Interview with Pawel Kacprzyk, President of The Board, Medicover

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Tags: Medicover

You became president of the board at Medicover in Poland only a while ago and previously your previous experience was in high-profile management but not in healthcare. Do you now feel increased pressure being involved in a business where decisions take on a more ethical dimension?

From a process perspective and from the view of customer expectations my job has not altered dramatically. Broadly speaking, it is a similar business model. However, Medicover is first of all a provider of medical services, a company which takes care of the health of over half a million people in Poland. When we talk about health, decisions must have an ethical dimension.

You have taken control of the Polish division belonging to the company which is the healthcare leader in Central and Eastern Europe. Given the company's well-established position is your task now to bring a new direction and ambition to the company?

The main objective is not to find a new direction but to look for better ways of achieving our goals. We are now trying to accelerate the company's growth and to find ways of enhancing our positioning on the Polish market mainly by improving our services and adjusting the offer to clients' needs. We have to work on all dimensions of the company to achieve this.

There are very high expectations as to how fast we can grow over the next 5-7 years. The main question is how fast we can grow to maintain the high quality of our services. After all, it is not only about encouraging new patients to use Medicover offer but about providing them with top-quality

health services within our healthcare system.

In terms of the strategic direction, we are adding more complexity to our portfolio. A few years ago the company decided to invest in the inpatient side of the business. In 2009, we launched the first private full-profile hospital in Poland, a 40 million euro worth investment.
This was the risk for the company considering that we were making decisions without having any experience in highly specialist hospital care and not knowing the content of the healthcare reforms in 2012. Finally, our cooperation with the National Health Fund at that time was very limited. This was therefore a new territory for Medicover.

Medicover believed that a company of its size and scope of operations must be present in the inpatient sector of the healthcare business. Medicover's key differentiation lies in its ability to offer both inpatient and outpatient services. A few years ago the company made another strategic decision – to develop the sales of health insurance. It was a very good step, thanks to which the Medicover Group is now the only entity on the Polish market which, on the one hand, provides healthcare services and on the other – offers these services in the form of health insurance. Through this broader portfolio of services we aim to ensure that Medicover's offer remains competitive.

What's you goal for the next few years?

We want to develop faster than we did in the last year even though we will probably have to wait to achieve the 20% growth from before the crisis. A lot depends on how the Polish economy will be developing and what solutions the government will ultimately decide to launch in terms of health care and health insurance in particular. Nevertheless, our ambition for this year is to achieve the growth of over 10%. Ultimately, in the 5 years' perspective we will want to double our current yearly revenue.

This growth will come from the domestic Polish market. In terms of governance, Poland is becoming similar to Germany in that instead of one dominant capital city, the country is federal allowing Medicover to increase investment in the regions which will be the main focus for the next few years. This can be done through direct investments, and strategic partnerships with strong local players or minority/majority share holding.

Medicover is very strong in former Soviet block countries which do not have a strong history of private healthcare. What is the possibility of entering Western markets?

For the next 5-7 years the Medicover Group will continue to focus on its activity in Poland, which I am in charge of. My personal strategy is to be realistic about ambitions and to concentrate on fully achieving the goal rather than on big visions only.

The Medicover Group is also exploring some countries in the West through, among others, the activity of its daughter company Synevo responsible for a network of laboratories. The company has made substantial acquisitions in e.g. Germany, Turkey.

Medicover is investing heavily in the development of Synevo laboratories, the Medicover Hospital in Warsaw, and in the construction of hospitals in Bucharest. In the future, it is also planning to build the oncological centre. With governments around the world implementing cost-containment measures, is this a time of opportunity for private healthcare?

It is a positive time for the growth of private healthcare in the CEE region. There are three factors fuelling the growth of private healthcare in this region. The first is simple market growth stemming from GDP per capita growth over the last 20 years, which is also expected over the next 20 years to come. Through EU accession the country is able to generate much greater interest in foreign direct investments. From the purchasing power perspective, the market will be growing more and more in the next few years. Lifestyle changes are also leading to an increased market for healthcare.

Extensive socio-demographic change is also altering the market. Polish birth rates have significantly dropped over the last few years whilst peoples' life expectancy is increasing. People in the region are therefore seeking to extend their professional life in good health. These elements combine to give a very positive outlook for the industry.

At the same time, there are macro economic pressures on the state budget which is asked to co-fund healthcare and the pension fund. The ratio of the employed against the non-employed is falling and with limited funds entering the state's budget it cannot afford to expand services like healthcare. Therefore these three factors combined are creating opportunities for private healthcare providers.

We have interviewed the main stakeholders in the pharmaceutical industry about the 2012 reforms. In what ways are they likely to affect the Medicover business?

I am observing the possible reforms with a cold head, having lived in the country all my life and having witnessed many reforms in the past. It is better to wait until the legislation actually takes place and the shape of the reforms becomes clear. The government no longer has the capabilities

to ensure full healthcare in the long term.

I believe that any reforms in the healthcare sector will fuel growth in the private sector. However, it is still hard to predict their final impact. From the patient’s point of view, a lot should be changed. They will definitely gain better possibilities of choice. Medicover is prepared for these changes and we will distinguish ourselves with, among others, the biggest variety of services.

What is the current balance of the Medicover Group activity in Poland?

At present, 90% of our revenue is driven by our outpatient care and 10% by inpatient care. However, it is expected that the revenue structure will be changing over the next 5 years so that more revenue than now will be generated by inpatient.

There are currently the following segments on the private healthcare market. The first one is pre-paid segment where Medicover is competing against players like Luxmed. This part of the business may over time be converted into the general health insurance model. The second segment is private health insurance which attracts more and more players but this area is still just starting to develop. Medicover is the only company present in both segments. What determines Medicover’s strength and constitutes our unique value is a competitive offer that provides a comprehensive range of services and a variety of ways in which our health care services can be purchased (insurance / pre-paid programmes / fee-for-service payment / also, in the case of particular hospital services, the National Health Fund). It is important to stress that we provide all our services within the scope of our own hospital, an extensive network of modern outpatient facilities and highly-specialist laboratory centres and on the basis of modern diagnostics.

In 2009, the company established its first private full-profile hospital in Poland. Earlier, Medicover had developed a wide network of outpatient centres. Does this represent a broader transition towards more centralised healthcare centres for Medicover?

Our network includes both clinics and hospitals . We will be expanding it successively. Integration in this area is natural and necessary. A patient coming to a clinic, then diagnosed with a condition requiring hospital treatment must be reassured that he/she will be provided with hospital care at the highest possible level.

We are serious about our regional position and we are thinking about finding the right partners in the regions who could cooperate with us by participating in the healthcare system of the Medicover Group. We are interested in cooperation with many entities.

Private healthcare is developing in Poland and competitors are emerging. How would you sum up your strategies for maintaining your number 1 position?

Medicover is implementing a completely unique method of customer care. The company is a pioneer in launching its inpatient care model. Medicover is redesigning the way that customers are treated by medical professionals and specialists. This model is very difficult to repeat and it has taken 5 years to build up this model. Today, it is not enough to hire top specialists and buy the most modern diagnostic equipment. It is important whether patients have access to health care and advice when needed and if the care is well-coordinated. With this in mind, we were the only company in Poland to have introduced the Patient-Centred Care programme, which ensures an individual approach to patients and their needs.

In order to establish best practices, Medicover is not just looking internally but seeking out the best clinics in the world as its model for implementation of patient-centred medical care. Our medical director has toured the United States in order to obtain a comprehensive picture of private medical care in the country and elements which could be transferred to Poland. In this respect, Medicover is pioneering private healthcare in this country.

As with pioneering any industry there are trials and tribulations but also successes. The process of achieving an overall operating model which guarantees customer satisfaction is a difficult task.

In Poland, there is also a traditional way of looking at healthcare. It is assumed in Poland that every medical visit must be directed towards a specialist. We are trying to change this mentality and this takes time. People need to be put at ease that we are not restricting their access to specialists but trying to help them see the most appropriate person. It should go without saying that patients do not need to see the top international specialist or receive the most advanced treatments for simple conditions such as a basic flu.

What would be your final message to the readers of Pharmaceutical Executive on behalf of Medicover?

My response will be different depending on whether we are discussing inpatient or outpatient healthcare. In terms of outpatient care, Medicover is oriented towards partners with proven track records in the pharmaceutical area in Poland with products that are well-perceived, at a good price and effective. In terms of inpatient care, we are concentrating on cooperation with different partners from those offering the most innovative treatments to those offering the best value for basic treatments. Also thanks to this differentiation in partnerships and the inclusion of inpatient care Medicover will continue to lead the field in private healthcare.

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