The Best of Both Worlds

- LOS
- Short waiting times
- Process
- Outcomes
- Outsourcing & Cooperations
- Standardization
- Clustering
- Peer & Management Reviews
- Laboratory
- Service App
- IQM
- Quality
- Service
Key Take-Aways

• Attractive business with high entry barriers
• Regulatory framework offers challenges and opportunities
• Helios Germany is the ideal partner for cross-sectoral care
• Pioneer in new care models
• Excellently prepared for the future
Corporate Management Team

Franzel Simon
Chief Executive Officer (CEO)

Olaf Jedersberger
Chief Operating Officer (COO)

Armin Engel
Chief Service Officer (CSO)

Andreas Meier-Hellmann
Chief Medical Officer (CMO)

Karin Gräppi
Chief Labor Officer (CLO)

Jörg Reschke
Chief Financial Officer (CFO)
Local Responsibility – Company-Wide Networking

- Hospital Management
  - Regional Services
- Regional Management
- Corporate Management
  - Central Services

- Medical Committees
  - Specialist Groups
- Medical Advisory Board

111 hospitals
7 acute care regions + rehabilitation divisions
Extended Management Team

Reiner Micholka
Regional Manager
Lower Saxony Region

Marcus Sommer
Regional Manager
South Region

Corinna Glenz
Regional Manager
Central Region

Manuel Berger
Regional Manager
North Rhine-Westphalia Region

Marc Baenkler
Regional Manager
North Region

Mate Ivančić
Regional Manager
Central-North Region

Roland Bantle
Regional Manager
East Region

Reiner Micholka
Regional Manager
Lower Saxony Region

Marcus Sommer
Regional Manager
South Region

Corinna Glenz
Regional Manager
Central Region

Manuel Berger
Regional Manager
North Rhine-Westphalia Region

Marc Baenkler
Regional Manager
North Region

Mate Ivančić
Regional Manager
Central-North Region

Roland Bantle
Regional Manager
East Region

Jan Leister
Manager
Helios Rehabilitation Clinics

Helios
Medical Advisory Board and Specialist Groups

Our Medical Advisory Board and 27 Specialist Groups guarantee the further development of medicine and quality. They provide support to management, develop medical concepts, adopt standards and make recommendations for action.

All therapy-relevant purchasing decisions are made exclusively according to medical criteria.

The Helios Medical Advisory Board
## Strategic Objectives

Helios’s target matrix for medical and economic success:

<table>
<thead>
<tr>
<th>Patient benefit</th>
<th>Knowledge</th>
<th>Profitability</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in patient benefit and quality leadership</td>
<td>Development of Helios as a know-how-driven group</td>
<td>Sustainable development of hospitals</td>
<td>Selective growth and strengthening of market position</td>
</tr>
</tbody>
</table>
74,000 employees in Germany

Promoting the compatibility of job and private life – providing 32 kindergartens, flexible working hours, job-sharing offers

350 different occupational areas

Training: 49 training centers for more than 3,000 young people

€30 million for training and development

Employee health – different courses available at all locations

Three simulation centers.
Amboss knowledge platform: free access for around 12,000 doctors

Helios Plus card: free supplemental health insurance providing private patient comfort and treatment by a senior physician
Sales and EBIT Development – Steady Growth

in €m

Organic sales growth +3% +4% +4%

2,665 3,200 3,393 5,244 5,578 5,843 6,073
157 180 172 266 277 352 311

CAPEX (own funds) EBIT Sales

3% Organic sales growth  EBIT  Sales  CAPEX (own funds)
## The Acute Care Hospital Market in Germany

<table>
<thead>
<tr>
<th></th>
<th>Public</th>
<th>Non-Profit</th>
<th>Private</th>
<th>Helios</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hospitals</strong></td>
<td>570 (29.2%)</td>
<td>674 (34.5%)</td>
<td>707 (36.2%)</td>
<td>88 (4.5%)</td>
</tr>
<tr>
<td><strong>In-Patient Cases</strong></td>
<td>9.8m (49.0%)</td>
<td>6.41m (34.2%)</td>
<td>3.16m (16.8%)</td>
<td>1.23m (6.1%)</td>
</tr>
<tr>
<td><strong>Beds</strong></td>
<td>238,803 (47.9%)</td>
<td>166,858 (33.4%)</td>
<td>93,057 (18.7%)</td>
<td>29,618 (5.9%)</td>
</tr>
<tr>
<td><strong>Length of stay (days)</strong></td>
<td>7.3</td>
<td>7.0</td>
<td>7.7</td>
<td>6.4</td>
</tr>
</tbody>
</table>

Based on most recent available data of the German Federal Statistical Office (2016) and respective internal Helios data.
## German Hospital Market – Major Trends

<table>
<thead>
<tr>
<th>Hospitals</th>
<th>Beds</th>
<th>Patients in millions</th>
<th>Average length of stay</th>
<th>Physicians(^1)(^2)</th>
<th>Non-physician employees(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>-19%</td>
<td>-25%</td>
<td>+34%</td>
<td>-6.7 days</td>
<td>+66%</td>
<td>-7%</td>
</tr>
<tr>
<td>2,411</td>
<td>666,000</td>
<td>14,6</td>
<td>14,0</td>
<td>95,208</td>
<td>780,608</td>
</tr>
<tr>
<td>1,951</td>
<td>498,718</td>
<td>19,5</td>
<td>7,3</td>
<td>158,148</td>
<td>722,371</td>
</tr>
</tbody>
</table>

1 full-time physicians 2 On a full-time basis converted | Source: German Federal Statistical Office

---

**Development 1991 to 2016**

![Graph](image-url)
Hospital Landscape in Germany

Hospital care levels in Germany (Helios)
In Germany, we have 1,951 acute care hospitals which fall into 3 main categories:

- **Maximum care hospitals**
  - Cover almost all fields and provide some medical research
  - 1,097 (62)

- **Major regional hospitals**
  - Cover additionally some regional departments, such as dermatology, orthopedics and gynecology
  - 777 (19)

- **General hospitals**
  - Cover the medical fields of surgery and internal medicine
  - 77 (7)

Source: German Federal Statistical Office, Maximum care hospitals are defined as acute care hospitals with >800 beds
Dual Hospital Financing in Germany

In accordance with the Hospital Financing Law (KHG) (Section 1)

- Hospital planning is carried out at the state level
- Must be included in the state hospital plan
- Approved specialist departments

"Who pays the hospital?"
The principle of Dual Financing ("two different pots")

The hospital budget:
Billed DRGs should cover the running costs (personnel, medicines, utilities, etc.)

The public purse:
General and specific appropriations to finance construction and the purchase of medical equipment and facilities

Hospital Sales
DRG Budget Process

Hospital admissions \times \text{Case mix index} = \\
\text{Sum of relative cost weights} \\
\text{(Bewertungsrelationen)} \times \\
\text{Base rate (Basisfallwert)} = \\
\text{Budget}
Example: Hospital Admission Franklin

Justin Franklin (fund manager, 33) appendectomy, released from hospital after 3 days

Invoicing Admission Franklin:

<table>
<thead>
<tr>
<th>Relative Cost Weight:</th>
<th>1.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>x Base rate</td>
<td>€3,500*</td>
</tr>
<tr>
<td>= Payment</td>
<td>€3,500</td>
</tr>
</tbody>
</table>

Hospital:

<table>
<thead>
<tr>
<th>Relative Cost Weight:</th>
<th>1.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>x Admissions</td>
<td>10,000</td>
</tr>
<tr>
<td>x Payment/Admission</td>
<td>€3,500*</td>
</tr>
<tr>
<td>= Proceeds</td>
<td>€35m</td>
</tr>
</tbody>
</table>

* The exact Federal base rate (Bundesbasisfallwert) for 2018 is: €3,467.30
## Changes in Hospital Financing 2019 and Beyond

### Content of coalition contract

- Extending the structural fund
- Financing wages for incremental nurses
- Forming clusters and centers
- GBA\(^1\) requirement for emergency services

### Opportunities for Helios Germany

- Financial support to accelerate market consolidation
- Bundling of services
- Additional sales following possible center and quality surcharges
- Elimination of *Fixkosten-degressionsabschlag* (FDA) through centers confirmation in the hospital plan
- Competitors ceasing to provide emergency services

---

\(^1\) Gemeinsamer Bundesausschuss (Joint Federal Committee)
Changes in Hospital Financing 2019 and Beyond

<table>
<thead>
<tr>
<th>Contents of coalition contract</th>
<th>Challenges for Helios Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction of minimum nursing staff levels</td>
<td>• Higher costs</td>
</tr>
<tr>
<td>Further negative DRG catalog effects</td>
<td>• Sales impacted by negative catalog effects, in particular cardiology</td>
</tr>
<tr>
<td>Rising FDA (<em>Fixkostendegressionsabschlag</em>) discounts through volume expansion starting in 2019</td>
<td>• Sales impacted by increasing discounts</td>
</tr>
</tbody>
</table>
Minimum Quantities and Forming Centers

• From "everyone does everything" toward specialization

• As early as 2017, Helios voluntarily started Medical Specialist Groups

• Now a mandatory requirement of both health insurers and the government!

• Tangible quality increase through minimum quantities and creation of centers. But an initial decrease in sales through the startup effect, as efficiency in the hospitals declines and not all efficiencies benefit the hospitals directly
## Growth Factors

1. Forming centers for single services, with lighthouse projects → increase number of cases and improve quality after initial phase
2. Decreasing number of emergency service providers → growing number of cases for remaining providers
3. Closing hospitals due to requirements of the structural fund → continued market consolidation, therefore fewer hospitals competing with Helios
4. Increasing the service quality for patients and their families → patient loyalty
5. Development of new business areas (e.g. outpatients, ORP, third party hospital management)
6. Increased integration of outpatient and inpatient treatment
7. Selective acquisition of hospitals in Germany
Summary

• Anticipated political regulations will impact financial performance
• Helios Germany has taken decisive measures to counteract regulatory challenges:
  • Superior medical quality
  • Digitalization
  • Clustering
  • Cross-sectoral care
  • Development of new care models
  • Sharpening of hospital portfolio
• Helios Germany is excellently prepared for the future!
Thank you