

# Healthcare Outlook

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# Table of Contents

## Introduction

- Executive Summary (3)

## Pharmaceuticals

- Share price performance (5)
- FDA Approvals (6)
- BioTech Breakthroughs (7)
- Fundraising (8)
- M&A Deals (9)
- M&A Activity (10)

## MedTech

- Market Overview (12)
- Share price performance (13)
- Market Size Forecast (14)
- M&A Deals (15)
- Fundraising (16-18)

## Managed Healthcare & Facilities

- Share price performance (20)
- M&A Deals (21)

## Regions

- APAC – Overview (23-24)
- USA – Medicare (24)
- USA – Growth areas (25)

# Executive Summary

## Dynamic

### Pharmaceuticals

### MedTech

### Managed Healthcare & Healthcare Facilities

### Regions

## Commentary

- Pharmaceutical ETFs underperform relative to the S&P 500 significantly, but investors remain optimistic for future growth
- Major FDA approvals for drugs treating Cancer and Alzheimer's, along with breakthroughs in Cardiomyopathy, Oncology and Immunology
- Financing rounds are fewer, but an increase in deal size is seen
- Both M&A deal volume and value witness a sharp decline in Q2 2024
- Largest transaction was Novo Holdings' acquisition of Catalent for \$16.5bn

- Factors contributing to MedTech's underperformance include rising interest rates, a focus on profitability rather than growth, supply chain challenges, and investor worries about emerging healthcare trends.
- The global MedTech market is projected to reach \$776bn by 2033, with an estimated CAGR of around 3.5% from 2023
- Biggest M&A transaction was J&J's acquisition of Shockwave Medical for \$13.1bn
- The total funds raised have dropped by 38% year-over-year, but interest in private equity and strategic M&A remain strong

- We have seen mixed performances of the major players within the industry, with CVS Health falling out of favour after its Q2 earnings report missing both on top and bottom line. Meanwhile, McKesson was able to achieve a stellar performance steadily rising YTD, though it got hit on its last ER similar to CVS
- While Fundraising and M&A activity during the year has stayed relatively muted, we have seen increased interest from PEs looking to deploy their dry powder and profit from the strong underlying societal trends driving growth in the industry

#### APAC

- Asia-Pacific should be fastest-growing region in healthcare spending (20% of total) due to ageing population and sedentary lifestyles. One of the greatest opportunities in this region lies within China's digital healthcare market, which is set to balloon c. 5x by 2030

#### USA

- Medicare set to take off due to rising government spending and the USA's ageing population. Health systems are estimated to grow at an 11% CAGR from 2023-2027

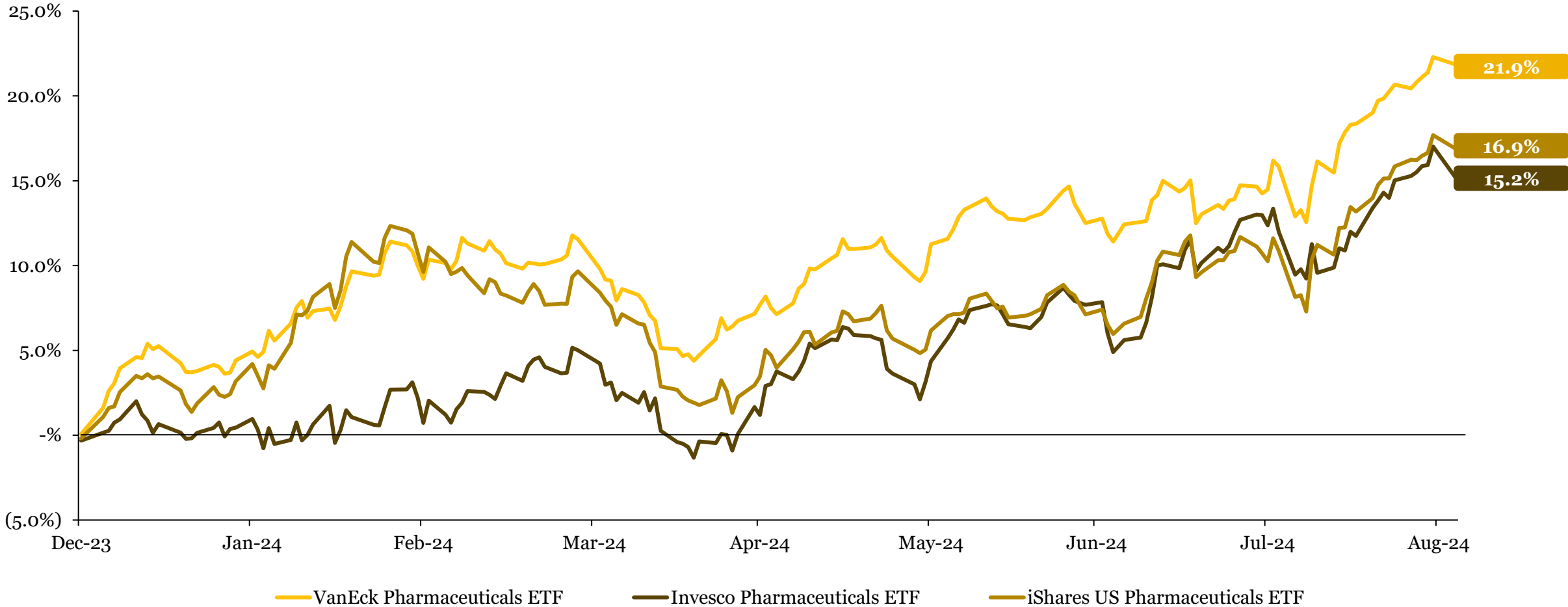
# Pharmaceuticals Overview



# Share price performance

A strong year for Pharmaceutical companies share price

## Pharmaceutical ETFs – YTD Performance



# FDA Approvals

2024 saw several interesting drugs being approved by the FDA, particularly concerning conditions like Alzheimer's and Cancer

## Major Approvals



(Drug)

**Lilly**

(Producer)

- **Kisunla™** was approved in July 2024
- Treats Alzheimer's disease
- Stock price wasn't affected much following the approval despite having a potential of billion dollars in revenue



(Drug)

**AMGEN**

(Producer)

- **IMDELLTRA™** was approved in May 2024
- The drug treats adults with extensive-stage small lung cancer (ES-SCLC)
- 2023 Revenue: \$28.2bn

**Vafseo**  
(vadadustat) Tablets

(Drug)

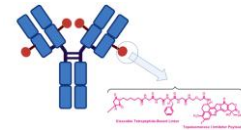


Mitsubishi Tanabe Pharma

(Producer)

- **Vafseo®** was approved in March 2024
- Treats anaemia caused by chronic kidney disease
- First gene therapy approved in this area
- Est. 2031 sales: \$954m

## Pending Approval

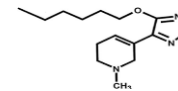


(Drug)

**AstraZeneca**

(Producer)

- **Datopotamab deruxtecan** is used to treat lung and breast cancer
- AstraZeneca partnered with Daiichi Sankyo to research and deliver this drug
- It is the next-gen ADC from the production line that delivered Enhertu
- Est. 2028 sales: \$1.18bn



(Drug)

**KARUNA**  
THERAPEUTICS

(Producer)

- **KarXT** is a drug for Schizophrenia
- Was bought over by Big Pharma Bristol Myers Squibb for \$14bn

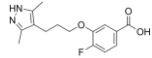
# BioTech Breakthroughs

Major breakthroughs in Cardiomyopathy and Oncology, with several ground-breaking drugs set to be commercially available soon

## Cardiomyopathy



(Producer)



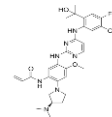
(Drug)

- BridgeBio Pharma is gearing up to challenge Pfizer's dominance in the heart disease market. With phase 3 results showing that BridgeBio's acoramidis is associated with reductions in cardiovascular-related deaths and hospitalizations, analysts are optimistic that the biotech company can secure a significant market share and achieve blockbuster sales
- Estimated Sales 2028: \$1bn
- Given the large size and rapid growth of the ATTR-CM market, a second-place competitor could develop a successful product
- The drug candidate is administered through oral route in the form of tablet

## Oncology



(Producer)



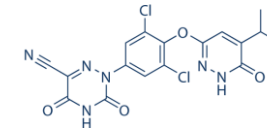
(Drug)

- Sunvozertinib (DZD9008) was granted a breakthrough therapy designation (BTD) from the FDA as a first-line treatment for a specific type of lung cancer
- Early clinical trial results show that sunvozertinib is effective and well-tolerated in patients with *EGFR* exon 20 insertion mutation-positive non-small cell lung cancer (NSCLC)
- Sunvozertinib is already approved in China for the treatment of patients with *EGFR* exon 20 insertion mutation-positive NSCLC who have progressed on first-line treatment
- At 2023 ESMO, Dizal reported main study results, showing sunvozertinib as a single agent with confirmed objective response rate (cORR) of 78.6% and a median progression-free survival (mPFS) of 12.4 months

## Immunology



(Producer)



(Drug)

- Madrigal Pharmaceuticals aims to achieve what numerous major pharmaceutical and biotech companies, including Gilead and Intercept Pharmaceuticals, have not: developing a safe and effective treatment for non-alcoholic steatohepatitis (NASH)
- Estimated sales 2028: \$2.1bn
- Resmetirom is a thyroid hormone receptor-beta (THR-beta) agonist. On March 14, 2024, it was approved by the FDA as the first treatment of this condition



(Producer)



(Drug)

- Anktiva treats Nonmuscle invasive bladder cancer
- Estimated sales 2028: \$878m
- Seventy-one percent of the patients, who were unresponsive to BCG as a monotherapy, had a complete response after receiving the combination
- ANKTIVA® is the first FDA-approved immunotherapy for non-muscle invasive bladder cancer that activates natural killer cells, T cells, and memory T cells for a long duration response

# Fundraising

An improvement in funding in the pharmaceutical space following the poor macro conditions that resulted in a year of less risk-oriented investments

## Formation Bio

Formation Bio is a tech-driven, AI-native pharma company that wants to change the way drug development is done. It aims to bring new treatments to patients faster and more effectively.

- **Amount:** \$372m, Series D
- **Use of funds:** Funding will be used to acquire and in-license clinical-stage assets from its biotech and pharma partners
- **Investors:**



## CARDURION PHARMA

Cardurion Pharmaceuticals is a Next-Gen Cardiovascular company addressing the continuing unmet needs of patients with cardiovascular diseases

- **Amount:** \$260m, Series B
- **Use of funds:** New funds will support later-stage clinical trials of its two lead candidates, CRD-750 and CRD-4730
- **Investors:**



## OUTPACE

Outpace BIO pioneered the design of new biological functions. They aim to cure solid tumours through 'better biology'.

- **Amount:** \$144m, Series B
- **Use of funds:** New funds will be used to advance multiple programmed T cell product candidates to early clinical proof-of-concept trials.
- **Investors:** Multiple investors led by



- Biotech financing rounds are fewer, but larger: the average private financing round so far in 2024 (excluding seed rounds) is almost \$90 million, and at least 50 companies have raised rounds worth \$100m so far this year, according to Endpoints
- GlobalData's March survey The State of the Biopharmaceutical Industry 2024 revealed that 44% of healthcare industry professionals surveyed globally are optimistic or very optimistic on the recovery of biotech funding in the next 12 months



# M&A Deals

Deal activity beginning to pick up following the major decline in 2023

February 5<sup>th</sup> 2024



Announces acquisition of



For \$16.5bn

April 10<sup>th</sup> 2024



Announces acquisition of



For \$4.9bn

April 29<sup>th</sup> 2024



Announces acquisition of



For \$2.4bn

January 10<sup>th</sup> 2024



Announces acquisition of



For \$2.9bn

**Deal Rationale**

This strategic acquisition aims to bolster the company’s production capabilities for its two highly successful weight loss drugs, Ozempic and Wegovy. This transaction is aligned with Novo Holdings’ strategy of investing in established life science companies with strong long-term potential.

**Advisors**



x J.P.Morgan

(Target)



(Acquirer)

**Deal Rationale**

The deal highlights Vertex’s strategic move into immunotherapy, with Alpine’s pipeline—particularly its leading candidate povetacept (ALPN-303). Alpine is a compelling fit for Vertex to create transformative medicine for special unmet needs

**Advisors**

CENTER|VIEW PARTNERS

(Target)

LAZARD

(Acquirer)

**Deal Rationale**

Deciphera offers a robust pipeline of kinase inhibitors, drug discovery expertise, and a solid commercial presence in the US and Europe. Through the acquisition, Ono will obtain Deciphera’s CSF-1 receptor inhibitor vimseltinib, ULK kinase inhibitor DCC-3116, and other oncology candidates, enhancing Ono’s oncology capabilities.

**Advisors**

J.P.Morgan

(Target)

BANK OF AMERICA 

(Acquirer)

**Deal Rationale**

GSK’s acquisition will provide the company with Aiolos’ AIO-001, a monoclonal antibody that is set to begin Phase II trials for treating adult asthma. This asset targets thymic stromal lymphopoietin, a protein that, according to the companies, contributes to inflammation in conditions like asthma.

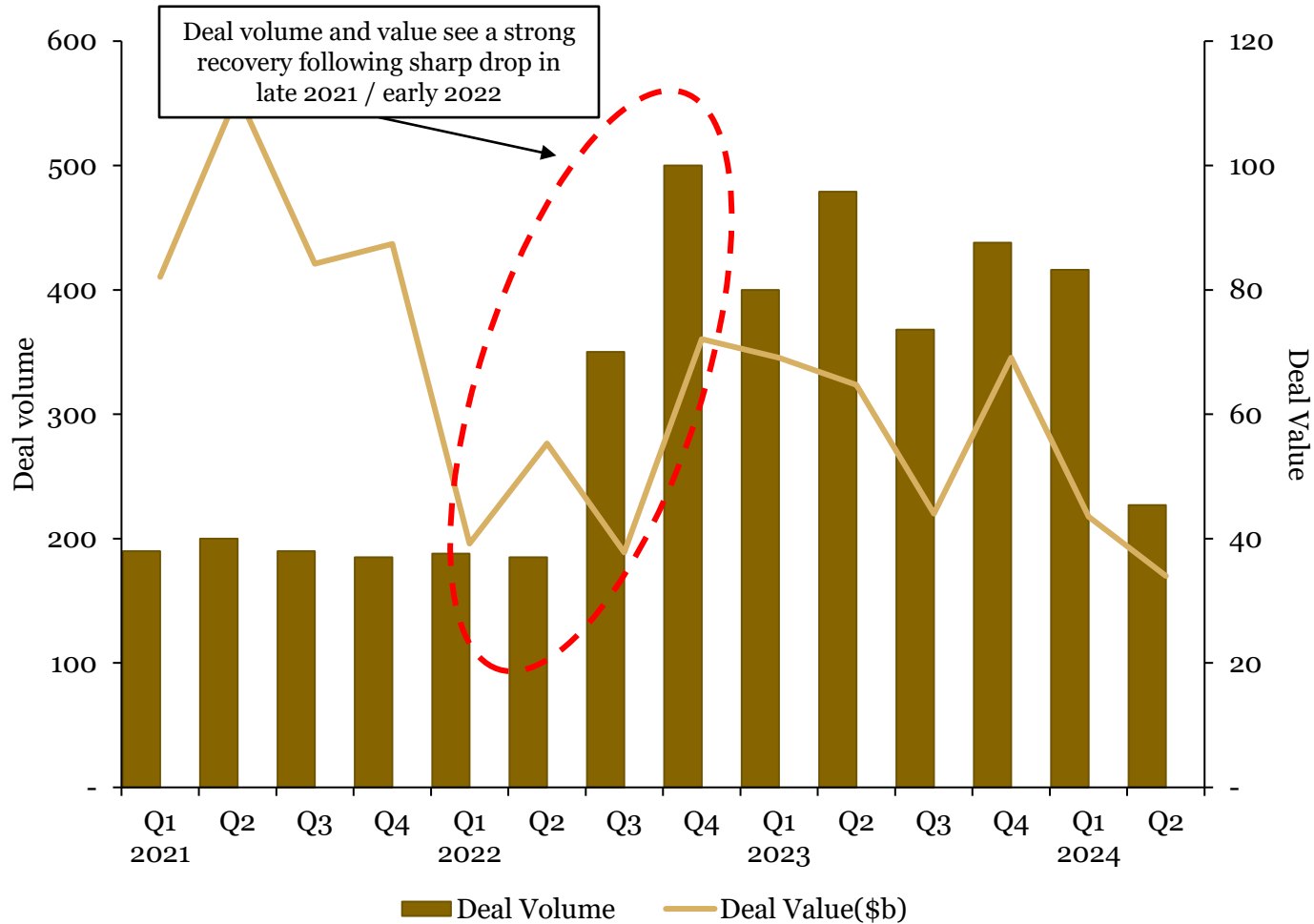
**Advisors**

Undisclosed

# M&A Activity

Deal volume and value increased YoY, however, both witnessed a sharp decline in Q2 2024 compared to their 2023 and 2022 levels

**Strong deal volume despite the weak macro conditions ...**



**... but lower deal values**

**Overall M&A Activity (Q2 2024)**

- Deal Volume: 227
- Total value: \$34bn
- Largest deal 2024: Novo Holdings' acquisition of Catalent for \$16.5bn

**Change YoY**

- M&A value decreased 47.4% YoY (Q2 2023: \$64.7bn, Q2 2024: \$34bn)
- M&A volume decreased over half YoY from 479 to 227 deals

**Top Financial Advisors (Q2 2024)**






- J.P.Morgan: 6 deals
- LAZARD: 6 deals
- UBS: 6 deals

# MedTech Overview



# Market Overview

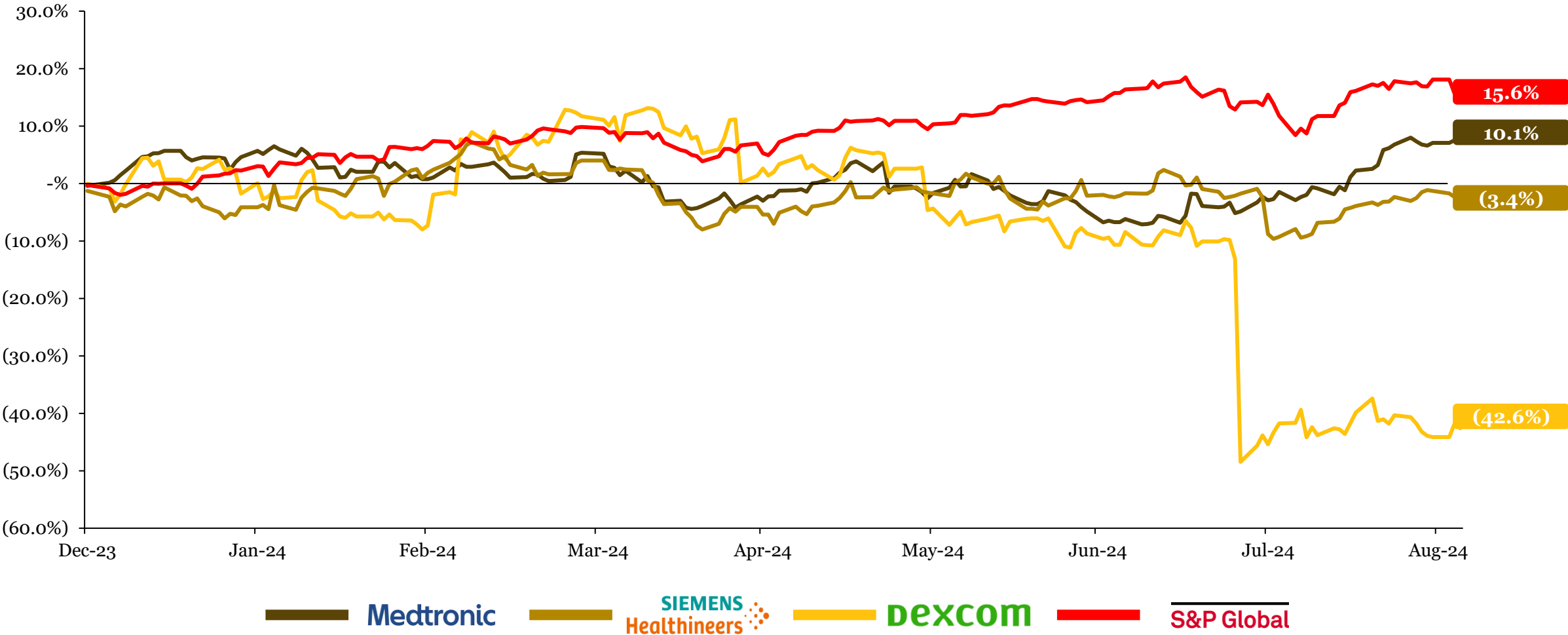
The industry involves medical devices (or medical equipment), implants, diagnostics, imaging software and portable therapies. It is broken down into 5 key segments.

	Remote monitoring & portable care	Non-surgical medical treatments	Diagnostics & life sciences	Surgical devices & tools	Medical imaging
Function	Devices and solutions that enable care and treatment-on-the go, at home, and in remote setting	Products and devices for hospital use and critical care outside a clinical setting	Develop and sell tests and diagnostics, providing precision medicine services	Tools and technologies used in a surgical environment	Technologies to conduct, manage, process, and analyse medical images
Growth drivers	Greater adoption of clinical remote patient monitoring (RPM) and consumer adoption of wearables	Hospital systems seeking efficiencies and demand tailwinds in eyecare	Technology driving diagnosis innovation and increasing demand for sequencing and genomic health solutions	Rising costs of chronic disease management	Expanding beyond the radiology department and AI-powered solutions
Example companies	 Designs, develops and commercialises continuous glucose monitoring (CGM) systems	 Provides minimally and non-invasive surgical aesthetics and medical treatment solutions	 Develops DNA sequencing tools and technology for medicines, diagnostics and personalised treatments	 Develops surgical robotic systems designed to help facilitate minimally invasive surgery	 Develops and produce high-performance advanced medical-imaging and radiotherapy equipment

# Share Price Performance

A volatile & struggling year for public MedTech companies

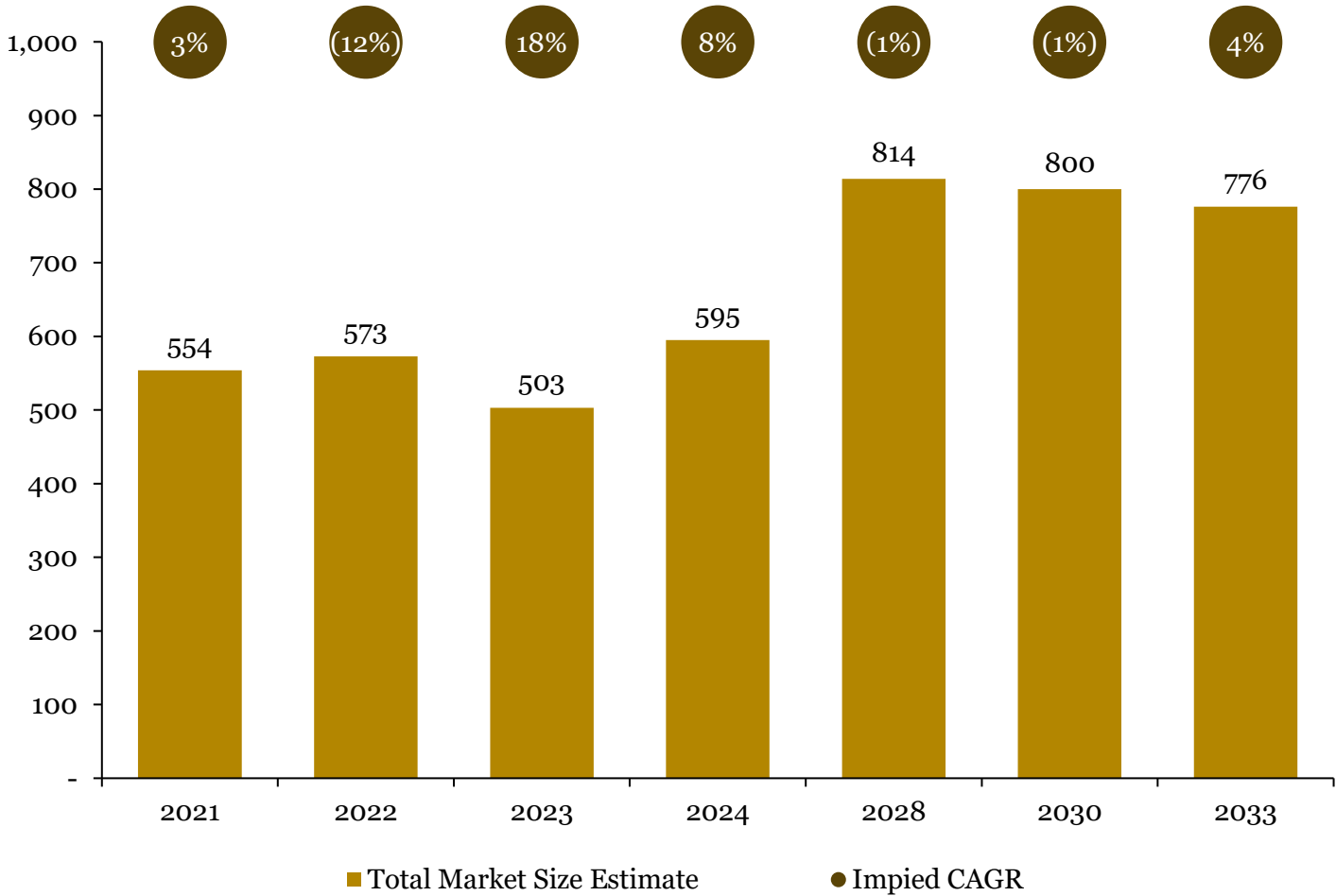
Leading MedTech firms share price performance



# Market Size Forecast

MedTech is forecasted to face challenging period until 2027, with modest growth and gradual recovery expected later in the decade

## MedTech market size



## MedTech Market Nature & Size

The MedTech sector continues to be a vital component of healthcare, leveraging cutting-edge technologies to enhance patient care and efficiency. In 2024, the industry is navigating a challenging environment characterized by a need to balance innovation with financial sustainability, particularly as operational costs and interest rates rise. Innovation remains robust, particularly in areas like AI-driven devices, minimally invasive procedures, and home-based healthcare solutions, all of which are key drivers of market expansion. However, growth is not uniform across regions, with North America and Asia-Pacific seeing the most significant advancements, while Europe lags due to economic challenges.

Mergers and acquisitions are expected to regain momentum as companies look to strengthen their market positions and acquire innovative startups, although the valuations of these deals are heavily influenced by broader economic conditions. The MedTech market is projected to experience moderate growth until 2027, with more substantial recovery anticipated later in the decade, spurred by factors such as an aging population, the increasing prevalence of chronic diseases, and a growing shift toward outpatient and home-based care

# M&A Deals

Deal activity beginning to pick up following the major decline in 2023

March 2024



Announces acquisition of





For **\$2.3bn**

**Deal Rationale**

This acquisition strengthens Ingersoll Rand's presence in life sciences, adding innovative single-use solutions and advanced medical components to its portfolio. This strategic move expands Ingersoll Rand's addressable market by over \$10 billion, immediately enhancing revenue and profit margins.

**Advisors**

(Acquirer)

June 2024



Announces acquisition of




For **\$13.1bn**

**Deal Rationale**


This acquisition will enhance J&J's cardiovascular intervention portfolio; integrating Shockwave's intravascular lithotripsy (IVL) technology for coronary and peripheral artery disease. This move will complement J&J's existing heart recovery and electrophysiology segments, driving growth in high-potential markets.

**Advisors**



PERELLA WEINBERG PARTNERS

(Target)



J.P. Morgan Securities

(Acquirer)

July 2024



Announces acquisition of



Edwards Lifesciences

For **\$4.2bn**

**Deal Rationale**

This acquisition expands BD's smart connected care solutions with advanced monitoring technologies and AI-enabled clinical tools, strengthening BD's leadership in patient monitoring. This deal is expected to immediately boost BD's revenue and margins.

**Advisors**




(Target)




PERELLA WEINBERG PARTNERS

(Acquirer)

July 2024



Announces acquisition of




For **\$3.1bn**

**Deal Rationale**

The acquisition improves Thermo Fisher's capabilities in the high-growth proteomics market integrating Olink's advanced protein biomarker discovery solutions, complementing existing life sciences and mass spectrometry offerings. This deal is expected to accelerate scientific discoveries and provide significant synergy opportunities.

**Advisors**



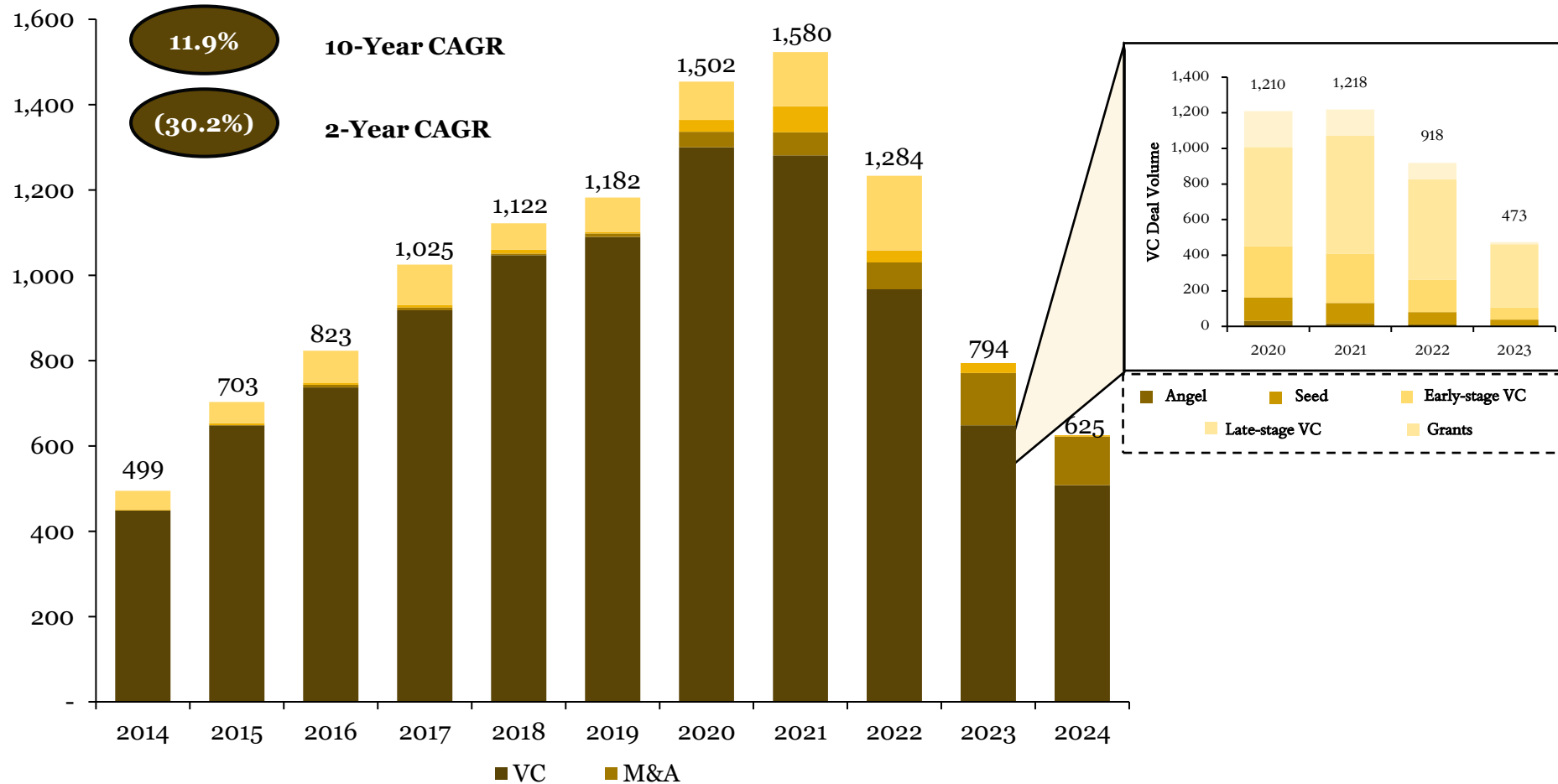
J.P. Morgan Securities

(Target)

# Fundraising (I/III)

MedTech is forecasted to face challenging period until 2027, with modest growth and gradual recovery expected later in the decade

Fundraising by type (deal volume)



**MedTech Deal Volume**

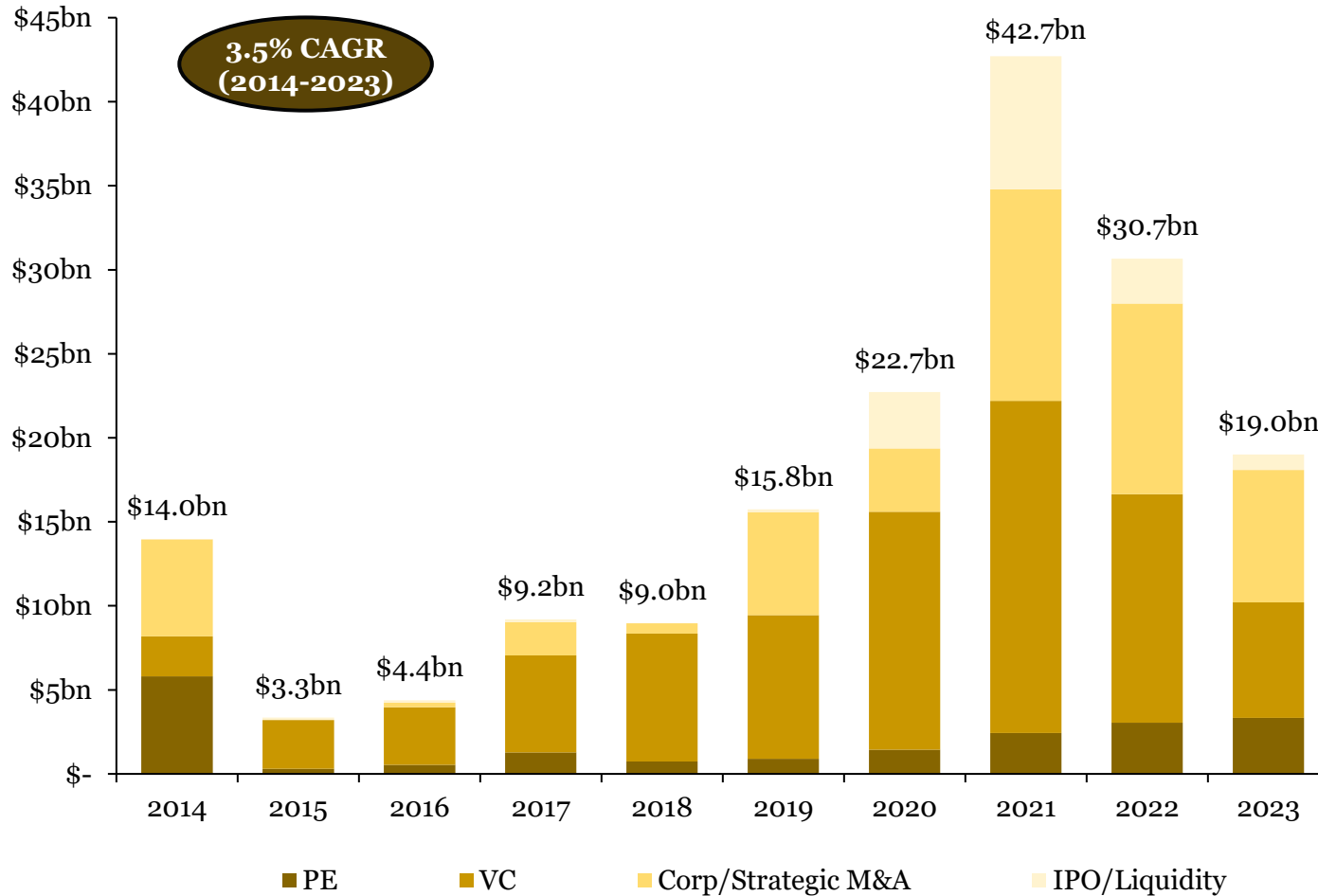
- Deal volume in 2024 is significantly lower than the peak observed in 2021. However, with 4 months still left in the year, there remains potential for activity
- VC deals continue to dominate the MedTech space, with 'Late-stage VC' being the largest segment, as illustrated in the callout
- M&A activity is also lower YoY, with the largest deal in 2024 being Johnson & Johnson's \$13.1bn acquisition of Shockwave Medical, reflecting the cautious approach in the current economic climate



# Fundraising (II/III)

The amount of funds raised is down by 38% YoY, but PE & strategic M&A interest appears resistant

## Fundraising by type (deal value)



## Analysis

### MedTech Fundraising

- Venture capital funds (VC) along with corporate/strategic M&A continue to dominate fundraising activities in the MedTech space
- Since 2014, MedTech fundraising has grown at an average rate of approximately 3.5% per annum

### Fund Raising (Q1 2024)

- VC funding: \$5.5bn raised in Q1 2024, marking a strong start to the year and showing signs of recovery from the decline seen in 2023
- Deal count: 182 rounds completed in Q1 2024, showing a quarterly increase, although still below the peak years of 2020 and 2021
- IPOs: Two MedTech IPOs completed on NASDAQ in Q1 2024, totalling \$800m, a sign of a gradual recovery in public market activity

# Fundraising (III/III)

Global MedTech market size expected to reach \$776bn by 2033, marking an average c. 3.5% CAGR from 2023



*Amber Therapeutics is developing Amber-UI - the first implantable therapy for mixed urinary incontinence created to stimulate the pudendal nerve through a new, minimally invasive procedure.*

- **Amount:** \$100m (Series A)
- **Use of funds:** to support the development of Amber-UI's fund clinical trials as it is seeking approval in the US.
- **Investors:**



*Freenome is an early cancer detection start-up that utilises AI screening technology to detect cancer in earliest stages.*

- **Amount:** \$254m (Late-Stage Round)
- **Use of funds:** New funds will advance the development and commercialisation of blood tests for early cancer detection
- **Investors:**



*RapidAI is a US Start-up that uses AI to aid diagnosis of cardiac, neurovascular and vascular diseases.*

- **Amount:** \$75m (Series C)
- **Use of funds:** New funds will be used to improve software to help physicians in diagnosis and treatment of strokes, aneurysms and pulmonary embolisms.
- **Investors:**



- In 2024, MedTech fundraising has experienced a decline in deal volume, highlighting a more cautious approach from investors. The current economic challenges have made investors more selective, favouring companies that present innovative solutions in rapidly growing sectors like AI-powered diagnostics and minimally invasive treatments. This trend is reflected by the substantial funding rounds secured by companies such as Freenome and Amber Therapeutics.

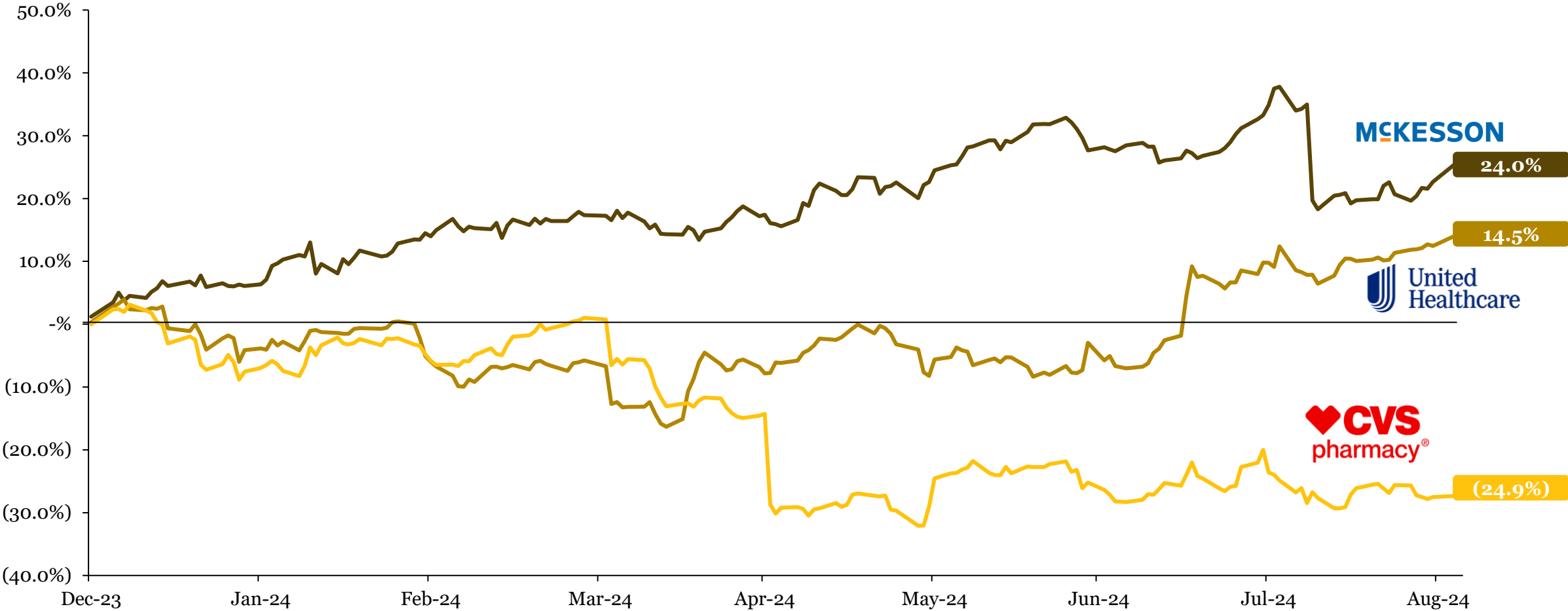
# Managed Healthcare & Facilities Overview



# Share Price Performance

CVS continues to struggle against McKesson and United Healthcare, but the industry grew above expectations in H1 2024

### Main Players in Managed Healthcare – YTD Performance



# M&A Deals

Deal activity beginning to pick up following the major decline in 2023

January 2024



Announces acquisition of



For **\$1.2bn**

**Deal Rationale**

The acquisition of Circle Health Group by PureHealth marks the latter's first entry into the UK market and is part of its global expansion strategy. This deal allows PureHealth to integrate Circle Health's network of private hospitals and specialties, such as oncology and neurosurgery, into its portfolio.

**Advisors**



x



(Target)



(Acquirer)

May 2024



Thomas H. Lee Partners

Announces acquisition of



For **\$1.5bn**

**Deal Rationale**

The acquisition of Agiliti by Thomas H. Lee Partners strengthens their existing partnership and transitions Agiliti to a private company. This move aims to remove public market constraints, enabling long-term growth. It aligns with THL's healthcare investment focus, leveraging Agiliti's role in supporting national HC infra.

**Advisors**

CENTER|VIEW PARTNERS

(Target)



(Acquirer)

August 2024



Announces acquisition of



For **\$8.9bn**

**Deal Rationale**

The acquisition will result in increased market share of the US pharmacy industry and thus allow VillageMD to become more competitive against the likes of CVS. Also, they will be able to leverage Evernorth's (minority shareholder) health services capabilities, boosting growth.

**Advisors**



x



(Target)

CENTER|VIEW PARTNERS

(Acquirer)

August 2024



Announces acquisition of




**Undisclosed**


**Deal Rationale**

The acquisition of medneo UK by CVC DIF marks the fund's entry into the diagnostic imaging sector, a critical component of healthcare infrastructure. This deal allows CVC to leverage medneo's established presence. By supporting medneo's next stage of growth, CVC aims to capitalise on the increasing demand for advanced imaging technologies.


**Advisors**



x



(Target)



(Acquirer)

# Regions Overview

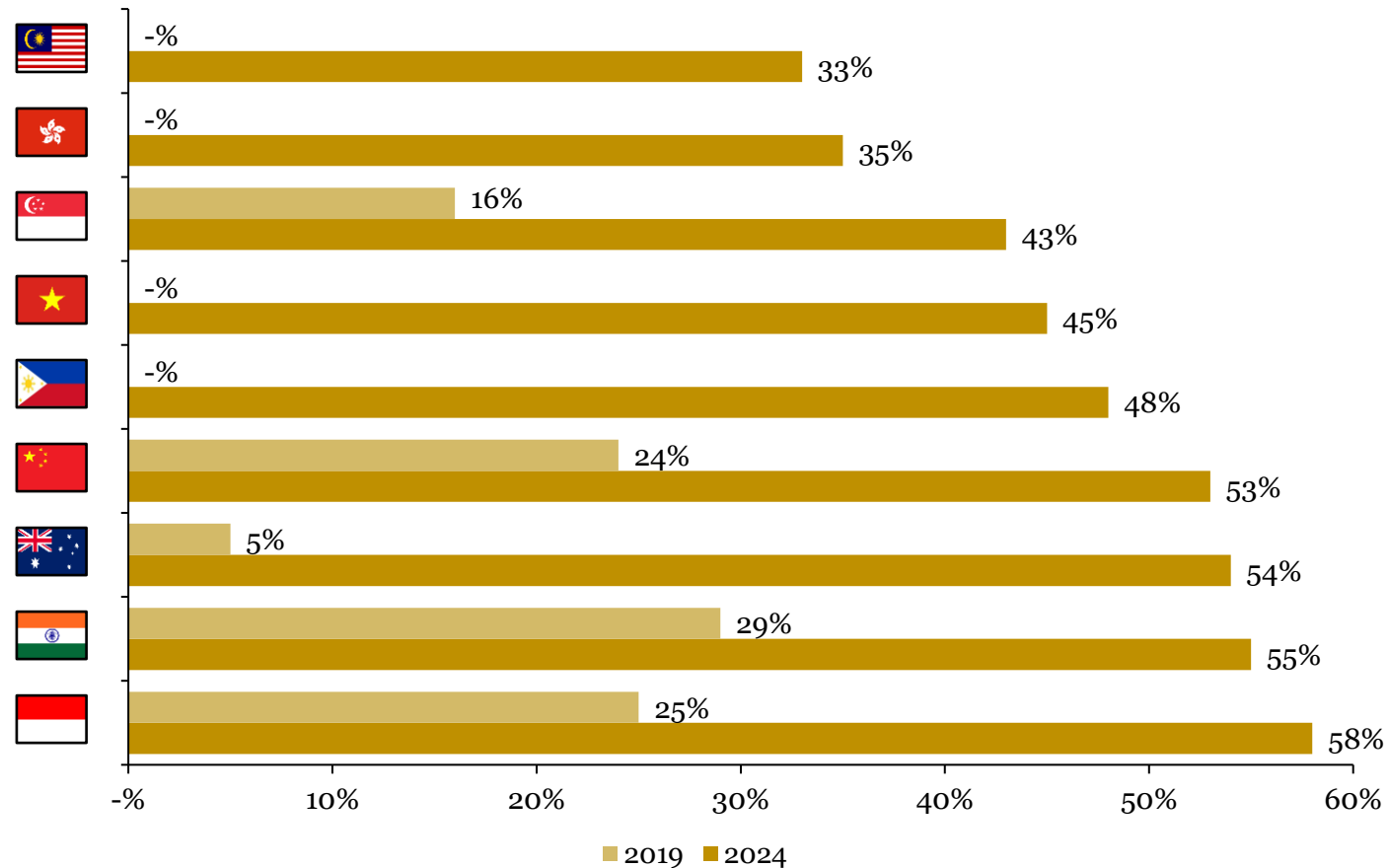


# APAC – Overview (I/II)

The Healthcare industry in the APAC region is set to move towards consumer and digital experience

A region with a rapidly growing telemedicine service, is ...

Respondents using telemedicine services in previous 12 months



... boosting healthcare demand

## Current state of healthcare

- Asia-Pacific should be fastest-growing region in healthcare spending (20% of total)
- Shift from old notion of hospitals to new primary points of care that provide convenience to the consumer, such as pharmacies
- Larger consumerism, higher interest in health maintenance e.g. sleep tracking, heart rate monitoring and the average person likely to spend more
- "Wellness trends" more common in higher-income groups, where prices on nutritional supplements pose a barrier to lower-income groups

## Key growth catalysts for healthcare

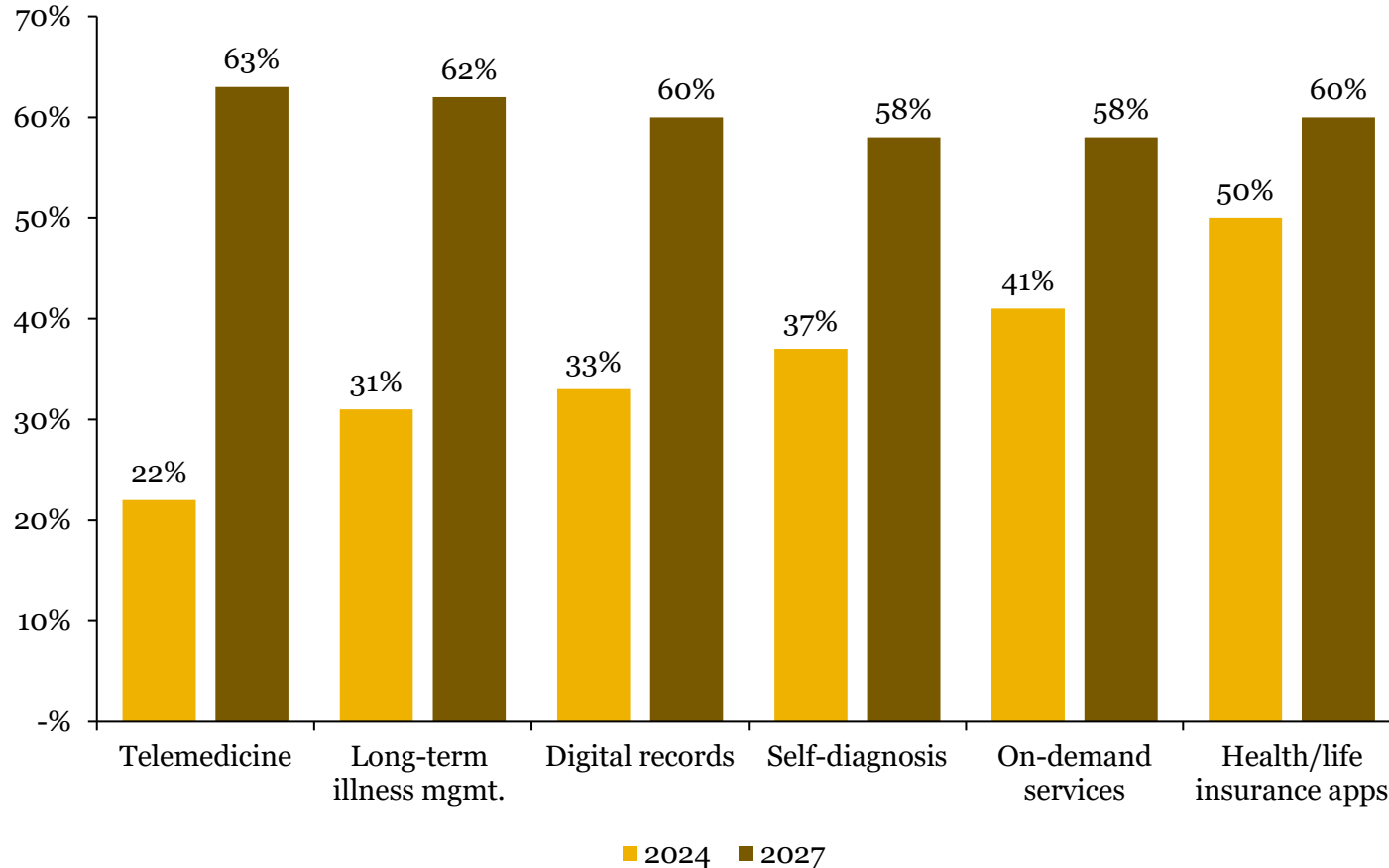
- AI Tech Revolution is creating curated, personalized plans that are unique to every individual
- Consumer Satisfaction is opting for a better experience and more integrated care plans
- Healthcare delivery is flexible services and a single accessible touchpoint
- For Telehealth, the graph on the left shows % of respondents using telemedicine services has increased, driven by its cost-effectiveness

# APAC Overview (II/II)

One of the greatest opportunities in the APAC region lies within China's digital healthcare market, which is set to balloon c. 5x by 2030

## Digital healthcare is fast-growing in China ...

% of Chinese patients using digital healthcare services



## ... and is broken into 4 segments

### Segment #1 – Informed and demanding patients

- Growth here can be extrapolated towards digital health sites which have virtual communities, providing an interactive, engaging platform that influences consumer behaviour

### Segment #2 – New channels of communication

- New digital tools to improve efficiency of sales and marketing, which has become more viable due to tightened regulation on sales representatives
- Physicians using in-house platforms and partnerships with technology companies to broaden reach
- More virtual conferences and live broadcasting

### Segment #3 – Evolving delivery systems

- Digital apps provide new "go-to-market" model, such as direct-to-patient and O2O (online-to-offline) pharmacies to enhance customer service and the information available
- New e-commerce opp., changing regulation which allows biopharma companies to engage third-party logistics firms to deliver drugs, boosting the supply chain.
- Able to distribute key healthcare resources away from major Chinese cities towards the excess demand in other areas.

### Segment #4 – Big data and advanced analytics

- Increased number of investment in AI start-ups
- Technology firms collaborating with hospitals, attempting to create new care models which use AI, analytics and utilise new payment models

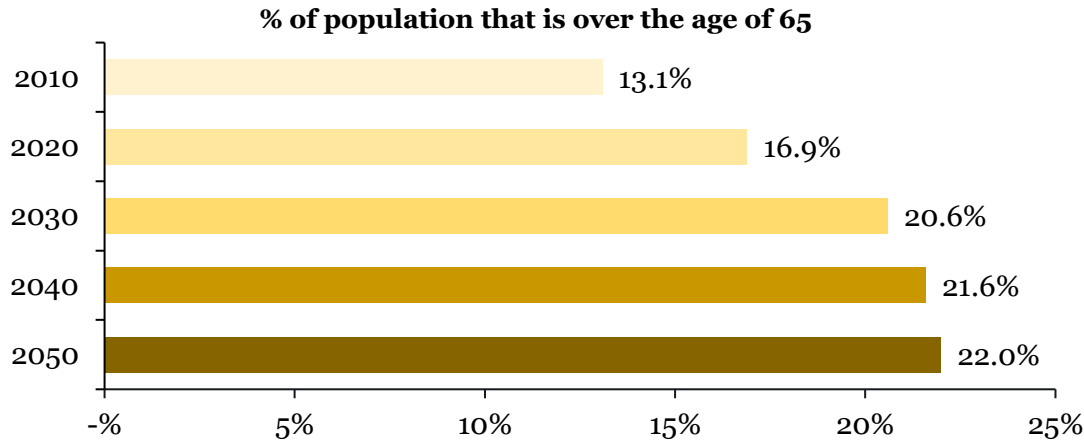


# USA – Medicare

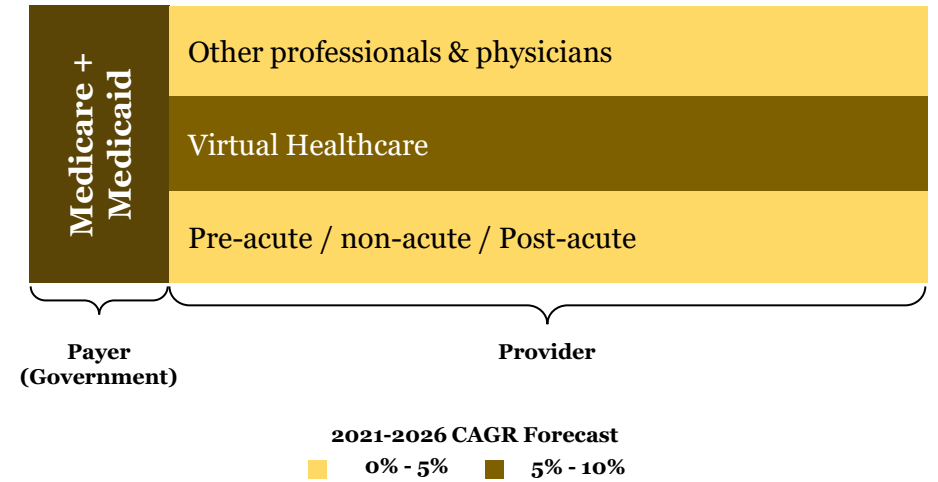
The USA’s growing ageing population, coupled with increased government spending on healthcare, is set to accelerate Medicare’s growth

Medicare is set to boom with an ageing population but ...

**Inflation Reduction Act:**  
This will change Medicare prescription part D benefit, helping negotiate better costs for select drugs and incentivises better management over high-cost drugs.



... increasing costs may hinder growth



## Economic pressure on Medicare Advantage (MA) Payers

- Inpatient and outpatient care utilization much higher than expected, pressure to contain costs in both medical and value-based care, whilst simultaneously looking to invest
- Delayed care caused by COVID-19 and the continued aging of the medicare population (as shown in graph above) are both triggering the higher usage
- 60.6m people enrolled in Medicare Parts A+B in 2024, with a YoY increase by 2.1m beneficiaries and a consistent growth rate of 8%

## Product redesign

- Payers looking to make calculated trade-offs and re-evaluate portfolios, having a concise narrative for distribution partners and beneficiaries rather than the "all things to all people" approach of recent years

## Movement towards GLP-1 drugs

- Obesity not recognised as chronic disease (not covered in medicare), so there is a lack of insurance coverage. They would have a net cost of \$800bn, \$1tn covered in medicare and \$200bn in savings

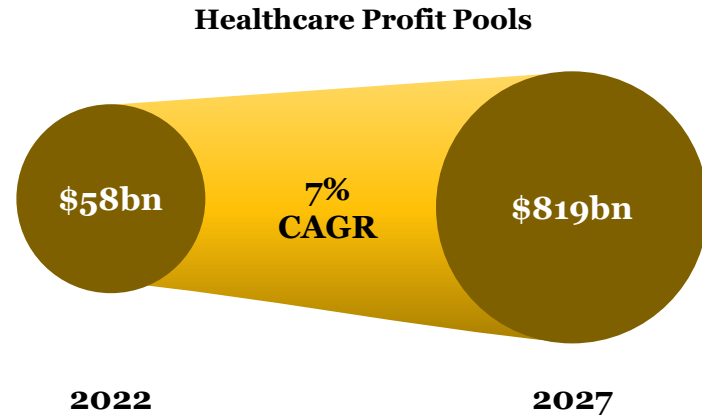
## MA to remain profitable

- MA should remain a high-profit region, EBITDA set to increase by more than 10% by 2027
- Payers looking to invest further into Medicaid capabilities and partnerships, through involvements with community partners and socials organisations

# USA – Growth Areas

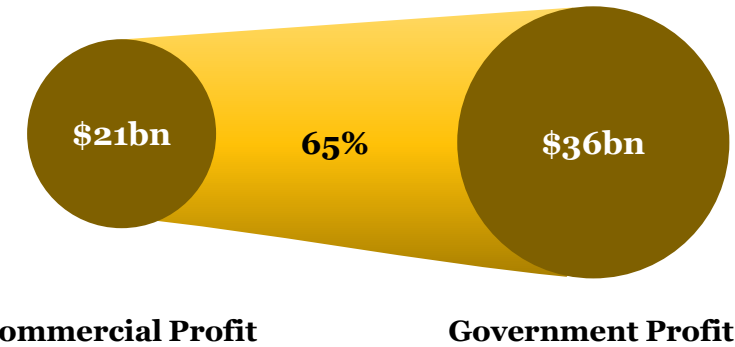
Two key areas of the US healthcare market are set to experience strong growth, driven by changing needs and new technology

Healthcare services & technology, and...



...the government payer profit pool are set to grow

Government versus Commercial segment forecasted for 2027



## Healthcare segment growth drivers

- Payer: Medicare Advantage set to have increased growth alongside a rapid increase in the dual's population, estimated to grow at 9% CAGR until 2027.
- Health systems: Outpatient care settings should improve due to site-of-care shifts, such as physician offices and ambulatory surgery centres
- HST: New focus on patient engagement and clinical decision support in the software and platforms businesses
- Change in the Payer Mix: Commercial segment EBITDA profit margins set to return to historical averages by 2027. Growth here is likely to be slightly offset by enrolment changes, as businesses move from fully insured to self-insured to cut costs if the economy slows.
- 27% CAGR until 2027 in individual segment profit pools as enrolment rises, enhanced by increased subsidies and Medicaid redeterminations.

## Government + Health Systems + Pharmacy

- Medicare Advantage Penetration + Continued growth of Duals Segment
- Health systems estimated to have an 11% CAGR from 2023-2027, or total EBITDA of \$366bn, driven by higher reimbursements rates in contract renewals in response to high cost-push inflation in recent years. Also, VBC should drive growth
- Large growth of specialty pharmacy, especially those that are hospital-owned are seeing large investment

## Measures to tackle sector threats

- Increasing labour productivity, technological innovation across administrative and care delivery workflows should combat rising costs. However, even though labour shortages might affect post-acute profit margins, this might be offset by the growth of non-acute and outpatient sites.