

# Diagnosing GROWTH

Medicover is passionate about health care, and has been expanding rapidly in the 20 years since it was founded.

Images by Johan Jeppsson

One of the largest private healthcare companies in Central and Eastern Europe, Medicover has helped millions of people since its creation in 1995. The company is the largest private employer of medical professionals in Central and Eastern Europe, with more than 11,000 employees.

Medicover's 100 clinics, three hospitals, and some 80 laboratories across the 14 markets where it operates, have more than 4.5 million patient visits annually, and process more than 100 million lab tests, with these figures continuously increasing. The company's catchcry is 'caring for your health is all we do', and it offers a number of health services and plans for its members. Fredrik Rågmark has been CEO of Medicover since 1997, although he never imagined he would have a

career in the healthcare industry at the start of his working life. "I was going to go to London and have a career in the financial services industry," Fredrik explains.

"But then a good friend of mine was working for Oriflame in the Philippines and he convinced me to have a lunch with the owner of Oriflame, Mr Jonas af Jochnick, and I did. And over two hours Jonas convinced me to come and work for Oriflame instead: that's why I moved to Belgium. And then in about 1994, we set up a venture capital company for Eastern Europe, ORESA Ventures, and before we had even formed that company we came across this business which was Medicover, and this was early 1995.

"We started to invest into Medicover so I was involved as we set up the company. We started trade in August 1995, so we have

our twentieth anniversary of Medicover this year. Then, unfortunately, in 1998 Russia devalued, so the venture capital company lost a lot of money as we had quite a big exposure to Russia at the time. Then we were really faced with a decision on what to do, and we decided to sell off all other assets and keep Medicover. This was definitely one of the most important strategic decision on our journey, and one that we for sure have never come to regret."

Despite Fredrik and the majority owner of the company Jonas af Jochnick not having any experience in health care back in 1995, they have managed to ensure Medicover has grown and evolved over time. The key, Fredrik says, was that they were aware of their limitations. "One very key element for us in the early days, which has stayed with us, was we



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**am I sick**  
 how can we prevent strokes  
 and save millions  
 what diseases do I have  
 who should manage  
 her heart disease  
 who is the best candidate  
 for treatment  
**is he suffering  
 a heart attack**  
 did my pap miss  
 something  
 is he HIV+  
 will this patient  
 recover quickly  
 after surgery  
**is my baby  
 healthy**  
 is my treatment  
**working**  
**can I  
 still get  
 pregnant**

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 we caught it early  
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 I know the treatment  
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 I am in control  
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were quite humble about what we did and didn't know.

"We managed to identify a wonderful organisation in the US called Community Health Plan. They subsequently were acquired by a very large health insurer, but they were our partner for a few years in the late 90s and they meant a great deal to us in terms of bringing that early stage knowledge to the organisation. At our recent twentieth anniversary conference in Stockholm we had a number of friends joining us from our US partner organisation, which felt very good to me," Fredrik says.

This, combined with two other factors—having a long-term strategy, and the people the company employed—is what Fredrik believes has helped with the success of Medicover. "The enthusiasm and talent of people in Eastern Europe, where Medicover is located, has been a key success factor," Fredrik says. "In every business you need to have a long-term perspective, but I would argue in health care it's even more specifically so because of the long-term nature of your brand and reputation. Had we not had an owner that had the guts and financial ability, and who trusted us, it would not have succeeded."

Today, a majority shareholding in Medicover is held by a charitable foundation that Mr af Jochnick established a number of years ago, the Jonas and Christina af Jochnick Foundation. This will ensure the continuity of stable ownership and long-term perspective, which Fredrik considers a vital element of the continued positive outlook for Medicover.

"The second thing, there is an incredible amount of fantastic talent in the markets where we operate. If you're in the service industry, which we are, the product

*"The most important drivers in IVD [in vitro diagnostics] are innovation that highly impacts diagnostic accuracy and testing efficiency that leads to faster results in the benefit of both healthcare professionals and patients. Roche Diagnostics is committed to leverage both." - Stavros Chisimellis, Country Manager, Roche Romania - Diagnostics Division*



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- Fredrik Rågmark

that we sell is how our people interact with our customers. One difference, in my opinion, between Western and Eastern Europe is that Western Europe is largely trying to hold on to yesterday, whereas Eastern Europe is trying to build a future for tomorrow. That's visible in the people. About half of the people we employed in our first year in 1995 are still with us, which I think is a great testament to the organisation.

"We have operated our pro bono Medicover Foundation since 1997, which plays a significant role, both in driving staff engagement and in affecting public health in our markets. We are, as an example, very proud over our current six-year-long diabetes Type 2 Screening Project (PoZdro), which we are running across all of Poland, reaching 30,000 school children, through which we will help a minimum of 1,000 teenagers not to develop the lifelong chronic illness."

Another significant factor that allowed Medicover to succeed was its partnership and supplier network. The company has two main areas, the healthcare business that is branded as Medicover, and diagnostic laboratory businesses branded as Synevo. The partners that supply these businesses are

essential, in Fredrik's eyes, to the success of the company as a whole. "There's the original health services business and the labs business," Fredrik explains. "In both of them we have very important partnerships but they're quite different in nature given that the two businesses are quite different. The profitability or the performance of the labs business is largely dependent on being able to build scale, being able to negotiate down your supplier costing, because that's by far the largest cost in the labs business.

"In that respect, we have developed a very good working relationship with Roche Diagnostics, which works very well for us and I think it works very well for them as well. It's not just about sitting and haggling about what the price should be, but they are involved in terms of developing parts of our long-term strategic planning.

"In the healthcare services business it's not that straightforward, because the business is much more mixed. So you have different relationships for different parts of the business. One I can point out is technology, as few businesses are as dependent on technology as we are in health care. >



“Everything is electronic in our systems; we have one integrated database across everything we do with fully electronic medical records since more than 10 years ago. Once upon a time, we originally developed this with a Romanian software house, and

every day people would lift their eyebrows and say ‘Oh, Romania, what can you do down there?’ The partnership lasted for more than 10 years and played a vital role for us. For a number of years we have insured the development activities, but the early partnership was essential.

Both areas have seen quite a lot of success in recent years, with the labs business in particular expanding to a number of other countries in the region. Fredrik is very confident that the growth in this area will continue for the next 10 years, especially as technology evolves. “Our labs business under the Synevo brand is 100-per-cent owned by Medicover but we put another brand on it because the lab customers are very different from the customers we have in our healthcare services business.

“The labs business is today in 14 countries across central and Eastern Europe as well as in Germany, and in the labs business

you have both a much more geographic expansion element where you pretty continuously add new markets into that business. And secondly, there is a very big technology angle in the labs business, not the least within the genetics business for example, where technology very much will impact and rather drastically change how that industry works over the coming five to 10 years. We’re very active in that field. I think those are the key drivers of why I think we can keep on growing certainly at the same rate we have been historically.”

This growth has, however, presented challenges for Medicover. As the company expands, new staff are required, and Fredrik wants to ensure they are just as passionate and motivated as all the staff he already has. “The biggest hurdle for our ongoing growth is being able to supply, retain and train people,” he says. “From a growth perspective, we hire 3,500 new

heads every year, but half of those are replacements and half of those are actually net additions. But the number of partners we need in terms of identifying, interviewing, recruiting and retaining 3,000–4,000 people a year is quite significant. I would point out that if technology and equipment is a key thing on the lab side to drive profitability, on the medical side it’s really all about people. That is the truth of the matter.”

This is why the culture of the company is so important to Fredrik. He wants to hire and retain the best staff, which he says is simply impossible without a great company culture. Currently employing more than 11,000 people across the company, Fredrik wants to ensure the culture encourages excellence. “Once people are hired and work within our organisation it’s up to us to develop a culture that they like and they want to stay in, but before they have come to us we need a lot of partners out there to find our future people.

“If there’s something that is special about us, I think it’s that we’ve managed to develop a great culture in the organisation, and that drives engagement, which in turn drives performance, and that is the one single thing I would point out that I think we have succeeded with.”

For the future, Fredrik’s mandate is all about increasing the growth of Medicover. The company is targeting growth by looking to expand the number of clinics and medical centres they operate as well as the number of laboratories, and also by targeting more speciality health services like IVF. “We’ve been growing at 12–15 per cent organically throughout all the financial crises and I don’t think there’s anything that will stop us continuing to grow like that. We will become a €500-million company in a year or two and then give it another five or six years and I think we can reach €1 billion.

“What we’re doing to support that is we have three key angles to our growth strategy. The first one is

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the original business, which we call the integrated health insurance provider model, where Poland is by far the largest country for us, with Romania as the second.

“In Poland, still we have only just scratched the surface in terms of what our business can become, and the same applies for Romania. The second step is within that model we also developed a number of speciality lines of services, for example fertility or IVF. Three or four years ago, we bought an IVF business in Poland, and we have taken that to Ukraine, and we bought quite recently our first business in the UK in this field and aim to expand this to other markets across Europe. The same business logic applies to a number of other specific speciality lines, like ophthalmology, where

we have the customer base and core competence in our home market, and where we have the opportunity, through acquisitions, to drive that specific business all across western Europe.

“The third element of the growth strategy relates to the laboratory business, where we will both expand our coverage in existing markets, leverage the use of new technology to deliver faster and more accurate diagnosis and, finally, expand to new significant geographic territories.

“It does not feel that long ago since we started, and I am sure over the coming 10 years we will have more growth and change than over the past 20 years, which is why our industry and company is such a fun place to work,” finishes Fredrik. •

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# MAKING A DIFFERENCE, ONE DISCOVERY AT A TIME

John Coulter, Vice President of Abbott's diagnostic commercial operations in EMEA, discusses how customers can better meet changing global healthcare needs.



“Diagnostics is increasingly critical in developing flexible solutions to meet the needs of global health systems, as we reinvent the way we deliver a test result.” — John Coulter

## How do you see diagnostics evolving during the next few years?

The healthcare climate continues to evolve, as there is an increased focus on access to care, cost pressures and improved outcomes. Higher volumes, combined with higher quality and efficiency requirements in a consolidating environment, will continue to be the new normal. Diagnostics is increasingly critical in developing flexible solutions to meet the needs of global health systems, as we reinvent the way we deliver a test result.

## How is Abbott helping its customers meet the changing dynamics of healthcare?

With 40-plus years of expertise, Abbott is able to leverage its deep knowledge of diagnostics to provide solutions to address the future of medicine. Through a close partnership with our customers, Abbott can explore avenues to increase efficiencies while managing higher testing volumes, a changing lab workforce and sophisticated care pathways. Through automation, informatics/data management and complete workflow analyses, we deliver technologies and processes that support the laboratory in managing today's needs, and also in

anticipating tomorrow's challenges, while generating substantial savings for the ecosystem.

## What types of technologies are helping to improve efficiencies within today's lab?

As I mentioned, automation and workflow are key. It is also equally important to find additional efficiencies with informatics and inventory management solutions. Leveraging technology is at the core of what we provide to our partners. For example, we have integrated an RFID-based inventory management solution and are known for our sample management informatics system (AMS by Omnilab, recently acquired by Abbott). We also improve efficiencies through our science and innovation. Our High Sensitive Troponin I test is setting new standards for diagnosing heart attacks, particularly in women, an often underserved population when it comes to heart attack diagnosis.

## What areas of diagnostics is Abbott focused on for the future?

Data management, in the context of establishing true business intelligence, probably is a hidden gem, both inside and outside the lab. Imagine the

savings you could generate if you could compare your performance to that of other labs in order to optimize usage of your assets, consumables and more. And we are working on a next generation of instrument platforms for Immunoassay, Clinical Chemistry, Hematology, Transfusion, Molecular, and Point of Care.

## What are you most proud of about Abbott's contributions to diagnostics and healthcare?

Abbott has had a number of “firsts” in its more than 40-year history in diagnostics. Among our countless contributions to advancing science is the world's first FDA-approved assay to detect HIV, which is considered a major turning point in the fight against HIV/AIDS. Our commitment to improved care and better outcomes drives Abbott to focus on continuously developing solutions to help change the practice of medicine while providing great value to our customers and the overall healthcare system.