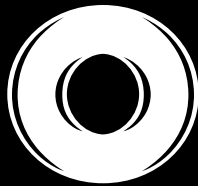


Macquarie Healthcare business pulse check report

I bank with Macquarie



MACQUARIE
BANK

How will you respond to change?

Healthcare is changing, with governments and insurers looking for ways to leverage technology and patient data to rationalise costs in the sector. Technology, regulation and an ageing population are creating a confluence of data. Faced with spiralling demand and overstretched budgets, governments and insurers are leveraging technology and a patient data to generate efficiencies.

Pressure is also being applied by patients - with better access to data and technology, they're finding more ways to monitor their health and access services. Evolving funding models are driving a shift to outcomes-driven healthcare in both developed and developing economies.

According to Harvard Business School, this will place the patient at the centre of healthcare, and change the very nature of how medical treatments are developed and provided. In Australia, we've already seen a shift towards consumer-driven funding models through the introduction of the National Disability Insurance Scheme (NDIS) and aged care reforms. With access to more data and better technology, patients are becoming more discerning and demanding, increasing the pressure on practitioners to change the way they work.

As a doctor, your response to this evolving landscape will determine not only the future success of your practice, but your ability to achieve your own personal financial and lifestyle goals. In the past, doctors could be confident that their personal financial situation would remain secure, while they focused on practicing medicine. Now, it's increasingly important to operate a sound business as the vehicle for effective medical practice.

In this healthcare business pulse check, we look at some of the key questions facing doctors today, drawing on both quantitative research and qualitative insights gained from conversations with practitioners across specialisations and practice types. Our aim is to share our perspective and provide a platform for change that practitioners can use to drive success in both their professional and personal lives.

Five drivers of change

- 1 Technology:** technological change has impacted industries from retail to real estate – and now it's healthcare's turn. In an agenda-setting 2012 report, Digital disruption: Short fuse, big bang?, Deloitte predicted that healthcare would be among the most heavily impacted sectors over the medium term. Today, we're seeing this prediction coming to pass.
- 2 Government initiatives:** programs like the Australian government's Digital Health Strategy are designed to leverage technology for integrated service delivery, delivering improved patient outcomes at lower cost.
- 3 Generational change:** the first wave of Millennials (born after 1981) have now qualified as specialists. Digital natives, with a distinctive outlook on both work and life, this new generation of doctors is already changing the face of medicine.
- 4 Changing work practices:** driven in part by the preferences of a new generation of doctors, businesses are introducing flexible work practices, underpinned by technology.
- 5 New business structures:** together, these drivers have led to a significant shift in the way healthcare businesses are structured, challenging traditional ways of working.

Our research

In May 2018, we conducted a survey of general practitioners and medical specialists across Australia, in partnership with the Business for Doctors network. We combined the results with insights from the Business for Doctors members, our own experiences with medical professionals, and our research into other professions.

Business for Doctors

Business for Doctors is a network of over “15,000 medical professionals from a broad range of specialisations and business types, at varying stages of their careers. Their aim is to help doctors access the advice and structures they need to achieve personal and business success.

www.businessfordoctors.com

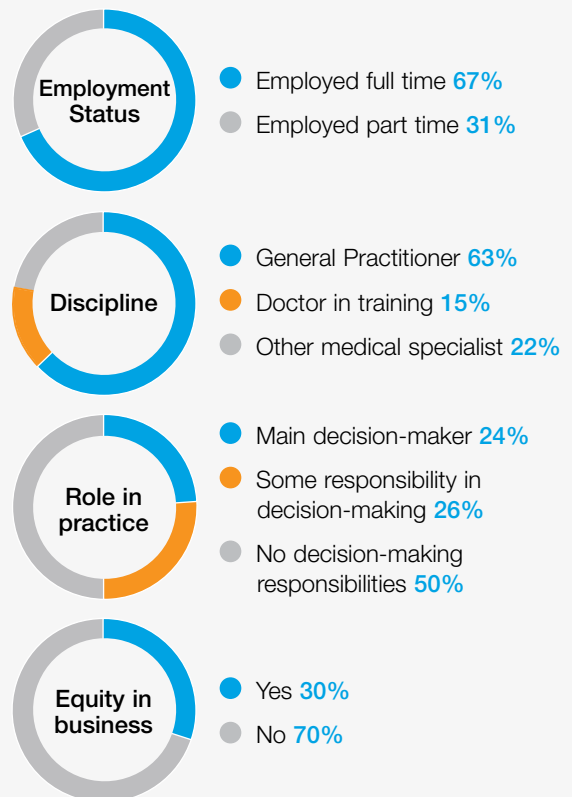
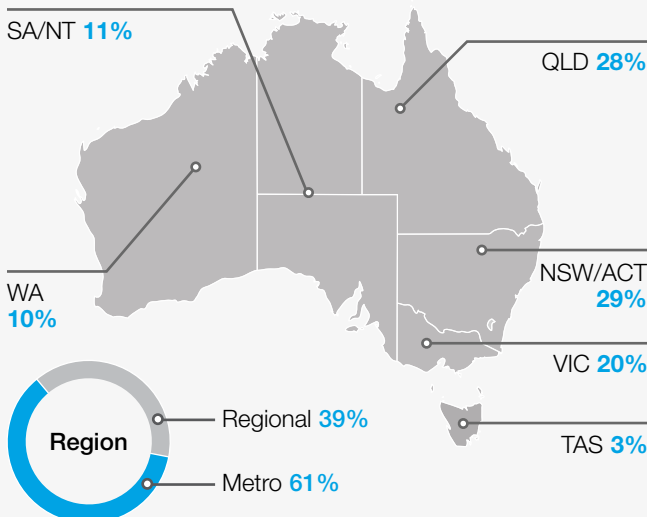
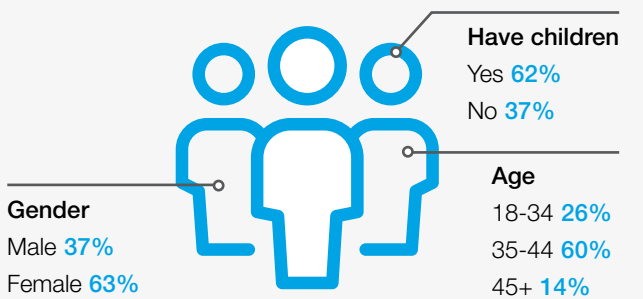


Objectives

Our primary goal was to understand what’s most important to doctors in their business and personal finances, including the challenges that keep them up at night, and how and where they seek advice. Questions we’ve sought to answer include:

- Q What do medical professionals think of the future?
- Q How do they think about their practice and their finances?
- Q Do they see a tangible link between success in business and personal wealth?
- Q What role do they see for technology?
- Q Where are they seeking advice – and are they receiving the support they need?

Who took part



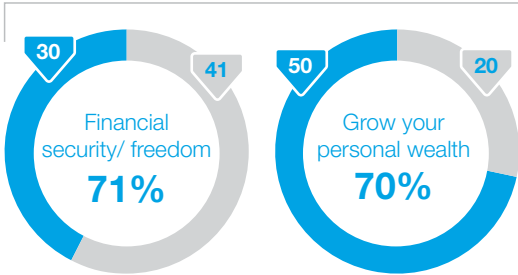
Key take-outs

Our survey participants reflect the diversity and changing character of the medical workforce. As Australian society has evolved, medicine has democratised.

Key findings

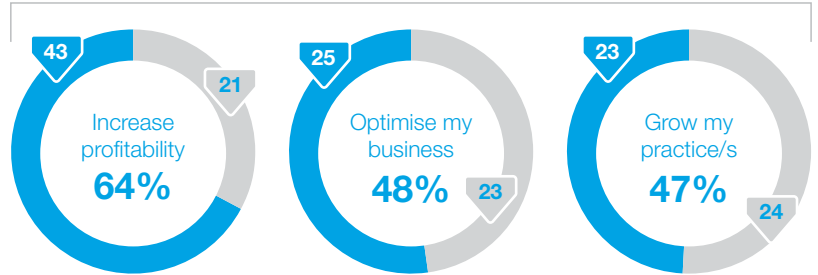
Goals

Personal



● Primary goal ● Secondary goal

Business

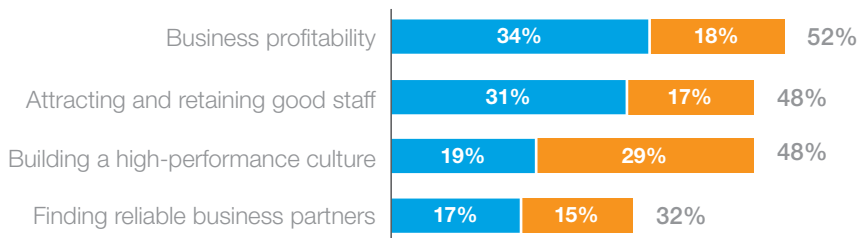


● Primary goal ● Secondary goal

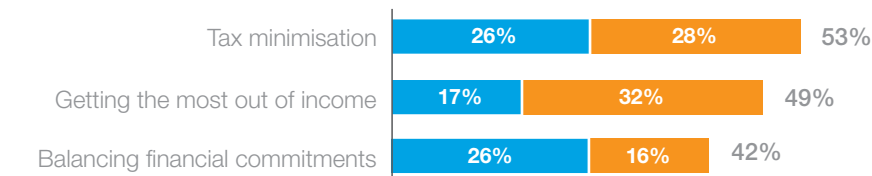
Challenges

● Largest issue ● Second largest issue ● Total

Business



Personal



Advice



Key take-outs

- Personal wealth creation and business profitability are doctors' main priorities. But are you seeking the right advice to achieve those goals?
- Success in private practice isn't just about exerting yourself in terms of patient load. Doing business well, and efficiently, can deliver benefits to both business and personal wealth, as well offer freedom to enjoy work and family life.

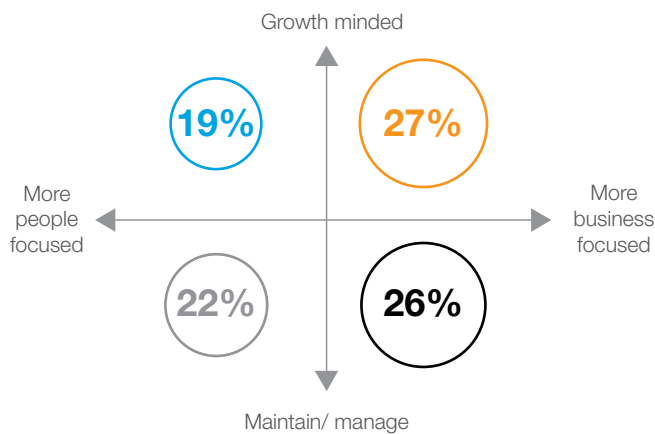
Key take-outs

- To align personal and business goals, doctors need a broad group of trusted advisers to fully achieve their aspirations.
- Doctors are under pressure, and need to make choices regarding how they spend their time. As a consequence, focus tends to fall to areas of immediate need, rather than to areas that require more time.

Achieving a growth mindset

To better understand the outlook and what's behind the decision-making of doctors, we analysed their views across two key dimensions:

- **Growth v maintain focus:** those who are focused on actively growing their practices, versus those who are content to maintain or manage their current level of success.
- **People v business focus:** those who are focused on running a successful business, versus those whose main priority is serving patients, staff and the community.



How are they different?

	Active growth mindset (46%)	Maintenance mindset (54%)
Profile	Tend to be main decision maker	Tend to have joint responsibility in decision making
	More likely to be a specialist	Less likely to be a specialist
	Tend to be younger (35-49 years old)	Tend to be older (50+ years old)
Business approach	Open to adopting new technologies	Wait to see the technology in market before considering
	Lower bulk billing rates	Higher bulk billing rates and more concerned with ineffective MBS billing
	Likely to be hands on in running the business	Less likely to be hands on running the business
Priorities	More focused on running an efficient business	More focused on their finances

Key take-outs

- All doctors place a high priority on serving patients and the community – but some successfully combine a passion for high quality care with a focus on building a successful business.
- By shifting to a business growth mindset, you can maximise your chances of success in a changing market and potentially achieve your personal and business goals.

The three dimensions of success in a changing market

So what will it take to thrive in the future health economy, while continuing to build personal wealth?

Being a great doctor is no longer just about practicing medicine well. We believe the successful doctors of the near future will be both entrepreneurial and forward-thinking. They'll focus on building their professional and business skills, recognising that the most rational path to personal prosperity is business success.

That means focusing on three key areas: efficiency, people and finance.

Key concerns – what keeps doctors awake at night?



Efficiency

Technology is an enabler not a threat. Embracing it can be lucrative - neglecting it is likely to be costly.

39% Business operations

11% Business technology



People

High performing teams are innovative, client centric, more fun and ultimately much more profitable.

22% My development

23% Development of the people I work with



Finance

Owning a successful business is a proven path to personal and financial freedom

56% Personal finances

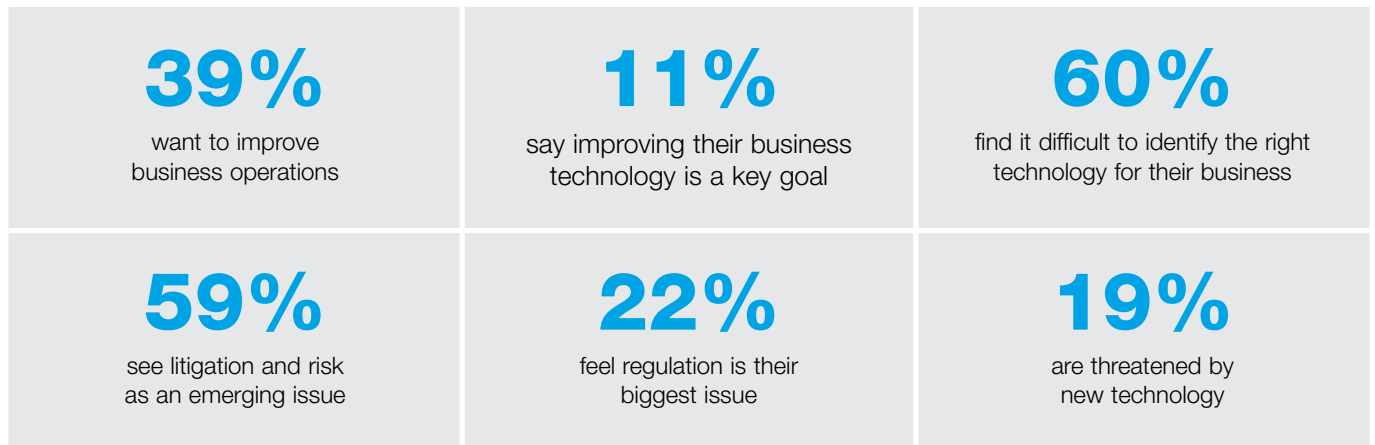
49% Business finances



Today, success as a doctor is no longer just about practicing medicine. Success now includes running or being part of a strong practice. Anything less could put your personal and professional aspirations at risk.”

Mahesh Roy, National Head of Healthcare, Macquarie Business Banking

Efficiency



To be effective, doctors must now be adept at managing business operations, technology, staffing, legal issues and regulatory requirements. However, entrepreneurial and business management skills are not taught in professional training. It's essential to develop these skills.

Our research shows that personal and business finances are key priorities for doctors. The most logical path to achieving financial freedom and wealth creation is through building an efficient business and nurturing skilled people. That means focusing on both business growth and improving profitability – working smarter, not harder.

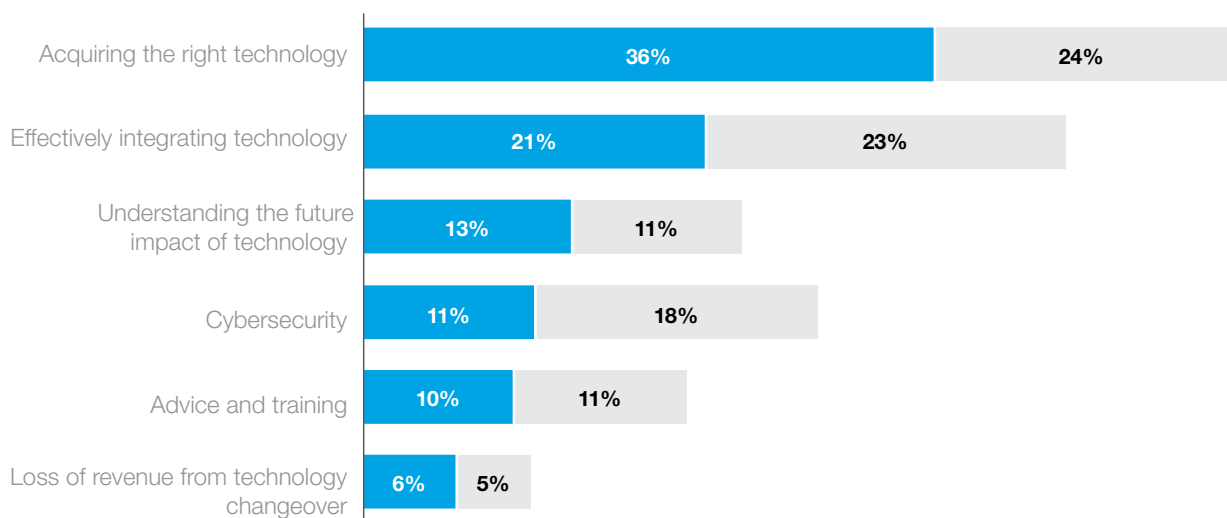
However, this is easier said than done. In a sector that places a premium on reliability, medical businesses are often run

on out-of-date systems and business practices, increasingly impacting the patient experience, practitioners' work-life balance, and business profitability. The good news is that data and technology can transform these outdated models to significantly improve patient and business outcomes.

Technology adoption

Healthcare has been one of the slowest industries to embrace technology, with the lowest uptake of cloud based services of any industry except agriculture. In our survey, only 11% of respondents cited business technology as a priority. Many doctors continue to face real challenges in acquiring and integrating technology.

● Largest issue ● Second largest issue



Issues with technology

Our research also reveals a rising generation of early technology adopters who are already reaping the rewards of improved business efficiency. In our survey, early adopters were more likely to focus on business efficiency and people development, as well as structuring their business to cope with an expanding workload, rather than focusing on simply managing their finances and minimising personal tax. As a result, technology adoption is directly linked to business growth.

Early adopters versus later responders

Early Adopters 38%	
Practice	<ul style="list-style-type: none"> • Tend to be larger number of employees • Active, high growth
Priorities	<ul style="list-style-type: none"> • More focused on effective business/people • More focused on getting more of their personal income • more focused on effectively integrating technology and acquiring the right technology • more focused on structuring the business to cope with the expanding workload when trying to grow their business • Litigation and risk is the key emerging issue followed by new technology
Later responders 62%	
Practice	<ul style="list-style-type: none"> • Tend to have smaller number of employees • Maintain and manage mindset with >5% growth
Priorities	<ul style="list-style-type: none"> • Rank finances as top overall issue • More focused on minimising personal tax • More focused on acquiring the right technology • More focused on finding reliable business partners and access to good advice when trying to grow their business • Regulation is the key emerging issue

Emerging technological opportunities in healthcare

Business efficiency

- Customer Relationship Management (CRM)
- Patient data and history
- MBS billing

Patient experience and outcomes

- Wearables
- New methods of communication
- Sharing data

Data efficiency

- Moving from paper to cloud-based data
- Decreasing cost of generic sequencing



Emerging technologies shouldn't be feared. However, they will lead to enormous change in the way medicine is practiced and the way medical practices are run. You can be part of that change, or you can let it happen around you."

Mahesh Roy, National Head of Healthcare, Macquarie Business Banking

Key take-outs

- There's a direct link between technology adoption and business growth – yet acquiring the right technology and successfully integrating it into the business are ongoing challenges for most doctors. We recommend seeking expert advice to make the most of emerging opportunities.
- New technologies can perform repetitive tasks more efficiently and accurately than a human, making specialisation less critical, but leaving primary physicians in an excellent position to improve business efficiency while maintaining their position as essential providers.

People



In the past, being a good doctor was all about practicing sound medicine, developing your experience incrementally while enjoying steady increases in prestige and compensation. Now, more needs to be done to ensure your success.

Today, you need a mindset that establishes a pathway for growth, with an entrepreneurial outlook to help you build a network of relationships and foster new ways of working. As a result, personal development should be increasingly important – yet it's a priority for only one in five doctors.

Overwhelmingly, doctors say they're prevented from focusing on personal development due to a lack of time (71%), along with cost (34%), and access to quality training (33%). Technology can help overcome all of these barriers.

Similarly, only 23% of doctors actively seek to develop the skills of the people they work with, even though around one in two find it challenging to keep good staff and build a high-performance culture. This contradiction underlines the importance of shifting your focus to developing a stronger business with the capabilities you need to succeed in an environment of rapid change. Nurturing the next generation is especially important, as senior doctors become increasingly reliant on their staff to integrate emerging technologies.

Getting the right advice

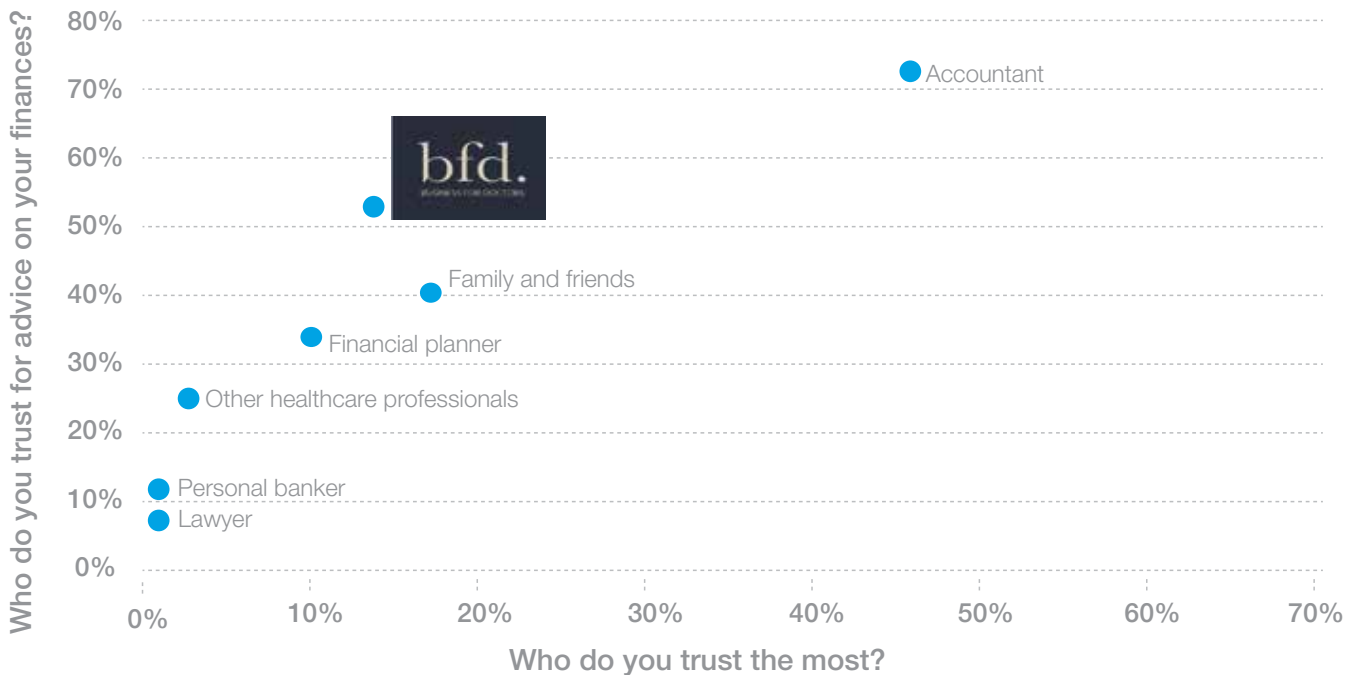
Doctors should be among the first to recognise the benefits of specialist advice – yet they can be surprisingly reluctant to consult broadly with business and finance professionals. Nonetheless, those with a growth mindset show an increased willingness to seek and take advice, drawing on a range of experts to understand where and how to grow, and how they need to evolve to thrive in a time of change.

Our research showed doctors overwhelmingly trust accountants to deliver financial advice, with 76% of survey respondents saying they trust their accountants and 41% saying they trust them more than any other source of advice. Around one in two also trust Business for Doctors to help them find the advice they need. However, most doctors remain more likely to trust family and friends than a professional financial advisor.

Despite this, our survey suggests many doctors struggle with accessing relevant, trusted advice when they need it. Almost a third of our respondents say they have trouble finding reliable advice on their personal finances, while 41% say accessing good advice on growing their business is a key issue. And while doctors who own their practices end to be less reliant on their accountant for business advice, most don't have a key adviser to mentor their development as business owners.

Overall, we believe this absence of expert advice is likely to limit many doctors' ability to make confident financial decisions, as well as depriving them of a trusted confidant with whom they can share information and test new ideas.

Who do doctors trust for financial advice?



Key take-outs

- Your future prosperity depends on building a high-performing team – innovative, client-centric, and ultimately much more profitable.
- Look to surround yourself with people who offer a diversity of thought and who are experts in their fields. Nurture both experts in your business (individuals with different skills, interests and areas of specialisation) and on your business (a network of external advisers answering your diverse needs, from technology to finance).

Finances



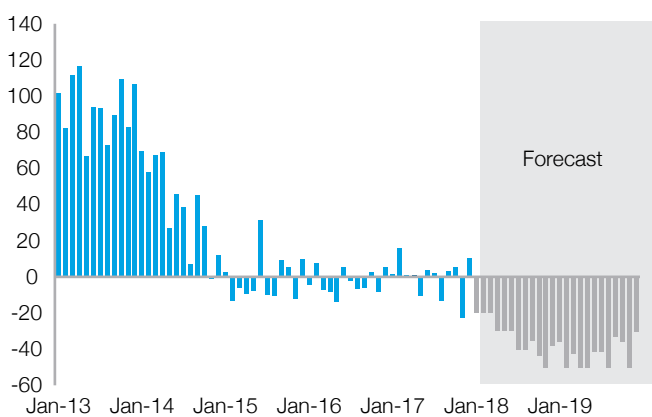
Until recently, growing wealth through highly leveraged investments (mostly property) and tax minimisation has been the point of departure for most doctors. Whether this cookie cutter approach was ever the best way to achieve doctors' diverse personal and business finance goals is open to

question – certainly it's likely to be less attractive in the current environment of potentially rising interest rates and stagnating property values. And while minimising tax can be a prudent way to maximise cash flow, running an investment at a loss isn't a recipe for long-term wealth creation.

Changing property market conditions

Free money is drying up, which means....

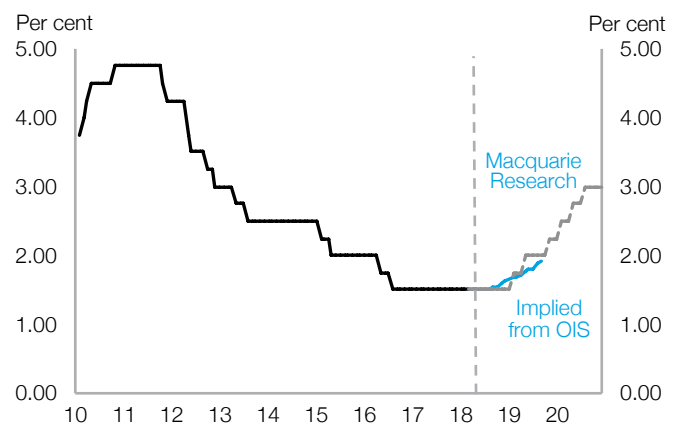
Monthly change in Federal Reserve balance sheet (\$ billions)



Source: Federal Reserve Bank of Australia

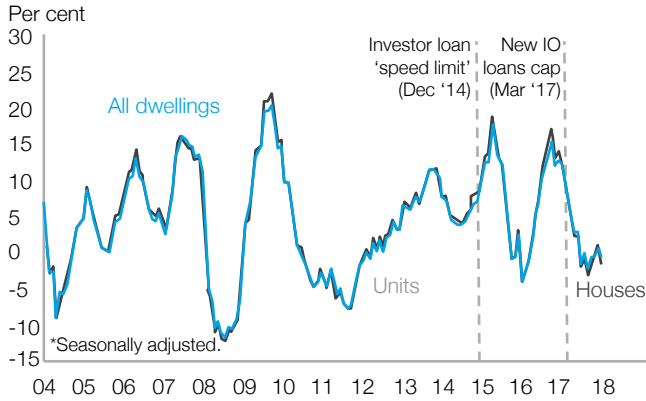
Interest rates are going up

RBA cash rate expectations



And property prices are stagnating

National dwelling price growth annualised, monthly



Source: Federal Reserve Bank of Australia

We believe a better option is to focus on something you can directly control: the success of your own business. Our research confirms that in medicine, as in other professions, business owners have higher levels of financial freedom than those who rely upon somebody else's vision and strategy. And while running a medical practice can involve more work, there are support structures to help you achieve your goals.

This is why you need diversity in your advice structure. Like medicine, business and financial planning are complex. So it makes sense to seek out expert support from specialists who are practised at helping professionals like you achieve their personal and business goals.



Building a successful business is a prudent and proven pathway to prosperity that draws on your professional skills to create an asset with enduring value.”

Mahesh Roy, National Head of Healthcare, Macquarie Business Banking

Key take-outs

- Doctors are understandably motivated to achieve a financial reward for their years of study and hard work – yet many appear uncertain which strategy to adopt. As a result, many default to simply minimising tax, without taking concrete steps to grow their income.
- Building a successful practice can increase your wealth significantly more than simply focusing on tax minimisation. After all, making a dollar and paying 47 cents in tax still leaves you with 53 cents more than you would otherwise have.

Discover how we can help keep your practice in front.

For a closer look at how your healthcare practice is performing against key industry benchmarks, please visit macquarie.com/health

Important legal notice

The information in this summary has been prepared by Macquarie Bank Limited ABN 46 008 583 542 AFSL & Australian Credit Licence 237502 ('Macquarie') for general information purposes only and is based on statistics and information collected by Macquarie from the 2018 Macquarie Business Banking Healthcare Pulse Check Survey ('the Survey'). This information does not constitute advice. Before acting on this information, you must consider its appropriateness having regard to your own objectives, financial situation and needs. You should obtain financial, legal and taxation advice before making any decision regarding this information.

Macquarie does not warrant the accuracy of any information collected in the Survey. Forward looking forecasts are estimates only and are based on the Survey results. Macquarie does not warrant the accuracy of these estimates and actual results may vary based on a number of market, regulatory, financial and environmental factors. Additionally, past performance is not a reliable indicator of future performance.

© Copyright is reserved throughout. The information contained in this document must not be copied, either in whole or in part, or distributed to any other person without the express permission of Macquarie.