



KPMG Healthcare

Main trends of the Dutch healthcare market

2009

AUDIT & ADVISORY

Public Sector: Healthcare Issue Analysis (1/2)

Issue	Cause	Client need	Types of projects
The introduction of market forces within the healthcare sector	<ul style="list-style-type: none"> • Required by the government • To achieve efficiencies and cost reduction • New entrants, private parties 	<ul style="list-style-type: none"> • Strategic (re) positioning <ul style="list-style-type: none"> - Define specialisation : - Mergers and partnerships possibilities - Definition on how to make profit and paying it out to shareholders • More entrepreneurship with the associated risks • Efficiency versus transparency 	<ul style="list-style-type: none"> • Mergers and partnerships <ul style="list-style-type: none"> - €50 - €100K • Positioning and strategy <ul style="list-style-type: none"> - €50 - €100K - Cost price analysis and allocation - €50 - €100k • (Market) culture change projects <ul style="list-style-type: none"> - TBD
From budget to output financing	<ul style="list-style-type: none"> • Required by the government • No cost and price transparency 	<ul style="list-style-type: none"> • Change in the financing system in healthcare • Definition of products/ services and its costs and prices <ul style="list-style-type: none"> - DBCs***, ZZP***, VTT***, EZP*** and client profiles, DBCs - Real estate: Capital burden integrated part of rates - Optimal planning of resources 	<ul style="list-style-type: none"> • Definition of products/ services and its costs and prices <ul style="list-style-type: none"> - €50 - €100K • Implementation of planning tools and action plans for efficiency planning <ul style="list-style-type: none"> - €50 - €100K
Focus on being 'in financial control'	<ul style="list-style-type: none"> • Achieve efficiency and cost reduction 	<ul style="list-style-type: none"> • To implement budgeting and forecasting • Produce business cases and investment cases/ decisions • Improved Cost management i.e. Cost price models and cost prices and making the step to financial and operational control 	<ul style="list-style-type: none"> • Process improvement / optimisation and cost reduction <ul style="list-style-type: none"> - €50 - €100K • Business planning (focus on working capital, solvency) <ul style="list-style-type: none"> - €50 - €100K

Public Sector: Healthcare Issue Analysis (2/2)

Issue	Cause	Client need	Types of projects
Need for reliable and secure systems and data	<ul style="list-style-type: none"> Information systems and data flows are not well structured No reliable quality of source data Systems not integrated 	<ul style="list-style-type: none"> Secure systems and data and its processes Cultural changes Integrated MIS 	<ul style="list-style-type: none"> IT Audit <ul style="list-style-type: none"> - €100 - €500K
No systematic way to manage risk	<ul style="list-style-type: none"> Increase of risk and claims 	<ul style="list-style-type: none"> Implementation of risk management frameworks 	<ul style="list-style-type: none"> Implementation of risk management frameworks <ul style="list-style-type: none"> - €100K

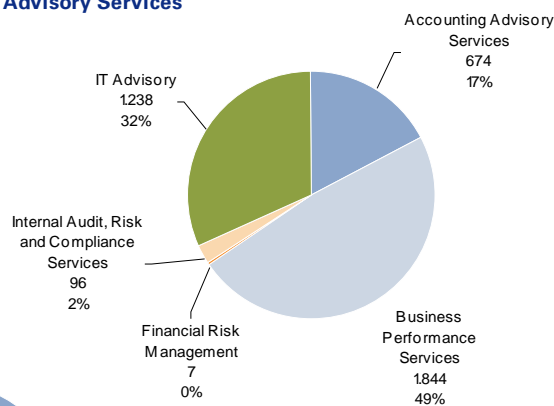
Klanten: Care & Cure instellingen en beleidsbepalers (1)

Net sales/growth across Advisory

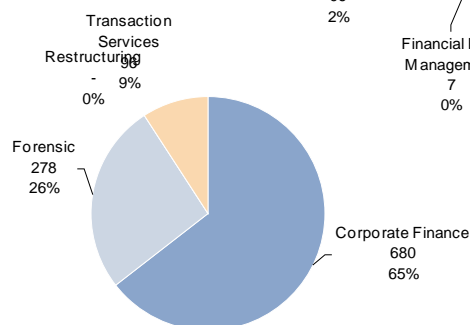
KPMG onderdeel	Omzet '09	Omzet '08	Delta (€)	Delta (%)
Audit	10.718	10.866	(148)	-1%
Risk Advisory Services	3.860	2.872	988	34%
FAS Services	1025	400	625	256%
Tax Services	518	226	292	129%

Top 10 Risk Advisory Services	2009 (*EUR 1.000)
Universitair Medisch Centrum St. Radboud	333
Stichting Flevoziekenhuis	261
Gemeente Amsterdam, Dienst Zorg en Samenleven	199
Academisch Medisch Centrum	198
Stichting Arkin	184
Stichting Parnassia Bavo Groep	183
Universitair Medisch Centrum Groningen	182
College voor Zorgverzekeringen	143
Vereniging Samenwerkende Ziekenhuizen	132
Stichting DBC-Onderhoud	131
Totaal	1.946

Risk Advisory Services



FAS Services

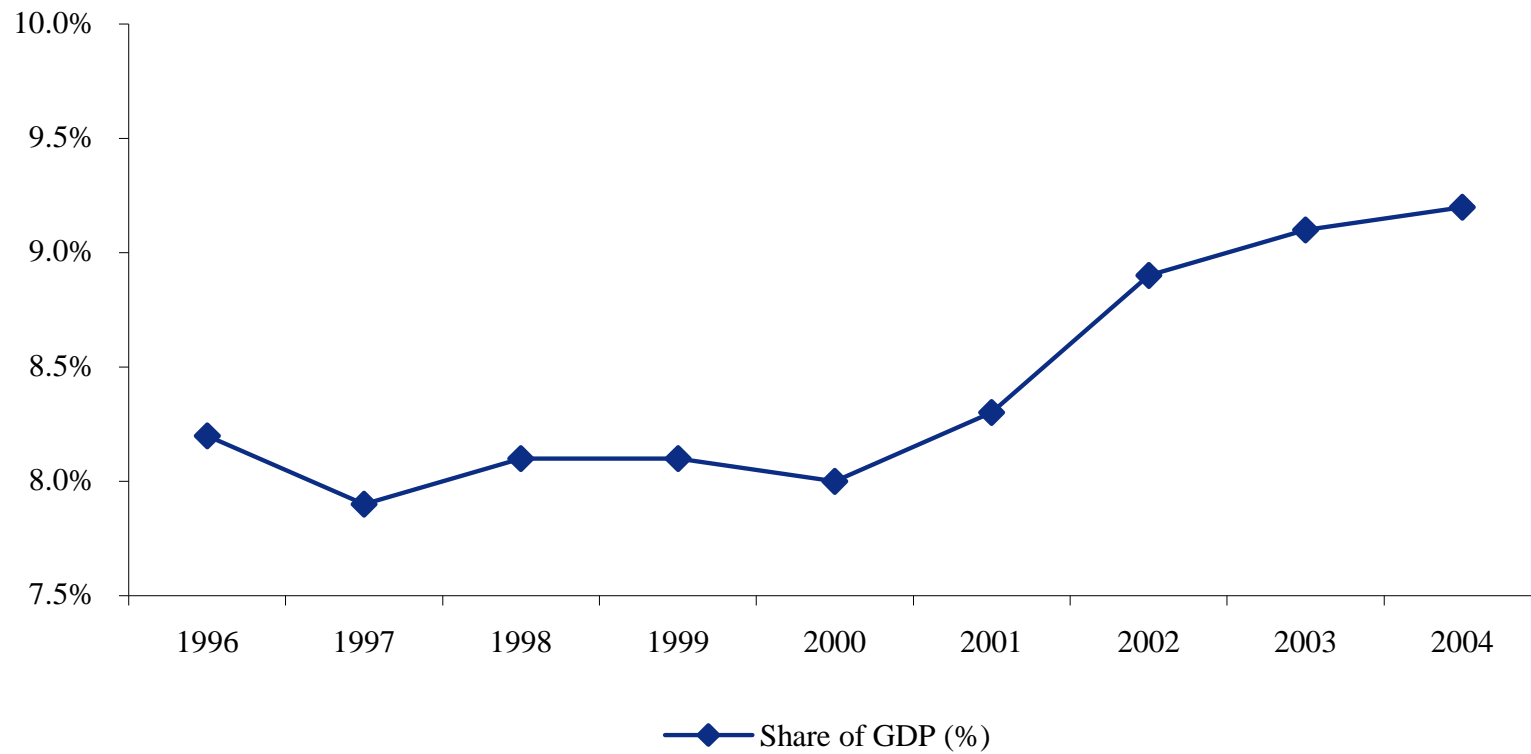


Top 10 FAS Services	2009 (*EUR 1.000)
Asito/ Evean	340
Stichting Espria	173
Stichting Bartiméus-Sonneheerdt	110
Carint Reggeland Groep	80
Academisch Medisch Centrum	67
Stichting De Posten	60
Het Nederlandse Rode Kruis	54
Isala Klinieken	52
Stichting de Opbouw	50
Vlietland Ziekenhuis	45
Totaal	1.030

Agenda

- Overview of Dutch Healthcare market and main trends
- Overview of Dutch Healthcare: the cure
- Overview of Dutch Healthcare: the cure

Healthcare expenditure (1)



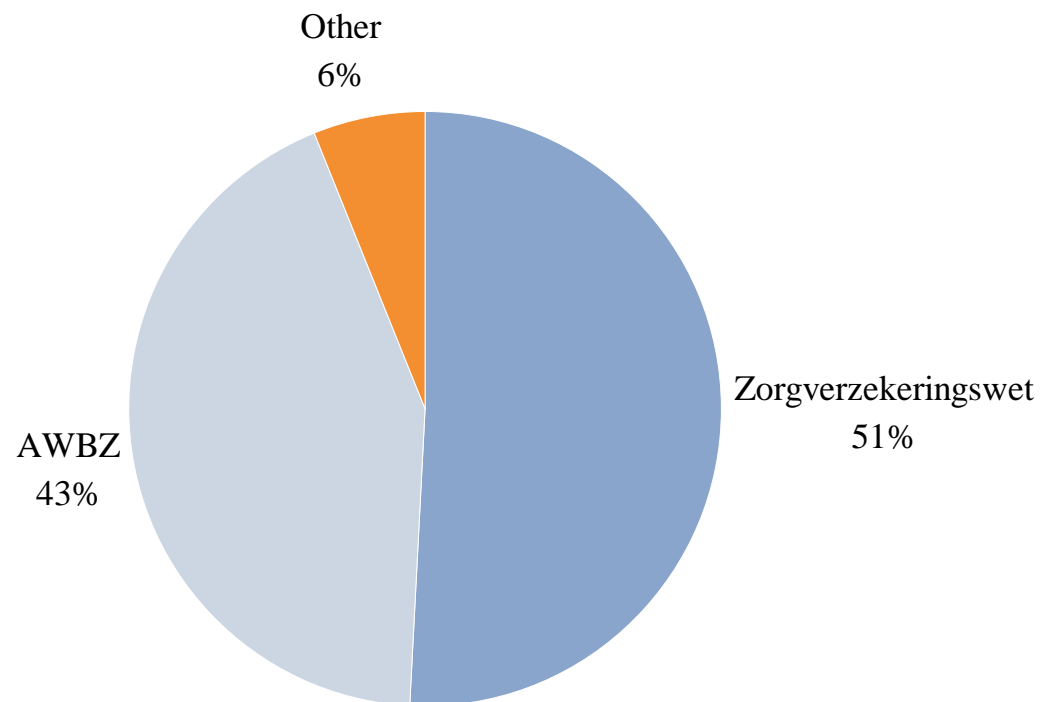
Healthcare expenditure (2)

- **Expenditure in the Netherlands amount up to EUR 60 billion**
- **This is approx. 10% of GDP**
- **In the Netherlands we have the so called “macro-kader”**

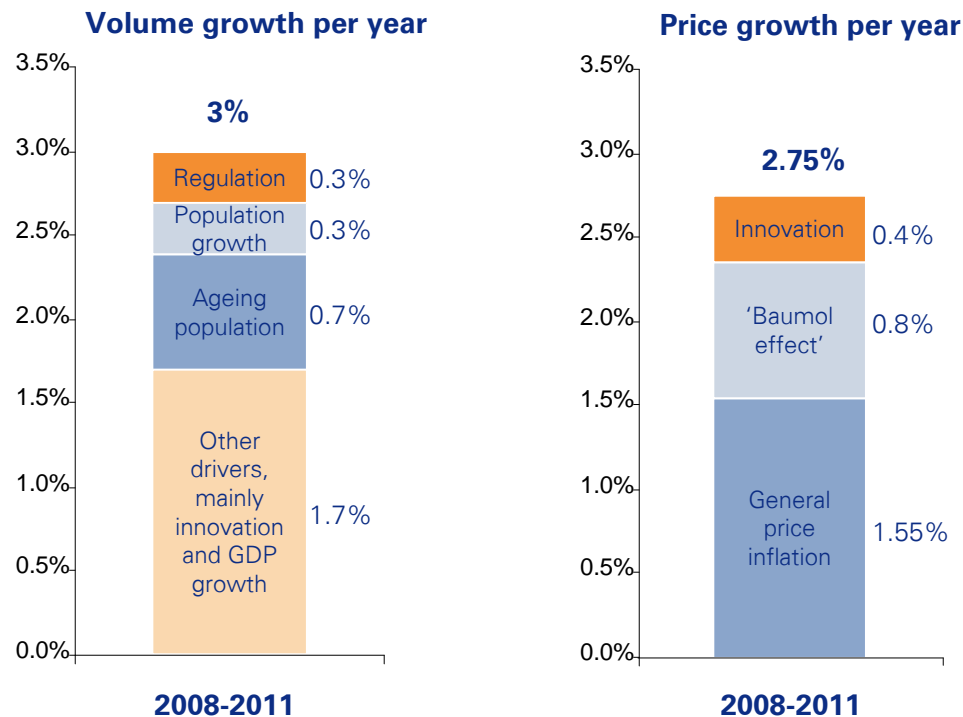
Healthcare expenditure (3)

- every dutch citizen has a mandatory healthcare insurance policy
 - this is the so called: “base policy”: a minimum amount of treatments and expenditures
 - this policy deals with the family physicians, hospital care and pharmaceutical expenditures
 - additional insurance is optional
-
- Besides we have the AWBZ (algemene wet bijzondere ziektekosten), that is a law for special healthcare costs
 - the main components are mental healthcare, care for teh disabled and care for the elderly

Healthcare expenditure (4)



The Dutch healthcare market is large, and expected to show further growth in both volume and price

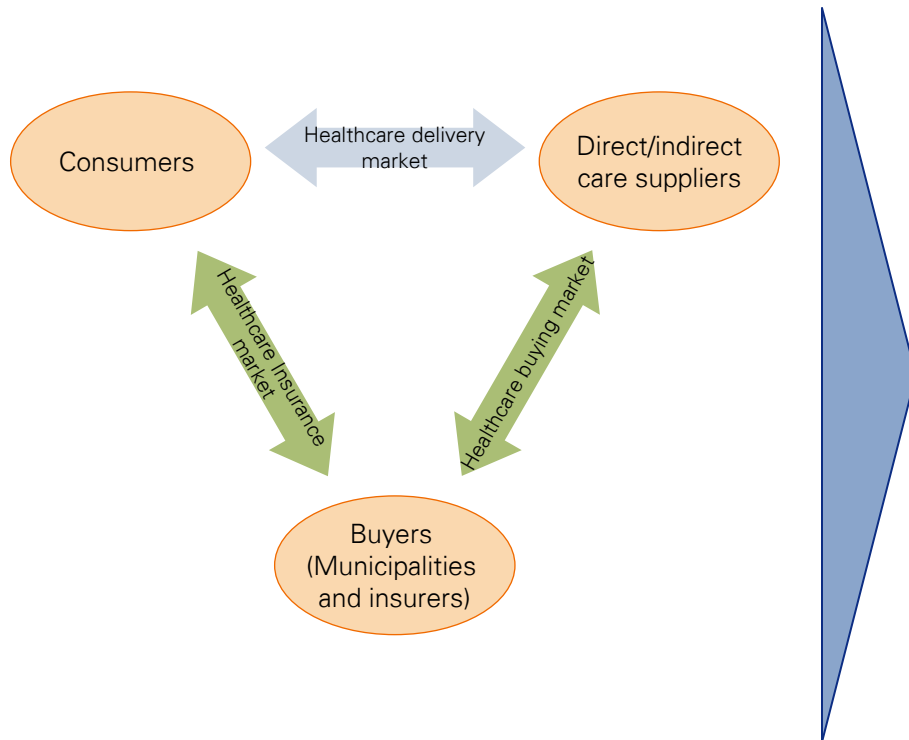


Despite considerable effort to reduce costs and demand throughout the healthcare sector, healthcare expenditure is expected to show substantial growth in the next few years

Source:
Note:

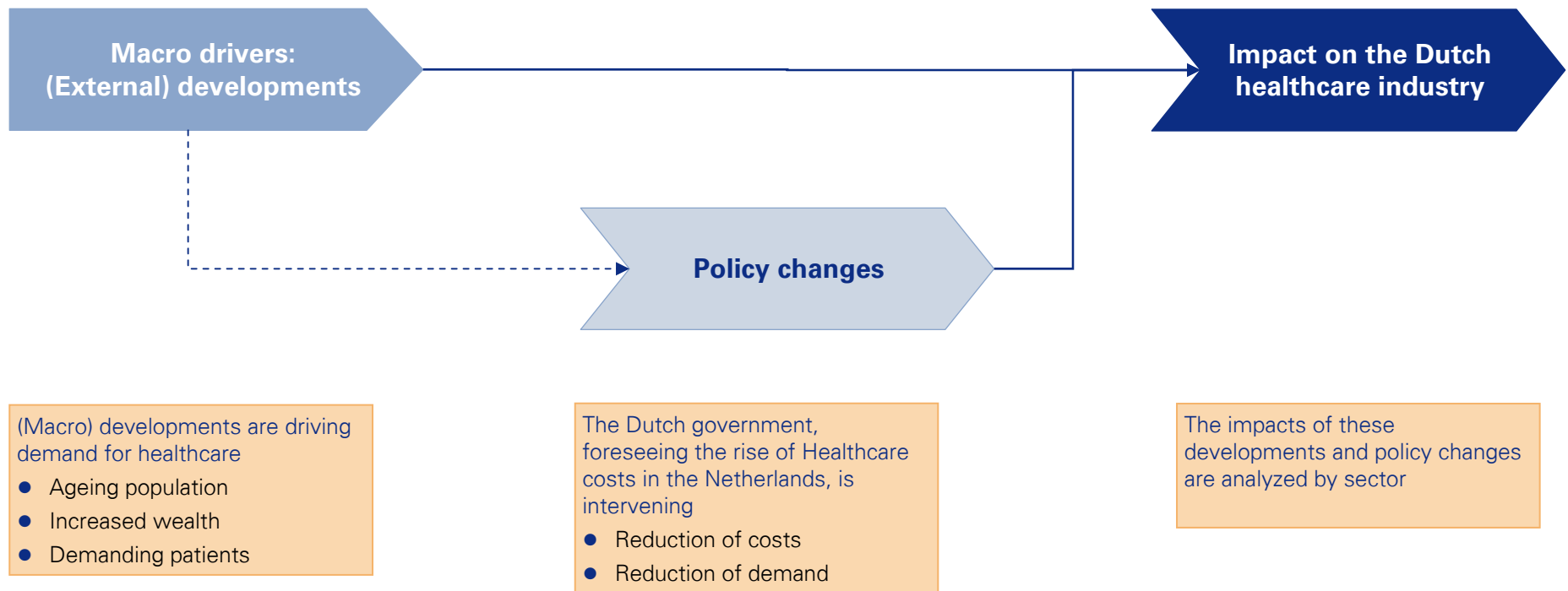
CBS, CPB
Baumol effect: inability of labour intensive sectors to increase efficiency and reduce costs

The 'Dutch Healthcare market' is complex and consists of three interconnected markets



- The complexity in the healthcare market lies in the separation of the buying and consuming functions, which are usually combined in a single customer
- Each of the three stakeholders in healthcare are directly affected by changes in two different markets
- Although these market are interconnected, they remain very distinct thus far

Macro developments are prompting policy changes from the government, both impact the Healthcare markets



The demographic changes in the Netherlands are driving demands on Dutch healthcare for increased volumes and quality

Ageing population

The elderly segment in Dutch population is the fastest growing segment in the Dutch population

- The growth of this customer segment will increase the market for their specific healthcare demands
 - The total volume of healthcare demand will rise, as this segment is a heavy healthcare user
 - The demand mix will shift towards care and treatments for age-related illnesses and conditions
 - New supply models offering convenient services for less mobile population
- As a significant part of the workers, especially in care is 50+, a capacity squeeze is expected

Increased wealth

The wealth of the Dutch population is changing the character of healthcare demand

- Occurrence of conditions associated with unhealthy life styles is increasing
- There is a growing segment of patients willing and able to pay for premium healthcare

Demanding patients

Patients are growing increasingly demanding, requiring better transparency and more differentiation

- Patients are requesting healthcare earlier and more frequently
- Patients are getting increasingly informed and demanding

The Dutch government responds by trying to limit the number of claims and by limiting the cost of claims

Limiting the number of healthcare requests

Some savings are to be achieved through reduction of the number of healthcare requests

- The first line becomes increasingly important as gate keeper of Dutch healthcare
- Threshold to request treatments or equipment is raised by reduction of coverage of base insurance and AWMZ/WMO, while consumer's own contributions are increased

Reducing costs of healthcare demands

The costs of fulfilling healthcare demands is to be reduced through increased efficiency throughout the value chain

- Legislation has been passed to introduce competition
 - Leverage insurers who are to perform the role of powerful buyers
 - Increasing transparency by standardizing treatments and procedures (e.g. DBC)
 - Gradual admittance of private operators
- In specific segments, the government intervenes by imposing price caps on specific services or products
- Government and insurers are increasingly tending towards cheaper alternatives

The government is changing the system and giving power to the healthcare buyers (insurers)

The demographic trends and policy changes are impacting the players in the value chain in different ways, but all need to raise their game

Suppliers production (Producers)

- Producers will face an increasingly two-tier demand structure

Suppliers delivery (Wholesale)

- Wholesale will experience increasing competition from low cost and direct delivery models
- Distributors need to find ways to differentiate on service

Care/ cure providers

- Care and cure providers will need to compete for the favor of both insurers and patients
- Efficiency, transparency, differentiation and private initiative are key elements of change
- Inefficient sectors may face major disruption (e.g. hospitals), and new models will emerge as demand is changing and insurers and government are pushing towards increased efficiency and lower costs
- The first line is increasing in importance, but may change going forward

Retail

- Consumer driven retail will increasingly compete for the favor of the consumer
- Government dependent retail (e.g. pharmacies) will experience increasing pressure on revenues and margins

Customer

- Differentiation will increase as insurers aim to reduce costs while a segment of affluent consumers willing to pay extra

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The market of the healthcare suppliers

Top 15 care suppliers in the Netherlands (2006)

Rank	Care supplier	Type of care supplier	Revenues (€m)
1	Erasmus Medisch Centrum	University Hospital	833
2	Werkverband De Open Ankh	Mental Health and Nursing institution	784
3	Universitair Medisch Centrum Utrecht	University Hospital	695
4	Universitair Medisch Centrum Groningen	University Hospital	615
5	Academisch Medisch Centrum	University Hospital	601
6	Universitair Medisch Centrum St. Radboud	University Hospital	591
7	Evean Groep	Nursing, youth care, homecare, elderly care	531
8	Leids Universitair Medisch Centrum	University Hospital	530
9	VU Medisch Centrum	University Hospital	466
10	's Heeren Loo Zorggroep	Mental Health	454
11	Carante Zorggroep	Mental Health	445
12	Academisch Ziekenhuis Maastricht	University Hospital	385
13	Isala Klinieken	General Hospital	332
14	Sensire & Thuiszorg Groningen	Nursing, youth care, homecare, elderly care	331
15	Zorggroep Noorderbreedte	Nursing, youth care, homecare, elderly care	314

Trends in the cure sector (1)

Hospitals in the Netherlands 1/2

Year	Hospitals	Operated beds	Beds per hospital	Inpatients	Treatment days	Average duration of stay
1998	115	54,356	473	1,523,000	13,800,000	9.1
1999	109	53,786	493	1,497,000	12,985,000	8.7
2000	104	51,999	500	1,460,000	12,386,000	8.5
2001	101	50,037	495	1,457,000	11,912,000	8.2
2002	98	49,673	507	1,521,000	12,086,000	7.9
2003	97	49,122	506	1,579,000	11,800,000	7.5
2004	97	49,006	505	1,657,000	11,655,000	7.0
2005	96	48,268	503	1,684,000	11,515,000	6.8
2006	96	47,710	497	1,736,000	11,447,000	6.6

Source: CBS Statline

Trends in the cure sector (2) financing

- **formerly a budget system**
- **from 2005 transition to DBC-system**
 - DBC = diagnosis treatment combination
 - A -segment: only the financing, not for the budget funding
 - B - segment: negotiabel prices between hospital and insurers
 - The B-segment has grown from 10% up to 35% in 2009.
- **costs of capital**
 - up till 2009 no risks on these expenditures for hospitals
 - in 2011 capital expenditures incorporated in the costs of the DBC's

Trends in the cure sector (3)

- **Increasing financial risks**
- **Increasing demand for observable quality, from insurers as well as from the public**
- **Increasing need for investment, for instance in ICT and equipment**
- **The need for cost-reductions and delivering patient care at market prices**
- **An unfavourable labour market in the near future**
- **New suppliers entering the marketplace**
- **A trend towards specialised clinics, like the Sint Maartenskliniek,**
- **Entering of new, private and for-profit suppliers that play a different game**
- **Private-equity, seeking an entrance in the Dutch healthcare market**

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AWBZ expenditures 2009

(in millions of euro's)

AWBZ income 2009

(in millions of euro's)

• Percentage on wages and income	12.800
• Own contributions	1.600
• Contribution from the government	4.900
Subtotal	19.300
Deficit	3.200
Total	22.500

- The deficit will be paid out of the “algemeen fonds” (central account for the AWBZ); at the end of 2009 the balance of the “algemeen fonds” will be approx. EUR 6.200 negatief.

AWBZ clients 2009

	numbers	costs	average
euro's		million euros	euros
1 Care without stay	250.000	5.000	20.000
2 Care with stay			
elderly care	169.000		
disabled	69.000		
mental care	22.000		
totaal	260.000	15.500	60.000
3 personal budgets	107.000	2.000	19.000
Totaal	595.000	22.500	

AWBZ budgetting

1 Budgeting as at 2009, based on

- budgeting on delivered days
- no risks on the capital costs

2 From 2010 budgeting based on ZZP's (care products)

- payment fro each client
- prices set for the different ZZP's

AWBZ: troubles of a CEO of a AWBZ provider

- 1 Implementation ZZP's**
- 2 Cliënts versust ZZP's**
- 3 Real estate (financing and building)**
- 4 Financing by the commercial banks**
- 5 Labour market**
- 6 Quality**
- 7 ICT**
- 8 Risk management**
- 9 Governance**



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