

# Ambulatory clinics in Eastern Europe – case *Medycyna Rodzinna*

18 September 2007

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medycyna  
rodzinnna



## POLAND a country in Europe



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## POLAND facts and figures

- Area - 312 000 sq km
- Population - 38,6 mln
- Main cities - Warsaw, Cracow, Poznan, Wroclaw, Gdansk
- Urban population - 65%
- GDP per capita - USD 3,500
- GDP growth ( 2004 projection) – 5,50%
- Inflation rate – 2,50%
- Unemployment – 19,70 %
- EU member since May 2004



## Healthcare market in Poland

- **USD 13 billion in size**
- **USD 350 per capita, level of South America, low compared to Europe**
- **Large share of patients' expenditure in total healthcare financing**  
**( 35% and growing)**
- **Large and reasonably well educated pool of doctors and other healthcare professionals**
- **Large, but neglected, delivery infrastructure (clinics, hospitals, etc.)**



## Health care system

- **Public insurance model – one National Health Fund**
- **Out of pocket payments – 35% of healthcare expenditures**
- **ALOS – 9 days**
- **Number of beds per 1000 – 5**
- **Hospital expenditures – 45%**



## Per capita healthcare expenditure in various markets (USD)

<u>Country</u>	<u>Healthcare per capita</u>	<u>Healthcare expenditure as % of GDP</u>
Poland	300	6.1
Chile	241	6.5
Brazil	261	7.4
Hungary	295	7.3
Spain	1,043	7.7
Canada	1,835	9.5
France	2,576	9.9
Germany	2,578	10.5
USA	3,667	14.3



## Healthcare reforms in Poland

- Reforms of January 1999 split function of payer and provider
- National compulsory healthcare insurance: deductions from wages flow to National Health Fund (NHF)
- NHF contracts healthcare services with public and private providers
- Privatizations of providers: major progress in primary care, hospitals still largely publicly owned
- Impact on the behavior of providers: public providers face market disciplines, private provides compete with public sector



## Contracting System

- **Primary care – capitation**
- **Outpatient specialty care – fee for service**
- **Hospitalizations – per case fee (case adjusted)**



## Emerging private healthcare sector

- Opportunities for private providers to contract with public payer
- Emerging middle class willing to buy higher standard services out-of-pocket
- Employers willing to buy additional healthcare coverage for employees
- Major insurance companies developing health insurance products
- Development of private providers in primary care, specialists' surgical, dentistry, laboratory testing, etc.

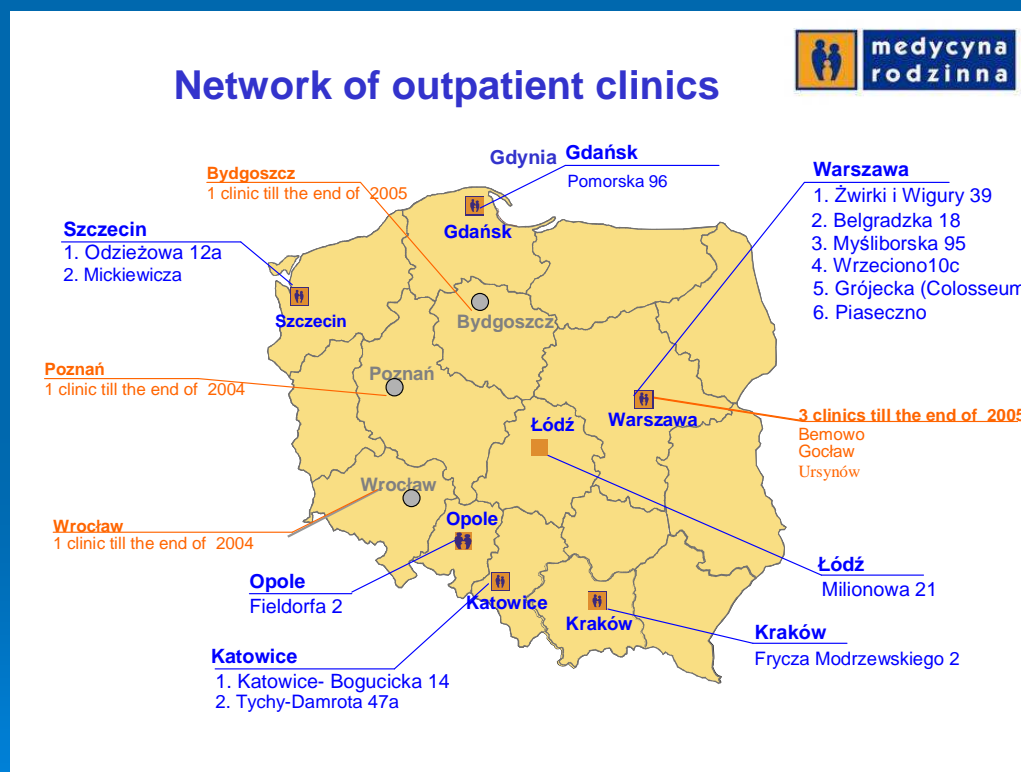


## Ownership

- **Hospitals – 97% publicly owned (either local or central government)**
- **Outpatient – 70% public**
- **Overdue payables of hospitals**
- **3 billion \$ (close to yearly budget)**



# Medycyna Rodzinnna (MR) – facts and figures



- 200.000 patients in primary care
- The biggest contractor of NHF
- 17 clinics in 9 cities
- 70 subcontractors in Poland



## Medycyna Rodzinna history in brief

- created in 1999 by a group of Polish doctors
- used the opportunity created by the healthcare reforms enabling public payors to contract private providers
- developed rapidly in primary care competing effectively for public money with other providers (both public and private)
- built network of outpatient clinics across the country adapting to emerging market opportunities



# Healthcare outpatient market in Poland

## Payors

**National Health Fund**  
(primary care + specialists)

**Employers**  
(occupational preventive medicine)

**Patients**  
(out of pocket)

**USD 1.5 bn**

**USD 0.3 bn**

**USD 0.6 bn**

## Providers

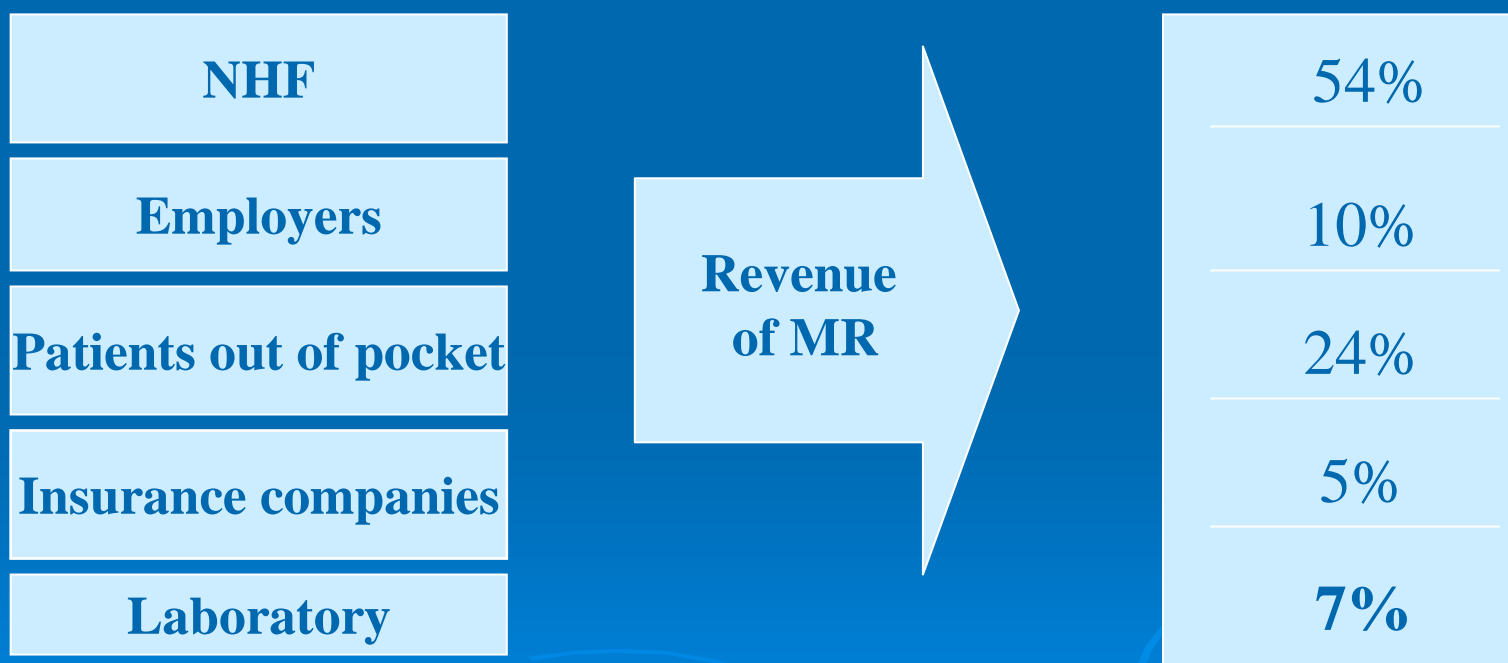
**Public + private**

**Private providers of pre-paid services**

**Private providers of ffs**



## MR – different streams of revenue





# Outpatient care in Poland

- **NHF perspective**
- **Patients' perspective**
- **MR perspective**



## NHF perspective

- **Allocation of funds**
  - 10% on primary care (USD 0.9 bn)
  - 7 % on specialty care (USD 0.6 bn)
- **Primary care**
  - capitation (USD 1.9 per patient per month)
  - money follows the patients
- **Specialty care**
  - fee for service
  - contracting in no proportion to patients' choices
  - often with public providers
  - no clear bidding procedures and criterias



## Patients' perspective

- **Primary care**
  - self made choice of a provider
  - relatively good availability of service
  - ability to change a provider
- **Specialty care – different options**
  - free of charge consultation by NHF contracted providers
  - fee for service paid out of pocket
  - pre-paid services paid by employer
  - additional health insurance



## MR perspective

- **Primary care**
  - **200.000 patients covered**
- **Specialty care**
  - **efforts to contract services with NHF**
  - **market competitive prices for ffs consultations paid out of pocket**
  - **price/value attractive offers for employers in pre-paid services**
  - **new products offered in cooperation with insurance companies**



## Market research

- 11 mln Poles declare spending their money on consultations paid fee for service
- 4 mln Poles is interested in buying additional health insurance next to the obligatory one
- Interest goes down by 50% if the insurance premium is to be higher than USD 7.5 per month



## Market offer

- **Pre-paid services paid by employers**
  - approx. 500-600 th employees covered mostly in Warsaw
  - premium market segment slowly growing (close to saturation)
  - price competition between suppliers of medical care
- **Additional health insurance products**
  - advent of the market for health insurance products
  - cooperation of insurance companies with medical service providers
  - potential transformation of pre-paid services into health care insurance programs



# Trends in market development

- Growing inefficiency of the public system
- Growing public awareness of the situation
- Necessity to create a platform to private/public partnership in health services
- Growing readiness to spend money on additional health insurance



**emerging cooperation/partnership between insurance companies and providers of medical services**



# MR offer to health insurance market

- Various health insurance products in cooperation with insurance companies
- Target group:
  - ✓ middle market segment
  - ✓ population of big cities
  - ✓ patients of MR in primary care
  - ✓ middle size employers in Warsaw and other big cities
- Products content:
  - ✓ consultations, diagnostics, infoline, home visits
  - ✓ easy access (primary care max 2 days, specialty consultations max 5 day)
  - ✓ 100% free of charge or with 10-60% rabates (co-payments)
- Price range:
  - ✓ insurance premium USD 2.5 - 15 per person per month
  - ✓ family packages available at USD 20 - 25 per family per month



## MR competitive advantages

- **1.5 years experience in cooperation with insurance company PZU Zycie, the market leader in Poland**
- **200.000 patients data base served for the last 5 years**
- **Country – wide network of cost effective clinics in good standard**
- **Unique experience in providing public and privately paid health services under one roof**
- **Strong price advantage due to very strict cost control**
- **The leading offer for mass market**



## MR unique market position

- **innovative, fast growing company**
- **unique experience in contracting with both public and private payors**
- **unique ability to manage a mix of different revenue streams (public, employers, patients, insurance companies)**
- **the biggest network of outpatient clinics in Poland (availability, standards control, know-how transfer)**
- **very effective and strict cost control enabling offering price attractive products of high quality standards to all types of contractors**



# MR takes position for the future

- Further development of self controlled clinics (21 by the end of 2006)
- Extended network of subcontractors across the country (quality control)
- Balancing public/private revenue streams according to market situation
- Opening up for upgrades into healthcare insurance products
- Opportunities for vertical integration
  - ✓ disease management programs
  - ✓ medical information system
  - ✓ laboratories
  - ✓ short stay surgeries
  - ✓ urgent care services
  - ✓ site management organization
- Introduction of medical triage line



## Medycyna Rodzinna – strategy

- **To build the biggest network of clinics in Poland by:**
  - ✓ building greenfield clinics
  - ✓ privatization of public ones
  - ✓ acquisition of private ones
- **Provide comprehensive “under one roof” outpatient care**
- **Cover expenses from services sold to NHF, generate profit from additional products**
- **Be ready and stipulate advent of private health insurance market**



## Conclusions

- **Even though the process of reforms in health care in Poland periodically speeds up and slows down privatization of providers will continue**
- **More costs is shifted every year to patients which fosters development of private additional health care insurance market**
- **Competition will create more efficiency, better customer service and ... cut prices**
- **The only question is – how fast the process will be?**