

## ESSENTIALITIES CONCERNING THE HEALTHCARE SERVICE MARKET IN ROMANIA

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**Abstract:** *In the paper “Essentialities concerning the healthcare service market in Romania” we analyzed the healthcare service market in Romania. The concept of public health is set as a ratio between the health status of the population and its determinants, such as: socio-economic, biological factors, environmental and lifestyle factors, the degree of insurance with health services. In Romania, healthcare is divided into several levels, each with its specific importance, the patient's right to healthcare services being guaranteed. This healthcare service market is a vast one, and comprises everything related to the medical system, from offices, doctors, patient reception institutions, to the most complex information and reports that ensure a good record in this highly important field.*

**Key words:** *healthcare service market, public health, healthcare. Funding healthcare services.*

**JEL Classification Codes:** I1, L4, D4.

### 1. INTRODUCTION

Currently, the competitive environment in Romania benefits from a normal development. Competition legislation unfolds in compliance with the Community one, being arbitrated by the Competition Council, an independent institution that ensures the proper functioning of competition, applying sanctions according to the established rules, if the imposed limits are violated. Competition law was formed in such a way that there is fair competition in the markets, focusing also on consumer protection. (Bâldan & Ungureanu, 2008)

The legislation in force prohibits the practice of anti-competitive policies likely to affect the proper development of the competitive environment, such as: abuse of a dominant position, various types of agreements between economic entities, restriction of competition or elimination of competition from the market. (Bâldan, 2007).

The current competition law provides for the right to choose a leniency policy, with the aim of encouraging manufacturers who have practiced anti-competitive policies to work together with the Competition Council in order to be able to elucidate the market segments on which practices with negative effects are carried out on the competitive environment, and to help punish those who practice them and eliminate them. If a business entity collaborates with the Competition Council, the fines received by it for non-compliance with competition regulations can be eliminated or significantly reduced. (Dumitrașcu, 2012).

Besides the use of tools to combat anti-competitive policies and control competition in the market, it is necessary to use methods of informing business entities on the market about competition, as well as to promote the culture of competition.



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Competition policy must be presented to every participant in economic life, which cannot be achieved without the use of principles based on non-discrimination and transparency. Under such conditions, it is not only necessary to know the rules of market operation, but also the procedures on the basis of which the Competition Council makes its decisions.

All participants in the competitive environment must be aware of the role that national authorities play in keeping the market economy functioning, as well as the ways they use to enforce competition rules.

Furthermore, business entities must be informed and know both the ways in which they can be protected by the legislation in case they could be victims of anti-competitive practices, as well as the risks they are exposed to if they break the rules.

The consistent application of the competition rules generates disadvantages only for inefficient companies, and for the economy and for consumers, the effects proven in tens of countries are those of promoting technical progress, the efficient allocation of resources, the development of the private sector and social welfare, in other words, increasing competitiveness as a whole.

It is necessary to have rules concerning the competition that takes place within the markets, because it cannot have a normal, natural evolution without someone's intervention. The market cannot be influenced by a single manufacturer, but by all its participants. Thus, the market can be influenced mostly by the prices used by manufacturers.

In order to obtain the best possible position in the market, they tend to reduce the prices so much that they end up making a very small profit, and the manufacturer only manages to ensure its existence in the market.

## **2. GENERAL CHARACTERISTICS OF PUBLIC HEALTHCARE IN ROMANIA**

Public healthcare is, in compliance with the provisions of Law no. 95/14.04.2006 on healthcare reform, the organized effort of the society to protect and promote the health of the population. The purpose of public healthcare is to promote health, prevent illnesses and improve the quality of life, being a component of the public healthcare system.

The public healthcare activity is coordinated by the Ministry of Health and is carried out through all types of state or private healthcare units, which are established and organized in compliance with the legal provisions.

The concept of public health is established as the ratio between the state of health of the population and its determinants, respectively: social and economic factors, biological factors, environmental and lifestyle factors, the degree of insurance with healthcare services, as well as quality and accessibility health services.

The main functions of public healthcare aim, among others:

- the development of policies, strategies and programs aimed at ensuring public health;
- monitoring and analysing the health status of the population;
- planning in public health;
- epidemiological surveillance, disease prevention and control;
- management and strategic marketing of public healthcare services;
- the regulation of the field of public health, the application and control of the application of such regulations;
- ensuring the quality of public healthcare services;
- prevention of epidemics, including the establishment of the epidemiological alert state;
- protecting the population against environmental risks;
- mobilization of community partners in identifying and solving health problems;
- assessing the quality, effectiveness, efficiency and access to healthcare services.

In the Romanian specialized legislation, the term healthcare does not have a standard definition. In Title I, Chapter V of Law no. 95/2006 concerning the reform in the healthcare field, the types of healthcare that take place within the public healthcare system are directly defined.

In this context, the definition of the term healthcare is given by art. 3 letter (a) of Directive 2011/24/EU25, as follows:

- 'healthcare' means health services provided by health professionals to patients to assess, maintain or restore their state of health, including the prescription, dispensation and provision of medicinal products and medical devices.

Healthcare in Romania takes place on several levels, these constituting the set of activities through which the patient's right to healthcare services is ensured. The healthcare levels are:

1. Preventive and curative healthcare - provided by:
  - a) outpatient medical offices of family doctors and other specialists, diagnosis and treatment centers, healthcare centers, laboratories and other public and private healthcare units;
  - b) public and private medical institutions with beds.
2. Recovery healthcare - provided through specialized healthcare institutions with legal personality, sections, compartments and recovery laboratories, public or private outpatient recovery units, as well as through spa tourism and recovery companies;
3. Emergency healthcare and qualified first aid - provided by specialized emergency units and public or private medical transport, as well as by emergency reception structures;
4. Blood transfusion healthcare, blood transfusion or other healthcare services and authorized services - provided by units specializing for this purpose;
5. Preventive healthcare for groups of preschool, school children and and students - provided through medical offices organized in preschool, school or university education units, public or private, or through individual offices of family doctors;
6. Pharmaceutical assistance - ensured by the preparation and dispensing of medicines and other products that are established by order of the Minister of Public Health, such as: cosmetics, medical devices, food supplements and other such products.

### 3. SWOT ANALYSIS OF THE HEALTHCARE SECTOR

The SWOT analysis in this case involves identifying the strengths and weaknesses, respectively the opportunities and risks in the healthcare sector and its related activities.

**Table no. 1. SWOT analysis**

<b>Strengths</b>	<b>Weaknesses</b>
The degree of concentration of the market does not represent an element of concern in relation to the further development of the sector	Decrease in the number of public hospitals
The possibility for any citizen to benefit from healthcare services, including ancillary healthcare services	Underfunding the healthcare system
The continuous development and expansion of the private environment within the sector	The lack of qualified personnel, generated by their migration within the sector.
Although the state owns a significant	The transfer of certain healthcare units to

percentage of the sector, at least at the level of hospital-type units, there is an increase in the geographical areas where private units are developed	local public administrations
Patients' possibility to choose the provider of healthcare services	The difficult access of people in the rural area to healthcare services
Highly qualified workforce	Informal payments
The development of the private sector of healthcare services and the creation of new jobs	The lack of compensation for policyholders who did not benefit from the insurance paid over a period of time
The increase in the complexity of healthcare services provided through the use of new technologies	The transfer by the Ministry of Health to certain professional/employer organizations of some attributions concerning the state authority
The involvement of the civil society and non-governmental organizations	The outsourcing of certain healthcare/non-healthcare services, which can be carried out within the public healthcare institutions, including through the involvement of the local public administration authorities.
<b>Opportunities</b>	<b>Risks</b>
The economic development can only be achieved under the conditions in which the health of the population is taken into account, which requires the creation of a modern healthcare system, based on the contemporary realities	Migration of qualified personnel within the sector
The potential for market development, given that the current state of healthcare services allows this. The market for healthcare services allows the entry of new players	The creation of networks of partners of the main private healthcare units increases competition concerns related to the predisposition of the market to possible anti-competitive agreements
The development of new medical infrastructure projects, for example the construction of new hospitals, especially at the regional level and of an infrastructure of primary healthcare services at the rural level	The existence of professional organizations that have regulatory powers and whose members carry out business activities in these fields
Accessing European funds for the construction, revamping and modernization of healthcare institutions	The insufficient involvement of local public administration authorities in the development of new healthcare institutions at the communal - rural level, as well as

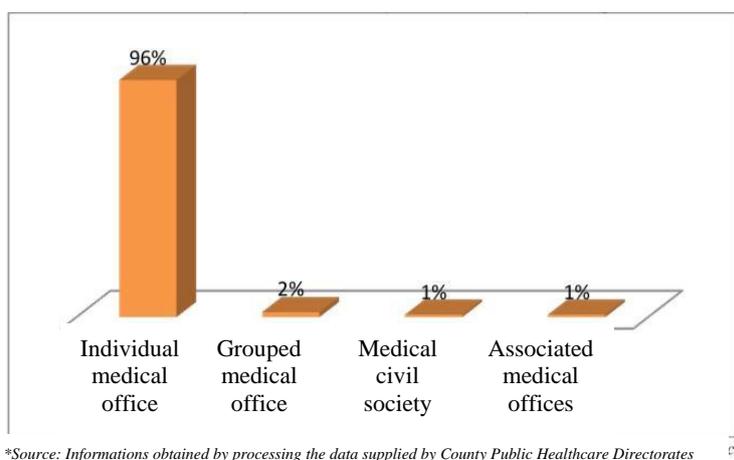
	their non-involvement in the implementation of state aid schemes, in order to attract investments in the healthcare sector from the administrative range
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#### 4. THE MARKET OF MEDICAL OFFICES, FREE PRACTICE OFFICES AND OTHER FORMS OF PROVIDING HEALTHCARE SERVICES IN OFFICE-TYPE UNITS

Defining the relevant market involves defining its two components, respectively: the product/service market and the geographic market.

The product/service market includes all products/services deemed by buyers as being interchangeable or substitutable due to their characteristics, price and use. In our case, the market of the service/services is represented by all the services provided by medical offices, private practice offices and other forms of carrying out the activities of providing healthcare services in office-type units, for individuals, insured and/or uninsured, regardless of their payment method, depending on the activities actually carried out.

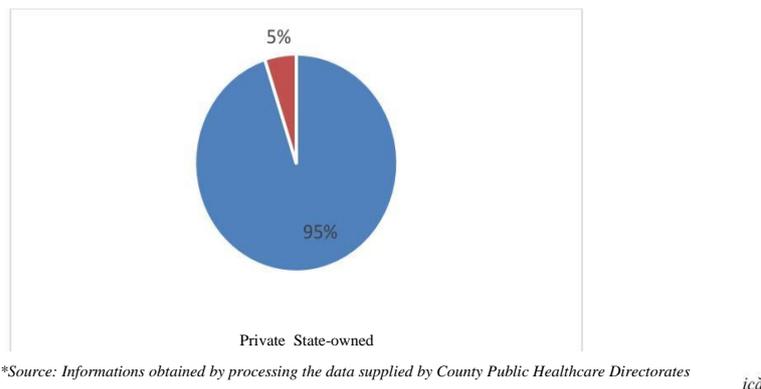
Due to the fact that the activity carried out by medical offices, private practice offices and other forms of carrying out the activities of providing healthcare services in office-type units is predominantly carried out within the framework of the contracts concluded by them with the county health insurance funds, for patients insured from the geographical territory delimited by a county, it can be deemed that there is a geographical limitation at the local/regional level.



**Figure no. 1 The situation at national level depending on the type of medical office, as at 31.08.2014**

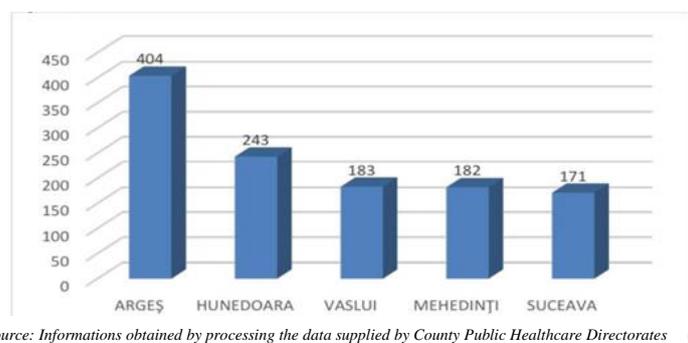
Source: *Report on the market of healthcare services in Romania and related activities*, available at: <http://www.consiliulconcurentei.ro/documente-oficiale/rapoarte/rapoarte-diverse/page/2/> / page 40.

Individual medical offices represent the main form of carrying out the activities of providing healthcare services in medical office-type units. 96% of medical offices are established as individual medical offices. The preponderance of this form of organization shows a high degree of individualization and is also an indicator of belonging to the liberal professions, which are generally manifested through individual forms of practicing the profession.



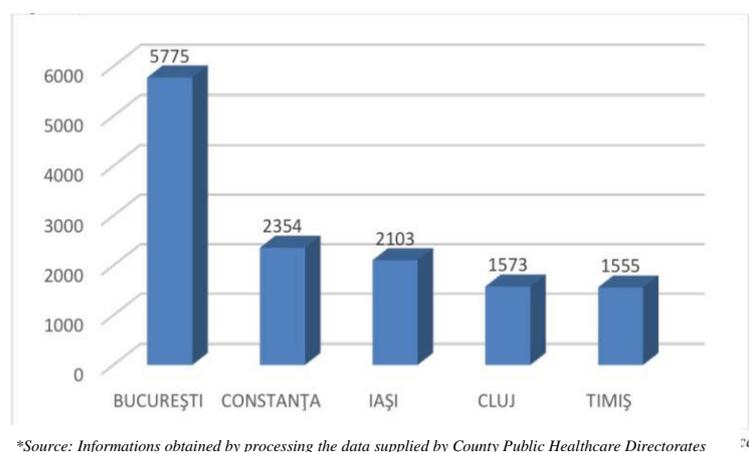
**Figure no. 2 The national level structure of office-type medical institutions taking into account the form of ownership (state or private), as of 31.08.2014**

Source: *Report on the market of healthcare services in Romania and related activities*, available on <http://www.consiliulconcurentei.ro/documente-oficiale/rapoarte/rapoarte-diverse/page/2/> / page 49.



**Figure no. 3 Distribution of state-owned office-type medical units at the level of the first 5 counties, as at 31.08.2014**

Source: *Report on the market of healthcare services in Romania and related activities*, Available on: <http://www.consiliulconcurentei.ro/documente-oficiale/rapoarte/rapoarte-diverse/page/2/> / page 49



**Figure no. 4 The distribution of privately owned office-type medical institutions at the level of the first 5 counties, as at 31.08.2014**

Source: *Report on the market of healthcare services in Romania and related activities*, available on <http://www.consiliulconcurentei.ro/documente-oficiale/rapoarte/rapoarte-diverse/page/2/> / pag. 49.

As we can see, the establishment of privately owned office-type medical institutions took place mainly in counties with a population exceeding 500,000 inhabitants.

## **5. THE NATIONAL SYSTEM OF EMERGENCY HEALTHCARE AND QUALIFIED FIRST AID**

The national system of emergency healthcare and qualified first aid is the set of structures, forces, mechanisms and relationships, organized according to the same principles and rules, which use integrated specialized and/or qualified management procedures.

Emergency healthcare is carried out both within the integrated public emergency care, but also within the private emergency healthcare.

### **5.1. PUBLIC EMERGENCY HEALTHCARE**

The staff participating in the provision of pre-hospital integrated emergency healthcare comprises:

- doctors specializing in emergency medicine;
- doctors specializing in intensive care anesthesia;
- doctors with competence/certificate in pre-hospital emergency medicine;
- family doctors or general practitioners;
- resident doctors in the specialty of emergency medicine, family medicine and internal medicine;
- nurses with certificates/courses in providing emergency healthcare;
- paramedical personnel, paramedics or volunteers with specific training.

Emergency public healthcare in the pre-hospital phase is provided using type B and type C ambulances, as well as special vehicles for transporting multiple victims, special vehicles for intervention in collective accidents and disasters, ambulances for transporting patients type A, aircraft, etc.

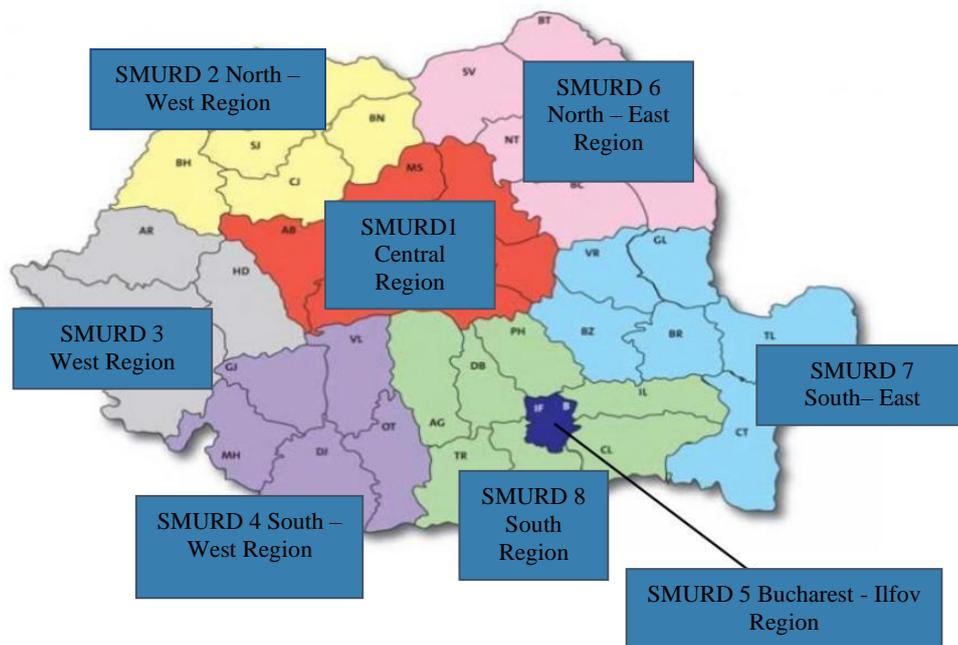
### **5.2. PRIVATE EMERGENCY HEALTHCARE**

Private emergency healthcare in the pre-hospital phase is provided by private ambulance services, based on direct contracts with the beneficiaries, with their private insurer, or at the direct request of the beneficiary or any other person, with their consent. The medical and non-medical personnel who provide emergency healthcare in the private system, in the pre-hospital phase must be trained in training centers accredited and authorized by the Ministry of Health.

The non-profit ambulance services provide private emergency healthcare at the pre-hospital level, if they are called and coordinated through the public emergency system 112. For the interventions of this type of ambulance services, there must be the approval of the Ministry of Health and the Ministry of Internal Affairs.

### **5.3 MOBILE EMERGENCY SERVICE FOR RESUSCITATION AND EXTRICATION (SMURD)**

The Mobile Emergency Service for Resuscitation and Extrication (hereafter referred to as SMURD) are integrated public intervention structures, without legal personality, that operate within the inspectorates for emergency situations and/or in the structure of local public authorities and/or some county and regional emergency hospitals. They are operated by the aviation structures of the Ministry of the Internal Affairs and are organized from a medical point of view at the county and regional level.



**Figure no. 5 - The geographical structure of the SMURD distribution at the level of the development regions in Romania**

Source: *Report on the market of healthcare services in Romania and related activities*, available on: <http://www.consiliulconcurentei.ro/documente-oficiale/rapoarte/rapoarte-diverse/page/2 / page 82>.

SMURD crews carry out the following types of missions:

- qualified first aid;
- first aid and rescue operations;
- mobile intensive care;
- air rescue;
- intervention in collective accidents and calamities;
- quick intervention of the emergency doctor.

## 6. FUNDING HEALTHCARE SERVICES

### **Direct payment by the consumer**

Such a system is one where consumers would have to pay for direct services whenever they use those services. Both in Romania and in the other EU member countries, this is not the only way of payment.

In many countries, including Romania, there are offices, polyclinics or private hospitals where patients have direct access to healthcare services in exchange for full payment of their price. In this case, the prices are determined by the market, which leads to the hypothesis that all the prices of the allocated health services could be determined exclusively by the market mechanism. The identification of a number of fundamental constraints that make it impossible to allocate healthcare resources through free market mechanisms, respond to this hypothesis.

## **7. THE CONSTRAINTS CAUSING THE FAILURE OF A FREE MARKET IN HEALTHCARE SERVICES**

The main reasons why healthcare services cannot be allocated exclusively through a free market are the following:

a) not all people can afford access to healthcare services

Due to the fact that people's incomes are not evenly distributed, some may be able to afford better healthcare services while others not at all. In the healthcare sector, the concept of equity is applied so that medical care is provided according to needs and not according to the ability to pay.

b) uncertainty in relation to the anticipation of medical needs

The budget for medical consumption is very difficult to plan, because it is difficult to anticipate the estimation of the risk of illness for an individual.

c) externalities

Certain healthcare services generate a series of benefits, both for the patient and for those around him. When a patient recovers from a contagious disease, the circumstance is beneficial not only to that person, but also to those around him, who could have been contaminated. In this case, the positive externalities are very large. For example, if a poor patient refuses treatment due to lack of money, then the negative effects that his illness may produce may spread to others, especially to his family members.

d) patients' ignorance

A competitive market can function only if customers/patients have enough information to choose. There is an informational asymmetry in the system, the most informed people in the system being the doctors, who can induce the behavior of consumers. More specifically, consumers of healthcare services rely most of the time on the information given by the physician.

The lack of information could lead to the following problems:

- Doctors could prescribe (recommend) more expensive treatment than necessary, and pharmaceutical companies could persuade consumers in relation to the superiority of branded products over similar but cheaper generic products.
- Patients might not see a physician until they are in advanced stages of the disease, when the intervention would be late or the treatment too expensive to be able to afford it.

The market is regulated given the existence of a social healthcare system. The existence of a monopsony is noted, the state being the main purchaser of services and equipment.

## **8. CONCLUSIONS**

Healthcare services and their related activities have a strong impact on the health and economic development of the population.

The healthcare services sector is in full development, given the decrease in the number of state hospitals, and the large share of private investments in this field in recent years. In this context, the structure and size of the market can change from one year to another, depending on the private capital inflows into this sector.

The evolution of the market of healthcare services and their related activities is influenced by each of the markets that comprise it (the market of medical offices, the market of hospitals, the market of emergency healthcare services, etc.).

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