COVID-19: AN OPPORTUNITY IN CRISIS FOR ASEAN HEALTH CARE PROVIDERS

By John Wong, Zarif Munir, and Anurag Agrawal

HEALTH CARE PROVIDERS ARE on the frontline of battling COVID-19. With more than three million infections and over 200,000 deaths, the pandemic presents an unprecedented global crisis. The private health care industry has been particularly hard hit.

Elective Procedure Volumes Have Significantly Reduced

"Only pregnant women and emergency patients — those with strokes or heart attacks — visit. Elective visits have drastically reduced."

Fearing the virus, patients and caregivers have postponed outpatient consultations and elective procedures. Movement control orders and bans on industrial activity have reduced traffic and accident volumes. Travel restrictions have put a halt to international patient arrivals. As a result, elective procedures have dropped by 40 to 70%. International patient arrivals, often a premium segment, have reduced by approximately 90%. While a limited number of private hospitals treating COVID patients continue to see high occupancy, many others catering to non-COVID patients have seen occupancy levels drop to roughly 30 to 40%. Retrenchment leading to loss of private coverage is expected to further worsen the situation.

Private hospitals are also providing subsidized care to public patients (Exhibit 1). Providers in Singapore and Indonesia have reserved beds or opened dedicated facilities to care for COVID-19 patients. In Malaysia, providers are offering care to public non-COVID patients so that government hospitals have free capacity to cater to COVID patients. This has further strained the financial health of private health care providers.

EXHIBIT 1 | Private Hospitals are Partnering with Public Health Care Systems to Provide Care

Indonesia	COVID-19-dedicated private hospitals offering treatment at subsidized rates: Cost reimbursed directly from government
Malaysia	Private hospitals have agreed to treat non-COVID public patients at subsidized rates: Costs reimbursed from government, COVID patient capacity at standby
Philippines	Private hospitals treating COVID-19 patients: Cost borne partially by PhilHealth (Universal Health Coverage) at case package rates
Singapore	COVID-19-dedicated wards in private hospitals to treat non-critical COVID patients transferred from public hospitals: Cost borne by government
Thailand	COVID-19-dedicated wards in private hospitals to treat patients at subsidized rates: Directly reimbursed from government

Source: BCG analysis
Note: This analysis is as of April 28, 2020.

Resources are Stretched

"Nowadays, it is not a matter of price, it is a matter of availability."

Hospitals face an overwhelming challenge in securing expensive and elusive drugs and consumables—particularly personal protective equipment (PPE) and sanitizers. Supply chains have been disrupted, forcing hospitals to secure supply from outside of ASEAN. COVID-induced production interruptions and competition between providers has further worsened the situation.

Providers are also having to deal with the human cost of the epidemic. Tighter PPE and sanitization requirements are slowing down work. Rostering to avoid cross-infection has limited the ability to cross-staff. In Singapore, the Ministry of Health has mandated doctors to work at a maximum of three clinic locations to minimize the risk of spreading the virus.

With staff on a fixed pay model, hospitals are shouldering the full burden of manpower and associated overhead costs while serving smaller patient volumes. Burdened with a squeezing topline at a time of expanding costs, health care providers find themselves in a financial crisis.

Envisioning the Post-Crisis World of Health Care

In all likelihood, the COVID-19 virus is here to stay for a while (Exhibit 2). While heightened government intervention will preclude a repetition of the initial burst of cases, it will most certainly be followed by recurrent minor outbreaks and reactionary lockdown measures until a definitive cure or vaccine emerges. In turn, the demand for private health care could remain subdued for a prolonged period of time. The crisis could accelerate a disruption in health care delivery.

In the short term, the sector is likely to witness consolidation. Small, independent hospitals with low cash reserves, slim margins, high exposure to outpatient revenues, international patients or elective procedures, will be extremely vulnerable to closure or takeover. Stand-alone private practices, reliant on margins from drugs, will likely integrate into larger health care networks. Private equity funds which have already made bets across the region will increasingly deploy capital to pick up these distressed assets at attractive valuations.

In the longer term, more structural factors will play out. Firstly, there will be a conscious effort to build resilience and

efficiency. Hospitals will systematically reexamine their cost structures to identify waste and redeploy the cash to alternative uses. They will redesign and digitize patient pathways and operating processes with the goal of becoming more efficient.

Secondly, recognition that physical health care facilities could be sources of contagion will drive the adoption of telemedicine and virtual care, including mobile applications, wearable devices, and chatbots. While regulatory, financial, behavioral, and data privacy concerns might slow initial adoption, patients and payers will gradually become accustomed to this new way of navigating health care. Early signs are already visible across many countries. Indonesia particularly stands out, where the government's support of telehealth firms offering consultation and pre-hospital triage has led to rapid adoption during the pandemic. In Singapore, Doctor Anywhere has launched the COVID-19 Medical Advisory Clinic—an integrated suite of services including teleconsultation, investigation support, hospital transportation, and medicine delivery. In Thailand, True Digital, in partnership with Samitivej Hospital and AIA, has launched a virtual COVID-19 clinic.

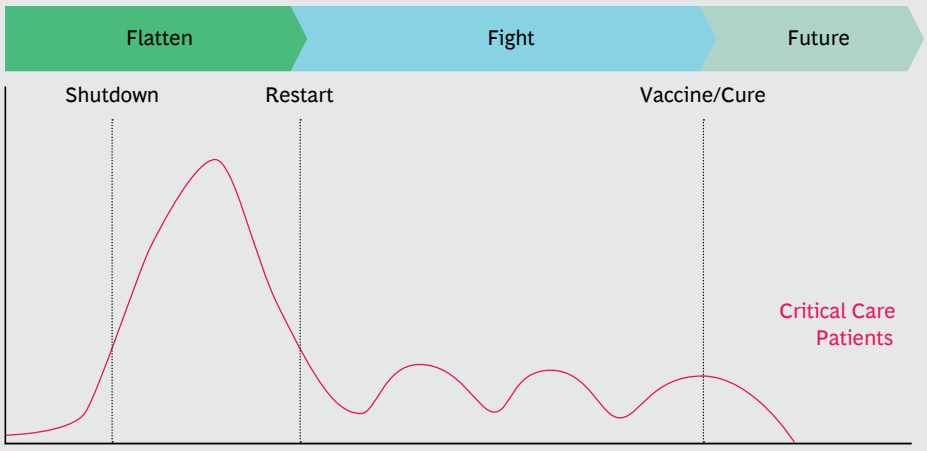
Thirdly, there will be a gradual migration of 'analogue' health systems to 'digital'. Most Southeast Asian hospitals have been behind the curve on tech adoption, and still lack the underlying IT backbone to support advanced tech solutions. This crisis will serve as a wake-up call to health care providers that technology is an important enabler to eliminate waste and empower hospitals to operate in a lean, efficient, future-proof manner.

"You Never Want a Serious Crisis to Go to Waste"- What Can Providers Do?

The Immediate: Weather the Crisis

Most hospitals have been quick to implement crisis mitigation measures. Staff protection procedures have been put in place—personal protection and sanitization protocols, rostering to enable temporary exclusion, and cross-training patient-facing staff to mitigate the impact of staff absence during lockdowns. Bed capacity to handle sudden surges of COVID patients or non-COVID government patients has been earmarked. Diversification into alternative revenue streams has been attempted via drive-thru COVID-19 testing, home delivery of medicines, and COVID wellness resort

EXHIBIT 2 | COVID-19 Pandemic Likely to Evolve in Waves



Source: BCG analysis
Note: This analysis is as of April 28, 2020, and represents only potential scenarios based on discrete data from one point in time. It is not intended as a prediction or forecast.

packages. A few providers have even established cross-functional crisis response teams and control towers to pre-empt supply shortages.

The Long Term: Build Resilience

Importantly, it is also a time for health care providers to look beyond the immediate and the obvious. It is an opportunity to be innovative and bold.

Firstly, a prolonged period of low profitability presents a unique opportunity for hospitals to fundamentally reset their cost position. This entails adopting a zero-based-design approach—a thorough reexamination of processes and spend bases, removal of non-value-add work and spend, and redeployment of scarce resources toward value-added outcomes.

Often, providers are reluctant to launch such an exercise given the risk to health care outcomes and clinician resistance. With record low occupancies and accompanying financial distress, this crisis presents a burning platform which should inspire providers to undertake this exercise. In fact, hospitals could look to extend this zero-based-design effort beyond internal spend to also review outsourced contracts—fundamentally reevaluating their need, adjusting their scope to ensure they remain fit-for-purpose, and leveraging cross-contract synergies to renegotiate prices.

Secondly, hospital networks will need to build access to innovative remote care pathways. While investing into a tech platform might be uneconomical for individual providers, it might be prudent for third-party tech firms or a group of health care providers to jointly invest. This platform could charge patients on a per usage basis or subscription fee model for remote services from partner hospitals, while also handling payment and reimbursement.

To enable this opportunity, hospitals will need to partner with insurers and regulators, and educate them about the clinical benefits and lower integrated costs for out-of-hospital care. They will also need to work with the broader regulatory-payer ecosystem to ensure oversight, avoid fraud, and provide periodic assurance of quality of care.

Thirdly, hospitals will need to establish the technological foundation to utilize longitudinal data generated from patient visits, admissions, and real-time monitoring. Over time, this data will allow providers to diagnose early, customize therapies, and pre-empt crises, thereby providing superior care at a lower cost. For Southeast Asian providers, it will mean gradually investing in building stronger electronic health record (EHR) and IT systems that will allow such functionalities and technological advancements in future.

IN CRISIS lies opportunity. While most hospitals are struggling to weather this crisis, the likely winners are already acting to succeed in a post-COVID-19 world. Winning is not easy, but the time to act is now.

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