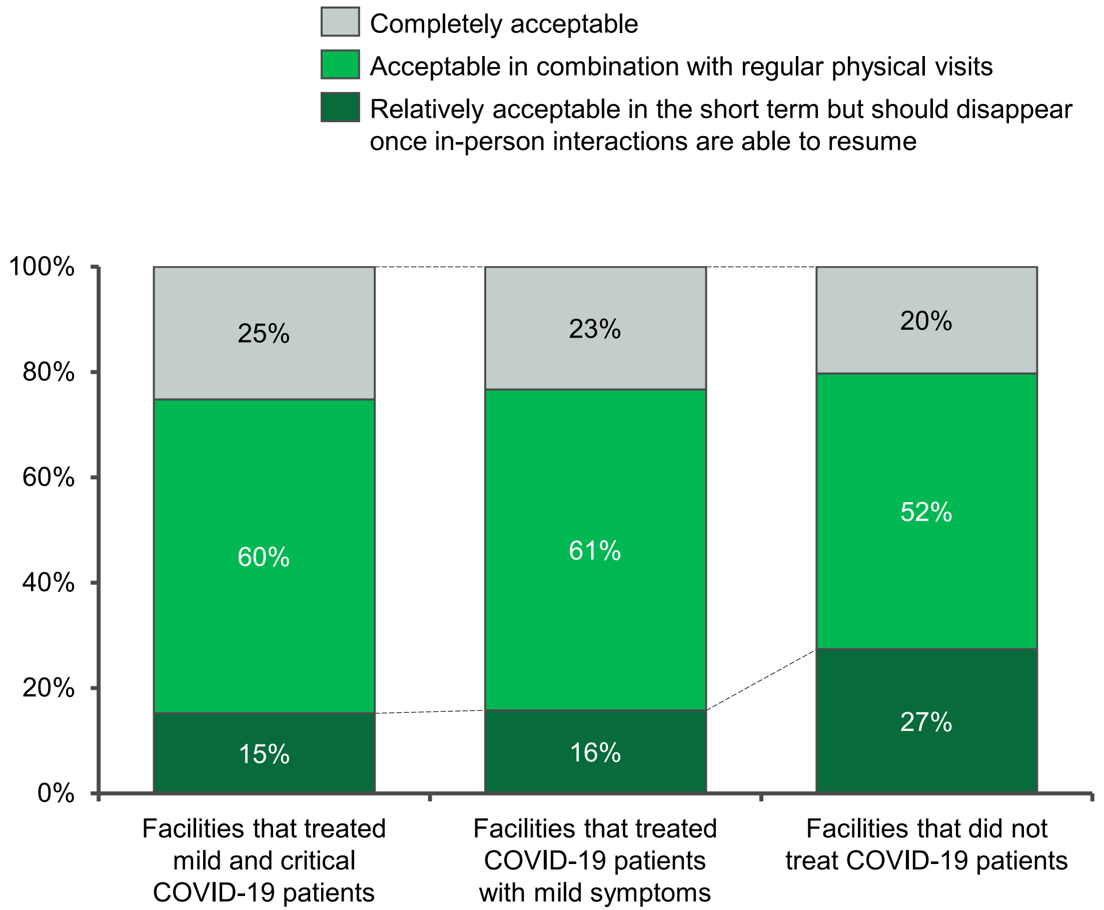
Note: *Survey question: Digitalisation of hospitals is gaining traction in many countries. What digital health solutions have you adopted/would like to adopt?; Other SEA includes Thailand and Indonesia
**Survey question: Please select which of the following best describes your hospital's approach to managing suppliers (e.g. pharma, medtech) sales/marketing representative access in your facilities. Data presented represents expected change in restrictions between Nov-21 and Nov-22. Choices provided: No restriction on sales rep access to clinicians and/or facilities, minimal restrictions on access of sales reps to clinicians and/or facilities, significant restrictions on access of sales reps to clinicians and/or facilities
Source: L.E.K. 2022 APAC Hospital Priorities Survey

Digital engagement with suppliers appears well accepted across APAC; physicians in hospitals that treated COVID-19 patients show greater acceptance for digital engagement

3 Digitalisation and innovation

Acceptability of digital engagement with suppliers*
Percentage of respondents who chose each statement and sample size





Note: *Survey question: How acceptable do you find digital engagement from suppliers versus traditional physical interactions?; SEA – Southeast Asia
Source: L.E.K. 2022 APAC Hospital Priorities Survey

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