

HEALTHCARE

Health Indicators

Although per capita health care expenditure has increased 49% since 2002, health indicators show that there is much room for growth in Turkey. Public health expenditures, totaled \$18.8 billion in 2005, represent 5.2% of GDP, compared to 8-18% for the EU. The Economist Intelligence Unit estimates the healthcare spending to be \$27 billion in 2005, and foresees this to rise to about \$41 billion in 2010. About one third of SPO data and one quarter of EIU data relate to the drug expenditures.

Turkey's health indicators are not satisfactory considering its level of socioeconomic development. Though improving over the years, the health status of the population is poor, both in absolute terms as well as in comparison with other countries at the same income level. Life expectancy is nearly 10 years below the OECD average and infant and maternal mortality rates are very high. The country suffers inequality with regards to access to healthcare services. Health spending in Turkey lags far behind the EU average of 8-10% with 5.2% of GDP in 2005.

TURKEY'S HEALTH STATISTICS, 2005-2013			
Indicators	2005	2006	2013
Population growth rate, per thousand	12.6	12.4	10.10
Crude birth rate	2.19	2.18	2.07
Infant mortality rate, per thousand	23.6	22.6	18.50
Life expectancy at birth, years	71.3	71.5	79.0
Expenditure of GDP, %	5.2	5.3	-

Source: State Planning Organization, Ministry of Health

Per capita health expenditure on purchasing power parity basis stands at \$452, while this is \$5,635 in the U.S., \$3,003 in Canada, \$2,258 in Italy and \$1,835 in Spain. The State Planning Organization foresees 3.8% annual growth in health spending until 2023 and the share of health expenditures in GDP is expected to gradually converge at the low end of the EU range, at 8%. Bed capacity is quite low compared to the OECD countries. The total number of beds is 197,170, one hospital bed for every 372 people compared with one bed for every 154 people in EU countries.

Private Hospitals

The private sector, taking a 26% share in total health expenditure compared to an average of 38% in OECD countries, still has room for growth. A substantial portion of health care services is provided by the public sector. The Ministry of Health operates 769 of Turkey's 1,225 hospitals with 133,000 of 197,000 total beds.

DEVELOPMENT OF HEALTH INDICATORS, 2005-13

	2005	2006	2013	EU
Number of beds	192,658	197,000	236,600	-
Population per bed	374	372	335	154
Bed utilization rate, %	64.5	-	-	77.5
No of physician	100,800	103,150	120,000	-
Population per physician	715	707	658	288

Source: State Planning Organisation

Turkey has a generous incentive system for health investments. Hospitals can import all required machinery and equipment listed on their incentive certificate free of customs duty and related charges, and can make deferred payments on value-added tax. The private sector began to take advantage of the incentive system in recent years. Supported by the increasing demand for private health care services, the number of private hospitals increased from 1993 onwards, rising from 141 in 1995 to 332 in 2006. The private sector operates 26.29 percent of Turkey's hospitals and accounts for 8.63 percent of beds.

The Ministry of Defense in 2006 ran 42 hospitals with 16,000 beds and municipalities had six hospitals with 1,389 beds.

MEDICAL HOSPITALS AND BED CAPACITIES IN TURKEY IN 2006		
Organization	Number of Hospitals	Number of Beds
Ministry of Health	769	133,000
Private*	332	17,000
Ministry of Defense	42	16,000
Municipalities	6	1,389
Total	1,225	197,000

** Includes those run by associations, religious foundations and state enterprises*

Source: Ministry of Health

In 2007, Abraaj Limited of the United Arab Emirates acquired a 21.66 percent stake in Acıbadem Sağlık Hizmetleri, one of Turkey's leading private healthcare companies and hospital operators, for \$162.5 million; the Global Environment Fund of the U.S. purchased dental care company DentIstanbul for an undisclosed amount; and Julius Baer Holding of Switzerland purchased 60 percent of the private Şafak Hospitals for an undisclosed sum.

Other foreign involvements are Memorial Sloan-Kettering, Johns Hopkins and Harvard Medical International. IFC has recently provided long-term loans to the Acıbadem Healthcare Group in Istanbul and Mesa Group in Ankara to finance their expansion and construction of three hospitals.

Recent developments in the healthcare policy will have further positive effects on the development of private healthcare services. As a result of successive health reforms partly supported by the World Bank, the health sector has been undergoing a significant restructuring, whereby a greater reliance is being put on private sector funding. The IMF-sought Social Security and General Health Insurance Law, which was adopted by Parliament, increased the retirement age, unified all social security beneficiaries under one umbrella and established a universal health insurance fund.

The new health policy expanded the base for private hospitals, allowing more people to benefit from private health services. Mehmet Ali Aydinlar, CEO of the Acibadem private hospital in Istanbul, which is associated with the Harvard Medical Foundation, said the new provision had already made a drastic impact on the private sector and private hospitals were under construction all over the country in anticipation of growing demand. Aydinlar said leading hospitals such as his are not developing fast enough to serve the number of patients who come to them for care.

Public-Private Partnership

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

Private Investments in Health Care

Private health care investments, which stood well below the level of public health care investments in 1980s, started to exceed the public figures after 1991, and even doubling it after 1998.

Benefiting from investment incentives, the share of private sector in total health investments increased from about 15% during the 1980s to 70% in 2003. This ratio is set to increase further due to the current health policies of the government.

Major opportunities for foreign companies include investments in health care facilities and software and application development services.

The Turkish private health sector has also developed the capacity to transfer knowhow for establishing hospitals in the countries in the region and is open to collaboration in this area.

Source: Meri Bahar, Acibadem Health Group, Marketing Director

Medical Supplies

The medical equipment market has gained the status of an industry in the last two decades, in line with the increased investment in total health facilities, and the trend towards privatization. The market is estimated to grow 12-14% annually in recent years, and reaching around \$3 billion in 2005. The growth has been mainly fuelled by the increase in imports rather than production.

Ninety percent of all medical equipment is imported. Demand is especially strong in sophisticated laboratory and computerized equipment and items for nuclear medicine, cardiovascular surgery, X-ray, anesthesia and intensive care, including ultrasonic scanning apparatus, magnetic resonance imaging apparatus, patient monitoring systems, computed tomography apparatus and apparatus based on the use of alpha, beta, gamma radiation, according to the U.S. Department of Commerce.

Local production of medical equipment is now quite extensive. Thousands of products, ranging from the simplest of disposables to complicated medical equipment are now manufactured in Turkey. But local production is negligible in terms of high-technology products. Basic items such as utensils or syringes, which do not require high technology, are produced, both for domestic consumption and for export.

Major medical supplies and devices produced in Turkey and exported include:

- **Medical textile products: nonwovens, impregnated, coated or uncoated, covered or laminated.**
- **Instruments and appliances used in medical, surgical, dental, or veterinary sciences, including scintigraphic apparatus, other electro-mechanical apparatus and sight-testing instruments.**
- **Wadding, gauze, bandages and similar articles impregnated or coated with pharmaceutical sciences.**
- **Orthopedic appliances, including crutches, surgical bells and trusses.**
- **Medical, surgical dental or veterinary furniture.**
- **Mechano therapy appliances, massage apparatus, artificial respiration or other therapeutic respiration units.**
- **Sterile surgical catgut, similar sterile suture materials and blood-grouping reagents.**

The Turkish government is encouraging foreign companies to invest in this field. Germany's MAQUET, for instance, produces sophisticated surgical operating tables and cardiopulmonary equipment, including catheters, in the Antalya Free Zone, along the southwest Mediterranean coast of Turkey. However, local industry is beginning to move into production of electronic medical equipment, such as electroconvulsors, electrocardiograph (ECG) monitors.

.The main suppliers of high-tech electro-diagnostic equipment are: GE Medical Systems, Picker International, DuPont, and Hewlett Packard of the U.S., Siemens of Germany, Philips of the Netherlands, Simatsu, Hitachi, Keymed Ltd. and Toshiba of Japan. South Korea, Taiwan and Hong Kong have been supplying a significant amount of equipment to Turkey, mainly for physical therapy. A French firm, Trophy, has a joint venture agreement to produce X-ray equipment in a plant in Bolu (western Anatolia - on the Ankara/Istanbul highway) with a capacity of 1500 units per year.

In the field of diagnostic imaging equipment, the United States is among the top four suppliers, with Germany, Japan, and the Netherlands. Germany has traditionally been Turkey's prime supplier, and is expected to continue to enjoy this position, because of the customs union with the European Union.

Prospects

- The demand for health care services and equipments is predicted to continue to expand in the next several years due to:
 - ✓ the high population growth rate,
 - ✓ an aging population,
 - ✓ increasing per capita income,
 - ✓ rapid urbanization,
 - ✓ the increasing potential in health tourism, and
 - ✓ improvements in the health insurance system.
- The trend toward privatization of health services coupled with increasing demand of private hospitals for advanced technology paves the way for modern and specialized health facilities and a larger health care market. Private sector health care services are expanding, with its share in total fixed capital health investments on the rise - from 48% in 1993 to over 60% in recent years.
- As growth in the health care sector is expected to continue and restructuring of the health financing system is on the agenda, Turkey will remain an attractive market for exporters of equipment and supplies, as well as medical consulting services and knowledge transfer. Being an import-dependent sector, the emphasis put on privatization in the health sector will increasingly mean easier sales and higher technology products for foreign equipment suppliers. This growth would be driven by the recently introduced private insurance as well.
- In addition to its growing internal market, Turkey also offers opportunities for health care service and equipment providers as a stepping-stone to the markets in the Central Asia and North Africa.

INCOMING FOREIGN PATIENTS

Turkish private hospitals enjoy costs 3-4 times lower compared to Europe and have been investing significant amounts in state of the art medical equipment in recent years. Hence, an important new trend is towards receiving incoming patients from European and Middle Eastern countries and some arrangements have been made for patient exchange on a private basis from various European countries including the Netherlands and UK

The most promising areas include ophthalmic, cosmetic surgery and dentistry. For example, the new hospital of Dünya Eye Hospital, which was opened in 2004 as the world's biggest eye hospital attracts patients from more than 40 countries. In 2005, almost 165,000 foreign tourists, out of total arrivals of over 20 million, entered the country to take advantage of Turkey's treatment centers. This represented a 23.7% increase on 2004.

- * There is a huge potential for growth in the private healthcare services:
- * Progress towards the EU accession will further help this potential to materialize.

With the coming into force of the much-sought Social Security and General Health Insurance Law as of 2007, private hospitals are under construction all over the country in anticipation of growing demand for medical care