

TESTATA: Healthcare Europa
DATA: Luglio / Agosto 2014
CLIENTE: Welfare Italia Servizi

HCE overview

“Retailisation” of Italy's private market poaches patients from the public sector

Italians are increasingly turning to the private sector for diagnostic tests, dentistry and outpatient specialists leading to a "retailisation" of healthcare. We talk to three of the largest of this new breed of operators to assess the emerging market.

Italian patients today pay privately for 20 percent of their healthcare expenses, which amounted to a total of €27 billion in 2010 according to Istat, the national statistics body.

Recent research from Fbm-Censis, the Italian socio-economic research institute, shows the population is losing faith in the quality of the public healthcare sector. In 2012 31.7 percent of people thought that the service in their region was getting worse, up from 21.7 percent in 2009. Some 41 percent of Italians claim that public healthcare covers only the basic services, whilst the more complex ones have to be paid by the patient anyway.

Although overall the trend seems to be encouraging, recent data shows a slight fall with a drop to €26.9 billion (-5.2 percent) from 2012 to 2013. Francesco Maietta at Censis blames this on tax increases and hikes in public service costs.

Meanwhile, prices for private healthcare products and services are falling. Maietta says the private market is no longer just targeting wealthy people but is lowering its tariffs to meet the middle class demand. Diagnostics and drugs are the two main sectors becoming cheaper.

It seems the situation on the ground

in Italy now favours private operators who can attract unsatisfied NHS customers who face long waiting lists, as well as middle class families who can't afford the increasingly expensive public tariffs.

Centro Medico Santagostino (CMS) is a good example of this. The Milan-based centre offers 40 different specialities including some poorly covered by NHS such as psychotherapy and dentistry, says Luca Foresti, CMS CEO. CMS prides itself affordable tariffs (€60 for a specialist doctor visit, €35 for a psychotherapy session and 40 percent lower prices in dentistry compared with the local private market) and shorter waiting lists, with an average wait of three days to see a specialist. Initiatives for the near future include an online payment system that will give patients a €2 discount and an online check-in option based on the airport model.

Currently, 15 percent of Italian patients have private health insurance, with the remaining 85 percent paying out-of-pocket for their treatments.

“The number of patients who turn to insurance is growing,” says Foresti. “This is happening for two main reasons. Some people, particularly employers, forgot they were covered by an insurance policy and only found out when trying to squeeze expenses in response to the crisis. Secondly, insurers are optimizing their businesses by sending their clients to the cheapest healthcare supplier.”

Welfare Italia Servizi is a multi-speciality company part of the Cgm Group. The business focuses on multi-speciality health care, dentistry, rehabilitation and psychotherapy. Like CMS, it sees itself as an alternative for families whose access to the NHS is hampered by long waiting lists and high prices. It claims its services are up to 30 percent cheaper than other private clinics. Welfare Italia's prospects look good as its seeing growth – since 2010, sales have doubled to just over €4m in 2013, with patients numbers up from 16,000 to 22,000.

“One could think that our service spreads better in those regions where the public offering is weak,” says Welfare Italia's director Anna Raffaelli. “But this is wrong. This business model seems to have high levels patient interest and turnout in the regions where the public presence is also quite strong and well-developed, like Emilia Romagna, Lombardy and Tuscany. Our business model works not because of lack of a public alternative, but because of our network of companies, stakeholders and corporations we are able to attract and collaborate with.”

While CMS is privately funded, Welfare Italia's business is supported by a social cooperative system, where the profit is reinvested in the territory. “What we offer varies regionally,” continues Raffaelli. “Overall, the two most profitable areas are multi-speciality care and dentistry. The former attracts patients for those specialities not covered by the ‘ticket’ – the co-payment that patients

must make for service in the public sector – whilst the latter is not covered by the NHS at all.”

Dentistry is one of the most expensive healthcare services, and families are often not able to afford it. Many low cost dentistry chains are stepping forward as a solution to this problem.

So how do Welfare Italia and Centro Diagnostico Italiano (CDI), a 35-year-old diagnostic centre in Milan, deal with price driven competition? Both give similar answers.

“We offer a wide and integrated range of services under the same roof, which is really attractive because it is more comfortable and convenient” says Carlo Pampari, the director of Strategy and Institutional Relations at CDI. “Patients value the possibility of being followed by the same specialist with continuity. If you want that continuity in the NHS you have to pay an extra fee on top of the normal service charge.”

CDI’s sales – which amount to €100m annually – are equally contributed to by the NHS, out-of-pocket payments and insurance and pension funds, according to Pampari, who adds that all growth is generated by the latter two groups. NHS spending is stable, he says.

The retail trend in healthcare is giving the customer and their choices increasing importance. It also reflects consumer behaviour, says Pampari:

“Private patients are spending their money in an increasingly clever and attentive way. They carefully inform themselves, they talk to each other, they question their GPs before deciding to get treatment.”

Censis research shows that 11 million Italians are using insurance or pension funds. This represents just 13.4 percent of total private healthcare expenses, a figure that pales in comparison to France’s 65.8 percent, Germany’s 43 percent and the United States’ 76.1 percent.

All the main operators say that service consumption is regional; in Italy each region is in charge of the healthcare business management, which necessarily ends up being quite fragmented and showing different approaches. “We do have a general tariffs catalogue, but then prices can vary substantially depending on the region and the kind of care service,” explains Welfare Italia’s Raffaelli.

From experience, they have found the best way to advertise their business is on a territorial level as the majority of patients are local to the hospital they receive treatment from.

CMS shares the same experience: “Only few patients come from adjoining regions, mainly in dentistry.”

In Southern Italy, healthcare services are still mainly provided by the public sector, and people sometimes need to travel to the North to find

higher quality care solutions.

How is the public sector reacting to the population’s slow move towards private healthcare providers?

Pampari says: “The public sector is already changing – squandering is being monitored and resources will be managed in a more selective and appropriate way (for example, by reducing overnight stays). In the next 5-10 years, elderly care costs will be cut by intervening in people’s life styles. It will try to lower the time of hospitalisation and focus on prevention and chronic diseases.”

Our contacts see little direct competition with the NHS for dentistry, diagnostic and specialist outpatient services in the future. Rather the NHS is declining in these areas.

Our Analysis: More could be done to increase awareness of these new healthcare solutions – Foresti at CMS points to a recent survey that showed that while in 2010 only 6.6 percent of the population in Milan knew about CMS and 1 percent were using its services, the percentage grew to 10.8 percent and 1.8 percent in 2013.

However, these figures are encouraging and show there is plenty of room for growth thanks to the low level of penetration of insurance products and the changing nature of consumer behaviour.