Ramsay Health Care Australia Investor Day | Transcript

November 10, 2023

Carmel Monaghan:

Good morning everyone. I hope you enjoyed the tours and the presentations and conversations over the last 24 hours. It's been great to spend that time with you and that it's given you a good understanding of the size, breadth, and scale of the organization, the dominant position we have in the markets in which we operate, and how we are thinking about the shifting dynamics of the healthcare sector into the future. I know I acknowledged the lands on which we are gathered here today, this morning, but for the purposes of the people on the call, I just want to acknowledge that we are in Mianjin, Brisbane, the land of the Turbo and Yaggaar people who've been here for 32,000 years. Turbo's to the north and Yaggaar is to the south of Brisbane and it's separated by the winding brown serpent known as Mewa that I told you this morning is not so brown anymore, it's green. But that's the history of Brisbane.

This painting that you walked past in the foyer was painted during COVID by local indigenous artists known as Wendy Rix together in 2020, and it was to mark the amazing work of our people through the pandemic, which was truly amazing and obviously extended far past 2020, but we want to know that at the time. So it's a lovely painting in the foyer if you want to look on your way out. Okay, so the agenda for today is we're going to cover our strong foundations as Australia's number one healthcare provider, the market fundamentals that underpin healthcare and our growth strategy. Following my presentation, we will have a presentation from our chief transformation data and digital officer, Dr. Rachna Gandhi, who you met yesterday, and then we'll go to questions and we'll have Martin Craig and Andrew Smith who some of you know the CFO for Australia, join us on the stage. So we'll do questions at that point.

In 2024, Ramsey will celebrate 60 years in the healthcare industry in Australia. Paul started, most of you know with one private psychiatric clinic in Sydney, known then it was actually at Marina house, it was subacute facility and for those of you who know the story, the first patient died, so it wasn't good start, but he converted it into a psychiatric hospital, got a psychiatrist and built from there in 1964, what was then to become an amazing success story. He amassed over 70 hospitals by 2005, and I started here at Green Soaps in 1998 when we had 12 hospitals. And so it's been a big ride. This was three years after Ramsey took over this hospital from the Repatriation Commission and we also had Hollywood in Perth in 1994 that we'd acquired, also a former Repat hospital. And today these two hospitals remain among the largest in the country, both public or private.

Hollywood is the leading orthopedic hospital in the country, undertaking more joints than any other facility, public or private. And with its new ED, Hollywood's recently commenced cardiac surgery and the demand is so great at Hollywood that they're looking to go past that four cath labs and build more. I've no doubt it will become a leading cardiac center of excellence. And both Green Soaps and Hollywood are the only private gazetted teaching hospitals that are able to train junior medical staff with basic training from the colleges of surgery and physicians. So really, truly amazing facilities and I hope you got a sense of that today. Ramsay though is not only successful because of the investment we've made in growing our hospitals, but we've also been successful because we've focused on our people. People matter, the doctors that work with us, the loyal staff, the patients we treat. And we take our purpose of people caring for people really seriously.

The Ramsey way is all about people. We care for our staff, we care for our doctors, we care for our patients, and we did that right through COVID. We put people before profits and that's come back to pay for us in spades. I'm very proud of the fact that this year Ramsey was named in the list of top 10 most attractive employers in the country by an external survey by Randstad, and it was one of only

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four private companies in that list. And this week for those of you who follow me on LinkedIn, we announced that we've been ranked by Forbes as one of the world's top companies for women in 2023. At interviews, people say to me, I wouldn't leave this company that I'm working for unless it was Ramsey. The only other company I want to offer is Ramsey. And people come to this company and they'll tell me, "Ezra, tell me once, you don't know what you've got here. It is really good." And that is because of the people that work with us. So we are very delighted to have that people caring for people reputation.

And despite COVID one of the most turbulent times in the industry's history, we didn't stop thinking about our future either. We continue with our vision to become a leading provider of healthcare. We continue with our strategy to become a digitally enabled, fully integrated healthcare provider, and I hope you're seeing some of that as we walk around the facilities. Our strategy is clear. We deliver clinical excellence. We are the leader in the markets in which we operate. We are setting ourselves up for a sustainable future.

Right. In Australia, Ramsay Healthcare is the largest operator of private hospitals, 72 facilities today. In February, 2024, we'll open the northern private, which I'll show you an image of later, and we'll have 73 facilities. We have strategically well located hospitals in high growth regions. We are building our network beyond the hospital walls as you can see on this slide into community pharmacy, allied health, home care, and virtual care. We have a large and growing network of private eds, which are experiencing significant growth as you've seen over the last few days. And these EDs funnel growth patients into our acute facilities. Our 34, 000 staff, 7,000 doctors are the secret to our success and our ongoing and increased investment in training, development, career pathways and digitalization. AI and data is improving the experience for not only our patients, but for our doctors and staff.

Our competitive advantage is in the strategic portfolio of hospitals that we operate, which are geographically well-placed in high growth markets. We have a strong track record of building and expanding our facilities to meet the growing demand and the scale size and quality of facilities that drive better indexation from health funds. At the same time, we've been quietly but surely expanding our capabilities across the healthcare value chain. You know about our pharmacies. We have a network of 12 standalone day surgery centers, including two under construction, and we have 19 psychology clinics from Perth to Cairns. Our 1400 allied health staff and nurses provide care both in and out of hospital, at home and in clinics around the country through our Ramsey Health Plus and Ramsey Connect Services.

You've been in southeast Queensland in the last 24 hours and seen three of our facilities. This is one of the fastest growing regions in Australia growing at triple the rate of the rest of Queensland. We couldn't have planned it much better yesterday with that traffic from Gold Coast to Brisbane. And most of you have seen just the growth and if you haven't been here for a while, the growth in this market has been phenomenal. I think last year we had 50,000 migrate out of Victoria of course to Queensland and it's been a really big migration influx. So the infrastructure is going to be required for the future of meet that. In this market, we have 15 hospitals from Ballina to Nussa including three mental health clinics, four standalone day surgery centers and four emergency centers. We've been building out our integrated care services as well. In this market we have 26 franchised community pharmacies, including the 24-hour pharmacy at this hospital, four Ramsay Health plus clinics and five Ramsay psychology clinics. And our Ramsay Connect services undertake about nine and a half thousand home visits a year in this market.

I'm not going to spend a lot of time on the market fundamentals, it all, you know you have analysts that explore this market and the market fundamentals. So I'm just going to highlight a few things that we look at when we're assessing future growth. We certainly have an aging and growing population with increased migration, which will drive higher demand for hospital services. Chronic

disease rates are also growing and our analysis shows that as hospitalization rate trends return to normal, we'll see a K growth of three and a half percent per annum to until FY '28. PHI rates remain strong. We've had 12 quarters of growth after 15 quarters of decline, and that's been across all age groups. Certainly cost of living pressures could impact that membership, but given the type of patients we treat and the pressures on the public healthcare system, I expect people in the age group that we treat to maintain their health insurance.

Fiscal pressure will continue in terms of government health spending and this will see the private system do more public work. I'll come to that shortly in terms of what Ramsey is seeing, but about one third of the beds in this country are private and so we see the private sector playing an increasing role in this area. And the ideology or ignorance of the private sector, which existed prior to COVID has shifted. There was that ignorance of the private sector, particularly at a state government level and we are having more positive conversations with all levels of government about long-term planning for dealing with public patients. I know there's a lot of excitement about the shift of care today and at home. It's not new. It is a shift. The shift of day to only and reducing length of stay is well established and it's a long-term trend. Day episodes in overnight hospitals have been growing stronger than in day hospitals for a long time and the growth in underlying demand has historically more than offset these trends leading to ongoing growth in overnight bed days, albeit at a slower rate than day only.

Ramsey has 12 standalone day surgery facilities and these work well when they're around our major hospitals, but I would emphasize that 68% of the procedures we undertake in our overnight hospitals are day only. Again, I'm not going to go through all the detail in this slide and there's some elements covered later in the deck or in Ramsay's presentation later. Suffice to say that we spend a lot of time reviewing the market fundamentals, the structural shifts in healthcare, and as well as the long-term industry trends. And there's a lot on this side about how we're reviewing our strategy to ensure we continue to be the leading provider of healthcare for the next 60 years. We know the hospital market well and we invest with a lot of due diligence. Unfortunately, we've seen some people rush into this sector in recent years with lots of money and no sense that's resulted in some of the failures we've seen in day surgeries more recently in Orange or on the central coast where facilities have closed and I've no doubt there'll be more, which will lead to some consolidation of that sector.

This is not a quarterly update, so there'll be no figures in this slide, but we are going to give you some trends of what we're seeing in the first four months of this year. On volume trends, we are seeing activity in terms of admissions and patient days now trending positively across all specialties with the exception of maternity. In fact, admissions are the highest they've ever been. For medical and surgical, we are above FY 19 levels in terms of patient days, and this is despite the high percentage of day admissions and decreasing length of stay. Maternity and mental health as you can see on this graph are below pre COVID levels, although in relation to maternity, the experience is a bit different across the country.

We are seeing Victoria and WA lagging whilst and we recently closed Cairns while hospitals like this one Green Soaps you saw this morning, Westmead are growing. So New South Wales and Queensland are holding up generally. We did have June lag was impacted by COVID. We closed the private maternity ward there to deal with the COVID patients and so that return is coming more slowly, but it will we'll turn around. Rehabilitation, as you can see on this graph, has robustly rebounded from COVID in line with increased surgery and I expect surgical and medical activity to continue to improve assisted by the return to normal levels of leave and our workforce capacity returning to normal levels as well. Mental health's going to take a bit longer.

Underpinning our growth or our organic growth has been some of the investments we've made and are continuing to making in both equipment and facilities. Our specialty strategies, which I'll come to

a bit later, public partnerships and in our increased emergency centers, we've had four open since 2015 as well as a number of expansions as indicated on this slide. Public revenue and activity remains up on pre COVID levels and that's excluding our public hospitals. However, it has moderated from fiscal year 22 as we exited the private hospital funding agreements. The growth has predominantly been in New South Wales and Victoria, Queensland remains steady with solid public work coming through surgery connect. We've established in the last 12 months a dedicated public contracting unit, which is actively working with state health departments and local health districts to secure contracts moving forward mainly for surgical volume. And they are on more favorable commercial terms and we're pursuing those opportunities with all the low cost districts around the country. So that unit will drive more volume, good contracts, better commercial rates, discussions with doctors, et cetera.

And so we expect to see further growth in public emissions over time. For our EDs, which drive 23% of our bed days across the country and 21% of our admissions, we're continuing to see high growth in attendances and the admission rate is now over 40% on average in our private EDs, which is improved on fiscal year 23. We continue to improve our market share of PHI, thanks to our strategically located and high quality hospitals which continue to attract doctors. We've had strong market share gains and they were also assisted by reduction in the number of PHI admissions into the public system. Benefits growth has further outperformed underpinned by Ramsay's premium benefits per admission. And I'll come to this later, but our market share in key therapeutic areas, orthopedics, cardiology, cancer and mental health in those markets, Ramsay continues to dominate and that's thanks to the strong investment in our people and the investment made in technology in those areas.

On performance improvement, margins were certainly impacted during COVID due to lower activity and higher costs. We were absolutely focused on improving our margins and have established a performance acceleration unit backed by a rapid delivery team to ensure we achieve this. So the key focus areas for us at the moment to drive that margin improvement are in the following areas. Certainly on firstly on revenue improvement, Ramsay's well placed and in a stronger position than most to improve indexation from health funds. We have negotiated acceptable revenue indexation to meet increased costs with several health funds in recent months. Notes that some of those were necessarily out of cycle increases due to the timing between EBA contracts and those discussions and the contracts with health funds that we're in. Negotiations with some health funds are ongoing and we're absolutely imposed on ensuring that health funds meet the significant cost escalations being worn by hospitals, particularly given the extraordinary profits they made during COVID. We have also successfully negotiated new commercial contracts with all public payers, which are in line with PHI rates.

Secondly, we've been running our targeted operational excellence program, which has resulted in vastly improved labor efficiencies in quarter one. And it's noted on this slide, we have established a performance acceleration unit, which is focused on further efficiencies and productivity gains, particularly around our engine rooms and larger facilities. We are also fast tracking through our digital team a number of a rollout of technology, AI across the business, embedding that into processes and removing administrative work. And finally, we've seen, certainly seen the past 12 months higher rates of wage growth compared to the lower inflationary environment we were in, and we expect to finalize the rest of our outstanding EBAs within our expectations. We are well placed to remain competitive in the labor market and have passed on increases that are affordable and that maintain our workforce. However, it does require health funds to recognize these increased costs through indexation, and we've been pleased with most of the health funds and how they've handled this.

On supplies, Ramsay will continue to leverage its global procurement capabilities to drive improved pricing and as COVID conditions improve and PPE and other COVID related costs have gone down

and normalized, that's becoming more manageable. It's important to note that we are investing in strategies that will have some temporary unfavorable impact on margin like the digital strategy, but they are important for the long term. This is just an example of the rigor that we're taking and applying under Rachna Gandhi's guidance as our chief transformation officer into this process, and we can answer any questions on that later.

On growth. Our four pillars of growth remain the same. We are creating a world-class hospital network, concentrating on strategic expansion and growth in high margin key therapeutic areas where there is growing demand. We are moving purposely into new and adjacent services where it makes sense and we continue to drive the operational excellence through our business, and that's all underpinned by those strong organizational foundations, digital data and people. We are committed to growth in Australia driven by strong demand and demographics that we discussed earlier. The escalation and construction prices and interest rates necessitates a very prudent approach, and this could slow the program slightly. We've managed this by flipping our processes, seeking DA before board approvals to ensure that we have the right costs and so that we can have greater certainty of that. But approvals are taking a little bit longer in council and finding builders is far more challenging than it's ever been as well.

I won't go through the numbers on this slide, but you can see that we have 636 million worth of active projects underway at the moment, which will deliver 36 theaters, 355 net beds and 45 consulting suites. And this is the detail on each of those projects, which you can read in the pack as well. I'm just going to highlight a few of the major developments on the following slides. We have the expansion of Warringal with its new emergency department in Melbourne and construction of the Northern hospital at Epping. And with those two hospitals, we're shoring up that Northern growth corridor. Our hospitals further north include Shepparton, Wangaratta and Aubrey a little out north, and so we are able to drain into those major facilities into Melbourne.

The Northern will open in February, 2024, as I said, and it's one of three greenfields that we've opened in the last decade. We opened Sunshine Coast in 2013, Wollongong in 2015, and this will be our third hospital. And both Shepparton and Wangaratta are highly successful hospitals, and I expect the same for the Northern Private Hospital, which is co-located with Northern Public Hospital, one of the busiest emergency centers in the country. We've had good engagement with doctors at the Northern and we're looking forward to opening that hospital with a good compliment of doctors onsite in medical suites as well.

There is a lot more demand for theaters around the country, and this is certainly an area of concentration for us. As an example, we have six new operating theaters plus two shells opening in the Sunshine Coast corridor from Caboolture to Kiwana. And the North Shore Health Hub connected to North Shore Private Hospital via Link Bridge has allowed this hospital co-located with the public hospital to expand with more beds and theaters. The Health Hub opened in 2021, which allowed us to develop the Ramsey Surgical Center North Shore with an additional endoscopy theater. And then since 2021, that hospital has commissioned further two operating theaters. By the end of this year, the hospital will have added a further theater and 24 inpatient beds, and that will really support that growth for the North Shore private hospital services. We have a cold shell for another inpatient ward within the hub and the capacity for a further three day only theaters in our Ramsay Surgical Center North Shore.

We have a number of future expansions planned that are yet to be approved by the board, but are either in DA or actually in Dunlop's case, it's been an approved DA. And the first one's the major expansion of Lake Macquarie Private Hospital, which is the premier hospital really in Newcastle. It currently punches above its weight in orthopedics, cardiac and cancer services. And the plan development for the new private hospital in the large and growing region north of Perth is really important. Currently, the public hospital, which we run there services private patients through its

public theaters, and that's not ideal and not sustainable, and we see this market being half a million people and growing. So I'm very much looking forward to the board approving Joondalup private soon, and there's a big demand from doctors in that area.

Finally, we've been pursuing the development of day surgeries and short stay surgical centers where it makes sense. These are the two that are currently under construction. You saw the development of Cleveland this morning, which Justin showed you, and we also have this facility at Charlestown in New South Wales, which is in the catchment of Lake Macquarie. As I mentioned earlier, there has been a bit of foolishness in this space. Day surgery is being developed everywhere. Fortunately, this is correcting with obstruction prices remaining high and doctors being very wary after the downfall of a few of those hospitals at Orange and Tagra while others are certainly struggling. What I'm most proud of is our purposeful push into these key therapeutic areas, into being really a leading provider in delivering services across orthopedics, cancer, mental health, and cardiology. Our journey in cancer really just started 10 years ago. We weren't very big in cancer. We started to push into clinical trials and we now have many sites like this one doing hundreds of clinical trials. For those of you who I was in the group with in the cancer unit, the reason to do clinical trials is not just to provide the access to the latest drugs and treatment for cancer patients which they really need, but also it brings the whole skills of the unit up and so you end up with a much more improved service right across your whole chemotherapy service which is highly attractive to doctors. So this hospital when I started had two oncologists, and now, it has, how many, 44 or something, a lot more oncologists, and so it's really attracted a lot more doctors into that space, and we have 15 clinical trial facilities across the country.

We also have 15 hospitals with cancer care navigators. Another key change that we've made is to put in cancer care navigators across all of our facilities that are in that cancer area, and they've been really well respected and really a great addition to our services. We operate six comprehensive cancer centers across the country. When I say comprehensive, meaning they have radiation, oncology, chemotherapy, cancer surgery, everything, and so they are the big hospitals operate those comprehensive cancer sites. We have 50 hospitals undertaking cancer surgery and we're backed by 25 chemotherapy units, and our patient outcomes are excellent. In orthopedics, we're the leading provider of joint replacement surgery with three hospitals in the top 10 facilities in the country, public or private. We undertake one in five knee replacements and one in six hip replacements in the country, again, public or private. We've invested in orthopedic robots which attracts more surgeons. We now have 53 orthopedic robots across our network, and I expect our market share to continue to grow.

In cardiology, we deliver 20% of cardiac surgery in Australia and 15% of all TAVIs, again in public or private, and this will expand as Hollywood's cardiac services gains momentum and our emergency centers increased their throughput of cardiac emergency work. Finally, in mental health, while it has been rocked by COVID, we remain the dominant player in that space and are delivering a lot of public services around the country as well. We opened our first standalone women's trauma center in Australia in 2022, and we're working on integrating these clinics with our community-based psychology services, and I really think we'll be able to offer that one-stop-shop in mental health and there's a lot of interest from the public sector in using our facilities for the public mental health services.

With the investment we are making in people, processes and technology, we're approaching 30% market share in these specialties, and we will continue to develop and innovate to ensure we attract leading specialists. Mind you, this is not at the expense of all our other services. We obviously are very big in maternity services, a whole range of other services, but these are the areas that we've been taking deliberate and meaningful steps in to improve. I won't go into detail again on this slide, you can see it, but suffice to say we're continuing to grow our services in the outer hospital space. Pharmacy is growing and getting better. We're concentrating in the health space, not toiletries and

fragrances. So we do really align ourselves next to general practice and we're providing a lot of those professional services through our pharmacies. We do a lot of vaccines. We're training up our pharmacists to be more professional service delivery pharmacists, and so that's been great, and we're delivering services into aged care.

Our psychology clinics are now a national service, as I said, from Perth to Cairns. We have 60 psychologists. We have a number of national contracts with organizations like Sonder as an EAP, and so we're delivering those telehealth services through our psychology clinics for those organizations as well. Our Ramsay Health Plus service delivers out of 32 sites with 1,800 staff and they're delivering about a hundred thousand services a year, and our hospital in the home service through Ramsay Connect, and that's the joint venture with AU, is benefiting 40,000 patients each year, and they continue to secure a new funding partnerships with payers and they commenced virtual heart service recently which you can read about on this page.

Right. Net promoter scores, we talked about these this morning and yesterday at each of our hospitals. Our net promoter score does remain world-class right across our business. An NPS over 70 means your customers love you and are happy to recommend your services and your company, and it generates a lot of positive word of mouth. So Ramsay Australia has a net promoter score of 72. Ramsay Connect, the hospital, in the home and rehab service has a net provider score of 75, and Ramsay Pharmacy 82.

We continue to deliver clinical excellence right across our business which does distinguish us from other operators. I always say we have a chief medical officer and a chief nurse who are the best in the business, the best in the country, and that means we can meet really high standards. Our risk management is fantastic. We manage risks really well. That's also very attractive for doctors and nurses who come and work with us. Our clinical governance work, health and safety and risk management is also world-class. In the work health safety space, we're exemplary in terms of the way we manage that business. So it's a really great outcome for us.

In an environment where we've had supply constraints and supply cost increases during COVID, we've been particularly fortunate to be a global company with strong relationships with suppliers, but we think we can improve even more in this space and we've appointed an even stronger team to seek more value and right across our spend which has traditionally been focused on medical. We're now getting procurement coverage across all aspects of our business, including IT.

We have been on a journey over the past few years to transform Ramsay into a digitally-enabled leading health system. Rachna's going to cover this off in a moment, but I just wanted to reiterate that we are investing in our future and I've no doubt that we'll become a best-in-class digital healthcare system that will leapfrog others and become the benchmark in patient-centered care. Rachna has assembled an amazing team in this space, and she'll talk about it in a minute, but we have some of the leading experts in the country working for Ramsay. We've started to engage with Microsoft, Google, Amazon to really look at how we adopt AI and lead in this generative AI space. So it's very exciting, a strategic move that aligns with broader trends in healthcare and will ultimately benefit patients and clinicians, but what I'm really interested in is how it improves productivity, how it improves patient outcomes and increases revenue, and there'll be a range of... That's where we're concentrating on how we get that, maximize those benefits from our digital spend.

If there's been a silver lining to COVID, it's probably been in the way Ramsay's gone about investing in our workforce for the future. Within the constrained workforce environment, we've had to completely pivot and we've invested more in growing our own, maintaining stickiness and professional development and leadership training. So I know you've seen a lot of this and heard a lot about it in the last few days, but the highlights for me have been the Cadetship Program, the re-engineering of our graduate program into a two-year program, the launch of our Leadership

Academy for nurses, and a focus on developing a new workforce for the future nurse practitioners, mental health and perioperative nurses.

When I first started at Ramsay as CEO and I went around and saw, met a whole lot of nurses, they said, "Look, I don't want to be the leader because that's really hard. That looks like really hard work. I don't want to be the NUM. That looks like really hard work." And so we've invested a lot of time to really make that aspirational. We had to go back and say, "We want our future leaders to want to lead the business," and we've had great success. We had these amazing nurse unit manager conferences where we're training our future leaders and now we have all this succession of future leaders coming in to our facilities and running our services. That's really great to see. In terms of our workforce, we now have employee turnover down at pre-COVID levels and a 42% reduction in critical vacancies over the last six months.

Finally, I just want to touch on our sustainability action that we've been driving through our three pillars of healthier people, stronger communities, and a thriving planet. We are on track to save 75 million single-use plastic items from waste by the end of the year. We got rid of 6 million water bottles. I know we have water bottles here today, but we do actually, we actually have driven more jugs. So we've had jugs in our hospitals now, but we were going through 6 million water bottles a year in our hospitals because we thought it was better to give the patient a water bottle. So we've gone back to jugs, to the past, and that's been a great outcome in getting rid of that, but we are on track to also save a further 75 million out of single-use plastic items. We've generated more than 4 million kilowatt-hours of electricity from our solar panels, and they're across about 25 facilities, and we're reducing our energy intensity and greenhouse gas emissions.

Right. So in conclusion, I'll just leave you with a couple of points for handing it over to Rachna. Ramsay has strategically located high-quality hospitals delivering excellent outcomes, as you've seen over the last few days, with solid management, and that's attractive to clinicians. We are improving our market share through our capital investment program, our focus on growth in key specialty areas, our private EDs which drive the business to those practitioners, and we're building our network both in and out of hospital. We are experiencing a steady recovery in activity, and I expect that to continue. We recognize that margins have deteriorated in recent times with higher costs of doing business, but we are well-placed to improve this through negotiations with health funds for acceptable revenue indexation and improved supply pricing. But we are not resting on our laurels. Sorry. We are not resting on our laurels. We have launched, as I said, a transformation program with the aim of improving performance and ensuring that our strategy delivers future growth. Finally, we'll grow sustainably through prudent investment in capacity, people, data, and digital systems.

So that's it. I'm going to introduce Rachna who will come up. Rachna joined Ramsay two years ago. She leads our transformation program as well as our digital and data streams. Rachna is an experienced multi-industry ASX listed operator, public sector executive. She's held roles across strategy, operations and digital and has a track record in delivering transformations that enable world-class customer experience and growth, including positions at Westpac, Suncorp, and Service New South Wales. She holds qualifications in leadership and leading strategic transformations, cultural renewal from Stanford University and Harvard University and has a bachelor of business and doctorate in philosophy. So Rachna, come up to the stage. Welcome. We will take questions following Rachna's presentation. As I said, we'll have a 10-minute break, stretch, and we'll ask the rest of the team to come to the stage and answer questions. Thank you.

Dr Rachna Gandhi:

Thank you. Good afternoon, everyone, and thank you, Carmel. Just make sure I've got this right. So it's a real pleasure to talk to you about our digital transformation today. As Carmel called out in her talk, we are investing in our future. That's what the digital transformation is really about. It's so we

can develop best-in-class, digitally-enabled healthcare system and become a benchmark in patient-centric integrated care. It is a strategic move and it's aligned to the industry trends that we're seeing and ultimately will benefit industry, patients and clinicians. So as part of the agenda today, I will cover the digital and data imperative, and you've heard that off and on through yesterday and today, our digital ambition and strategy, the disciplined way in which we're approaching this complex transformation and the execution, and our roadmap.

So let's start with the digital and data imperative, and looking inward first, Carmel shared the Ramsay 2030 strategy a little earlier, and as it calls out, our mission is to create a best-in-class, digitally-enabled healthcare ecosystem to change what is possible for your health. Achieving this ambitious mission requires and necessitates the transformation, the digital transformation, but it is important to call out that the digital transformation is not about replacing the human element in care. People are at the very heart of our business and will continue to be so. We see digital as an active member of the care team working in partnership with our people, and we see digital as an essential enabler of the current and emerging healthcare business models and all healthcare delivery, operational and clinical, and we see digital as being important to ensure our future fitness so we can adapt and evolve and continue to lead as the industry shifts.

Looking a little bit broader, worldwide healthcare is one of the least digitally mature industries. So a recent BCG study into companies around the world in nine industries showed that healthcare is one of the least digitally mature industries overall, and it won't come as a surprise. The healthcare has seen a more gradual tech adoption curve than most other industries, and in part because of a more stringent regulatory environment and the entrenched legacy systems that were implemented on premise in the 2000s.

Technology for most Australian hospital systems, both public and private, are stuck in the past, and the lack of innovation and interoperability between the health systems in Australia is creating significant inefficiencies and importantly administrative burden for healthcare workforce. In an environment where we're seeing technology and capabilities and speed as well as patient and clinician expectations accelerating exponentially, being a laggard does pose a problem or a challenge or an opportunity for the healthcare industry. Looking at Australia in particular, we are seeing healthcare undergoing a few key shifts, and we've talked about some of these again over the past days but I'll call out a few of them in particular. We are seeing digitally mature industry participants leveraging their investment in data and digital to move upstream and downstream in the existing health or medicine value chain. Examples would be Wesfarmers, Woolworths, Medibank. Carmel's talked about the increasing demand and the tight labor supply that's getting tighter, needing the industry to rethink how we work to make it sustainable for the workforce.

We're seeing doctors increasingly explore digital-assisted delivery. Over the past four years, telemedicine has become quite entrenched. Looking at data that's Australian specific, we saw willingness to use telemedicine move from 50 to 95% amongst doctors. This is also serving as a catalyst to encourage use of other technologies. So we're seeing remote monitoring willingness to use move from 25 to 65% over that four-year period, AI/Ml 10 to 50%, virtual surgery 15 to 50%. So there have been continual shifts in doctors being increasingly open to explore digital-assisted delivery. We're also seeing changes in the care model, and we talked a little bit about this before. Providing care is more expensive, resulting in industry in need of new care models, and we're seeing a growth occurring in day surgeries, the out-of-hospital settings and virtual hospitals.

We've seen increased government investment to enable more digitally mature industry, into My Health Record, the recent announcement of the interoperability initiative to drive interoperability in healthcare across the country, and of course, like every other industry, we do have digitally savvy consumers in healthcare who are more proactively seeking alternate delivery models, taking a lot

more interest and proactively being involved in healthcare and a greater uptake of digital tools and systems in health.

Another aspect accelerating technology uptake in healthcare is generative AI. So of course AI is not new at all. However, the evolution of AI is rapidly accelerating, with the adoption of ChatGPT last year being 100x faster than any other consumer-facing technology in the period that we can track, essentially. Gen AI is different to AI in that it creates or it can create and generate new content. Gen AI's language, reading, image recognition capabilities are now already comparable to human performance, and the cost to train these systems to get to this high performance continues to decline making the latest gen AI systems a true game changer.

Interestingly, if you talk to the large tech companies, which we have been doing over the last year and a half, healthcare is seen as one of the strongest use cases of generative AI, and partly, not only, but partly the reason for that is the heavy administrative nature of care and the sheer market size of healthcare globally. The top three players that you see down there, Microsoft, Google, and Amazon have each already developed generative AI-enabled platforms specific to healthcare. So we've got Nuance which Microsoft acquired, Google leading Med-PaLM, and Amazon with HealthScribe, and we're working with all three to understand the use case applications in our context. Medicine and healthcare were the largest focus area for AI investments globally in 2022. So we will continue to see generative AI accelerate adoption of technology in healthcare.

And then coming back into the organization, within Ramsay we have a significant opportunity to unlock value by evolving our technology and data foundations. So we deliver extraordinary care today, and Carmel talked about the NPS course, the therapeutic area growths. We do have an opportunity to unlock more value by evolving our digital and data foundations. So today we do have site-specific processes with significant variation which does limit us really getting complete scale benefits. Like the rest of the industry, there's a lot of administrative burden on our clinical staff and our administrative staff, and there's a lot of manual, repetitive paper-based processes. A lot of the legacy systems we have, like the rest of the industry, are outdated, and because they're end of life they're struggling to cope with the complexity that's emerging in the industry, and they lack real intelligence and the ability to create or put at the fingertips of our doctors and our staff near real time data that can help improve the quality of care, but also the operational excellence in terms of how we deliver it.

So going into our digital and data ambition, our vision, as I called out earlier, is to create a best-in-class digital healthcare system to position Ramsay as the global benchmark in integrated care for better doctor, patient, and Ramsay team outcomes. We are looking at a really concentrated focus on ensuring that what we build out does create value for the doctors, for the patients, and for our Ramsay team. But this vision is also about ensuring that the business is adaptive to what comes in the future, and with the advancements we are seeing in technology, which we talked about a couple of them earlier, particularly in healthcare, we're better placed than ever before to embark on this journey, and the time to act is now.

Moving to who we're learning from. So this is an ambitious vision and strategy, and we've taken the time over the last 18 months to ensure that we're talking to organizations, healthcare and otherwise but certainly in healthcare globally, who are further ahead on the digital journey, and probably have been by many years, to ensure that we're learning both from their learnings and things that haven't worked as well as the successes that they're seeing so we're not reinventing the wheel. Equally to make sure we have some of the best thinking, very diverse views, we're talking to the large tech players globally, not just in Australia, as well as some thought leaders like MIT CISR and the World 50. These are helping ensure that what we design in terms of how we're going to approach the execution of the strategy is best-in-class and we've taken learnings into consideration to maximize our late mover advantage. So our digital 2030 strategy has four transformation pillars enabled by

culture, technology, and governance foundations, and this really speaks to the importance of approaching this as a whole of business transformation with equal focus on culture evolution, on capability build, as well as foundational build which ensures that we're de-risking delivering solutions or systems that are end of life before we finish actually delivering them. This digital strategy is as much about transforming business processes and adopting a digital mindset as it is about new technology, and there's a few things that fed into the development of the strategy. We spoke to and interviewed patients, BMOs, our staff to ensure that we really understood the critical pain points and opportunities. We did an assessment of our current digital maturity, and as I called out earlier, a scan of best practice to understand what we could bring into this. We'll unpack this strategy a little bit further in subsequent slides, but talking to the building blocks, because this is going to be equally about how we go about the execution and not just about the technology systems that we put in. Based on my experience, leading transformation of this scale requires for capability and cultural shifts, and we have carefully thought through that and the challenge of successfully delivering such a complex whole of organization transformation and identified the critical building blocks which you see up there. I'll talk to a couple of them. I'm very happy to take questions on this further later. Some key ones. Firstly, world-class capability. We've taken a balanced approach of making sure that we bring in capability to lead this that has deep healthcare experience, but also capability from other industries so that we are bringing in more mature thinking around digital and data practices than what we have traditionally seen in health.

We are co-designing as a principal with patients, VMOs and staff to ensure that the solutions that we put out are easily embraceable by them because they've had input in terms of how they've been built. We are taking a very contemporary and modern view to how we are approaching our tech design and infrastructure by looking at modular systems that are reusable, scalable, and adaptive. And this is probably one of the important areas from the criticism that large digital transformations receive, that a lot of them are multi-year large tech projects that never deliver. One of the key things that we have deeply embedded in terms of how we are approaching this is to make sure that they are modular, very adaptive, and that we can in piecemeal deliver, upgrade, adapt as things change in the environment, and you'll see some practical examples of this as I go through the rest of the presentation.

Another really critical one in that vein is the, "Think big, start small." So everything that we develop is in iterations, in small iterations, and we test, learn, take away those learnings, iterate, test, learn again, and repeat that until we are confident of the solution to scale. So that's been a really important component of how we are rolling out. And the final one there, the frontline adoption equals impact. It's not unusual in large transformations to think that it's done once the solution is built or the digital technology has been deployed. It all comes down to whether the frontline, and that could be within Ramsay the VMOs, actually adopt and thrive in that digital environment. So one of the programs where we have kicked off is what we call the digital mindset and literacy program. And it's targeting how we bring our workforce to not only understand digital and the tools we put out, but actually how do they thrive in a digital culture and a digital organization. So we are working on that mindset and literacy piece alongside.

What our approach ensures is that we have a clear focus on the, "What?" in terms of how we will deliver value. Projects are linked at an individual project level to what outcome they're driving and there are very clear KPIs around either revenue uplift, cost efficiency or experience improvement at individual project level. And that ensures that we are tracking value right to delivery and we are focused on the, "How?", which is, "How do we actually create the desired culture for the organization to thrive in the workforce, to thrive in a digital environment?" So there we are looking at leader enablement. We are looking at execution disciplines and people engagement, both the mindset and the behaviors, as I talked about, to set us up for sustained success. So impact to date

and our roadmap ahead, so there's four programs of work that are fundamental to our strategy, and as you can see, we've got integrated ecosystem for patient-centric care.

The program of work we are delivering for that transformation pillar is essentially the digital front door, which will be the single entry into the digital Ramsay ecosystem for our patients, clinicians, and the Ramsay team. Clinical excellence, which includes our investment we'll be making in our electronic health record but is broader, and we'll talk about that as we go through the rest of the presentation. Effective data-driven actions, decisions and outcomes, that's our near real-time single source of truth for data, and improving the operating environment and that's our corporate systems as well as our processes. So in keeping that in mind, that when we think through these programs of work, it's very easy to just think about what's happening above the waterline, which is, "What are the digital solutions we are seeing? What is the experience that's creating?"

And there's a lot of focus in the above line to bring the rigor on prioritization and making sure that we are testing, learning, testing, learning as I talked about. But the majority of the work actually sits below the waterline. And this is where things have to happen with extreme focus on execution and getting the foundations and the sequencing right to ensure that what we build is future-fit. So when we look at 10 years from now, we've created a platform for growth as opposed to just deliver the digital front door, and that's where a lot of our focus in terms of how we are architecting the technology, how we are driving change, leadership empowerment, as well as the mindset and behavior shifts are happening so that we evolve into a more digitally mature organization as opposed to just deliver automation as part of this journey. So let's talk a little bit about the four programs of work.

The Ramsay Health Hub is our digital front door, as I called out, and we have aligned to the principle. We started build on this using agile methodology late last year and we have built two iterations, have been testing, insights, learning, improving the iteration, and we'll start to scale from quarter two, which is this quarter. So in terms of the pilots we've run over the last almost six months, we are seeing a satisfaction score of 84 and 77% adoption from the patients that this has been exposed to. We've made sure we've built it using modular design so we can actually adapt or upgrade or update parts of the solution without having to do the whole thing. It's scalable, and like I said, we've taken a test, learn, scale. Because this is an end-to-end experience, right from pre-admission to discharge, it'll be close to two and a half years before we've built out the entire experience, but because we are building it in a modular way, it's usable right from now and creates value right from now, so that's going to start to scale.

Talking about clinical excellence, one of the learnings certainly to emerge for me over the last 18 months as I've been talking to a lot of global best practice healthcare providers in digital is that the tides are shifting when it comes to the EHR. Whereas the belief has been that the core EHR drives all the value and that's been hard to realize, the learnings increasingly are that the value will be delivered through the interconnected applications outside of the EHR, and I'll bring this to life in the next slide a little bit. Because of the trends and the shifts we are seeing in the healthcare industry, it's actually not conducive to just deploy a monolithic EHR. We do have to think about how that adapts as the industry shifts in the future. So the way we've been approaching this, again learning from organizations that have been on this journey for longer and have started to think about EHR in a modern context of shifting industry trends rather than what was dominant and prevalent around 15 years ago, is the electronic health record is a core component of the solution, but adjacent to it are systems and interoperability layers that come in to ensure that what we build can adapt.

So if we start seeing further shifts in care models, the EHR doesn't become obsolete. It can actually adopt or adapt. So there's a lot of focus that's gone in in ensuring that we are bringing contemporary thinking and using our late mover advantage to think about this in a way that will be future-fit for Ramsay. Obviously, a key component of the EHR is to create a deeper connection to VMOs and their

network and enhancing our preferred relationship with them. So their involvement in the design is absolutely paramount and an important focus of the program has been, "How will this create value for the VMOs that partner with us and we'd like to have partner with us in the future?" Sorry. Gone one ahead. The Ramsay Data Hub is our single integrated near-time foundation platform for clinical and nonclinical data. So today, we have data stored either on paper or on a plethora of systems. This is being migrated and we are partnering with Google on the creation of our Data Hub and have the beta version going live this year.

We'll bring all our data very securely into one secure integrated platform, which means that we are unlocking the value from our siloed solution to gain a better understanding for ourselves and for our VMOs in how we can use the patient data to provide better patient care and operational excellence in much faster and deeper insights, more automated data. So we don't need a lot of manual effort in analyzing and stitching data, but we can actually automate a lot of our dashboards in near real time. Like in any organization, in healthcare, data is absolutely an asset and one of the advantages of having a single integrated data hub is our ability to accelerate the application of generative AI in a meaningful and secure way. So we have mapped the possible use cases in generative AI across simplicity, complexity, early adoption, visionary, and obviously starting on the right-hand top corner, which are low risk use cases, but also taking some calculated bets in partnership with other providers on where we can learn and test and look at opportunities before they become mature enough to deploy.

So the focus of generative AI use cases right now for us is very much on administrative. There is a learning curve to get to be able to apply it in a clinical application sense. And finally, on our corporate environment, a big focus for us to ensure that we are creating value quickly while we are doing some of the heavy lifting on foundational work has been automation. So we've had a very concentrated effort on ensuring that we are out in the hospitals speaking to staff and taking away as much manual work as we can through automation, and you can see there an example of our dashboard. We've got 80 live solutions and on average, around 5,000 hours each month are being done by a bot as opposed to a human, where we can from an administrative perspective. Finally, a really key underpinning principle to all of this is of course how we are approaching cyber security. And you can see the four pillars of trusted access, automation, secure by design and governance and risk focus being a critical component.

This is an area that we are constantly learning in because there's constant change in what's happening in this environment, but a huge area of focus as we build our digital maturity, of course, remains our investment in cyber. To summarize it, if you think about the five-year strategy, it actually plays out in three horizons. So the first horizon is a lot of under the water line that I talked about a little earlier, a lot of foundation build in our core business, creating value in our core business through automations and AI. Horizon two, which we will get to next year is when we start to scale, because we've done a lot of the test and learn, we know the solutions work, we know the technology works, and that's when we start to scale across our operations. And then finally, in the third horizon is where we start getting into new models, whether that's through AI, new models of care and established digital leadership.

So we are taking a de-risked approach to this to ensure that we have built the right foundation, both cultural and technological, that we have tested and learned before we scale, and then moving into the zone of new solutions that will provide established digital leadership for Ramsay. Sharing the expense which we have shared before, our digital program is expected to generate net positive EBITDA benefits in FY28, but of course, we will continue to generate EBITDA uplift right to FY30 and beyond and alongside significant non-financial benefits and risk mitigations, which you can read. So just some key takeaways before we wrap up and get into the Q&A, the digital and data transformation is a core part of the Ramsay 2030 strategy, but given the shifts that we are seeing

and the low level of maturity of healthcare's industry, this is an opportune time to invest as we are seeing technology improve in healthcare and become more suitable for healthcare needs.

Our ambition is to leapfrog, not just catch up. We are focusing on continuously delivering value as we build digital maturity and leadership. So we have taken an approach to ensure that our building blocks reflect global best practice and help de-risk delivery. The program is expected to be net positive EBITDA by FY28, and we are also looking to generate significant non-financial benefits and risk mitigations as part of it. So I'll wrap up over there.

Carmel Monaghan:

Okay. Welcome back everyone.

Chris Cooper:

Chris Cooper, Goldman Sachs. Just on the Ramsay Surgical Centers, you say 12 today with a pipeline of opportunities. Can you give us a sense of how quickly that scales up and maybe just a comment on the payback period versus your traditional brownfield CapEx?

Carmel Monaghan:

Okay. So we've assessed the whole marketplace and we look at where we're going to do those surgical centers based on, like I said, where it makes sense associated with our major hospitals. So Cleveland makes sense for us. It's in our market. There's opportunities for growth. We can meet the population demand. Same for Charlestown around Lake Macquarie. We have assessed other markets, so there's a few... You may have seen, Chris, we're looking at Townsville, which is a new market. That's something we're still assessing. It hasn't been through the board, but we've purchased land. We have a block of land beside Noosa that we've purchased to be ready for an expansion, but again, not approved by the board. So we've got these markets of where we've assessed where we could do it. Prudently, we have to look at cost of construction, how we might get there. It's something... Dealing with Noosa council's a little bit of a challenge, so we have some challenges around that as well, so it takes time.

So we are looking at a longer timeframe for some of those surgical centers, but we're interested in how we deliver that. We don't do a lot of ophthalmology in our business, so very keen to explore how we do that more, and that's something that we are looking at how we expand. So surgical center business certainly makes sense from that perspective, and ophthalmologists like Ramsay. They'd like to work with us, so we do look at that. There's some areas where we're looking at maybe relooking at what a hospital does. Some smaller facilities that we have in some areas, we may transform a bit more and look at other ways that we might be able to use that facility. So there's those as well. So there's a lot of different models that we'll look at too as to how we look at that day surgery business and drive more throughput.

Craig McNally:

I'll just add maybe a cautionary tale. The economics of those are still really challenging and so that's why you don't see them be successful and lots of them come into the market. So we've got to be really careful about the way we look at that, and I think as Carmel said in her presentation, the successful ones in those 12 that we have, we've had for a long time. We've got to be really looking at how we can make them more efficient, and that's using hospital infrastructure. So if we've got a facility in our hospital catchments, how we use the hospital to take a lot of the burden that a standalone might wear itself. So let's not get too carried away about how big and fast that business will grow, but it's an opportunity for us to leverage the footprints we have, but also get us some footprints into new catchments. But you've got to be cautious about it.

Andrew Smith:

And Chris, the only other thing I would add is that we're not wedded to a one size fits all model. It's an opportunity for us to innovate. So we're looking at different business models that we can experiment with as well in some of those areas. So the doctor relationships, for example, are on the cards for assessing and whether there's opportunities to do JVs on that front.

Martyn Roberts:

And just to finish off, you asked about payback. So we communicated in November '21 what our investment hurdles were, and that was a 10% cash ROIC for a greenfield is in year five and a 10% IRR. We are actually reviewing those targets at the moment, given our [inaudible 01:10:00] probably increased fair bit since those days, but certainly we're not approving anything under 12% currently. Just to give you an idea on where we're at in terms of hurdles.

Chris Cooper:

And just on the performance acceleration program, I think it's called, so the ambition to improve margins, it sounds like the productivity of staff has improved markedly in this Q1 '24. Back to 2019 levels, I think you said. Assuming current volume trends continued, is the mechanism within this program sufficient to get you back to pre-COVID profitability?

Andrew Smith:

On a margin level, Chris, it's not going to be achieved in the short term. So we've also communicated the significant investment into the digital strategy. So on the margin front, that'll be seen as an investment. It's a bit of headwind on that over time. And the Q1 position was an aspirational target for the FY19. So it's with the EDs that you've seen, there's been a lot of investment in that, so they're adding to that margin pressure. But as you build the scale, and we're certainly seeing evidence of that scale coming, we'll certainly get margin improvements slowly over the duration of the coming cycles.

Chris Cooper:

Thanks.

Gretel Janu:

Gretel Janu from E&P. So just in terms of the health fund negotiations, how many are still outstanding? And Carmel, you kept on mentioning the word acceptable. So what is acceptable increases? Are you being fully compensated for the cost increases?

Carmel Monaghan:

Yeah, so we have achieved health fund renegotiations with most of the health funds, and we have had a couple of out of cycle increases. So we've got one to go, basically, and when I say acceptable, to meet our cost inflation.

Gretel Janu:

So it is meeting?

Carmel Monaghan:

Yep.

Gretel Janu:

Okay. And then just in terms of the EBAs that you are signing and looking at the moment, is there any backdated increases in there or is it all just future?

Carmel Monaghan:

Backdated where it's already budgeted for and already accrued, yeah.

Saul Canon:

Thanks. Saul, Barrenjoey, just a question on the greenfield in Melbourne and just the payback on that site, is it expected to be fast of the co-location and any other greenfield opportunities that you're looking at across certain states or any areas?

Andrew Smith:

Yeah, so the greenfield hurdle rates are a little longer. So we would assess the three-year view on a brownfield and a five-year view on a greenfield and then a 10-year with a longer term assessment. So that's no exception for that facility. It just affects the actual performance if we're ramping up a little faster in those environments. In terms of the question on other locations, Carmel, do you want to do that one?

Carmel Monaghan:

Just before we finish on Northern, there's been good discussions with public sector on public contracts and I think you remember, Saul, so when we opened Sunshine Coast, that was part of that ramp up was we had a lot of public patients. Northern is a really busy hospital. Great discussions with them. A lot of the doctors are the same. I think that's something we are pushing a little bit there, so hopefully it's a good start to that hospital.

Andrew Smith:

But for FY24, we flagged that there were pre-opening costs that will affect the profits.

Craig McNally:

Yeah. I'll just add to that. Greenfields lose money for the first couple of years. This will be no exception.

Saul Canon:

Thanks. And just one more for Rachna, if I could, on the digital strategy. So just I guess your thoughts so far on what you're seeing from clinician buy-in. I think that's probably been the biggest obstacle historically for any type of EMR or EHR, in terms of progressing that. So just a question on what you're seeing internally with staff and their willingness to buy-in and separately the requirement of, say for example, GPs or specialist referrers into Ramsay and their need to potentially update, upgrade systems, et cetera.

Dr Rachna Gandhi:

Yeah, so just going with the VMO engagement piece, yeah, that's absolutely critical. But what we are finding, certainly, and I'll use a recent example, we had a good offsite with our [inaudible 01:14:28], might've been earlier this year, where we talked about the vision on the EHR as well as we did a live demo on generative AI using ChatGPT live there, the generation four version. And I think it was pleasantly surprising and very encouraging to see the application they saw for it straight away in terms of an administrative burden perspective. So there was a lot of enthusiasm and interest to making sure that that gets embedded in the kind of solutions. But also the way we are approaching the EHR, which is what we've shared with the VMO cohort, which is not just limited in application as it has been in the previous years, but you can now bring in voice dictation, automatic generation of records from the voice. There's a lot of supporting technology that's going around it that makes that offering a lot more attractive.

Ultimately, it'll come down to implementation because it's a hard program of work and will require very deep VMO engagement. But right now we are seeing a healthy level of interest and engagement. And particularly with the new technologies that are making that deployment a lot more interesting and administratively easier for VMOs.

From the people within Ramsay, there is a lot of pull. There's a lot of desire for the right digital tools to enable our nurses to get back to bedside, to cut down on the administrative work. And the linkages between private and public as well as the GP piece is a very important part of our strategy right down from how we look at integration into practice management software to how we support the current government push on interoperability across public and private. There are active discussions that we are having right now. Yeah.

Saul Canon:

Thank you.

Craig Wong-Pan:

Hi, Craig Wong-Pan from RBC. Just another question for Rachna. When you've looked at other companies or businesses that have been further ahead and have implemented these types of systems, what kind of benefits have you seen coming out from them? Could you give some numbers around that?

Dr Rachna Gandhi:

I don't know if I can give you numbers, but I can talk to you about where the greatest opportunities for benefits have been. We are seeing, or especially in the discussions I've had over the last 18 months, that the benefits are balanced across, yes, operational efficiency that comes. And particularly looking at the current context we are in within Ramsay of initially moving off paper to a digitized setting.

There are efficiencies that come from that in terms of reduction of just the paperwork, the administrative, the repeated or repeatable tasks that we're doing. There's the operational excellence component. But a lot of it also comes in terms of the value created by attracting the right kind of doctors and talent and growth.

And increasingly in the conversations we've been having with organizations that are probably a bit ahead and more digitally mature in this area is it's becoming table stakes for a lot of the younger doctors and nurses coming out to expect that there is a better digital proposition in terms of how they work. It's also becoming very important with the shortages we see in labor to ensure that the administrative burden is taken out.

Increasingly we are seeing the benefits coming from there rather than just the traditional EHR going in. And that poses a challenge for benefits, but the totality of the experience that we're talking about is finding better returns than just moving into an EHR. Does that...

Craig Wong-Pan:

Yeah, Thanks. And I'm not sure if you're able to answer it, but just with the net benefit on at the EBITDA level, I mean could you talk about what we should expect from that? In terms of, is there any kind of values or have you broken out between, I don't know, cost savings or top line benefits?

Martyn Roberts:

I'll just refer you back to the slide that we've had before on the previous disclosures. What we've said is that the benefits will outweigh the cost by FY28.

Andrew Smith:

Yeah, I was just going to add that it'll come from the efficiency piece, which Rachna spoke about, but it also comes out of the optimization of the revenue stream. With the manual systems in play at the moment, with the inefficiencies between funders and the operators and the angst that goes on between that, that'll get removed in a more automated environment. That optimization opportunity for us and the collection timelines will improve significantly. And then you're onto the business opportunities as Rachna was exploring there about alternate revenue sources.

Roy Touck:

Hi. Roy from MST Marquee. I just want to clarify your comments around public paying the same as private. Is that the case in all states?

Carmel Monaghan:

Is that public, sorry?

Roy:

Public paying the same as private health insurance, is that the case in all states?

Carmel Monaghan:

Yes. Yes, we're getting the same. Yes, yes. We have negotiated commercial arrangements with all the states now. And Surgery Connect was already in place, but that new agreement's come through and those rates are good.

Roy:

Thank you. And assuming that public work is here to stay, how are you managing the balance between public and private work, especially with utilization increasing?

Carmel Monaghan:

Yeah, that's tough. In some places, they're busy and they can't fit that public work. But what we're trying to get to with the public work is a longer term goal, so we get this longer term time to do it because you traditionally have had public states or LHDs coming to you and say, "I need 1,000 cases done by next month." And that's impossible. And they're starting to learn that, actually that's we

need to manage this better. And so giving us a longer term timeframe which you can fit a number of cases on a list and you can get the doctors to do it that way.

It comes down to how long you've got sometimes. And we're teaching them about asking for more time. When you've got an election coming, that becomes more challenging but mostly they understand that. And they understand for us to be able to do that work too, we need to appoint the staff, we need to have the time to do it, we need to get the doctors on board, anesthetists et cetera. Yeah. It's we are managing it and at the moment that's doing well.

Roy:

Thank you.

Craig McNally:

I'll just add a little bit more color to that. It's still only small. Whilst the rate of growth for the public work outside of our public hospitals is strong, it's still only really small part of what we do. We will never compromise a private patient to take a public patient. That's the first principle.

And then what Carmel is really alluding to is if we're going to have longer term arrangements to deal with public patients at scale, we need that commitment long-term so that we put infrastructure in place that specifically deals with public patients.

Roy:

Thank you.

Sally Warneford

Thanks. I just wanted to clarify on the EHR or EMR, whether you've actually decided on a provider for that?

Dr Rachna Gandhi:

No, not yet. We are going through a procurement process at the moment. Yeah.

Sally Warneford

And do you have a short list or can you talk a little bit about where you're at with that?

Dr Rachna Gandhi:

We do have a short list, but I can't get into who's on it just yet because we are in the midst of the procurement process. But yes, we have got from a long list to a short list. Yeah.

Sally Warneford

And just another one if I could, in terms of the margin profile, you talked about the costs or the benefits outweighing the cost by 2028 of the digital investment, but just the margin profile for the business overall. Obviously that's a headwind that you've talked about, but then you've got the recovery in volumes and improving staff levels. But just can you guide us in terms of where we're at in that margin trajectory over the next period of time?

Martyn Roberts:

I'll refer you back to Carmel's presentation where she was talked about what the margin improvement opportunities are, and that's the big focus of this performance acceleration process

that's underway at the moment. On all elements, so volume, revenue, cost. And they're all being focused on at the moment and that's all designed to get our margin back again.

The great starting point that we've got is the point around the productivity. When the productivity is back to where it was in FY19, the challenge, as we've discussed ad nauseum, is that the revenue rates from the funds have not kept up with inflation.

Productivity is the same, but the margin has been squeezed. And so the activity now is to continue to focus on productivity improvements, get higher volume, get higher rate, and continue to get productivity improvements and cost down.

Speaker 5:

And then you've got the digital investment though, as a headwind as well?

Martyn Roberts:

Yes, which is why we said at the full year we said, "Look, we do see opportunity for margin improvement out of FY23, but that will be offset by the investments in digital and data in FY24."

Mathieu Chevrier:

Thank you. Mathieu from Citi. Just in terms of the point of contentions with the private health insurance currently, are they solely on wages? And are they're also on prosthesis list? I was just curious to understand how they're thinking about your investments in digital data and how they plan to pay for that or not, or indirectly. Thank you.

Craig McNally:

I don't think they plan to.

Carmel Monaghan:

I don't think they plan to pay for digital. No. Look, I think the discussions with health funds have been positive, certainly more positive in recent times, so that's been good. And they certainly understand the cost increases in the business from a labor point of view, so that's been good.

I don't think any issues there on the processes list, no issues really. I don't see a challenge with that. We're not having discussions with the health funds at the moment around that. We're still at government level. That's in relation to the general use items. That's really still at the government level and what the policy's going to be. Really the discussion's around covering our costs.

Andrew Smith:

And that would extend into capital as well, Carmel. On some of the construction side where we're seeing inflation in that part of our efforts going up at much more than what we'd planned. And then more recent times, that's certainly been put to them as a need to cover for that as well.

Craig McNally:

And just to add to Carmel's comment, whilst the negotiations or renegotiations and relationships have been generally positive, they're not universally that way.

Dr Rachna Gandhi:

Yes.

Carmel Monaghan:

You've got some online too, haven't you, Kelly? Yeah.

Chris Cooper

Craig, you promised me last night at dinner that if I asked you for an update on the French business, you'd provide a brief one today.

Craig McNally:

I don't think I had that many drinks. The French business is the big issue in France in terms of trading position, as we've talked about previously, is the tariff negotiation. And that is still the big issue that's unresolved. It's an industry issue. The campaigning from the industry or the lobbying from the industry to get supplementary increases on tariff is still ongoing.

What we've had in the last two weeks is the ONDAM, which is the health budget in France, was not accepted in the French Parliament because the health minister didn't believe it had increased sufficiently. It's really a discussion politically between health and treasury and finance about what the country can afford.

Sally:

I just had a question on the EHR view. It's Sally from Schroders. I was just wondering on the EHR, there's a lot of the Epics and Cerners that have big on-premise systems. They're like health versions of SAC, which puts fear into the hearts of all investors because they've lived through the carnage of roll-outs big systems. Are you moving towards what would be a cloud hosted environment rather than locking in with somebody's on-premise system that isn't particularly interoperable with other systems?

Dr Rachna Gandhi:

It's a good question and one that we've actually done quite a bit of work on in the last year. Sally, to your point, yes, there is a carnage of badly implemented EHRs globally, frankly. And it is surprising to see even in this day and age, very monolithic old technology being rolled out.

One of the key considerations, which is what I was talking to with on the EHR on the clinical system piece for us, or three key considerations have been one, cloud hosted, absolutely. That how do we look at something that is contemporary and future fit? And the cloud hosting brings that.

Two, how do we within what is available, because there is a limitation of what is available in this space, make it as modular as possible? We de-risk that component of trying to roll out this monolith over seven years. And you run the risk of it being obsolete by the time you're finished rolling it out. And it's impossible to upgrade and maintain.

And this is something in other industries, we have learned to do much better over the years of going more modular, going more, I guess contemporary in terms of the design. That's been the second focus is even with what's available, we've bought some of the best minds, including tapping into global expertise here to say, "How do we make this as modular as we can make it?"

And then the third piece has been, and this is hard to the question before, but there is a lot of encouragement and excitement from our VMO group around how we are thinking about this, is how do we get really deep clinical involvement throughout the piece to ensure that what we deliver is embraced once it's rolled out. Yes, cloud as modular as we can make it.

And that's made the procurement process in some ways challenging is how do we get to that within what's in the market today? But that's something we are very committed to because there are some

very strong lessons to learn here and we have a late mover advantage to make sure that we take that into consideration.

Carmel Monaghan:

Rachna, perhaps talk about what some of those big systems have now done with that interoperability with-

Dr Rachna Gandhi:

Yes. Yeah, good point. The other piece we have been looking at to bring that modularity and more importantly, not be completely reliant on the monolithic EHR, is coupling it with a really good interoperability layer. And we have seen in a lot of the conversations I've had with some of the leading digital health providers overseas is they're moving away from, it's just this big monolith to, it's a lean EHR with a really good interoperability layer. And that's where the functionality really sits.

And to the question before, that's what enhances the value they're seeing from an EHR. They're seeing far better benefits than they would have from just a EHR rollout. You're seeing the Epics now partner with the InterSystem on the interoperability layer. We've seen some of the best providers globally, Cleveland, Intermountain, et cetera, moving from just the EHR to that interoperability layer to bring the modernness to it, whereas it might host old tech EHR below.

A lot of our work has been on that architecture piece upfront that how do we de-risk this to exactly the point you're making before we rush into deploying it. We are doing a lot of work to do that. The interoperability layer is something that we're bringing with the EHR.

Claire:

Hi, I'm Claire from Blackmore Capital. Just one questions on the digital and the data side. One thing on the new and adjacent area would be on the diagnostics in imaging services. Try to understand a bit more on that and whether there will be any long-term strategic focus to build more of that capacity in-house.

Carmel Monaghan:

In terms of linking from a EHR and interoperability perspective, we're going to have far better interoperability between our diagnostic services and the hospital. That's going to add value. Is your question around whether we go into diagnostics in terms of imaging?

Carmel Monaghan:

Yeah. It's part of our... I suppose, yeah, I'll let Craig.

Craig McNally:

The position we've taken is that the legacy arrangements where you had a third party provider that you had a service agreement with and a long-term lease, we don't think that's fit for purpose going forward. What are our options from bringing services back in-house that are provided by third parties? That's complicated because of the timeframe that it takes to do that.

Do we have an option to buy a platform and build from that platform? They're all in consideration or under consideration, but it's challenging. But the principle is the model as it's been, can't be the model we continue to run with going forward.

Kelly Hibbins:

Great. I've just got a couple from the website, some of them have been answered, but first of all, just what proportion of vacancies have been filled by agency nurses? And do we expect labor costs to remain high for some time relative to pre-pandemic levels?

Carmel Monaghan:

Yeah, we don't count agency as part of our filling our vacancy rates. We're trying to keep agency down. And agency is tracking down, so that's normal. If he's asking the question is agency staff coming off into our business? Yes, there's been some agency staff that have decided to become permanent employees of the business. In terms of labor costs, though most of those EBAs are locked in for the next two or three years.

Kelly Hibbins:

And I assume that the indexation is what's going to offset it as a proportion of our costs. Yeah. And the second one was, can you talk about any challenges of getting surgeons to serve public sector volumes? I assume no out-of-pocket changes, charges, which may be one reason for the public sector wait times blowing out.

Carmel Monaghan:

Yeah, look, surgeons different across the country, but there is interest from surgeons to do public work, obviously, mostly from a medical perspective like us, we don't want to devalue the proposition for private health insurance, so very important that we maintain that value for private health insurance.

But usually these public patients have been waiting for a long time, and that's the differentiating factor. There is interest from surgeons, particularly in regional areas, but right across the country to do that public work where it's not going to push away private patients like Craig said before. In terms of public waiting lists, was it out-of-pockets?

Kelly Hibbins:

Yeah. Out-of-pockets on public patients.

Carmel Monaghan:

Well, we have commercial arrangements in place under the contracts with the public system to pay the doctors. There is a rate that's paid and that's been negotiated with the public system, and that's a good rate as well.