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In most East European countries, private healthcare is only for the wealthy. But Romanian group Gral Medical takes a different approach, competing with the state sector for the business of middle and working class Romanians.

Robert Serban, one of two brothers who own the business, says that his main competitor is the state. The company has a network of 10 clinics, covering Bucharest and the other major cities, and offers primary care at relatively low prices.

Serban says that the clients can use Romanian social insurance to pay some of their bill, in just the same way as it would if they visited a state facility. He adds: "If you visit a public sector doctor you have to pass across a brown envelope with cash. Our clients find that, once you have taken that into account, the cost of using Gral is much the same as the state sector."

Gral also runs a big laboratory serving four public hospitals in Bucharest. In fact, including social insurance reimbursements, 80% of its sales is to the state.

**Our Analysis:** Most private healthcare operators chase the wealthy, and that, in Romania, has been extremely lucrative, with some operators reputed to be making 60% profits a couple of years ago.

But it is also a small niche market, which is rapidly filling up with competitors. And an alarming number of wealthy Romanians, possibly 200,000 a year, according to Eurostat, fly west for treatment anyway.

We think that in Romania and other countries, the really exciting place is the mass market. Serban claims to be making 20% pre-tax profits, and plans to grow sales 50% to €15m in 2009.

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