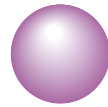


About HBS Consulting

HBS Consulting is an international consulting firm which aims to maximise return on investment on strategic initiatives and marketing expenditure – working in partnership with corporate strategy and marketing teams exclusively in the medical device, diagnostics and lifescience industries.

HBS Consulting provides client solutions through four industry operating groups, each offering eight service lines. These provide specialist insight and market knowledge to take advantage of today's opportunities.

Operating Groups Functional Expertise



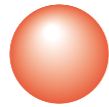
MedSurg

Medical Devices
Surgical Equipment
Patient Care



IMIS

Medical Imaging
Patient Monitoring
Information Systems



Diagnostics

Clinical
Laboratory
Point of Care



Life Sciences

Pharmaceuticals
Drug Discovery
Biotechnology



Services

- Market Entry Strategy
- Market and Product Positioning
- Product Development & Product Launch
- Corporate & Business Unit Strategy
- Investment Appraisal and Product Valuation
- Mergers and Acquisitions, Licensing, Due Diligence
- Leveraging Strategic Partnerships and Alliances
- Customer Relationships



Head Office: HBS Consulting, 149 Grosvenor Road, London SW1V 3JY United Kingdom .T: +44 (0) 20 7630 0300 F: +44 (0) 20 7630 8202
HBS Consulting GmbH, Thomasiusstr. 2, 04109 Leipzig, Sachsen, Germany. T: 49-341-215450 F: 49-3412154521
HBS Consulting US Inc, Suite 400, 4370 La Jolla Village Drive, San Diego, CA 92122, United States. T: +1 858 546 4702, F: +1 858 546 9227
HBS Consulting Sp z o.o. ul. Piekary 6/21, 61-823 Poznan, Poland. T: +48 61 657 77 45 F: +48 61 657 77 45

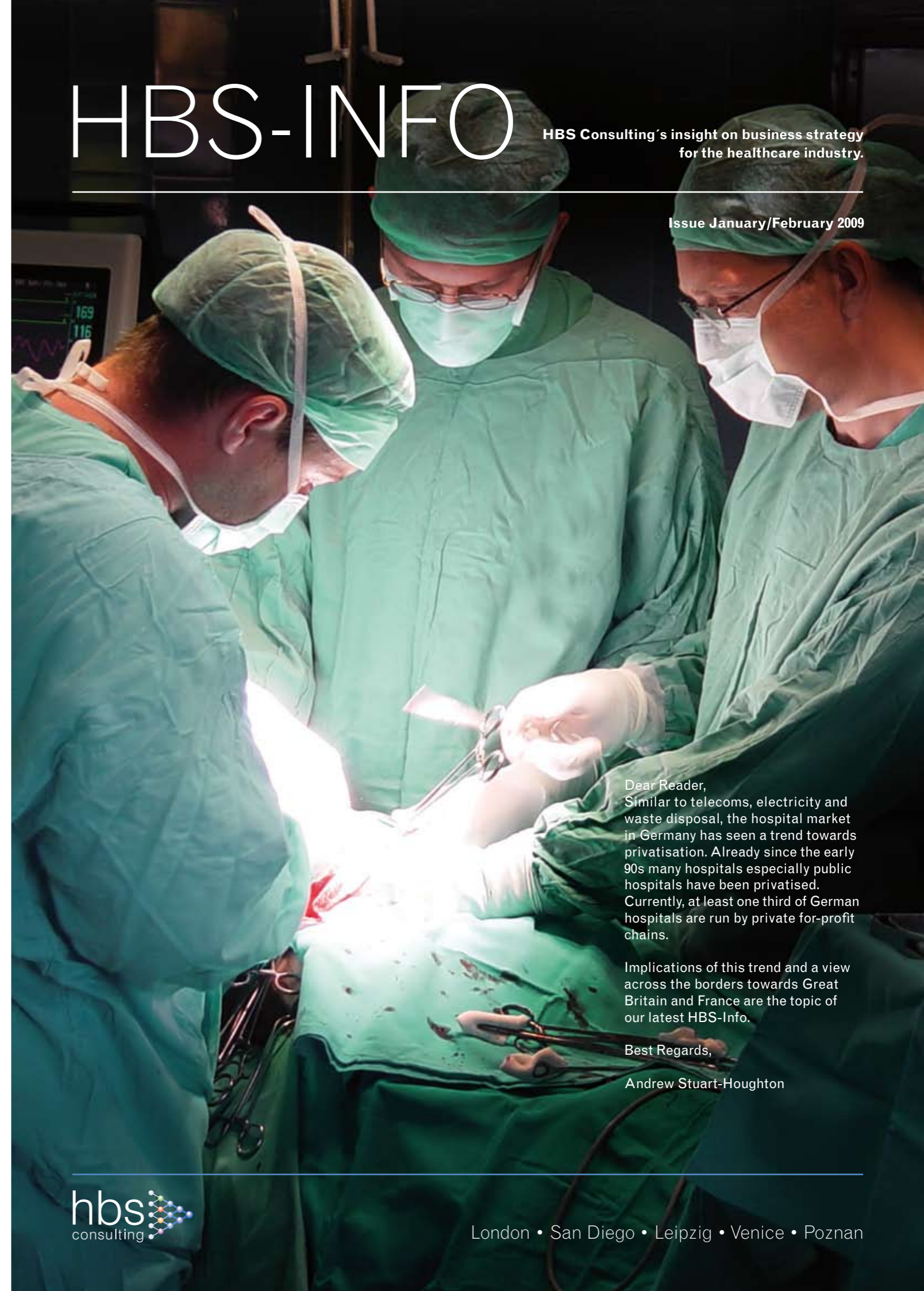
www.hbs-consulting.com

Houghton Bhatti Segurolo Limited, Registered in England No. 3923094 At 35 Sussex Street, London SW1V 4RN

HBS-INFO

HBS Consulting's insight on business strategy
for the healthcare industry.

Issue January/February 2009



Dear Reader,
Similar to telecoms, electricity and waste disposal, the hospital market in Germany has seen a trend towards privatisation. Already since the early 90s many hospitals especially public hospitals have been privatised. Currently, at least one third of German hospitals are run by private for-profit chains.

Implications of this trend and a view across the borders towards Great Britain and France are the topic of our latest HBS-Info.

Best Regards,
Andrew Stuart-Houghton



London • San Diego • Leipzig • Venice • Poznan

Private Hospital Chains Market in Transition

Key factors driving privatisation in the last few years include introduction of the diagnosis based hospital reimbursement system in 2002, as well as a general trend towards economisation in healthcare. Cost pressures and decreasing subsidies contributed further towards the privatisation trend. Currently, the German private hospital sector is ruled by 5 companies: Asklepios, Fresenius-Helios, Paracelsus-Kliniken, Rhön Klinikum und den Sana Kliniken. It is not straightforward to determine the largest chain, as one needs to distinguish between numbers of facilities in operation, whether these are acute hospitals or rehabilitation centres or other healthcare institutions, number of beds, size of the workforce, or total turnover. By Astrid Basson, Senior Project Manager at HBS Consulting.



The following table allows a snapshot comparison between the leading suppliers:

	Facilities	Employees	Other
Asklepios	53 Hospitals 13 Reha-Clinics	36,000 (incl. abroad)	Also active in US (Pacific Health Corp.) and Greece
Fresenius Helios	38 Hospitals 19 Reha-Clinics 21 Out-patient Centres	30,000	Helios belong to Fresenius since 2005
Paracelsus Kliniken	18 Hospitals 13 Reha-Clinics	5,100	Established for over 30 years
Rhön Klinikum	46 Hospitals	32,000	First German private supplier to be listed on the stock exchange
Sana Kliniken	38 Hospitals	17,500	Also active in running old age homes

In order to achieve a profit, which obviously is the purpose of a private for-profit company, often extensive restructuring and organisational measures are necessary in the clinics that were taken over. This also effects manufacturers and suppliers of medical devices and health products as purchasing is often done only centralised and bundled, impacting prices and volumes.

Most private hospital chains follow an aggressive growth strategy, leading to the expectation that the privatisation process is likely to continue. Experts estimate that the proportion of private carriers could rise to 45% by 2015. Even university clinics are not exempt from being privatised as the example of the university clinic Giessen Marburg in 2005 shows. This hospital was the first university clinic to become privatised through the acquisition by Rhön Klinikum.

Great Britain and France

A look across the borders to Great Britain and France shows that hospital markets there are also undergoing changes. Whilst in England the proportion of private for-profit hospitals has remained roughly the same, significant changes have happened in the competitive environment due to acquisitions and partnerships. BUPA, who used to be the second largest private hospital operator, has almost completely left the market. Currently BMI Healthcare acts as the largest private chain with 58 hospitals. Spire Healthcare follows in second place mainly through the acquisition of most BUPA hospitals. An international operator is to be found in Great Britain as the example of the Australian Ramsay Health Care shows, currently third biggest private chain.

In France, at first glance the proportion of private for profit hospitals seems large with 36%. However this is relative as many private hospitals are indeed small clinics. In fact, private beds account for 20% of all hospital beds. Générale de Santé leads the market with 128 facilities. Medi-Partenaire follows with 25 hospitals and other medical institutions. The following table shows an overview of size and activities of private operators in England and France.

	Facilities	Other
BMI Healthcare (GB)	58 Hospitals	Part of General Healthcare Group
Spire Healthcare (GB)	36 Hospitals	Belong to Cinven (Private Equity)
Ramsay Health Care (Australien)	22 Hospitals (in GB)	Over 100 hospitals in Australia, Indonesia and GB
Générale de Santé (Frankreich)	128 Hospitals and clinics	Also active in Spain and Portugal
Medi-Partenaire (Frankreich)	25 Hospitals	Also active in the out-patient sector

Internationalisation on the horizon?

The snapshot picture of the 3 countries almost always shows national operators active in a specific country. Private hospital operators seem to act directly opposite to suppliers of medical devices, pharmacy and other health products. Those manufacturers as a rule work across countries if not even globally. Exceptions currently are the Australian Ramsay Health Care and the Swedish Capio Group. While Ramsay is mostly active in Australia, Indonesia and since 2007 in Great Britain, the Capio Group can be found in many countries of Europe. Capio, who operates hospitals in Scandinavia, Great Britain, France, Switzerland and Portugal, holds a significant position amongst private operators due to its pan-European presence. Capio has also entered the German market in 2006 by acquiring 5 hospitals of the Deutsche Klinik GmbH. In France Capio has already established themselves since 2002 through the acquisition of 16 clinics and has therefore become third largest supplier. England presents a slightly different picture as Capio actually sold most of their hospitals 2 years ago to the above mentioned Ramsay Health Care.

Overall it can be said that the internationalisation of private hospital chains is still in its infancy. The vast majority of private operators act at national level with only slight tendencies to go across borders. Reasons for that can surly be found in the varying health, social security and reimbursement systems in the different countries making it difficult to apply international standardised strategies and concepts to achieve most profits. Social and political structures also play a role as well as the willingness of governments towards privatisation of healthcare sectors.

Nevertheless it can be expected that private hospital chains are likely to enter new markets as national ones are becoming saturated. It can however be expected that such an internationalisation is going to happen at a slow pace.