Cost Synergies by Integration

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The Best of Both Worlds

- Outpatient services
- LOS
- Service-App
- Short waiting times
- Procurement
- Laboratory
- Process
- Quality
- Standardization
- Outcomes
- Peer & Management Reviews
- Clustering
- Integration through interaction
- Outsourcing & Cooperations
Key Take-Aways

- Two national champions successfully serve local health care needs
- Standard of care adapted to individual market conditions
- Size matters: Bundling of quantity & internationalization create new opportunities
- Efficiency supports quality – however, there are limits to standardization
National Markets - Drivers and Limits

Drivers

- No boundaries between inpatient and outpatient sectors
- Fragmented private hospital market
- Growing private insurance market

Limits

- Elevated DSO/DPO (days sales/payments outstanding)
- Limited growth in public sector

Spain

Drivers

- High level of price stability
- Additional revenue for specialized services ("Wahlleistung") or premium quality

Limits

- Inflexible pricing system
- Sector boundaries
- Regulatory requirements
- No greenfield projects in public setting

Germany
Analysis of Cost Drivers to Identify Synergies

Cost ratios are different but cost drivers are similar

100% of doctors are employed

Besides improvement of process efficiency, cost savings are mainly identified in the area of variable costs, such as:
- Procurement
- Laboratory services
- Medical technology
- Additional services (e.g. sterilization, shared service centers)

Spain

Germany
Efficiency Supports Quality

From single projects to common strategy

First things first
- Each unit defines its own goals → quality and price

Synergies potential yes/no?
- Are there synergies based on individual goals and how can they be achieved?

Together we are stronger
- Combine negotiation power
- Common negotiations of volumes and price

Use country specifics – respect cultural differences
- Different approaches to achieve goals
- Individual implementation of results
What We Promised in September 2016

- LOS
- Short waiting times
- Outpatient services
- Procurement
- Outsourcing & Cooperations
- Standard-ization
- Clustering
- Laboratory
- Quality
- Peer- & Management- Reviews

Mid-term incremental pre-tax synergies of approx. €50 m p.a.
Cost Synergies Contribute Significantly
Mid-term Cost Synergies

**Procurement: ~€10 million p.a.**
- “one face to the market” concept
- Best price for selected products
- European pricing – increase volumes
- Harmonization of contracts
- Foster long-term supplier relationships

**Laboratory: ~€10 million p.a.**
- Best price + best quality
- Potential additional future synergies with “one face” concept
- Further insourcing and restructuring in Germany

**Outsourcing & Cooperations: ~€10 million p.a., incl.**

- **Medical Engineering**
  - “Takeover” of maintenance of medical devices (MD) in Spain by Vamed
  - Started with high complex MD and expand to low/mid complex to all regions

- **Medical & Technical Engineering**
  - Merging with technical service of Helios Germany
  - Sterilization
  - Cooperation with Vamed
Further Cost Synergies 2020 and Beyond

- Logistics 4.0
- Digital pathology Germany and Spain
- International patients Germany and Spain
- Concentration of laboratories in Germany
- Shared services centers Spain
- Strategic procurement

~€10 million p.a. already identified
Portfolio Synergies from Fresenius Platform

- Bundle expertise/volumes
- Generate savings
- Use resources more efficiently
- Focus on core business within Fresenius platform

Technical Services

Outsourcing & Cooperations
Procurement
Laboratory
Logistics

MedTec
TE
Steri
Construction/Project Controlling
Best Practice – Next Steps

- Reorganization of Germany’s laboratory landscape
- Centralization in hubs and collectors
- Integration of medical centers
- Possible expansion to outpatient market – JV

- Merging of construction and project management of Vamed and Helios Germany
- Concentration of know-how

- Cooperation with Vamed Medical Engineering
  - “Everything from one source”
  - Allocation of budgets via pricing model

- Centralization of Helios Germany logistic hubs
- Reduction of warehouses and capacities
- Digitalization and rationalization

- Merging with technical service of Helios
  - Cooperation with Vamed
  - Benefit: “everything from one source”
  - Allocation of budgets via pricing model

- Development of a new business model in collaboration with Vamed and a third party
Thank you