

LEADING THROUGH DISRUPTION

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A business of Marsh McLennan

HEALTH & LIFE SCIENCES

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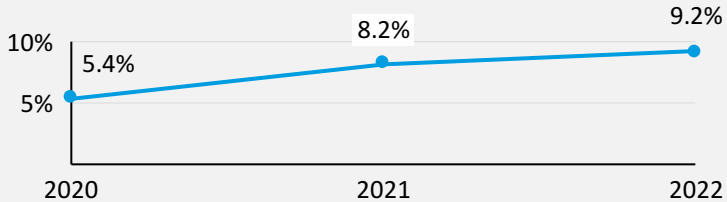
Expected Growth in Clinical Labor Costs¹
(between 2023–2024)

6%–10%

Expected Shortage of Hourly Healthcare Workers²
(by 2030)

9.7 MM

Bureau of Labor Job Opening Rate¹
(Health Care and Social Assts. – September '20, '21, '22)



PAYER DYNAMICS

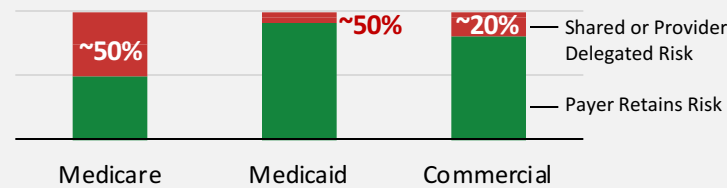
Increase in Medicaid Enrollees¹
(February '20 – July '22)

26%

Medicare Eligible Population³
(# Medicare – eligible lives)

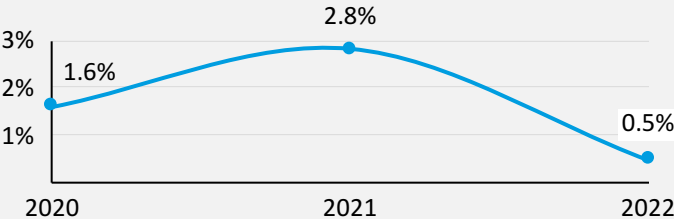


Risk Delegation by Key Health Insurance Segment⁵
(2020 data; overall market is ~\$2.4B)



FINANCIALS

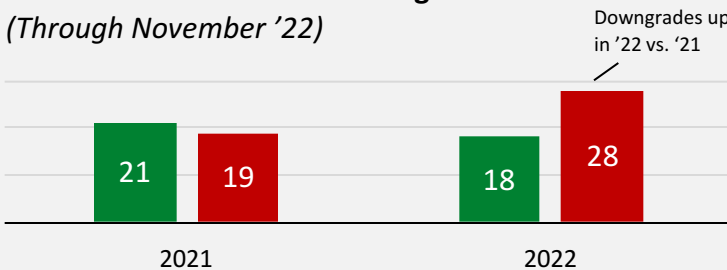
Median Non-Profit HS Operating margin¹
(Through September '22)



Annual Investment Portfolio Return⁴
(60% stocks and 40% bonds)

16.1% vs. -17%
2021 2022

Acute Health Care Sector Rating Actions¹
(Through November '22)



1: October 31st, 2022 data for nonprofit health systems – includes only available audits and full year unaudited statements (S&P Global Data), US Bureau of Labor statistics (2022), Kaiser Family Foundation (2022); 2: Mercer (2021); 3: Includes FFS Medicare with and without Medigap coverage and Medicare Advantage, Kaiser Family Foundation, CBO, CMS (2022); 4: S&P Global Data & Financial Times ('23); 5: Does not include Uninsured (~30MM) spend, out of pocket costs, other government provided healthcare costs such as Veterans Administration or Tricare, or other third-party insurances such as workers compensation, medial liability of auto, property and casual
Sources: CMS National Health Expenditures 2018, AMGA Risk Survey 4.0, <https://data.medicaid.gov/Enrollment/2018-Managed-Care-Enrollment-by-Program-and-Popula/a9yv-frjb/data>, Decision Resources Group, January 2020; Kaiser Family Foundation, August 2020; Oliver Wyman analysis

IN 2030, THE US WILL BE...

Demographically
gray



1 in 5

people will be
65 or older by 2030

Divided by identity and inequality
(globally & locally)



24%

of Americans still believe
COVID-19 is a hoax today

At the debt
tipping point



100%

of US non-entitlement spending
will go unfunded without
expanding deficits by 2030

Digitized &
data-driven



90%+

of the country
will have 5G by 2030

CONSUMERS AND EMPLOYEES AREN'T DEFINED BY DEMOGRAPHICS AND PREFERENCES...



- Male
- Born in 1948
- British
- Married twice
- High income
- High wealth
- Vacations in the Alps
- Likes music
- Likes dogs



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**...BUT INSTEAD
BY IDENTITIES,
WORLDVIEWS,
AND PROBLEMS
THEY NEED
SOLVED**

The Digital Boomer



**The Hivemind
Investor**



The New Collar



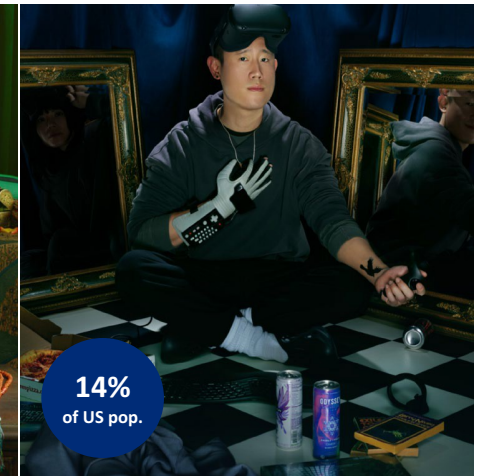
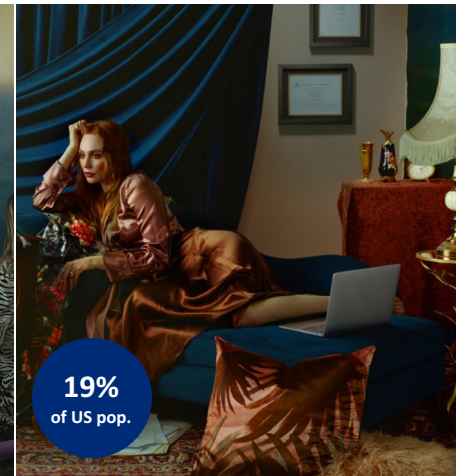
**The Climate
Catalyst**



The Virtual Native



The Psychedelic Explorer The Wellness Protagonist The Citizen of the Metaverse

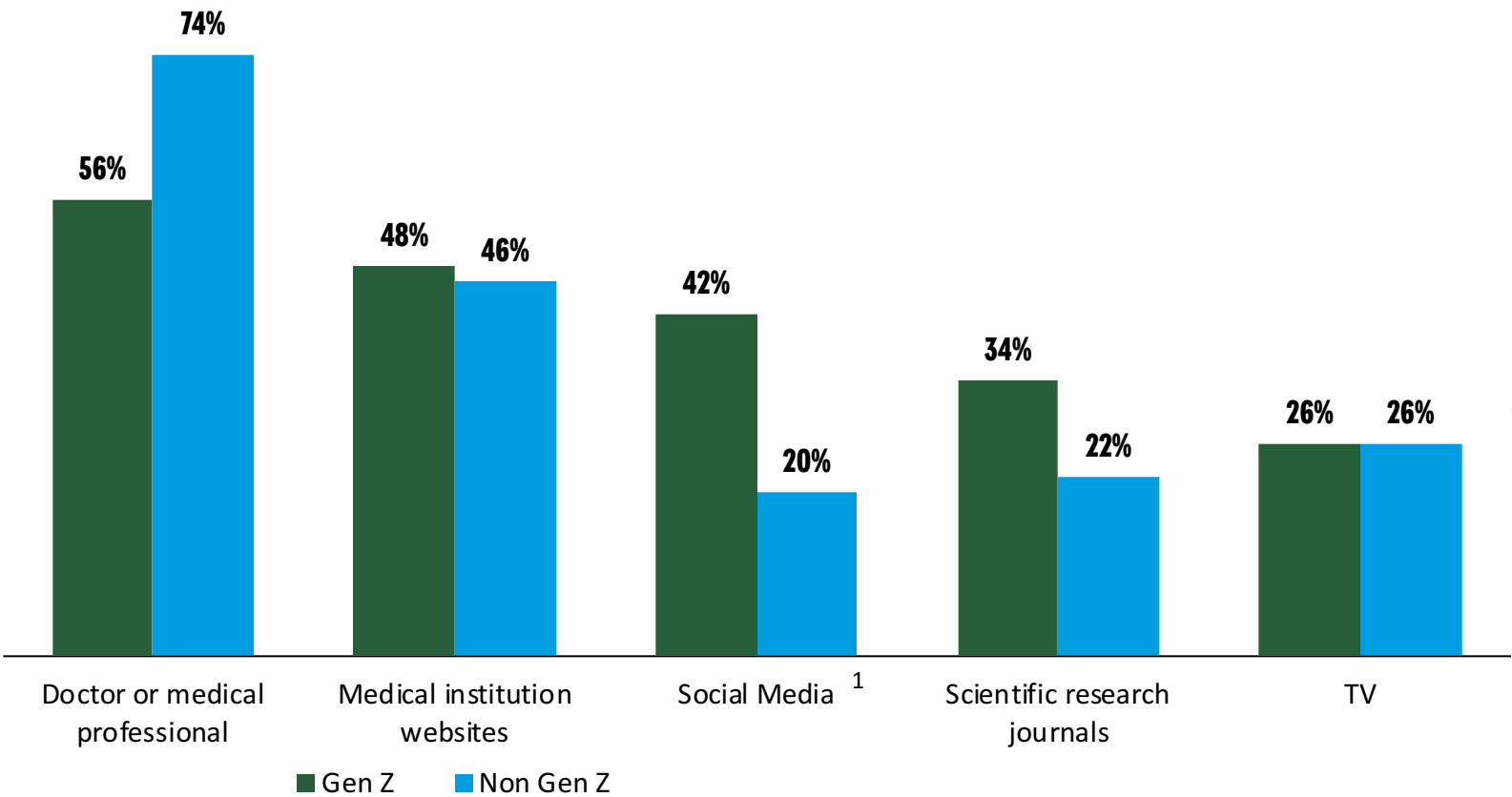


US data from respondents aged 19+. N = 1,352

Source: Oliver Wyman Forum Global Consumer Sentiment Survey, Renaissance 2022: The New People Shaping Our Future

TO SERVE PEOPLE, WE MUST MEET THEM WHERE THEY ARE







































What sources do you use to get your medical information?
US/UK, Filtered for Gen Z and Non Gen Z



Gen Z are **2x** more likely to go to **social media for medical information** compared to non-Gen Z and are **1.5x** more likely to consult a scientific research journal than other generations

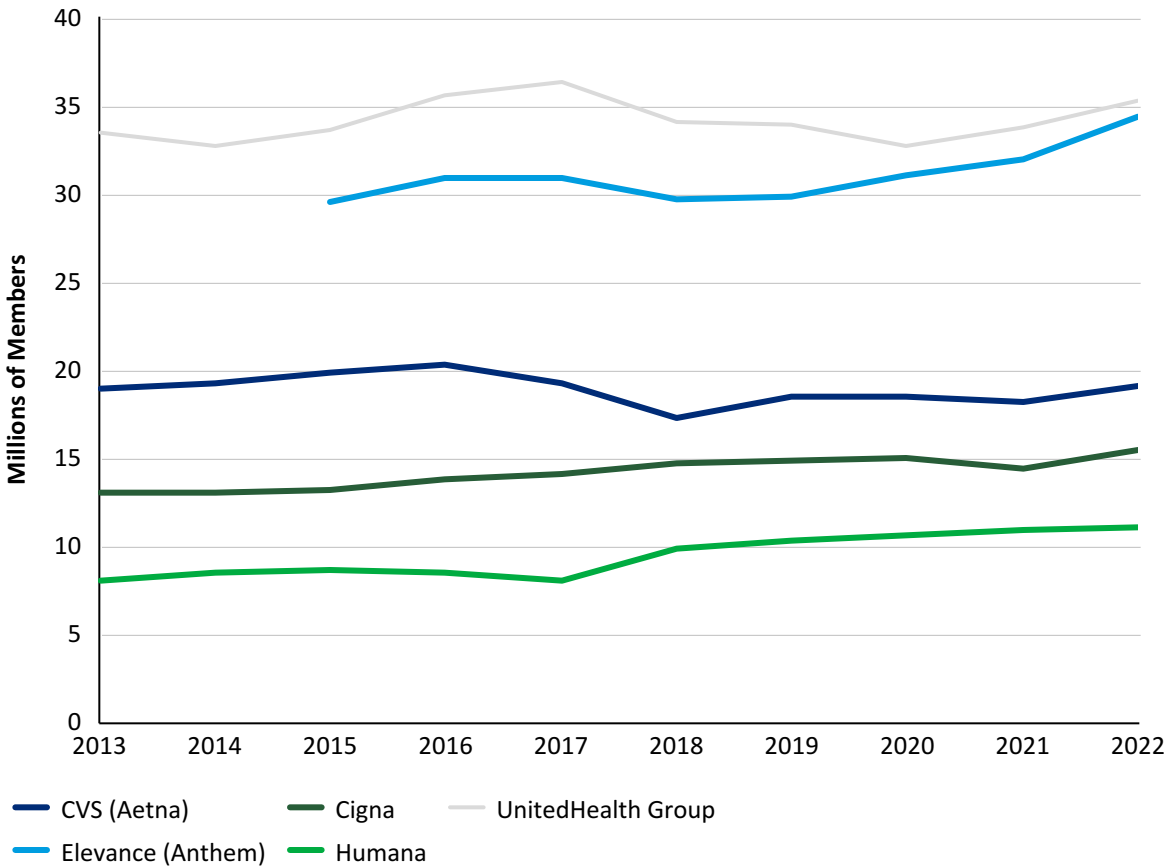
Wave 21: N = 2,131 – total, 195 – Gen Z, 1,936 – Non Gen Z, 1. Social media includes the responses: “Social Media,” “Influencers,” and “blogs”

OUR COMPETITION ISN'T WHAT IT USED TO BE

PAYERS	<p>Increasingly owning at-scale care delivery assets; approaches vary, but many are pursuing strategies / products that push virtual and alt sites of care</p> <div>         </div>
RETAILERS	<p>Leveraging logistics expertise and physical footprint to deliver care and other health services conveniently close to home</p> <div>    </div>
INNOVATORS	<p>Innovators are developing new care models across the acuity spectrum, increasing modalities/ channels, and starting to prove scaling ability in pockets</p> <div>             </div>
BIG TECH	<p>Enabling healthcare with focused tools for providers and patients; some direct care delivery</p> <div>     </div>
ALTERNATIVE PHYSICIAN AGGREGATORS	<p>Meaningful alternatives to hospital employment are Emerging in primary care, BH and some specialties, creating additional competition for physician talent</p> <div>     </div>
HEALTH SYSTEMS	<p>M&A and some assumption of risk, with limited, early signs of innovation: workforce redesigning via technology, admin outsourcing, and innovator partnerships to build differentiated front end of care</p> <div>         </div>

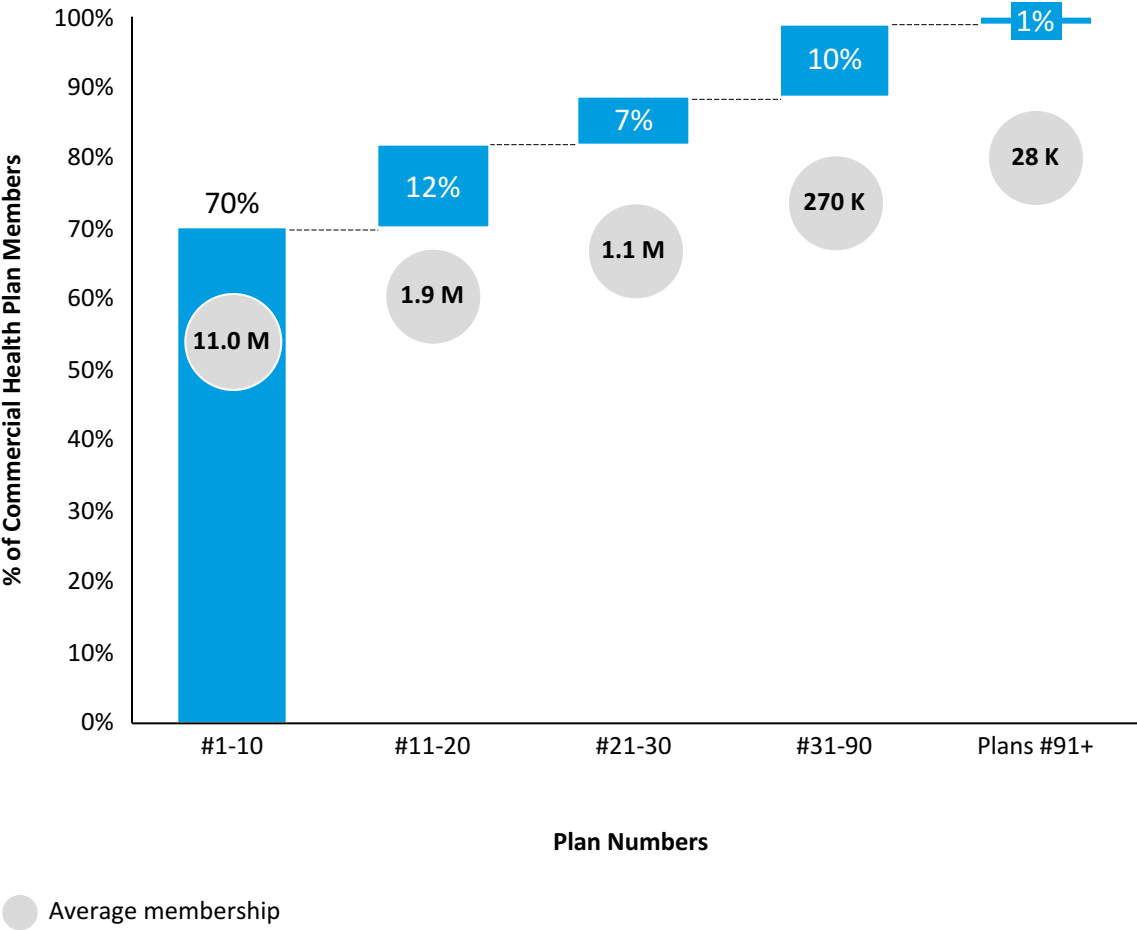
HEALTH PLANS CONTINUE TO CONSOLIDATE

Membership of 5 largest commercial US health insurance companies¹
Millions of members, 2013–2022



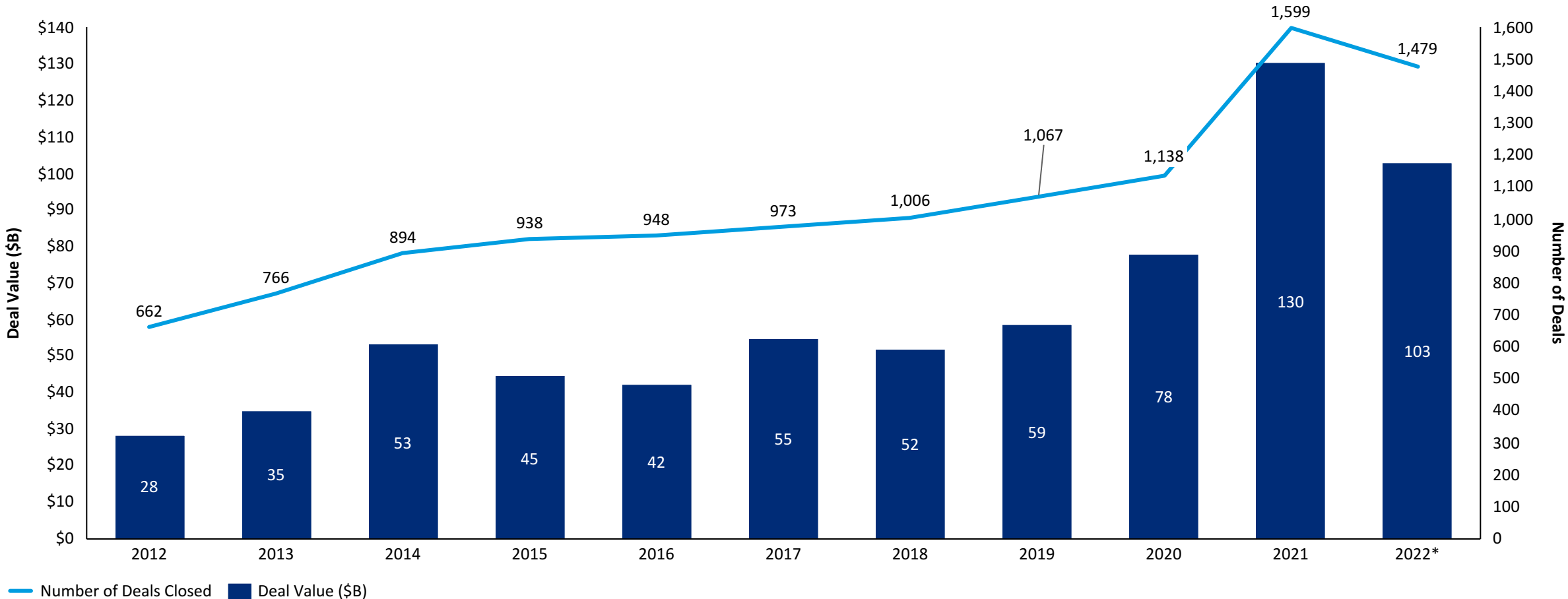
1. Source: Decision Resources Group, January 2022; Oliver Wyman analysis available on demand
2. Note: DRG data includes US States, Native American Tribes and US Territories

US health insurance company concentration²
% of commercial health plan members, 2022



PRIVATE EQUITY IS A GROWING FORCE IN HEALTHCARE

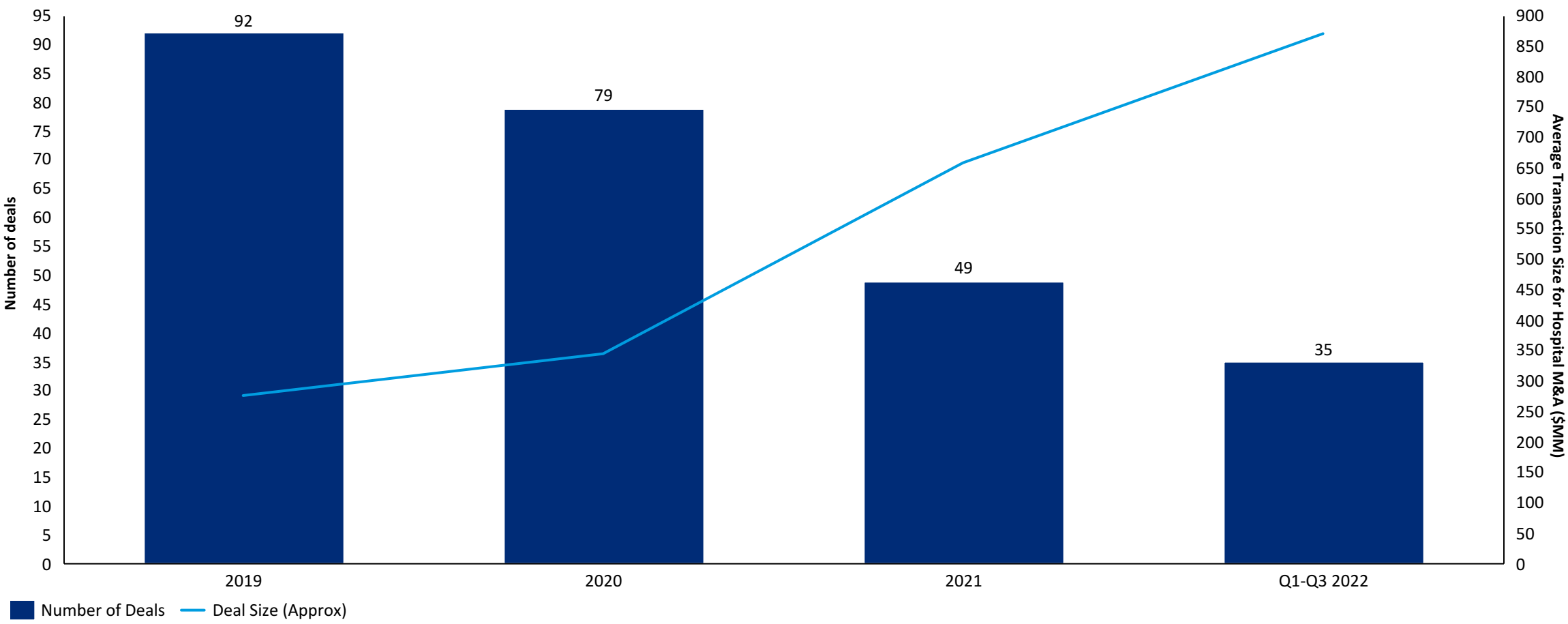
US Healthcare PE activity – 2009 to 2022
Deal Value (\$BN) and Number of Deals Closed



Source: *Pitchbook Data as of Dec 31 2022

WE'RE SEEING A SHIFT FROM HOSPITAL ROLL-UPS TO LARGER HEALTH SYSTEM MERGERS...

Number of announced hospital mergers
Number of hospital M&A deal sizes and average deal size 2019-Q3 2022

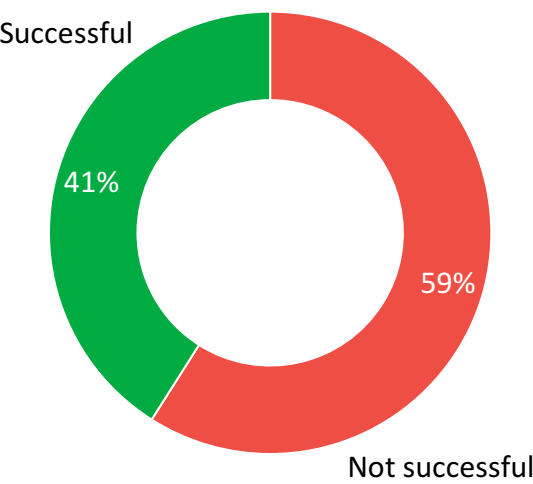


Source: [2021 M&A in Review KaufmanHall](#); KaufmanHall M&A Quarterly Activity Reports for Q1-Q3 of 2022

...BUT MERGERS USUALLY DON'T WORK

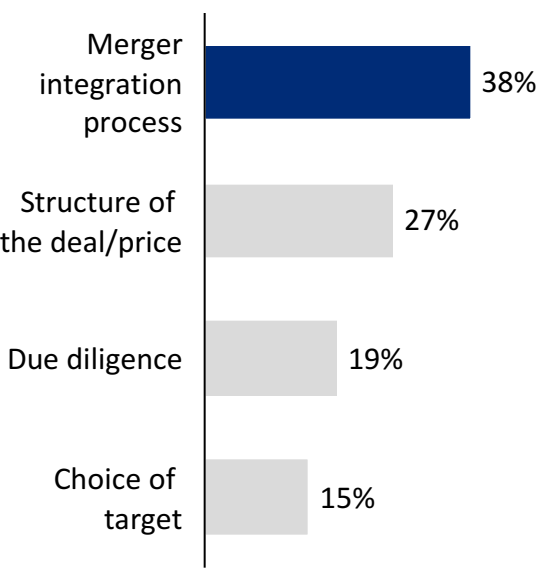
M&A risks

Transactions > \$ 500 MM



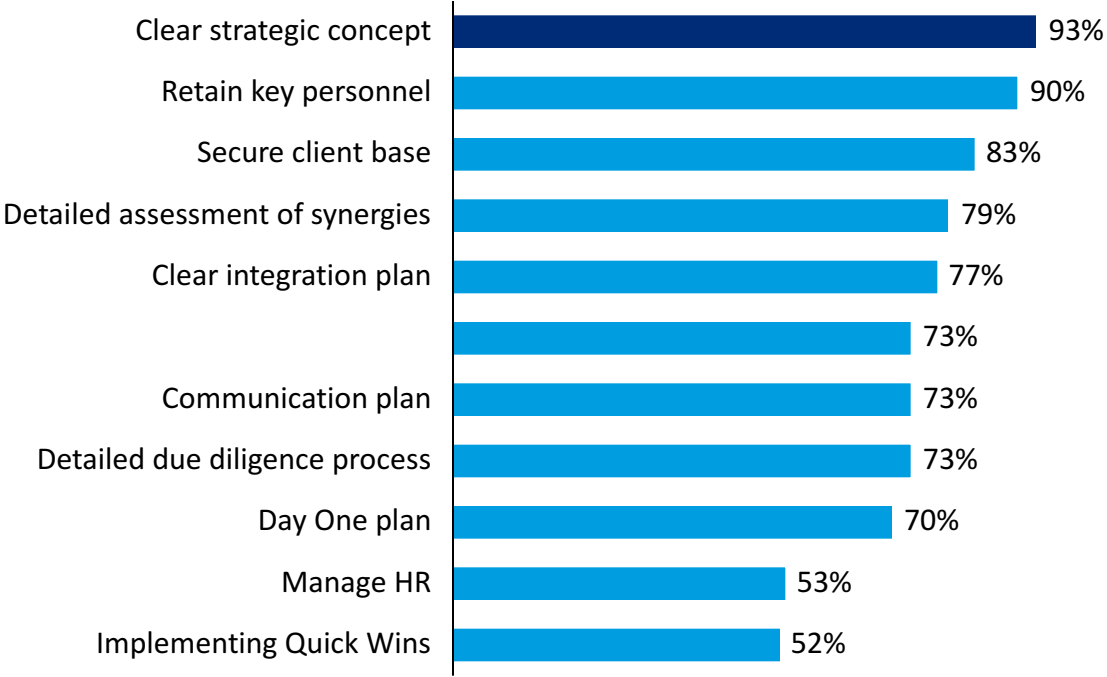
A majority of transactions are rated as not successful by the executives who led them

Dissatisfaction with...



The merger integration process is cited as the most common cause of dissatisfaction

M&A success factors



Strategic alignment and retaining the right staff are key to M&A success

WORKERS ARE DEMANDING MORE, AND THE BALANCE OF POWER IS SHIFTING

72%

of U.S. office workers feel more isolated working from home

84%

of U.S. office workers would quit if forced to return to in person work full time

52%

of U.S. employees who have or are looking to quit are doing so for more money elsewhere

68%

of Americans support labor unions (highest since 1965)



73%

of U.S. office workers report that they are more productive working from home

48%

of working Americans are seeking a new job or switched jobs in 2021

67%

of U.S. employees report that they would feel more engaged at work if they were experiencing better work-life balance

WHAT

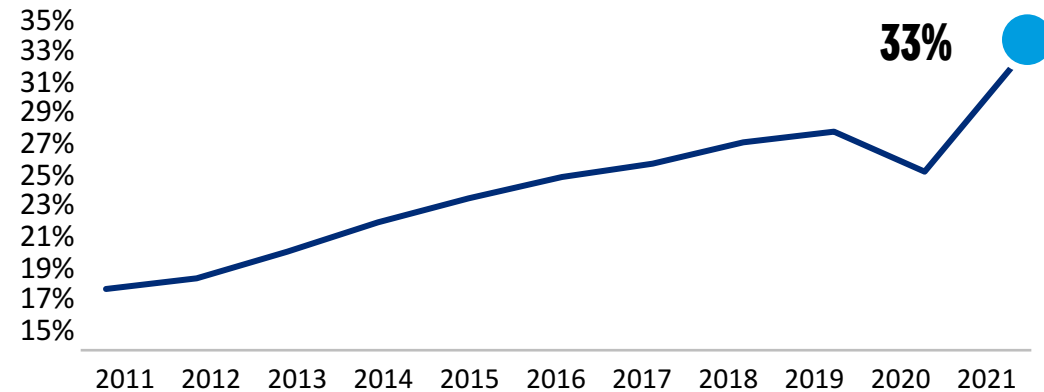
will be the **long-term impact** on organizations' ways of working?

HOW

should organizations **transform to adapt** to these ways of working?

WE SHOULD ASSUME THE “GREAT RESIGNATION” IS PERMANENT

Worker turnover may be structurally higher
Annual total non-farm quit rate, 2009-2021



A record-breaking labor market



Source: US Bureau of Labor Statistics

Blue-collar revolution

- **74%** of pre-Covid blue collar workers are upskilling to “New Collars”
- **35%** have switched jobs in past year and over 40% are actively or passively still looking
- Those switching are looking to future-proof their jobs by going into growth areas (IT/data processing, software, healthcare etc.)

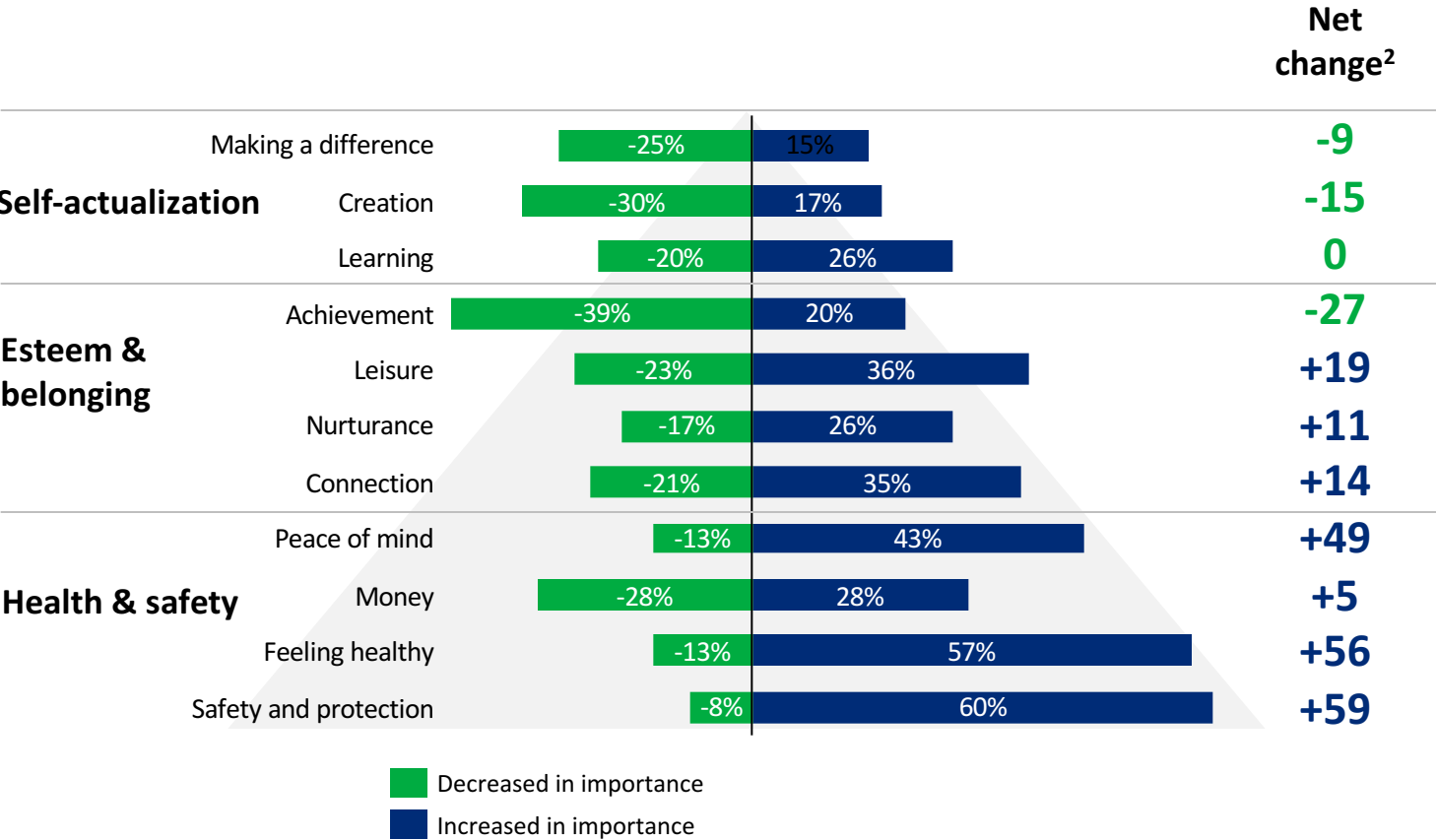
Gen Z redefining work

- **36%** see themselves having > 1 lifetime career
- **86%** report that they would be more engaged at work if they had better work-life balance
- **68%** are searching for a new job, or have switched jobs within the past year
- **49%** feel either unhappy or indifferent about their current job

Source: Oliver Wyman Forum Global Consumer Sentiment Survey US only, October 2021 and March 2022

WORK IS ABOUT FAR MORE THAN HOURS, PAY, AND BENEFITS

Shifting personal values in the hierarchy of needs



Source: Oliver Wyman Forum Global Consumer Sentiment Survey, US only, March 2022, N = 1,220, Net change in % of respondents that selected top 5 values increasing/decreasing in importance

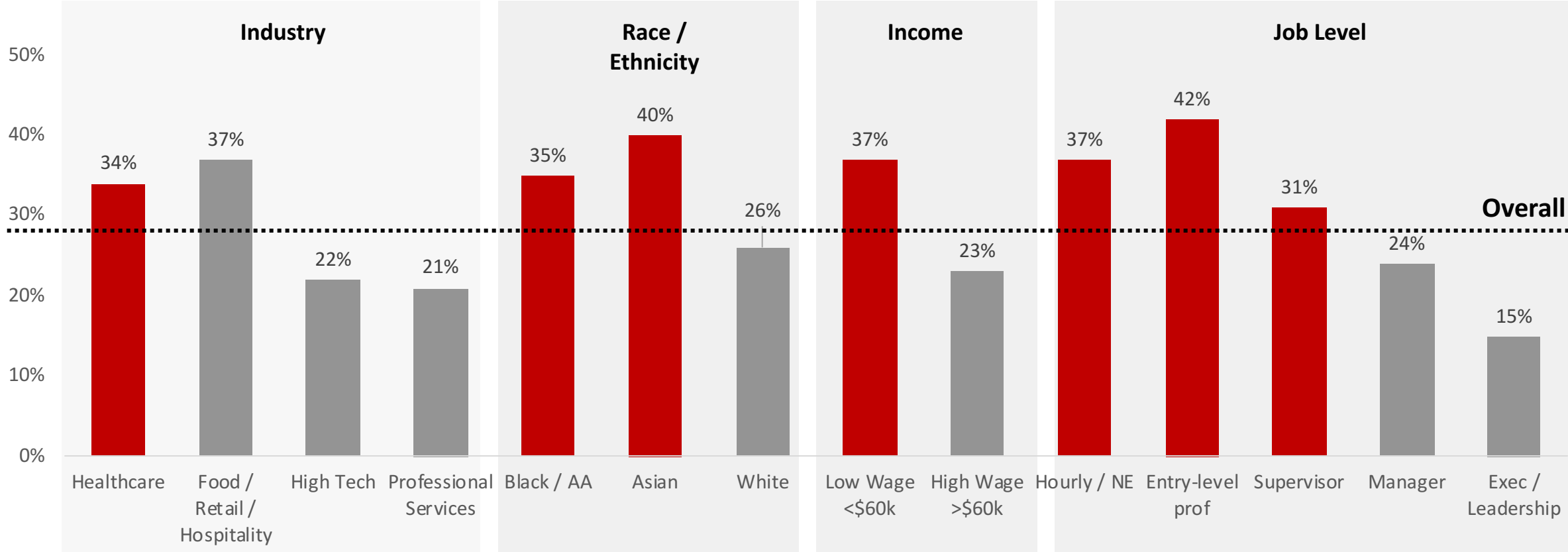


“We should reframe the question-
‘I don't work for Microsoft. Microsoft works for me.’
Am I able to fulfill my career aspirations, my approach to having impact in the world? Somehow if Microsoft is acting as a platform for that, then it's very different. I feel connected with the mission.”







– Satya Nadella
Executive Chairman & CEO, Microsoft

FRONTLINE, LOW-WAGE, AND RACIAL / ETHNIC MINORITY EMPLOYEES ARE MORE LIKELY TO BE LOOKING TO LEAVE

“At the present time, I am seriously considering leaving the company” (% of employees who agree)



CONSUMER ACQUISITION COST IS THE PROFITABILITY ALBATROSS FOR MANY PLAYERS – AND THE ADVANTAGE LOCAL HEALTH SYSTEMS HAVE THROUGH COMMUNITY CONNECTION

VIRTUAL B-B-C	VIRTUAL B-C	BRICKS AND MORTAR
 \$70	 \$450	 \$480
 \$95	 \$110	 TYPICAL COMMUNITY HEALTH SYSTEM \$30

Sources: Company filings, Oliver Wyman experience and analysis

MANY ARE AIMING TO LOWER CONSUMER ACQUISITION COSTS THROUGH MERGERS AND PARTNERSHIPS

Lower consumer
acquisition cost through...



Sources: Company filings, Oliver Wyman experience and analysis

THE SCARCEST RESOURCE IN HEALTHCARE IS EFFECTIVE, VISIONARY LEADERSHIP



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