

Hospital Purchase and Procurement Market in Japan: Key Findings 2009

➤ **Research Outline**

Yano Research Institute has conducted a questionnaire survey on hospital procurement and logistics in Japan with following conditions.

1. Research period: May to June 2009
2. Research targets: Sixty-seven hospitals with 200 or more beds
3. Research methodologies: Post-mail questionnaire survey

➤ **Key Findings**

- ◆ **Out of 67 hospitals, more than 82% answered “dissatisfied” with conditions of purchase and procurement. Among municipal hospitals, over 90% answered “dissatisfied.”**

Eighty-two point one percent of the respondent hospitals are dissatisfied with the current conditions of purchase and procurement. The reasons of dissatisfaction include inability to compare purchase price to that of other hospitals, high maintenance cost in spite of low cost of purchasing medical devices, unclear price setting, and too many and complicated items to handle. Ninety point three percent of the municipal hospitals answered dissatisfied with the purchase and procurement conditions.

- ◆ **Group purchasing is conducted among group hospitals, head hospital and branch hospitals, and hospitals in the same municipal bodies.**

Thirty-eight point eight percent of the hospitals answered that they are conducting group purchasing. Among which, 57.1 percent conduct group purchasing with medical institutions in the same group or between head hospital and branch hospitals, while 15.4% with hospitals in the same municipal bodies.

- ◆ **Similar scale and functions are desired for partners of group purchasing in the future.**

The largest answer for the types of partner hospitals desired by hospitals that are not conducting group purchasing but want to do it in the future was “similar scale and functions.” As the similar scale and function hospitals can share information on drugs, medical materials and medical devices and can standardize the same kind and efficacy products, practicable group purchasing is expected to increase beyond the framework of groups and municipal bodies.

➤ **Report format:**

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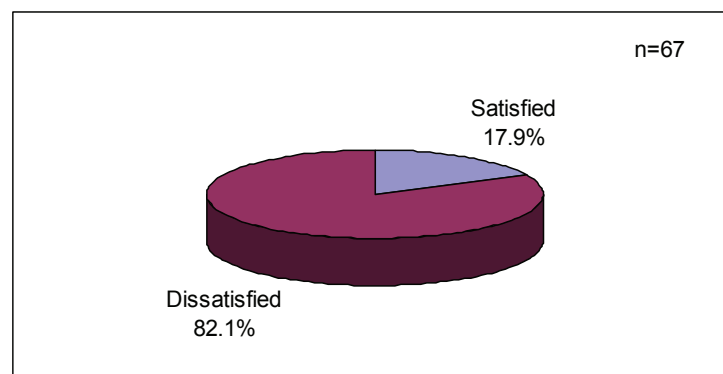
➔ Research Summary

1. Satisfaction Degree and Its Reasons

More than 80 percent of the hospitals were not satisfied with the conditions of purchase and procurement. Many were dissatisfied because of unclear pricing and complicated handlings of many products. New products are being launched, especially medical materials and devices in the cardiac sector, and burdens are increasing for master management of medical materials and hospital goods logistics management system.

There were 21 hospitals that responded standard or common products do not prevail even if they are listed. Although this is a reason for dissatisfaction, efforts to solve the problem are actively made and standard or recommended products are beginning to be discussed in hospitals and with associated hospitals.

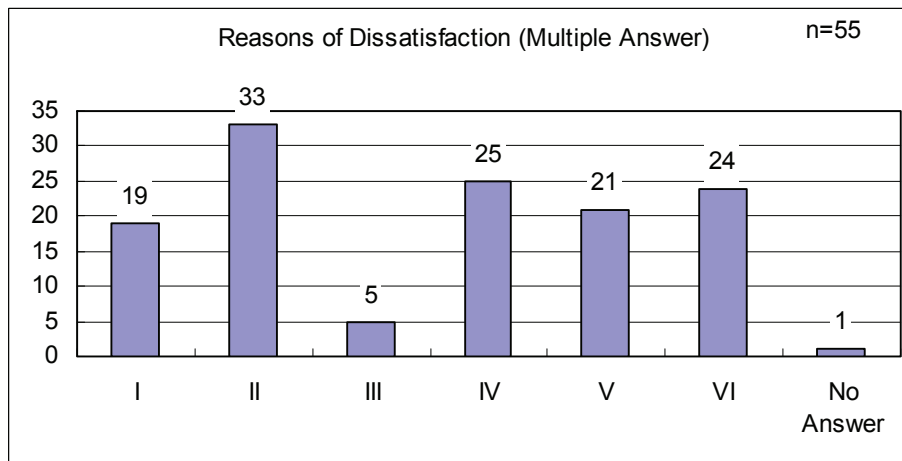
[Satisfaction Degree of Current Conditions of Purchase and Procurement]



Estimated by Yano Research Institute Ltd.

Note: Single answers from 67 hospitals with 200 or more beds are tallied.

[Reasons of Dissatisfaction with Current Conditions of Purchase and Procurement]



Estimated by Yano Research Institute Ltd.

I. Some products are purchased at higher prices than other hospitals

II. Purchase prices can not be compared with other hospitals.

III. Total purchase management of medical devices can not be made, including operation rooms and catheter rooms.

IV. Too many product items make handling complicated.

V. Standard or common products do not prevail even if they are listed.

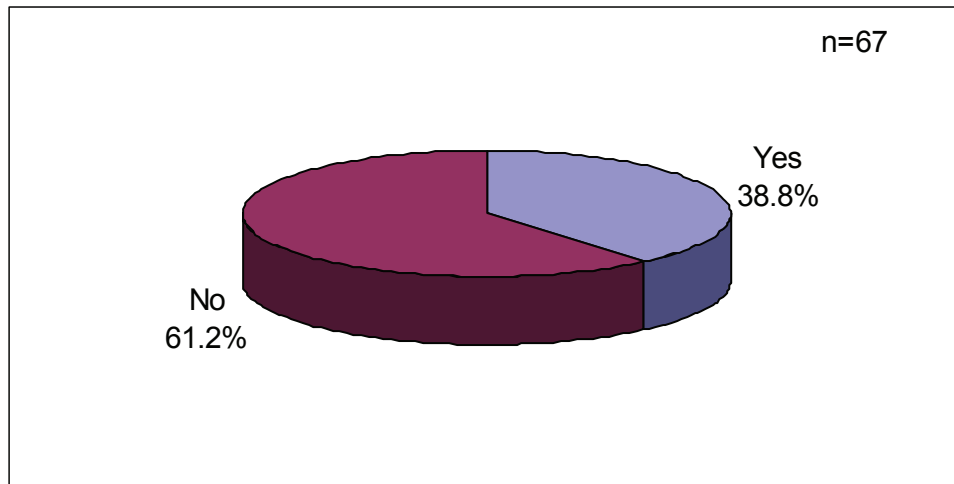
VI. Maintenance cost and reagent cost are high although medical devices are purchased at low cost.

Note: Multiple answers from 55 hospitals that answered “dissatisfied” in the previous question are tallied.

2. Intention for Group Purchasing

There were 41 hospitals, accounting for 61.2 percent, that responded they were not conducting group purchasing. Intention for group purchasing was asked of those that were not conducting group purchasing. Twenty-one hospitals, accounting for 51.2 percent, responded that they want to conduct group purchasing in the future. Hospitals are positive about group purchasing.

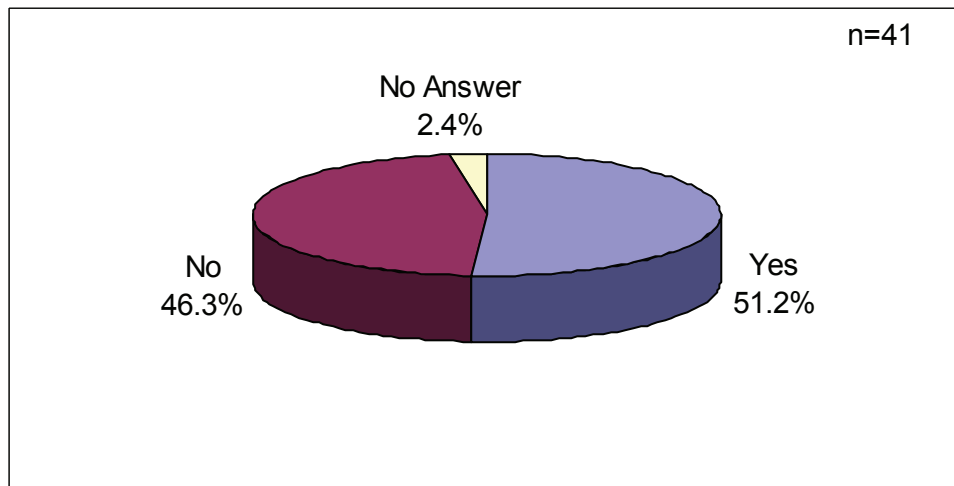
[Whether Or Not Group Purchasing Is Conducted]



Estimated by Yano Research Institute Ltd.

Note: Single answers from 67 hospitals with 200 or more beds are tallied.

[Intention for Group Purchasing in Future]



Estimated by Yano Research Institute Ltd.

Note: Single answers from 41 hospitals that answered "no" in the previous question are tallied.

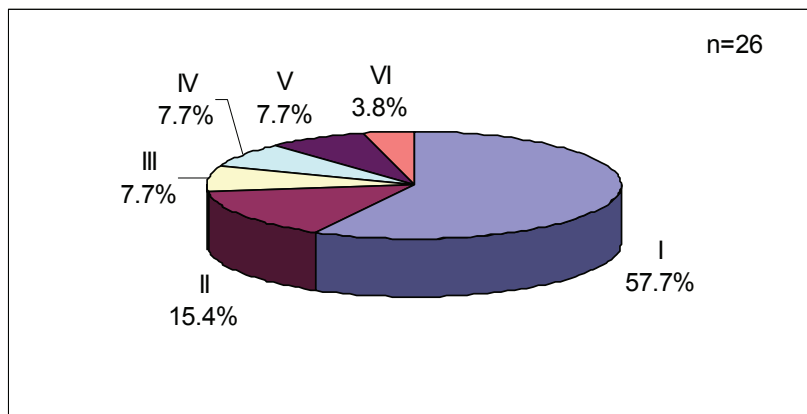
3. Types of Hospitals for Group Purchasing

The types of current partner hospitals were asked of the hospitals that were conducting group purchasing. Fifty-seven point seven percent responded that they conducted group purchasing “with medical institutions in the same group or between head hospital and branch hospitals, while 15.4% responded “with hospitals in the same municipal bodies.” There were “hospitals and clinics nearby,” “hospitals with similar scale and functions without limiting geographical regions” and “group purchasing conducted by hospital goods and logistics management companies.”

The types of future partner hospitals were asked of the hospitals that were not conducting group purchasing. The largest answer was “hospitals with similar scale and functions without limiting geographical regions.”

The research findings indicate diversification in the conditions of group purchasing. Group purchasing is not limited to the traditional ways, such as among hospital groups or in the same municipal bodies, but is extended to “hospitals and clinics nearby,” which would enable to have the same partner wholesalers and dealers and to induce competitions among the regional providers. There are also alliances among “hospitals with similar scale and functions,” which use similar efficacy and effect drugs and medical devices. Furthermore, there are “hospital goods and logistics management companies.” It is expected that another feature of group purchasing favorable to hospitals will be focused more in addition to scale advantage by encouraging competitions among wholesalers, dealers and manufacturers in the process of aggregating the same kind and efficacy products.

[Types of Hospitals for Current Group Purchasing]

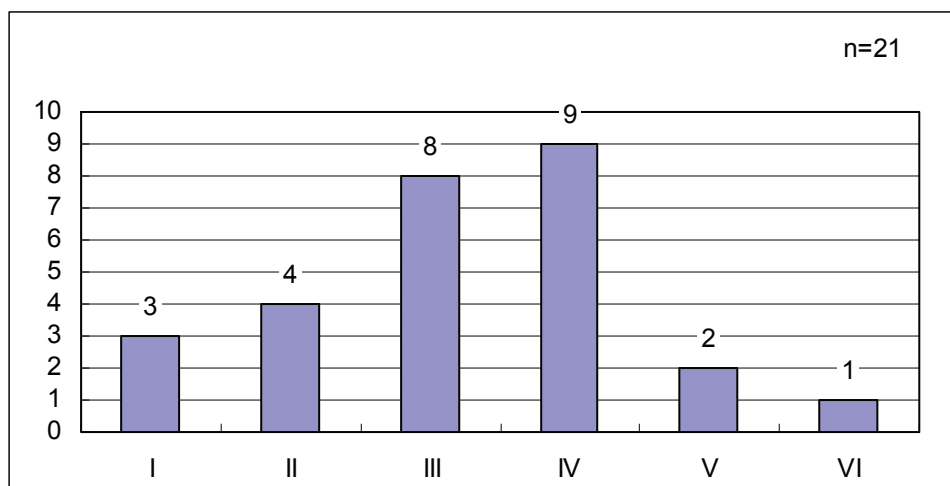


Estimated by Yano Research Institute Ltd.

- I. Medical institutions in the same group or between head hospital and branch hospitals
- II. Hospitals in the same municipal bodies
- III. Hospitals and clinics nearby
- IV. Hospitals with similar scale and functions without limiting geographical regions
- V. Group purchasing conducted by hospital goods and logistics management companies
- VI. Other

Note: Single answers from 26 hospitals that answered they were conducting group purchasing are tallied.

[Types of Hospitals for Future Group Purchasing]



Estimated by Yano Research Institute Ltd.

- I. Medical institutions in the same group or between head hospital and branch hospitals
- II. Hospitals in the same municipal bodies
- III. Hospitals and clinics nearby
- IV. Hospitals with similar scale and functions without limiting geographical regions
- V. Group purchasing conducted by hospital goods and logistics management companies
- VI. Other

Note: Multiple answers from 21 hospitals that answered they were not conducting group purchasing but wanted to conduct it in the future are tallied.