

**PHILIPS**

www.philips.com

# COVID-19 Impact

*Economic Impact – Industry Perspective & Geographic Insights*

5 November 2020

Rob Cascella

International Society for Strategic Studies in Radiology (IS3R)

innovation  you

# COVID-19 Impact

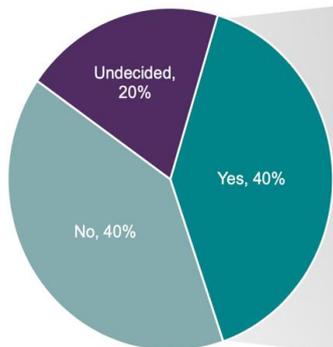
## Profound impact on society, the global economy & healthcare

Society – Surge in demand for COVID-related health testing, Dx, services, treatment and care	Economy – Patient & provider impact	Healthcare – Quicker adoption of telehealth/virtual care, increase in acute systems investment
Increases in inter-system collaboration between providers	Significant disruption to the global economy - GDP to decline 5% to 7% in 2020, rebounding partially in 2021 and only reaching 2019 levels in 2022	Virtual reimbursement has levelled & expanded to more conditions
Global Hospital volumes declined significantly in 1H20; expected to recover slowly with 2021 still below 2019	Major increases in investments for acute care systems, with substantial capital for COVID-specific solutions	Meaningful shift in site-of-care to secondary locations
Non-hospitals and small hospitals suffering more than larger centers and IDNs	Many governments recognized their healthcare systems were underfunded, inefficient and not fit for purpose to deal with such a crisis	Potential relaxing of regulations and accelerating important approval
Many routine exams and procedures delayed creating other longer term problems to the health systems	Public Debt levels to increase by ~15% of GDP in 2020; but liquidity is strong with bond yields at historic lows	Longer term implications may include structural changes in care networks – including greater exchange and transparency of medical data
	Hospitals financed through procedure reimbursement saw revenue declines in Q2 and continuing; Margin impact varies depending on mitigation efforts and national stimulus programs	

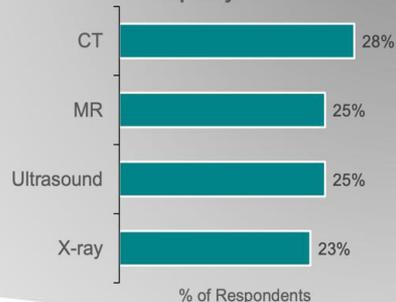
# H2 2021 return expected for imaging procedures & investment

## After an initial delay, 40% of respondents expect to resume investing in imaging systems within in the next 12 months

Over the next 12 months, do you plan to invest in imaging systems or equipment to increase capacity?



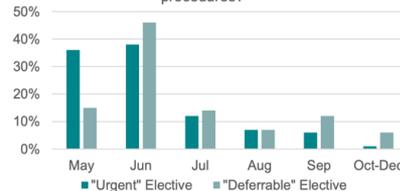
In which imaging modalities do you plan to invest to increase capacity?



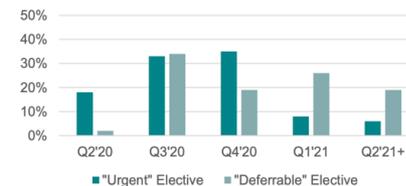
## Medical products vendors should expect elective procedure return commencing in May/June and full recovery in 2021

- Most health systems plan to ramp-up elective procedures by July
- "Urgent" elective procedures are expected to return to normal levels by the end of 2020
- Half of health systems do not expect "deferrable" elective procedure volume full recovery until 2021

In what month does your hospital plan to start ramping-up "urgent" and "deferrable" elective procedures?

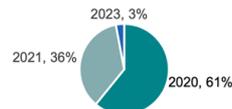


In what timeframe does your hospital expect "urgent" and "deferrable" elective procedure volume to return to normal?



- Community hospitals will lag AMCs/teaching hospitals in deferrable elective procedure full recovery

AMC/Teaching Hospital Expected Time Frame for Deferrable Procedure Volume Full Recovery

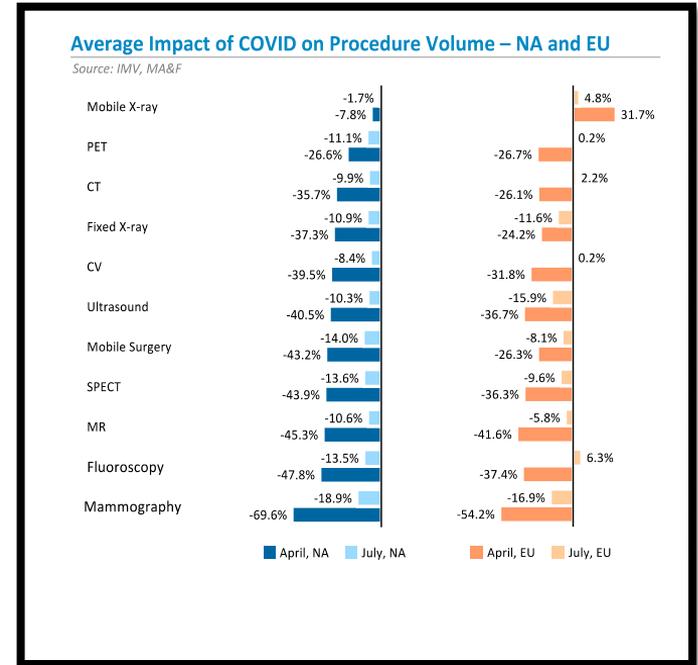


Community Hospital Expected Time Frame for Deferrable Procedure Volume Full Recovery



# Global differences in healthcare responses

Insight	Industry	Radiology
In a survey, 75% of respondents stated a delay in Capex with nearly 50% being related to imaging	Emphasis shift to COVID-related products & services	Delayed installation/access to non-COVID related equipment
In NA and EU during months of April and May procedure volumes in Mammo, Fluoro and MRI down 55%, 45% and 42% respectively	Shift emphasis to products and services specific to COVID challenges & associated surges in demand	Delivery of smarter systems more focused on rapid COVID detection, assessment etc. – primarily in the CT, mobile DXR and Ultrasound modalities & acceleration of tele-enablement across care settings



# Global difference in COVID-19 Impact Radiology – Large versus smaller institutions

	Academic/Large Hospitals	Community/Smaller Hospitals
<b>Imaging Availability</b>	Largely over-run due to urbanization in first few months of COVID-19	Though resource-strapped, often covered larger hospitals due to shortage (UK, China)
<b>Public Debt</b>	Average increase of 15% GDP (mature markets)	Higher debt levels in less developed markets
<b>Gov't funding</b>		Developing countries received substantial funding from the IMF to support healthcare systems
<b>System impact</b>	Large government hospitals/IDNs fare ok	Diagnostic Imaging Chains and Community Hospitals hurt more significantly
<b>COVID Patients</b>	Carried the more significant level of burden	

# COVID-19: Healthcare disparities revealed

A view of how the IS3R and industry can respond

- Disproportionate impact on the health and well-being of individuals of lower socioeconomic status
- Statistically significant changes in the composition mix of the socioeconomic factors of patients undergoing imaging during the COVID-19 pandemic.
- Patients in resource scarce areas had the added burden of traveling long distances to receive treatment
- Countries/markets where equipment levels per capita were very low, struggled to provide necessary coverage
- Industry had challenges to create greater delivery flexibility to meet surges in demand
- Care settings needed to change – to increase access and safety

# Enabling more accessible care

## The role of industry and IS3R

### Accelerate the virtualization of care delivery

- whether image interpretation, command-center capabilities, virtual training and operations, etc.

### Increase effectiveness of health networks

- Develop solutions together

### Promote faster, first-time-right diagnosis

- Design systems and processes that include higher level of intelligence

### Create more meaningful partnerships

- Industry needs to be more flexible relative to creative business models, partnering to share risk and better align payments to more dynamic environment

# What we have learned from the pandemic

## Leveraging strategic partnerships

Drive true strategic partnerships between industry and imaging providers

- Real time, urgent development of unique tele-health solutions and the accelerated adoption of the digital transformation

Demands of providers are very different in many respects and need to be taken into account for partnership value

- Some enthusiastic to embrace intelligent patient solutions and intelligent workflows while others more focused on having expanded access to the acute care technologies necessary to treat surges in COVID cases

Industry needed to respond on a case by case basis to do their part and meet the broader needs of care providers

- There is no universal response other than industry is required to do what's necessary and assist wherever possible to overcome this and all future crises – this speaks to the very foundation of being a partner

# Strategic partnerships require end to end flexibility

## The role of industry – solutions where it matters most

