

DIVISIONAL REVIEW - SWITZERLAND



Ole Wiesinger

Chief Executive Officer: Hirslanden

CEO's statement

"For Hirslanden, the 2015/16 financial year was characterised by further growth of the core business alongside the continued implementation of standardised, platform-wide structures and processes. The opening of our fourth outpatient clinic in Düdingen (in the canton of Fribourg) alongside our new radiology institutes, reinforce Hirslanden's role as the largest medical network in Switzerland. With an unconditional focus on medical quality and patient satisfaction, as well as an improved efficiency through consistent structures and processes, patient benefits are at the core of Hirslanden's approach.

Looking forward, the public policy environment creates a number of uncertainties. For example, any changes to immigration policy could have an impact on our employment practices and we continue to engage with the authorities on matters such as the planning of highly specialised medicine (HSM). We are conscious that the rate of growth in patients with basic insurance has slowed; however, we are confident of achieving stable growth and will remain a source of clinical excellence for the wider Mediclinic Group."

Dr Ole Wiesinger

Chief Executive Officer, Hirslanden

KEY STATISTICS

16

NUMBER OF
HOSPITALS

4

NUMBER OF
CLINICS

1 677

NUMBER OF
BEDS

92

NUMBER OF
THEATRES

9 120

NUMBER OF
EMPLOYEES

KEY FINANCIAL HIGHLIGHTS

Hirslanden delivered revenue growth of 6% to CHF1 657m during the period under review. This resulted in an underlying EBITDA of CHF325m compared to CHF303m in the previous year, with the underlying EBITDA margin increasing from 19.4% to 19.7%.

This strong performance was driven by 5.4% growth in inpatient admissions. Although the average length of stay reduced slightly, the average revenue per case nonetheless increased by 0.5%. In addition, a number of productivity measures and cost savings implemented during the year contributed to the improved EBITDA margin.

Importantly, Hirslanden continued to invest in the business. This included CHF68m (2015: CHF72m) on capital projects and new equipment, CHF76m (2015: CHF70m) on replacing existing equipment, and CHF38m (2015: CHF38m) on repairing and maintaining property and equipment, which was accounted for in the financial year.

KEY OPERATIONAL HIGHLIGHTS

The number of inpatient beds increased from 1 655 to 1 677 during the period under review, mainly due to the opening of new bed wards at Hirslanden Klinik Stephanshorn and Hirslanden Klinik Aarau.

NEW SITES AND FACILITIES

During the year, Hirslanden did not acquire any new hospitals but did open several significant new sites. In August 2015, for example, Hirslanden Lausanne inaugurated its new 600m² radiology institute, the Institut de radiologie de l'ouest lausannois (IROL), enabling patients to benefit from new state-of-the-art medical equipment like a 3T MRI scanner and a 128-layer computed tomography machine. In November 2015, Hirslanden Clinique Cecil in Lausanne opened a new hybrid operating theatre and an outpatient surgery unit. Combined with the January 2016 opening of the new Praxiszentrum Düringen (outpatient clinic) with an integrated radiology institute in the canton of Fribourg, Hirslanden now operates four outpatient clinics and 13 radiology institutes, and is represented in 12 cantons.

Alongside these major new sites, Hirslanden also completed a number of other important development projects, including:

- a new doctors offices' and a new radiology department for Hirslanden Klinik Birshof in June 2015;
- a new ophthalmology operating theatre for Hirslanden Clinique Bois-Cerf in August 2015;
- a new maternity ward for Hirslanden Andreas Klinik in November 2015; and
- an enlarged emergency department, intensive care unit and heart catheter laboratory for Hirslanden Klinik Aarau in January 2016.



CHF1 657m

+6%

REVENUE

CHF325m

+7%

UNDERLYING EBITDA

469 167

+3.4%

BED DAYS SOLD

+0.5%

AVERAGE INCOME PER BED DAY

94%

PATIENT SATISFACTION

3.85

EMPLOYEE ENGAGEMENT

(grand mean score based on a 1 to 5 rating scale)

DIVISIONAL REVIEW – SWITZERLAND (continued)

Throughout 2015/16, Hirslanden made a number of notable investments in new medical equipment and technology. Highlights include: two new state-of-the-art linear accelerators at Hirslanden Klinik Aarau and Klinik Hirslanden; a new O-arm® Surgical Imaging system at Hirslanden Clinique La Colline; further MRI scanners at Hirslanden Clinique Bois-Cerf and Hirslanden Klinik St. Anna; and an additional CT scanner at Klinik Hirslanden.

Meanwhile, building work commenced on several ongoing expansion projects, including more operating theatre capacity for both Hirslanden Klinik Stephanshorn and Hirslanden Klinik St. Anna, and an expanded emergency department for Hirslanden Klinik Im Park.

EFFICIENCY IMPROVEMENTS

The ongoing strategic programme, Hirslanden 2020, is intended to increase the efficiency of all Hirslanden hospitals and establish consistent processes throughout the platform. This focuses on various critical paths or journeys, such as patient registration through to payment, or employee recruitment through to resignation, and seeks to introduce related process improvements.

During 2015/16, various IT process improvements were identified, which are due for implementation within the corporate headquarters and at Hirslanden hospitals. The aim is to establish a consistent, group-wide business model with streamlined IT systems and organisational structures.

MARKET OVERVIEW

The Swiss private healthcare market is one of the best-funded in the developed world and continues to grow steadily. Hirslanden is the largest medical network and the largest private hospital group in Switzerland, and works effectively within a high-quality healthcare system where the population enjoys freedom of choice and high-quality services in both the public and private sector. Challenges include working within an environment regulated by 26 cantons that supervise and manage hospitals and ensure their funding in collaboration with the mandatory health insurance (see the Market Overview section on page 17 for more details).



SUSTAINABILITY

QUALITY MANAGEMENT

The quality management system followed at Hirslanden is based on the ISO 9001:2008 standard, against which 15 of the platform's 16 hospitals are certified (the remaining hospital, Hirslanden Clinique La Colline, is due to be certified in 2016). Through this process, all Hirslanden hospitals and operations follow the "Business Excellence" model set out by the European Foundation for Quality Management.

Hirslanden's hospitals are also participating in an international Quality Medicine Initiative (Austria, Germany and Switzerland). Through this initiative, each participating hospital publishes a series of quality performance indicators, which may be supplemented by external peer reviews. Hirslanden also participates in the National Association for Quality Development in Clinics and Hospitals. In combination, these initiatives demonstrate that Hirslanden works to the highest quality standards.

PEOPLE

The recruitment of nursing staff, especially in specialised nursing, is a major challenge for all Swiss hospitals. For this reason, Hirslanden is committed to the further training and education of specialist nurses, implements professional recruitment practices and offers attractive working conditions and career opportunities.

Hirslanden also provides a range of training programmes for all types and levels of employment. For example: during 2015/16 more than 1 000 apprentices received formal training (federal certificate, higher college, college or graduate students) across 30 professions, mainly as healthcare professionals. Hirslanden's leadership talent management process aims to improve the identification of leadership potential and develop leadership skills; and the platform's in-house leadership and management courses were attended by 385 management employees (up from 326 in 2014/15).

ENVIRONMENT

The continuous improvement of Hirslanden's environmental performance is evidence of the platform's commitment to responsible and sustainable business. For example, all Hirslanden hospitals have been supplied with 100% sustainable electricity since the start of 2014. And, in order to be even more disciplined in environmental management, the Hirslanden Executive Committee has defined guidelines that cover issues ranging from training and construction measures to the choice of suppliers.

During 2015/16, a structured environmental management pilot project was conducted at Hirslanden Klinik Belair, and has been successfully integrated into the hospital's ISO 14001:2015 quality management certification. Lessons learnt from this initiative will be applied to other Hirslanden hospitals.

OUTLOOK

One of the most significant trends in the Swiss healthcare market is the ongoing shift of basic medical treatments from the inpatient to the outpatient sector. As a result, total costs in the outpatient sector are seeing a significant increase and currently stand at around CHF24.9 billion. It is important for Hirslanden to continue to respond to this trend, with the opening of new outpatient clinics and the creation of an integrated medical network that facilitates the access to healthcare for patients – especially because outpatient clinics are a well-established route for the subsequent allocation of patients to hospitals and specialists.

In response to this, the establishment of outpatient clinics as well as outpatient surgery units is now part of the Hirslanden 2020 strategic programme. This programme, which came into full force in 2015/16, has two main goals: to increase the efficiency of the existing business by implementing consistent systems and processes, and to develop new areas of business, such as outpatient facilities. In a fast-changing environment it is important for Hirslanden to realise potential synergies by integrating all hospitals and clinics within an overarching system of standardised structures with a consistent business model.

Given the external environment, the investment programme within Hirslanden and the potential for increased synergies, the platform is well-positioned to maintain its status as the largest medical network in Switzerland while continuing to improve patient satisfaction and clinical outcomes.