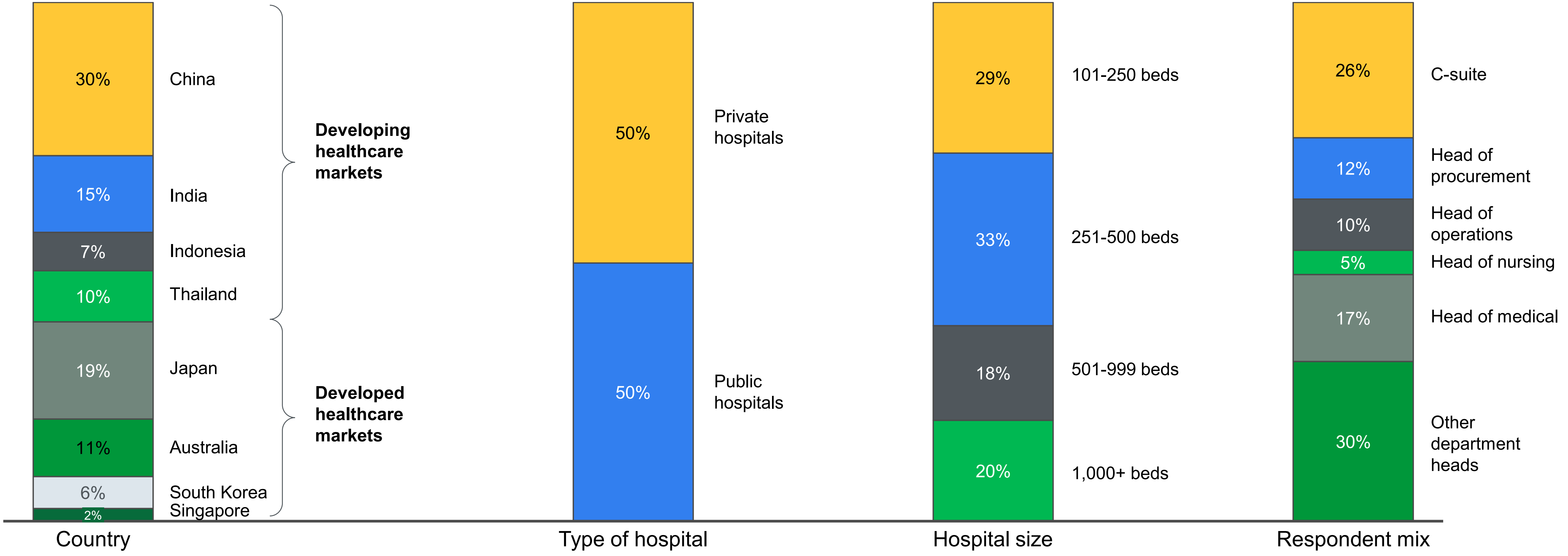
Asia-Pacific 2022 Hospital Priorities: Strategic Implications for Pharma Companies

May 2022

These materials are intended to supplement a discussion with L.E.K. Consulting. The contents of the materials are confidential and subject to obligations of non-disclosure. Your attention is drawn to the full disclaimer contained in this document.

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

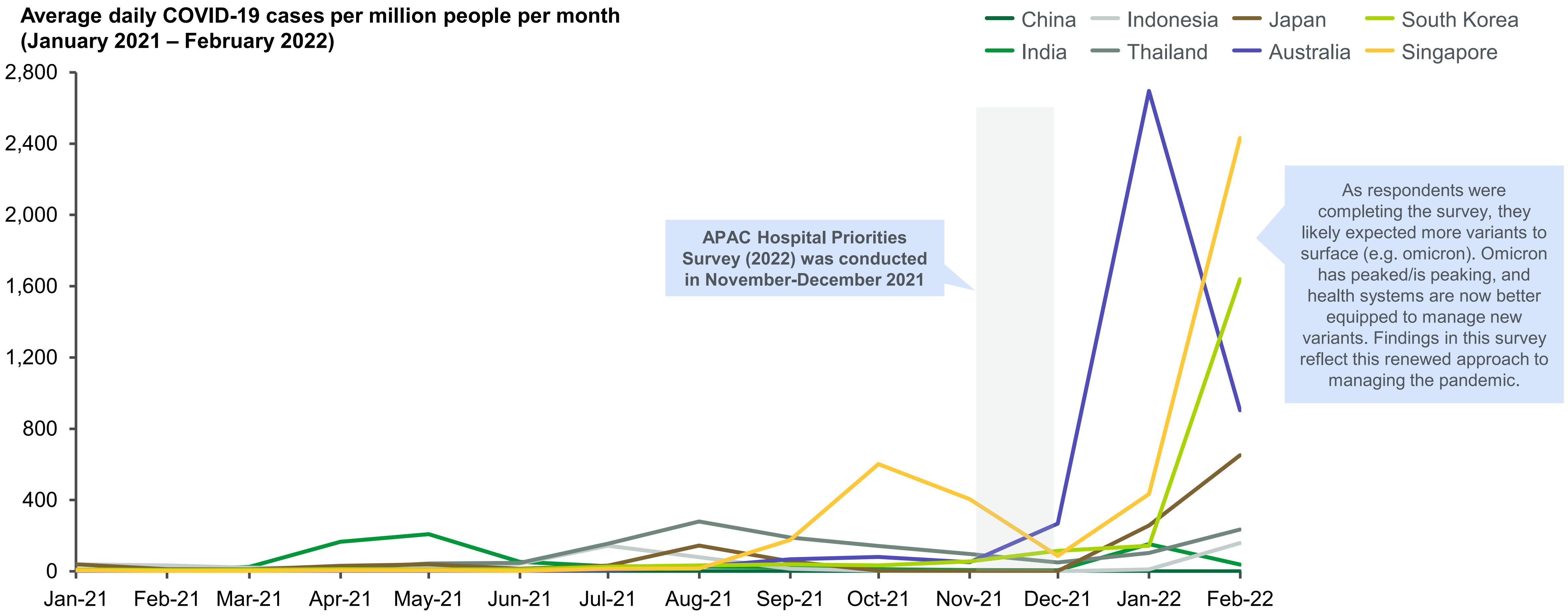
L.E.K. Hospital Priorities Survey respondent mix
Percentage of respondents (N=406)



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

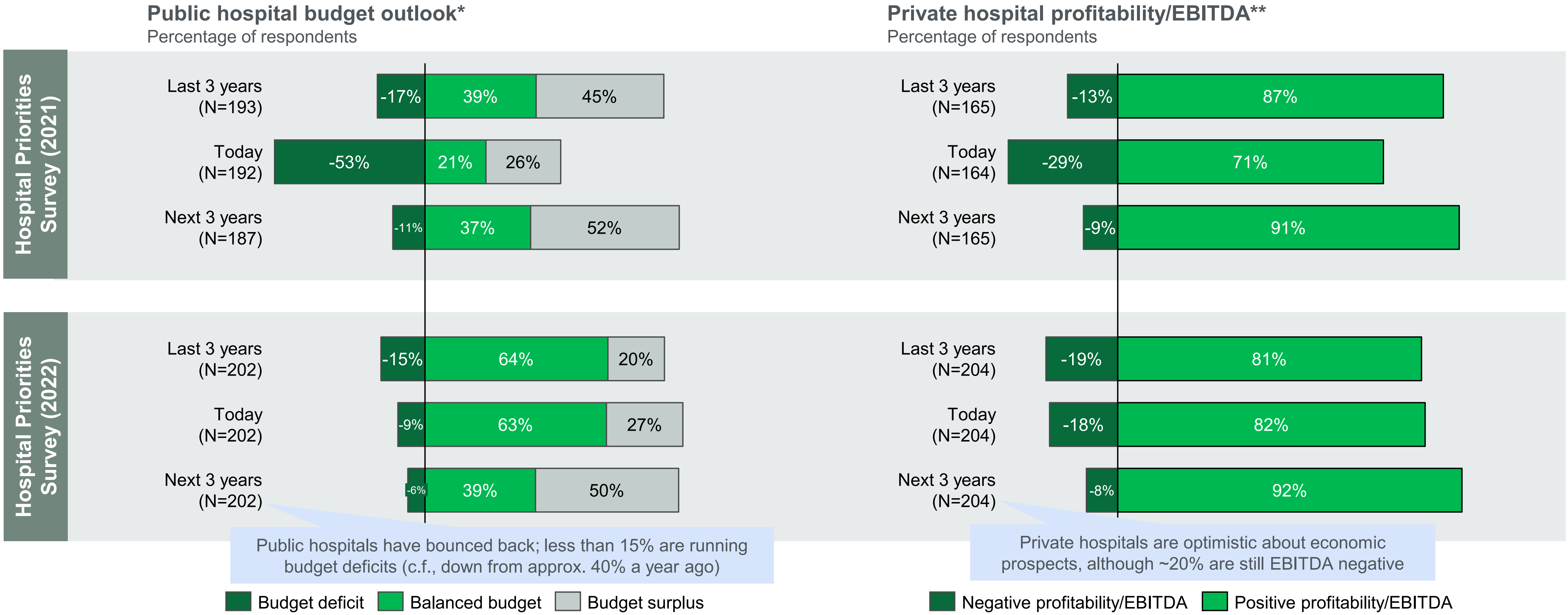
Key findings of 2022 APAC hospital survey and implications for pharmas

Key findings	Key questions for pharma
• 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 diagnoses that is now forthcoming?
• There is a shift in customer preferences from earlier focus on low-cost products to the need for innovative drugs / biologics to improve patient outcomes	• How can we prioritise efforts and resources to align with APAC hospitals' outlook and offer improved standard of care and patient satisfaction?
• Market-specific trends such as group purchasing organisations (GPOs) and volume bulk purchases are expected to accelerate, thus impacting procurement methods	• How can we respond and integrate our sales and marketing strategies in select markets to address evolving market trends?
• Digital engagement from pharma companies appears well accepted across APAC; facilities that treated COVID-19 patients show greater acceptance for 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 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

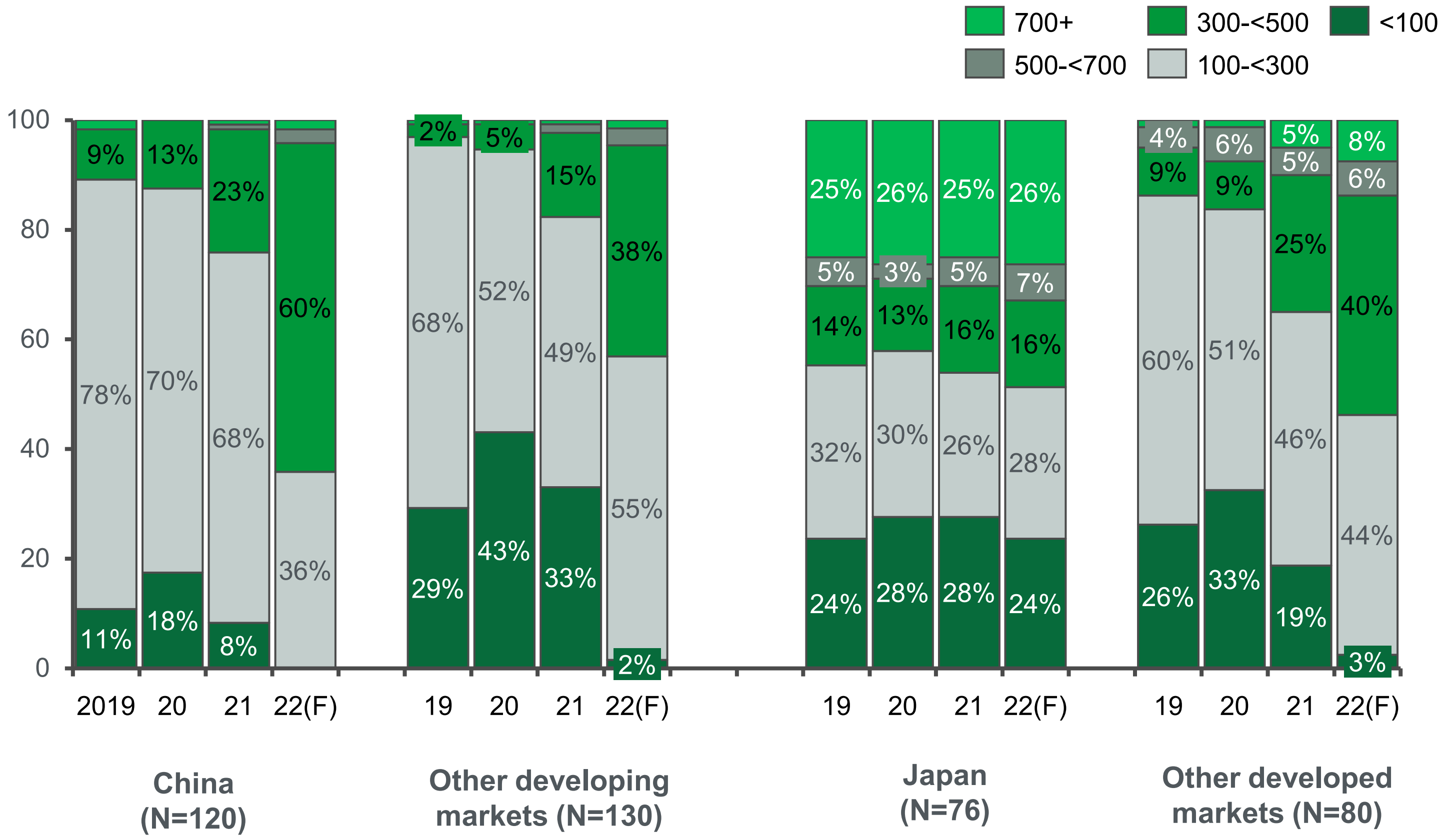


*Survey question: What is the level of budget surplus/deficit incurred by your hospital today? Responses with "I do not know/prefer not to disclose" have been excluded
** Survey question: What is the EBITDA margin/profitability level of your hospital? Responses with "I do not know/prefer not to disclose" have been excluded
Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

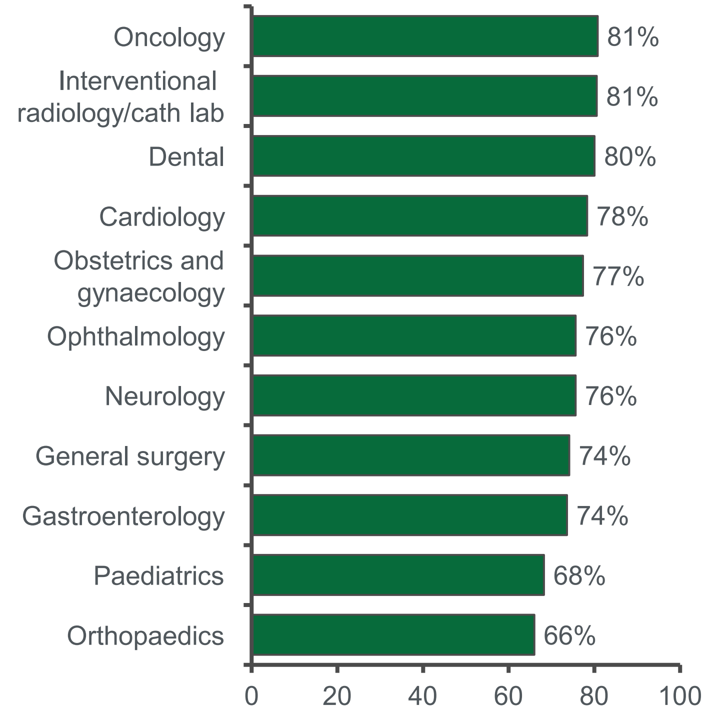
Across most APAC hospitals, elective procedure volumes have mostly returned to pre-pandemic levels across the region, with growth expected over coming years

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



*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

Strategic priorities over the next 3 years*

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

Pandemic response | Care enhancement | Operational enhancement | Top 2 rank

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 ↓

*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

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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%

*Survey question: How do you expect your hospital’s spending priorities on the following categories to change 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

Inclusion of innovative drugs in formularies will be critical to drive adoption; inclusion in national / international treatment guidelines remains top criterion for adding drugs onto the formulary list

Most important criteria for adding a drug onto the formulary list*
Percentage of respondents

Top 2 rank

Rank (2022)	Criteria	Overall (N=406)	China (N=120)	Other developing markets (N=130)	Japan (N=76)	Other developed markets (N=80)	Rank change (2021)
#1	Drug is included in national / international treatment guidelines	51%	43%	48%	71%	51%	-
#2	Drug is purchased by GPO / centralised procurement department	41%	48%	46%	20%	44%	+4 ↑
#3	Drug is from preferred supplier	39%	35%	42%	22%	55%	-
#4	Drug is in the reimbursement list	38%	38%	37%	54%	24%	-
#5	Drug is locally manufactured	34%	47%	40%	4%	35%	-3 ↓
#6	Drug is lower priced compared to alternatives	33%	26%	30%	57%	24%	-1 ↓
#7	Drug is the most advanced/ cutting-edge treatment available	29%	25%	28%	33%	31%	-4 ↓

*Survey question: Please choose the top 3 most important criteria for adding a drug onto the formulary list. Other mature markets include South Korea, Australia, and Singapore. Other emerging markets include India, Indonesia and Thailand. GPO – group purchasing organisation

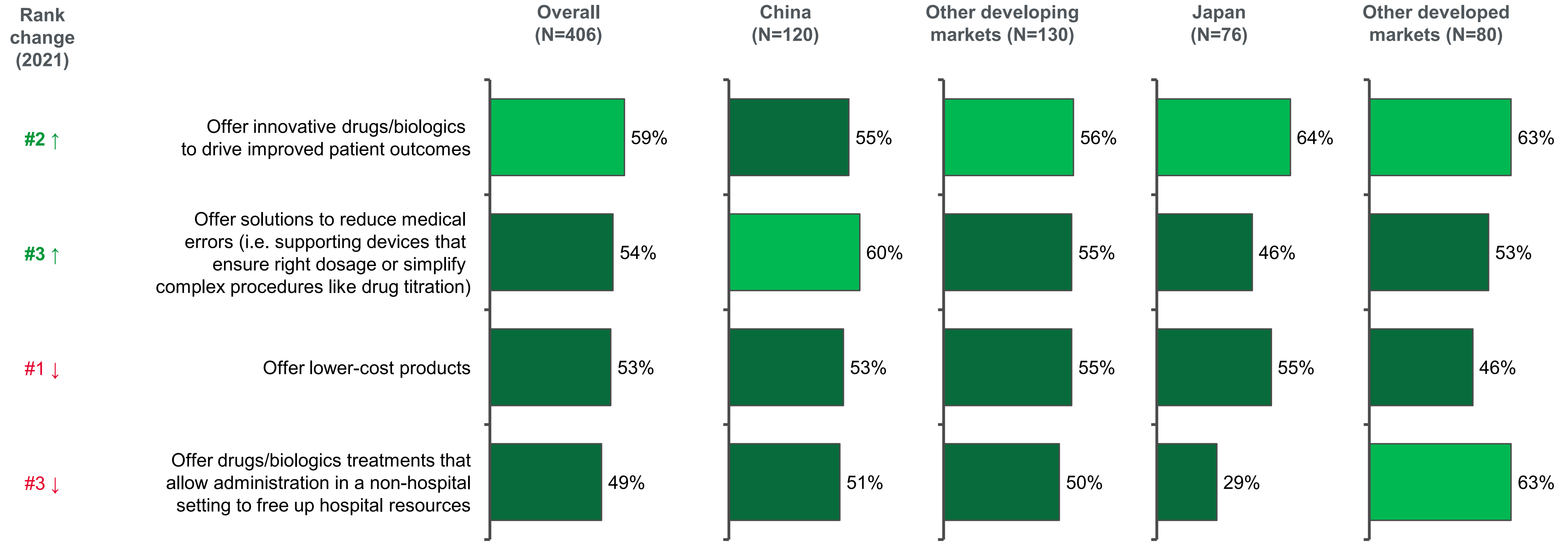
Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Survey

Aligned with this priority, hospitals would like pharmas to offer innovative solutions to improve patient outcomes, a shift in buyers' primary preference on lower cost products vs. 2021 survey

Top areas where hospitals would like pharma companies to help*

Percentage of respondents that ranked the criteria in top 3

Top ranked



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

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

Being the key purchasing decision makers of drugs, pharmas can engage head of medical / nursing and hospital management to further understand customer needs

2 Customer priorities and preferences

Proportion of each position that is involved in purchasing decisions for drugs/pharmaceuticals*
Percentage of respondents selected

Most influential position

Position	China (N=64)	Other developing markets (N=80)	Japan (N=49)	Other developed markets (N=36)
Head of medical or nursing	**44%**	**35%**	- **	**42%**
Hospital management (e.g. C-suite, VP, Director)	11%	34%	18%	36%
Head of operations	13%	25%	- **	14%
Clinical department heads (e.g. surgery, oncology)	- **	- **	**76%**	- **
Procurement department (e.g. finance director)	16%	6%	- **	- **

*Survey question: Which of the following best describes your role at the hospital? And for those who selected “Drugs / pharmaceuticals” for survey question: With which of the following categories are you involved in purchasing decisions for your facility?; **Positions with less than 5 responses have been excluded
Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Survey

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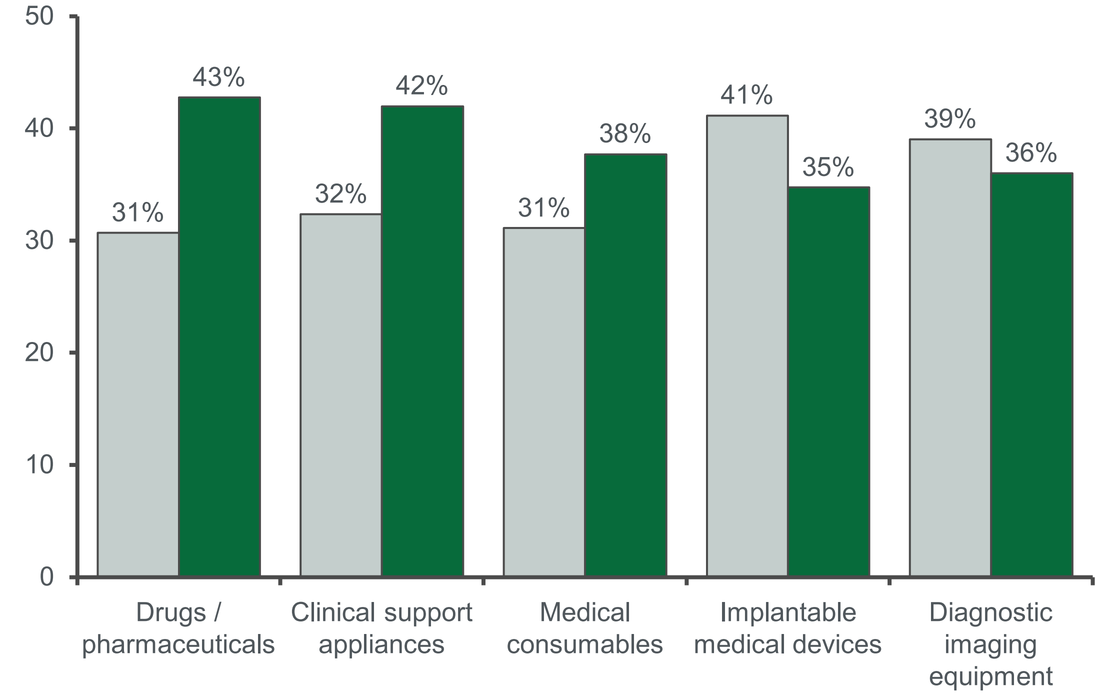
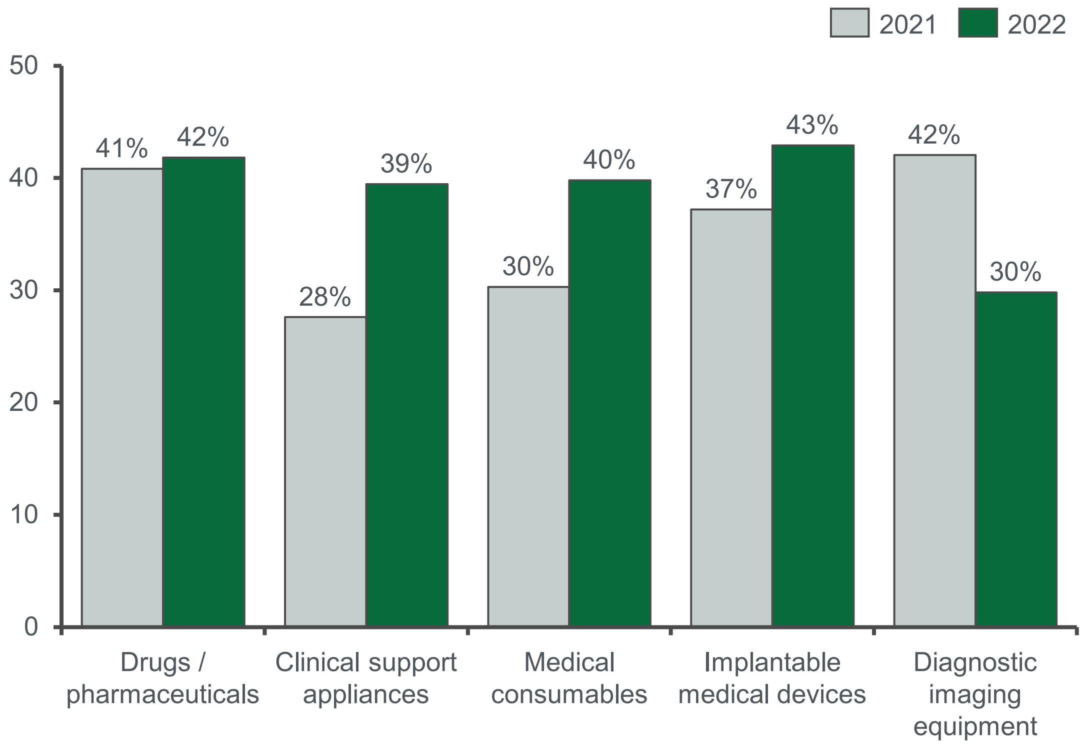
When it comes to purchasing behaviours, hospitals in China are continuing to procure 30%-40% of drugs and pharmaceuticals through volume-based procurement (VBP)

2 Customer priorities and preferences

Average portion of spending for products through VBP in China (L3 hospitals)*
Percentage



Average portion of spending for products through VBP in China (L2 hospitals)*
Percentage



*Survey question: What portion of your hospital's spending on medical products is done through centralised procurement currently? How does this vary by type of product? Responses with "I do not know" have been excluded; Public L3 refers to public level 3 hospitals, which are hospitals with 500 beds and above; Public L2 refers to public level 2 hospitals, which are hospitals with 100-499 beds

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

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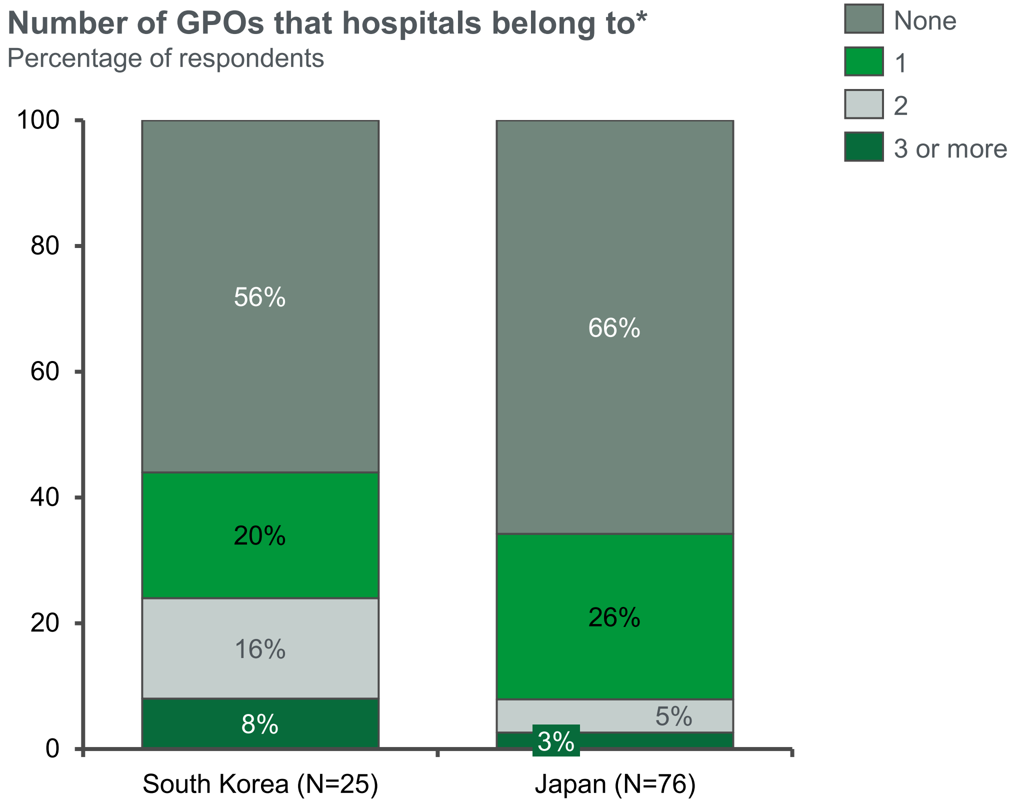
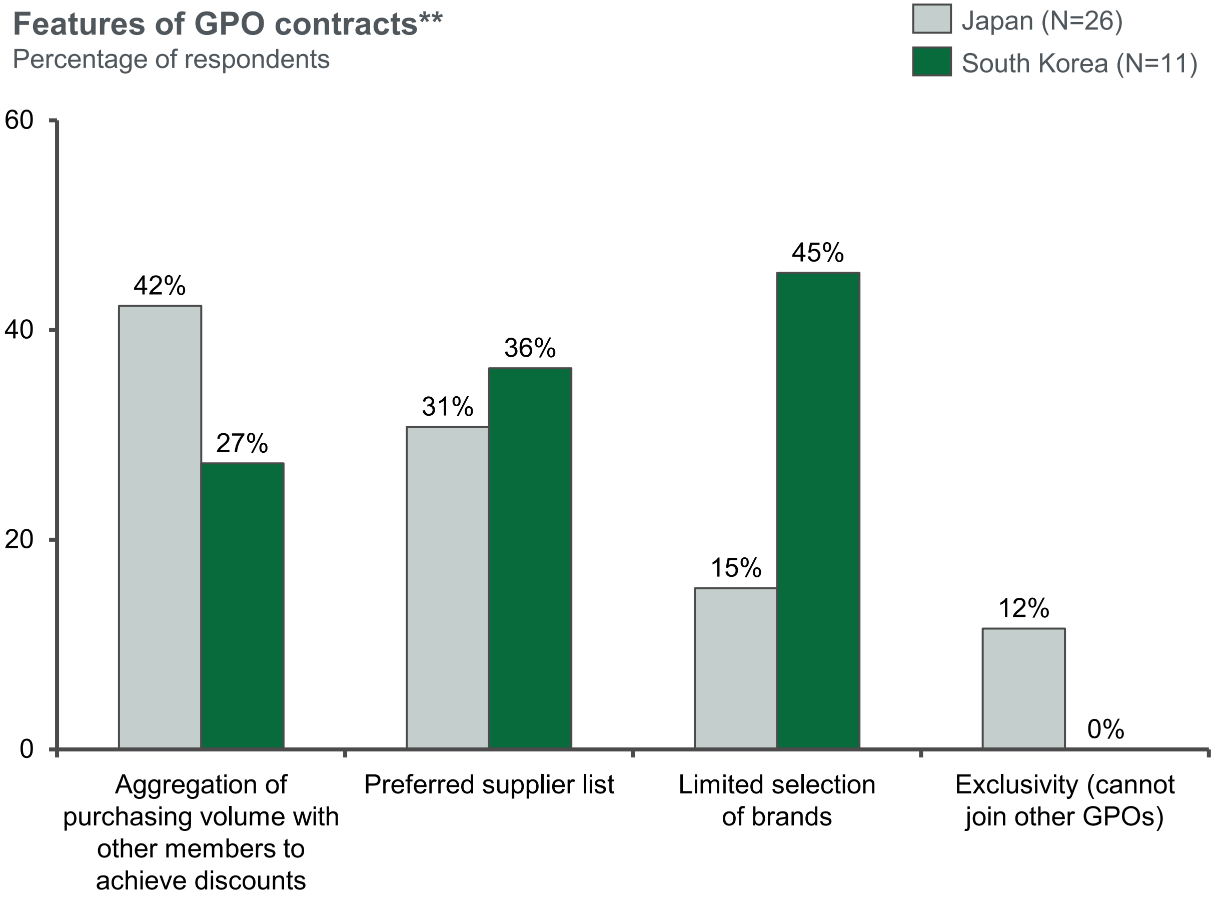
In Japan and Korea, over 34% of hospitals are linked with GPOs; aggregation of purchasing volumes and limited brand selection are the key features of GPO contracts in JP and KR, respectively

2 Customer priorities and preferences





*Survey question: Aside from centralised purchasing, how many GPOs (Group Purchasing Organisation – that is not part of the hospital) does your hospital belong to?

**Survey question: What are the key features of the GPO contract(s)? Percentage of respondents associated with at least one GPO

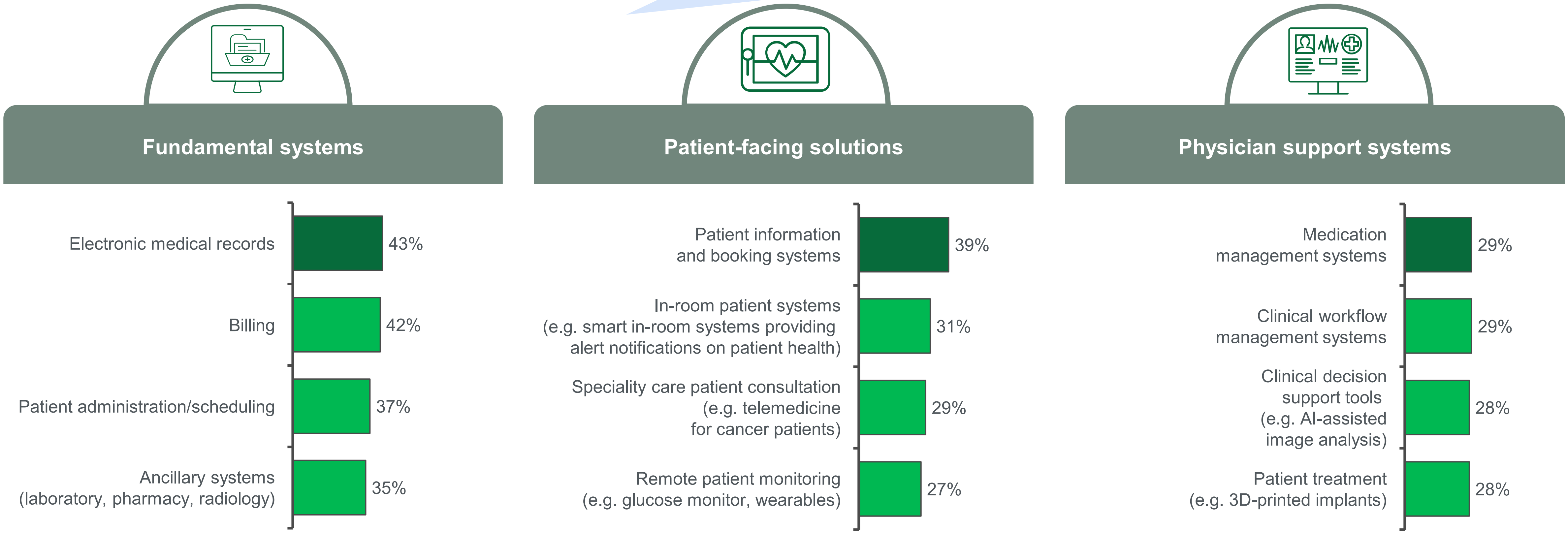
Source: L.E.K. 2022 APAC Hospital Priorities Survey

With continuing growth in digital solution adoption, pharmas should explore how they can provide value-added service to their drugs with digital solutions

Adoption of digital solutions*

Percentage of respondents “currently using” digital solutions

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



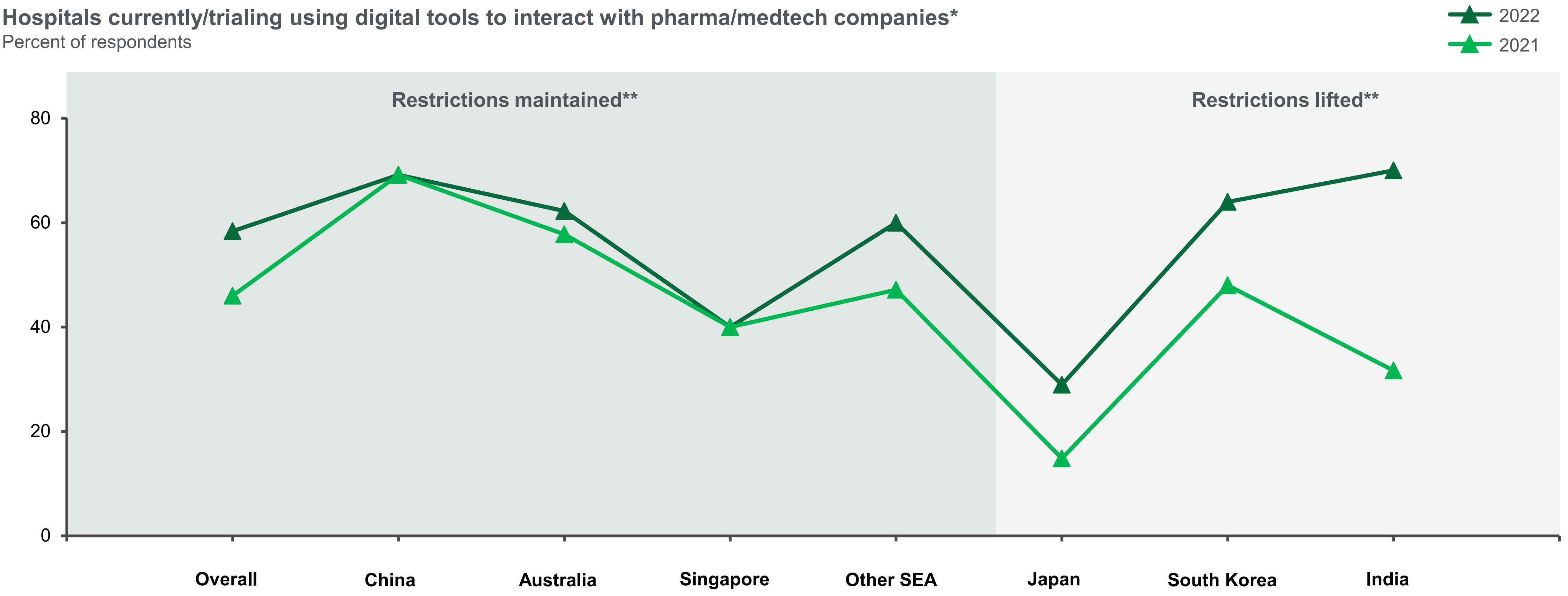
*Survey question: Digitalisation of hospitals is gaining traction in many countries. What digital health solutions have you adopted/would you like to adopt?; Respondents who answered that the hospital is “currently using” each digital solution

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

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



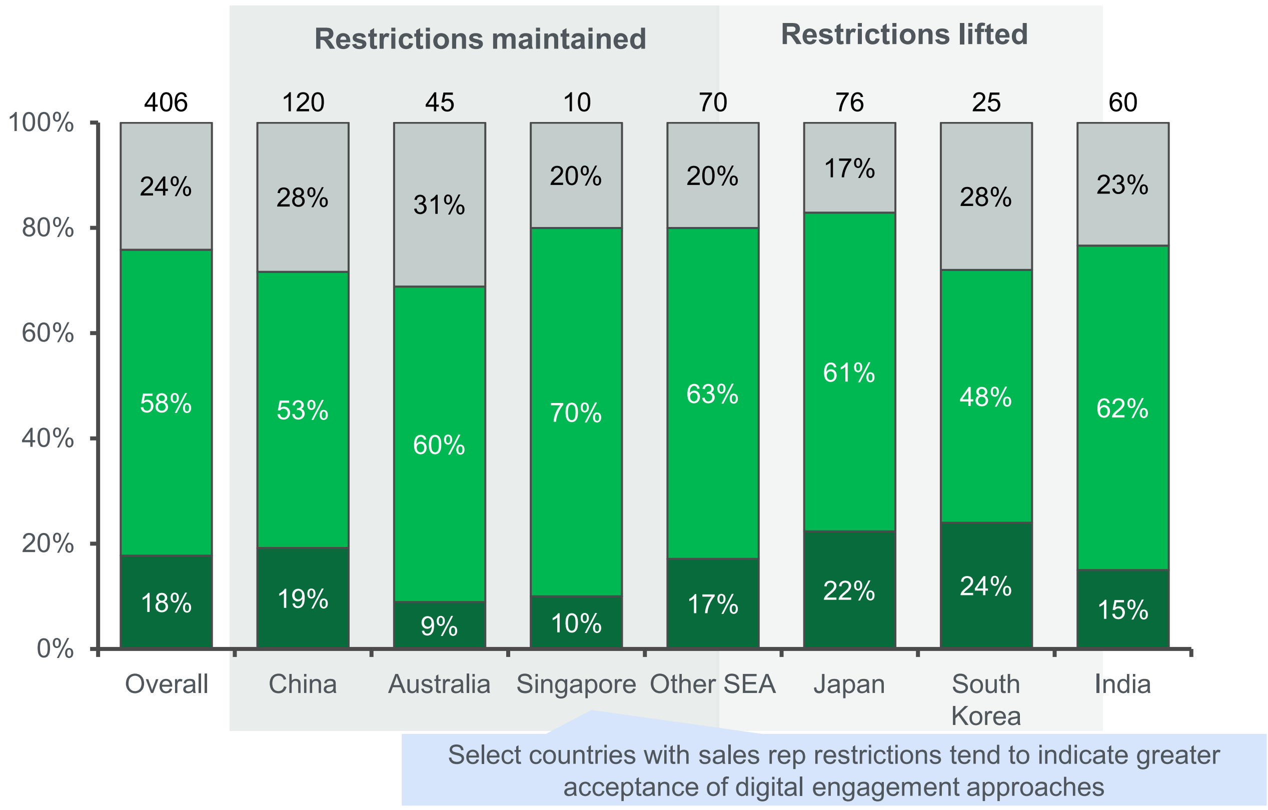
*Survey question: Digitalisation of hospitals is gaining traction in many countries. What digital health solutions have you adopted/would like to adopt?; Other SEA includes Thailand and Indonesia
**Survey question: Please select which of the following best describes your hospital's approach to managing 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

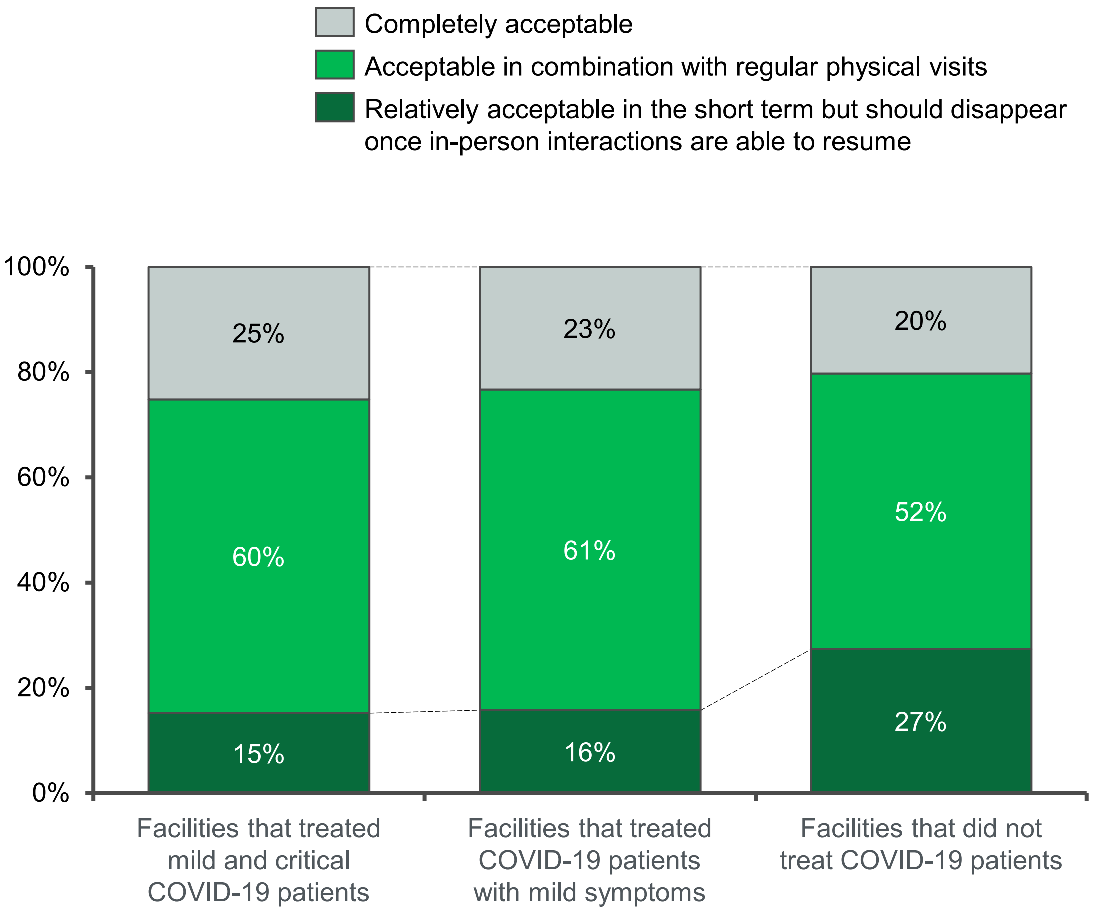
Digital engagement with suppliers appears well accepted across APAC; physicians in hospitals that treated COVID-19 patients show greater acceptance for digital engagement

3 Digitalisation and innovation

Acceptability of digital engagement with suppliers*

Percentage of respondents who chose each statement and sample size





*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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