



## **HEALTHCARE EBOOK**

Transformation and technology in the Healthcare sector

**TOSHIBA**

## Health services industry characteristics

The health services industry in Australia plays a significant role in the national economy, providing essential services to every sector of society and as a major employer. The pandemic has brought about significant changes, offering unprecedented opportunity and growth, but also constraints on profitability for some sub-segments. Overall, it's a positive time for the sector, but only if they can take the opportunity to transform the way they operate, in order to reap the benefits of increased growth, whilst maximising efficiency and profit.

The health services industry in Australia broadly comprises two key groups of service - direct treatment of patients, and supporting services.

Direct treatment includes hospitals (private and public) General Practitioners (GPs) and other practitioners including dentists, physiotherapists and a range of other specialist therapy services.

The supporting, or auxiliary services are those that do not directly interact with patients, but provide support to those providing direct treatment. These include pathology and diagnostic imaging and analysis.

Hospitals account for almost 60% of the sector, with the lion's share (49%) being public hospitals. GPs and specialist providers make up just over 8% each, with dental at just over 6% and diagnostic testing at just under 5%.



## Health services industry characteristics

The sector in total - direct and supporting services - is worth \$162.5b and is in a growth lifecycle phase. Whilst growth was just 1.5% in the five years to 2021, driven in large part by the restrictions that the pandemic placed on the private sector, it is set to more than double to 3.2% in the five years from 2021 onwards, as the effects of the pandemic ease.

However, the profit figures do not tell the same story - profit decreased by 0.1% in the five years to 2021, due to falling margins (down 0.6% in the same period). The decrease in margin may be due to increased competition - there were 128,000 health services businesses in 2021, and that number is forecast to continue growing, by 3.3% a year for the five years to 2026.



The increasing number of businesses means a growth in employment, with the current employee figure of 872,000 set to rise. But this increase, at 2.1% a year, sits underneath the growth in number of businesses and the growth in revenue. So whilst there are more businesses, they will each employ, on average, fewer staff who will be working more productively. Wages, are forecast to increase at 3.1% a year for the five years from 2021, suggesting that businesses need to pay more to retain staff after the strains of the pandemic, and meaning that productivity will have to increase even further if profit margins are to be salvaged.

The COVID-19 pandemic had, of course, a very significant impact on the sector. Private providers struggled for growth, as non-essential services were put on hold while all efforts were aimed at preventing and treating the virus. The global shortage of personal protective equipment (PPE) put pressure on supply chains and in many cases increased cost, driving down profit. Whilst telehealth mitigated some of the impact, it did not enable services to be provided 'as usual'.



# Key external drivers of the health service sector

## **Population age**

the biggest single influence on demand for health services is the age of the population. Australia's demographic, like many developed countries, is shifting towards a larger aged population, as our life expectancy increases. Australians over the age of 65 use a wider range of health services, and use them more frequently, than their younger counterparts. They also have higher levels of private health cover, driving demand for private hospitals and services. In Australia, this age group accounts for 15% of the population, but accounts for 40% of healthcare revenue. Our aging population will drive increased growth of the sector.

## **Private health membership**

Levels of private cover directly influences revenue of the private hospital and private allied services sector, particularly in terms of providing elective procedures. Private health membership remains steady in the older population, but is decreasing overall, due to a lower take-up by younger Australians, especially the 20-34 age bracket.

## **Government funding**

the public purse is the primary source of funding for Medicare - covering GPs and specialist practitioners - and for public hospitals, so funding levels have a direct impact on revenue. With Government funding accounting for just under 70% of all health services revenue, changes in policy can have a major influence. The Government is gradually lifting the Medicare rebate freeze that had been in place since 2013, a policy that will support revenue growth in the 'unfrozen' segments.

## **Real household disposable income**

some services are not covered by Government funding and the patient must pay in full. Even for some services that are funded by Government, patients have to pay a partial fee. Therefore, the amount patients have at their disposal has a direct impact on demand for services. Due largely to the financial impact of the pandemic, real disposable income has fallen in 2020/2021



# The opportunity for digital transformation

The characteristics of the health services industry show that it is at a key turning point which offers opportunity to make transformational change. The COVID-19 pandemic has brought about new ways of working, different attitudes to healthcare, opportunities for revenue and challenges to profit. The sector is at the point where a digital transformation amongst its providers could make a very significant difference to their success and ability to make the most of the opportunities that today's unique set of circumstances offer.

Digital transformation is service providers harnessing the power of technology to transform individual services or an entire business operation.

Business that are mature, well-established and in a growth phase often have the greatest appetite for transformation, and are very well placed to benefit from it. They understand their existing business well and those with vision can see how to use technology to take it to the next level.

In a sector like health services, where there are new businesses being created, there is an additional incentive for existing businesses - the newcomers are much more likely to be 'born digital' and use technology from the start. This gives them a competitive edge that the established organisations will need to emulate if they are to stay in the race.



## The key opportunities to transform the health services sector through technology are:

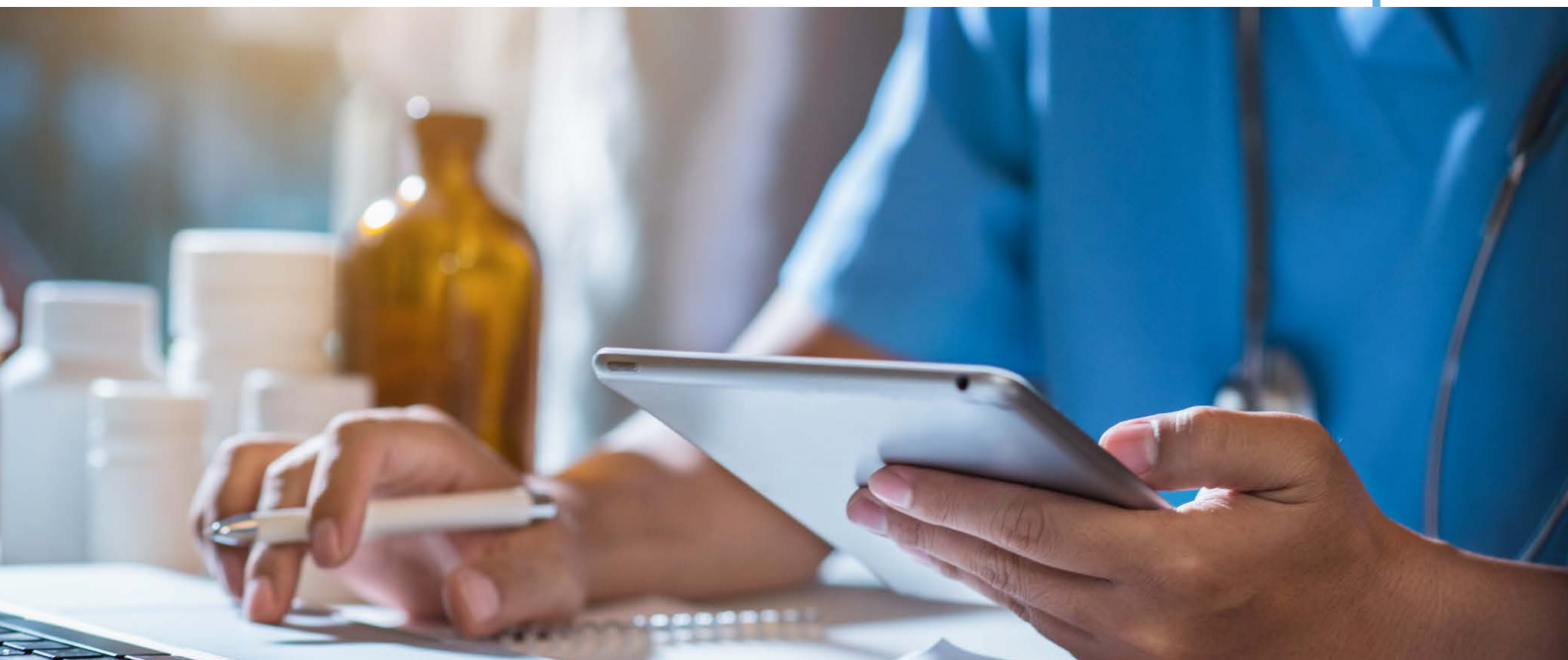
- Process efficiency
- Patient record security and retention
- Collaboration and data sharing
- Environmental sustainability
- Intelligent search and analysis for data-driven decision making
- Cloud infrastructure

# The opportunity for digital transformation

## **Intelligent search and analysis for data-driven decision making**

There is a wealth of data in healthcare providers' existing systems, but all too often it is not easily accessible, or is not able to be interpreted. Without digitisation, that intelligence is hidden, locked away and it is difficult and time-consuming (if not impossible) to 'bring it to the surface'.

Digital transformation of documents enables intelligent 'Google-like' search on massive amounts of data, turning it into actionable healthcare insights. Healthcare can therefore benefit from rapid, smart and efficient searching of multiple sources of digitised data. Uncovering patterns and trends can improve patient outcomes, and enabling data-driven scientific advances.



## **Collaboration and data sharing**

Data in healthcare services is often 'siloes', sitting in a single system or department. Being able to share that data, enabling collaboration between patient services, enables interoperability, faster diagnosis and enhanced patient outcomes.

Treatment teams may not be in the same physical location, or be assessing the data at the same time. The ability to share, view and update documents, regardless of place and time, improves efficiency and patient care.

# The opportunity for digital transformation



## **Cloud infrastructure**

Traditionally, service providers have managed their own technology infrastructure, but are recognising that digital transformation to the cloud offers many opportunities to improve their service.

- It enables the data sharing and collaboration that is essential for improved patient outcomes.
- It enables rapid scaling to take advantage of growth opportunities.
- It is more cost effective, increasing profit margins.
- It offers the highest levels of security, to protect patient data.
- If combined with a managed service, it enables providers to focus on their core business rather than on IT.

## **Patient record security and retention**

The health services sector is tightly regulated, with strict legislative compliance around patient privacy. Digital transformation, including digitising patient records means that security rules can be applied, managed and demonstrated with minimal human intervention and very much lower risk.



# The opportunity for digital transformation

## **Environmental sustainability**

Australia and Australians are more aware than ever of reducing their environmental footprint. As a major services industry, the healthcare sector has the opportunity to make a significant difference. Digital transformation offers the opportunity to make an enormous difference to a service provider's sustainability, but through digitally enabled smart print management, reduced paper consumption and lower power used to create and manage documents.



## **Process efficiency**

The combination of growing demand and revenue, fewer staff, higher wages, and a continuing pressure on profits, mean that efficiency and productivity are absolute essentials in the healthcare sector of the future.

Automated processes and workflows can help to lower costs and generate greater profits from the increased demand. With an automated workflow, providers apply business rules to route digital documents between people and departments. Those documents could be patient records, invoices, reports or internal staff records - automated workflows streamline the management of key processes, making them efficient, and helping to reduce cost and increase profit.





The health services sector is at a pivotal point in its history. Demand is high and growth is strong, and set to continue. Government seems committed to increasing levels of funding and an aging population needs the services the sector provides. But competition is tough and profits are declining. This means that opportunity is within reach, for those who have the appetite and ability to make changes in the way they operate. For those willing to embrace digital transformation and harness the power of technology, the future looks very healthy.

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