

# Jennison Associates

## Integrating Innovation Across Healthcare

**Jeffery McCarthy – Managing Director, Client Portfolio Manager**

**Daniel Matviyenko – Portfolio Manager, Global Healthcare Strategies**

### Video starts

Logo: Jennison Associates

Jeffrey McCarthy:

Hello and welcome to our discussion on innovation in the healthcare sector. I'm Jeff McCarthy, client portfolio manager at Jennison Associates. And with me today is Dan Matviyenko, co-portfolio manager of our Global Healthcare Strategies. Dan, great to see you.

Daniel Matviyenko:

Good to see you too. Thank you.

Jeffrey McCarthy:

Dan, I know you've been covering the healthcare sector for your entire career. One of the topics I want to discuss with you today is the evolution of value-based care models and how that's driven innovation across the healthcare sector.

Daniel Matviyenko:

It's a great question. It's one of the main things, one of the main changes that are happening in healthcare today. So let me maybe take a step back and spend 30 seconds, what exactly is value-based care? Value-based care, in its essence, at its core, is the idea that you pay for performance like in any other business, consumer, tech, et cetera. The idea is you pay for results. What does that mean in healthcare? Shorter hospital stays, most importantly, better outcomes, better patient experience, and so on and so on and so forth. So as we look over the landscape, the entirety of the healthcare space is actually set up for exactly this. The innovation that we constantly talk about is all aimed at improving PA patient's outcomes and improving the patient experience.

Jeffrey McCarthy:

And the end result sounds like this would ultimately be lowering costs for the infrastructure that is healthcare.

Daniel Matviyenko:

100%. So that's ultimately the sort of unintended knockoff effect of better care. In a very simple example of you having a procedure done, you leave the hospital a day or two early, hospital stay can be between \$2 and \$10,000 per patient. So the system, all of a sudden, saves all this money, and most importantly, the patient themselves is better off.

Jeffrey McCarthy:

Due to the COVID-19 pandemic. We've observed a sharp decline in healthcare utilization, especially as it relates to elective procedures. As the pandemic moves to endemic, what role do you believe innovation will play in easing that backlog of procedural volumes?

Daniel Matviyenko:

What's interesting about COVID is that it moved innovation even further and faster than we would've thought three, four years ago. Specifically to elective procedures, you can't go to the doctor, you can't go to the clinic if there's a pandemic. There's simply no staffing, there's no operating room available to do the procedure. We've had nurse shortages, be it because people had left the workforce or because nurses themselves got sick. And yet at the same time, people need to get procedures done, they need to get the hips, knees replaced, their heart valves and so forth.

So the hospitals, the clinics, the outpatient centers, have had to improvise and find new ways, new innovative ways to treat the same patients, but oftentimes at a faster rate than they had historically. So necessity is the mother of all invention. In this case, this was very clear within our healthcare system. One of the themes that we've played in the book for a long time and continue to play is this view that managed care will play a bigger and bigger role in bettering outcomes and improving healthcare overall.

Think about your experience with an HMO 10 years ago versus now. Much more seamless, much more transparent, and more importantly, these managed care organizations with hundreds of millions of members are able to collect the data on all patients from young to old and in any sort of disease state, and come up with best treatments for that individual patient that's tailored to the patient. So this is a multi-year process. This will take many years, but we very much believe in this idea that data is incredibly important in healthcare.

And the more data you have, the more data points you have on care, more data points you have on patient's disease states and so forth. Over time, these companies will be able to help physicians, help clinicians achieve much better outcomes. And ultimately, not only get you better outcomes, but be cost additive to the system, meaning take out costs out of the system, and make healthcare much more affordable.

Jeffrey McCarthy:

This is very similar to the evolution we saw within technology in the last decade.

Daniel Matviyenko:

Yes.

Jeffrey McCarthy:

It's exciting to see that this is where healthcare is going.

Daniel Matviyenko:

We think healthcare is about 10 years behind tech. There's some differences, main being HIPAA and the compliance with privacy rules and so on and so forth. But yes, you're absolutely right. Ultimately, what's going

to end up happening, we think, you'll have a number of companies who have a lot of data, a lot of information on the patients, and are able to help everybody along the chain to improve outcomes and lower costs.

Jeffrey McCarthy:

10 to 15 years ago, most of the innovation within the healthcare sector resided within the biotech and biopharma industries. In the past five years, we've seen a near doubling of the number of publicly traded biotech and biopharma companies. Aside from exposure to potential breakthrough therapies, what are other ways to benefit and gain exposure to this growth in clinical trials?

Daniel Matviyenko:

So we think about chemicals and everything that goes into analyzing a molecule and so forth. Life science tools companies enable all that. So their picks and shovels for the guys on the front lines at these pharmaceutical companies to do the research, without the picks and shovels, there is no research. And the most amazing thing about this, not only is it the pharmaceutical companies and the biotech companies that are spending on this, but it's also governments through the NIH and the United States National Institute of Health, and the various agencies that look like the NIH across the globe.

So the other thing that the pandemic made us very well aware of is the idea that we haven't spent as much on basic research and haven't developed as many interesting molecules and therapies as we probably should have. And so the pandemic, the COVID pandemic, kick started this massive wave of spending across the entire globe. So companies in the life science tool space, all benefit from that.

Jeffrey McCarthy:

And this spend not just touches life sciences, it sounds like it's touching healthcare IT, healthcare equipment.

Daniel Matviyenko:

Yep.

Jeffrey McCarthy:

So there's multiple ways to gain this exposure.

Daniel Matviyenko:

The whole point of innovation in healthcare is to not only improve access to care, improve diagnosis, but most importantly improve patient outcome and ultimately the reduction of the cost of the system. That is at its core, the point of healthcare, the point of the innovation in the sector. And these are the things we'll look for when we look for investment ideas.

Jeffrey McCarthy:

Exactly. Dan, thank you very much for your insights and thank you for your time.

Daniel Matviyenko:

Thank you so much, Jeff.

Logo: Jennison Associates

Disclaimer: This video is for informational or educational purposes, and it does not constitute investment advice and should not be used as the basis for any investment decision. This video does not purport to provide any legal, tax, or accounting advice. In providing this information, Jennison Associates LLC ('Jennison') is not acting as your fiduciary. The information in this video has been obtained from sources that Jennison believes to be reliable as of the date presented; however, Jennison cannot guarantee the accuracy of such information, assure its completeness, or warrants such information will not be changed. The information contained herein is current as of the date of issuance or such earlier date as referenced herein and is subject to change without notice. Jennison has no obligation to update any or all such information; nor do we make any express or implied warranties or representations as to the completeness or accuracy.

Any projections or forecasts presented herein are subject to change without notice. Actual data will vary and may not be reflected here. No liability whatsoever is accepted for any loss whether direct, indirect, or consequential that may arise from any use of the information contained in or derived from this video. Jennison may make investment decisions that are inconsistent with the recommendations or views expressed herein. The opinions and recommendations herein do not take into account individual client circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients or prospects. No determination has been made regarding the suitability of any securities, financial instruments or strategies for particular clients or prospects. Distribution of this information to any person other than the person to whom this video has been originally delivered, and to such person's advisers, is not permitted. Any reproduction of this video, in whole or in part, or the disclosure or redistribution of any of its contents, without the prior written consent of Jennison, is prohibited. This video may contain confidential information and the recipient thereof agrees to maintain the confidentiality of such information.

Jennison has not been licensed or registered to provide investment services in any jurisdiction outside the United States. The information contained in this document should not be construed as a solicitation or offering of investment services by Jennison or a solicitation to sell or a solicitation of an offer to buy any shares of any securities nor shall any securities be offered or sold to any person in any jurisdiction where such a solicitation or offering would be unlawful under the applicable laws of such jurisdiction.

**Video ends**

1065606-00001-00 NS19366 Expiration: 6/8/2024