



RAMSAY HEALTH CARE

Merrill Lynch 2nd Annual Australian HealthCare Conference June 2002

Exploiting Competitive Advantage

Ramsay Health Care

Patrick Grier, Managing Director

Industry Dynamics – Macro Trends

- **Increasing demand**
 - Aging population
 - Consumer expectations
 - New treatment regimes
- **Swelling Medical costs**
 - Technology
 - Scarcity of resources
 - Skilled staff and medical practitioners
 - Pharmaceuticals and diagnostics
 - Medical indemnity insurance
 - Capital requirements



Industry Dynamics – Macro Trends

- **Intensifying dissatisfaction amongst**
 - **Consumers**
 - **Employers (nurses)**
 - **Clinicians**



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Industry Dynamics – Macro Trends

- **New Payor Models**
 - **Pay for performance**
 - (quality and safety and consumer satisfaction)
 - **Payor provider partnerships**
 - **Co-payments for satisfied consumers**
 - **Simplified and integrated pay systems**
 - **Fewer but more specialised provider facilities**
 - **Targeting High Value, High Quality, High Margin services**



Creating the Future

- **A Balanced Health Care System**
 - **Public and Private**
 - 30% rebate
 - Lifetime cover
 - Other incentives
 - **Or the alternative**
 - The NHS of the UK
 - **General trend in Europe**
 - **Not the USA system**



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Creating the Future

- **A well managed**
- **Good portfolio of hospitals**
- **Consumer responsive organisation**
- **Will create sustainable growth**



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The Development of Ramsay Health Care

- **Originally – 75% psychiatric care 25% med-surgical**
 - **Developed our leadership in psych.**
- **Won the tenders to Privatised 2 Veteran Hospital**
 - **High acute patient care skills**
 - **Diversified income stream**



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The Development of Ramsay Health Care

- **Development of the co-located hospital concept**
 - **Win win partnership for doctors, government consumer and payor**



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The Development of Ramsay Health Care

- **Purchase of the Alpha Group of hospitals**
 - **Strategic critical mass addition**
 - **Good fit with our portfolio of hospitals**
 - **Rural**
 - **Psych**
 - **Co-located**
 - **Added rehab**
- **Leadership role in the industry.**



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The Competitive Edge

The Successful integration of Management Skills



Ramsay Health Care Strategy

- **Portfolio of Hospitals**
 - **Strategically positioned**
 - 20% of NSW Market
 - **Full range**
 - Hospital types
 - Margins
 - **Diversified income stream**
 - 45% Government contract
 - **Strict criteria for add-ons**



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Ramsay Health Care Strategy

- **Consumer Demand Driven**
 - **High health fund membership areas**
 - **High demand, High quality services**
 - **Consumer sensitive**
 - Co-payments



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Payor Relationships

- **New payor models**
 - Quality and special service driven
 - Consumer driven
 - Good cost information systems
- **Higher margins for high – quality services**
- **Fewer but more specialised facilities**



Payor Relationships (Continued)

- **Payor and consumers will demand information**
- **Reduce unnecessary administration costs**
- **Must be in a position to take a leadership role – win win model**



Staff Relationships

- **Part of controlling costs**
- **The Ramsay Way Program**
 - **Greater staff satisfaction**
 - **New labour mix**
 - **Reduce overload**
 - **Reduce turnover**
- **Better quality patient care**



Doctor Partnership

- **A win win relationship is key**
- **Doctors integrated into the hospital system**
- **Aim to have all Ramsay Hospitals with adjoining consulting suites**
- **Grow the referral system through the specialists**



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Industry Leadership

- **Government**

- Manage the changing environment
- Balanced health care system
- Cover for psychiatric care

- **Health Funds**

- Leadership role in new payor models
- Higher pay for good performance
- Procedure funding – good management information systems
- Consumer demand driven



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Micro Management

- **Good long term management**
- **Strong cost controls**
 - **Staffing and supplies (size)**
 - **Doctor relations**
 - **Quality care to reduce medical indemnity insurance costs**
- **Revenue enhancing activities**
- **Improve margins**



Ramsay's Strategy for Sustainable Growth

- **Organic growth**
 - **Micro management**
- **Add extra capacity**
 - **Demand specific**
 - **Better utilization of facilities**
 - **Higher ROI**
- **Continue to target strategic acquisitions**
- **Look for opportunities using our core competencies**



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