



Building a chain of private hospitals in Czech Republic

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Czech hospitals 1993-2000

- Tax based health insurance model
- Fee for service payment
- Low salaries for physicians and nurses
- Too many hospitals/ hospitals beds
- Perceiving hospitals as basic column of social politic of every city, region...
- Introduction of modern technology and equipment

Results:

- During last 10 years turnover of hospitals 5 times higher
- Crisis in health insurance funds
- **Administrative regulations**
 - Budgets
 - Upper limits
 - “per case payment”
 - Regulations for introducing of expensive technology

Crisis in public hospitals:

- Making loses 10-20% on turnover per year
- Prolonging waiting lists
- Regions to cover loses but lack of funds
- Social democratic party not able to introduce rapid change in behavior

Euromednet (EMN)

- Private shareholder company
- Good managerial skills/experience
- Satisfied patients, staff,
- Buying public (PPP)/private hospitals
- Currently 11 facilities
- Rapid growth: turnover 50-100% p.y.
- EBIT >5% on turnover in IDS



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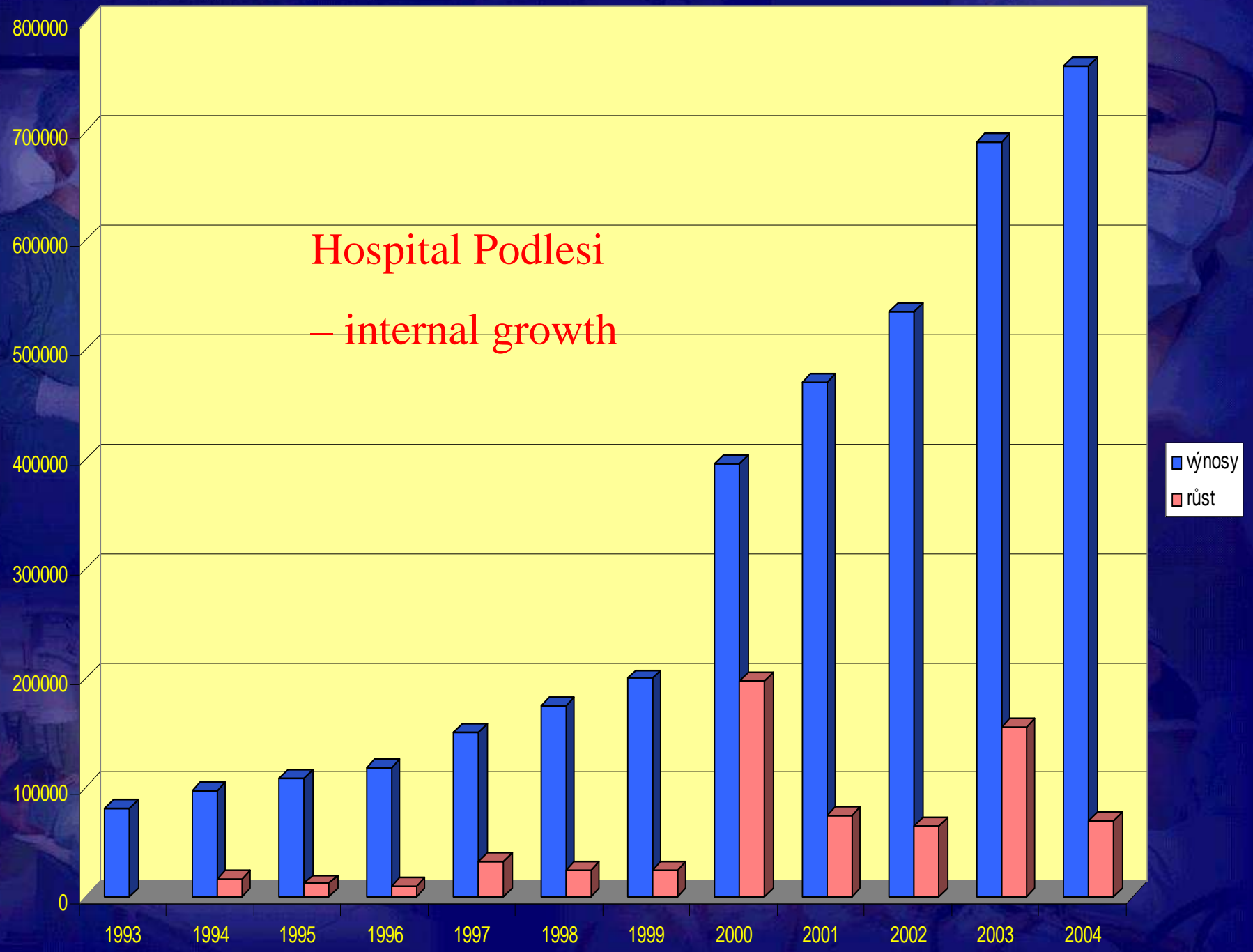
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Euromednet competencies

- Leadership
- Excellent effectiveness
- Retain profit used to growth and development
- Awareness of excellence in Czech health system
- Public relations

Hospital Podlesi

— internal growth

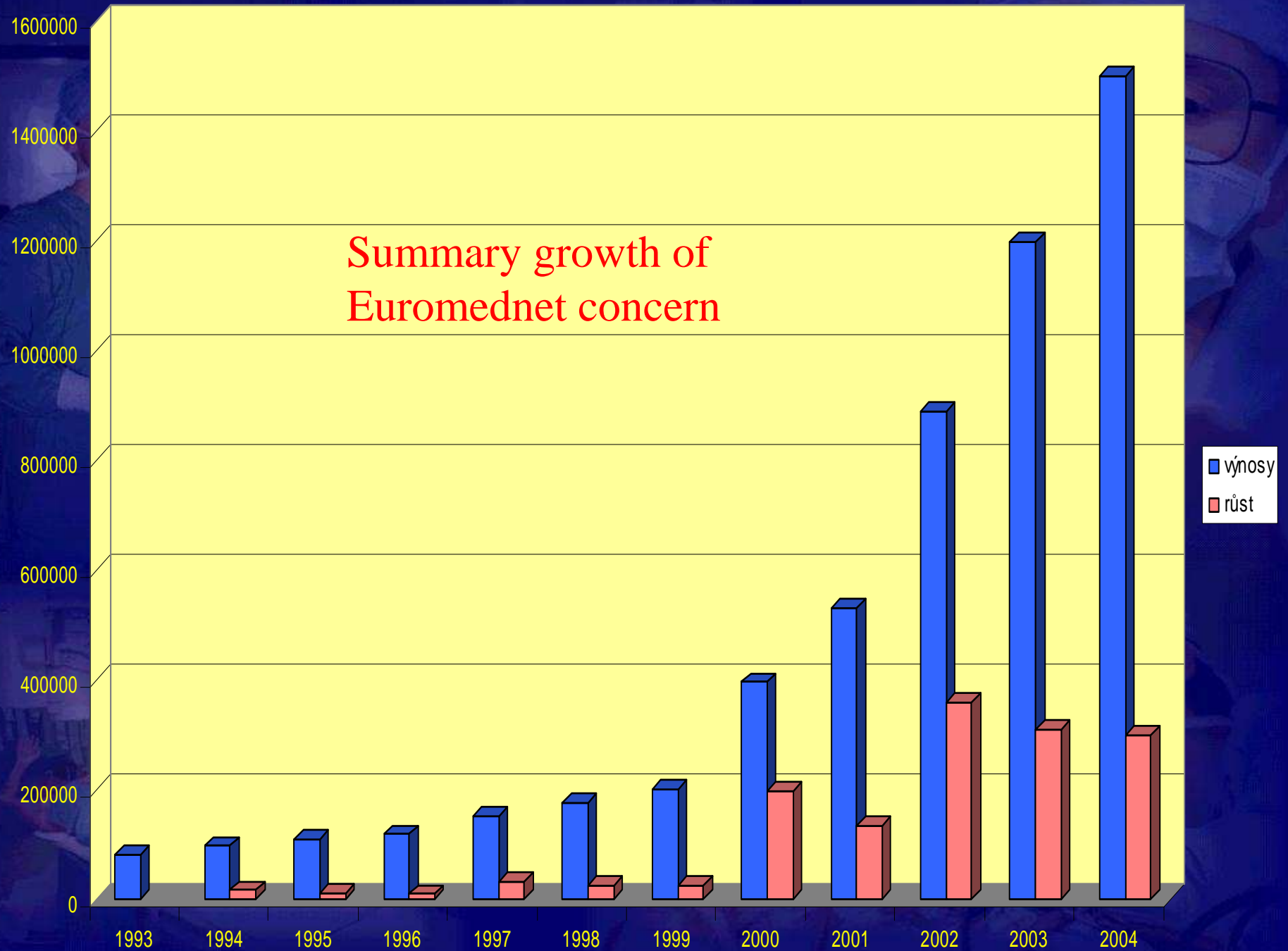


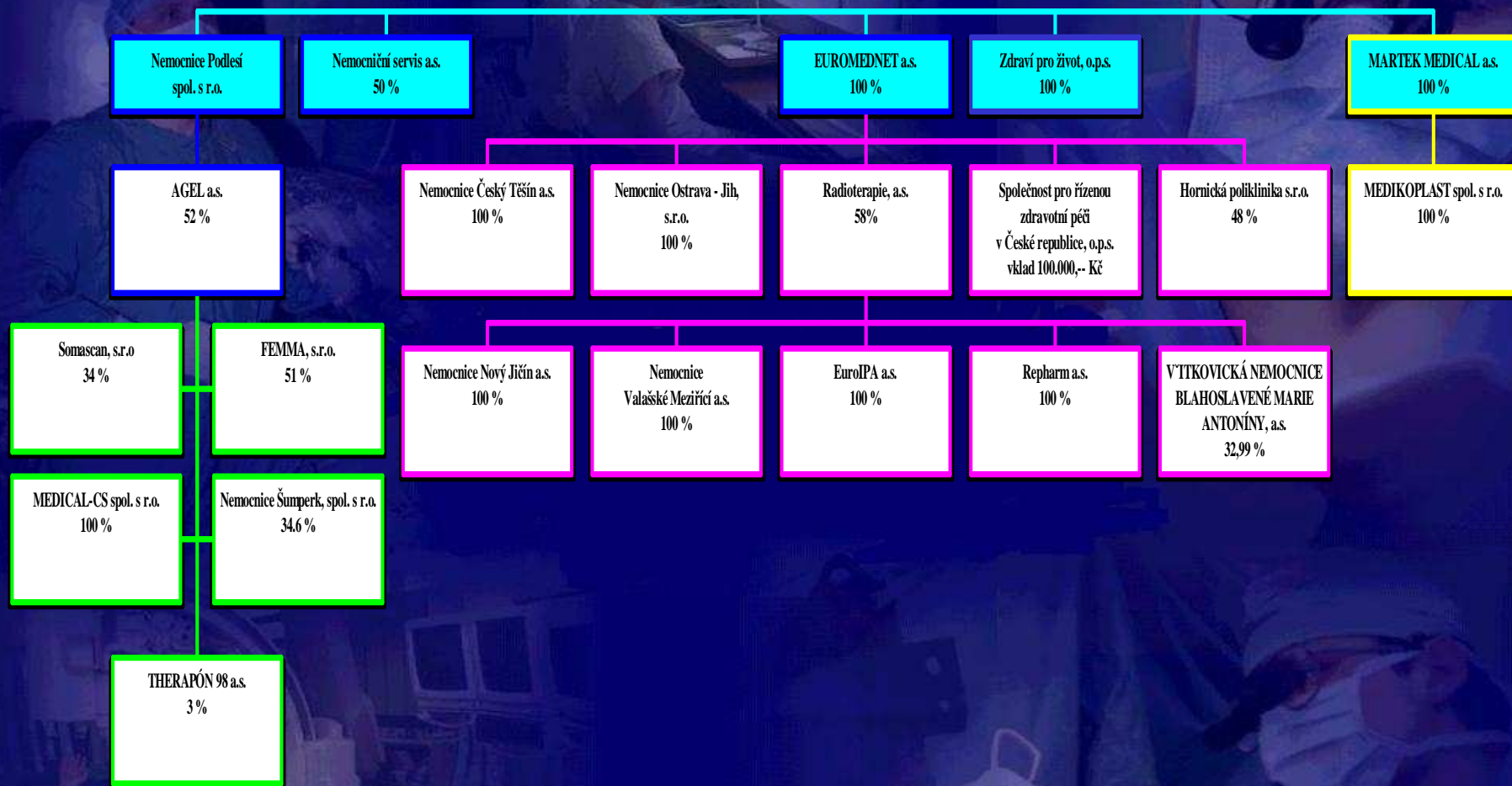


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Summary growth of Euromednet concern







BUT

- Increasing importance in regional health system
- Increasing responsibility for functionality of health care in region
- Try to influence political decisions in health care system to stabilize our companies and to have permission/law to introduce “HMO”



Current major issues

- Growth of Euromednet is a result of great leadership, strategic thinking, effectiveness, efficiency,
- Is a good example to follow
- Growth of EMN is a result of failure of regulations on payer side, failure of government regulations
- Has to be shut down, because other (state owned) hospitals are in disadvantage

Jump to „HMO“?

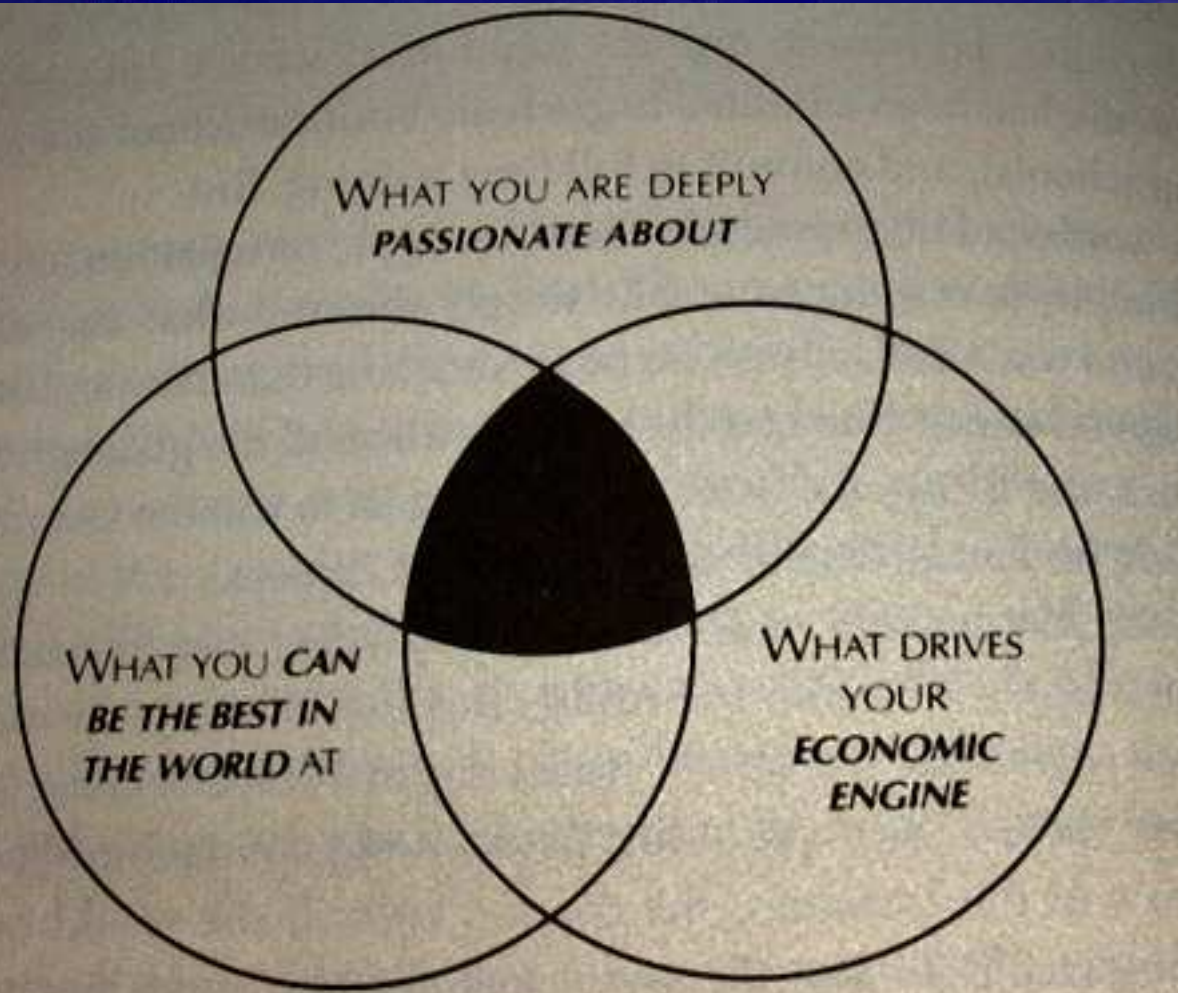
- EMN providers concentrated on strictly regional basis
 - EMN hospitals changed structure to avoid competence
 - Cover more than 85% of services
- It's not our core business
 - Do we have to take responsibility for financial stability of regional health system?
 - No one tree growth to heaven

EMN current development strategy

- Trying to change contracting with social health insurance companies to Risk adjustment capitation payment



- Taking financial responsibility on EMN side
- Trying to take responsibility to set up structure of hospital services in regions to satisfy patients and stakeholders



THREE CIRCLES OF THE HEDGEHOG CONCEPT



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