

PHILIPS

2017 Global Healthcare Enterprise Partnerships Market Leadership Award

FROST & SULLIVAN

BEST
2017 PRACTICES
AWARD

GLOBAL
HEALTHCARE ENTERPRISE PARTNERSHIPS
MARKET LEADERSHIP AWARD

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Background and Company Performance

Industry Challenges

In an era when the only certainty is upcoming change, health systems are hard pressed to rethink the way they decide, select, deploy, and measure the impact of their technology investments and vendor relationships.

In this context, optimizing their supply chain toward more efficient procurement processes and advancing the way they engage with technology vendors are two of the ways healthcare enterprises are striving to generate greater value and efficiency. This is especially true in capital-intensive areas e.g. medical imaging, where the return values of this high-cost discipline are coming under increased scrutiny by multiple stakeholders.

This new mindset requires a paradigm shift in current vendor-customer relationships, breaking away from the deeply entrenched practice of acquiring technology with a departmental focus and, instead, adopting an enterprise vision. Unlike a strategic approach, a tactical move tends to limit the potential impact and visibility of medical imaging investments in the context of enterprise-level outcomes. Given that these are the factors that will determine the payment for medical imaging services going forward, purely transactional relationships are quickly proving short-sighted.

In this context, the emerging best practice is for health systems and other provider networks to work collaboratively with vendors to design more holistic solutions around equipment, informatics, supporting services, and in some cases, customized finance offers, with a common goal of improving clinical, operational, and financial outcomes across the enterprise value chain.

However, very few vendors are capable of making these kinds of partnership models effectively “work” within their organization because they are often designed with department-like infrastructures. Indeed, implementing them requires a high degree of dedication to addressing customers' specific and individualized needs, a capacity for pulling together the strengths of disparate products and service lines into customized solutions, and a willingness to absorb a certain element of performance-based risk. This constitutes a substantial internal transformation characterized by a shift to a consultative, outcomes-focused and enterprise-oriented approach.

Market Leadership

Today, one vendor clearly stands out from the pack at a global level for its success in engaging with healthcare enterprises on this partnership basis: Philips Healthcare.

Growth Strategy Excellence

Over the last seven years, there has been a wave of consolidation in the healthcare provider landscape of many countries, most notably in the United States. These acquisitions have resulted in the formation of increasingly large integrated delivery networks and health systems. Providers are becoming more accountable to payers and patients for the care they provide. Moreover, this accountability is being passed on to internal service lines that are engaging in shared-risk models. In this scenario, service-line

providers need to demonstrate a higher level of quality from their services with more tangible impact on enterprise outcomes, while improving satisfaction of patients and staff, and doing it all at a lower cost.

In order to improve the efficiency of care provision with fixed budgets and reduced reimbursements, hospitals increasingly rely on vendors to become partners that can help them deliver efficient and effective care. Hospitals actively seek out vendors that adopt a collaborative approach towards improving institutional outcomes. In this regard, Philips Healthcare is a global market leader in helping healthcare organizations improve outcomes at the individual department level and across the enterprise as a whole. Philips Healthcare is able to accomplish this by leveraging their innovations, deep clinical expertise, data analytics and strategic partnership agreements to form synergies that make it easier for healthcare institutions to optimize operational and clinical pathways to advance care delivery. Philips Healthcare is able to cut through the complexity its customers face by working with them to identify their unique challenges and then developing customized, integrated solutions that meet their specific needs. These can include products, services, data, clinical workflow, and technology focused on improvements in the areas of operational and financial performance, clinical outcomes, clinical decision-making, staff satisfaction, and the patient experience.

Implementation Excellence

Frost & Sullivan has been tracking the evolution of enterprise partnership agreements across several countries, including the United Kingdom, France, Spain, the Netherlands, Canada, and the Philippines. Across these nations, Philips Healthcare is both an early mover and market leader in healthcare enterprise partnerships.

Healthcare enterprise partnership contracts were first introduced in the U.S. in 2013, with Philips Healthcare assuming market leadership through its large number of high value, multi-year engagements. Philips Healthcare was able to accomplish this by leveraging years of worldwide experience in healthcare enterprise partnerships. Philips Healthcare has been successful in securing these contracts through strong relationship-building efforts with hospitals and health systems. Other diversified healthcare companies have also signed several such healthcare enterprise partnership contracts, but these are much smaller in terms of value, scale and duration when compared to those being implemented by Philips Healthcare. This is because Philips Healthcare is better prepared than its competitors to act as a vendor-neutral supplier due to its willingness to bring in third-party products to support these relationships when necessary.

Product Quality

Philips Healthcare has adopted a four-step process in forming these healthcare enterprise partnerships. The first phase focuses on the **alignment of vision and goals** between Philips Healthcare and the enterprise partner. As part of this process, Philips performs a needs assessment to create a set of goals that are paired with broad objectives for the end user. This is a collaborative process with both parties working to create and define a fixed scope and a financial model which will serve as a blueprint for the partnership. The second phase entails **strategic planning** and the creation of a detailed roadmap with key

targets and milestones. This is essential to estimate and align resources and capabilities, as well as create a set of metrics for measuring success. The third phase deals with the establishment of a **governance structure** in order to ensure accountability, efficiency and quality. Philips Healthcare and the end user collectively use and analyze data sets to create operational and clinical decision-making processes, thus ensuring **operational excellence** throughout the lifecycle of the partnership. The fourth and final phase includes monitoring the metrics and accountability targets and refining and developing best practices that advance the provision of care across the health continuum. This method of **continuous innovation and improvement** is critical in enhancing performance, creating pioneering programs and developing new population health management solutions.

Philips Healthcare’s enterprise partnership contracts seek alignment with key performance indicators and priorities of different stakeholders across the whole spectrum of the enterprise. These include the C-Suite executives as well as individual department stakeholders (such as the radiology chief or cardiology chair). This ability to demonstrate added value to a broad spectrum of stakeholders in different healthcare environments and ecosystems makes Philips a global leader in enterprise partnership contracts. Examples of such large-scale partnerships include:

Healthcare Enterprise Partnerships Created by Philips Healthcare Globally

Country	Hospital	Year of Signing	Duration	Value (USD)
Canada	Mackenzie Health	2015	18 years	\$214 million
United States	Augusta University Health	2013	15 years	\$300 million
United States	Westchester Medical Center	2015	15 years	\$500 million
United States	Marin General Hospital	2015	15 years	\$90 million
United States	Medical University South Carolina	2016	8 years	\$36 million
United States	Bon Secours Charity Health System	2017	15 years	\$180 million
United States	Phoenix Children’s Hospital	2017	15 years	\$65 million
Spain	Hospital Campus de la Salud	2016	8 years	\$89 million
The Netherlands	Reinier de Graaf Hospital	2015	15 years	Not disclosed
Sweden	Karolinska University Hospital	2014	14 years	Not disclosed

Customer Purchase Experience

Healthcare enterprise partnership contracts place great emphasis on vendors providing advice and feedback in real-time to care providers. Philips Healthcare excels at collaborating proactively with care providers due to the company's ability to understand customer priorities, objectives, and desired outcomes. This enables Philips Healthcare to create a customized set of solutions that leverages Philips' hardware and software portfolios, as well as third-party vendor products as needed.

Philips Healthcare also offers a high degree of flexibility with regards to creating a cost structure that is best suited to the customer's unique set of requirements. This flexibility is achieved through alignment with the customer's financial planning and capital spending potential. This alignment is critical in creating synergy between the services offered and desired outcomes. It is also important to note that these contracts are not limited only to modalities; but also encompass maintenance, analytics and ancillary non-medical services and procurements across the hospitals or health system.

Customer Ownership Experience

As part of the research into healthcare enterprise partnership contracts, Frost & Sullivan had the opportunity to speak with Augusta University Health leadership regarding its contract with Philips Healthcare. In 2013, AU Health (then GRHealth) signed a 15-year, USD \$300 million dollar healthcare enterprise alliance with Philips Healthcare to reduce costs and improve patient outcomes. Officials at AU Health reported a savings of USD \$10 million in just the first two-and-a-half years of the alliance. Additionally, AU Health has been able to increase magnetic resonance imaging (MRI) patient volumes by 63% without adding a new modality. AU Health officials attribute this to Philips Healthcare's expertise in understanding the health system's unique challenges and designing solutions to meet these needs.

As part of the agreement, Philips Healthcare also assisted the health system's Children's Hospital of Georgia in a more patient-centric redesign of its pediatric radiology suite. This unit had been unchanged for 16 years, and most of its imaging platforms were antiquated, still based on analog technologies. As a result, workflows were inefficient, and the experience for both parents and the children who needed procedures and imaging was less than desirable. In order to revamp the suite, a multidisciplinary team from Philips Healthcare and the Children's Hospital collaborated to create a state-of-the-art pediatric radiology center. The completely renovated suite, which opened in October 2015, was equipped with a fleet of new modalities which helped reduce radiation dosages and scan times resulting in increased patient throughput and a more child- and family-friendly experience. Other features of the new imaging suite include an interactive, animated picture wall in the waiting room and customizable lighting and music schemes in each new imaging suite.

Because the big machines used in radiology can be intimidating for a child, AU Health worked with Philips to install a Philips Kitten Scanner, a miniature mock CT scanner, just outside of the room that houses the real CT scanner. Children choose a character – a robot, elephant or alligator – to be a test patient. Then the child places the test patient on

the table and slides the table through the Kitten Scanner. Since each character has a special chip inside, the scanner comes to life when the character slides through and a voice from the machine explains what is happening during the mock exam.

Children get to learn about their upcoming test by scanning toys in the Kitten Scanner, and it helps alleviate their fears of the larger, real CT machine. Frost & Sullivan recognizes this collaborative effort towards improving the patient experience as an industry best practice.

Conclusion

With increased emphasis on providers to improve the quality and safety of health outcomes while also reducing costs, healthcare enterprise partnerships will increasingly become the new norm for hospitals and health systems around the world. These partnerships are a viable means to helping providers increase the workflow efficiencies of their existing modality fleet while leveraging best-of-breed analytics solutions in order to streamline processes and improve overall patient experience. Philips Healthcare continues to deepen its expertise in healthcare enterprise partnerships globally by offering a broad portfolio of solutions and services that can be customized to meet the needs of each unique healthcare organization.

What sets Philips apart from its competitors is its solutions-based approach, which combines people, processes and technology to help customers improve patient outcomes. In the past 24 months, in the US alone we have signed long-term strategic partnerships valued at over \$1 billion. For its strong overall performance, Philips Healthcare has achieved a leadership position in the Healthcare Enterprise Partnership industry. Frost & Sullivan is proud to bestow the 2017 Market Leadership Award to Philips Healthcare.

Significance of Market Leadership

Ultimately, growth in any organization depends upon customers purchasing from a company, and then making the decision to return time and again. Loyal customers become brand advocates; brand advocates recruit new customers; the company grows; and then it attains market leadership. To achieve and maintain market leadership, an organization must strive to be best-in-class in three key areas: understanding demand, nurturing the brand, and differentiating from the competition. This three-fold approach to delivering market leadership is explored further below.



Understanding Market Leadership

As discussed on the previous page, driving demand, strengthening the brand, and differentiating from the competition all play a critical role in a company's path to market leadership. This three-fold focus, however, is only the beginning of the journey and must be complemented by an equally rigorous focus on the customer experience. Best-practice organizations, therefore, commit to the customer at each stage of the buying cycle and continue to nurture the relationship once the customer has made a purchase. In this way, they build a loyal, ever-growing customer base and methodically add to their market share over time.

Key Performance Criteria

For the Market Leadership Award, we focused on specific criteria to determine the areas of performance excellence that led to the company's leadership position. The criteria we considered include (although not limited to) the following:

Criterion	Requirement
Growth Strategy Excellence	Demonstrated ability to consistently identify, prioritize, and pursue emerging growth opportunities
Implementation Excellence	Processes support the efficient and consistent implementation of tactics designed to support the strategy
Brand Strength	The possession of a brand that is respected, recognized, and remembered
Product Quality	The product or service receives high marks for performance, functionality, and reliability at every stage of the life cycle
Product Differentiation	The product or service has carved out a market niche, whether based on price, quality, or uniqueness of offering (or some combination of the three) that another company cannot easily duplicate
Technology Leverage	Demonstrated commitment to incorporating leading-edge technologies into product offerings, for greater product performance and value
Price/Performance Value	Products or services offer the best value for the price, compared to similar offerings in the market
Customer Purchase Experience	Customers feel they are buying the most optimal solution that addresses both their unique needs and their unique constraints
Customer Ownership Experience	Customers are proud to own the company's product or service, and have a positive experience throughout the life of the product or service
Customer Service Experience	Customer service is accessible, fast, stress-free, and of high quality

The Intersection between 360-Degree Research and Best Practices Awards

Research Methodology

Frost & Sullivan's 360-degree research methodology represents the analytical rigor of our research process. It offers a 360-degree-view of industry challenges, trends, and issues by integrating all 7 of Frost & Sullivan's research methodologies. Too often companies make important growth decisions based on a narrow understanding of their environment, leading to errors of both omission and commission. Successful growth strategies are founded on a thorough understanding of market, technical, economic, financial, customer, best practices, and demographic analyses. The integration of these research disciplines into the 360-degree research methodology provides an evaluation platform for benchmarking industry participants and for identifying those performing at best-in-class levels.

360-DEGREE RESEARCH: SEEING ORDER IN THE CHAOS



About Frost & Sullivan

Frost & Sullivan, the Growth Partnership Company, enables clients to accelerate growth and achieve best-in-class positions in growth, innovation and leadership. The company's Growth Partnership Service provides the CEO and the CEO's Growth Team with disciplined research and best practice models to drive the generation, evaluation and implementation of powerful growth strategies. Frost & Sullivan leverages more than 50 years of experience in partnering with Global 1000 companies, emerging businesses, and the investment community from 45 offices on six continents. To join our Growth Partnership, please visit <http://www.frost.com>.