

E.U. Hospital Survey: Opportunity for Medical Devices and Digital Health Companies

Recent L.E.K. Consulting research of key decision-makers in over 300 public and private sector hospitals in France, Germany and the U.K. highlights an expected increase in technology investment over the next five years.

As well as providing benefits to hospitals, this new environment provides significant opportunities for medical devices and digital health companies and their investors. All of these groups should review how to take maximum advantage of this new environment.



E.U. Hospital Survey: Opportunity for Medical Devices and Digital Health Companies was written by **Ben Faircloth**, **Arnaud Sergent** and **Tobias Koesters**, with additional input provided by **Eilert Hinrichs**, **Maxime Julian** and **Klaus Boehncke**, Partners at L.E.K. Consulting. Ben and Eilert are based in London, Arnaud and Maxime are based in Paris, and Tobias and Klaus are based in Munich.

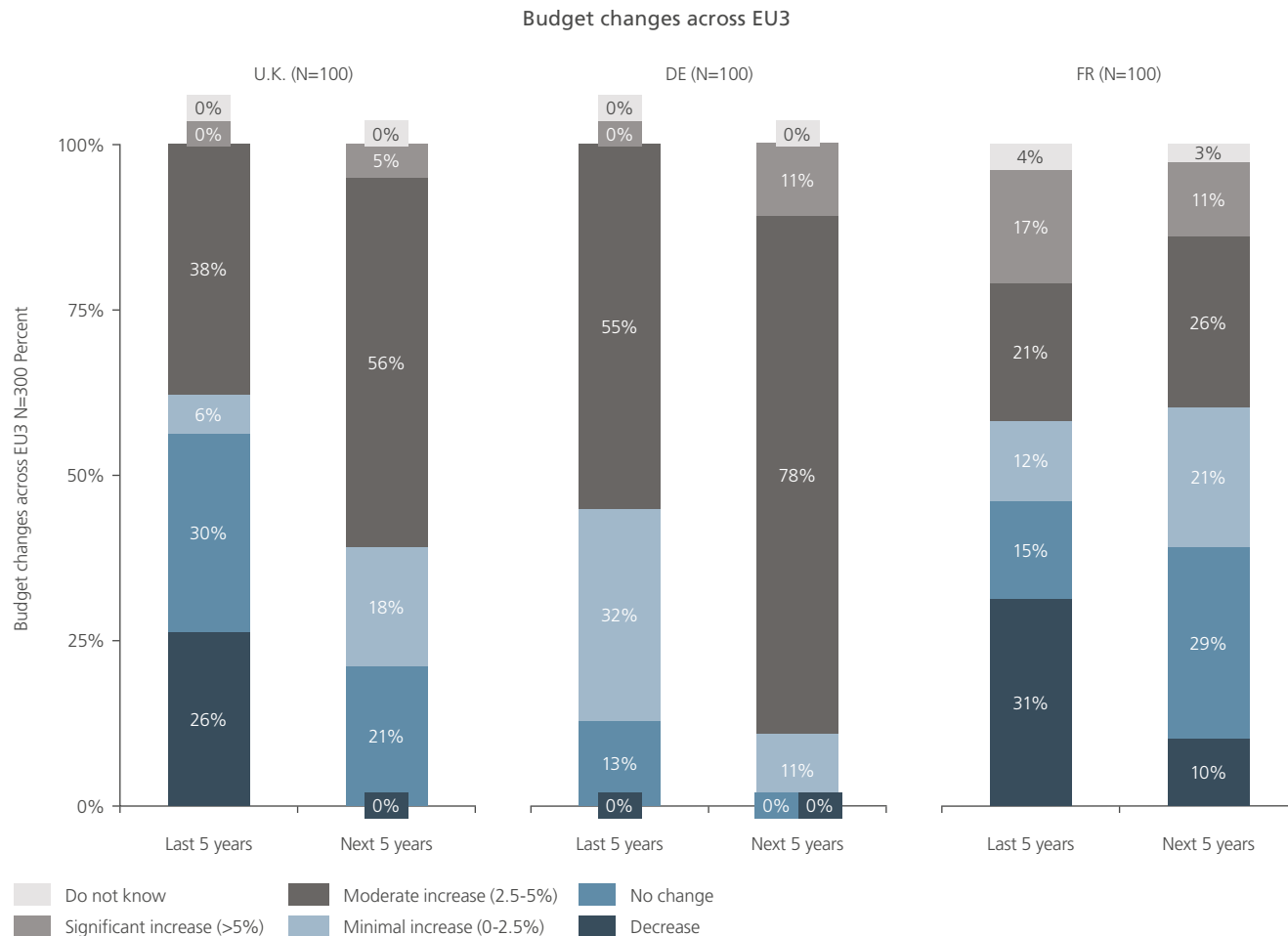
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E.U. hospitals expect budgets to improve over the next five years, especially in the U.K. and Germany

U.K. public sector respondents expect a gradual removal of National Health Service (NHS) funding restrictions over this period and assume that any eventual negative fallout from Brexit on the public purse will not be passed on to the NHS.

In Germany moderate funding increases are anticipated, reflecting expectations that surpluses in the Krankenkassen (health insurance funds) will improve tariffs.

The picture is more nuanced in France, where about 40% of respondents view funding as likely to remain unchanged or decline. Evidently, there is scepticism about how recent government announcements regarding a +2% growth budget will translate into reality.



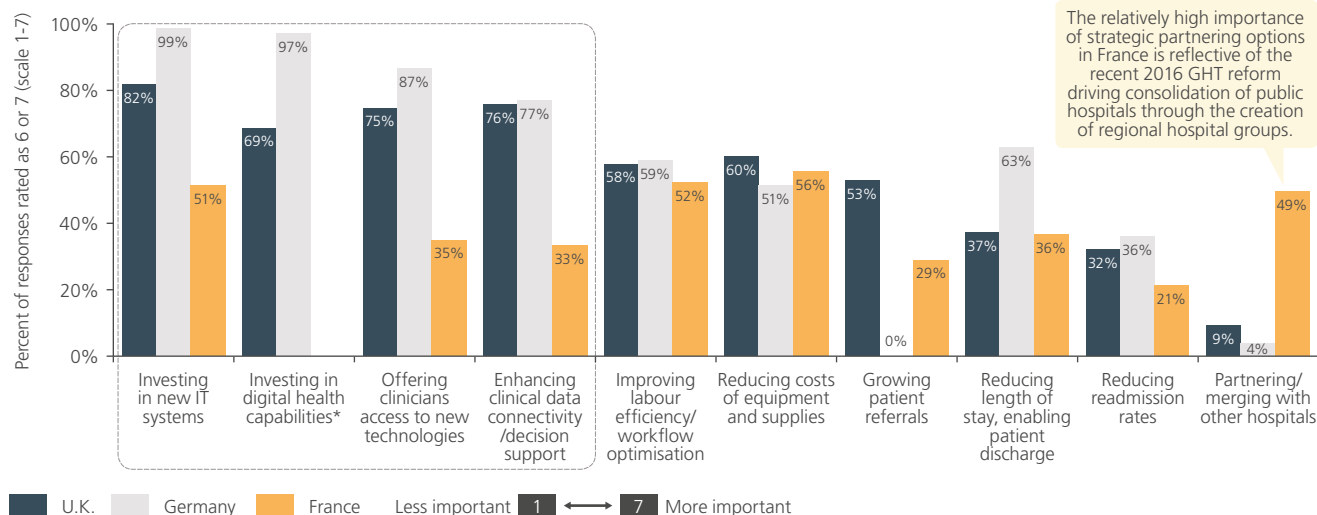
Source: L.E.K. survey, Q10/14 How have/will your hospital's operating expenses and investment/budget changed/change?

Enhancing digital health capability in hospitals is the key strategic priority

German and U.K. hospitals share the same strategic priorities: investing in IT systems and digital health, providing clinicians with new technology, and enhancing clinical data connectivity and decision support. New IT systems are also important for France, but the country's top two strategic priorities are a reduction of spend on equipment and supplies, and improving labour efficiency and workflow optimisation. Partnering or merging with other hospitals is also key in France and reflects the 2016 *Groupements hospitaliers de territoires* (GHT) reform enabling the creation of regional hospital groups.

Key areas of investment are set to be in electronic health record (EHR) systems; infrastructure services, including telehealth and new facilities; and capital medical equipment. Hospitals in France will also have a focus on improving booking and other patient administrative systems.

Importance of strategic priorities in the next five years according to country
N=300; up to 10 individuals per category indicated "I do not know"



Key spending priorities ¹	% expecting increase		
	U.K.	DE	FR
EHR	94%	96%	77%
Infrastructure (telehealth, health IT, new or existing facilities) ²	78%	95%	61%
Medical capital equipment (e.g., therapeutic or diagnostic) ³	62%	56%	54%
Patient administration system	43%	36%	61%
Patient IT system (e.g., booking, appointments, checking results)	51%	22%	72%

Notes: ¹At least 60% of respondents in one of the three countries expect an increase; ²defined only as infrastructure in France; ³multiuse equipment used on several patients (France defines this as heavy medical equipment).
Source: L.E.K. survey and analysis

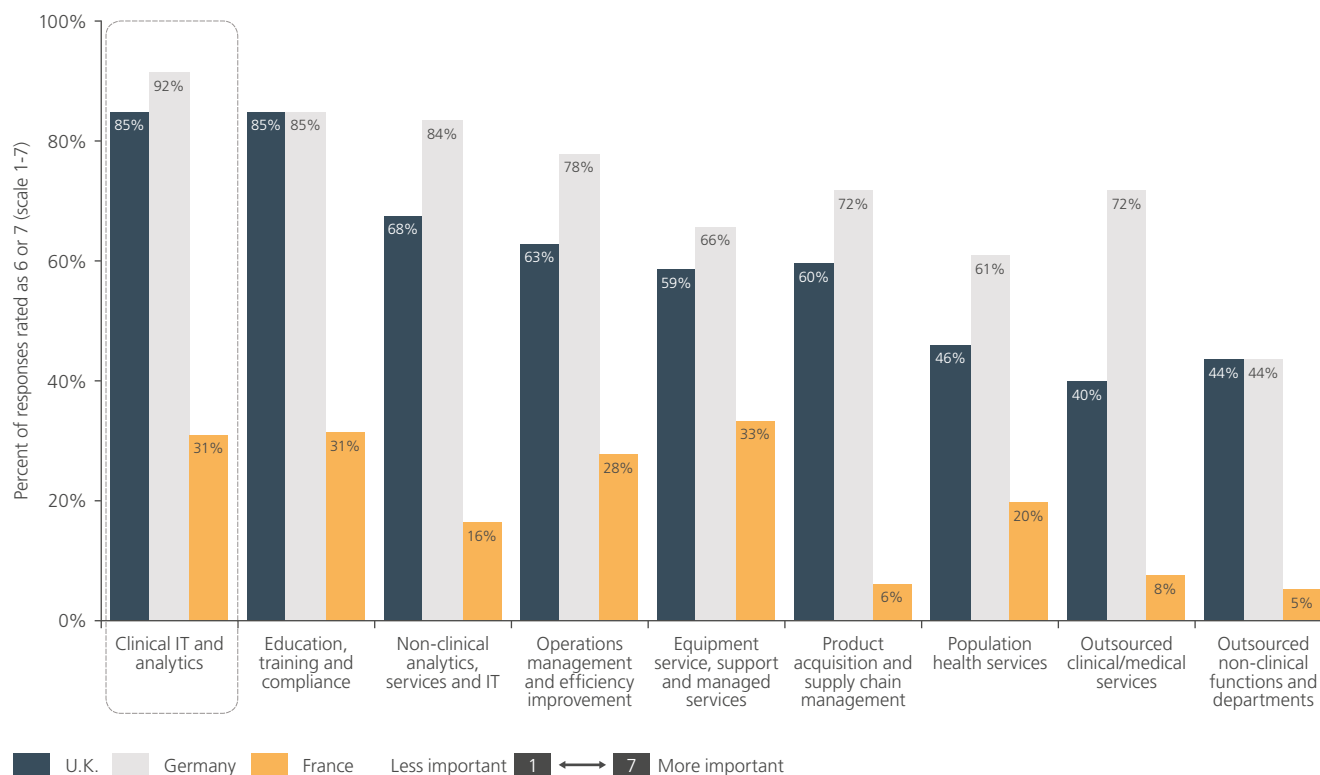
The 'door is open' to medtech providers seeking to add digital capability to their offering, especially in Germany and the U.K.

In line with the focus on digital health products, survey respondents expect that hospitals will have an increased demand for services, in particular digital ones that complement broader product offerings.

In Germany and the U.K., the key priorities are clinical IT and analytics; training and compliance; non-clinical analytics, service and IT; and operations efficiency. Product acquisition and supply chain management are also important.

Similar priorities exist in France, but with a greater focus on reducing cost.

Importance of services provided by medtech companies
N=300; up to 21 individuals per category indicated "I do not know"



Source: L.E.K. survey, Q35/ Q41 How valuable are each of the following services that medtech companies could provide to your hospital?

A country-specific approach will be needed to target key decision makers

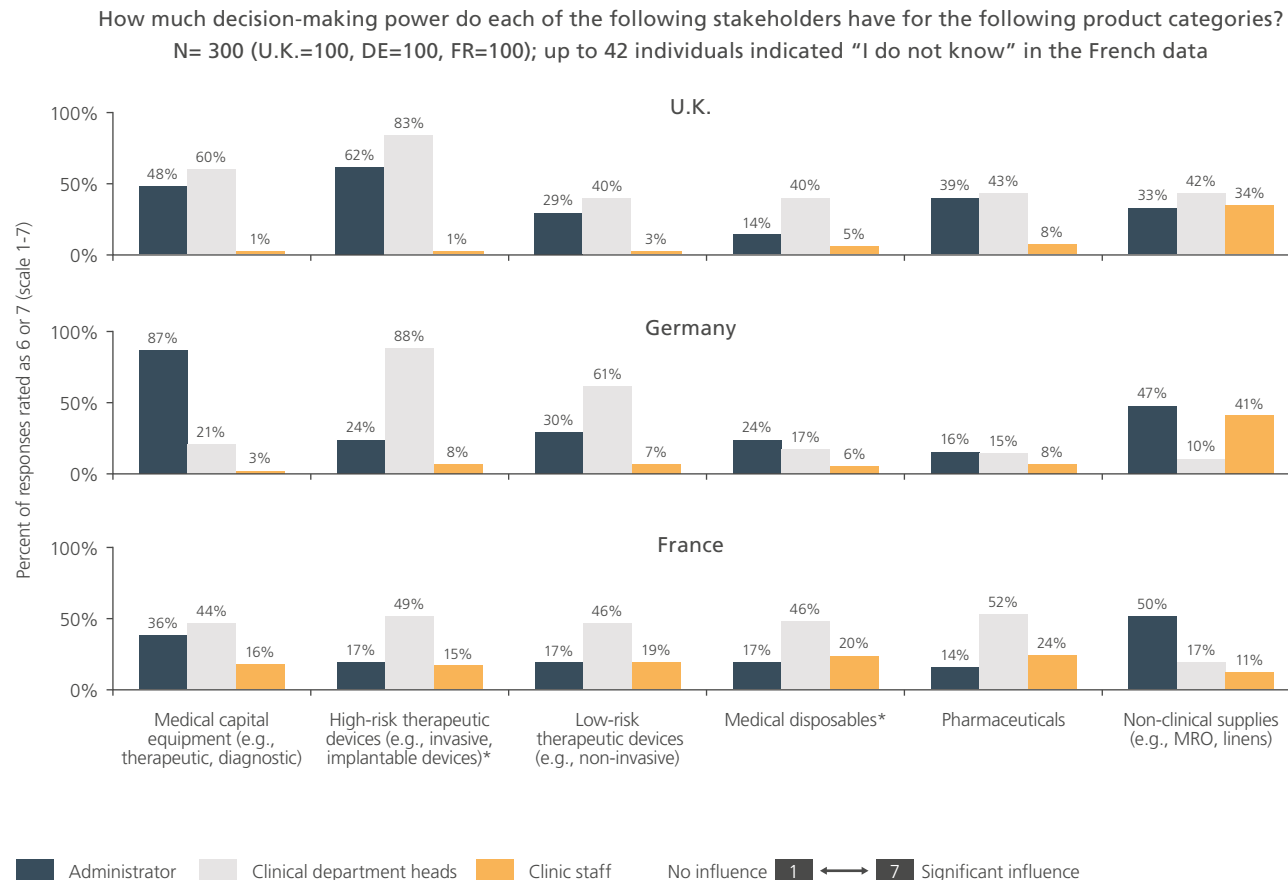
There is variation in who the key decision-makers are across France, Germany and the U.K., and medtech companies will need to consider this when developing their sales and marketing strategies.

In Germany and the U.K., the key decision-makers include administrators and clinicians, while in France clinicians remain the most influential group in decision-making.

In the U.K., decision-making power is shared relatively evenly between administrators and clinical department heads across product types.

In Germany, the decision-making power of administrators and clinicians varies by product category with clear leaders in each category.

In France, clinical department heads have the most decision-making power across almost all categories.



Note: *Some categories were merged in the French dataset (single use and diagnostic consumables and specialised and non-specialised pharmaceuticals)
Source: L.E.K. survey, Q31/Q36 How much decision-making power do each of the following stakeholders have for the following categories of products in your hospital?

The future is bright for medical devices and digital health companies and investors in Europe

The expected increase in hospital spending on digitisation is a boost for medtech companies looking to add a digital component to their offerings and to digital health companies, especially those targeting public sector hospitals where spending has been suppressed.

In Germany and the U.K., hospital customers are looking for support with accessing and analysing data from new and existing systems. In France, a greater focus is being placed on using digital/IT enhancement to drive efficiency and cost control.

The market players that capitalise on these trends will demonstrate great value as well as a high degree of assurance in the quality and sustainability of their offerings.

Investors must keep abreast of the shifting dynamics of the industry to ensure optimal returns on their capital invested.



About the Authors



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