



Artemed

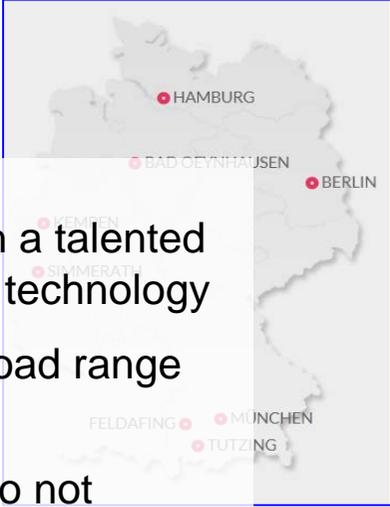
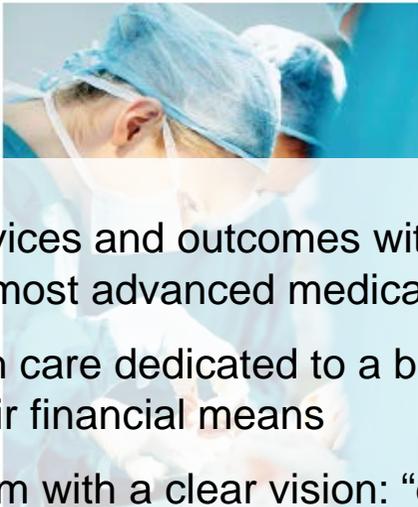
Shanghai Artemed Hospital

Orthopaedic / Trauma Specialty Hospital at the
Shanghai Free Trade Zone

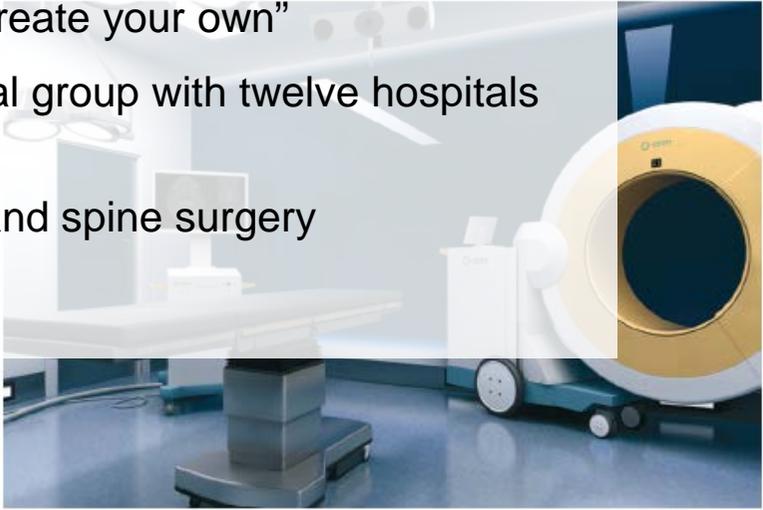
Dr. Clemens Guth & Dr. Zhe Xu

Presentation at the 2nd Sino-German Health Dialogue
Beijing, June 13th, 2016

Artemed Gruppe operates a successful chain of privately-owned specialty hospitals and nursing homes across Germany



- Delivering superior health services and outcomes with a talented group of clinical staff and the most advanced medical technology
- Innovative and effective health care dedicated to a broad range of patients independent of their financial means
- Inspirational management team with a clear vision: “do not follow the footsteps of others, but create your own”

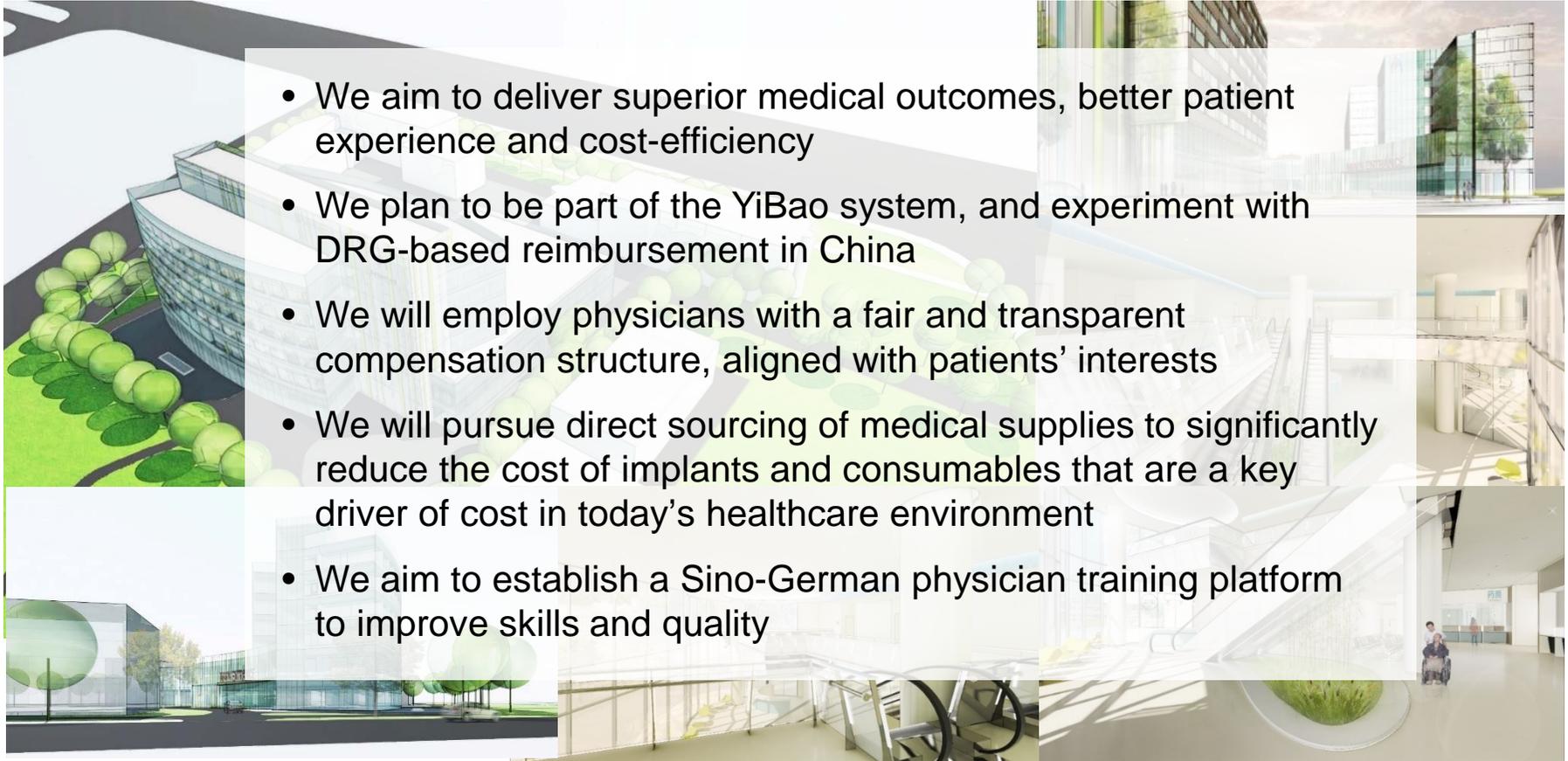


- Germany’s fastest growing medical group with twelve hospitals and five nursing homes
- Strong expertise in orthopaedics and spine surgery



In December 2015, we received regulatory approval to build a 200-bed international standard hospital inside the Shanghai Free Trade Zone

- We aim to deliver superior medical outcomes, better patient experience and cost-efficiency
- We plan to be part of the YiBao system, and experiment with DRG-based reimbursement in China
- We will employ physicians with a fair and transparent compensation structure, aligned with patients' interests
- We will pursue direct sourcing of medical supplies to significantly reduce the cost of implants and consumables that are a key driver of cost in today's healthcare environment
- We aim to establish a Sino-German physician training platform to improve skills and quality



The new hospital will be located in an area currently with limited healthcare resources in orthopedics

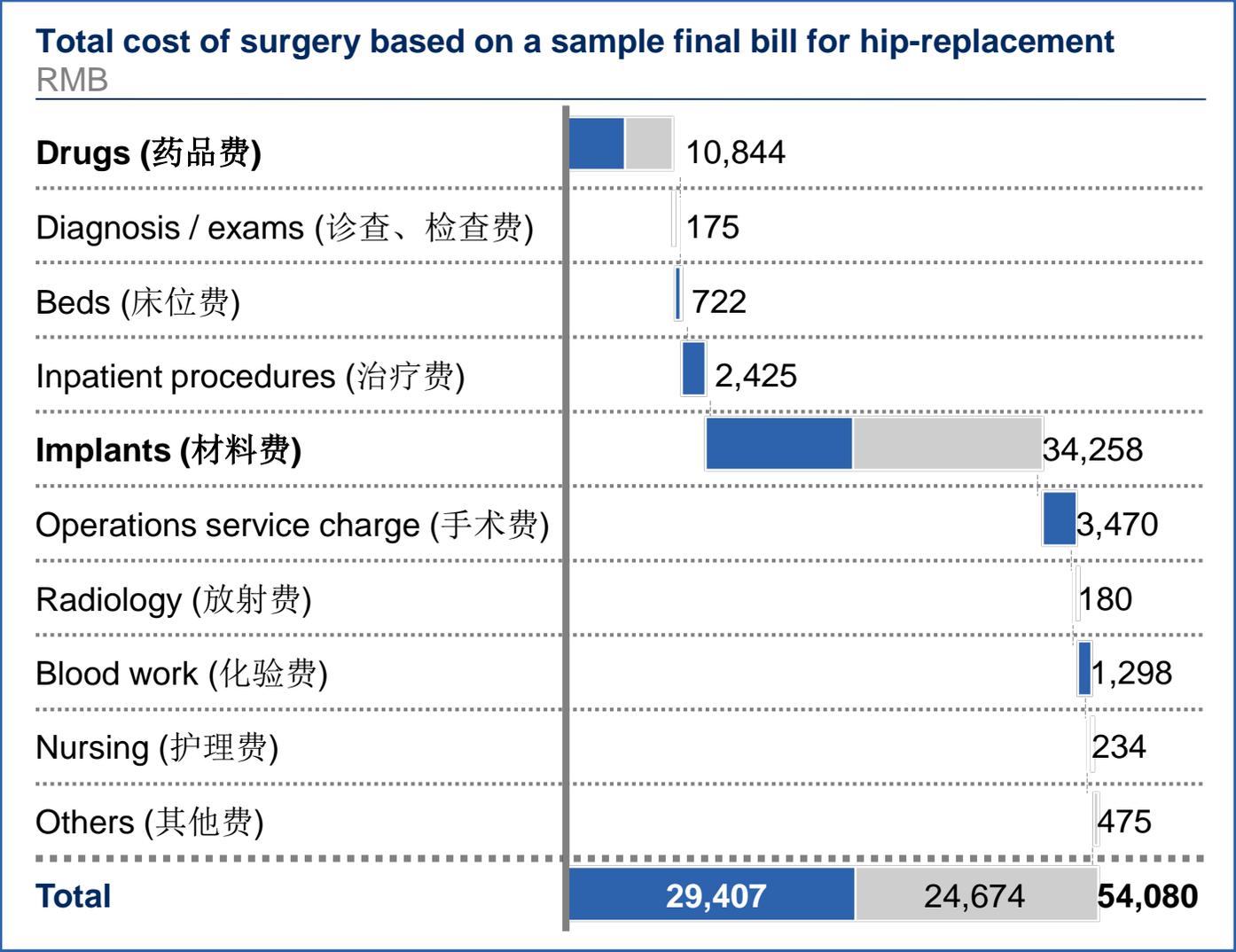


We are attempting a series of innovations in Shanghai Artemed Hospital, in support of China's overall Healthcare Reform initiative

- **Orthopedics Specialty focused hospital** with a small out-patient polyclinic to provide general healthcare services in other areas
- **Focusing on Elective Surgery** in spine surgery, large joints replacement, sports medicine, as well as **Emergency Trauma** patients
- **Rehabilitation is as important as Surgery** – we will operate a full function rehab studio with a roof garden for exercises
- **Privately operated public hospital** – hospital open to everybody, accepting Basic Medical Insurance (BMI), only around 15% of beds designed for VIP patients
- **For BMI patients, Competitive pricing with 3A public hospitals** – Same co-payment but better outcomes and services. Guaranteed foreign produced implants
- **Experiment with bundled payment (DRG)** for major medical conditions to be offered to patients and commercial insurance companies
- Hospital staffed mainly by **full-time fully employed physicians**, with a limited number of multi-site practice doctors
- **Physician payment** competitive with all-in take-home remuneration of public 3A hospital physicians – **all payment through hospital** with no supplier or direct patient payments
- **Direct sourcing of implants and consumables** at European price levels
- Over time mainly staffed with **highly trained Chinese doctors**; during initial ramp-up strong presence of **German Artemed doctors** and **training placements for Chinese doctors in German facilities**; after that ongoing exchange of physicians and joint research projects



A key challenge in China today is the high cost of drugs and medical implants to supplement the low compensation for physician skill and labor

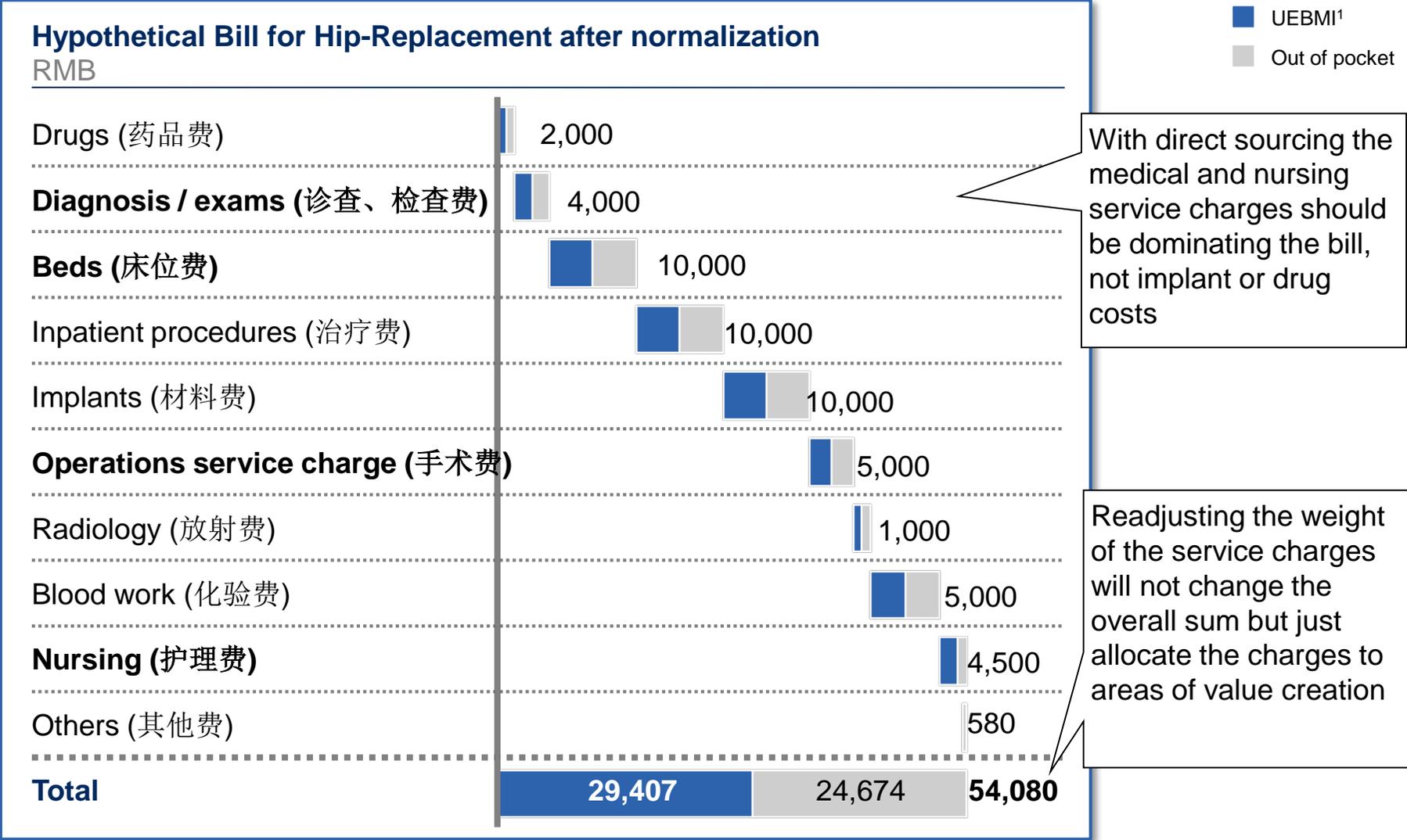


■ UEBMI¹
■ Out of pocket

¹ Urban Employee Basic Medical Insurance (UEBMI)



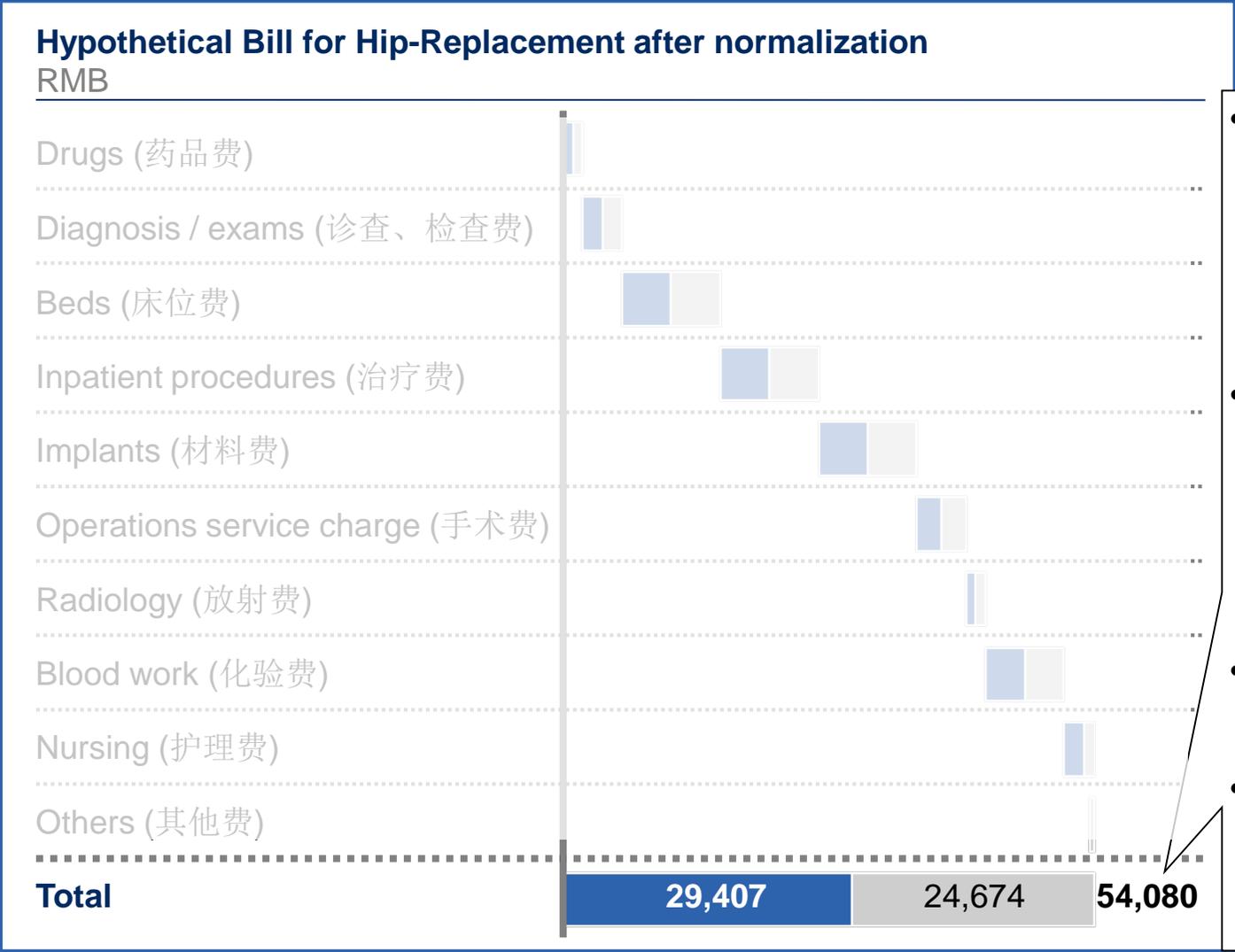
We believe it is possible to normalize the cost structure without affecting the total cost of care, and we are willing to be the testing lab of this idea



1 Urban Employee Basic Medical Insurance (UEBMI)



Drawing from German experiences, we believe that DRG-based payment system offers additional benefits, and like to run a pilot testing project



■ UEBMI¹
 ■ Out of pocket

- With a DRG bill there are no individual charges. Rather there is one all-inclusive price for one medical procedure/medical condition.
- The DRG transfers the economic risk of mistreating or overstaying to the provider. Patients and insurance have a fixed price
- The DRG gives no incentive to overtreat or overprescribe
- To avoid cherry-picking by providers the charges are risk-adjusted

¹ Urban Employee Basic Medical Insurance (UEBMI)



Overall, we believe Shanghai Artemed Hospital offers a strong value proposition for the relevant market

▪ Technological advantage

- Use of minimally invasive treatments where possible; use of advanced imaging and surgical-assist technology
 - Every-day practice of most advanced and scientifically proven medical methods
 - Piloting a new payment system that transfers the commercial risk of treating patients to the provider rather than the insurance funds or the patients themselves
 - Ability for doctors to develop oneself professionally in an entrepreneurial environment
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▪ Accountable care

- Treatment according to patients' medical needs instead of reimbursement allowance
 - Ability to practice the best possible medicine with respect to time with patients, access to equipment and no need to “sell” certain procedures or drugs
 - No distorted incentives for physicians – Competitive salaries all paid through hospital, no need to top-up income through alternative channels
 - Employment and sourcing model serving as a role for health care reform
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▪ Quality service

- Giving public and private patients access to high-quality (with respect to outcomes and patient experience) and affordable health care
- Highly trained, experienced and focused medical staff
- Superior operations – minimum wait times, effective in-patient stays, courteous staff and clean facilities
- Professional and experienced hospital management putting physician needs as top priority



We received significant support from the local government in navigating the complex regulatory pathway, and are now in full fledged development

Certificate of Approval

NO: 071275

 <p>中华人民共和国港澳台投资企业 批准证书 CERTIFICATE OF APPROVAL FOR ESTABLISHMENT OF ENTERPRISES WITH INVESTMENT OF TAIWAN, HONGKONG, MACAO AND OVERSEAS CHINESE IN THE PEOPLE'S REPUBLIC OF CHINA</p>	<p>企业名称 中文 上海阿特蒙医院有限公司 NAME OF ENTERPRISE CHINESE 英文 ***** ENGLISH</p>
	<p>企业地址 中国(上海)自由贸易试验区台北西路弄编号F2地块内(新灵路、台北西路、台东北路、台北东路) ADDRESS</p>
<p>企业类型 中外合资企业 TYPE OF BUSINESS</p>	<p>经营范围 为中外合资经营医疗服务, 科目如下: 预防保健科, 全科医疗科, 内科(含老年病科、普通内科、神经内科学专业、内分泌科、儿科、耳鼻咽喉科、眼科、耳鼻咽喉科、口腔科、急诊医学科、重症医学科、急诊急救专业、麻醉科、疼痛科、康复医学科、医学检验科/临床体液、血液专业/临床微生物学专业/临床生化检验专业/临床免疫、血清学专业/临床细胞分子遗传学专业、病理科、医学影像科/X线诊断专业/CT诊断专业/磁共振成像诊断专业/核医学专业/超声诊断专业/心电诊断专业/脑电及脑血流图诊断专业/神经肌肉电图专业/介入放射学专业、中医科</p>
<p>投资总额 壹亿元人民币 TOTAL INVESTMENT</p>	<p>注册地 中国 PLACE OF REGISTRATION</p>
<p>注册资本 玖仟万元人民币 REGISTERED CAPITAL</p>	<p>出资方式 人民币 CAPITAL CONTRIBUTION</p>
<p>批准号 商外发[2015]2975号 APPROVAL NUMBER</p>	<p>投资者名称(中、英文) 上海阿特蒙医院有限公司 NAME OF INVESTOR IN CHINESE AND ENGLISH</p>
<p>进出口企业代码 21A2015000857 CODE FOR IMPORT AND EXPORT ENTERPRISE</p>	<p>注册地 中国 PLACE OF REGISTRATION</p>
<p>批准日期 二〇一五年十二月十四日 DATE OF APPROVAL</p>	<p>出资额 肆仟陆佰万元人民币 CAPITAL CONTRIBUTION</p>
<p>发证日期 二〇一五年十二月十四日 DATE OF ISSUE</p>	<p>出资额 肆仟陆佰万元人民币 CAPITAL CONTRIBUTION</p>
<p>发证序号 3100181859</p>	<p>注册地 中国 PLACE OF REGISTRATION</p>

Business License



营业执照

中国(上海)自由贸易试验区 统一社会信用代码 91310000MA1K347Q1X
证照编号 4100002201512140087

名称	上海阿特蒙医院有限公司
类型	有限责任公司(中外合资)
住所	中国(上海)自由贸易试验区基隆路6号801室
法定代表人	杜强
注册资本	人民币9000.0000万
成立日期	2015年12月14日
营业期限	2015年12月14日至2017年12月13日
经营范围	筹建医院



登记机关 2015年12月14日

中华人民共和国国家工商行政管理总局监制

Hospital Setup License

设置医疗机构批准书

批准文号: 浦卫医设准字〔2015〕第 000031 号

阿特蒙中国有限公司、上海裴星医疗科技有限公司:

经核准同意按照下列事项设置医疗机构:
类别: 综合医院
名称: 上海阿特蒙医院
选址: 上海外高桥保税区台北西路旁编号F2地块内(新灵路、台北西路、台东北路、台北东路)
经营性质: 营利性
床位(牙椅): 200 (1)
服务对象: 社会
诊疗科目: 预防保健科、全科医疗科、内科、外科/普通外科专业/骨科专业/神经外科专业、妇产科、儿科、儿童保健科、眼科、耳鼻咽喉科、口腔科、急诊医学科、康复医学科、运动医学科、麻醉科、疼痛科、重症医学科、医学检验科/临床体液、血液专业/临床微生物学专业/临床生化检验专业/临床免疫、血清学专业/临床细胞分子遗传学专业、病理科、医学影像科/X线诊断专业/CT诊断专业/磁共振成像诊断专业/核医学专业/超声诊断专业/心电诊断专业/脑电及脑血流图诊断专业/神经肌肉电图专业/介入放射学专业、中医科

投资总额: 12400.0 万元

其他:

本批准书有效期至二〇一七年十二月三十一日止。

批准机关 (章)

二〇一五年十二月十四日



We are close to the completion of architectural design, aiming to start construction work in Q4 2016, and trial opening in Q2 2018





We believe Shanghai Artemed Hospital will be a success, but there are pre-conditions to be met and we must work closely with the authority and the healthcare community here to make it happen

“Must-have”

- Eligibility for the Shanghai BMI* (which requires an early dialogue with the local health insurance authorities to be included in funding plan)
- Agreement from local health insurance authorities to pilot a DRG payment model, to ensure patients receive total BMI payments on par with class 3A hospitals
- Direct sourcing of medical implants and drugs or sourcing with minimal Distributor markup
- Agreement from local health bureau to support multi-site practice by leading physicians in Artemed hospital
- Partnership / affiliation with a top local Shanghai academic orthopedic hospital
- Expedited licensing and longer license for foreign, non-Chinese doctors
- Inclusion in the regional ambulance network to benefit from trauma patient volume

