

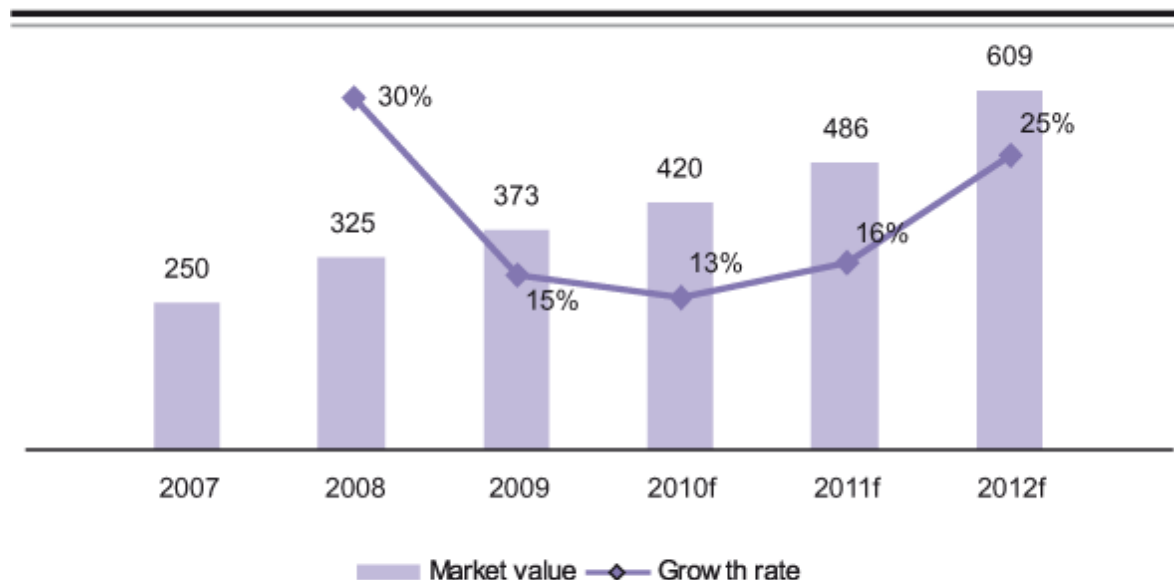
Private healthcare market in Romania 2010: growth to be driven by health insurance

In 2010, the Romanian private healthcare market is expected to develop by around 13% to €373m, according to estimates included in the report "Private healthcare market in Romania 2010. Development forecasts for 2010-2012" by PMR, a research and consulting company. At the same time, the medical subscriptions market could stagnate, because of reductions in the number of company employees, whereas the health insurance market is expected to develop relatively rapidly, driven by individual insurance purchased by those dissatisfied with the deteriorating quality of public healthcare. It is also assumed that clients will be poached from private healthcare providers.

Modest but steady market growth in 2010

Growth is expected to continue on the private medical services market in Romania in 2010 despite the unfavourable economic conditions. All leading medical chains in the country expect their sales to increase this year by 10-50%. "According to PMR forecasts, in 2010 the market, which consists of out-of-pocket payments for medical services, medical subscriptions (along with occupational healthcare services) and health insurance, will grow by 13% and develop even more rapidly in 2011 and 2012" says Monika Stefanczyk, PMR's Head Pharmaceutical Market Analyst and the report's coordinator.

Value (€ m) and growth rate (%) of private health services market in Romania, 2007-2012



f – forecast

Note: the private healthcare market consists of the cost of rehabilitation, diagnostic tests and doctor's appointments funded directly by patients, subscriptions offered by medical companies, along with occupational healthcare services and health insurance.

Source: report "Private healthcare market in Romania 2010. Development forecasts for 2010-2012" PMR, 2010



Against a background of difficulties in public healthcare, private spending on healthcare has grown constantly in recent years, and this is expected to continue. Compulsory health insurance almost covers payment for treatment at public clinics in full, but Romanians, in general, complain about the quality of service in the public system and also the lack of special sophisticated treatments which are available at private hospitals. Another important matter pertaining to customer choice is the fact that private healthcare chains attract the best doctors, by offering them higher salaries. At public hospitals doctors can earn around €200-350, whereas salaries at private facilities are several times this amount.

In 2010 difficulties with public healthcare funding are expected, and this will affect quality of service at public hospitals and encourage more customers to migrate to private clinics. With improvements in quality of life and increasing affluence, Romanians are no longer willing to tolerate bad management, an unprofessional appearance and a lack of individual care and courtesy at public clinics. Another important reason for the progress of private healthcare is the prevalence of bribery in the public healthcare system. People give bribes to doctors for quality of treatment and attention, and the total costs of treatment at public and private clinics are often comparable.

In anticipation of this trend, leading private suppliers of medical services are planning to invest more than €200m within two or three years in hospitals alone to meet growing demand, according to our estimates. Although the private healthcare services market in Romania is not highly saturated, key players are expecting tough price competition in 2010, particularly with regard to corporate users.

Medical subscriptions expected to stagnate...

Because there were, for many years, no legal provisions aimed at helping the private health insurance market to take off in Romania, the country has, over the past five years, seen a booming subscription market which has been acting as a substitute for insurance plans. The medical subscription market in Romania has been driven by mandatory occupational medical services, introduced in 2002, when the Health Ministry adopted a directive which forced both public and private employers to offer their staff medical examinations on a regular basis.

Subscriptions to private medical services became a standard offer in the employee packages of large companies in Romania.

In total, according to data gathered by PMR, in 2009 there were approximately 380,000 subscribers to private medical services in Romania. Subscriptions usually guarantee a minimum set of services, and it is necessary to pay additional fees for more expensive treatment.

In 2010 providers of medical chains expect stagnation on the corporate market and a boom in retail. Private medical companies have reported that the fees-for-services arena was already booming in 2009.

Most medical subscriptions developed in the fields of dental services, laboratory diagnostics, maternity and gynaecology. Providers usually operate as a clinic. There are only two companies which have hospitals in their organisations: CMU and MedLife.

In 2010 most of the operators expect consolidation of the supply of medical services. Large chains of clinics already have a network of smaller partners which are expected to be acquired.

In 2009 investment funds paid more attention to private healthcare and acquired, for example, MedLife (taken over in late 2009 by Societe Generale Asset Management).

... but health insurance to develop rapidly

The health insurance market has developed relatively slowly in the absence of legal provisions which would redefine the basic package of services and fiscal incentives. At present, the package covers a wide range of services, which prevents private insurers from creating comprehensive and more sophisticated offers for their clients. At the same

time, the poor condition of medical facilities in Romania has discouraged patients from purchasing such products.

Development of health insurance is expected to take place in the next few years and to begin to take clients from private healthcare providers in the short term. The corporate subscription market is believed to have reached saturation, and some customers might switch in future years to private health insurance, which is believed to be more comprehensive than the services offered by a network of medical facilities. However, this will depend largely on the expansion of private healthcare facilities in the country.

According to private medical companies operating in Romania, the market has a total potential of €400m, but only about 12% of this can be achieved by 2012, according to the most optimistic scenarios.

This press release is based on information contained in the latest PMR report "[Private healthcare market in Romania 2010. Development forecasts for 2010-2012](#)".

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