



# PHM EMERGING MARKETS HEALTHCARE MONITOR

Vol. 4, No. 7

July, 2010

Published by PHM International, Inc.

***In this month's issue....***

*In the What We Learned section, the Louvre Abu Dhabi is delayed and India's organized economic sector represents less than 10% of the total workforce.*

*Chindex is back in the news with a new investor.*

*The MENA region's healthcare sector is maturing and deals and reform efforts indicate such.*

*For the CEE region we see China's influence; the good and the bad. Russia has long ignored its infrastructure needs and this bodes well for healthcare investors.*

*Also this month we have a great interview with Murat Arslanoğlu, Developer of the Uncali Meydan Hospital (formally Konyaalti Hospital) in Turkey.*

*As always, your feedback is appreciated and we look forward to hearing from you.*

*All the best,  
Hank Kearney*

**What We Learned**

Bangladesh,  
Pensions & Whisky,  
Turkey, FDI

**Page 2****Asia-Pacific Watch**

China & Chindex

**Page 5****MENA Watch**

KSA, MENA  
Region, Oman, UAE

**Page 6****CEE-Russia Watch**

CEE Region,  
Romania, Russia

**Page 9****Africa Watch**

Ethiopia,  
Zambia

**Page 12****Miscellaneous  
Watch**

Pharma Pricing,  
Health Costs &  
Budgets

**Page 14****Interview**

Developer of  
Konyaalti Hospital  
in Turkey

**Page 16****Conference Watch**

Global E-Health,  
MENA Healthcare  
Infrastructure  
Summit

**Page 24**

*What we learned last month....*

Back to Table of Contents

**Earth**

*Interesting interface of births, deaths, and CO<sub>2</sub> emissions represented in real time:*

<http://www.breathingearth.net/>

**Bangladesh**

*One in five deaths in Bangladesh can be attributed to arsenic poisoning, according to a new study in the medical journal "The Lancet".*

*Some 10 million hand-pumped wells were dug in the 1970s in an effort to curb an epidemic of waterborne illness.*

*The effort successfully decreased cholera and similar diseases, but a new problem rose to take their place: the well water was contaminated with arsenic.*

**India**

*Workers in the organized economic sector in India make up less than 10% of the total workforce.*

**Africa**

*In 2010, starting a business in Guinea requires 213 days for each procedure; it takes 3 days in Rwanda.*

**Abu Dhabi**

*The main contract award for the Louvre Abu Dhabi Museum has been postponed to August 1.*

*And, there is no update on the main contracts for the Frank Gehry, designed Guggenheim Abu Dhabi Museum and the Fosters+Partners-designed Zayed Museum.*



# International

## Water

*Will water be viewed as economic resource rather than public good? Discussions fast and furious.*

*Is this a prelude to open dialogue on healthcare and health workers as economic resources? This is PHM International's position for past 2 years.*

## Foreign Direct Investments

*The World Bank has released the nifty database titled "Investing Across Borders."*

*Investing Across Borders (IAB) is a new World Bank Group initiative that compares the regulation of foreign direct investment (FDI) around the world. It presents indicators on countries' laws, regulations, and practices affecting how foreign companies invest across sectors, start businesses, access industrial land, and arbitrate commercial disputes.*

*Access at: <http://iab.worldbank.org/>*

## Poland

*The Warsaw Stock Exchange ranked second in Europe in terms of the number and value of IPOs in the second quarter.*

*The bourse hosted 25 market debuts, raising 3.15 billion euros. (Q1: 15 IPOs raised 31 Million euros.)*

*Q2 results mainly attributed to offers of two state-controlled companies, insurer PZU and energy group Tauron.*

## Pensions and Whisky

*Drinks group Diageo will use its own inventory of maturing whisky to shore up shortfalls in its UK pensions.*

*Look to private pension growth for all the same reasons as private healthcare growth: budget deficits (state and private) and changing demographics. Case in point – see Romania, page 10.*



# International

## Asia

*Approximately 550 million people live in Asia's squatter settlements. (Japan excluded.)*

## Turkey

*Companion Global Healthcare of the US has signed a medical tourism network agreement with the Dental Clinic at Anadolu Medical Center in Istanbul.*

*With an average dental charge in US of \$607 per person per YEAR, one does have to wonder who is in charge at Companion for wasting time and energy, and more so, who is in charge at Companion's parent, Blue Cross Blue Shield of George?*

## Military Expenditure

*List of expenditures and percentage of GDP*

	<i>Exp in 2009 – constant prices+</i>		<i>Military expense % GDP – Year*</i>	
<i>USA</i>	<i>\$661 bn</i>		<i>4.06% in 2005</i>	
<i>China</i>	<i>\$100 bn</i>		<i>4.30% in 2003</i>	
<i>France</i>	<i>\$64 bn</i>		<i>2.60% in 2005</i>	
<i>UK</i>	<i>\$58 bn</i>		<i>2.40% in 2005</i>	
<i>Russia</i>	<i>\$53 bn</i>		<i>3.90% in 2005</i>	
<i>Saudi Arabia</i>	<i>\$41 bn</i>		<i>10.0% in 2005</i>	
<i>India</i>	<i>\$36 bn</i>		<i>2.50% in 2006</i>	
<i>UAE</i>	<i>\$13 bn '07</i>		<i>3.10% in 2005</i>	
<i>Taiwan</i>	<i>\$9 bn</i>		<i>2.2% year N.A.</i>	
<i>Poland</i>			<i>1.71% 2005</i>	
<i>Malaysia</i>			<i>2.03% 2005</i>	
<i>Czech Republic</i>			<i>1.46% 2007</i>	
<i>Brazil</i>			<i>1.70% 2009</i>	

+ SIPRI

\*CIA fact book.

### China - Shanghai Fosun Pharmaceuticals Investing \$29.9M in Chindex

Shanghai Fosun Pharmaceutical (Group) Co. agreed to invest \$29.9 million in Chindex International as part of a joint venture combining their businesses making and distributing western and Chinese medicines and devices in China.

Link to the article:

<http://pipes.dealflowmedia.com/wires/article.cfm?title=Shanghai-Fosun-Pharmaceuticals-Investing-299M-Chindex&id=ocwygvctsmqkezf>

This article was listed in the 28 June, 2010 issue of the PHM Emerging Markets Healthcare News Feed.

*Chindex was one of this publication's original interviews. The company is an unusual mix of medical device distribution (its original focus) and hospital services provider. With the growing emphasis on its United Family Healthcare network of hospitals and clinics, we understand the need for unencumbered cash for this capital intensive business.*

*We wrote to Ms. Lipson and received this reply:*

*"...the money raised from the Fosun purchase of Chindex stock will be used primarily to continue the build out of our hospital/clinic network. We believe that as a large shareholder in Chindex, Fosun shares our conviction about the long term opportunity for healthcare markets in China, both in the medical device division and healthcare services sectors. We also appreciate their significant presence and relationships in many different areas of the Chinese economy, particularly in their knowledge of real estate and other aspects of healthcare. The additional capital we will raise through the transaction will also allow us to, among other things, undertake additional United Family development projects currently under discussion, therefore allowing an acceleration of the national roll out of the United Family Brand at the same time that the government liberalizes its policies for private investment in healthcare.*

*Regarding the JV, we are excited about the long term prospects for Chindex Medical Limited, especially given the opportunity in the market and the strong organization that will result in combining both our businesses and our synergistic assets and capabilities. The JV should significantly expand and diversify the product portfolio across the premium and middle markets, as well as across therapeutic areas including surgical, hematological, and dental. This is in addition to our already robust offering. It also leverages the Chindex brand,*



# International

*which is well known in device distribution in China. Lastly, the JV should bring a strong manufacturing presence into the mix, which can be combined with our existing distribution platform to create a powerful presence in a market that is otherwise quite fragmented. The bottom line is that we have high expectations for the long term prospects of Chindex Medical Limited.”*

*We do wonder though what Fosun has in mind? One take might be Chindex Medical’s distribution contracts. This is short term and easily absorbed.*

*But we think it is Chindex’s hospital expertise, its human capacity, and development experience that are likely the real prize here. Fosun doesn’t need Chindex’s hospital network for pharma distribution. But perhaps one day, as owner of the largest private hospital group in Asia? That’s something that just might fit Fosun’s long term strategy.....HK*

## **MENA - Middle East, North Africa Watch**

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Back to Table of Contents

### **KSA - Aramco Signs Medical Services Contract**

Saudi Aramco had earlier signed a contract with Saad Specialist Hospital for the transfer of patients in need of specialized services, and has now signed a medical services contract with this leading specialist hospital that will provide medical services to its employees and their families.

Link to the article:

<http://saudigazette.com.sa/index.cfm?method=home.regcon&contentID=2010070377038>

*Good go for Saad Hospital. All good in signing on Saudi Aramco and other employer contracts. Also all good for the hospital’s accreditation efforts, including Australian Council of Health Care Standards International (ACHSI), the American Association Joint Commission of International Accreditation (JCIA), and the Canadian Council on Health Services Accreditation (CCHSA).*

*Ok. Saad Specialist Hospital is positioning itself the take advantage of changing dynamics in the growing private sector of the Kingdom.*



## International

*But what we find more interesting is an alpha hospital using similar contracting efforts in the frontier countries. We have long commented that healthcare providers in frontier countries supplying services to the extraction industry are of keen interest.*

*Saudi Aramco signing on with a hospital is not news. Saudi Aramco signing on with Saad Hospital is good news for Saad Hospital. Extraction leader signing on with a hospital in say Kazakhstan, now that is great news.....HK*

### **MENA - Munich Re Opening Reinsurance Unit in Dubai**

Munich Re states the office “will service governments and governmental institutions, insurance companies, self-funded schemes and other clients as a holistic one-stop shop to provide individual and tailor-made reinsurance and risk management solutions for the growing health care market in the Middle East and Africa.”

Link to the article:

<http://www.businessinsurance.com/apps/pbcs.dll/article?AID=/20100630/NEWS/100639996>

This article was listed in the 5 July issue of the PHM Emerging Markets Healthcare News Feed

*Look to sustainable health services growth (hospitals, diagnostics) via increased insurance contracting as direct result of improved stability and improved access to re-insurance.....HK*

### **Oman - Public-Private Partnership in Health Service Unveiled**

Under this scheme, nearly 64,000 employees of the Ministry of Education (MOE), including teachers, and students across the country and their families are to obtain advanced and specialised medical services at reasonable prices in Oman, India, and other GCC countries where the hospital has presence.

Marking the first ever Public-Private Partnership (PPP) in the Sultanate's healthcare sector, the MOE signed a Memorandum of Understanding (MoU) with one of the leading private health centres, KIMS Oman Hospital.

Link to the article:

<http://main.omanobserver.om/node/15315>

*After all the talk and hype about medical tourism, after the years of listening to the untold riches to be had by providing face lifts to the rich, here is a story about sound planning and a rational vision of the future of regional healthcare.*

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# International

*This type of deal is in stark contrast to the silliness at Companion Global Healthcare and the Turkey dental clinic. (See "What We Learned, page 4.)*

*Concerted, regional contracting for healthcare services to a fixed population, ie.g. the 64,000 employees of Oman's MOE, is a brilliant move for KIMS Oman Hospital.*

*The IFC's investment in Zulekha Hospital has the potential for Zulekha to take advantage of similar pan-regional contracting. More in next month's issue.....HK*

## **UAE - Federal Health Authority to Revamp Healthcare Sector Nationwide**

The Vice Ruler of Dubai His Highness Sheikh Mohammed bin Rashid Al Maktoum has called on standardising quality of the health and curative services capable of gaining confidence of community individuals, especially those who seek treatment abroad.

"Confidence of a patient in our health institutions and doctors is the responsibility of authority and other competent authorities to curb travel abroad for treatment", he said, reiterating that the Federal Health Authority was set to raise efficiency of the health institutions.

Link to the article:

[http://www.wam.ae/servlet/Satellite?c=WamLocEnews&cid=1278055653021&pagename=WAM%2FWAM\\_E\\_Laout&parent=Query&parentid=1135099399852](http://www.wam.ae/servlet/Satellite?c=WamLocEnews&cid=1278055653021&pagename=WAM%2FWAM_E_Laout&parent=Query&parentid=1135099399852)

*The Sheikh may be considered visionary by some, but for us he is spelling out the harsh realities of the limitations of petro-wealth.*

*Exporting patient care is a short term, unsustainable, and ultimately, politically unwise move. In addition, as we have long written here, exporting patient care is detrimental to a country's economy, and certainly detrimental to a country's domestic health sector.*

*What the Sheikh is stating is smart. A region that has spent sizeable political and monetary capital on building a world class healthcare system can no longer pay its elite to fly overseas for medical care.*

*Visionary? Maybe not. Sensible? Certainly yes.....HK*

*Follow on: The GCC region is slated to become a significant growth market for nuclear power generation. Petro-wealth indeed.*

## Central Eastern Europe - Russia Watch

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[Back to Table of Contents](#)

These three stories related, with commentary following...

### CEE Region - Building a Bridge Across the Danube

A Chinese advance across the Danube is mainly commercially motivated, but its economic support could be a blessing for weakened economies in the region.

Earlier this month the Greek government announced a multibillion-dollar investment agreement through which the Chinese will construct new container terminals and airports and participate in shipbuilding. And some eastern European countries welcome the chance to tempt China away from Asia and Africa, particularly in the sectors of distribution, construction, public services, mining and agriculture.

Link to the article:

<http://www.ft.com/cms/s/0/852f5c12-8251-11df-9467-00144feabdc0.html>

Free registration on FT.com may be required.

### The Emerging Markets of the East

The countries of Central and Eastern Europe and the Commonwealth of Independent States are closing in on global pharmaceutical competition

Gedeon Pharma invested HUF 15 billion (\$103.7 million) in a new manufacturing plant for biopharmaceutical products, including mammalian-cells and therapeutic proteins, in Debrecen, Hungary, in July 2008. The plant, which will create 110 new jobs, is expected to be operational in 2012, starting with clinical trial materials and moving to commercial-scale production in 2014.

Link to the article:

<http://pharmtech.findpharma.com/pharmtech/Article/The-Emerging-Markets-of-the-East/ArticleStandard/Article/detail/631710>

### Italian police raid Chinese criminal gangs

Italian police launched a major operation against Chinese criminal gangs across the country, raiding illegal factories and seizing assets.

Police said 17 Chinese and seven Italians were arrested while 134 others were under investigation. Police also seized 73 companies, 181 properties and 166 luxury cars.



# International

Link to the article:

<http://www.ft.com/cms/s/0/63fb290e-8292-11df-85ba-00144feabdc0.html>

*Will a luxury Cherry automobile replace the Maybach as the vehicle of choice for those waiting outside the casinos of the CEE region?*

*Not likely. But these articles are ultimately stories that will have a profound impact on the region.*

*The initial Financial Times commentary did not bring healthcare into the discussion, but we will. A case can easily be made that as China moves into the number two spot among the world's economies, most likely sooner rather than later this year, healthcare demands will begin to impact its foreign relations.*

*The CEE region is not known for its high volume of skilled exports, but the region does have countries active in health worker exports - Poland and Bulgaria immediately come to mind. As we wrote last month, (and initially, 2 years ago) - we'll paraphrase here, relatively low wage, high skill human capital such as nursing and lab technologists will begin to enter the global trade strategies of many countries, much the same as soya beans and rare earth metals do today.*

*So, might we see countries instituting export quotas on human capital much as China does now with many of its own commodities? This is not too radical a thought. We've already reported early efforts in some African countries to "indenture" healthcare workers for educational expenses. And the Kampala Declaration of 2008, along with The WHO Global Code of Practice on the International Recruitment of Health Personnel, adopted 21 May of this year, are voluntary efforts to curb to this growing trend.*

*We'll get to the point: expect significant migration of skilled health workers towards Asia, right along with pharmaceutical manufacturing supplies.....HK*

## **Romania – Update – Government to Hike VAT to 24% After Court Rules Austerity Cuts Unconstitutional, Romanians Try to Storm Palace**

Romania's centrist coalition government hiked the value added tax by 5 percentage points to 24% on July 1, in a hope to unlock a 20 billion euros IMF-led aid package.

The IMF released 1.5 billion on July 2.



## International

The VAT hike comes one day after Romania's top court ruled against key planned pension cuts, prompting the International Monetary Fund to postpone a June 28 meeting to discuss the country's aid package.

Link to the articles:

[http://www.reuters.com/article/idUSLDE65P07E20100626?loomia\\_ow=t0:s0:a49:g43:r1:c0.307692:b35241442:z0](http://www.reuters.com/article/idUSLDE65P07E20100626?loomia_ow=t0:s0:a49:g43:r1:c0.307692:b35241442:z0)  
and  
<http://www.startribune.com/business/97145314.html>

*On June 25 Romania's court rejected an effort to reduce pension benefits by 15%. This was in response to an IMF demand to bring Romania's budget deficit down to the 6+% range.*

*In these articles we see the government's efforts to gain access to the IMF-EU funds will result in a 5% raise in the VAT to 24%.*

*Ouch. Not only are medical suppliers getting short shrifted by the government, hospitals are being left with shortages of supplies, and now the pricing pressure of a 5% increase in VAT will really slow down healthcare development. This is the reality throughout Europe.*

*Of course, exemptions and reductions in VAT do exist, and retirement facilities are just one example.*

*Romania has about 5.5 million retirees and only about 4.3 million employees. Look at retirement facilities as growth....And not just in Romania.....HK*

## Russia - Infrastructure Funding Is Up in the Air

Faced with a crumbling road and airport network, Russia says it envisages a \$1 trillion construction program to upgrade its Soviet-era infrastructure. Easier said than done.

Russia is hungry for foreign capital and experience, while foreign construction companies, banks and consulting agencies are attracted by Russia's low taxes and relative ease of borrowing compared with many other economies.

Link to the article:

<http://www.themoscowtimes.com/business/article/infrastructure-funding-is-up-in-the-air/408510.html>

*A trillion USD here, a trillion there.*

*Russia Needs \$1 trillion USD by 2013 to restore infrastructure such as rail, schools, hospitals. Current budget can only cover about 1/3.*



# International

*In October of 2008 Russia stated it needed \$1 trillion to modernize its economy.*

*And in November 2003 the IEA stated Russia needs to invest more than \$1 trillion in its oil, gas and electricity sectors through 2030 in order to keep step with the growth in global demand.*

*A trillion here, a trillion there....*

*But Russia's current budget deficit does raise issues. Lame attempts to privatize, via minority stakes in critical infrastructure such as rail and sea ports, are only short term attempts to shore up its books. We think the real issue is the demographic and political forces that have been at play in the past, are in play today, and will be in play tomorrow.*

*It is these realities that point to Russia as one country where we do see spending in healthcare to continue, even accelerate over the medium term.*

*But, and this is an important caveat for investors in Russia's healthcare sector, the axiom that "all healthcare is local" is critical. Local healthcare investments such as clinics, hospitals, and diagnostics are winners. Heavy investments in pharmaceuticals are not.*

*We see the pharmaceutical sector in Russia as a "critical, strategic sector," like rail and seaports. Private investment will ultimately be relegated to minority stakes. How Russia gains control of assets in this sector will not be beneficial.....HK*

## Africa Watch

[Back to Table of Contents](#)

### Ethiopia – City Woos Indian Hospitals to Set Up Branches

Ethiopia wants private Indian hospitals to open branches in that country to provide specialized treatment.

An Ethiopian delegation was in India earlier with the aim of learning from India's health sector and small and medium enterprises.

"In the last seven-eight years, we have been growing at double digits and the middle class has been booming, so people can afford to go out of the country for medical treatment," said Hussien, a senior official in the city administration.



# International

Link to the article:

<http://economictimes.indiatimes.com/news/news-by-industry/healthcare/biotech/healthcare/Ethiopia-woos-Indian-hospitals-to-set-up-branches/articleshow/6064206.cms>

This article was listed in the 28 June, 2010 issue of the PHM Emerging Markets Healthcare News Feed.

*All well and good for the city of Addis Ababa to go in search of partners for healthcare services, but the real task as hand will be staffing the facility(s).*

*We don't see Indian firms, Fortis or others, easily cannibalizing their workforce levels to support small, boutique facilities overseas. But then again, we can image Ethiopia providing significant incentives for just such healthcare staff.*

*The model? Government subsidies and municipal incentives that are now the standard for airlines to serve small airport markets.....HK*

## Zambia - Govt Face Shortage of Staff in Health Institutions

“It is, therefore, our hope that the nurses who graduated yesterday at University Teaching Hospital resist the temptation to ditch Zambia and instead provide their services to locals.

It is worth noting that no foreigner will come to Zambia to resolve the challenges that face the country and the onus is on the citizens themselves to do it.”

Link to the article:

<http://allafrica.com/stories/201006280717.html>

*This is a most interesting article, or rather commentary, from Zambia. It illustrates several challenges and opportunities.*

*But we do take note of the statement:*

*“... no foreigner will come to Zambia to resolve the challenges that face the country and the onus is on the citizens themselves to do it.”*

*Like gold, diamonds, and oil, Africa will increasingly be an extraction source for clinical expertise.....HK*

## Miscellaneous Watch

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### Miscellaneous - Germany to Seize Control of Medicines Prices

Major changes are afoot in Germany, one of the last European countries with ‘free pricing’ of pharmaceuticals.

German Chancellor Angela Merkel has just pushed through a new bill that will oblige pharma companies to negotiate new drug prices based on cost effectiveness.

Across Europe countries are looking to cut healthcare bills, but reducing the numbers of doctors, nurses or closing hospital wards is often politically unacceptable.

Link to the article:

<http://www.inpharm.com/news/germany-seize-control-medicines-prices>

*All in all, I can't blame Germany for this move.*

*Big, old pharma has been reluctant to change its pricing mechanisms. Cost effectiveness pricing isn't particularly new. However, effectiveness pricing isn't done on a large scale and that's because big, old pharma doesn't want to give up the pricing cash cow.*

*But times they are a changing. Let's see if big, old pharma realizes this.*

*Earlier this month Italy's medicines agency announced it will cut prices it pays for several expensive cancer drugs after studies have shown them to be less effective than the manufacturers claim.*

*And the UK's NHS has announced an expansion of effectiveness pricing.*

*Big, old pharma continues to get caught in the past. Another example is “pay for delay,” the practice of paying generic manufacturers to delay introduction of the generic. Pay for delay is simply a lame effort by product managers and executives to ignore the inevitable.*

*Our take is that big, old pharma will use their efforts to expand in emerging markets ultimately as another ploy to delay pricing innovation.....HK*



# International

## Miscellaneous - Rising Health Costs Squeeze National Budgets

Health care costs are likely to continue rising as populations age, technology improves and public expectations grow, the Paris-based OECD said in a report.

The OECD noted that rapid growth in use of diagnostic scans over the past decade has raised concerns that some imaging may not be useful or cost-effective.

Link to the article:

<http://www.businessinsurance.com/apps/pbcs.dll/article?AID=/20100629/NEWS01/100629907>

This article was listed in the 05 July, 2010 issue of the PHM Emerging Markets Healthcare News Feed.

*Very much a double edged sword.*

*We've long touted the changing demographic, political and economic climates of the CEE region as prime for investments in healthcare.*

*And with the global recession of the past couple of years we have promoted the idea that private healthcare has a bright future in emerging markets as government scale back on social expenditures.*

*But as we move forward, and cost cutting becomes the new norm, we do see rational limits on targeted investments.*

*As this article notes, and we agree, some diagnostic and imaging scale back is likely, short of improved efficacy. And certainly not just in OECD countries.*

*Challenges for the likes of Siemens, Philips, Toshiba, and so on.*

*Still in diagnostics and imaging: Reductions and limitations on reimbursement likely by social health funds. Challenges for the likes of Euromedic, Gulf Capital's Technoscan, and many, many more providers.*

*But we do see advantages for private providers that work closely with the employer segment. As wage pressures continue, private employers will look to private medical benefits as a negotiating tool. This is a further advantage to those medical provider groups and networks that have cultivated a strong pre-paid environment, e.g. Luxmed Group and pan-Europe provider Medcover.*

*We see PPPs providing services in preventative and community health to remain largely unaffected. Some say this is contradictory, we say it is the politics of healthcare.....HK*

## Interview

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Interview with Murat Arslanoğlu,  
Developer of the Konyaalti Hospital (now Uncali Meydan Hospital)  
Director  
Fempa Ltd.Şti.  
Antalya, Turkey  
[www.antalya-assistance.com](http://www.antalya-assistance.com)



Murat Arslanoğlu

1 July, 2010

### **Background**

#### Fempa Ltd. Şti:

Fempa, Ltd. was stated in 1992 in Central Antalya, Turkey. Antalya is a south coast city in Turkey, in a region known as the Turkish Riviera.

Fempa has been offering medical assistance and funeral repatriation services for 18 years. It has a 24/7 multilingual call center and works with insurance companies, international assistance companies, and international funeral companies around the world, and embassies and consulates in Turkey.

The Antalya region received 7 million foreign tourists came last year, mostly from Germany, Russia, United Kingdom and other European Countries.

Antalya Assistance is used as a trade mark of Fempa Ltd.

#### Murat Arslanoğlu, Director of Fempa:

Mr. Arslanoğlu is a chemical engineer (Istanbul Technical University) and joined Fempa in 1997. He was instrumental in expanding Fempa's offerings to its present range of services, the trade mark name "Antalya Assistance," and its IT expansion. .

Murat was lead director and responsible for the development of Konyaalti Hospital Project between 2006 and 2009. In this role Murat was in effect, the project manager, managing all details including site selection, architectural project, construction, permissions, financial flow and licensing from the Ministry of Health.

Murat Arslanoğlu was invited to European Federation of Funeral Services Board in 2003. He is the first Turkish Member of the federation and the board. He also was the first Turkish Member of European Norms –Repatriations Committee of the federation. He still keeps his position.

*Editor note: Mr. Murat Arslanoğlu and Hank Kearney have known each other for the past decade, having met by way of the Global Health Access® medical tourism project started by PHM International in 1999.*

## **Interview:**

Interviewer, Hank Kearney (HK): Good afternoon Murat. Good to talk with you again. As I mentioned, we are here to talk about the hospital build project in Turkey, your role in leading this project, and how it was successfully sold off.

Can you tell me the name and location of the hospital?

***Murat Arslanoğlu (MA) The name we used in concept, development and initial operating was Konyaalti Hospital. Today, it is known as Uncali Meydan Hospital.***

***The hospital is located in the Uncali locale of the Konyaalti region of Antalya, in Turkey. Hence the name Uncali. Meydan name is the name of the current owners.***

HK: And that is my next question, Murat. Who owns the hospital now?

***MA: The Meydan Group from Turkey owns the hospital now. They purchased our company “+90 Inc.” in 1.08.2009.***

***Fempa formed +90, Inc. to develop the hospital, and Meydan Group purchased the company.***

HK: We’ll discuss the planning and building of the hospital in a moment. For background Murat, would you please describe the finished hospital?

***MA: Certainly. In short, the hospital has:***

- ***29 beds, (20 private rooms, 2 rooms with 2 beds, and 5 intensive care beds.)***
- ***2 Operating theaters, 1 Delivery Room.***
- ***12 clinics - General Surgery, Internal Medicine, Cardiology, Neurology, Dentistry, Pediatrics, Anesthesia and Reanimation, Emergency Medicine, ENT, Orthopedics and Traumatology, Ophthalmology, Urology.***





# International

- *Internal Intensive Care Unit, Surgery Intensive Care Unit, Neonatology (Newborn) Intensive Care Unit.*
- *Radiology and Laboratory, including CT, X-ray, ultrasound, mammography, EEG, etc.*
- *Kitchen, partial laundry, and a 23 space outside car park.*

*The space consists of 4,750 sq. meters of building and 1,750 sq.m of land. There is one floor underground of approximately 1,000 sq. meters and is used for OR, Delivery, and Intensive Care.*

HK: Can you tell us why you selected these services below ground level?

*MA: Yes, the reason is basically hygiene. The deciding factor was the costs and effort to maintain these “clean spaces” and an environment with no windows and limited access was determined to be advantageous.*

Background note: The Turkish Ministry of Health (MOH) developed a new classification of hospitals after the Konyaalti Hospital was completed. Today, all hospitals in Turkey are rated from A to E. This hospital is classified as “C.” An “A” hospital is specialty hospital and “B” hospitals are classified on size and range of offerings, similar to “C” but larger.

HK: Can we talk about the costs to build and financing arrangements?

*MA: Certainly. For this hospital, we used long term leasing, credit, and the equity of our parent company, Fempa Ltd.*

*In short the breakdown is:*

*Long Term Leasing: 2.000.000 USD (equipment & machinery, and IT.)*

*Bank Credits: 1.150.000 USD*

*Equity of Fempa Ltd.: 1.200.000 USD*

HK: Murat, the medical leasing total seems a bit high in relation to construction and operating capital. Would you please explain?

*MA: Actually, the leasing budget is low. Let me explain...the leasing budget isn't just medical equipment, it also includes the IT systems and building systems such as electrical (generators) lifts, HVAC, and so on.*

*In fact, there was some medical equipment we did not bring into the hospital, due to our low budget.*



# International

*The other 2+ million USD was for land, construction, licensing, operating capital.*

HK: What are the staffing levels, for instance how many employees are there? Doctors, nurses, etc.?

*MA: Total employees is 72. There are:*

*Doctors : 17*

*Nurses : 35*

*Technicians : 5*

*Other : 15*

HK: Murat, in planning the hospital, what was the focus of staffing the hospital: For instance, did you already have contracts with doctors? How did you find nurses? Was this done prior to opening the hospital? And can you tell us about your recruitment efforts?

*MA: Yes, we already had contracts with Chief Doctor and his assistant. Planning of the hospital, choosing of the doctors and nurses are very important duration. According to the regulations, a doctor is able to sign full time contract with one medical center. It is not possible to work with another at the same time. We have not come across any problem to find nurses. On the other hand I cannot say the same for doctors.*

*The Chief Doctor and assistant of him are in charge of the license process. After checking of the hospital by Ministry of Health, Chief Doctor then prepares his doctors list to give local office of Ministry of Health.*

*We did doctor transfers from one local hospital in Antalya.*

HK: What information systems were put in place to help run the hospital? What was good, not so good....

*Editor's note: MEDULA is the Turkish IT system for social insurance reimbursement, eligibility, etc.*

*MA: There are different systems as you know help to run the hospitals. In the mean time, in Turkey, 6 years ago private hospitals started to accept patients with social insurances like SSK, Bagkur, Emekli Sandığı etc. For that reason, we have chosen the compatible system with MEDULA. Medula means online connection to social insurance system of the government. When any patient comes to admissions desk in the hospital, it is possible to take online instantly confirmation from MEDULA via ID Number of the citizen.*

*This also allows us to charge for patient co-payments. Co-payments and reimbursement from the government are based on the hospital classification.*



## International

*Private insurance companies do not use MADULA, and hospital can install separate IT systems with each private company. Often times, with private insurance the information is transferred via FAX.*

*MEDULA was one of the driving forces behind building the hospital. With MEDULA you have an instant customer base from the Turkish population. Cash is not necessary.*

HK: Let's take a step back in time. I'd like to hear the story behind the hospital and know this will be of keen interest to our readers. How did an assistance company and funeral service make the leap to developing a state of the art hospital?

*MA: Obviously tourism was constantly increasing in these last years. It was necessary to make investment concerning our business. At the time we already had working relationships with international companies, and we are based in tourist area. Initially our aim was build a village for elderly foreign people. However, there were some regulation changes for hospitals. Also we had a plot of land which was suitable for a hospital. In addition, another reason to choose this investment was the development MEDULA.*

*I suppose our existing work relationships with international companies on behalf of their clients minimized the risks of the market and provided confidence for creditors.*

HK: Murat, now we'll talk about the market in Antalya, and Turkey at whole. How do you see the market change, grow, etc.?

*MA: As everybody knows, Turkey is a bridge between Europe and Asia. In this year 2010 I would like to remind you that Istanbul is a Culture Capital of Europe. It is possible to see many attractions via Bosphorus. According to Ministry of Culture and Tourism statistics, in 2007, 23 million, in 2008, 26 million and in 2009, 27 million foreigners visit our country. These statistics are affecting our market. Companies prepare plans for these conditions. We needed to evaluate our market from 2 various view. Health Tourism and Tourist Health.*

*Health Tourism concept is quite new in our country. Travel agencies and some hospitals in Antalya and Istanbul work to raise the market, however, it needs time to achieve success.*

*Tourist Health is related directly to tourism activities. It is growing fast. Due to the fact that other market regions have a direct link with Turkey is positively affected.*

*The next 10 years are very important. As you know Turkey has commenced negotiations with EU. If Turkey accomplishes this process tourism and health markets will grow rapidly.*

HK: Does the hospital work closely with any EU, US or Middle Eastern academic or accrediting organizations?



## International

*MA: We were planning to apply for TUV Certificate; however the selling duration had started before we applied for certificate.*

HK: What is or was the plan to install any particular clinical specialties?

*MA: In the plan in fact there was a heliport on the top of the building. We got permissions from civil aviation, local government and military office. However, we could not succeed to get license from local municipality, due to intensive life zone. Today it is only available for use in emergency situations like earthquakes.*

HK: So, does the hospital have an emergency-trauma departments? As you know, in nearly any health care market this service is likely a loss-leader at best, a significant drain more likely. How does the hospital manage the patient load that comes in to the emergency room?

*MA: The Emergency Department is an obligation for constructing medical centers. General practitioners are kept on staff 24/7 and specialists doctors are invited (“on-call”) if it is essential.*

*However, MEDULA restricts payments in general for emergency. There is no extra payment for emergency care. And yes, it is a loss maker. But, and this was important, as this is in tourist area we are able bill private insurance for the emergency department care, such a car crashes.*

HK: Here we will talk about how the hospital got a contract with government. Do you provide government sponsored services?

*MA: As I mentioned before, if a patient has social insurance you can take advantages of any private hospital with your ID Number via MEDULA and paying small amount price difference, a co-pay.*

HK: Does the hospital have any contracts with private insurance companies?

*MA: In our country, there are many private insurance company, like Axa, AIG, Eureko, Maphre etc. Before we sold the hospital, all private insurance agreements had been signed.*

HK: How big is “private pay”?

*MA: By private pay I think you mean that patients without any insurance have to pay directly to the hospital. It is not common among Turkish population. Generally everybody has social insurance. If not, clients pay invoices from Turkish Medical Association price lists. This price list is also used for foreign insurance companies by hospitals.*



## International

*But, we are in a tourist area and many tourist do not have private insurance. In this instance, we can collect via wire or credit card, but these are limited amounts.*

*If funds are not available, sometimes the patient is not released, but this is not the case in Uncali.*

*And of course, unpaid balances are not taxed.*

HK: Who is the typical patient at the hospital?

*MA: The typical patient in hospitals is one you can easily understand. They come earlier and visit clinics one by one. Routine visitors are the typical patients.*

*The mix is approximately 85% Turkish and 15% expats and tourists.*

*Some regions are only for tourists and have no local patients. For example, the Belek Golf region has a large number of 5 star facilities or villages, and the hospitals are providing services only to tourists in these facilities. This is an example of tourist health.*

HK: How long, from idea to completion did the hospital development take? We'll talk about time frames and challenges here. For instance, was an outside consulting firm hired?

*MA: From idea to completion took 5 years. It is long term. For example you need proper plot of land to build hospital. Type of the plot of land is important. We did change type of the plot of land from local councils. That took 1 year alone. During this process of course, we spoke with some consultants and companies. In this point I need to say Hank, I was emailing with you during this construction and I have to confess, your approach and your digital publications supported me very much. Thanks for this.*

HK: That's nice to hear. What many do not understand is the enormous amount of work, time, and effort that goes into planning and building a hospital, regardless of its size.

What was the reason for selling the hospital?

*MA: Fempa decided to sell the hospital, due to the fact that operating expenses were going to increase and it was necessary to find at least a partner for the hospital. We chose to sell all shares to the buyers.*

HK: What, plans, if any, are in place to do another hospital? Do you get asked by investors to build other hospitals?

*MA: From now on, we do not think to invest again hospital in Antalya. This is because the big companies and hospital chains have, and continue to make serious investments in Antalya.*



## International

*These big conglomerates of Turkey now control the market and companies like Fempa are no longer competitive in our local hospital market.*

*Also, about 2 years ago, the MOH put on hold new hospital applications and instituted a review system. (e.g. A type of “Certificate of Need.”)*

*On the other hand, as Antalya Assistance we plan to explore the Caucasus countries for any opportunities. I have been in Kazakhstan, Kirgizstan and Tajikistan last year and will go again.*

*After the sale of the hospital, I took a bit of vacation and combined with an explore trip. I believe these regions will be important over the next 15 years or so. Particularly Kazakhstan. I did make a couple of quick visits to hospitals and ....there is a need for professional expertise in these countries. Some clinics and medical centers were owned by oil companies.*

*There is much to learn.*

HK: What political challenges were involved in planning and then building the hospital? Did you received any support from the EU? NATO? Etc?

*MA: Regulations are constantly updating. It is often. But I can not say political challenges were involved in planning and building.*

*At opening ceremony, some EU Countries Representatives supported us by visiting our hospital.*

HK: And has there been any interest from Asia?

*MA: There are some Chinese businesses in northern Turkey, the mining region. Very little in our region though. In Antalya region we have business and interest mostly from Europe and Russia. Very little from Middle East now, years ago yes, from Syria and elsewhere, but now little from Middle East.*

HK: Murat, again it is a pleasure to talk with you. Thank you for your time and insight in what is sure to be a very interesting future for hospitals in Turkey.

*MA: Thank you.*

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