

**RePro** | Real-Life Business Projects in  
**Project** | Multicultural Student Centered Learning



## RePro Case



## **Private medical services**

Private medical services are currently the fastest developing branch in the sector of health protection in Poland. The demand for modern services in the scope of open and hospital therapeutics is growing systematically.

### **1. From the pages of the company's chronicles**

The history of Swissmed Health Centre's activities goes back to the 1996. On 12 December 1996 Mr. Bruno Hangartner, acting on behalf and for the benefit of THEO FREY AC the Swiss company with its head office in Bern, set up a limited liability company under the name of "THEO FREY POLSKA". The head office was registered in Gdansk. The first President of the Directory Board was the founder and single authorized representative Bruno Hangartner.

On 22 September 1997 THEO FREY POLSKA joined, as a partner company, a civil partnership that belonged to Maciej Chmielecki and Magdalena Jackiewicz, who was running Medicor Medical Centre. THEO FREY POLSKA's union with the civil partnership aimed at joining the potential of THEO FREY POLSKA, having high-quality medical equipment and capital base at its disposal, with vision, organisational experience and Medicor's attainment.

At the end of 1998, the decision was made that further activities of Medicor Health Centre would be run within the activities of THEO FREY POLSKA Ltd., which changed its name to Medicor Health Centre Ltd. Simultaneously, the company's initial capital was raised, whereas the new shares were taken over by Maciej Chmielecki and Roman Walasiński then proxy of THEO FREY POLSKA.

At the beginning of 1999, the construction works of a new clinic were completed, which enabled rendering specialist health services, diagnostic and laboratory investigations.

Few months later there was decision made about building own hospital object. In February 2000, there was a parcel at Wilenska Street bought (nearby Gdansk Medical Academy) and preparations for the investment

process in building the hospital started. At the turn of 2000/2001, the actions were taken to prepare the organisational structure for running hospital activities. Delivery for use of multifunctional hospital in Gdansk that was finished at the beginning of 2004 was a key moment in history of the company. Since March 2004 there has been a process of operational activity activated starting from one operating suit and twelve beds department. In the next months, there were sequent fragments of the object delivered. In July 2004 main operating block started what formally ended investing process. Simultaneously with technical starting of the hospital, offered medical services were expanded.

In 2005 new gynecology block (obstetrics department) was open.

## **2. Debut on the Warsaw Stock Exchange**

The landmark in the Company's activities was the debut on the Warsaw Stock Exchange<sup>1</sup> on 15 October 2004. With that moment, new opportunities of acquiring investors opened for the Company. In the nearest future, the Company is planning to build up the investors' trust through constant and beneficial changes in the Company's development and expansion of the market of its services.

## **3. Further development of the range of the Company's activities**

SWISSMED Health Center practices at the medical services market. At the time being its activity is focused on two basic regions of business: Medical Operator and Infrastructure Operator<sup>2</sup>.

**Medical Operator activity based on offering medical services, includes:**

- outpatient medical services (realized in outpatient clinics and image diagnostics laboratory) offering diagnostics (endoscopies, USG, RTG, TK) and as well specialists consultations on many medical disciplines

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<sup>1</sup> Data for economic analysis available on [www.gpw.com.pl](http://www.gpw.com.pl), [www.parkiet.com.pl](http://www.parkiet.com.pl)

<sup>2</sup> Organisational Structure in Appendix 1

like: internal diseases, gynecology and obstetrics: cardiology; endocrinology, ophthalmology, neurosurgery; urology; andrology; dermatology; general surgery and oncology; child health clinic; orthopedics; diabetology; neurology; gastroenterology; otolaryngology and occupational medicine;

- inpatient medical services performed until March 2004 in rented part of Students Hospital in Gdansk, and since March 2004 performed on the base of an infrastructure of its own Hospital. Medical Operator offers its services also for the external contractors renting consultation rooms, operational suits and other from Infrastructure Operator.

### **Infrastructure Operator**

Infrastructure Operator activity is based on building and exploitation of objects related to health protection and creating their management systems. Infrastructure Operator also rents consulting rooms, operational suits and others for external contractors, that on the basis of co-use contracts offer medical services for own patients, like specialized surgery procedures and specialists consultations. At the moment of founding expedient Company, part of functions of Infrastructure Operator will be commanded by a new Company and rest of functions will be realized by matrix Company.

The concept of managing the Hospital by means of exhaling two functional units, Medical and Infrastructure Operator, has been elaborated on the base of knowledge and experience of foreign consultants from United States of America and Polish managers. It is characterized by commercial attitude towards performing medical services and use of medical infrastructure.

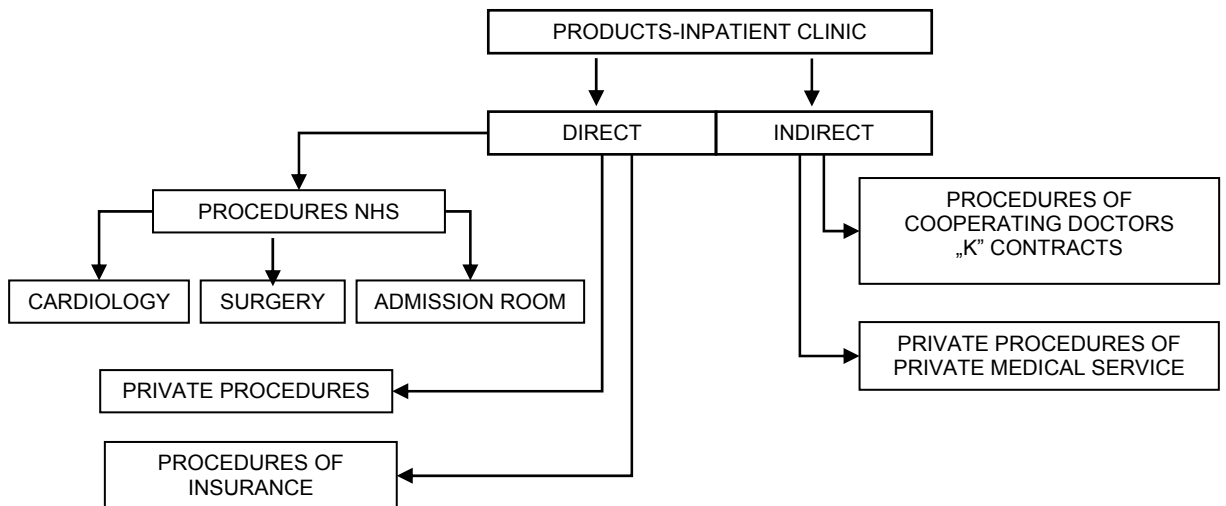
**The aim of Medical Operator** is to realize services that is obliged by proper contracts, including National Health Fund and also effective exploitation of employed, basic medical staff by means of serving for doctors that do perform individual specialist practices and other Health Care Institutions, that are in use of Company's infrastructure and offer services for its clients.

**Infrastructure Operator** activity includes exploitation of medical infrastructure as effectively as it is possible (at present Hospital in Gdansk, at Wilenska Street), therefore ensuring its optimal "coverage" what in natural way leads to supporting Medical Operator to aim at gaining the highest possible number of patient and cooperating medicine doctors. According to trade policy, Infrastructure Operator rents the hospital (its parts, on the basis of co-use contracts) to the doctors that do perform individual specialist practices and other Health Care Institutions, contemporarily enabling its own Health Care Clinic offer its services. Simultaneously, in the range of activities of Infrastructure Operator there is included as well building and exploitation of health protection objects as creating their managing systems.

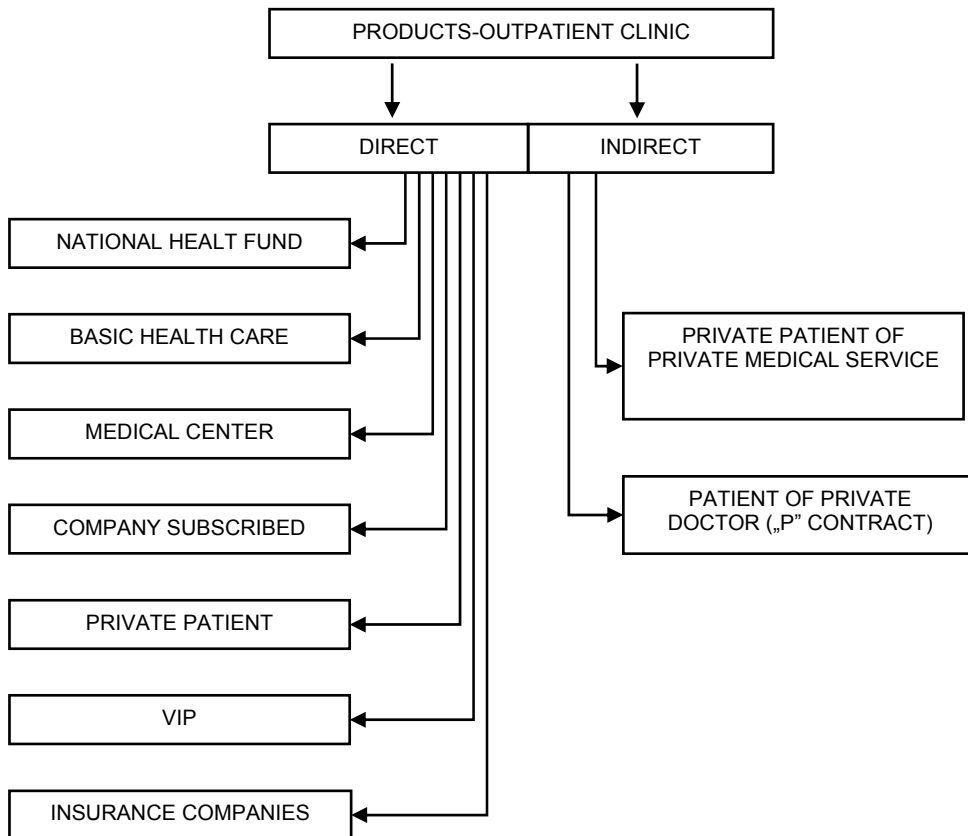
Flexibility in the range of offered services is also being achieved by: versatility of infrastructure, limitations of own personnel that ensure only basic level of medical care, wide cooperation with highly specialized doctors that execute particular services (consultations, surgeries), using equipment of Infrastructure Operator and basic staff of Medical Operator.

Described concept results in proper arrangement of the Hospital's space that was styled on Western European models. It does not possess exhaled departments, nevertheless is organized in modern, functional way in order to relate to particular stages of the patient's stay in the Hospital.

Graph 1: Products – inpatient clinic



Graph 2: Products – outpatient clinic



Invasive cardiology is one of the most dynamically developing disciplines of contemporary medicine. Invasive cardiology department was contracted in 2004 with the amount of 120,000 PLN from National Health Fund. It allowed for proceeding several dozen of coronarographies and few PCI's. In the year 2004 there was operational suit for invasive cardiology started.

It was related to purchase of medical equipment such as: Siemens cardioangiograph, inter- aorta contra-pulsation apparatus. This is the device saving life for the most severely ill patients with infarct in the moment of starting infarct programme, apparatus for inter vessel ultrasonograph. This is the device that precisely assesses seize of coronary vessel. Department of invasive cardiology possesses: Echocardiography apparatus; ECG apparatus; Defibrillator. Department has 12 beds. With very ably organized work, assuming 2-3 days of patient's stay in a hospital, there is possible to hospitalize 250-30 patients a week, thus 1200-1400 a year.

Vascular surgery is a very narrow speck Department of vascular surgery in SWISSMED Centre mainly proceeds with artery illnesses: operational opening of carotids, surgery of venter aorta aneurysm, endovascular surgery, treatment of lingering ischemia of legs.

SWSSMED Health Centre possesses 3 modern gynecologist consulting rooms. Team of gynecologists, working as well in outpatient clinic as in the hospital, are the best specialists in Three City form the range of: gynecology and obstetrics; endocrinology; female illnesses. We provide wide range of gynecological services like: embolisation cyto- hormonal examination; colposcopy; hysteroscopy; cytology; cervical erosion therapy; pregnancy conducting; children gynecology; laparoscopy in gynecology. We offer services in the range of prophylactics of breast illnesses, infertility treatment; and climacterium clinics, and as well oncology treatment. Services from the field of gynecology are financed by National Health Fund and as well are offered to private patients.

Table 1: Selected financial data

Specification	2001	2002	2003	2004	2005	2006
Selected data from balance sheet						
Assets (in thousand PLN)	12 048	18 436	34 610	62 632	33 898	42 466
Capital stock (in thousand PLN)	838	8 728	8 728	13 811	14 570	47 595
Equity capital (in thousand PLN)	1 894	8 495	6 578	18 555	12 079	33 488
Selected data from profit and loss account						
Net income on sales (in thousand PLN)	4 654	5 707	4 528	7 477	12 623	17 398
Net/loss profit (in thousand PLN)	- 2 391	- 1 572	- 1 917	- 2 989	- 1 609	- 10 278
Indexes						
ROA (%)	-19,85%	-8,53%	-5,54%	-4,77%	-4,75%	-24,20%
ROE (%)	-126,24%	-18,51%	-29,14%	-16,11%	-13,32%	-30,69%
ROS (%)	-51,38%	-27,55%	-42,34%	-39,98%	-12,75%	-59,08%

The history of economical activity of SWISSMED Health Centre does not provide the base to assess the company's profitability positively. ROS ratio in the period from 2001 -2006 did not achieve positive value and also did not indicates clear-cut changes to better value. The share of net loss in income from sales was annually decreasing until 2006. As resulted from data presented in the Company's balance sheet, during years 2001-2006 SWISSMED Health Centre incessantly changes its structure of assets and financial sources. Assessing realized by the Company long term process of creating modern medical infrastructure, being the base for generating incomes on highly specialized medical services, it should be underlined that over years 2001 to 2006 value of Company's stocks increased repeatedly. Assumed by the SWISSMED Health Centre strategy, directed at investment process, is determined by many external factors, inducing private sector to operational and investment action in health care sector.

These external factors are:

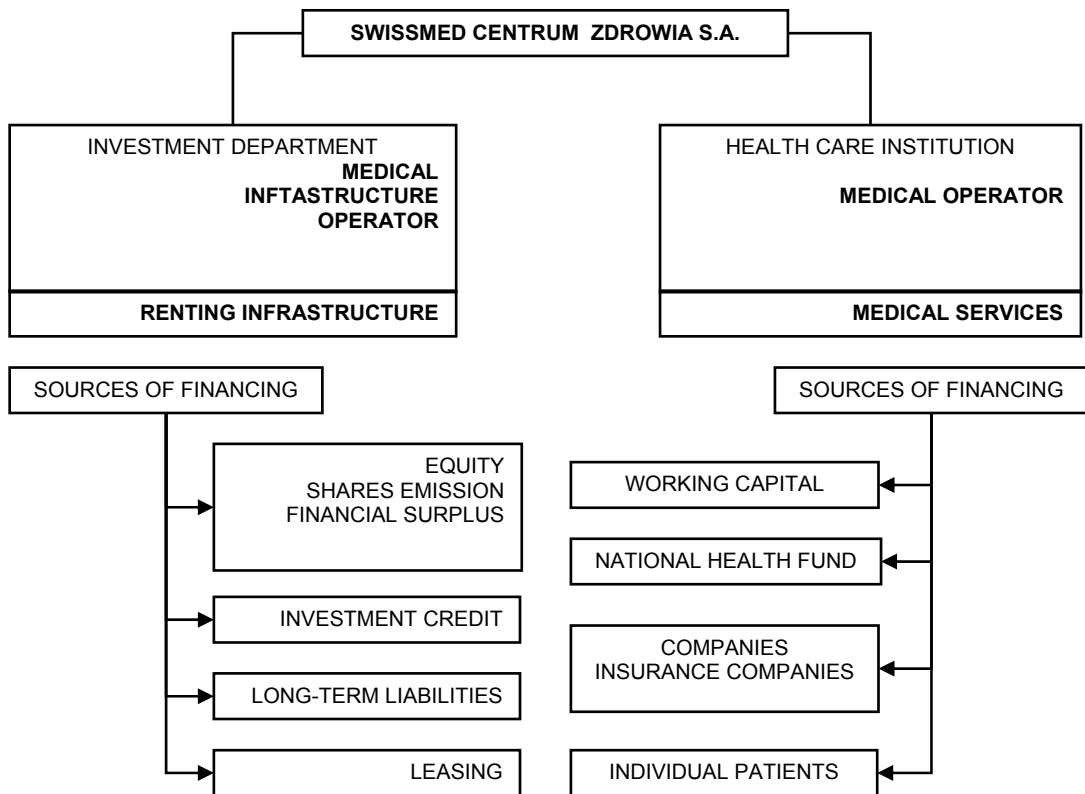
- bad condition of public medical infrastructure;



- increase of consumers' expectations related to provided services;
- access of Poland to European Union and associated process of adjusting regulations, economics and life standard to the Union's standards;
- increase of activities of insurance companies in the range of health insurances;
- activation of foreign insurance companies in relation to occupational migration of foreign citizens;
- planned changes of financing rules of medical services and marketing of National Health Fund financing mechanisms and others.

Pioneer activities of the Company at the medical services market and undertaking the risk of building new hospital and infrastructure associated with realizing complementary medical services were proceeded in unfavorable conditions characterized by unstable government policy on health care and unknown conditions resulting from Poland's access to European Union as of the day of making investment decisions. These factors resulted in overtaking competitors at the medical services market and guaranteed the development of the Company in the following years. Investment risk implied increased financial risk in the years 2001-2004. Company's liabilities was at the higher level during investment processes and was decreasing in the period, when outpatient clinic at Sklodowska Street was opened in 2002, hospital at Wilenska Street was opened and achieved its economical capability in IV quarter of 2004. This phenomenon has been emphatically presented by the coverage of liabilities by equities ratio.

Graph 3: Diversification of economical activity and sources of financing



Source: Swissmed Centrum Zdrowia, Annual Report 2005

Appendix 1:

**Organisational structure of Swissmed Health Centre S.A.**

