

Competition in Hemodialysis Care Provision in Portugal

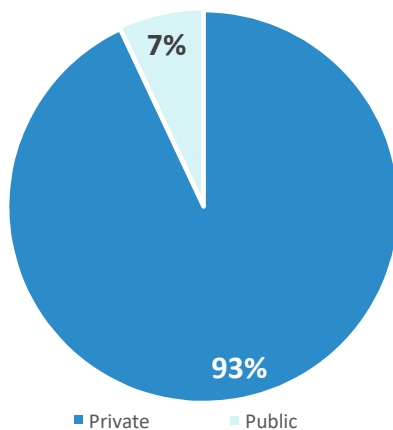
November 2020

Hemodialysis is the predominant method of dialysis therapy for treating chronic kidney disease in Portugal, and it is mostly provided by private operators. In light of the prevalence of hemodialysis and the concerns raised by the National Association of Dialysis Facilities, the Portuguese Competition Authority (AdC) undertook an analysis on the sector and identified **vulnerabilities that constrain competition on quality among private operators**:

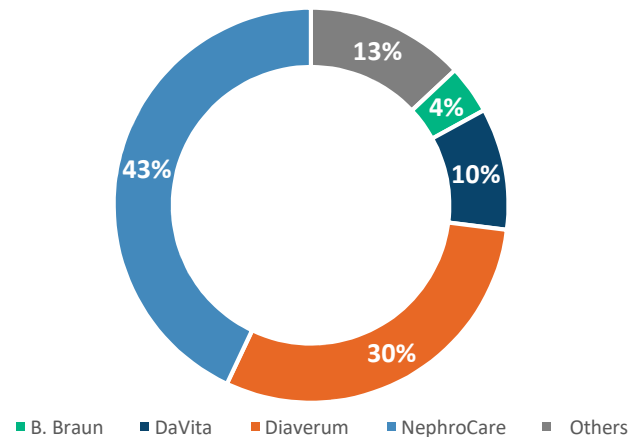
<p>High level of market concentration</p> <ul style="list-style-type: none"> → Several regions are serviced by a single operator → The 4 largest private operators assured ≈88% of the treatments, as of March 2020 → Between 1990 and 2020, the share of facilities of the remaining operators decreased by ≈60pp 	<p>Largest operators expand by acquisitions</p> <ul style="list-style-type: none"> → 24% of the facilities of the largest private operators were obtained by opening new facilities → The opening of new facilities increases the proximity of the patients to the facilities 	<p>Limited patient choice</p> <ul style="list-style-type: none"> → Most patients opt for the free transportation provided by the NHS, which narrows their choice → There is an <i>allocation</i> of patients to the facilities, instead of a <i>choice</i> by the patients
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In Portugal, there has been a **consolidation of the incumbents' position** in the hemodialysis sector. Barriers to entry and expansion are singled out as a strong limitation to competition by the operators.

Patients Under Treatment in the Private and Public Sectors (March/2020)



Share of Facilities of the Largest Private Operators (March/2020)

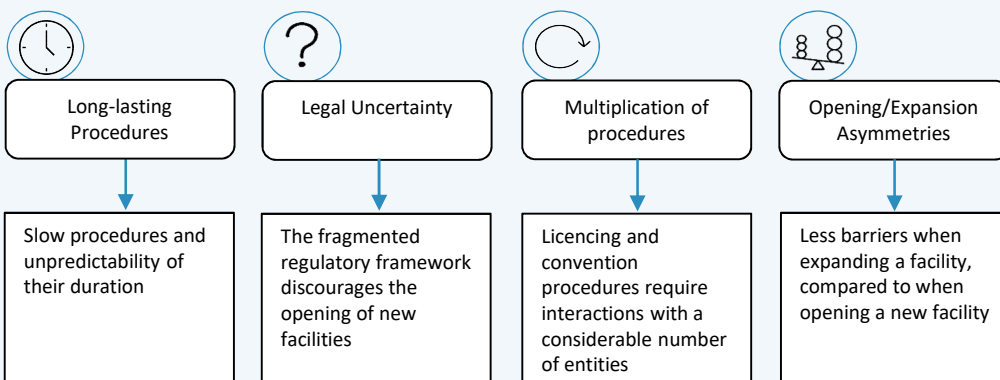


Source: PGID, ERS, operators, APIR and DGS – AdC analysis

Barriers to the Opening and Expansion of Hemodialysis Facilities:

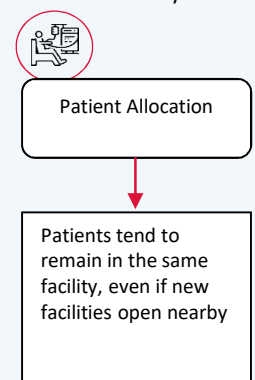
When Opening

When opening new facilities, the main barriers identified by the operators during the licencing and convention procedures:



Post-Opening

Post-opening, the assignment of patients to facilities is the key barrier



Competition in Haemodialysis Care Provision in Portugal

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The sector's specific regulatory framework affects the competition dynamics in this market:

Dimensions of Competition in the Haemodialysis Care Provision in Portugal

The competition in the sector is based on non-price variables. The price of the treatment is determined administratively by the government, following negotiations with operators. Nonetheless, the levels of concentration might have an impact on the price by affecting the bargaining power of the operators.



Location



Location is the main dimension of competition: When choosing the location for a new facility, the operators assess the resident population and the existing providers in that location, in order to estimate the potential number of patients.



Quality



Competition on quality depends on the patient's degree of choice: Currently, however, most patients opt for the free transportation provided by the NHS, significantly limiting competition on quality.

Recommendations

The promotion of effective patient choice and the removal of unnecessary barriers to the opening of new facilities are essential for effective competition, for the benefit of the patients. To mitigate the competition concerns identified by the AdC, we recommend the following:



Promotion of effective and informed patient choice:

GOVERNMENT	1	Create a system to compare facilities on quality and outcome indicators of hemodialysis treatments, based on the monitoring results of the National Dialysis Monitoring Commission (CNAD)	2	Introduce a duty for the Regional Health Administrations (ARS) to inform the patients when several facilities meet the NHS transportation management criteria	3	Undertake a cost-benefit analysis on the possibility of introducing a reimbursement option for patients who ensure their own transport, limited to a certain reference value
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Removal of unnecessary barriers to the opening of new facilities:

GOVERNMENT	1	Ensure a timely publication of the new standard clause concerning hemodialysis, in order to reduce the legal uncertainty concerning the convention regime	2	Within the scope of the procedures for private operators adhering to a standard clause, (a) introduce the possibility of granting a convention by tacit approval; and (b) introduce a deadline to respond to convention requests	3	Remove unnecessary obstacles that prevent entry of operators and/or the opening of facilities because of the existing capacity, the concentration in the market, or the profitability/use of existing resources	4	Create a unique portal and/or form that, from the point of view of the operators, link both the licensing and the convention procedures required in the NHS	5	Ensure that the quality requirements in the best practice guidelines for hemodialysis, under discussion, are technologically neutral
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