Discussion panel:

Value-Based Care: Better Outcomes, Better Economics

Suso Zamora, *President and Executive Chairman, Auna*
Rayet Harb, *EVP of Operations, Auna*
Moderated by: **Lorenzo Massart,** *EVP of Strategy & ECM, Auna*

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Now we're going to have our second panel. We're going to take a minute.

Well, as we prepare for the panel, just to remind people, we have been receiving questions on the webcast. If you can continue sending questions that way for the Q&A we will be able to cover all of them.
Very good. For this panel, we have Suso again, and Rayet. And we are going to talk a little bit about value-based care. You heard Pablo mentioning that several times, during his presentation.

So far, I think we have talked a fair amount about where we are going, what we want to do, the operations in each of the countries. But value-based care is something that cuts across all what we just discussed and the central to our model, so we thought it would be a good idea to spend a little bit of time having a discussion around that.

Maybe I can start with Suso. Value-based care is a term that we hear more and more across healthcare and more and more in Latin America. Can you tell us a little bit what it means for Auna, and why is it important?

Suso Zamora, *President and Executive Chairman, Auna*

Great. Thank you, Lorenzo. First of all, value-based care changes what the healthcare system is optimizing for. This is critical. This is at the core of the ambition of value-based care. It must be compared to the traditional fee-for-service model, in which providers are largely paid for activity. That is, more consultations, more procedures, more hospitalizations, more days of hospitalization. They are rewarded for volume, rather than the patient outcome.

Therefore, the incentives of the provider and the payer are not aligned. Value-based care aligns payer, provider, patient incentives. Those incentives come together. The objective, of course, becomes delivering the best clinical outcome for the patient but, critically, managing the total cost of care efficiently. Value-based care resolves that.

For Auna in particular, because we operate these vertically integrated platforms, the AunaWay uses value-based care as a fundamental element. It is at the heart of our strategy. It's not an additional element of our strategy; it is at the heart of the strategy. We have the clinical capabilities, the hospitals, the physicians, the data, of course, in all our facilities, and then the risk-sharing relationship with our payers.

So when we prevent unnecessary utilization, when we diagnose earlier, when we diagnose a disease earlier, when we standardize a clinical pathway, a patient journey, more effectively, we are creating better outcomes for the patient and better economics. That efficiency of a fee-for-service versus a value-based care system, that efficiency improves the cost of care for all and improves the delivery of care for the patient. This alignment on this agreement is the essence of value-based care.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Very good. Thanks, Suso. Now that we've looked a little bit about the differences between the traditional model and the value-based care, maybe, Rayet, why don't you tell us what changes, operationally, for the patient when you move from a traditional model to a value-based care model?

Rayet Harb, *EVP of Operations, Auna*

So, I think that the biggest change is that we manage the entire patient journey, rather than individual episodes of care. What this means, this means that we have earlier diagnosis, we have a better coordination between specialties and, also, we have a unifying clinical pathways.

One thing very important is that we have a strong use of data. This is fundamental and key for our processes because with that information we can define the specific pertinent treatment should be for each patient. We have some examples on that. We have for oncology, and we have cardiology. As Vicente presented, we think that when cancer is detected earlier, of course, the outcomes improve for the patient. That is our priority and, of course, we have lower cost in the treatment.

You know that if we detected an advanced stage of cancer in patients, the treatment, I think, can be multiple times that if you detected the cancer earlier, of course. We have this integrated process defined, and we practice this in Mexico, in Colombia, and of course, in Peru.

So, Lorenzo, this is not simply to reduce healthcare spending. It is to integrated the journey and deliver the care more effectively. We think that this is a strength of Auna, and we are working to have these kinds of contracts not only in oncology and in cardiology, but in other specialties, as Pablo said before, in neuroscience and, of course, in trauma and orthopedics.

I think that another good example is to talk about the cardiology part. As you know, we have different service lines in Auna. We integrated the consultations part, the imaging part, and we, of course, have hemodynamics and cardiac surgery. When we have this integrated part, we can, of course, have a better adverse events, better complications rates and, of course, we can have better readmission rates. We have these KPIs, and we monitor these for all of the patients that we have.

A very interesting part here is that with that information, we can define fixed and predictable prices to the insurance company. It is important in the relationship with the companies. So, we improve the patient outcomes and at the same time, the total cost of care. And I think that Vicente was talking about the MLR. We have our MLR close to 50%, 51%, and with a net promoter score like 88.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Perfect. Very helpful. Out of the three geographies, and obviously that is where the ambition to do that and more everywhere, but Colombia is probably the best example where we have done that for the longest time, and it works very well, no? Can you give us maybe some examples specifically to Colombia?

Rayet Harb, *EVP of Operations, Auna*

Yes. Absolutely. As Pablo said before, we have the experience, we have the population there. We have 3.2 million people under these types of contracts. We have been implementing, incentivizing this type of model value-based care through risk-sharing contracts for like 14 years.

In Colombia, when we talk about the oncology, we have an integrated patient journey and unifying clinical pathways that we can diagnose earlier the patients, and we have, in this moment, 10 days in diagnosis process. It's amazing to have these KPIs in less than 30 days. It's a good, good KPI when we talk about oncology.

When we talk about the survival rates, for example, in lung cancer, we have survival rates in five years, we have 33%, and the national KPI in Colombia is close to 17%, so we are above these KPIs. These are, Lorenzo, concrete examples of how you can adapt and have processes to have better value-based care contracts.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Very good. Maybe let's go back to Suso. Suso, why do you believe this model is particularly relevant in Latin America? Not a lot of people think about that today in the region. Why is it especially relevant for the region?

Suso Zamora, *President and Executive Chairman, Auna*

In many healthcare conferences, and particularly in recent ones that I've been to in Mexico, it's clear that the fee-for-service model has its future days counted. Value-based care is, no doubt, the solution. The context is healthcare costs are rising for payers, both public and private. It's not only that they're rising, it's that there's a high factor of unpredictability of what's going to come in terms of cost and growth of cost.

Secondly, populations are getting older, but the prevalence of chronic and acute diseases and complex diseases is growing dramatically. This, again, chronic complex diseases require a pathway of treatment that is all-inclusive to all the services that patient requires. That means that more demand for precisely the kinds of high-acuity care that's required, that are most expensive, that are coming up with higher frequencies, that today are managed in a fragmented system, in a system that little silos don't talk to the next silo.

And third, there's increasing pressure across the region to really improve the quality of life after 60, 70, 80 years. Really to improve the medical outcome after surgery, after a radiation and chemotherapy sessions, and value-based care focuses on that medical outcome.

Value-based care addresses all three of these. When you put it together with risk-sharing contracts, or when you put it together with a policy that actually needs to pay for all those services, the alignment is structural. It's cultural for us at Auna.

We believe that this shift from volume towards risk-sharing, value-based care is the only way for sustainability in healthcare and not only in Latin America, we see it in other countries in the world. It's not something that is a fad. It's something that today makes systems in the world be sustainable. It's about cost predictability, it's about efficiency, it's about really focusing on the patient and the medical resolution.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Very good. Thank you. Rayet, there are a lot of obviously players that can claim that they do value-based care. How do we practice it and on the ground in each of the countries, and what gives Auna the right to win as a value-based care player?

Rayet Harb, *EVP of Operations, Auna*

So, Lorenzo, first, value-based care only creates financial value for whoever is integrated vertically, and thus holds both the premium part and the total cost of care as we have, for example, in Peru. Auna does so in distinct views.

For example, in Peru we have both sides. We have the insurance part, and we have our clinics and hospitals, and we work in an integrated form. But in Colombia, we do value-based care through risk-sharing contracts or risk-sharing models. In Mexico, we are working in the B2G strategy that Suso was talking about, and we have these types of models with ISSSTELEÓN in the state of Nuevo León. We can adapt the value-based care in each country, in each city, or actually depending on the insurance company needs, and we can offer different ways of value-based care.

This shows that we can have three, four, or five distinct ways of implementing this. We think we are in a strong position. You said, why do you think that we have the right to win? We think that we have the experience, the data, the protocols, we have the physicians, we have strong positions in research, as Pablo said before, we have more than 100 active clinical trials, not only in oncology, we have in cardiology too, and we plan to have more sites in our region.

For example, we are working to open in the next months, our site in Monterrey. We have here the knowledge, the physicians, and the processes. Suso was talking about the processes when you talk about Trecca, for example. We have the processes, the guidelines, the protocols to compete in this part. When you combine these capabilities, you are in a strong position, and we can grow in this.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Very good. Thanks, Rayet. Maybe to close, Suso, why should investors care at all about value-based care? What does it mean for our growth and for our financial model?

Suso Zamora, *President and Executive Chairman, Auna*

Well, I think investors care and should care more because healthcare is being dislocated by that.
Fee-for-service is out and a lot of players have their days counted. Those that grow their value base, their risk sharing of that value base, will be clear winners that will take a huge part of the market. That's very important. Risk sharing models, in addition for players like ourselves, they produce recurring, predictable revenue.

The traditional collection cycles in healthcare are a challenge. These actually produce monthly payments, and we have the platform of services that has been paid for to deliver those services. Doing value-based care does not require an additional CapEx

investment. It actually delivers, through the processes that Rayet was talking about a minute ago, through processes, efficiency on the same asset. Like Torre Trecca, we scale the same procedures.

Let's focus on that one minute on Torre Trecca. That huge building doing six services. What kind of efficiency are we going to get there when normally a hospital delivers 10,000 to 15,000 different services? That tower is going to deliver six services. Our oncology practice delivers in the hundreds of services, not more. The more you specialize, the more you scale, you produce these efficiencies.

Going back to the point. We have this platform that is still producing 60%, 70%, 80% of revenue from fee-for-service. Those assets are paid for. If we can use them much more efficiently, scale them and specialize them, their financial returns for Auna will be much greater and, of course, that will bring, we believe, value appreciation to the company and, of course, to investors. I think this is not something that is far from us. It is very natural for us.

We started, Oncosalud, we had this view on integration, on making sure that the prescription was managed by the institution. It was adequate. It could scale. It could produce predictability in the patient journey, the medical outcome and financial returns. So, we are doing exactly what is natural to us, and we think that will definitely produce great outcomes for Auna and for its investors that support it.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Maybe just a follow-up on this for both of you. How do we measure success for us? What should people expect to make sure we are on track? How do we measure success?

Suso Zamora, *President and Executive Chairman, Auna*

In terms of value-based care, we measure success in those three dimensions, and we're very passionate about that. We measure NPS to measure the journey of the patient, the scheduling, the experience, and the administrative experience and, of course, the experience with the physician or the nursing staff. We measured it on a continued basis, and we compensate our teams based on patient experience.

In addition to that, medical outcome. We measure, in cancer it's easy, survivor rates. In other practices, it's days out of the hospital. It depends on the practice, but it's very clear and quantitative, is that it's very much we're measuring medical outcome. This patient has actually received full value for what he or she is paying for.

And of course, value-based care must be measured financially. It must be measured financially. We do it for the different practices that we have, and we do it to make sure

that it accretes value to the capital base, and it accretes additional marginal returns to our EBITDA growth.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Great. Well, I think this is a good place to end this panel. I think value-based care, as you mentioned, brings together a lot of the capabilities that we've discussed today - our clinical expertise and excellence, our integrated network, the data, and we're going to very briefly speak about data, digital innovation, and so on, and our experience managing complex diseases.

Thanks a lot, Suso and Rayet.

Suso Zamora, *President and Executive Chairman, Auna*

Thank you, Lorenzo. And thank you, everybody.

Rayet Harb, *EVP of Operations, Auna*

Thank you.

Lorenzo Massart, *EVP of Strategy & ECM, Auna*

Next, we thought it's something we don't discuss a lot with investors and that doesn't come up, but we thought it would be important to talk a little bit about our digital strategy and how do we, in our operations in the countries, manage all the digital transformation, data and artificial intelligence. We're going to show you a prerecorded presentation from Rayet that I think will give you a sense of what we're doing in our operations.