

Deloitte.



The rise of global health care companies

Applying best practices worldwide

The state of play

Growth in global health care

Health care is big business—really big—and it touches every human life, often in very profound ways.

The global health care market is currently valued at approximately \$7.7 trillion and is projected to exceed \$8.5 trillion by 2020.¹ With market consolidation and the increasing role of the government in the US health care system, there has never been a better time to look beyond the US border for opportunities.

Consolidation in the US

The top **5** health insurance companies in the US have more than **\$145 billion** members. **9** hospital systems in the US have over **100** hospitals (two have over **200**) and the number of hospital beds in the US has been declining for years.^{2,3,4,5}

Global spending growth

Global health care spending outside of the US is expected to grow at more than twice the rate of the US - **8.7%** by 2022⁷ compared to only **4%** within the US⁸.

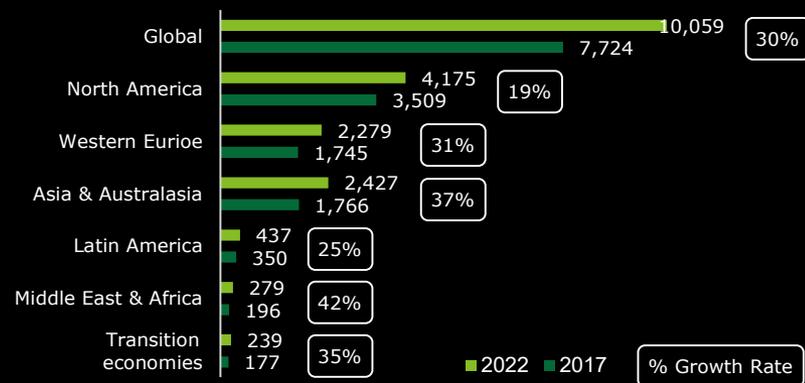
Outbound investment

The total number of health care investment deals between US and international markets peaked at **196** in 2018, with a combined value of **\$26.1 billion USD**.⁶

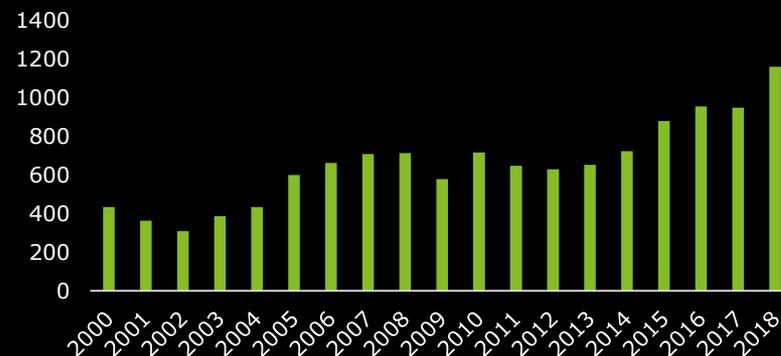
Record-breaking activity

2018 was a peak year in cross-border M&A activity in the health care industry, with a total of **1,160** deals on record, reflecting a decades-long upward trend across the globe.⁹

Global health care spending (USD billion)



Total Cross border health care M&A deals

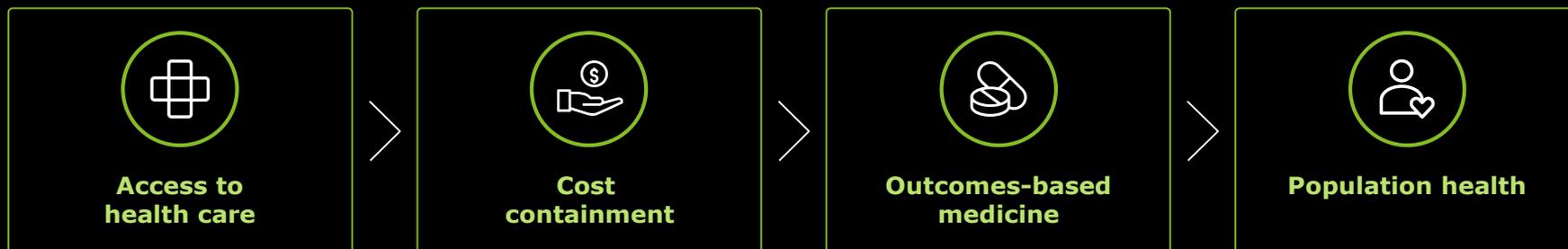


The health care opportunity continuum

All health care systems follow a natural evolution: from creating access, to controlling costs, to improving care, to population health.

At any stage of this evolution, the effective and innovative delivery of health care is transferable across borders. Today, the greatest growth opportunities are outside the US, as mature markets show significant signs of growth constraints and less-mature markets increase their health care spend as a percentage of GDP. As a result, organizations in more established markets can leverage M&A and other growth tactics to tap into expansion opportunities by adapting proven business models to high-growth health care markets.

The goal is to move through the opportunity continuum:



Increasing reach

Depending on the market, this could mean increasing the number of health care facilities—such as the growing number of hospitals in China—or leveraging technology to increase health care access—such as Telehealth programs developed in Indonesia and India.

Financial pressure

As the cost of health care rises, consumers (including health plans, employers and patients) seek models, such as managed care, to control costs. This cost containment pressure has also sparked public and private partnerships to create managed-care models suitable for international markets.

Improving outcomes

At this stage, markets shift away from a fee-for-service model focused on volume of treatments, towards a payment model based on the outcomes of procedures. This leads to better overall outcomes for patients.

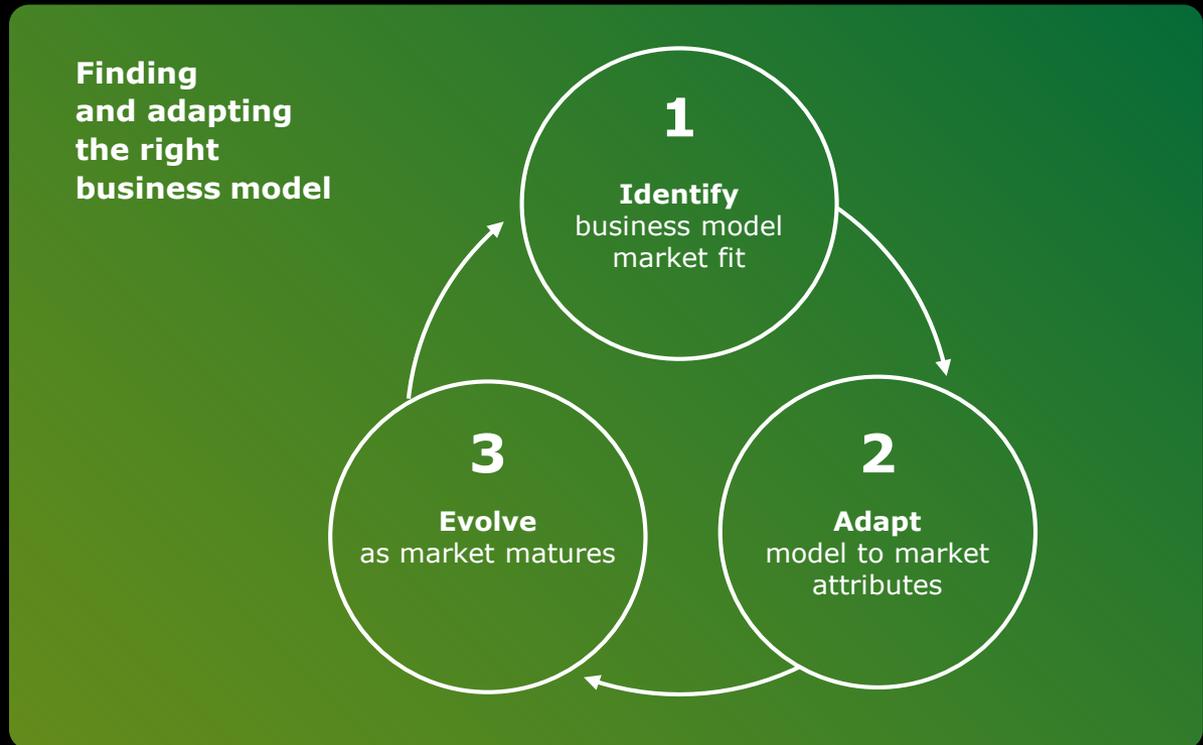
Preventative care

Focused on preventative action and remedies that address root causes instead of treating a disease, preventative care presents a new area of opportunity. Emerging technologies will help deliver next-generation therapies, such as gene editing and regenerative medicine.

Health care business transfer model

To grow, industry leaders will need to consider both international expansion and strategic partnerships that can deliver cost-effective solutions to create incremental stakeholder value.

Learning from more mature health care ecosystems or from other industries should be a critical success factor for growth.



Value creation depends on on the ability to identify the needs of the local health care market and adapt proven business models to the unique characteristics of that market.

As they seek to grow, organizations have an opportunity to identify the right fit, adapt attributes and evolve over time. This proactive approach involves understanding the available options, and adapting to changing realities over time.

Global opportunities in health care

The globalization of health care is upon us—and proven business models can be applied to organizational life cycles for expansion and growth.



While the US is the world's largest health care market, growth in the US has become significantly restricted.

The health care industry in the US has become consolidated, characterized by increasing exposure to government payers. Other global markets are expected to grow faster than the US market.

China, in contrast, which is the second-largest market in the world, is expected to add 20,000 hospitals within the next 10 years to increase population access to health care, while doubling health-care spend from 5 percent to 10 percent of GDP.¹⁰



Markets ripe for transition in the health care continuum to cost containment, such as Brazil, offer significant opportunity for investment.

Brazil has universal health care which covers 75% of the population. 25% of the population receives care through a private system which is primarily paid for by employers. The private system expanded rapidly to meet the demand for services, however medical inflation for the private sector is running at 17.3%, leading employers to seek solutions and services to manage health care costs.^{11,12}



Traditionally, health care companies have been geographically focused.

The consolidation of the US health care sector has limited domestic growth opportunities. The majority of health care companies lack well-developed strategies to expand globally, and most haven't pursued international opportunities. Health care companies with 100% of their business in the US risk potential exposure to a single-payer market.

What you need

Innovative and transferable patient-focused growth opportunities

Proven business models in mature markets, such as the United States and some countries in Europe, provide global opportunities to leverage best practices, transfer knowledge, and establish partnerships to accelerate growth. Companies in these mature markets are well-positioned to apply their business models on a global scale, capturing opportunities—whether at home or abroad—that optimize the use of technology, move from volume to value creation, and ultimately shift focus to overall population wellness.



Move from volume to value

- Incentives
- Coordinated care
- Operational efficiency
- Population health
- Social determinants
- Well-being focus



Recognize that technology plays a big part in the evolution of health care systems

- Insights and analytics
- Artificial intelligence
- Wearables
- Social platforms
- mHealth



Innovative delivery models

- The introduction of innovative care delivery models can offer the opportunity to do more with less
- Innovative care delivery models can not only reduce costs but can improve outcomes



Shift focus

- Population health management, wellness, and addressing social determinants of health
- Prevention and the overall holistic health of populations

Cross-border acquisition, collaboration and partnerships

A survey of transactions from around the world reveals opportunities to learn from other successful business models and technology platforms. Today, the transferability of disruptive models within a quickly evolving global health care ecosystem simply cannot be ignored: in 2018 alone, global cross-border M&A totaled \$182 billion⁵.

Sanford Health is one of the largest health systems in the United States. Through a series of cross border acquisitions and investments, Sanford World Clinics operate in nine international markets today.¹³

US-based **Centene Corporation** provides health care solutions in 32 states. Through acquisitions and joint ventures, Centene also operates in three international markets.¹⁴

US-based **CHRISTUS Health**, through a series of investments and partnerships, offers health care services in Mexico, Colombia, and Chile. Today, CHRISTUS operates 33 hospitals and long-term care facilities in Mexico alone.¹⁵

In 2016, **China Resources Group** acquired a majority stake in GenesisCare, Australia's largest provider of radiation oncology and cardiology services. Through this acquisition, China Resources expanded GenesisCare's services in to the Chinese market.¹⁶

UnitedHealth Group is the world's largest health care company by revenue, currently operating in 130 countries¹⁷. Since 2012, the company has been leveraging their expertise to operate the largest health plan in Brazil¹⁸.

Universal Health Services is one of the largest behavioural health providers in the US. It has leveraged its US management model to grow, through acquisition, to become one of the largest providers of behavioral care in the UK.¹⁹

The US dialysis market is highly concentrated between two large players: DaVita and Fresenius Medical Care, each with 38% market share²⁰. In 2018, Germany-based **Fresenius** accounted for over 200,000 patients, 2,521 units and 8% in annual patient growth versus 2017.²¹

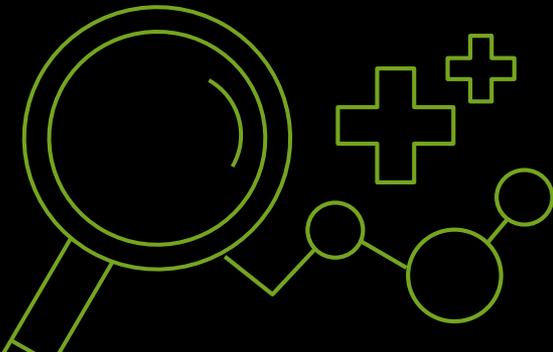
In 2012, **The Linde Group** acquired US-based oxygen and respiratory therapy services provider Lincare for \$42.5 billion.²² Through applying their core competencies in logistics, Linde now operates the largest oxygen and in-home respiratory therapy business in the US.

Deloitte's approach

Sector knowledge and pragmatic strategies

The future of health care is expected to evolve dramatically from its current state in each market, creating brand-new opportunities to deliver value and grow.

With our significant global scale and capabilities in the health care space, we are uniquely positioned to help our clients develop and execute their expansion strategies by **identifying, adapting and evolving** the most appropriate opportunities worldwide.



Unlike other firms, Deloitte has on-the-ground experience in operating health care systems, and is also intimately familiar with emerging technology platforms.

THE RESULT:

We are distinctively capable of developing strategies that are both pragmatic and implementable.

We employ approximately 300 clinicians and health care delivery providers, and are well suited to understand both incentives and operational processes—and the technology required to support them.

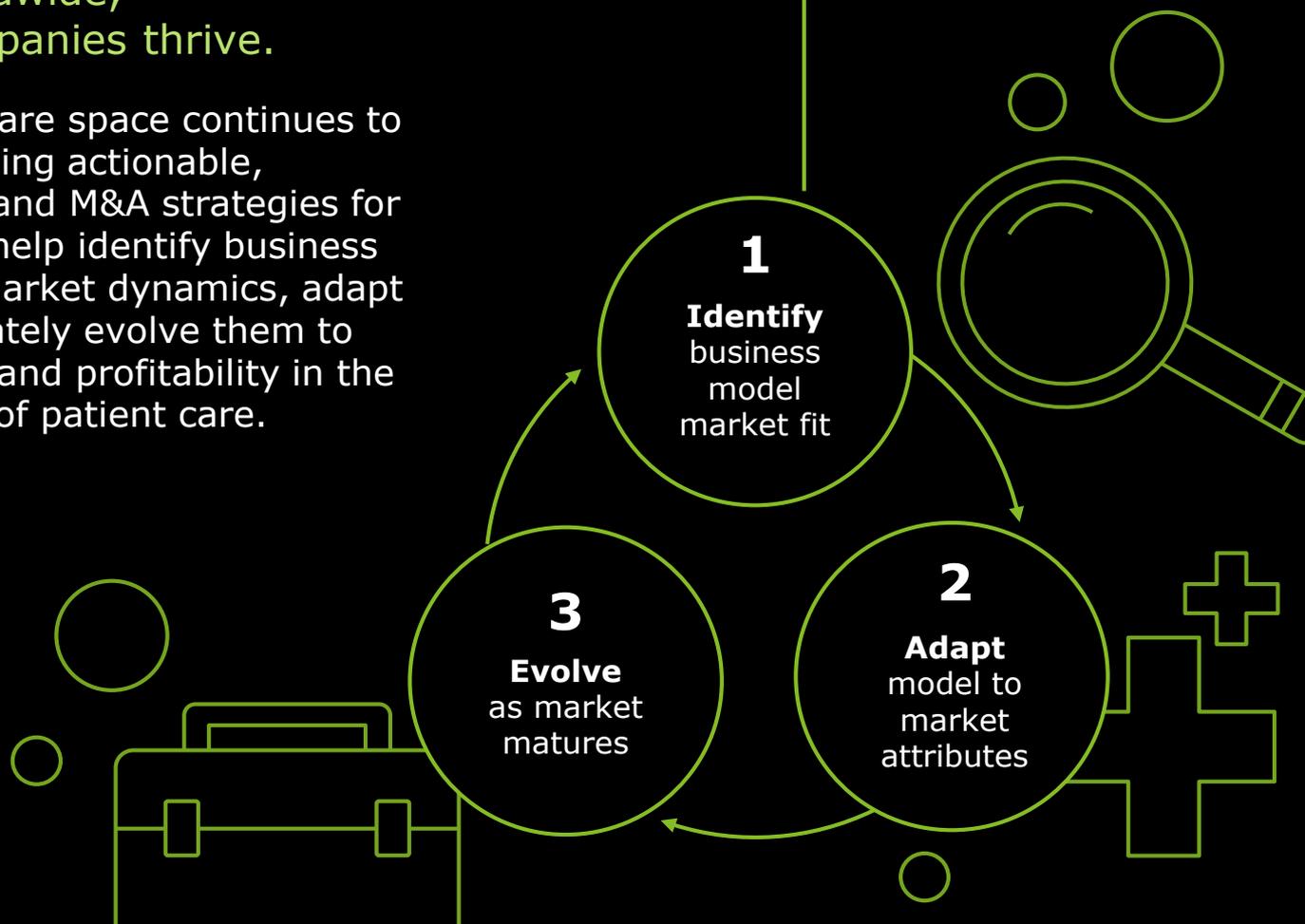
THE RESULT:

Our hands-on understanding of all the moving parts of the new ecosystem and our ability to integrate the use of emerging technologies make us an ideal partner at the table.

The bottom line:

Organizations need to consider international opportunities—and by leveraging proven health care business models worldwide, Deloitte can help companies thrive.

Our *doing* in the health care space continues to inform our thinking—driving actionable, execution-ready growth and M&A strategies for our clients. Deloitte can help identify business models that fit specific market dynamics, adapt these models, and ultimately evolve them to maintain both relevance and profitability in the everchanging landscape of patient care.



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