

HEALTHCARE AND HEALTHCARE EQUIPMENTS

With the coming into force of the much-sought Social Security and General Health Insurance Law as of 2007, private hospitals are under construction all over the country in anticipation of growing demand for medical care. A general insurance plan is expected to allow more people to benefit from private health services, expanding the base for private hospitals.

Sector Overview

Turkey's health indicators are not satisfactory considering its level of socioeconomic development. Though improving over the years, the health status of the population is poor, both in absolute terms as well as in comparison with other countries at the same income level.

COMPARATIVE HEALTH STATISTICS, 1990, 2000, 2003						
Indicators	Turkey			EU average		
	1990	2000	2003	1990	2000	2003
Population growth rate, %	1.99	1.41	1.32	0.4	0.2	0.2
Crude birth rate, per thousand	25.2	20.2	19.4	12	10	10
Crude death rate, per thousand	7.1	6.2	6.2	11	9	8
Infant mortality rate, per thousand	55.4	28.9	25.6	10	7	7
Life expectancy at birth, years	63	69.1	68.7	74	77	78
Expenditure of GDP, %	3.5	4.3	5.6	8	8.5	8.5
Per capita expenditure, \$	98	195	191.5	1,900	2,100	2,150
Population per physician	1,121	834	765	360	350	350
Population per bed	412	379	389	120	130	130
<i>Source: SPO Programme for the Year 2005</i>						

A recent Health Reform study prepared by the World Bank summarized the key issues as follows:

- ✓ Maternal and child mortality and morbidity rates are very high.
- ✓ The share of government health expenditure in the total budget is around 3%, although WHO's recommended minimum ratio for developing countries is 10%.
- ✓ Per capita health expenditure is the lowest among OECD countries.
- ✓ The primary health care system is under funded and ineffective; most people avoid public primary health care facilities.
- ✓ A large number of health centers are understaffed and many do not have even one physician; the situation is particularly grim in rural areas. There are wide gaps in the distribution of health personnel across the provinces and regions.

DEVELOPMENT OF HEALTH INDICATORS, 2001-04				
	2001	2002	2003	2004 e
Number of bed	175,190	179,109	180,797	187,788
Population per bed	392	392	389	378
Bed utilization rate, %	60.0	61.5	61.0	64.9
<i>Source: State Planning Organisation</i>				

A substantial portion of health care services is provided by the public sector. The private sector accounted for an estimated 6.6% of beds in 2004 and 10% in 2005. The organisational structure of hospitals in Turkey is highly centralised due to the dominance of Ministry of Health (MOH) hospitals. MOH hospitals supplied half of hospital beds with 93,702 beds in 2004. Among other five health care providers, SSK (the Social Insurance Organisation) ranks second with 148 hospitals and 33,897 beds. As part of the social security reform process currently under way, ownership of SSK hospitals were transferred to MOH in February 2005.

Bed capacity is quite low compared to OECD countries. The total number of beds is 189,591, one hospital bed for every 389 people compared with one bed for every 130 people in EU countries.

Institution	2003		2004 e	
	Hospitals	Beds	Hospitals	Beds
Ministry of Health	668	91,202	708	93,702
Social Insurance Organisations	121	29,157	148	33,897
Medical Schools	50	26,162	50	27,200
Ministry of National Defense	42	15,900	42	15,900
Private	246	11,824	248	12,500
State Economic Enterprises	8	1,474	8	1,474
Associations & Foundations	18	1,372	18	1,577
Municipalities	9	1,389	9	1,389
Minorities	5	934	5	934
Other Ministries	10	1,045	10	680
Foreign Hospitals	3	338	3	338
<i>Total</i>	<i>1,172</i>	<i>180,797</i>	<i>1,249</i>	<i>189,591</i>

Source: Ministry of Health, SPO

Health Policies and General Health Insurance Law

As a result of successive health reforms, the health sector has been undergoing a significant restructuring process, whereby:

- Steps are being taken to introduce a system of quality certification for public hospitals to increase the efficiency of the public system, and at the same time,
- A greater reliance is being put on private sector funding.

The Health Care-Social Security Reform Programme, which is currently being implemented under a \$60.6 million loan secured from the World Bank in 2004, includes Turkey's commitments to both IMF and the EU. Among its specific objectives is to re-structure MOH to complete its institutional transformation from a mainly provider of services to a regulator of service provision. Another component of the reform programme is to establish a universal health insurance fund. The IMF-sought **Social Security and General Health Insurance Law**, which has been adopted by the Parliament and waits to be approved by the President as of May 2006, will be enforced in January 2007. This Law increases the retirement age and unifies all social security beneficiaries under one roof. In compliance with the social security-healthcare reform programme, the government employees, Social Insurance Organisation

members and self-employed beneficiaries were able to benefit from the services offered by private hospitals as of 2003 and 2005, respectively. A total of 524 private health agencies have opened to the public in the last two years, fifty of them are private hospitals, and prior authorizations were given for 78 private hospitals during the same period. Expanding the base for private hospitals, these developments are expected to allow more people to benefit from private health services. Mehmet Ali Aydinlar, CEO of the Acibadem private hospital in Istanbul, which is associated with the Harvard Medical Foundation, said the new provision had already made a drastic impact on the private sector and private hospitals were under construction all over the country in anticipation of growing demand. Aydinlar said leading hospitals such as his are not developing fast enough to serve the number of patients who come to them for care.

In March 2006, the MOH unveiled a public-private partnership model hospital project. Accordingly, various hospital complexes will be built in three major cities and preliminary projects are being prepared for the construction of the health facilities in 13 separate regions throughout the country. The project allows private companies to build campuses on predetermined state lands and to rent them to the state. The campus will include a hotel, cafeteria, bank and shopping center. Companies from the UK, Spain, Germany, Dubai and US have presented their proposals to the Ministry for this \$4 billion project.

PRIVATISATION IN HEALTH AND IMPLICATIONS

Recent developments in the healthcare policy will have further positive effects on the development of private healthcare services.

The private sector, taking a 26% share in total health expenditure compared to an average of 38% in OECD countries, still has room for growth. Private hospitals represent 10% of total bed capacity, while the MOH hospitals dominate the sector.

Turkey is pursuing the objective of improving health care both in coverage and quality terms through a greater reliance on private sector funding, in addition to an increase in the efficiency of the public system.

Investment incentives and the introduction of private health insurance in 1990 played an important role in expediting improvement in the sector. Turkey has a generous incentive system for health investments, which are classified as 'special importance sector investments'. Hospitals can import all required machinery and equipment listed on their incentive certificate free of customs duty and related charges, and is awarded a 100% corporate tax exemption. The private sector began to take advantage of the incentive system in recent years. Supported by the increasing demand for private health care services, the number of private hospitals increased from 1993 onwards, rising from 141 in 1995 to 295 in 2005. Among foreign involvements are Metropolitan Florence Nightingale Hospital/American Cancer Center, which has established relationships with Memorial Sloan-Kettering, and Johns Hopkins which has established an alliance with the Anadolu Group. IFC has recently provided long-term loans to the Acibadem Healthcare Group in Istanbul and Mesa Group in Ankara to finance their expansion and construction of three hospitals.

Further, under alignment efforts with the EU, Turkey has been strengthening institutional capacity, and harmonizing legislation in the health sector, including establishing National Drug Institution and reducing the period required for licensing. It is expected that these changes will resolve many problems.

Medical Equipment Market

The medical equipment market has gained the status of an industry in the last two decades, in line with the increased investment in total health facilities, and the trend towards privatisation.

The market is estimated to grow 12-14% annually in recent years, and reaching around \$3 billion in 2005. The growth has been mainly fuelled by the increase in imports rather than production. Imports, which exceeded \$500 million in 2003, are mainly accounted for by electromedical equipment and then by mechano-therapy and therapeutic respiration apparatuses.

Turkey relies on imports for large portion of its sophisticated medical equipment needs, and the general trend is towards an increase in imports as well as exports. Medical equipment imports soared throughout the 1990s due to the increase in health care facilities and investment.

Exports, which ranges between \$50-60 million have followed an upward trend since the 1990s largely as a result of increasing demand for artificial body parts. The growth has also occurred as new facilities in nearby CIS countries have opened. The main export destinations are the EU, followed by Russia and the CIS countries.

The industry is fragmented with over 300 manufacturers and some 1,500 importers – of which only 350-400 can be classified as medium scale, the rest being small businesses.

Production is mainly centred around low-technology products and artificial body parts – of which most are exported. However, specialized local producers have been following technological developments and local production of electro-cardiogram monitors and operation equipment has already started.

Prospects

- The demand for health care services and equipments is predicted to continue to expand in the next several years due to:
 - ✓ the high population growth rate,
 - ✓ an aging population,
 - ✓ increasing per capita income,
 - ✓ rapid urbanization,
 - ✓ the increasing potential in health tourism, and
 - ✓ improvements in the health insurance system.

Expectations of patients are rising along with rising income levels and expanding private health insurance system. This, coupled with increasing life expectancy, should trigger a growth in health care services. Private health insurance is currently estimated to cover approximately 2% of the population.

- Greater private participation is needed to reduce the gap with the other OECD countries. The trend toward privatization of health services coupled with increasing demand of private hospitals for advanced technology paves the way for modern and specialized health facilities and a larger health care market. Private sector health care services are expanding, with its share in total fixed capital health investments on the rise - from 48% in 1993 to over 60% in recent

years. The number of private hospitals has also been increasing steadily – from 120 in 1993 to approximately 300 in 2005.

- As growth in the health care sector is expected to continue, Turkey will remain an attractive market for exporters of equipment and supplies, as well as exporters of consulting services and knowledge transfer. Being an import-dependent sector, the emphasis put on privatization in the health sector will increasingly mean easier sales and higher technology products for foreign equipment suppliers.
- An important new trend is towards receiving incoming patients from European as well as Middle Eastern countries and Turkey is moving towards better capitalizing on its potential as a destination for those with health problems. In 2005, almost 165,000 foreign tourists, out of total arrivals of over 20 million, entered the country to take advantage of Turkey's treatment centres. This represented a 23.7% increase on 2004.

INCOMING FOREIGN PATIENTS

An important new trend is towards receiving incoming patients from European and Middle Eastern countries for treatment in Turkish private sector hospitals and some arrangements have been made for patient exchange on a private basis from various European countries including the Netherlands and UK

The most promising areas include ophthalmic, cosmetic surgery and dentistry. For example, the new hospital of Dunya Eye Hospital, which was opened in 2004 as the world's biggest eye hospital attracts patients from more than 40 countries. Progress towards the EU accession will further help this potential to materialize.

- With restructuring of the health financing system finally on the agenda, the prospects are brighter for a higher growth rate in medical equipment market. This growth would be driven by private health investments and private insurance as well as a more efficient public health sector, which will benefit from an improved health care environment.
- In addition to its growing internal market, Turkey also offers opportunities for health care service and equipment providers as a stepping-stone to the markets in the Central Asia and North Africa.