



## **Opportunities in the Asia Healthcare Markets**

**Bruce Dixon**

**Managing Director**

**5 August 2009**

# South East Asia

## - a long term growth market

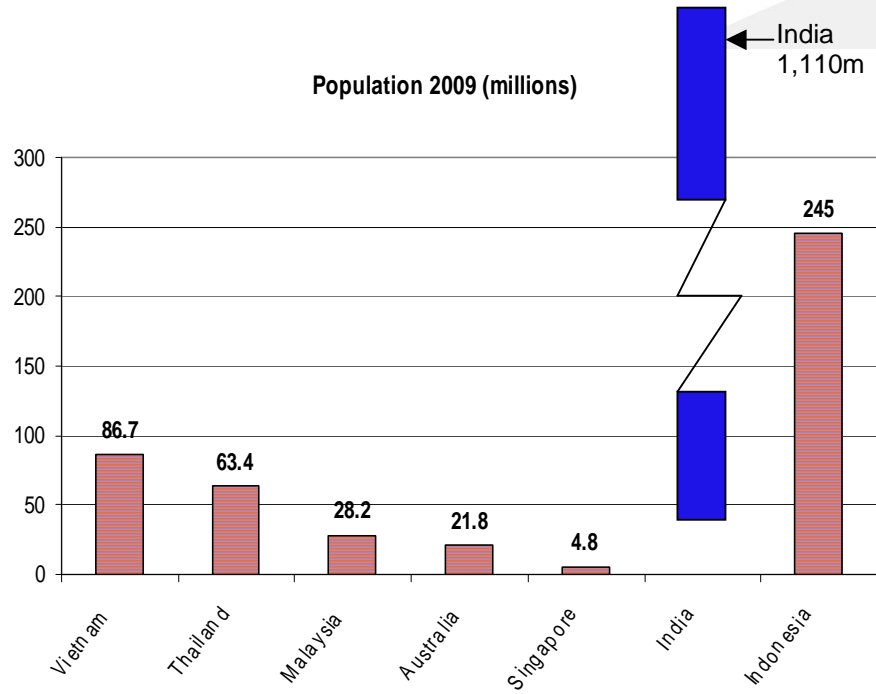
- Healthscope views Asian markets as producing significant medium to long-term growth for the company
- Our competitors (Sonic and Ramsay) have gone to Europe for growth
- We are active in the South East Asian region, achieving success, understand the region and generally like it
- We see strong prospects across the health spectrum as the region continues to grow, prosper and age
- However, there are risks – political, cultural, regulatory, exchange rates. Therefore a considered approach is required - sticking to solid fundamentals – value, locations, positioning, partners. Fiscal discipline is essential
- We will be applying considerable focus to the Asian region over the next 3-5 years. This will be on selected markets of interest, in both geographical and sector

## Features of SE Asian Healthcare Markets

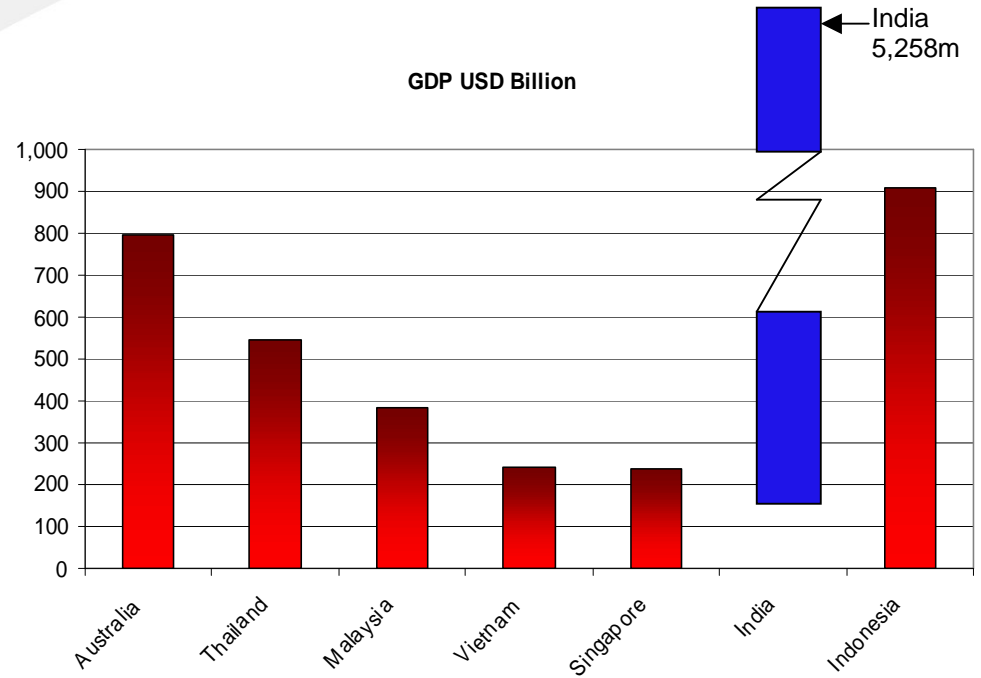
- Large and growing markets - over 50% of world population growth to 2050 will be in Asia
- Strong growth in GDP - significantly higher than in Western developed economies
- Rapid growth in population ageing – will substantially increase demand for healthcare
- Longer life expectancy
- Growing middle class – demanding healthcare equivalent to first world countries
- Many doctors trained in UK, US, Canada and Australia
- Technologies comparable with developed western economies
- Malaysia and Singapore legal system based on UK – easier to do business
- Expenditure on health is growing as a percentage of GDP. Consumer healthcare spending (excl Japan) grew from US\$129.0 billion in 1999 to US\$206.0 billion in 2004
- Majority of healthcare is self / privately funded
- Emerging health insurance products

# Asia, India - Big Markets, Growing Strongly

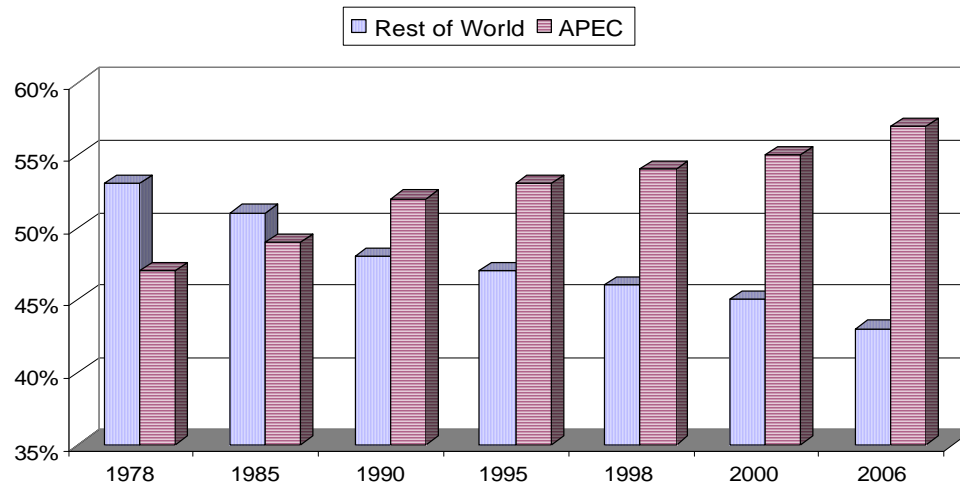
Population 2009 (millions)



GDP USD Billion



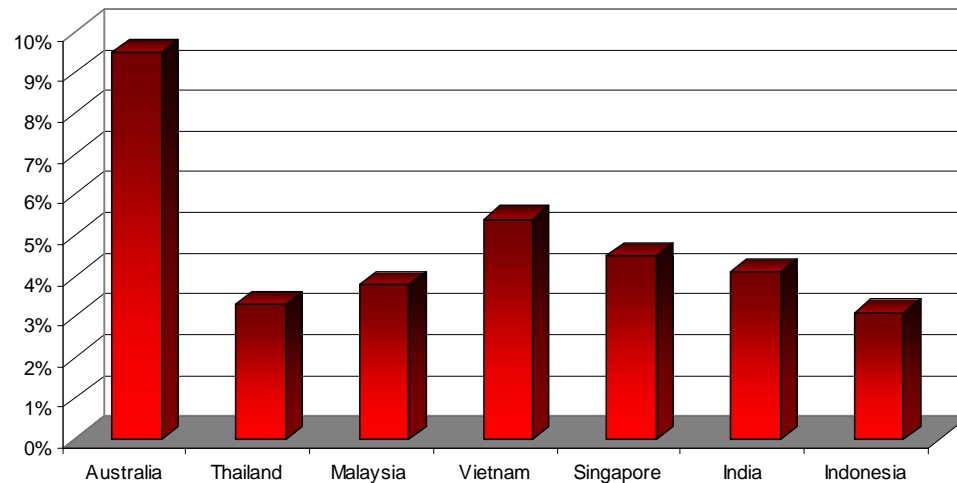
Share of World GDP



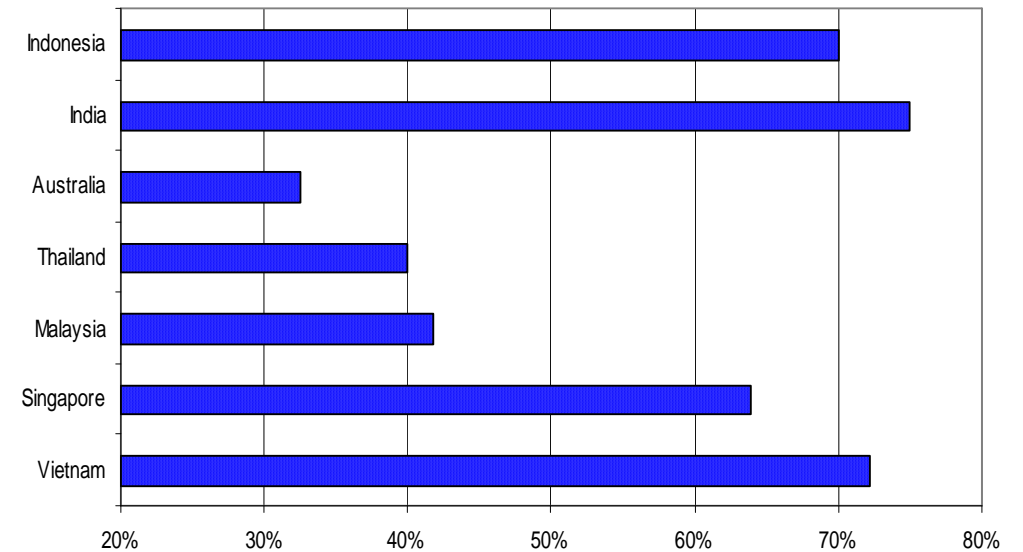
# Healthcare Growth Potential Strong

## Asian, Indian markets are largely “user pays”

Health Expenditure as % GDP - Good Growth in Future

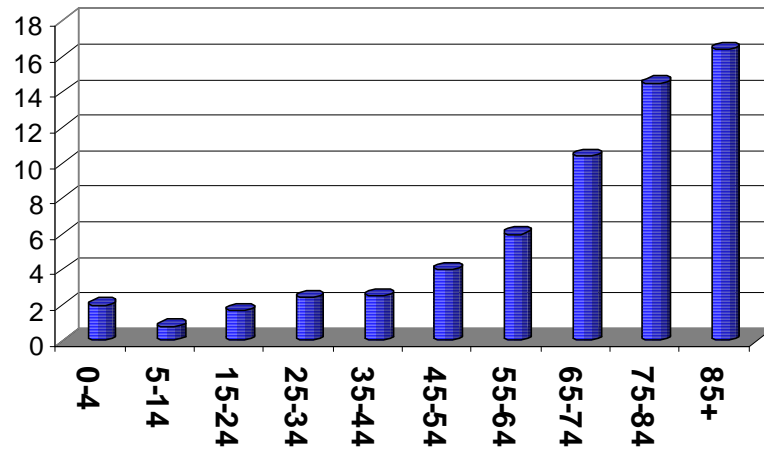


Private Expenditure as % of Total Expenditure on Health

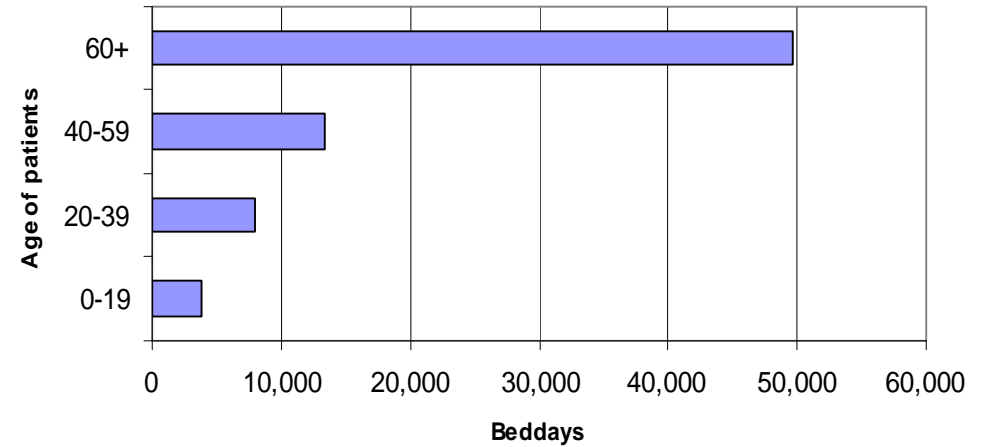


# Ageing in Asian markets will drive increased demand for healthcare

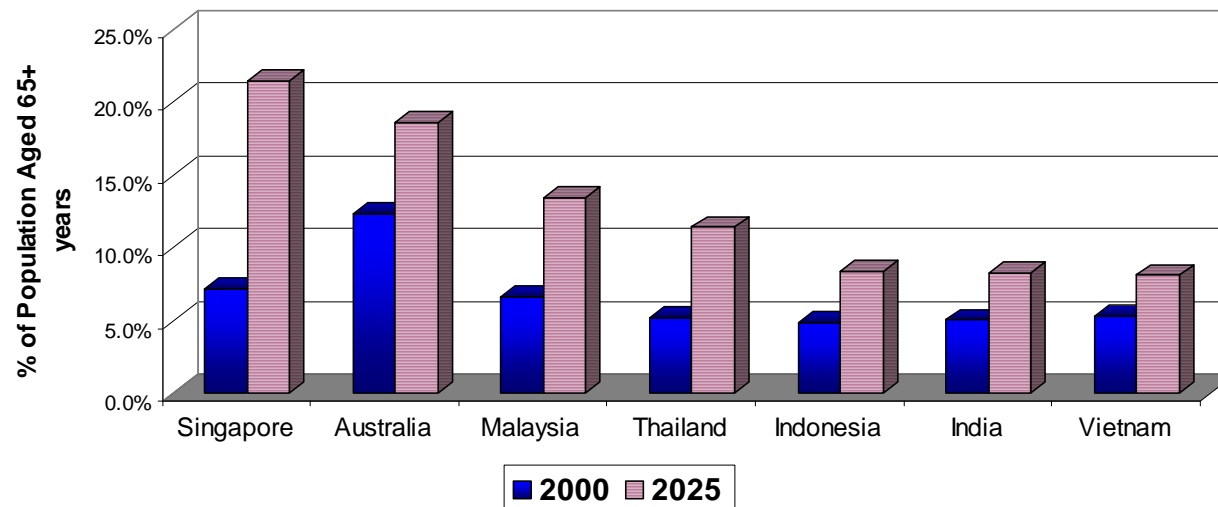
**Relative Health Spending by Age Group**  
\*Based on Australian experience



**Typical Australian Private Hospital- Beddays x Age**



**Less Developed Countries are "younger" but ageing**

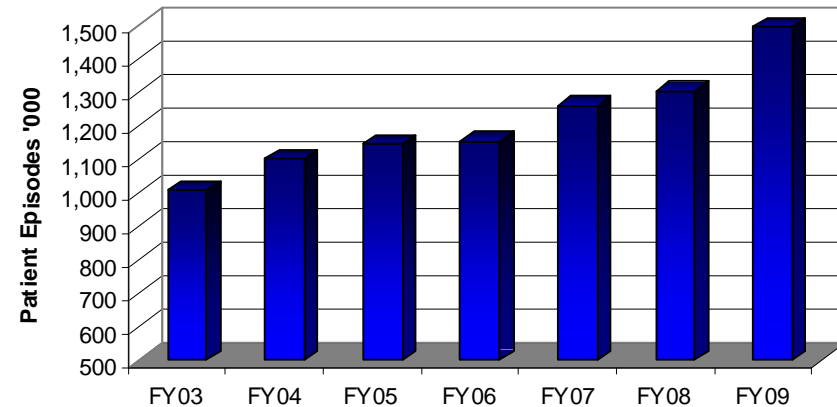


# Healthscope has an Established Presence in SE Asia

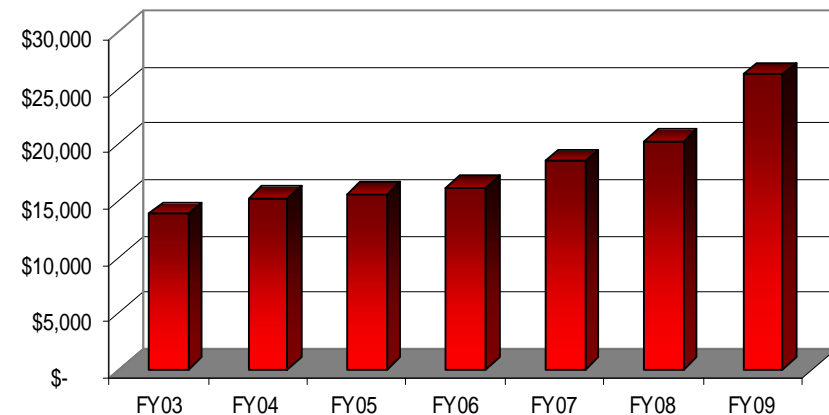
## - Malaysia

- Market entry in 1996 into “community pathology” market
- Trades as Gribbles Pathology and 100% owned by Healthscope – recognised as the premium/quality brand with NATA/ISO accreditation
- Now operates in all major centres throughout Malaysia with 40 pathology facilities centres with latest technology, employing 500 staff
- 1.5 million patient episodes pa – Sales revenues of RM 70.0 million (~A\$26.0 m) – approx. 40% market share
- Sources of revenue include GPs, specialists, private hospitals and government funded foreign worker screening

Patient Episodes ('000) - Malaysia



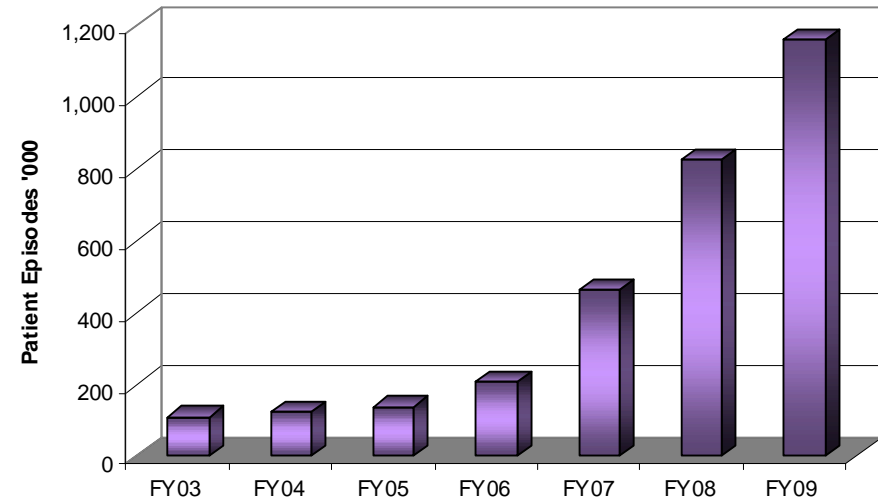
Revenue '000 AUD - Malaysia



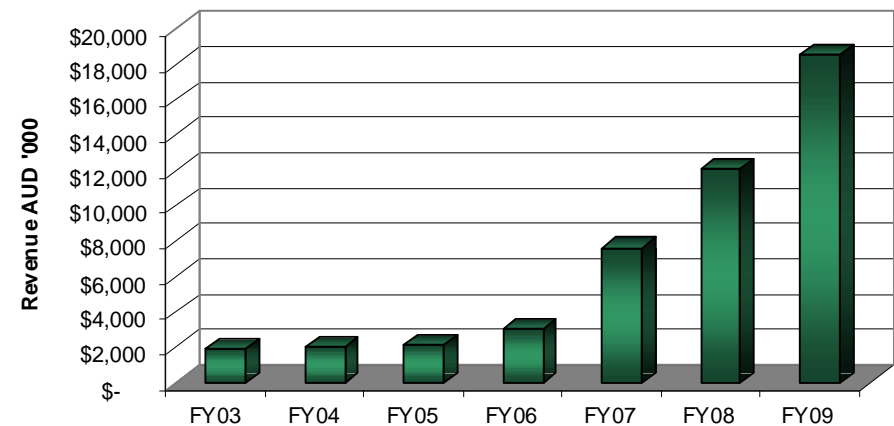
# Healthscope has an Established Presence in SE Asia – Singapore

- Market entry in 1998 by Gribbles Pathology as green field community pathology operator
- Grown substantially through acquisitions:
  - Quest Laboratories in May 2005 – the then largest operator in non-hosp. pathology market
  - DoctorsLab Diagnostics in December 2006 – the then 2<sup>nd</sup> largest operator
- Now largest community (non-hospital) provider (1.175m patient episodes), Revenues of ~S\$18.0 m - 54% market share, 220 staff
- Trades as Quest Laboratories - reputation as quality operator (only ISO accredited non – hospital lab)

PE('000) - Singapore



Revenue AUD '000 - Singapore



# Malaysia

## – Growing Economy / Developed Private System

- Population of 27.1 m (growth 1.8% pa)
- Health expend in 2006 of US\$5.5 billion equals 3.5% GDP - predicted to increase to 7% by 2020
- Govt healthcare spending increased by 47% from the 7<sup>th</sup> Malaysian Plan to the 8<sup>th</sup> Plan
- 380 hospitals (224 private) with 15,000 private hospital beds (45 licences for new private hospitals approved in 2009)
- 45% of all healthcare expenditure is in private sector
- 16,000 doctors (47% in private sector) – many trained in Australia, US, Great Britain
- Agenda for national Healthcare scheme has a “user pay” component.
- Privatisation of hospitals and pathology are on the policy agenda
- Govt encouraging rapid growth of the private system (tax incentives for private health insurance)
- Health tourism actively promoted

# Singapore

## – Relatively small domestic market but major “health tourism” centre

- Population of 4.6 million (growth 3.3% pa)
- Affluent, well educated population, largely English speaking
- Health expend US\$4.9 billion (3.6% GDP) and growing
- Health care standard considered as one of highest in Asia -Asian regional centre for medical excellence
- Many doctors trained and worked in US, Great Britain and Australia
- 80% of primary care delivered by private sector
- 20% of hospital care delivered by private sector
- 12,000 hospital beds, 29 hospitals (of which 16 private)
- Heavy promotion of health tourism – in 2005, 400,000 foreigners treated in Singapore
- Health Tourism underpins 25-30% of the major private hospital revenues (Parkway, Raffles)
- Growing health insurance coverage and supplements “health savings”
- Local population demanding first world “first world” healthcare
- Developed with disease profiles similar to the west

# Thailand

## – Good fundamentals but entry opportunities are limited

- Monarchy provides for political stability
- Population of 66 million (growth <1% pa)
- GDP growing to 8% pa, but health expenditure growing at a higher rate
- Health expend US\$8.3 billion (3.5% GDP)
- GDP and relative health expenditure per head significantly higher than China, and approaching Malaysia
- Described as a “middle income” country -the “poor” and “nearly poor” reduced between 1990-2001 from 32% to 14% and 9% to 5% respectively
- 1,334 hospitals (354 private hospitals)
- 1.9 hospital beds per 1,000 population – about half of Australia
- High standards of accommodation and technology in hospitals
- Medical tourism is a major feature
- Majority of doctors are specialists
- Between 1985 – 1995, 50% increase in hospital beds and 75% increase in physicians
- 40% of health expenditure is private
- Population is covered by either health insurance (self or employer funded) or government funded “safety net”

# India

## –Large developing market yet to prove financially successful

- Population of 1.1 billion with population growth predicted to outstrip China for period 1995-2025
- Estimated 300 million so called “middle class”
- Strong GDP growth to 8% pa. CAGR personal disposable income growing at plus 10% pa
- Low healthcare spend as % GDP - 4%
- Private investment in healthcare facilities has been strong over last 7 years
- 55% of India’s 1.2 million beds are private – with a big disparity between public and private
- Many private hospitals match US for technology with much lower cost base.
- Medical tourism focus - predicted to grow from US\$350m in 2006 to US\$2b by 2012
- Private health insurance coverage (currently 15%) is growing – forecast CAGR 20% between 2007 – 2013
- Although health insurance growing - 60% of private health spend is funded by “out-of-pocket”
- Health market estimated at US\$48 billion (5% GDP) and to increase by 34% next 3 years
- 18,256 hospitals (11,300 private) - 84% private hospitals have <30 beds
- Fragmented market – largest Apollo with 7,500 beds has <1% market share
- 1.1 hospital beds / 1000 population c/f global 3.3 (Aust = 4.0)
- Government support for investment in healthcare - 5 year tax holiday for new hospital investors from 2008 in certain areas
- Private hospital developers seeking experienced operators for partners

# Vietnam

## – emerging and potentially high growth market

- Population 84 million with growth at 1% pa
- Age profile of country relatively young , slower rate impact of “ageing”
- GDP growth increasing to 8% pa to continue
- GDP per head forecast to increase from USD 2,508 in 2003 to more than double to USD 5,701 in 2012
- Household consumption forecast to triple over same period
- Health expenditure US\$2.9 billion (5.1% GDP)
- Healthcare spending per head forecast to increase from US\$13 to US\$66 next 4 years (5 times)
- Communist state – with high levels of control (by committee)and bureaucracy - strong anti-graft commitment from government
- Increasing health insurance – 9.4m people in 2007 (similar absolute number as Australia). Govt target is 70% by 2012
- Foreign owned private hospitals are playing a lead role in modernising Vietnams health system

# Indonesia

## Major Asian Economy and Australian nearest neighbour – cannot be ignored

- Population of 245 million - growing at 1.4% pa
- 2000 – 2006 health expenditure CAGR 18.5% (US\$9.6 billion, or 2.7% GDP)
- CAGR personal disposable income 9.1% over same period
- 1,264 hospitals, but fragmented industry (629 hospitals are private)
- Quality of healthcare in affluent areas is reasonable but heavy reliance on Singapore and Malaysia by local population
- Difficult market with pockets of anti-western sentiment – terrorism threat from Islamic militant groups will be a near term barrier for foreign investment
- Political reforms under new presidential administration are overcoming key barriers to investment

# Implications for Healthscope

- South Asian and Indian healthcare markets will produce sustainable longer term high growth as compared to mature healthcare markets of Western economies – including Australia
- Strong government support in most Asian regions for vibrant private sector in healthcare markets – with foreign investment welcomed
- Private hospital sector is well developed and profitable in most regions
- No shortage of investment dollars from private investors, listed groups, private equity, sovereign funds looking for quality investments
- Sector has developed on “user pays” basis but health insurance participation is growing strongly in most regions
- Availability of well trained clinicians and nurses is strong. Labour costs are relatively low but rising
- Australian trained hospital operators/administrators are keenly sought
- Key drivers of private hospital sector has been growth of reach (new developments) and growth of revenue line – very significant opportunities to improve profitability from driving hospital efficiencies



**Opportunities in the Asia Healthcare Markets**