Mr David Caddie

Head of Business Banking Healthcare Sector

Westpac

Friday, August 12, 2016

(Room 5)

14:00 - 14:55 WS #28: Managing Your Money

15:05 - 16:00 WS #38: Managing Your Money (Repeated)

The Business of Health

New Zealand Medical Sector - A Bankers View, 2016

Westpac Health

11 NZ Locations, 38 people across Business, Retail and Private

Market leading reputation through association relationships, media, conference sponsorship, and word of mouth

Differentiate by superior service and industry knowledge

Growing debt funding 40% per annum

Stakeholder in New Zealand's health sector, including NZMA

A Bankers view of the Medical Sector…

Above average growth, fragmented industry with succession planning issues, run by very smart people who will figure it out.

Westpac Definition of Health Sector

General Practice, Dental Services, Pharmacy, Specialists, Aged Care, Hospitals & Other

Westpac Exposure:

- GPs 35%, Dental 20%, Pharmacy 20%, Specialists 25%
  - Natural Business Bank Marketshare 13%

Problem Loans:

- General Business Bank
  - 4% ($4m per $100m)
- Health Sector
  - 0.09% ($90k per $100m)

Observations of Medical (GP) Industry

- Fragmented (horizontally and vertically by scale)
- GPs trading time for hourly rate – how scalable
- Broad spectrum of personalities
- Some have limited financial understanding
- GPs think about bankers as often as Bankers think about GPs
- Sector is innovating – beyond clinical, payments, information sharing, information use, insurance pressures
- Further integration between Primary and Specialist care via financial tie ups as much as collegial referrals
- Shareholder Agreements – what to do when someone leaves, how will practice be valued, lack of preparation leads to slow sale process and addition costs. The benefits of Insurance re “buy-out”.

Industry Models

100% owned by Corporate – scalable

49/51 ownership model – corporate brings ability to expand and transfer interim ownership. Corporate can scale up, practice can expand.

Mixed ownership – buy one, simple, stay collegiate, don't buy more

Share Services – cost allocation, share resources

Risks the Bank considers:

- Ownership transfers
- Health outcome for patients
- Expansion funding
- IFHG implications (bigger centres, bigger risks)
- Disciplines of Corporates to pull things together
- Business meetings and Clinical meetings
- Regular monthly financial reporting

Challenges

- Charging per unit or patient (not scalable) want to earn more, work more.
- Capacity constraints
- Create leveraged model by charging out locums and nurses
- Increased compliance
- Who owns Patient records?
- Net generation, salary vs ownership vs lifestyle
- Hanging out shingle with one receptionist vs student loan, big house, nice car, holiday house, private schools…
- Succession, not do I want out… but when and how
- Merge, close the doors, sell to corporate, sell to new GP

Hopefully you have already asked lots of questions, but if not, please ask away! The person next to you wants to know the answer too.

We've got a dedicated team of health sector specialists.

We speak your language, helping you find the right banking solution for you and your practice.

Westpac New Zealand Limited, 2016.

Thank you

GP CME South,
2016.