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...Solutions for Labs Worldwide

# The Role, Position and Funding of Laboratory Diagnostics in the German Health Care System

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# Key Elements of the German Health Care System

- **82 million citizens**
  - – 70 million in 200 SHI sickness funds (“Big Five”: > 65 %)
  - – 8 million in 50 private health insurance companies (“Big Five”: > 50 %)
  - – 4 million in special systems (e.g. army, civil service, policemen)
- **Statutory Health Insurance (SHI = GKV)**
  - – Solidarity between rich and poor, healthy and sick, young and old
  - – easy access, big benefit package, small co-payment, free choice of doctor
- **Ambulatory care primarily by office based physicians**
- **Rules for ambulatory care primarily by “self government” of physicians (KBV) and sickness funds**

# Number of Lab-service Providers in Germany

- 900 Lab-specialists
  - 700 Lab-physicians
  - 150 Microbiologists
  - 50 Human Geneticists
- 5.000 Non-lab-specialists
  - 2.000 gynecologists
  - 1.000 urologists
  - 1.000 dermatologists
  - 1.000 internists and others

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- 80.000 physicians in 400 lab-communities (80 routine tests)

# Total Market for Lab-Services
## (Germany, 2005)

| | |
|---|---|
| • Statutory Health Insurance (GKV = SHI) | 3.300 Mio € |
| • Private Health Insurance (PKV = PHI) | 1.400 Mio € |
| • Patient direct (IGeL) | 100 Mio € |
| • Public Health Services | 200 Mio € |
| • Company Health Services | 200 Mio € |
| • Clinical Studies | 200 Mio € |
| • Veterinarian Medicine | 100 Mio € |
| ------------------------------------------------ | |
| **Total Market for Lab-Services in 2005:** | **5.500 Mio €** |

# Markt für laboratoriumsmedizinische Leistungen in Deutschland im Jahr 2005

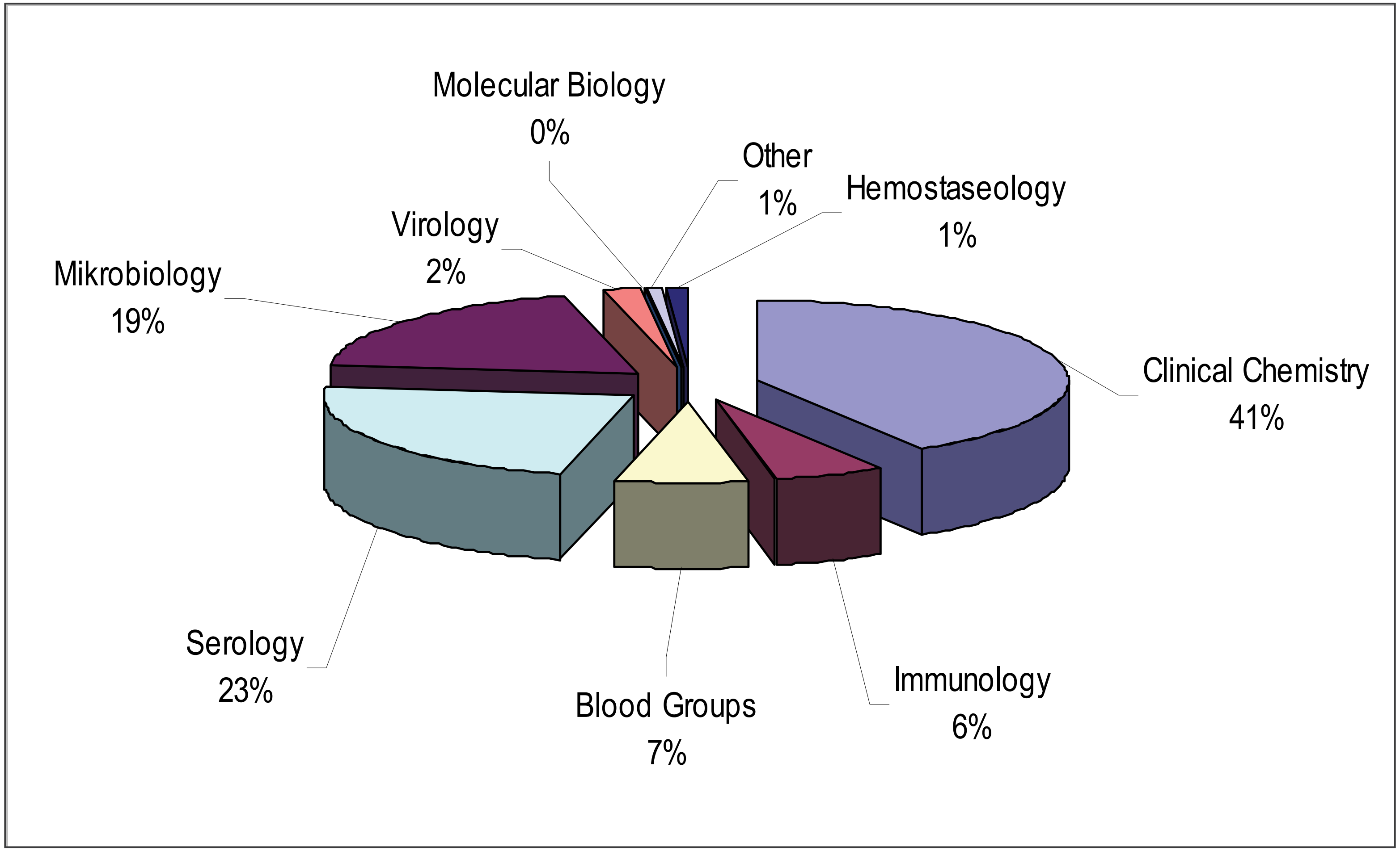
| | GKV | PKV | Selbstzahler | Sonstige | Gesamt |
|---|---|---|---|---|---|
| Praxis | 1.670[1] (58) | 615 (20) | 240 (3) | 400 (2) | 2.925 (83) |
| Krankenhaus | 2.320[2] (12) | 400 (5) | 80 (-) | 255 (1) | 3.055 (18) |
| gesamt | 3.990 (70) | 1.015 (25) | 320 (3) | 655 (3) | 5.980 (101) |

Quellen: - Statistisches Bundesamt
- Kassenärztliche Bundesvereinigung
- KJ1-Statistik der gesetzlichen Krankenkassen

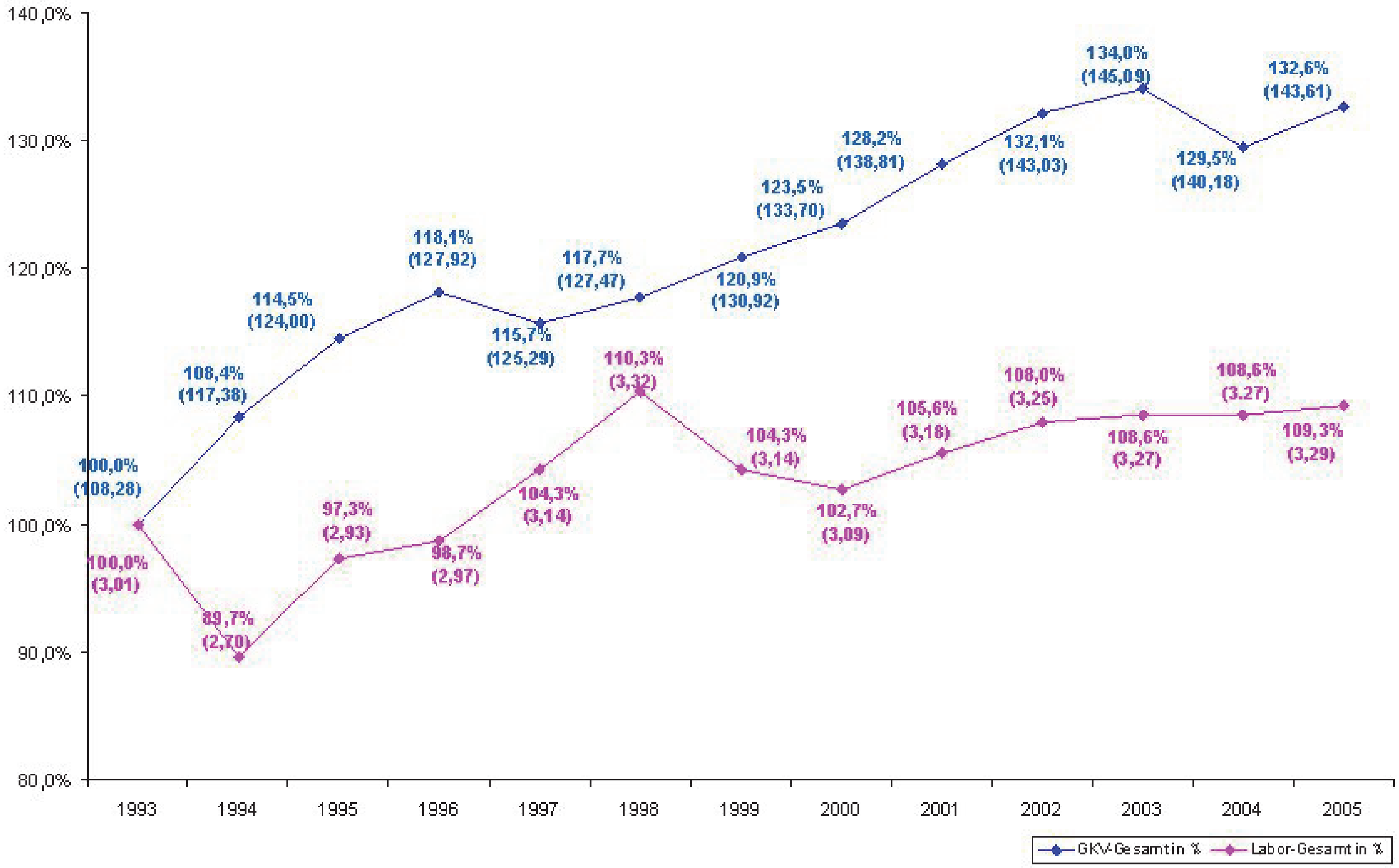
[1] einschl. € 550 Mio. als Honorar ohne Laborleistung (Laborgrundgebühr und Wirtschaftlichkeitsbonus)

[2] einschl. € 115 Mio. für ambulante Behandlung im Krankenhaus

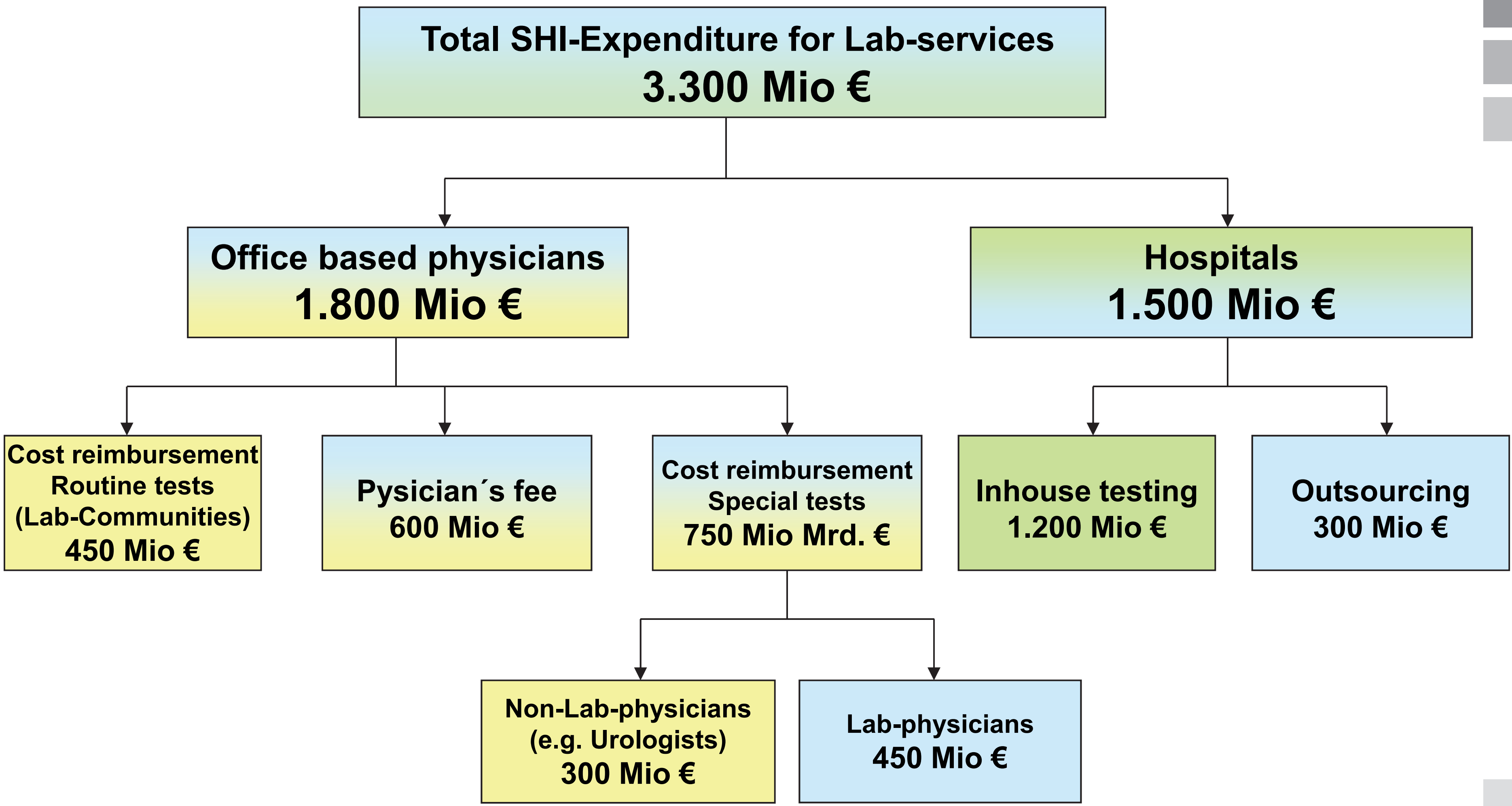
# Functional Distribution of the Expenditure for Lab-services in the German Statutory Health Insurance (SHI)



# Development of Total Expenditure and Expenditure for Lab-services in the German Statutory Health Insurance (SHI) since 1993



# Provider-based Distribution of the Expenditure for Lab-services in the German Statutory Health Insurance (SHI) in 2005



# Price Difference
## between Private and Statutory (SHI) Health Insurance

- **Legal Framework:**
  - Private fee schedule GOÄ: Federal government
  - SHI – fee schedule EBM: Self government

- **Private fee schedule:** 10 % of patients but 25 % of turnover

- **Example Cholesterol:**
  - Private fee schedule GOÄ: 2,68 €
  - SHI – fee schedule EBM 0,25 €

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  - Costs for phsician in lab-community 0,15 €

# Actual Reform Acts in the German Health Care System

- Liberalization of physician´s professional law — since 1.1.2007
- Health care reform act (WSG) — since 1.4.2007
- Reform of SHI fee schedule (EBM) — 2007 – 2009
- Reform of private fee schedule (GOÄ) — 2009
- Reform of laboratory service providing — 2007 – 2009

# Key Issues
# of the 2007 Health Care Reform Act (WSG)

- Reform of SHI financing (Health Care Fund)
- Flexibilization of benefit packages and contracting with service providers
- Centralization and consolidation of sickness funds (SHI)
- Massive intervention against private health insurance (PHI)
- Improvement of SHI physician´s remuneration

# SHI-Lab-Reform 2006 – 2009

- New calculation of lab-prices
- Direct billing of routine tests by lab-communities
- No more special lab-services by non-specialists
- Incentives for acute parameters in doctor´s office
- Simplified accreditation process for new tests
- Installation of Lab-Competence-Centre by KBV

# Actual Conditions of Lab-Service Providing in Germany

- Low prices (stable since 1999), but high volume
- High degree of automatization
- Average EBITDA > 20 %
- Concentration and consolidation process under way
- Expectation of mayor reform acts in 2009
- Single contracting to replace collective contracting
- Lab-service providing by employed physicians

# Perspectives of Consolidation for the German Lab-Market

| | | |
|---|---|---|
| • Australia | TOP 3 | 80 % |
| • USA | TOP 2 | 60 % |
| • Germany | TOP 5 | 15 % |

# Turnover of the „Big Five“ of the German Lab-Market

| | |
|---|---|
| • Limbach-Group | > 300 Mio € |
| • Bioscientia | > 100 Mio € |
| • Schottdorf (Sonic) | > 100 Mio € |
| • Kramer | > 100 Mio € |
| • Synlab-Group | > 100 Mio € |

# Process of Consolidation - Strategic Options

- Mergers and Acquisitions
  - merger of equals vs. acquisition
  - European perspective
- Sale to the strategic investor
  - direct sector exposure (e.g. Sonic)
  - indirect sector exposure (e.g. Celesio)
- Sale to the financial investor
  - with mayority stake
  - with minority stake
- Alternative: Stand alone with further organic growth

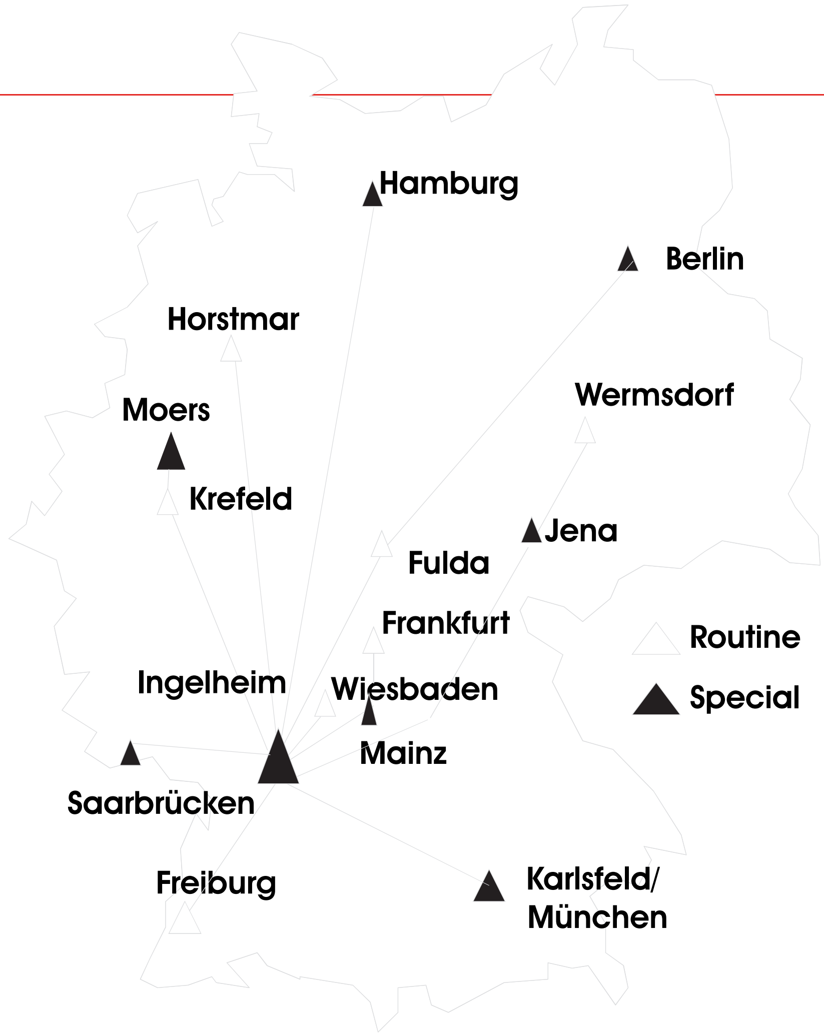
# Key European Markets

| | |
|---|---|
| • France | 6.200 Mio € |
| • Germany | 5.500 Mio € |
| • Italy | 3.200 Mio € |
| • United Kingdom | 3.000 Mio € |
| • Spain | 1.800 Mio € |

# European Players with International Perspective

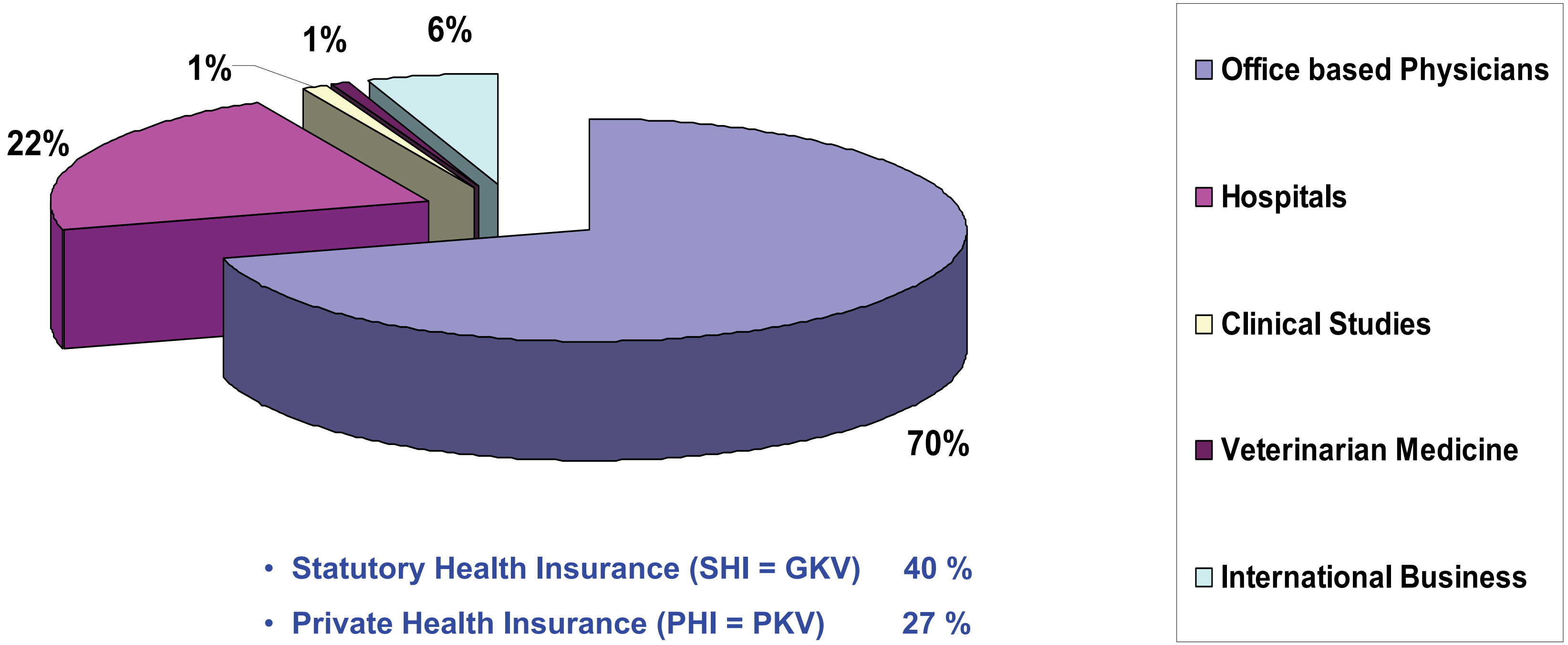
| | |
|---|---|
| • Unilabs | Switzerland |
| • Sonic | Australia |
| • Bioscientia | Germany |
| • Synlab | Germany |
| • LMM | France |
| • Labco | Belgium |
| • FutureLab | Austria |

# Bioscientia Institute for Medical Diagnostics



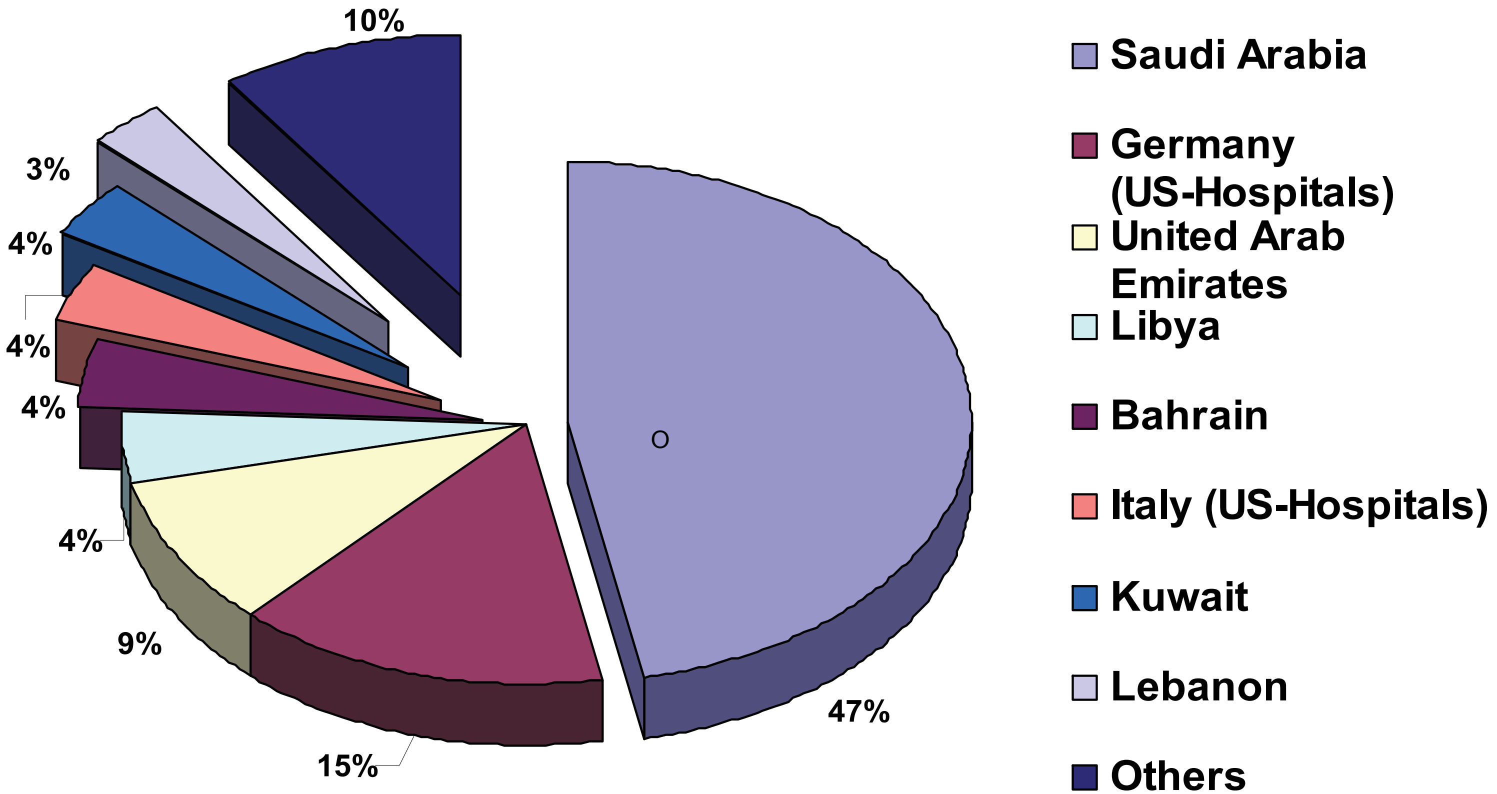

| | |
|---|---|
| 1970 | Founding (Boehringer) |
| 1995 | Management Buy Out (MBO) |
| 1.000 | employees (at 15 locations) |
| 500 | in Ingelheim (headquarter) |
| 70 | academics |
| 35 | specialist physicians for laboratory medicine, mikro-biology, human genetics, hygiene and nuclear medicine |
| 8.000 | refering physicians |
| 400 | refering hospitals |
| 200.000 | analyses per day |
| 440 | driving tours (92.000 km) per day |
| >300 | quality controls per year |

# Distribution of Bioscientia Turnover 2006 on Different Client Groups




- **Statutory Health Insurance (SHI = GKV)** **40 %**
- **Private Health Insurance (PHI = PKV)** **27 %**
- **Patient direct (IGeL)** **3 %**

# Bioscientia Turnover 2006 in TOP 8 MENA – Countries (Middle East and North Africa)



# Structure of Bioscientia
(May 2007)

**Shareholders´ Meeting**

**Bioscientia Healthcare GmbH (BSH)**
Management: PD Dr. Markus Nauck MD, Johannes Brill PhD, Dr. Lothar Krimmel MD

Bioprax Medical Devices

[Holding Company](#)
(authorised by Social Law to found Medical Care Centers (MCC/MVZ) with employed physicians)

Chief of Supervisory Board: Prof. Heicke

100 %

**Bioscientia Institut für Med. Diagnostik GmbH (BSI)**
Management: PD Dr. Markus Nauck (CEO), Johannes Brill (CFO), Dr. Lothar Krimmel (CMO/CSO)

MCC Umbrella Organisation

**23 Lab-Communities:**
e.g. Horstmar, Fulda, Krefeld, Wermsdorf, Voelklingen, Freiburg

**Bioscientia MVZ Ingelheim**
Medical Directors:
Prof. Jochen Decker, Dr. Sven Girgensohn, Dr. Lorenz Leitritz, Dr. Andreas Meissner

**10 Hospital Locations**
e.g. Frankfurt, Wiesbaden, Idstein, Saarbrücken, Stuttgart, Emden

**Acquisition Projects**

**International Projects**

**Clinical Studies**

**Veterinarian Medicine**

Dependant Plant Locations

**Bioscientia MVZ Hamburg**
Medical Director:
Dr. E.M. Ahmed Saad

**Bioscientia MVZ Berlin**
Medical Director:
Dr. Mustafa Porsch

**Bioscientia MVZ München**
Medical Director:
Dr. Thomas Max

**Bioscientia MVZ Saarbrücken**
Medical Directors:
Dr. Parthé, Dr. Huaman

**Bioscientia MVZ Nordrhein**
Medical Director:
Dr. Heinrich Kraus

**Bioscientia MVZ Mainz**
Medical Directors:
Dr. Geissler, Dr. Vancura

**Bioscientia MVZ Jena**
Medical Director:
Dr. Sabine Jaeger