



CASE STUDY

# Outpatient in its DNA

MedLife: Changing the Culture of Healthcare in Romania

March 2017

## **ABOUT IFC**

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on leveraging the power of the private sector to tackle the world's most pressing development challenges. Working with private enterprises in more than 100 countries, IFC uses its capital, expertise and influence to help eliminate extreme poverty and promote shared prosperity.

## **ABOUT THE CASE STUDY**

Expanding access to quality and affordable health care is a central element to eliminating extreme poverty and promoting shared prosperity. The World Bank Group has a goal to end preventable deaths and disability through Universal Health Coverage (UHC). In many developing countries, governments do not have the capacity to service the entire population and private health care providers often play a critical role in meeting societal needs.

IFC's health practice is developing case studies that demonstrate the ability of the private sector towards achieving global and national health care goals. Through a focus on efficiency and innovation, certain business models can provide better outcomes at a lower overall cost to society.

## **WRITTEN BY**

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## **ACKNOWLEDGEMENTS**

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# “FOREVER THANKFUL TO THE PEOPLE AT MEDLIFE!”

*“All of a sudden, Aneliss rolled her eyes to one side, as if she didn’t know where she was, and began to vomit. She started to cry and then went into a strange state, she was just staring aimlessly,” explained her mother, Diana U. Her frail daughter, just barely 13 months old, went on to have a seizure. Her mother had suspected that something was not right with her daughter since she was born. Early on, she had bags under her eyes and when she was nine months old, small veins appeared above the bridge of her nose and her eyes had swollen significantly. Blood tests did not reveal any particular issue but her mother was worried that the veins might burst, so they were very careful when handling her.*

The parents had planned on taking Aneliss to be seen in Bucharest, where there is better quality care, but after this seizure they called 112 and took her to the emergency room in Constanta. A CT scan showed that there was a brain hemorrhage which could not be treated locally. The neurosurgeon referred them to a public hospital in Bucharest. At 4:00 a.m., they arrived and the doctor told them to “enjoy it while it lasts; we don’t know what could happen later.” Those words were very jarring to the parents, and the mother responded by saying, “Doctor, I have no intention to bury my child.” That doctor ultimately referred them to Dr. Ștefăniță Dima at MedLife.

In addition to the MRIs and CT scans that had been done, Dr. Dima ordered an angiogram, which provided a very clear view of what was happening. Dr. Dima told the parents that they were dealing with a very rare condition—*pial para-galenic arteriovenous fistula*—a type of venous aneurysm, which compressed the nerves and reversed the blood flow. This caused the epileptic seizures and the eyes to bulge. This was the first case in Romania and there had only been six such cases in the world.

Aneliss needed brain surgery. The father cried for two days in a row fearing that they would lose their little girl, but the mother told him she did not accept that—whatever happened, she must live. It was an emotional roller coaster for them given the complicated nature of the surgery. The medical team inserted metallic spirals (coils) that corrected the aberrant communication of the vessels at the site of fistula and a resin consolidated the entire structure, allowing the blood to resume its normal flow.



Photo © MedLife

Twenty years ago, the brain surgery that saved Aneliss’ life would not have been possible in Romania but MedLife successfully cured the little girl’s rare condition.

The surgery, which was done in September 2016, was a success. It was the first of its kind in Romania and Aneliss' case was the seventh in the world to be treated with modern techniques since 2010. Aneliss woke up without any complications, was much livelier than prior to the surgery, and had a big appetite. Reflecting on the experience, Diana said, "We found a team of consummate professionals at MedLife, who helped my daughter become a normal child. She is laughing again and wants to get up and walk—she had started to walk right before her first seizure. I'm happy and can't wait to take her home! We are forever thankful to the people at MedLife!"

Twenty years ago, such a complex surgery would not have been possible in Romania. Mr. Mihai Marcu, Chairman of the MedLife Board, explains, "MedLife was able to successfully address this case because of the high level of quality of our medical team and the state-of-the-art technology in which we are always investing in. This positions us to manage an increasing number of high complexity interventions, which are comparable to the procedures performed in high-ranking hospitals abroad."



**Mihai Marcu**  
**Chairman of the Board**

In 20 years, Medlife dramatically elevated the availability and the quality of healthcare, bringing it out of a communist era mentality and infrastructure and demonstrating that the private sector can provide effective medical solutions.

MedLife, S.A. is the leading private, for-profit healthcare provider in Romania, serving over 2 million patients annually with 3,300 employees, of which nearly 2,000 are doctors and 1,000 are nurses. MedLife has achieved such market penetration by offering "a one-stop shop" approach for patients through a network that integrates 37 outpatient clinics, 8 hospitals, 3-day care units, 26 laboratories with 143 sample collection points, 10 pharmacies, and 8 dental clinics. Its corporate subscriptions, pre-paid employer provided healthcare packages for employees, have reached over 500,000 individuals. Most of its patients are seen on an outpatient basis.

In 20 years, MedLife dramatically elevated the availability of quality healthcare, bringing it out of a communist era mentality and infrastructure and putting its services on par with several of its European neighbors. It has demonstrated that the private sector can be trusted to provide effective medical solutions. MedLife has become the leading healthcare provider in Romania by offering innovative, effective, affordable, and good quality healthcare.

The company has established a geographic footprint in about half of Romania and it has reached 80 percent of inhabitants in the areas where MedLife has a presence. Over a period of 20 years, it has provided medical services to over 5 million unique patients—this accounts for about 25 percent of the overall Romanian population. It is quite rare for a single private health service company to have treated such a large share of the country's population. In addition, 70 percent of its patients are women.

IFC played an important role in MedLife's growth and expansion through different stages of its development. In 2005, IFC took an equity stake in the company with a \$5 million investment and a EUR 5 million (\$6.23 million)

loan.<sup>1</sup> This was later followed by two separate loans over the next decade totaling EUR 20 million (\$24.3 million) from IFC's own account. In addition, in 2011, IFC mobilized a EUR 40 million (\$55.6 million) syndicated loan. In December 2016, IFC supported MedLife in going public. It was the first healthcare company to be successfully listed on the Bucharest Stock Exchange. In 13 years, the company's revenues have skyrocketed. In 2003, the company's revenues were \$1.5 million and as of December 2016, they rose to an estimated EUR 116 million, (\$128.3 million).

<sup>1</sup> Foreign exchange rates were as follows: 2005 = US\$1: EUR 1.246; 2010 = US\$1: EUR 1.327; 2011 = US\$1: EUR 1.392; 2016 = US\$1: EUR 1.106. Source: Reuters.



## TOP 3 SUCCESS FACTORS

Becoming the largest private healthcare provider in Romania was made possible in large measure because of its hyperclinics, its focus on the patient experience, and its pioneering attitude.



### HYPERCLINICS

MedLife introduced the “hyperclinic” concept to the Romanian market. A hyperclinic is a very large clinic that treats a number of medical issues on an outpatient basis. This concept was revolutionary in Romania at that time. Romanians had believed that the hospital was the only place to get problems solved, because communist medical systems were typically hospital-centric.

The hyperclinic brings together a number of medical specialties under one roof and compliments high medical quality with state-of-the-art diagnostic and treatment equipment, labs and pharmacies. With its “one-stop shop” model, MedLife helped change the culture in Romania toward a greater acceptance of medical solutions that can be done on an outpatient basis. The hyperclinic is the gateway and referral coordination hub for its other health services.



### PATIENT EXPERIENCE

MedLife fosters a medical culture that is focused on the best care experience for the patient. For many Romanians, this begins through employer-based corporate subscriptions that provide access to MedLife doctors for annual exams and basic care. If issues are identified, care is escalated to the next tier, typically an outpatient clinic. Across its network, it improved the patient experience by standardizing care and covering a large number of specialties—ten of which are specialized niches.<sup>2</sup>

It attracts qualified doctors and is constantly increasing capabilities. It provides a clean medical environment and has a very low infection rate. It eliminated the “grey envelope,” a widespread practice in public hospitals where patients are expected to make informal payments to doctors prior to receiving treatment. It eliminated this practice by hiring doctors directly and paying them well. Unlike at public institutions, everything the patient needs for treatment is provided by MedLife on site, without the need for the patient to provide medications and medical consumables in order to be treated. It has gained patient trust in a country grappling with corruption and has built a strong brand based on its good reputation.



### PIONEERING ATTITUDE

MedLife was convinced that they could do better than the status quo in the post-communist era and they introduced a number of firsts in Romania. They were the first to introduce the hyperclinic concept, the first to offer a fully integrated solution for patients on site, the first to open a private hospital for Romanians, not just expatriates, the first to hire their own doctors as employees, the first to offer transparency in pricing for patients, the first to introduce the day surgery model in Romania, and the first healthcare company to successfully publicly list on the Bucharest Stock Exchange.

While some of these features may have already existed in other parts of the world, MedLife was the first to introduce them to the Romanian market and did so successfully. These efforts helped to change the culture of healthcare in the country. It shattered stereotypes and redefined patient expectations. It proved that the private sector has the power to safely resolve medical problems from the simple to the complex—with quality care.

<sup>2</sup> Aesthetic and reparatory surgery, thyroid surgery, assisted human reproduction, gastroenterology, maternal-fetal conditions, proctology, psychiatry, and psychotherapy.



Photo © MedLife



# FROM A TWO-BEDROOM MEDICAL PRACTICE TO A HEALTHCARE NETWORK

Seven years after the fall of communism in 1989, market reforms began to allow the establishment of private medical practices in Romania. At that time, Dr. Mihaela Marcu Cristescu, a well-known pediatrician was one of the first movers to establish a private sector practice. She opened a small clinic in a two-bedroom apartment in Bucharest where she offered pediatric and gynecological services, as well as general examinations. The clinic was called “MedLife.” Three years later, she expanded the practice to include additional specialties of ophthalmology, dermatology and ear, nose and throat (ENT).

Over the next 10 years, Dr. Cristescu was joined by her two sons, Nicolae Marcu, a psychiatrist, and later by Mihail Marcu, a former banker, and together they went on to diversify and grow the family business. They thought big and sought to change the culture and become the leader in the Romanian private healthcare market. They introduced other segments including laboratories (2000), occupational health services (2002), and the “Hyperclinic” (2004).

In the early days, hyperclinics brought together over 20 medical offices under one roof—a comprehensive mix of high-quality medical outpatient services. However, if the patient’s treatment needed to be escalated to the next tier, the patient would have to turn to public hospitals but the remnants of the communist system left a public healthcare infrastructure that was severely underfunded and crumbling.

Public hospitals lacked basic equipment that was necessary to ensure patient safety and facilities were unclean, exposing patients to the risk of infection. Medical skills were out of date and there was no funding to upgrade them. Even in these conditions, patients experienced long waits to be seen. Although there was at the time—and there still is—universal health coverage, patients are expected to provide medical staff with informal payments to be seen. Furthermore, several basic products were not covered and patients would have to pay for these out of pocket. It was very common for patients to have to pay for hospital bed accommodation separately, buy their own medicines and other materials from a private pharmacy, and bring them to the public hospital for use in their treatment.

MedLife decided that it could do better. The Romanian economy was growing at the time and the family set out to establish a private hospital in Romania. At that time, one private hospital, Euroclinic, was operating in the country, but it was targeted at the expatriate community, rather than Romanians. MedLife engaged IFC Advisory Services to provide expert guidance on the business of establishing the first private hospital for Romanians. They wanted a mass market product that was not geared toward the top tier of society and that was within reach for Romanians.

As with MedLife’s other ventures, it embraced core values of price transparency—before treatment, high standards of medical quality, equipping its facilities with the latest technology and bringing in international expertise. It also ensured that facilities were clean, patients would be seen at their appointment time, and patients would not be asked for informal payments. Patient volumes suggest that the market has accepted MedLife’s model and that the company is bringing good value to Romania.



Photo © MedLife

# A DIVERSIFIED BUSINESS MODEL ANCHORED IN OUTPATIENT CARE

## BUSINESS LINES

Today, MedLife has six business lines that span all the key healthcare segments - ambulatory, inpatient, laboratory, diagnostic imaging, and pharmacies. Below is a brief summary of the top three business lines by revenues - corporate subscriptions, clinics, and hospitals.

### 1. CORPORATE SUBSCRIPTIONS

MedLife introduced this business line in 2001. As of September 2016, it had the largest corporate subscriber base in Romania with more than 4,100 companies and half a million subscribers. Corporate subscriptions are an important aspect of the strategy as it provides a major gateway for patients to its network. MedLife sells to companies a variety of prepaid medical service packages that cover a range of preventative services, including annual check-ups, basic doctor consultations, and some lab tests. Surgeries are not normally included in the corporate subscription package, although in many cases the public health insurance can help to supplement the cost at a MedLife facilities. In addition, it also offers occupational health services that are mandatory under Romanian law.

### 2. CLINICS

Hyperclinics are very large clinics—over 3,000m<sup>2</sup> (approximately 32,300 ft<sup>2</sup>)—that handle several treatments on an outpatient basis without hospitalizing the patient. Today, hyperclinics integrate about 50 medical specialties, including 10 centers of excellence, diagnostic imaging, and laboratories under one roof.<sup>3</sup> MedLife invests heavily in the latest medical equipment and devices to ensure accurate diagnosis and treatment. Large cap-ex equipment such as MRI's and CT scans have been installed in hyperclinics to facilitate access for patients. This is a differentiating factor from the competition. All these features have contributed to patient convenience, to building a culture of trust, and building the MedLife brand.

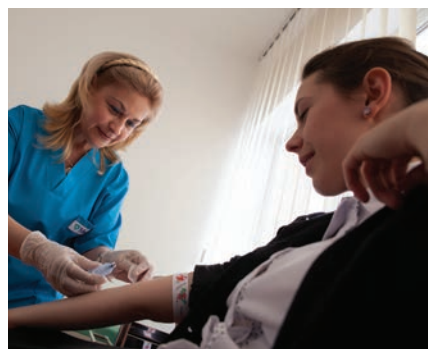


Photo © MedLife

Hyperclinics are very large clinics that handle several treatments on an outpatient basis without hospitalizing the patient. Today, MedLife's hyperclinics integrate about 50 medical specialties.

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<sup>3</sup> MedLife's 50 medical specialties are Allergology and clinic immunology, infectious diseases, cardiology, pediatric cardiology, dentoalveolar surgery, **aesthetic and reparatory surgery**, general surgery, pediatric surgery, **thyroid surgery**, **assisted human reproduction**, dermatovenerology, diabetes, nutrition and metabolic diseases, endocrinology, **gastroenterology**, physio kinetotherapy and medical recovery, genetics, geriatrics and gerontology, gynecology, hematology, homeopathy, speech-language pathology, labor medicine, family medicine, general medicine, internal medicine, sports medicine, **maternal-fetal conditions**, nephrology, neurosurgery, neurology, pediatric neurology, ophthalmology, oncology, ear nose and throat (ENT), orthodonty, orthopaedics, pediatrics, pneumology, **proctology**, **psychiatry**, **psychology**, **psychotherapy**, radiology and medical imaging, rheumatology, stomatology, and urology. *The specialties highlighted in bold are considered centers of excellence.*





Photo © MedLife

By providing effective healthcare solutions, MedLife helped to cultivate greater acceptance of outpatient care. It is worth noting that MedLife was providing outpatient care long before the public health authorities started to make it a priority. The clinics, particularly the hyperclinics, are the main engine that generates business for the other five business lines.

### 3. HOSPITALS

MedLife believes that an integrated solution is necessary to provide patients with the best possible medical experience. By providing a complete ecosystem, it can complete the cycle of care within its network, thereby enhancing its credibility as a medical provider. This element is also important to attract and retain good doctors throughout its network.

MedLife has pursued a mix of organic growth and acquisitions that has resulted in eight hospitals in its portfolio. In addition to general hospitals, it has added hospitals that specialize in maternity, pediatric, orthopedic, neurosurgery and plastic surgery. It has the largest chain of private hospitals with a total of 530 beds and 20 operating theaters. MedLife follows European standards of safety protocols, and delivers integrated treatment solutions for patients. It has worked hard to upgrade the Romanian system to place it on levels that compare with other European countries. It has obtained CONAS accreditation, the most prestigious certification offered to hospitals in Romania.

MedLife helped to cultivate greater acceptance of outpatient care long before public health authorities started to make it a priority.



Photo © MedLife



Photo © MedLife





Photo © MedLife



# ADOPTING A DAY SURGERY MODEL IN ROMANIA

A number of technological advances have enabled medicine to evolve toward minimally invasive techniques, which expose patients to lower risks, while advances in anesthetic drugs are enabling faster recovery times. These advances are allowing patients to be discharged from hospitals faster. In developed countries, it has been the normal practice for several years to operate on patients and send them home the same day without spending the night at the hospital. In the United States, over 75 percent of surgical procedures are performed this way; however, in Romania, this is a relatively recent concept.

The World Bank conducted a study and concluded that the Romanian system had too many hospitals that were old and inefficient. Further, according to Eurostat, in 2014, the average length of in-patient hospital stay was just over eight days.<sup>4</sup> Believing that these indicators can be improved, the World Bank advised the Government of Romania to consolidate and transform hospitals toward a model that was focused on more acute and long-term care, while shifting less complex services to outpatient care and daily hospitalization. In order to further incentivize daily hospitalization, the National Health Insurance House (NHIH) began reimbursing out-patient surgeries at a higher rate than those same surgeries that are conducted on an in-patient basis.

In 2005, MedLife was the first to introduce limited day surgery to the Romanian market. In the early days, MedLife found that Romanians were not yet ready to adopt this concept. Dr. Marcu explains, “in our part of the European Union, if you go home in five hours something is wrong.” While Dr. Marcu found that it was very difficult to change the mindset toward this type of surgical approach, it has gradually been gaining acceptance. When MedLife introduced the concept, it would do an average of 30 day surgeries a month—today, it does about 30 a day.

MedLife has created space within two of its hospitals and one hyperclinic where it dedicated 100 beds to day surgery. It offers a total of 110 procedures on a day-surgery basis or a one-day admission basis, where the patient remains in the hospital for a maximum of 12 hours. Some examples of procedures are tonsillectomy, laparoscopic appendectomy, node biopsy, cervical polyp excision, and knee arthroscopy. In addition, MedLife offers some treatments such as chemotherapy, which is done on a one or two-day basis.



Photo © MedLife

## **Dr. Nicolae Marcu, CEO**

Day surgery has many benefits. For patients there is minimal disruption and faster recovery. For providers, it allows higher patient volumes and spreads fixed costs over a greater number of patients. Patients, public insurance payers, and hospitals all benefit from reduced costs.

<sup>4</sup> Hospital discharges and length of stay statistics. Eurostat. [http://ec.europa.eu/eurostat/statistics-explained/index.php/Hospital\\_discharges\\_and\\_length\\_of\\_stay\\_statistics](http://ec.europa.eu/eurostat/statistics-explained/index.php/Hospital_discharges_and_length_of_stay_statistics) Last visited on February 24, 2017.



Photo © MedLife

While many patients are eligible for day surgery, not all are. MedLife takes the patient’s medical history into account to determine if the patient is the right candidate. A pre-admission testing program includes guidelines and algorithms based on high, medium and low risk procedures as well as patient comorbidities, the simultaneous presence of two chronic diseases or conditions in a patient. Day surgeries are performed by skilled surgeons, anesthesiologists, and other medical staff.

Once the patient is in recovery, MedLife ensures that certain criteria are met before the patient is discharged. This includes patient orientation, stable vital signs, controlled pain, understanding the course of medication, ability to dress and walk, and ensuring that there is a responsible adult to take the patient home and care for them over the next 24 hours.

While this is still not a core part of the business, MedLife has found many benefits of day surgery. For patients, there is minimal disruption, reduced risk of cross-infection, as well as faster and better recovery in the comfort of their own home. The benefits for the hospital are higher volumes of patients, greater efficiencies, greater flexibility in scheduling operations, as well as lower overall procedural costs. Patients, public insurance payers, and hospitals benefit from reduced costs. Further, hospitals can serve a greater number of patients while optimizing fixed costs, making it financially attractive. By reducing inefficient and long lengths of stay, hospitals can free up beds for more complex conditions.



Medical advances are allowing patients to be discharged faster, reducing inefficient and long lengths of hospital stay.

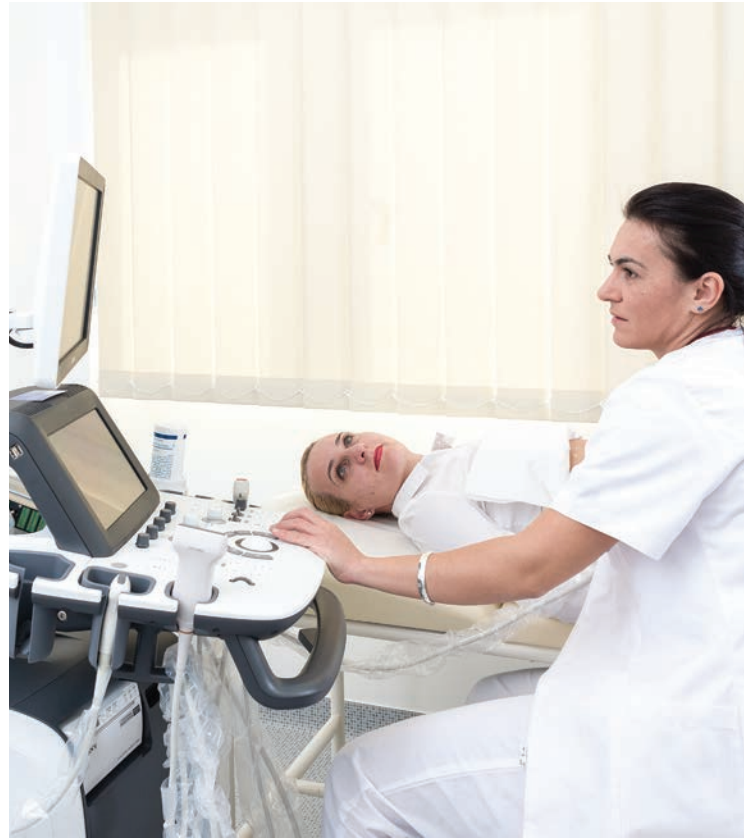


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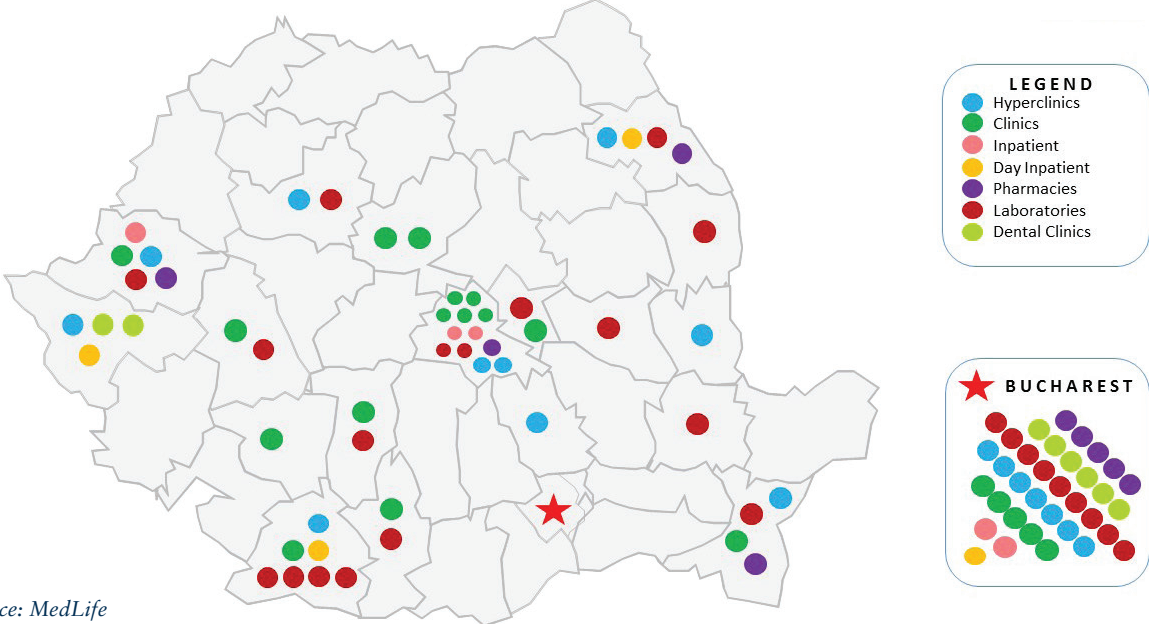
# SELECTED FEATURES ABOUT THE BUSINESS MODEL

## GROWTH OF THE NETWORK

MedLife currently has a presence in about half of Romania and in time, it intends to fully cover all of Romania. It seeks to open hyperclinics in cities of over 250,000 inhabitants and clinics in cities with populations over 150,000. It does not plan to enter markets with populations of less than 150,000.

In the early days, its growth was largely organic, but a fragmented market has offered opportunities to mix organic growth with mergers and acquisitions. As of January 2017, it had acquired a total of 23 companies. It seeks companies that are performing well and are managed by people with entrepreneurial drive, and who are open to innovation. It targets companies where it can add value by complementing the existing services by adding specialties, doctors, labs, and upgrading equipment. MedLife prefers to take a majority stake in the company and it keeps the founders as managers. This is a very important element of success and is also a reason why many target companies prefer to be acquired by MedLife rather than by its competitors.

**FIGURE 1: FOOTPRINT OF MEDLIFE'S SERVICES - 2017**



## BRANDING

MedLife enjoys a strong brand reputation, but since it acquires well performing companies whose brands also bring value, it co-brands for a period of time. Depending on the company, this can be anywhere from 6 months to 2 years to complete the branding integration.



Photo © MedLife

## MANAGEMENT STRATEGY

MedLife was lucky to be a family-run business that brought both medical and business expertise to the company. While Dr. Cristescu no longer has day-to-day responsibilities in the company, the brothers have divided their responsibilities according to their area of specialization. Dr. Nicolae Marcu, CEO, oversees all the medical aspects of the business while Mihai Marcu, Chairman of the Board, focuses on business strategy and financials.

In terms of management of acquired companies, it has a very flat organizational structure, with about 40 managers. MedLife gives deference to the expertise of the acquired company and those managers have a great deal of latitude to make decisions so long as it is within the negotiated budget guidelines. The managers and teams of the newly acquired companies are provided training in areas including financial management and business process improvement to assist them in achieving optimal outcomes. They are held accountable through key performance indicators.

## MEDICAL QUALITY AND STAFFING

From around 2005 to 2007, it was difficult to recruit doctors to private practice because doctors feared that the private sector could not provide a secure future. Competitors were able to attract doctors from public hospitals for a few hours a day, but this model was not satisfactory to MedLife. MedLife wanted doctors to provide continuity of care to patients. Dr. Nicolae Marcu explains, “It is difficult to train and maintain a doctor if that person is only on our premises for three hours a day.” So the starting point for MedLife was to hire doctors as employees for their hospitals and clinics.

Due to low investment in the healthcare sector- in 2016, Romania spent about 5 percent of GDP on healthcare—doctors at public hospitals have long been underpaid. Medical staff routinely demanded informal payments from patients to make up the shortfall. MedLife wanted to bring dignity back to the medical profession and eliminate the corruption. It achieves this by paying its doctors and staff appropriately. It prohibits staff from taking informal payments and immediately fires those that do. It has only had two cases in 20 years.



MedLife succeeded in attracting doctors with a policy that provides a salary, a schedule, opportunities to manage personal career interests without state intervention, opportunities to be up to date with the latest medical developments, having clean facilities to treat patients, and having the latest technology. It was also able to stop the hemorrhaging of doctors and nurses who were leaving to work in other EU countries. MedLife created jobs for 2,000 doctors and nurses that would have otherwise emigrated. In addition, it has successfully attracted the Romanian diaspora pursuing careers in the medical profession abroad to return to Romania.

**REVENUE STREAMS**

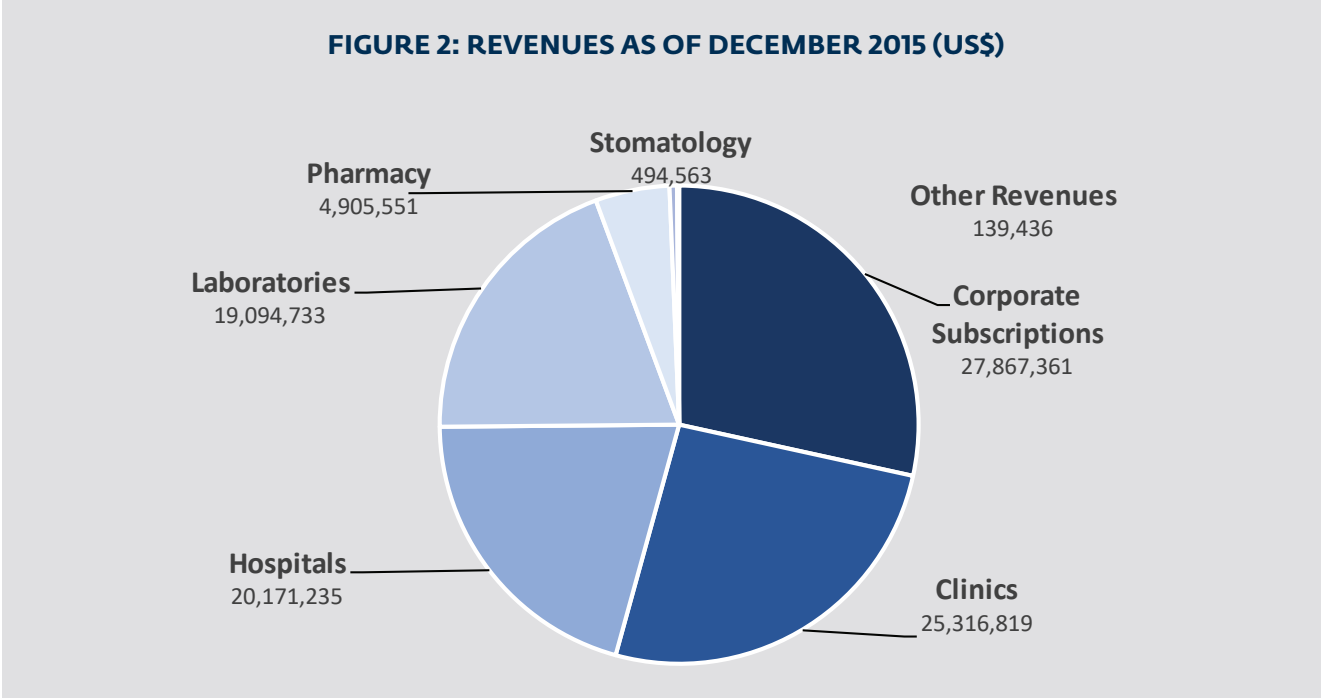
As of December 31, 2015, corporate subscriptions were responsible for the largest share of revenues. This was followed by clinics, which includes all of its outpatient care. Hospitals, which largely include day surgery, were the third-largest driver of revenues.

**REVENUE SOURCE BREAKDOWN**

Most of MedLife’s revenues are received directly from patients on an out-of-pocket basis and are paid for at the time of service. In 2014, 88 percent of revenues were cash payments made by patients, while 12 percent was from the National Health Insurance House (NHIH). Further breakdown shows that its clinics represent 95 percent of cash transactions while hospitals brought in 28 percent of revenues from NHIH. Corporate subscriptions are paid 100 percent in advance of services, representing an important cash flow. Private health insurance is negligible and very few Romanians rely on it.

**FINANCIAL SUSTAINABILITY**

Its overall EBITDA<sup>5</sup> margins are in line with industry standards for integrated providers. Its compounded annual growth rate has been on a growth trajectory and was 13 percent in 2012. This was driven by organic growth and acquisitions. Its diversified business model is heavily reliant on cash transactions, corporate subscriptions, and outpatient clinics which has positioned the company to be financially sustainable.



<sup>5</sup> EBITDA is an acronym for Earnings before Interest, Taxes, Depreciation and Amortization. It is a measure of a company’s cash flow and allows investors to see how much money a company is making before its deductions.



Photo © MedLife

# THE ROLE OF IFC

The relationship between IFC and MedLife began in 2006 when MedLife approached IFC for advisory support to privatize a public hospital. That effort was ultimately opposed by the parliament and MedLife decided to build its own hospital organically with IFC's Advisory Group support. At that time, MedLife had one large clinic, one lab and 44,000 corporate subscriptions. In 2006, IFC took a 20 percent stake for a \$5 million investment and provided a EUR 5 million (\$6.4 million) loan to complete the building of Life Memorial Hospital. MedLife and IFC went on to partner on two more investments totaling EUR 20 million (\$24.4 million) to increase the national coverage of its services by expanding into second and third tier cities and by broadening its service offerings through organic growth and acquisitions.

MedLife was interested in doing business with IFC because it brought long-term debt financing to support the building of hospitals that was not readily available in the local market. It was also very attractive to have IFC, a member of the World Bank, as a shareholder because it brought goodwill to the company.

IFC also brought valuable expertise to MedLife, more so than a conventional bank. For instance, IFC helped the family business to consider corporate governance issues that would position the company as it grew. Mihai reflected, "Rarely in banking do you see such sophisticated persons." At that time, IFC did not formally appoint a board member to MedLife, but Alexandre Oliveira, then the investment officer, served as a sounding board with which the family could explore opportunities in a confidential environment. IFC's support included a number of key people "which gave comfort to the family."

IFC was interested in doing business with MedLife because the investments complimented the World Bank's country strategy to support a major health sector reform project that was aimed at providing better quality health services. It was also well aligned with IFC's global health strategy, which is aimed at increasing access to healthcare by scaling up operations across regions, moving down market, and creating centers of excellence in emerging markets. In addition, it would provide employment opportunities to retain skilled professionals, many of whom were leaving the country.

Over the last decade, IFC and MedLife have had a mutually beneficial relationship that has resulted in better healthcare offerings for Romanians. MedLife concluded its IPO in December 2016 and IFC partially exited for a second time. IFC has already recovered the value of its initial equity investment and continued to retain a partial stake in the company.





Photo © MedLife

# CONCLUSION

MedLife pioneered the creation of an integrated healthcare network and proved that the private sector was capable of providing good healthcare solutions for all Romanians. It has shown that private hospitals in Romania are safe and are capable of handling complex procedures, like the brain surgery that Aneliss—the little girl with the fistula underwent—with successful health outcomes.

Through its corporate subscriptions, it has expanded preventative medicine and it demonstrated that a large number of services can be done on an outpatient basis, thereby improving outcomes for the patient while reducing costs. It plans to continue to expand its day surgery model and other services.

By promoting dignity in the medical profession, it has enabled doctors to pursue their professional dreams in an environment that has raised the standards of professional quality and ethics. MedLife thrives on transparent practices and it hopes to provide a demonstration effect that will become the norm in the sector. MedLife created a culture of trust with patients that has enabled it to build a strong reputation and brand. This trust has resulted in a large number of patients choosing MedLife for the overall quality of its services.



Photo © MedLife





# STAY CONNECTED

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