
SAFHE 2026
SOUTHERN AFRICAN
HEALTHCARE CONFERENCE
SYNERGY IN ACTION:
SHAPING THE FUTURE OF HEALTHCARE TOGETHER
9 – 10 JUNE 2026
CTICC 2 CAPE TOWN

Collaboration in Action: Synergy in Healthcare Cost Optimization

James Herbert

AGENDA

1. Introductions and context
2. Global cost pressures in healthcare
3. Cost reduction levers
4. Practical examples
5. Multi stakeholder optimization model

Introduction to Mediclinic group

74 Hospitals

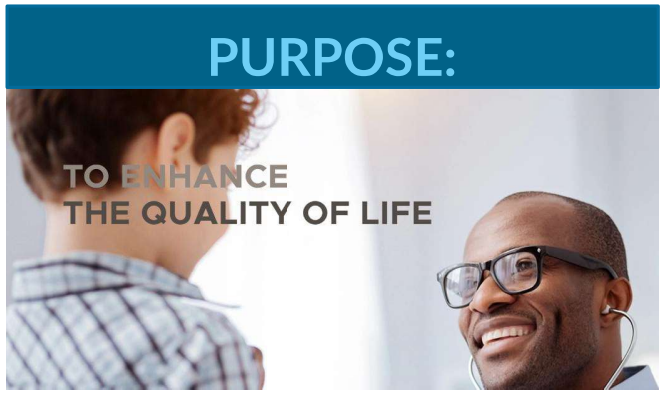
5 Subacute Hospitals

6 Mental Health Facilities

20 Day Case Clinics

28 Outpatient Clinics

840 000+ Inpatient and Day Case Admissions



11 600+ Inpatient Beds

450+ Theatres

33 100+ Employees

600 000+ Inpatient Admissions

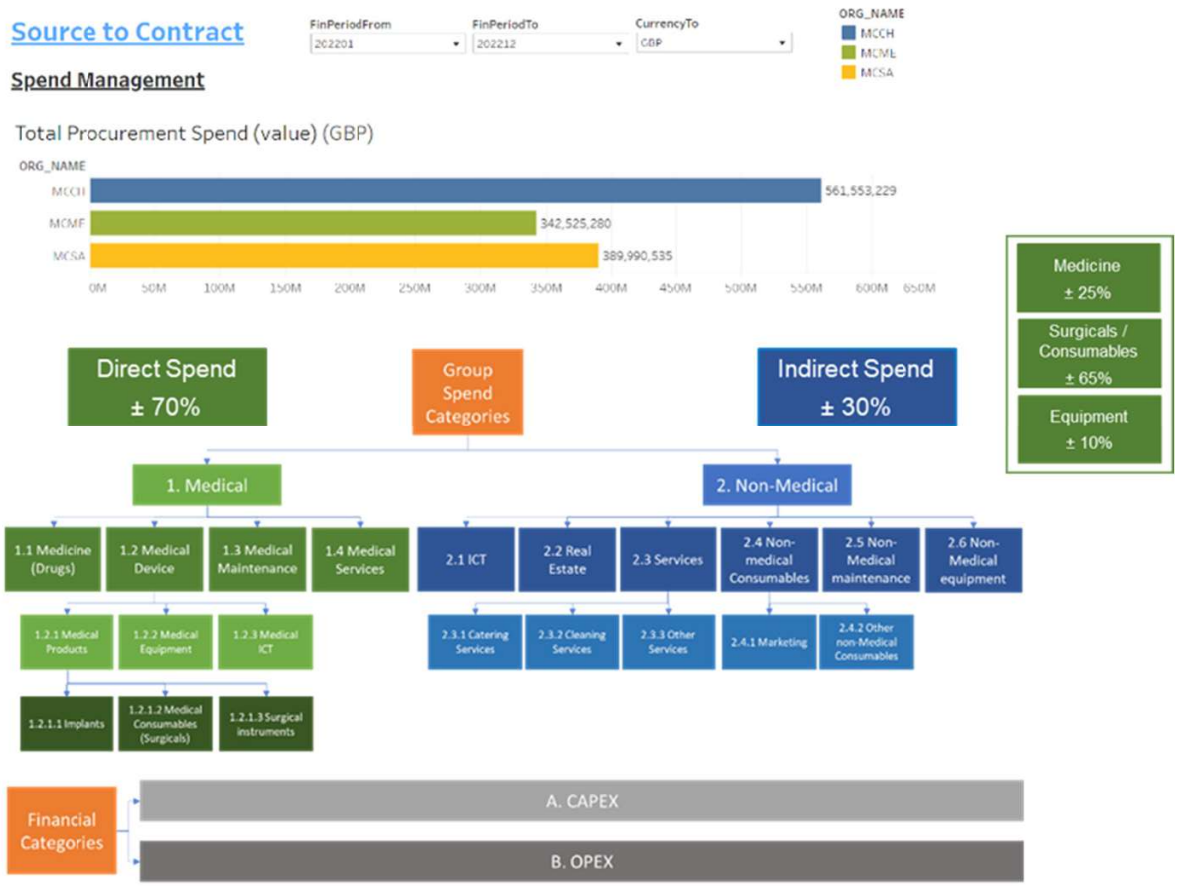
https://www.mediclinic.com

Spend Overview - GPSC

Group Procurement and Supply Chain oversee total spend of USD1.7 Bn per year

PSC scope and spend

PSC spend- and financial categories



Cost pressures in Healthcare

TechTarget
- Healthcare bankruptcies Grew by 84% in 2022
- Healthcare bankruptcies in 2023 increased 71 percent from 2022

American Hospital Association™
Advancing Health in America
- Hospitals Face Financial crisis as Costs of Caring Continue to Surge

HIRSLANDEN
- Planned job cuts (120) affecting administrative positions at Group level

CGD CENTER FOR GLOBAL DEVELOPMENT
- 41 governments will spend less on health between now and 2027 than they did in the pre-pandemic period

World Health Organization
- Spending on health in Europe: entering a new era

Health Policy Watch
Independent Global Health Reporting
- Europe Is Struggling to keep its Health Systems afloat

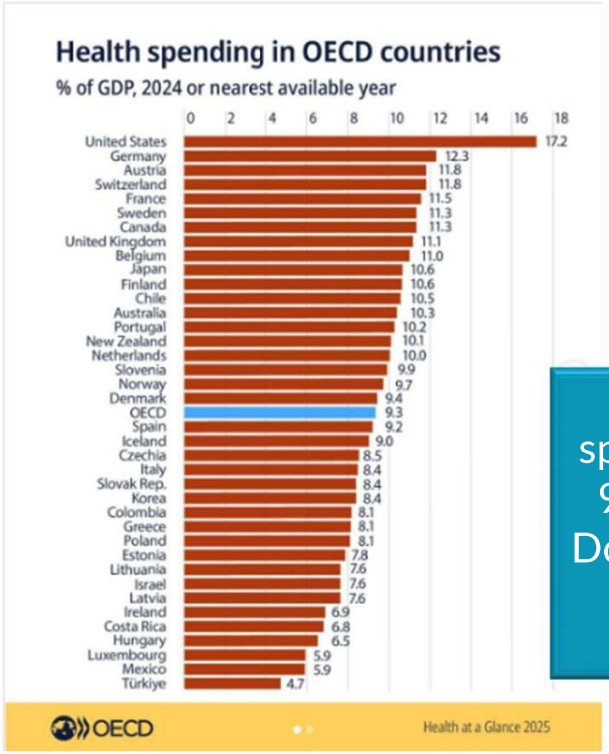
THE AUSTRALIAN
- Private health sector on life support
- 70 private hospitals have closed

The Star
- One in four German hospitals threatened with insolvency

ROOT CAUSES:

→ Medical staff costs up to 60% of all costs
→ Supplies and care related costs over 30% of all costs
→ Cyber attacks
→ Critical skills shortages
→ Supply Chain disruptions

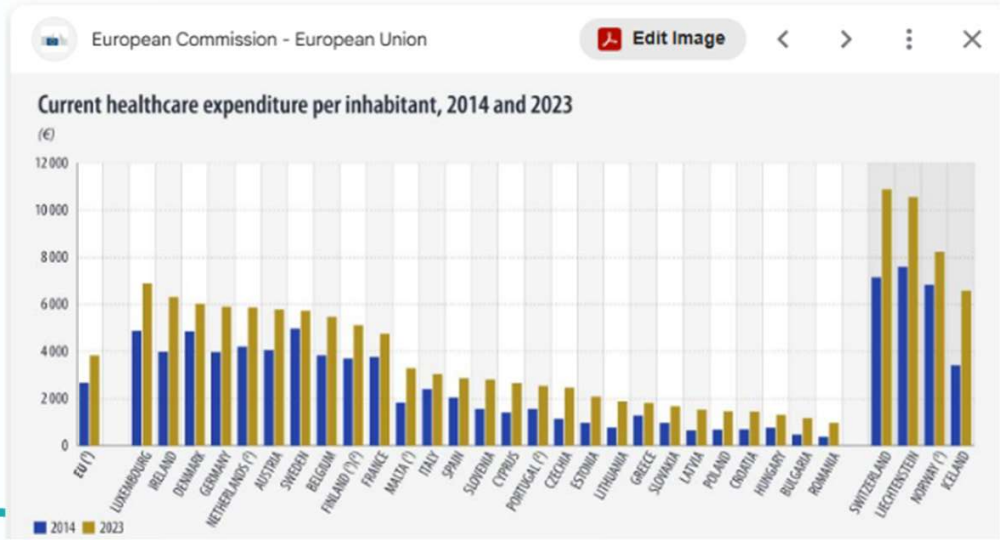
The Global Reality: Healthcare under cost pressure



Healthcare Costs Are Rising Everywhere — Faster Than Economies Can Sustain

- Healthcare expenditure is growing faster than GDP and inflation in most regions
- Cost pressure is now structural, not cyclical
- No healthcare system, public or private, is immune

South Africa spends ~ 8.5% to 9% of its Gross Domestic Product (GDP) on healthcare



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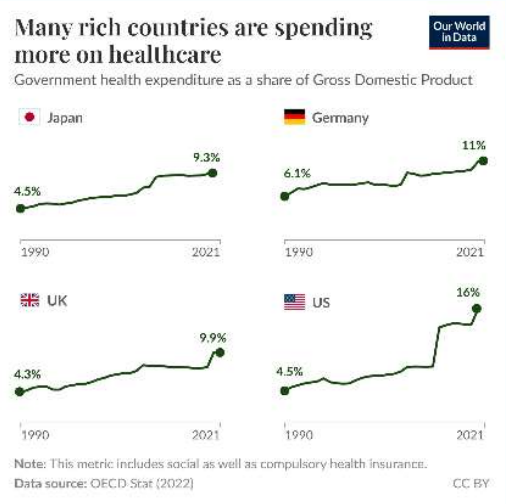
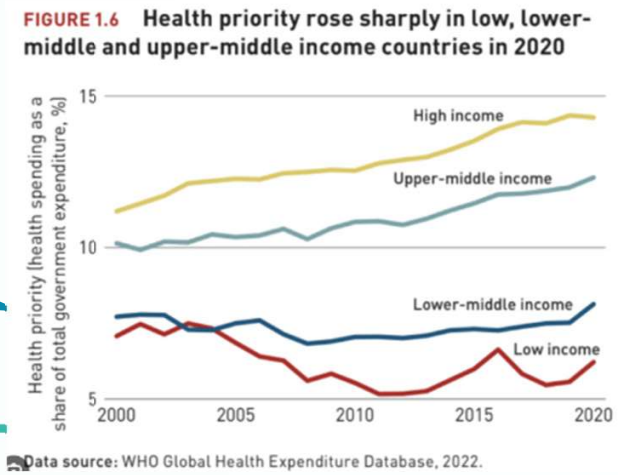
Multiple Cost Drivers Are Converging – At the same time

- **Demographics**: Ageing populations, longer life expectancy
- **Disease burden**: Growth in chronic & complex conditions
- **Medical technology**: Innovation improves outcomes but raises unit costs
- **Workforce constraints**: Skills shortages, rising labor costs
- **Regulation & compliance**: Higher safety, quality, and reporting standards
- **Supply disruption**: Geo-political influences, regulation (e.g. MDR), fragile supply chains



"More patients"
"More complex care"
"Less headroom to absorb cost increases"



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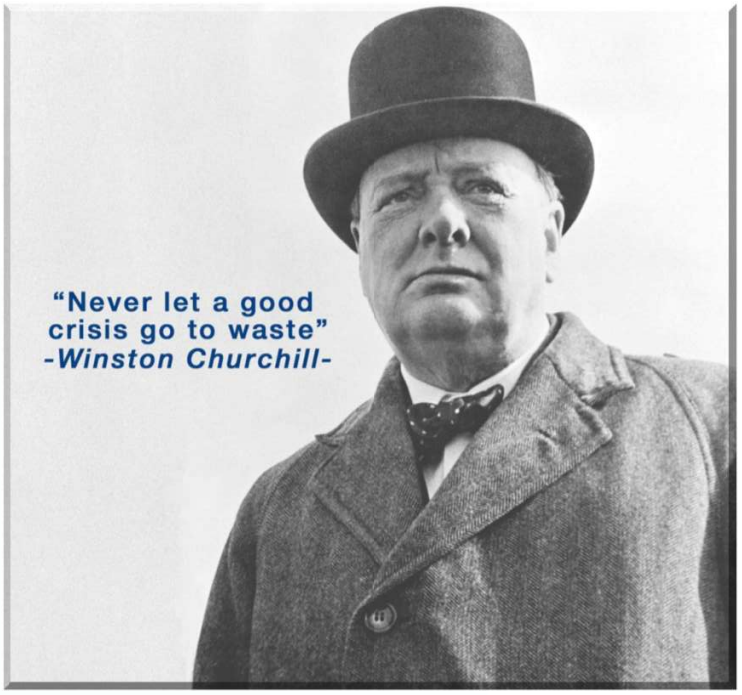
The Pivot Point: Collaboration becomes essential

From Independent Action to Collective Responsibility

- Cost optimization now requires **end-to-end system thinking**
- Clinical, operational, financial, and supply chain **decisions are inseparable**
- **Providers, suppliers, clinicians, funders, and regulators** must align around value
- **Collaboration is no longer optional** - it is a survival mechanism



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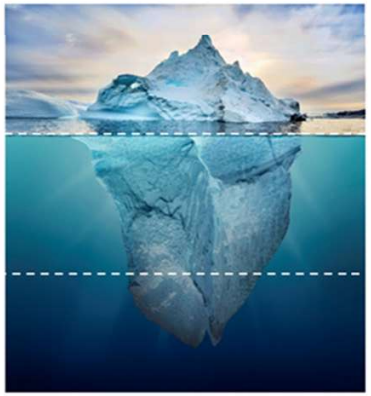
PSC Roadmap: Cost → Value → System

- Referencing the cost reduction levers in the picture below, most savings are related to contracting at a **lower price** which is mostly under the control of the procurement teams
- While we should continue to drive price reduction across all spend, the cost optimisation levers through **buying smarter** and **buying less** remain mostly unexplored in healthcare supply chains



Buying goods or services at a better price

Finding efficiencies and new solutions in the way goods and services are purchased and consumed

Reducing the quantity of goods and services purchased

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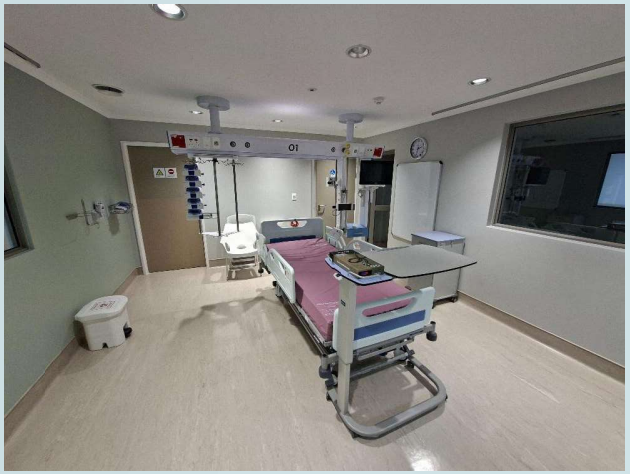
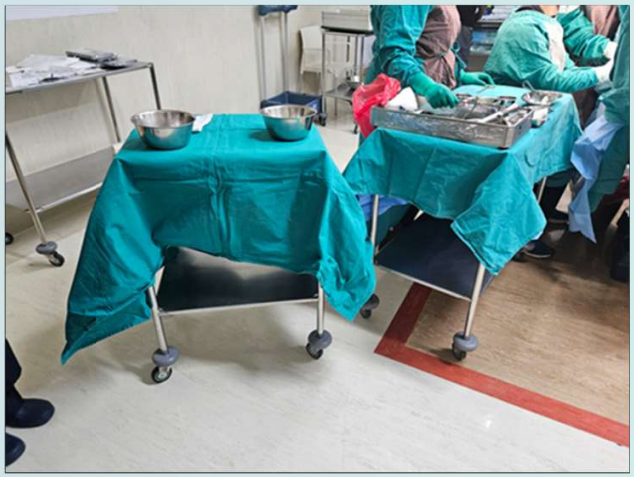
Practical examples





Transition from 100% Cotton to Microfiber Draping

Green cotton drapes are used in the operating room (OR) to isolate the surgical site, maintain sterility, and reduce eye strain

Surgeon Harry Sherman introduced Green cotton drapes at a San Francisco hospital in 1914 to reduce the harsh glare and visual eye strain caused by bright surgical lights reflecting off the traditional white linen used at the time.

Transition from 100% Cotton to Microfiber Draping

Stakeholder Engagement

- ✓ Clinical Governance / IPC – Review of drape barrier performance and approval of switch
- ✓ Surgeons and nursing
- ✓ Theatre Operations – Operational input on handling, setup times, and ergonomics
- ✓ CSSD – Compatibility validation and sterilization process update
- ✓ Procurement – Tendering and supply continuity management
- ✓ Facilities & Sustainability Teams – Environmental impact reporting

Transition from 100% Cotton to Microfiber Draping

Strategic Rationale for Change

- ✓ Microfiber drapes offer improved fluid repellence and microbial barrier performance – infection prevention
- ✓ Less lint, reducing airborne contamination risk

Operational Efficiency

- ✓ Microfiber dry faster, weigh less, and require less energy during laundering
- ✓ Lower shrinkage rates improve fit consistency and durability

Financial Sustainability

- ✓ Although higher initial procurement cost, they typically last longer (80–100 wash cycles vs ~ 50 for cotton)

Environmental Impact

- ✓ Less water, energy, and detergent during laundering
- ✓ Lower logistics and waste handling costs.

Transition from 100% Cotton to Microfiber Draping

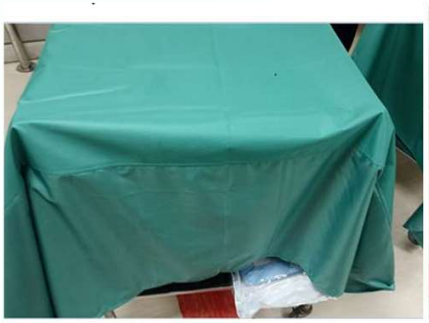
Structured and Phased execution:

Executive approval
✓ Motivation and business case for management approval

Risk mitigation
✓ Validate new product specifications and performance
✓ Pilot phase involving key stakeholders

Change Management
✓ Proactive communication and feedback
✓ Use champions and early adopters to influence piers

Training
✓ Short videos supported by onsite training
✓ Train the trainer
✓ Assessment and feedback throughout

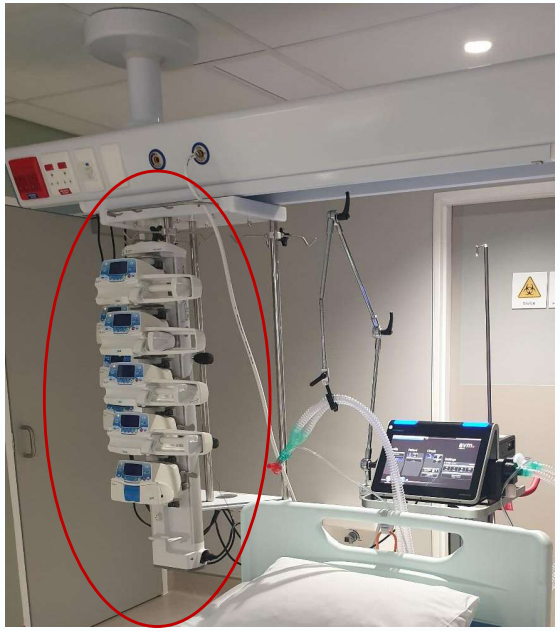


ICU Design with H-beam

- ✓ Design team
- ✓ Doctors
- ✓ Nursing
- ✓ Local manufacturing
- ✓ Procurement

Emergency treatment area

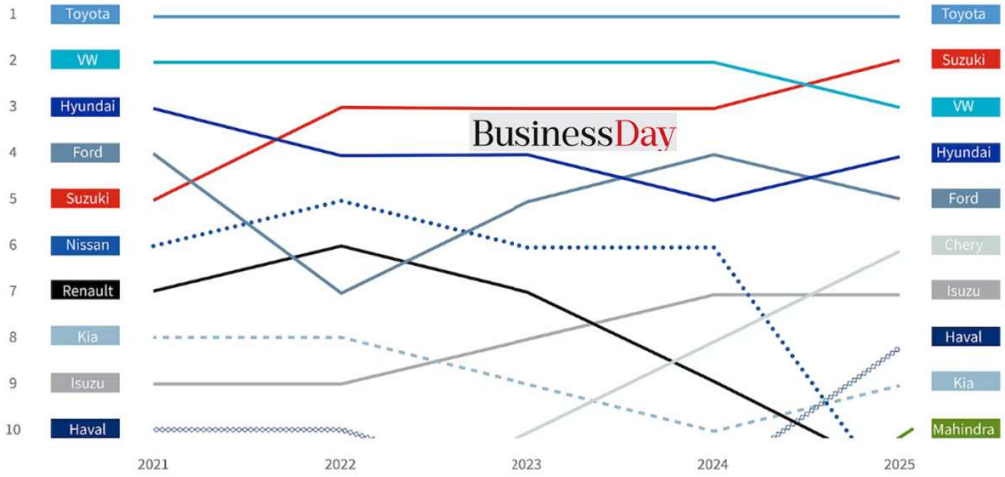
- ✓ Design Team
- ✓ Nursing
- ✓ Procurement



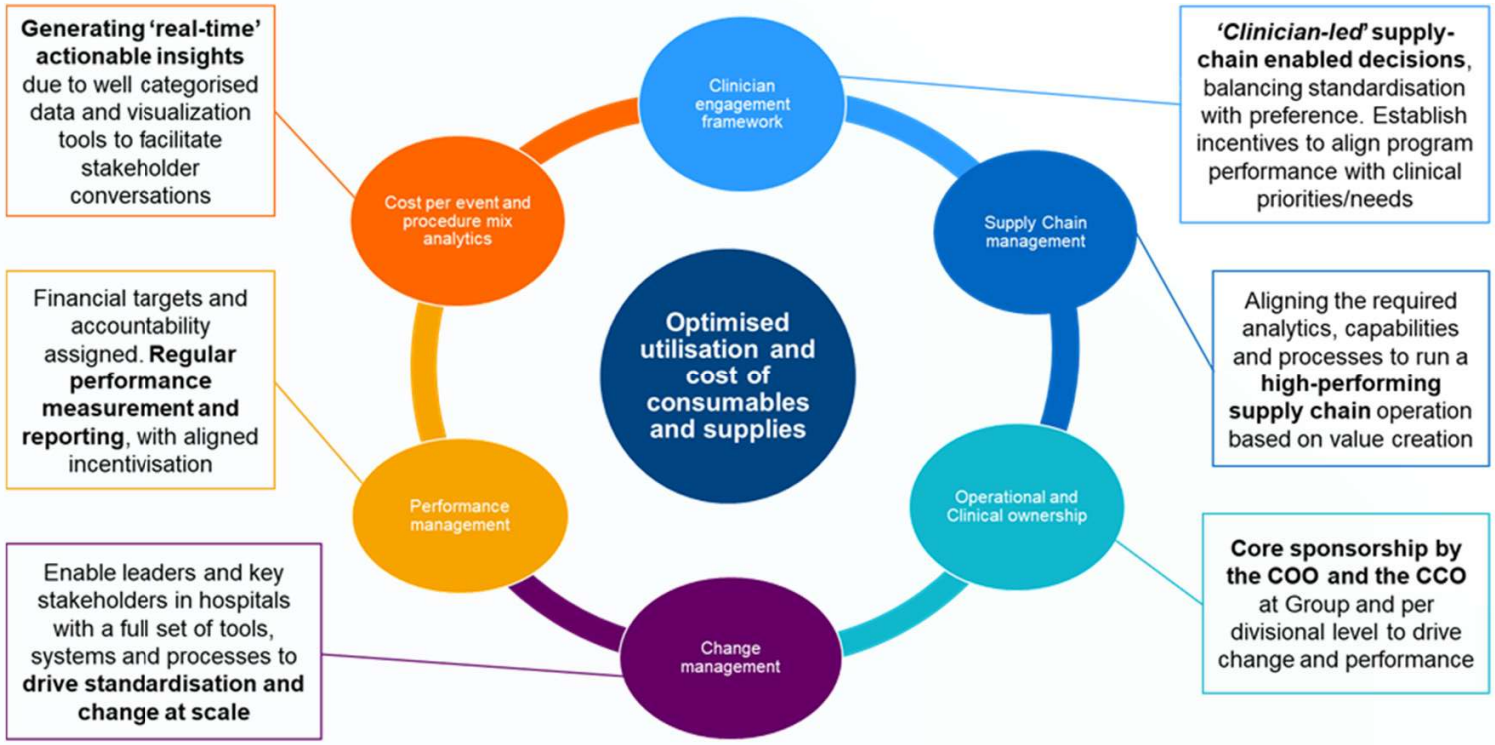
Continuous improvement of the ergonomics and the cable management

MEDICAL INNOVATIONS

Exploring additional supply sources becomes essential

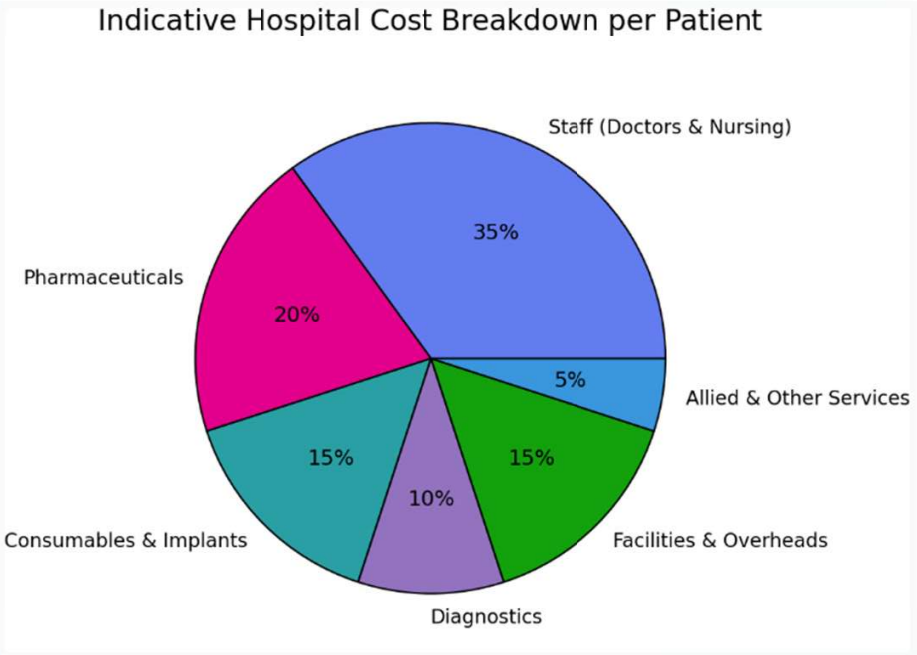


Multi-stakeholder model



Reference: McKinsey article August 2022
https://www.mckinsey.com/industries/healthcare/our-insights/optimizing-health-system-supply-chain-performance

Typical hospital cost breakdown



Most influenceable buckets

- ✓ Consumables and implants
- ✓ Pharmaceuticals
- ✓ Facilities and overheads
- ✓ Diagnostics (somewhat)

Less influenceable

- ✓ Doctors and nursing costs

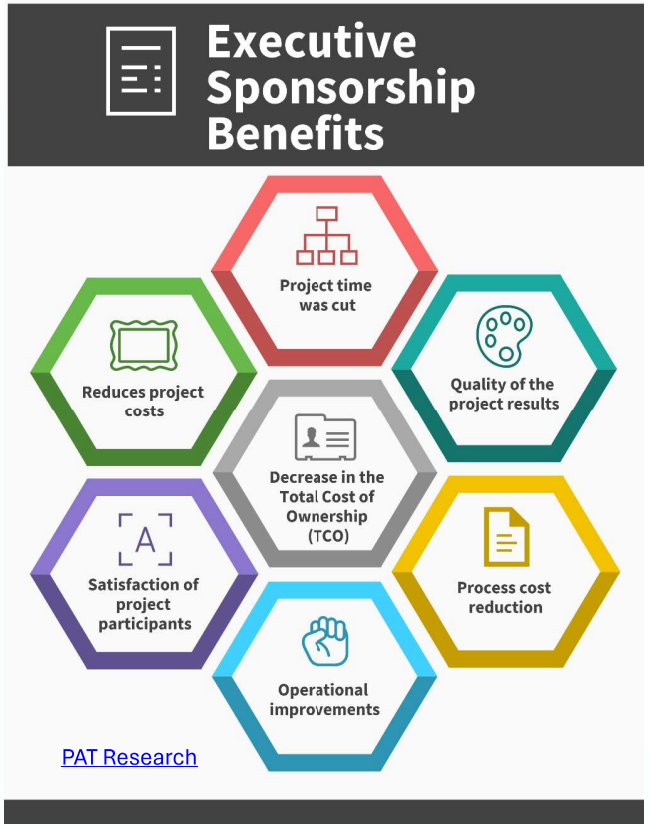
Operational and Clinical sponsorship

Executive Sponsorship

Core sponsorship by the COO and the CCO at the Group and per divisional level to drive change and performance

PAT Research:
Average impact on Project outcomes

- Project execution time reduced by 22%
- Project costs reduced by 20%



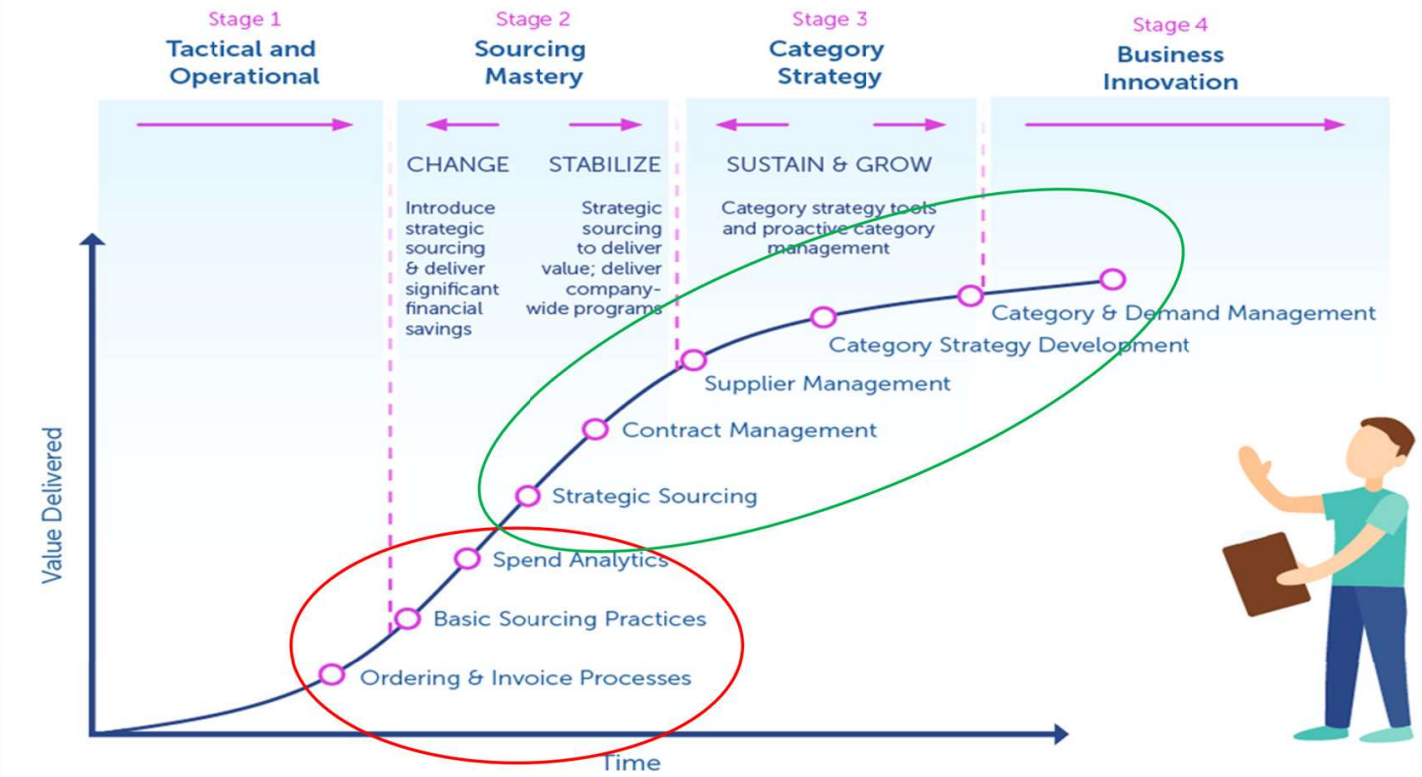
Clinician engagement framework

Clinician lead supply chain strategies

- **Building a clinician mapping system**
  - Identify key opinion leaders, persons that would be willing to drive product changes and standardisation
- **Providing data transparency**
  - Validated CPE information that would drive meaningful conversations with clinicians
- **Set out rules and mandates for engagement with clinicians**
  - Who should engage with clinicians and what is the storyline
  - Cost optimisation programs should create value and drive benefits for all involved, especially patients
- **Develop a framework for incentivisation**
  - Incentives that are aligned to achieving process and cost optimisation targets
  - Support compliance and ethical behaviour

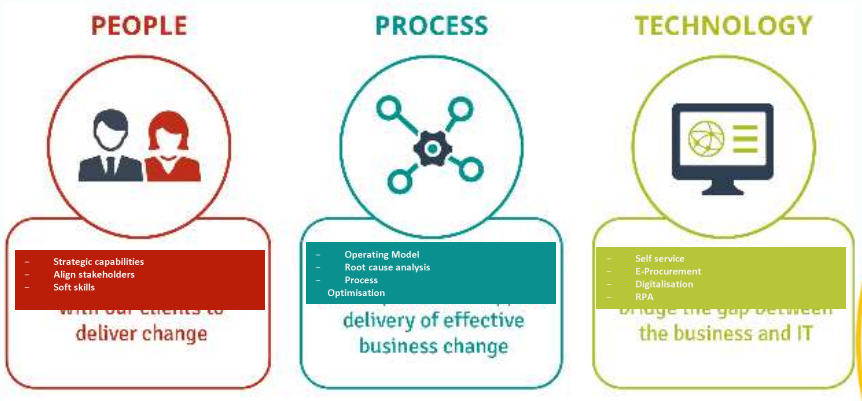
McKinsey August 2022

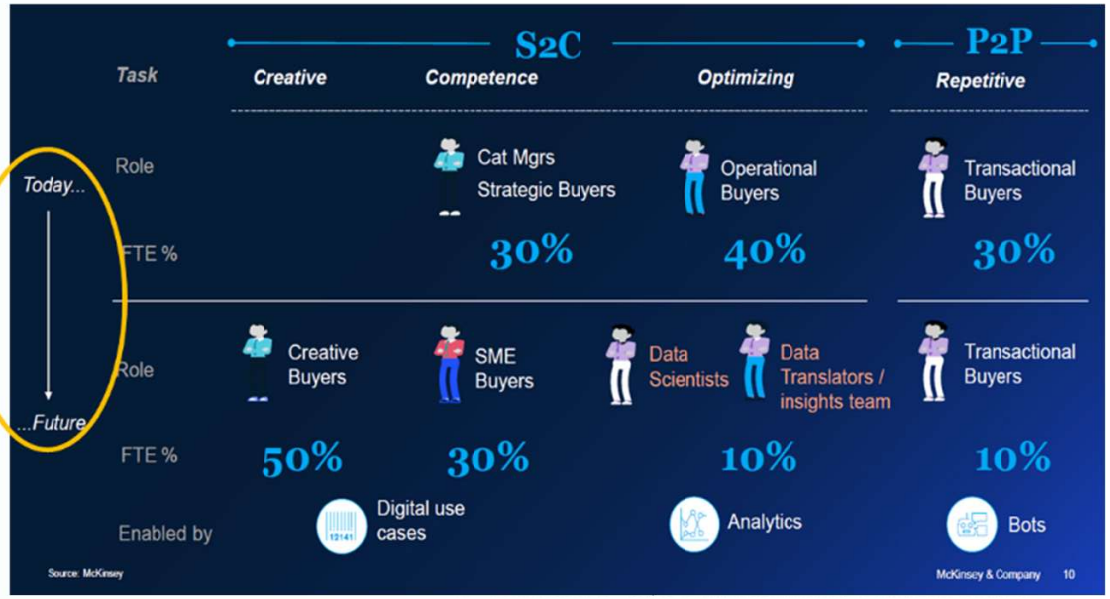
Procurement maturity graph



Optimal supply chain management

Aligning the required analytics, capabilities, and processes to run a high-performing supply chain operation based on value creation instead of price focused only

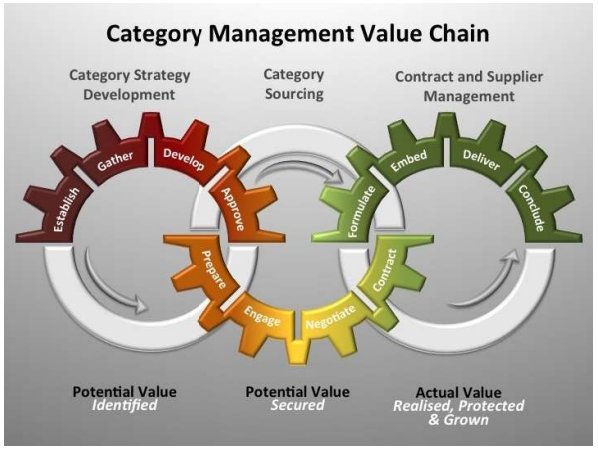




Optimal supply chain management

Category management strategy

Category management is a proven strategic methodology that globally groups similar goods and services into spend categories that should be managed with a dedicated strategic approach. Cross functional teams define category strategies to deliver sustainable value while supporting overall business strategies



1 **DEFINE CATEGORIES**
Identify and group goods and services based on characteristics, internal customer needs, supplier market, and spend and sales data

2 **CREATE TRANSPARENCY**
Full transparency of the category in relation to cost, category performance and supplier market

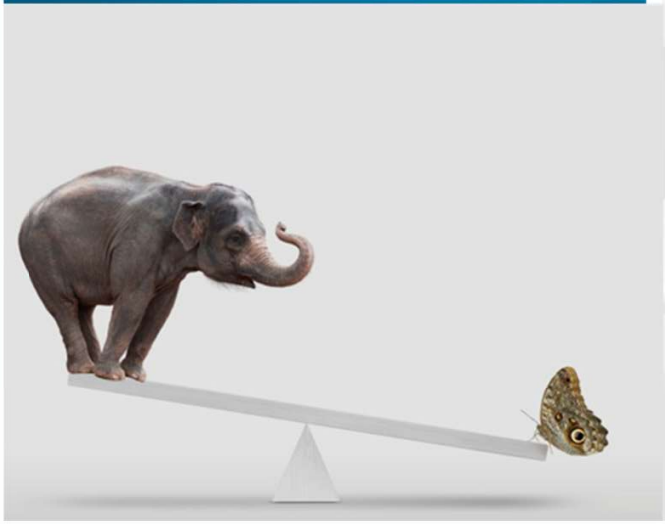
3 **IDENTIFY STAKEHOLDER NEEDS**
Identify all stakeholders per category and understand their needs in the context of the overarching business strategy

4 **DEVELOP STRATEGY**
Define a multi-year strategy that aligns business objectives with stakeholder requirements and market opportunities

5 **IMPLEMENT PLANS**
Implement the approved strategy, and execute deals and initiatives along the way

Category management strategy

NEGOTIATION STRATEGIES



4castplus

5 KEY Procurement Negotiating Tips

01. Prepare For Negotiations

Understand that negotiation is possible only when all parties are willing. Always ask if terms are negotiable to initiate productive discussions.

02. Timing Matters

Conduct negotiations before signing contracts to maximize flexibility and leverage. Post-contract negotiations are limited, often focusing on mutual benefits.

03. Bargaining Power

Identify and leverage sources of bargaining power, even in seemingly unequal scenarios. Confidence and persuasion play vital roles in shaping negotiation outcomes.

04. Keep Strategies Close

Avoid revealing all negotiation tactics prematurely. Maintain a sense of mystery to optimize outcomes and preserve flexibility during discussions.

05. Practice Patience

Patience and strategic planning are invaluable assets in negotiation. Listening attentively and understanding the other party's needs lead to mutually beneficial agreements.

Performance management

Financial targets and accountability assigned. Regular performance measurement and reporting, with aligned recognition and incentivization

Characteristics of agile performance management must include:
- Weekly and monthly review
- Regular feedback - dashboards
- Goal setting and continual review of progress
- Identifying opportunities for learning and developmen

Advantages of performance management include:
- Improved stakeholder engagement and motivation
- Recognition of staff performance
- Better talent retention

Change management

Enable leaders and key stakeholders in hospitals with a full set of tools, systems, and processes to drive standardisation and change at scale.

Project Management

Phase	Deliverable
1	▪ Project Frame
2 & 3	▪ Project Charter ▪ Business Case
3	▪ Procurement Plan
3,4 & 5	▪ Project Plan ▪ Benefits Plan ▪ Risk Register ▪ Issue Log ▪ Lessons Learned Log ▪ Update Report
5	▪ End Project Report ▪ Lessons Learned Report

Leading Practices

INTEGRATED

INTEGRATED

Change Management

Phase	Deliverable
1	▪ Change Impact ▪ Organizational Readiness ▪ Stakeholder Assessment
2,3 & 4	▪ Change Strategy ▪ Resistance Plan
3,4 & 5	▪ Sponsor Roadmap ▪ Communication Plan ▪ Master Change Plan ▪ Coaching Plan ▪ Training Plan
5	▪ Change Management and Effectiveness Report

Leading Practices

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Thank you / Q&A

james.herbert46981@gmail.com