New Global Leading Practice: Managed Medical Technology Services

June 27, 2014

Experience the commitment®

Providers worldwide are challenged with unending pressures in Healthcare…

…and these pressures impede the pace of advancement of patient care within provider originations

Raising capital for medical equipment (which is the largest ongoing capital expense) continues to be a challenge for hospitals

1

An ad hoc approach to acquiring, and more importantly, **maintaining medical equipment** such that multiple service coordination issues arise, such as equipment downtime and staff distracted away from clinical care

2

Insufficient levels of **information (data and image) integration**, in spite of evolving software and networking capabilities available with equipment which make integration within an EHR a complex endeavor

3

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Patients have **increasing expectations of service** stemming from experiences from other industries. 4

Advancing patient care requires more than EHR, it involves the **complete integration of information** sourced from clinicians, building infrastructure, medical equipment, patients themselves, and their social network 5

There is **lagging productivity** of patient throughput and information workflow, centered in clinical areas with equipment constraints, compared with other clinical areas 6

Managed Equipment Services (MES)
Background

What is MES?

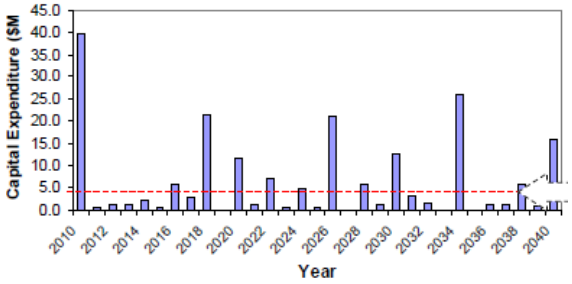
The bundling the management, maintenance, upgrades, replacement and financing of Medical Equipment over a 15 to 25 year outsourcing contract.

Why is MES emerging in North America hold now?

1. As the specialization and technical capabilities of Medical Equipment evolves, these devices will increasingly, be core to clinical outcomes.
2. Hospitals that had “X” pieces of equipment 10 years ago, now have “2X – 3X” pieces of equipment today, and likely will have “4X – 6X” pieces 10 years hence, across all clinical disciplines.

Managed Equipment Services (MES)
Drivers

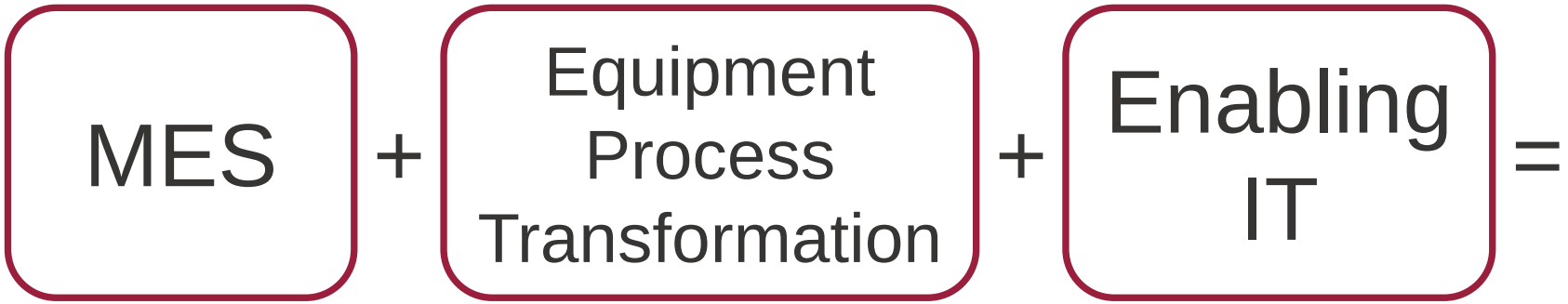
Example: hospital equipment inventory: 1,325.



- Poor Capital Alignment. A need to better match capital spend to forecasted use and timing for new equipment and upgrades (feast or famine capital cycles).
- Insufficient Service Coordination. Improving the management and coordination of multi-vendor equipment and software upgrades / new acquisitions and refreshment at staggered intervals.
- A Need to Harvest Investments - Reduced costs for managing equipment (~ 10% - 15%) and lowered costs of operationalizing EMR investments liberate investment for transformation.
- A Lack of Software & Infrastructure Integration. Equipment vendors are developing new Imaging solutions / data streams and connectivity capability which is not yet well integrated into the Hospital EMR or IT infrastructure.

Managed Equipment Services

Combining MES with key enablers



Managed Medical Technology Services

A combination with tremendous flexibility and financial power

Key Elements of a leveraged approach to MES

Managed Medical Technology Services

1. **Create a leveragable, fungible Medical Equipment asset pool** – Aggregate capital equipment based on existing inventory and requirements for 2 to 3 replacement cycles

2. **Transform fixed assets into service needs** – replace features and functions with clinical requirements; right size capacity to workload

3. **Maintain focus on clinical needs** – refresh each asset within its useful life

4. **Create opportunities for clinical excellence** – Accelerate replacement of assets to include leading clinical functions embedded in new technologies

Key Elements of a leveraged approach to MES

Managed Medical Technology Services - continued

5. **Mitigate future uncertainty** - such as reduced reimbursements, poor functioning equipment – allow exchange of assets

6. **Eliminate service fragmentation** - create service coordination across the entire equipment pool regardless of manufacturer and clinical area

7. **Create financial capacity** – re-direct existing funds into IT Transformation and process reengineering

Key Elements of a leveraged approach to MES

Managed Medical Technology Services

1. **Create a leveragable, fungible Medical Equipment asset pool**
2. **Transform fixed assets into service needs**
3. **Maintain focus on clinical needs**
4. **Create opportunities for clinical excellence**
5. **Mitigate future uncertainty**
6. **Eliminate service fragmentation**
7. **Create financial capacity**

Reduced capital and operational costs with productivity improvements.

Managed Medical Technology Services vs Strategic Sourcing

Key Features / Benefits	Traditional Strategic Sourcing	MES
Aggregate equipment to create economies of scale and reduce unit costs	Yes	Yes
Create financial capacity	Yes	Yes
Transform fixed assets into service needs	Indirect	Yes
Refresh equipment within their useful life	Limited	Greater
Leverage opportunities to acquire the latest new technologies	Limited	Greater
Mitigate future uncertainty by returning un-needed equipment	No	Yes
Coordinate servicing of equipment across clinical areas	No	Yes
Enhance patient throughput	No	Yes
Enhance information flow–integrate equipment & EHR	No	Yes

MES + IT & Process Transformation
Benefits for Hospitals

Patient Benefits
- Modern equipment improves treatment and safety
- Shorter wait times for equipment
- Swifter procedures
- Quicker procurement of new equipment
- Reduced risk through ongoing staff training and regular equipment servicing

Clinical Staff Benefits
- Access to up-to-date and well maintained equipment
- Reduced equipment downtime
- Improved working environment
- Secured investment plan provides greater ease in budgetary planning
- Enables staff to focus on improved patient care

Financial Benefits
- Capital savings of 5%-10%
- Operational savings 10-15%
- Risk transfer to MES provider
- Enables long-term budget planning and stability
- Guaranteed equipment uptimes
- Protect working capital position

Managed Equipment Services

Global Leading Practice - Examples

MES is a global leading practice which has evolved from strategic sourcing concepts in the UK.

International

- Barts Health, UK
- University Hospital Southampton NHS Trust, UK
- Royal Liverpool University Hospital, UK
- Fiona Stanley Hospital, Australia

North America

- Humber River Regional Health, Ontario
- Georgia Regents Medical Center
- Centre Universitaire de Universite de Montreal
- William Osler Health System, Ontario
- Mackenzie Health, Ontario

Appendix

MES - Press Releases

Experience the commitment®

GE / Humber River (Canada)

MISSISSAUGA, ON, Oct. 15, 2012 /CNW/ - Toronto's Humber River Regional Hospital (HRRH) and GE Healthcare are pleased to announce an innovative fifteen-year agreement that will implement the first Managed Equipment Services (MES) solution in North America. An MES agreement is a flexible and tailored technology and service agreement to provide long term, sustainable access to innovative medical equipment and services.

This first in North America agreement will provide HRRH a strategic approach to the ongoing acquisition, replacement and maintenance of hospital technology across a wide array of programs: surgery; cardiac care; diagnostic imaging and more. This new model will help the hospital to further enhance the high quality of care it currently provides. Humber's patients will benefit from access to the latest in medical equipment to improve both quality and safety of care.

Under this new agreement, GE Healthcare will manage the ongoing acquisition, installation and replacement of medical technology for HRRH and provide technology maintenance services for the life of the agreement in Humber River's Diagnostic Imaging, Surgical and Emergency Room Departments. This means that care providers can focus on patients, leaving the upkeep of equipment to GE Healthcare. This is a model that has proved to be successful in a number of countries including the U.K, Germany, Spain and Australia.

The MES agreement covers approximately 1,320 pieces of equipment. HRRH expects that this new approach to the acquisition of critical equipment will save the hospital approximately $20 - 25M ($CA) over the fifteen year term.

Quotes:

Dr. Rueben Devlin
President & CEO, Humber River Regional Hospital
"*We are excited to be the first hospital in North America to implement an MES solution to enhance care delivery across the system. Patients will benefit from the latest technology to assist in both diagnosis and treatment. Physicians will receive results faster, reducing wait times. The cost savings from an MES model compared to the traditional RFP approach for capital equipment purchases will be re-invested in patient care programs. In a period of economic instability, hospitals must look for new and innovative approaches to ensure the sustainability of their technology assets. Our partnership with GE Healthcare does that*."

Peter Robertson
Vice President and General Manager, GE Healthcare Canada
"GE Healthcare is proud to collaborate with Humber River Regional Hospital on this 'first of its kind' innovative technology and service agreement in North America. This Managed Equipment Services Program represents a new and improved way for the public and private sectors to work together; providing Canadians with better access to high quality care with cutting edge technology that demonstrates real cost savings to the healthcare system. With the many challenges confronting Canadian healthcare, this type of public, private sector agreement is a great example of how we can work together to better meet our future healthcare challenges."

About Humber River Regional Hospital
Humber River Regional Hospital is one of Canada's largest regional acute care hospitals, serving a catchment area of more than 850,000 people in the northwest Greater Toronto Area. The hospital currently operates on three sites with a total of 549 beds, 3,000 staff, approximately 600 physicians and 400 volunteers. Affiliated with the University ofToronto, the hospital is home to Ontario's first Centre of Excellence for laparoscopic bariatric surgery, Canada's first home nocturnal dialysis program and a major cancer program.

Philips / Georgia Regents Medical Center (US)

ANDOVER, Mass. and AUGUSTA, Ga., June 27, 2013 /PRNewswire/ -- Royal Philips (NYSE: PHG, AEX: PHIA) and Georgia Regents Medical Center (GRMC), Georgia's public academic health center renowned for its top-ranked doctors, today announced a 15-year alliance to enable increasingly patient-centered approaches to care and to create an innovative business model that addresses current and future clinical, operational and equipment needs of GRMC's multiple sites.

The alliance is a first-of-its-kind delivery model in the United States. Through the agreement, worth approximately USD 300 million, the largest of its kind for Philips, the company will provide GRMC with a comprehensive range of consulting services, advanced medical technologies, and operational performance, planning and maintenance services with pre-determined monthly operational costs over a 15-year term.

The alliance will broadly support the Georgia Regents Medical Center, Children's Hospital of Georgia, Georgia Regents University Cancer Center and the health system's numerous outpatient clinics, which serve the medical needs of four to six million people, across Georgia and South Carolina. Philips and Georgia Regents will work closely to deliver faster, more effective and cost-efficient care from diagnostics to therapeutics, and inpatient and outpatient clinical services. The alliance will impact all care areas, including radiology, cardiology, neurology, oncology and pediatrics, and enhance medical research and clinical technology R&D initiatives for care delivery innovation.

The agreement encompasses Philips imaging systems, patient monitoring and clinical informatics solutions, as well as lighting and consumer products. Philips will also furnish GRMC rapid access to new equipment as well as educational resources. Philips and GRMC will work together to cost-effectively design and deploy innovative patient care strategies.

"By collaborating with Philips, we're bringing all the stakeholders together at the same table to better assess and plan health care for tomorrow. It's no longer a simple supply-and-demand business model," said David S. Hefner, Chief Executive Officer for Georgia Regents Medical Center. "Our goal is to foster an atmosphere of meaningful innovation that will have a significant and positive impact on the health of our patients."

"We are proud to embark on this transformational alliance with Georgia Regents Medical Center as we share the vision that we can create the future of health care by creatively and cost-effectively meeting the long-term needs of patients," said Deborah DiSanzo, chief executive officer, Philips Healthcare."

With more than 100 years of experience in health care, Philips' aim is to provide innovative solutions that address the complexities of health care delivery by working in close partnership with healthcare providers. The long term alliance with GRMC in the U.S. follows collaborations with hospitals in Europe, Asia, the Middle-east and Africa that have resulted in improved clinical operations and care delivery performance.

Siemens / Fiona Stanley (Australia)

Fiona Stanley Hospital - Australia's first Managed Equipment Services (MES)
Jun 28, 2013

Siemens Healthcare has secured Australia's first Managed Equipment Services project for Australia with the state-of-the-art Fiona Stanley Hospital.

With the pressures of demographic change including our aging population, potential shortages of medical staff to cope with projected demand and competing demands for infrastructure dollars, we need new ways to create a sustainable healthcare model in Australia. Siemens believes that MES is one important way to do this.

Essentially, the Siemens' MES offering allows hospitals to focus on providing clinical services as their core competence, instead of being bothered with the asset and technology management for their medical equipment. And being the first MES model in Australia, Western Australia is really leading the way in the future of managing hospitals and creating a sustainable healthcare model.

Although new to Australia, Siemens MES is a proven model with 19 operating projects across five countries including several in the UK such as the University Hospital Southampton - announced earlier this year.

This MES contract will transfer risk of things like equipment performance and maintenance and the availability of critical technology away from the hospital and on to Siemens.

In addition to the MES at the Fiona Stanley Hospital, Siemens has also already taken equity stakes in the form of Public Private Partnerships with Queensland's Sunshine Coast University Hospital and Victoria's new Bendigo Hospital - demonstrating a true commitment to supporting healthcare infrastructure needs in Australia.

As part of the 15-year MES contract with the Fiona Stanley hospital, Siemens is responsible for the procurement and implementation of about 6000 pieces of medical equipment ranging from diagnostic imaging to anaesthetics and intensive care machines. And although Siemens' own technologies may be used, the MES is vendor independent and Siemens will work with the hospital and clinicians in regards to what equipment to purchase - and with the hospital making the final decision.

MES contracts allow hospitals to focus on caring for patients, relieving them of the responsibility of worrying about medical equipment and how it is performing, with Siemens responsible for ensuring that equipment is up-to-date and functioning to its requirements.

As part of the MES contract, Siemens takes on a certain amount of risk, agreeing to performance hurdles to make sure the equipment it provides performs as expected. Ultimately, MES is all about new asset management models for a sustainable approach to healthcare.