

THE IMPLICATIONS OF THE CRISIS OVER THE ROMANIAN HEALTH SERVICE MARKET

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Abstract

Despite the recession, in Romania, there are several sectors in Romania which have registered a growing cadence during the first semester of 2009, compared to the same period of the last year. According to some studies, the most important industries in the local business environment identify 6 markets with an advance reported in the first 6 months of this year.

Health services organizations are active in a dynamic environment, which creates diverse problems, but also offers opportunities. Obligated to adapt to this environment, to cope with the appearing changes, the organization must have a perspective vision, all its stocks must be subordinated to this vision in a unitary policy, the marketing policy. The marketing mix takes account of how the resources of the organization are trained, the proportions in which they will enter the global effort of the enterprise, to reach the desired effects.

Key words: crisis, services, strategies, marketing

The substantiation of the product policy is based on the content of the product and is materialized through the formulation of objectives and strategies aiming at the product in its ensemble and at its structural components. As an element of the marketing mix, the product refers to the finality of the organization's activity.

In health, there are several factors involved in projecting the offered product, mac-

ro and micro economically : The Ministry of Public Health, the organizations, the doctors ,and the customers. The content of the product is expressed by the defintory elements of the services approached in the marketing optic.

The basic product¹ is the reason of the organization's existence on the market, being the result of the utility-generating activities meant to satisfy the need at the base of the manifested behaviour (prevention, treatment or recovery in medical units).

The health product is by excellence a global product, made from a series of inter-dependent services, mostly included in the object of activity of any organization. Its components can theoretically be incorporated into the company's offer separately.

Thus, there are private assistance medical facilities, specialized facilities, hospitals, ambulatory centers, etc.

In a first approach, product strategies aim at quality, differentiation and productivity.

Quality is the base of the product policy in health, being impossible to separate from utility, a definitely element. Raising productivity is another direction of action and it is based on the perishability of the services, the impossibility of stocking and delivering them in the moment of the request. From this reason, the request and the consumption are realized in a waiting time, which affects the quality and quantity of the delivered services.

The differentiation of services is a way of positioning the product on the market. It appears as an effect of the intangibility of the services and it is imposed by the necessity of assuring a distinct representation reported to similar products.

In health services, differentiation strategies used by organizations aim at:

- The operational advantage-customers are given reliable, easy to obtain services;
- Getting close to the customer -profound knowledge of customers and the ability to respond rapidly to their specific needs<
- Advantage through product-offering new services, with a superior utility to those of competitors.

¹ Radulescu ,V.-"The marketing of health services",Uranus Publishing House, 2008

The formulation of price strategies in health services is still regarded by some specialists as inappropriate, because in organizations in this field, except for private units and certain health services which are not financed through insurance companies, price as a marketing instrument plays a minor role due to the intervention of the third party payer (the buyer of health services).

In these services, although the customer is the beneficiary, they do not pay directly for the service, but through health insurances previously done. Therefore, a series of factors are involved in establishing the price for health services, among which: national insurance houses, private insurance societies, the Ministry of Public Health, private companies etc.

The main forms of payment for health services are:

- Social health insurance;
- Private health insurance;
- Direct payment;
- Co-payment.

Social health insurance - the financing principle through the third-party payer/buyer is as follows: individuals regularly pay the buyer a certain amount of money (even if in that period they don't use health services), and when the buyer receives medical services, the payment for the caregiver is made by the third-party person, from the funds collected in time.

Direct payment- If the required services are not in the contracts with insurance houses, they are paid directly by the patient, who takes both the risk of getting sick and the financial risk.

Co-payment is another very common form of payment through which the patient has to contribute financially to a part of the cost of the received health services.

The perception of the price by the customer is different from the role that the performer gives to it, for three reasons: the information the customer has about the price, the price as an indicator of quality and the role of non-monetary costs.

The information the client has about the price can be found in the reference price, defined as a price known by the customer, based on the last acquisition, the most

frequently encountered price, or as an average of all prices paid for similar services.

Price as an indicator of quality depends on numerous factors: the quality of information about services and price, the promotional politics of the organization, the risk associated with acquiring the service determined by the customer's ability to appreciate quality.

Non-monetary costs are reflected in the time, the effort and the discomfort associated with the search, the buying and the use of the service. The customer calls these costs “effort costs” or ‘stress costs’.

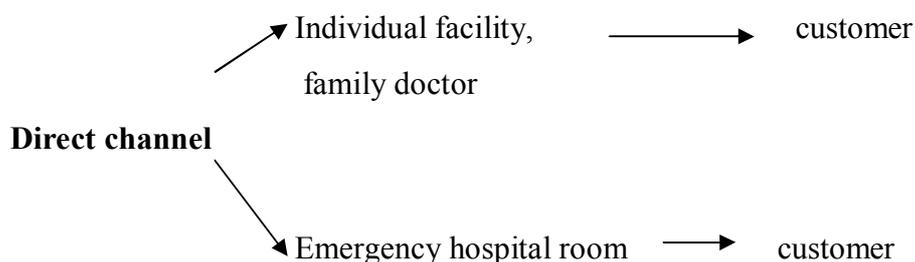
For health services financed through social insurance, the customer isn't interested in the price itself, but in the non-monetary costs they have to pay, and if the payment is direct, the 2 types of costs can be situated at the same level.

The mode of formation of the prices is another criterion according to which the price strategy can be formulated. Thus, there are 3 types of strategically orientations:

- cost orientation
- request orientation
- competition orientation.

In first-sight health services, there's the impression that distribution is inexistent, which is why a series of authors diminish its role in the marketing mix. In truth, distribution has a role of its own, determined by the specific mode in which the encounter of the performer with the customer is realised. In consequence, distribution in services can be defined as the totality of the activities taking place in the space and time which separate the performer and the customer.

The characteristics of health services determine that in most cases, the channels used should be direct, especially in services offered by primary assistance, but certain authors consider that special services are performed through indirect channels.



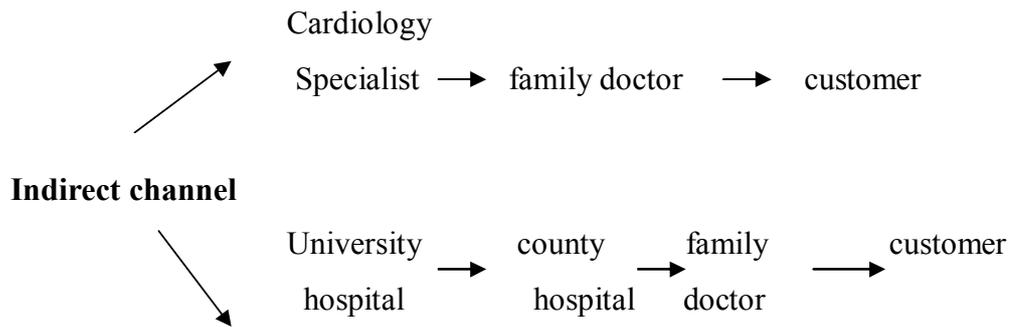


Figure nr. 1. Types of channels used in health services

Source: Violeta Radulescu, "Health Service Marketing", Uranus Publishing House, 2008

Among the few who can make their results public with a smile on their faces are the leaders of great clinic chains, who claim that along with increased profits, they have optimistic predictions for the following half of the year.

The first 6 months of crisis in 2009 do not seem to have affected the business of private medical service operators, as shown by the results recently published by Medlife, Centrul Medical Unirea (CMU) and Medsana, top players on the market in this domain.

The situation shouldn't be generalized, because the first half of the year was a profitable period for the reassessment of the private medical service market, in the way that small players suffered, from lacking finance sources, a business downfall who got many out of the circuit, and the great operators continued consolidating their business, with increased caution towards the new projects.

The segment most affected by the crisis is that of services reimbursed by Health Insurance Houses, and especially that of laboratory and imagistic services. There are firms which have invested in laboratory and imagistic last year, relying on a history of uninterrupted growth of insurance house funds. The end of grace periods for equipments coincides in these cases with the cutting of insurance house prices, with a sometimes disastrous effect for the cash-flow of these clinics.

To the executive of CMU, the conclusion is clear: only the providers of medical services which have a major income component coming from private payments (individual or corporative) can successfully resist the crisis.

As shown by the results of great players, the retail segment (patients who aren't subscribed to the clinic) hangs heavily in the cashing of clinics-this means 60% of MedLife's total and 30% of CMU's total, and the tendency is of continuing increase.

In crisis conditions people tend to only give up luxury services, those goods and services which confirm a status and aren't necessary, but medical services do not fit in this category and no one can afford to postpone a visit to the doctor until things get worse and the best economy is a preventive attitude towards one's own health. As for corporate subscriptions (paid by companies for their employees), medical subscriptions continue to be an important extrasalarial benefit for employees, especially because they can be an important stimulant, in case others are lacking.

In these conditions, the executives of great medical clinic chains estimate that the private service market has increased with 20-30% in lei (10% in euro), and the perspectives for the whole year indicate a total of 430 million Euros, which would mean a 35% advance compared to last year.

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