Georgia's Healthcare Sector

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Key findings

Demand on healthcare services in Georgia is largely driven by rising prevalence of age-associated diseases and improved accessibility, supported by increased government spending.

Public health spending increased almost 3x times to GEL 2.0bn over 2014-22, reducing share of out-of-pocket payments from 66% to 51% of total health expenditure in Georgia. This ratio is still high compared to EU (16%) and peer EM countries in the region (36%). The government plans to reduce share of out-of-pocket health expenditures to 30% of total by 2030[1].

Hospital sector in Georgia shows low efficiency. Number of hospital beds stood at 5.6 per 1,000 people in 2021, above peers and many high income countries globally. With oversupply of hospital beds, occupancy rate was low even in the pandemic years (55% in 2021).

Utilization of primary healthcare is still low in Georgia, despite significant improvement in accessibility over the last decade. Outpatient contacts per person stood at 4.0 in 2021 in Georgia vs 7.0 in EU.

Georgia faces oversupply of physicians and undersupply of nurses, with only 1 nurse per physician in Georgia vs 2-5 nurses in European countries. As a result, Georgian doctors are 3 to 5 times less productive than peers in terms of patients treated annually.

The profitability of the healthcare sector has improved in 2021 (boosted by increased government spending on the covid-19 management) after continuously deteriorating for several years. EBITDA margin reached 17.1%, while average net profit margin hit 14.6% in 2021. With introduction of DRG, profitability margins are expected to stabilize on healthy levels in the medium term.

The government implemented a new funding model of UHC - Diagnostic Related Grouping (DRG). DRG model determines reimbursement based on patient's diagnosis and various other factors (e.g. age, gender, health complications, etc.).

The DRG model is expected to enhance efficiency and sustainability of healthcare system, increase transparency, create healthy competition between hospitals, boost consolidation and reduce market fragmentation.

DRG model comes with its risks. If the incentives for cost reduction are too strong, without sufficient capacity of quality control, DRG can lead to reduced quality of care. Furthermore, it can slow down the adoption and use of technological innovations and create deficiency of certain medical services on the market.

[1] Vision for Developing the Healthcare System in Georgia by 2030

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Healthcare system in Georgia, 2021

Source of revenue

Government
48%

UHC
31%

Covid-19
44%

Other
26%

Households
44%

Health Insurance
4%

External funding
4%

Healthcare Sector

Healthcare providers

269
Inpatient facilities

192
General hospitals

77
Specialized hospitals

2,272
Outpatient facilities

402
Outpatient centers, policlinics

604
Dental clinics

1,266
Rural doctors' offices

79
Ambulance stations

22
Blood transfusion

61
Epidemiological centers

23
Other

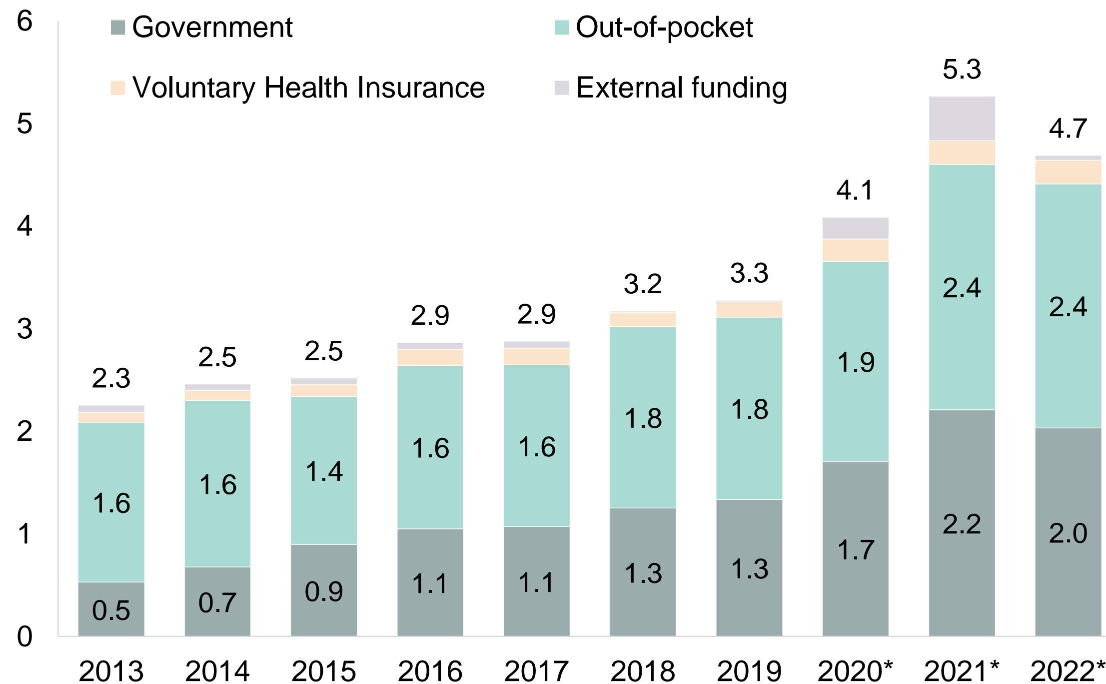
Pharmacies

Source: NCDC, MoH, MoF, GeoStat, Galt & Taggart

Increased government spending since 2013 boosted healthcare expenditures in Georgia

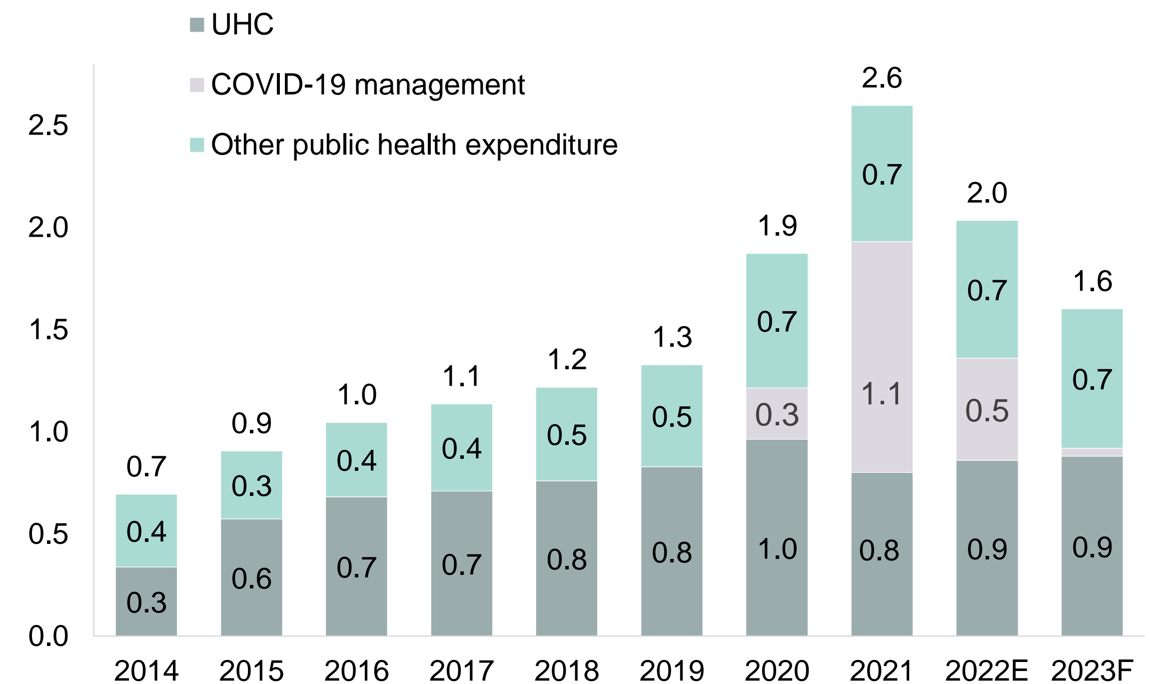
State healthcare spending increased almost 3x times GEL 2.0bn over 2014-22. Increased government funding and development of private insurance sector reduced share of out-of-pocket spending in total health expenditure by 15ppts to 51% over the same period. Out-of-pocket payments (mainly spent on medicines) are still high in Georgia compared to EU (16%) and peer EM countries in the region (36%). According to Vision for Developing the Healthcare System in Georgia, the government aims to reduce share out-of-pocket health expenditures to 30% by 2030.

Healthcare expenditures by source, GEL bn



Source: MoH, MoF, GeoStat, Galt & Taggart
* G&T estimate

Public Healthcare expenditures by function, GEL bn



Source: MoF, Galt & Taggart
Note: Public healthcare expenditures include transfers distributed by government from foreign origin

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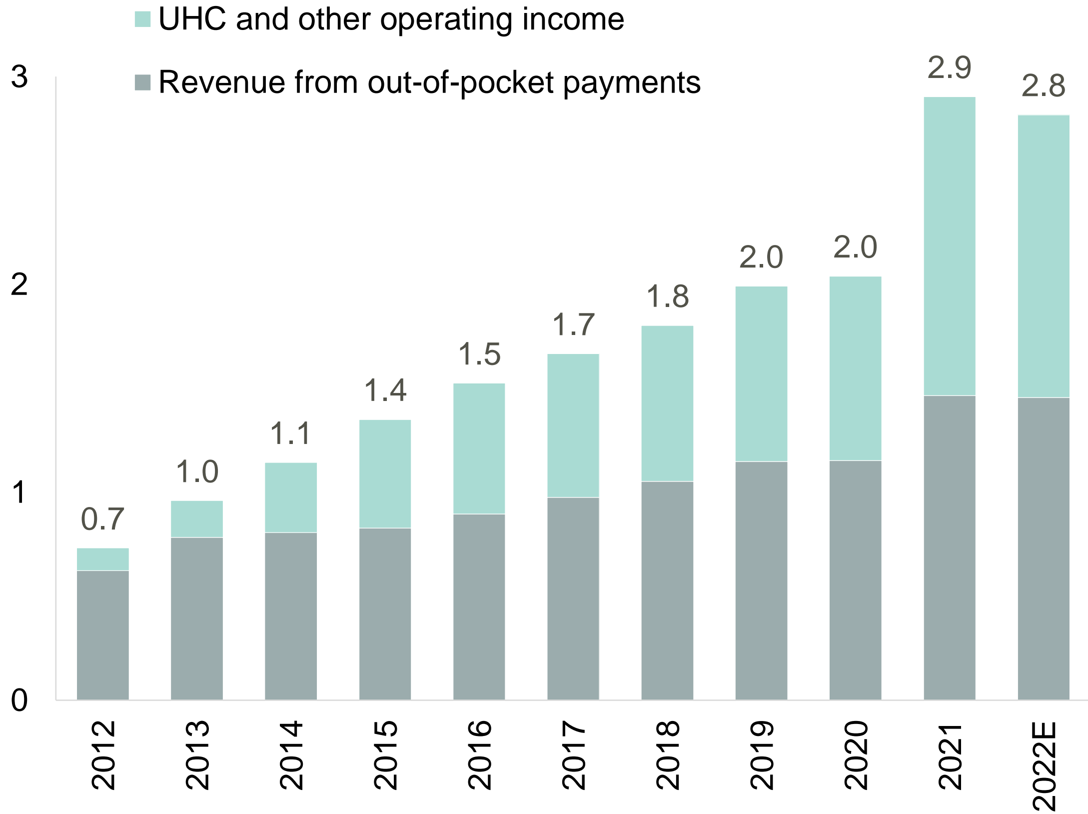
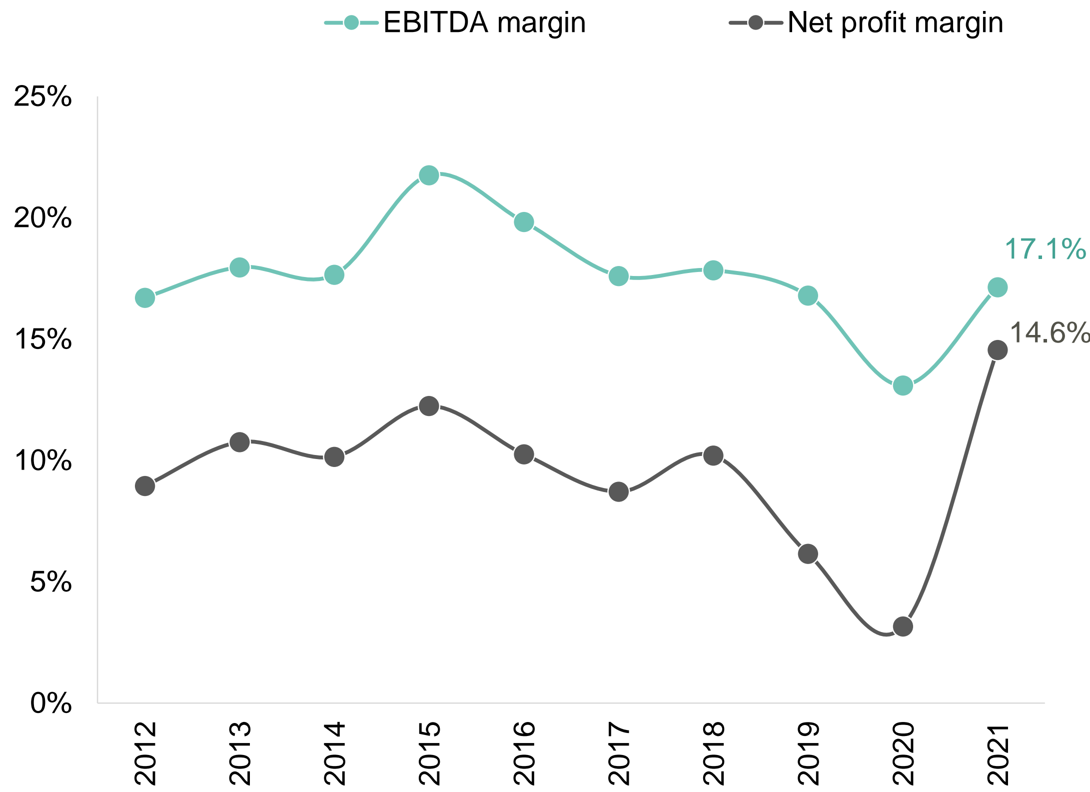
UHC accounts for half of total GEL 2.8bn revenue, generated by the private healthcare sector in 2022

Private healthcare sector revenues, GEL bn



Source: GeoStat
Note: UHC comprises vast majority of UHC and other operating income category;
Revenues do not include trade of pharmaceuticals

Profitability of private healthcare sector



Source: GeoStat, Galt & Taggart

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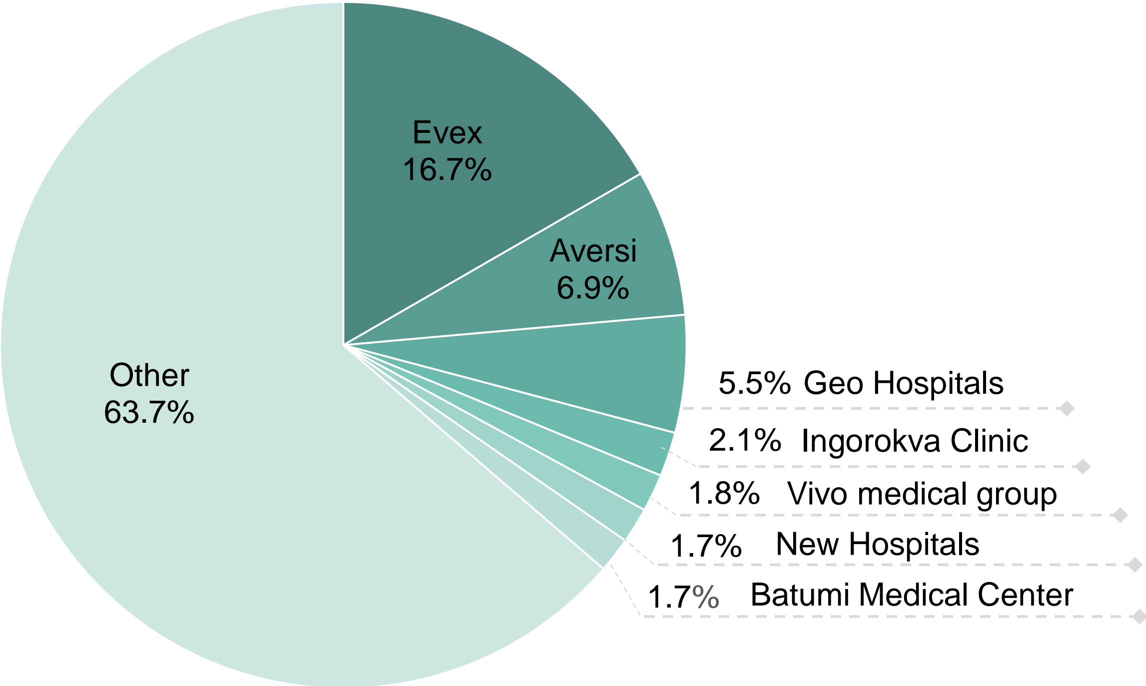
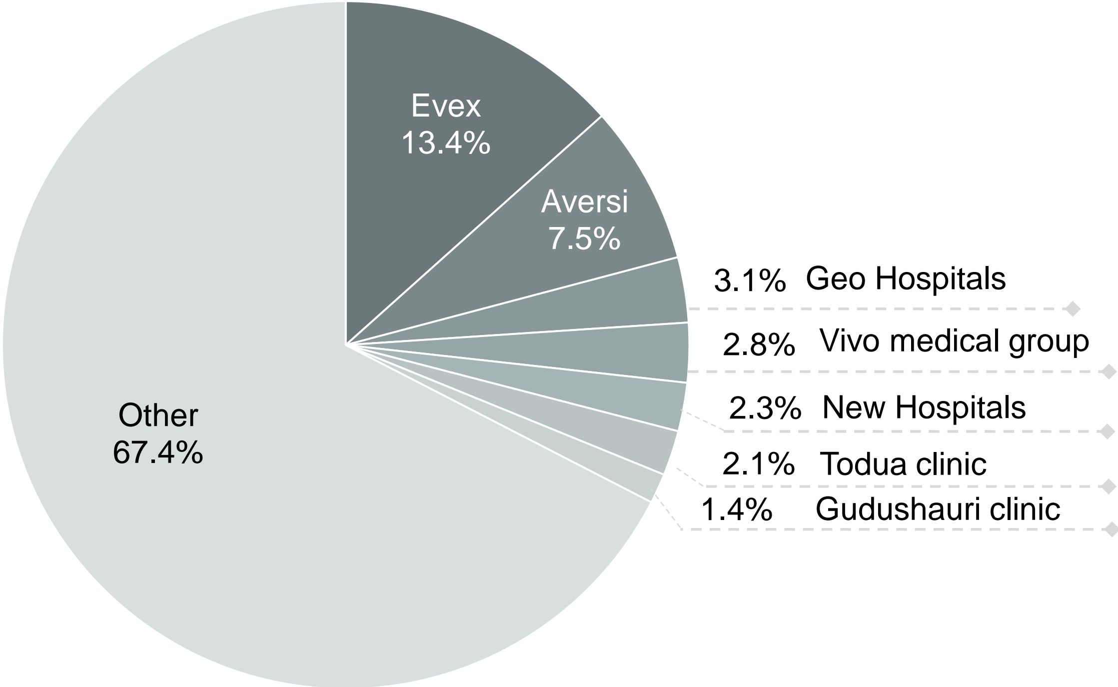
Scale is one of key success factors of operational and financial efficiency, though sector is still highly fragmented

Market shares by hospitalizations, 2021



Source: NCDC, Galt & Taggart
Note: Hospitalizations for hospital chains are consolidated

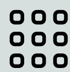
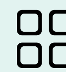
Market shares by revenue, 2021



Source: SARAS, NCDC, GeoStat, Galt & Taggart
Note: Revenues of hospital chains are consolidated

New funding model of hospital and emergency services – Diagnostic Related Grouping (DRG)

The government introduced a new funding model of UHC - Diagnostic Related Grouping (DRG) in January 2023. DRG model determines reimbursement based on patient's diagnosis and various other factors (e.g. age, gender, health complications, etc.). The DRG model is expected to enhance efficiency and sustainability of healthcare system.

Before the DRG	DRG model
The hospital gets paid per **each specific service** provided	The hospital gets a predetermined amount **based on the diagnosis**, adjusted based on a variety of factors
Creates incentive for hospitals to **over-treat patients**	Encourages hospitals to become **more efficient** in treating patients
 Large number of **new small hospitals** emerged, causing inefficiency	 Scale becomes key factor of successful performance, enhancing **consolidation** and reducing market fragmentation

Risks and advantages of Diagnostic Related Grouping (DRG)

Advantages	Risks	Does not affect
Creates **healthy competition** between hospitals – new hospitals do not have unfair advantage in tariffs anymore.	If cost reduction incentives are too strong, DRG can lead to **reduced quality** of care without sufficient capacity of quality control.	Primary healthcare
In medium and long term, **increased profitability** margins expected for the sector, due to increased government spending and sector consolidation.	DRG may not provide sufficient incentives to encourage the adoption and use of **technological innovations** in health care.	Human resources
Dynamic pricing that follows costs in real time.	May create **deficiency** of certain medical services.	Pharmaceutical market

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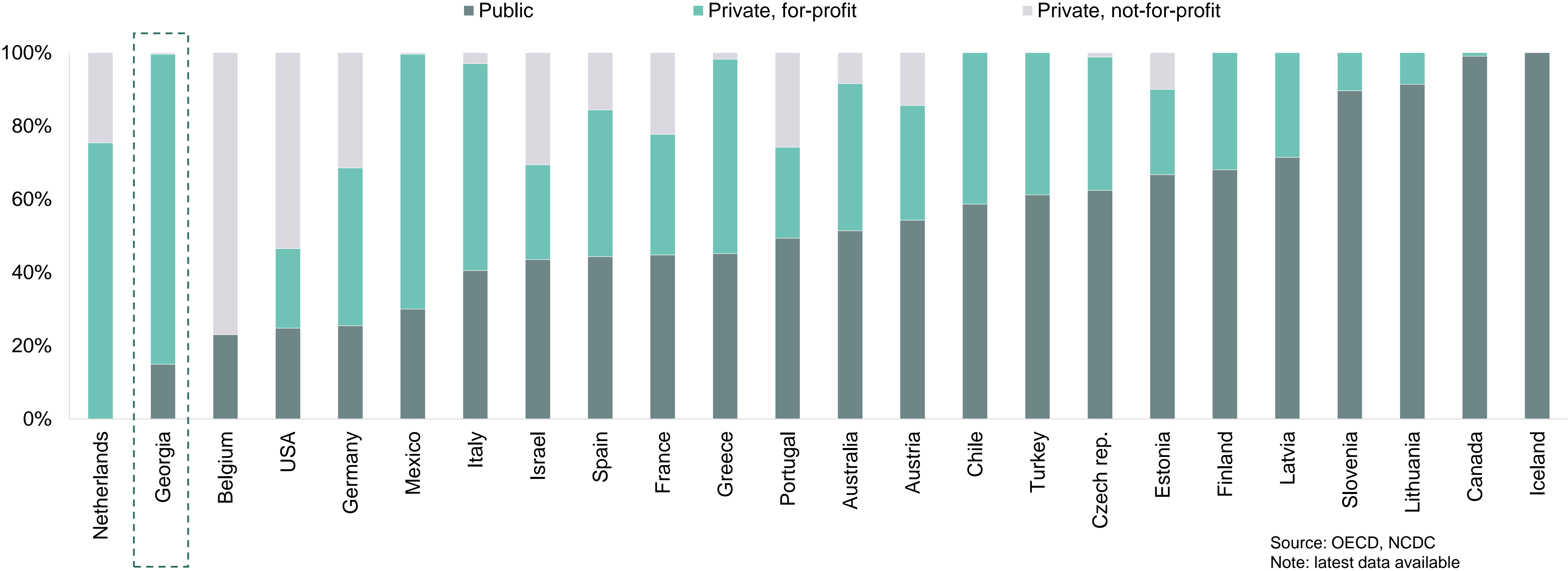
Georgia has one of the highest levels of private ownership of hospitals, ahead of many developed and EM countries

Healthcare industry in Georgia is dominated by private sector. 86% of hospitals are owned by for-profit private entities, while remaining 14% (mostly specialized hospitals, such as psychiatric, tuberculosis and penitentiary hospitals) are still operated by public institutions.

Distribution of hospital infrastructure by ownership type



Source: OECD, NCDC
Note: latest data available

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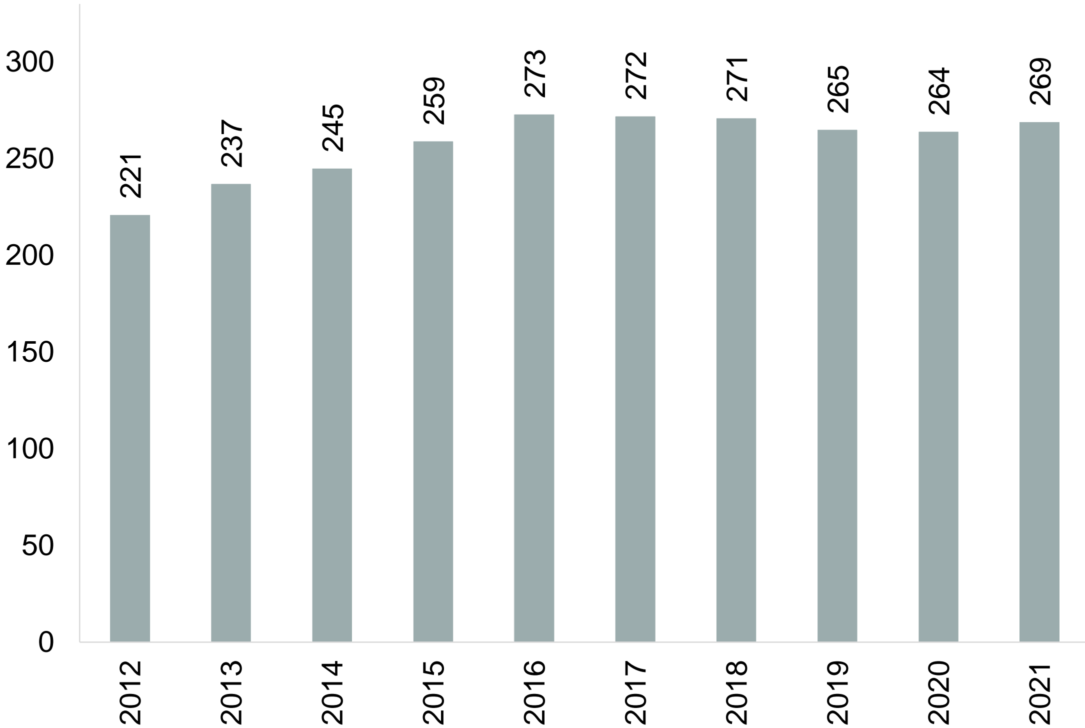
Number of hospital beds continue rising, reaching 20.6k beds (5.6 per 1,000 people) in 2021

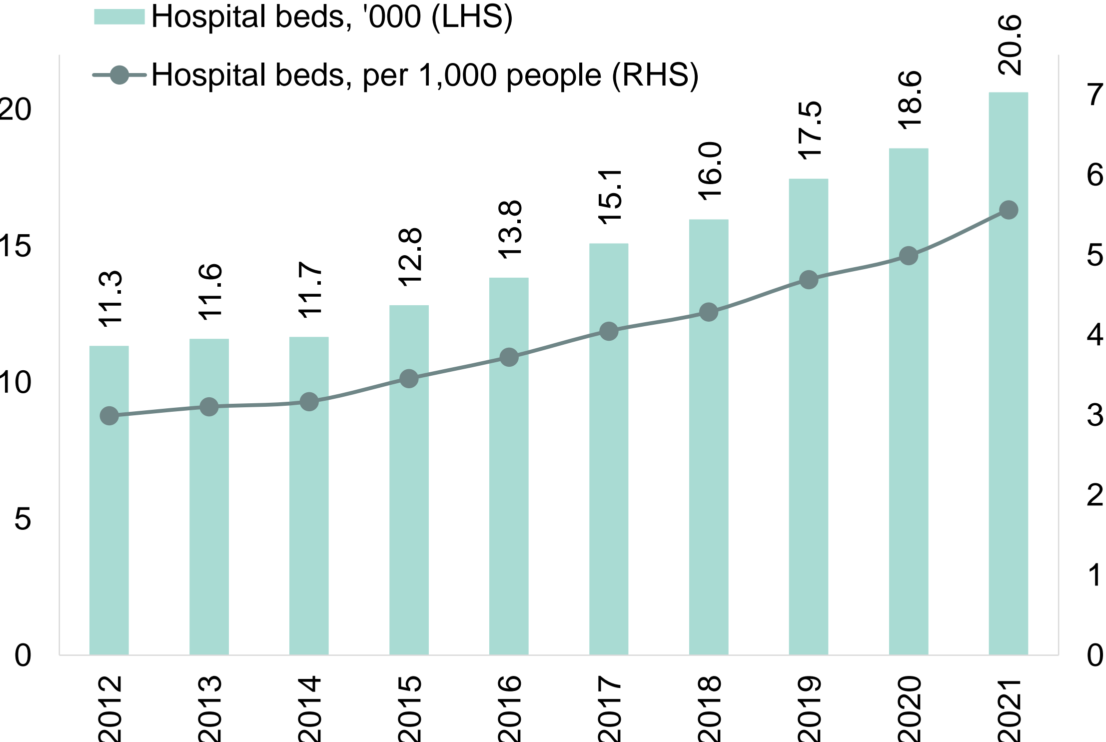
Privatization aimed at eliminating excess hospital beds, a Soviet Union legacy, and renovating the remaining. As a result, the number of hospital beds decreased to 3.0 beds per 1,000 persons in 2012. However, after replacement of old facilities, sector moved to expansion phase, reaching 5.6 beds per 1,000 people in 2022 (or 20.6k in absolute terms).

Number of hospitals in Georgia



Source: NCDC, GeoStat

Number of hospital beds in Georgia



Source: NCDC, GeoStat

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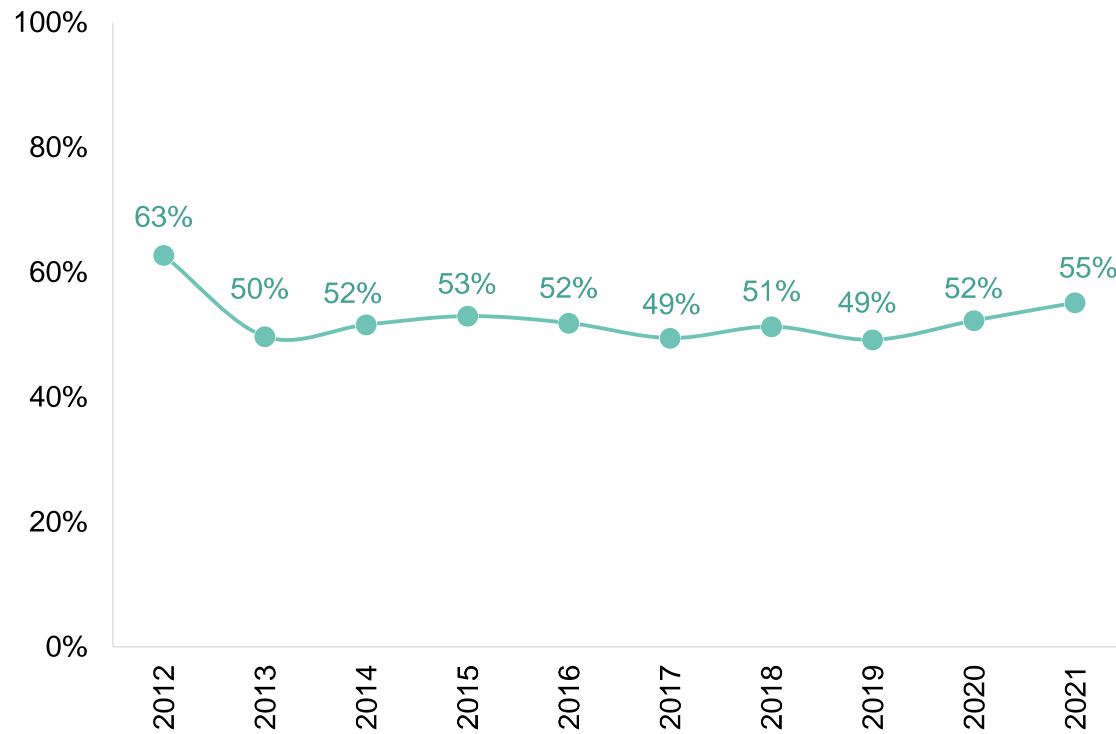
Georgia's bed occupancy rate in hospitals stabilised at average 51% over 2013-20, reaching 55% in 2021 due to increased Covid hospitalisations

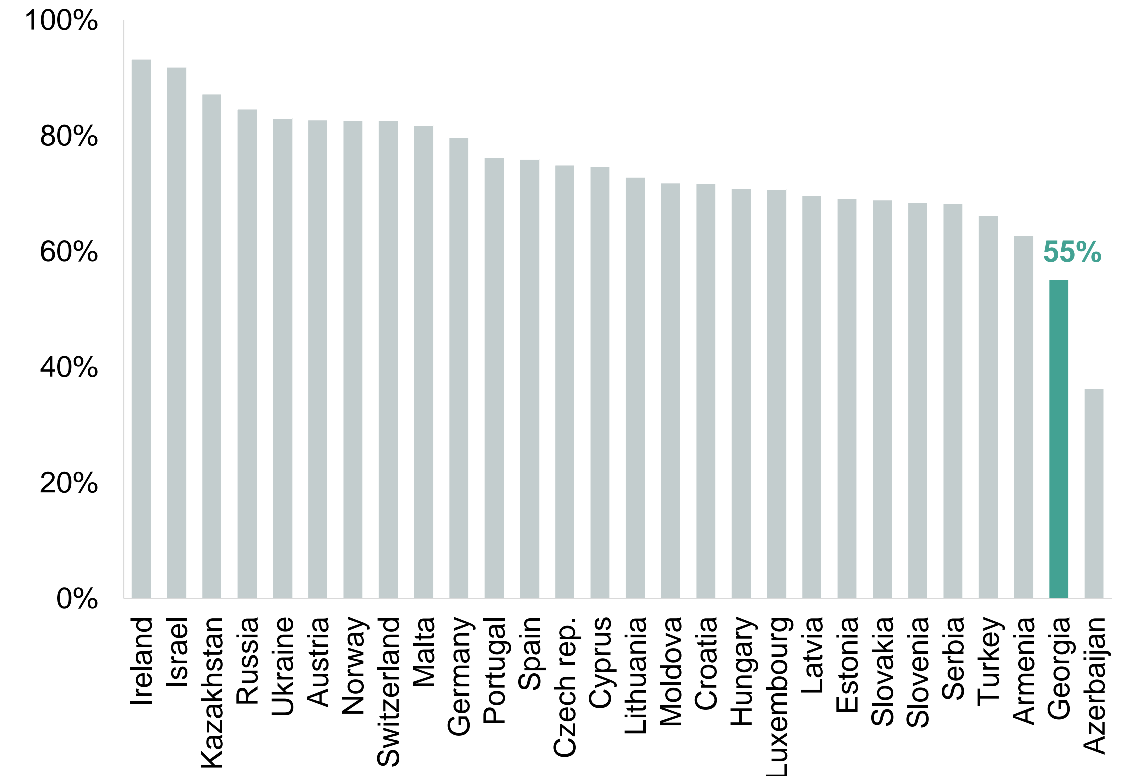
Georgia's bed occupancy rate increased to 63% in 2012, supported by consolidation in the sector. However, with new hospitals built, bed occupancy rate dropped to 50% in 2013 and remained flat since, until reaching 55% during the covid-19 pandemic. Occupancy rate in Georgia is far below EU (77%) and CIS average (83.4%) indicators, showing inefficiency.

Hospital bed occupancy rate in Georgia



Source: NCDC

…and in peer countries



Source: WHO
Note: Latest data available

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Tbilisi, Imereti and Adjara have highest number of beds relative to population

Bed occupancy and average length of stay by region, 2021

Region	Hospital beds per ‘000 people	Average length of stay, # of days	Occupancy rate
Tbilisi	8.1	6.1	58.2%
Imereti	7.9	5.9	48.9%
Kvemo Kartli	2.4	5.7	48.0%
Adjara	6.7	5.8	43.4%
Kakheti	2.5	5.4	50.6%
Samegrelo & Zemo Svaneti	3.5	7.0	68.9%
Shida Kartli	3.5	10.8	81.6%
Samtskhe-Javakheti	2.8	5.3	33.6%
Guria	1.8	6.1	72.2%
Mtskheta-Mtianeti	3.5	6.2	62.7%
Racha-Lechkhumi & Kvemo Svaneti	2.9	2.0	8.8%

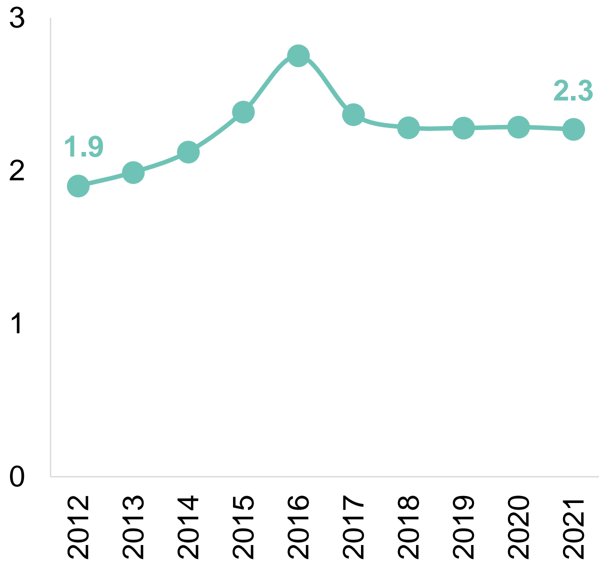
Source: NCDC
Note: regions are sorted by size of population

Despite the improvement, outpatient facility utilization is low in Georgia

Primary healthcare is highly effective and efficient way to reduce pressure on hospitals, prevent/manage communicable and non-communicable diseases and reduce share of complicated/fatal cases.

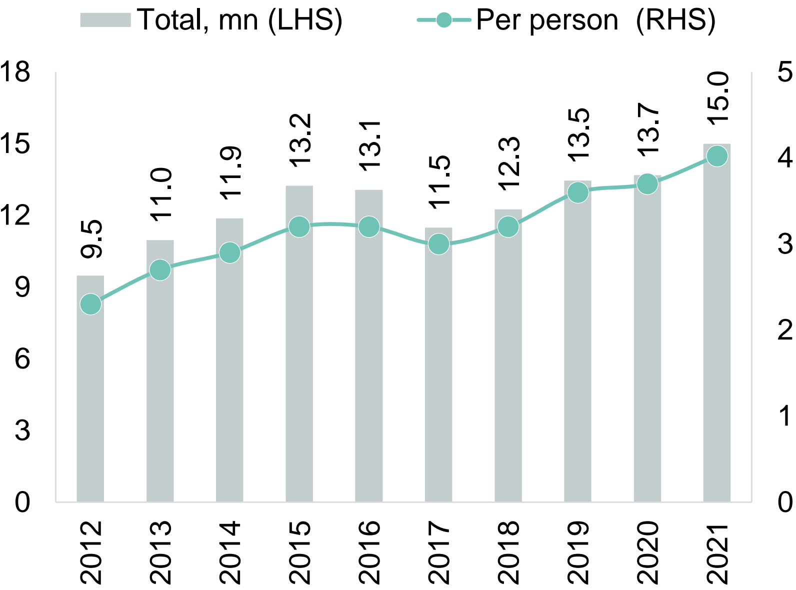
Georgia posted 4.0 outpatient contacts per person annually in 2021, significantly lower than EU and neighbouring countries' average indicator. Insufficiently developed primary care facilities is one of the reasons behind low use of outpatient services, which forces patients to head directly to hospitals. High level of self-treatment with over-the-counter drugs is another hurdle for primary service providers.

Number of outpatient facilities in Georgia, '000



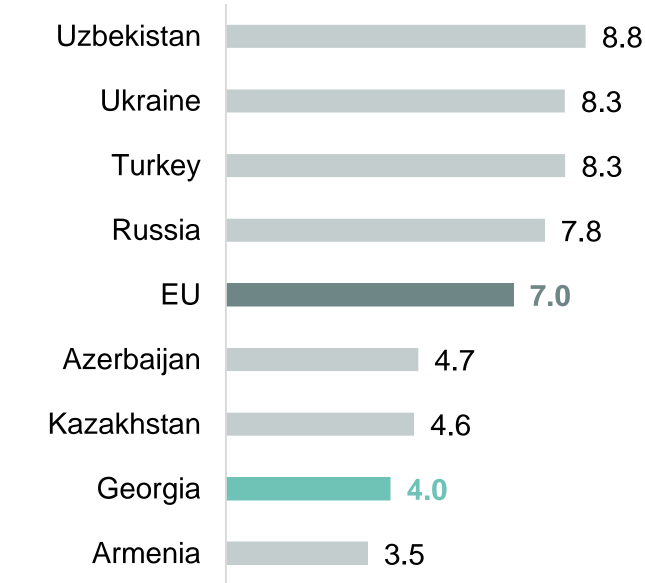
Source: NCDC
Note: Data includes rural doctor-entrepreneurs

Number of visits in outpatient facilities



Source: NCDC

Outpatient contacts per person by country



Source: WHO, NCDC
Note: Latest data available

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Outpatient contacts per person is at adequate level in Tbilisi, but very low in other regions due to underdeveloped outpatient facilities

Outpatient contacts by region, 2021

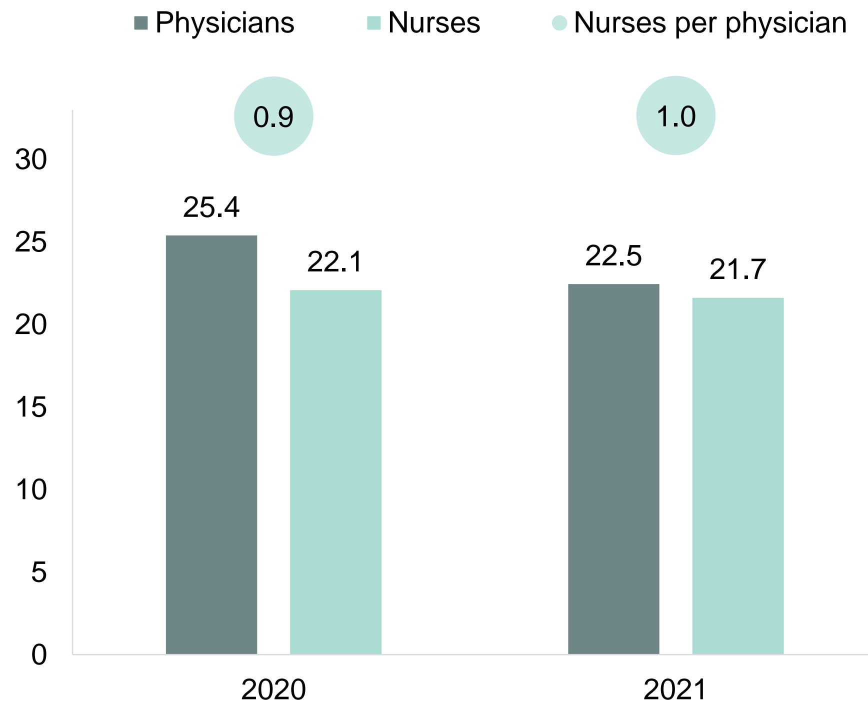
Region	Population '000 people	Outpatient contacts '000	Outpatient contacts per person
Tbilisi	1,201.8	10,991.8	9.1
Imereti	466.6	1,291.5	2.7
Kvemo Kartli	434.5	527.1	1.2
Adjara	355.5	896.3	2.5
Kakheti	304.9	599.4	2.0
Samegrelo & Zemo Svaneti	301.2	734.1	2.4
Shida Kartli	250.5	568.1	2.3
Samtskhe-Javakheti	148.3	206.3	1.4
Guria	105.3	225.2	2.1
Mtskheta-Mtianeti	92.4	134.9	1.5
Racha-Lechkhumi & Kvemo Svaneti	27.6	46.0	1.6

Source: NCDC

There is inadequate distribution of medical staff in Georgia, with oversupply of physicians and undersupply of nurses

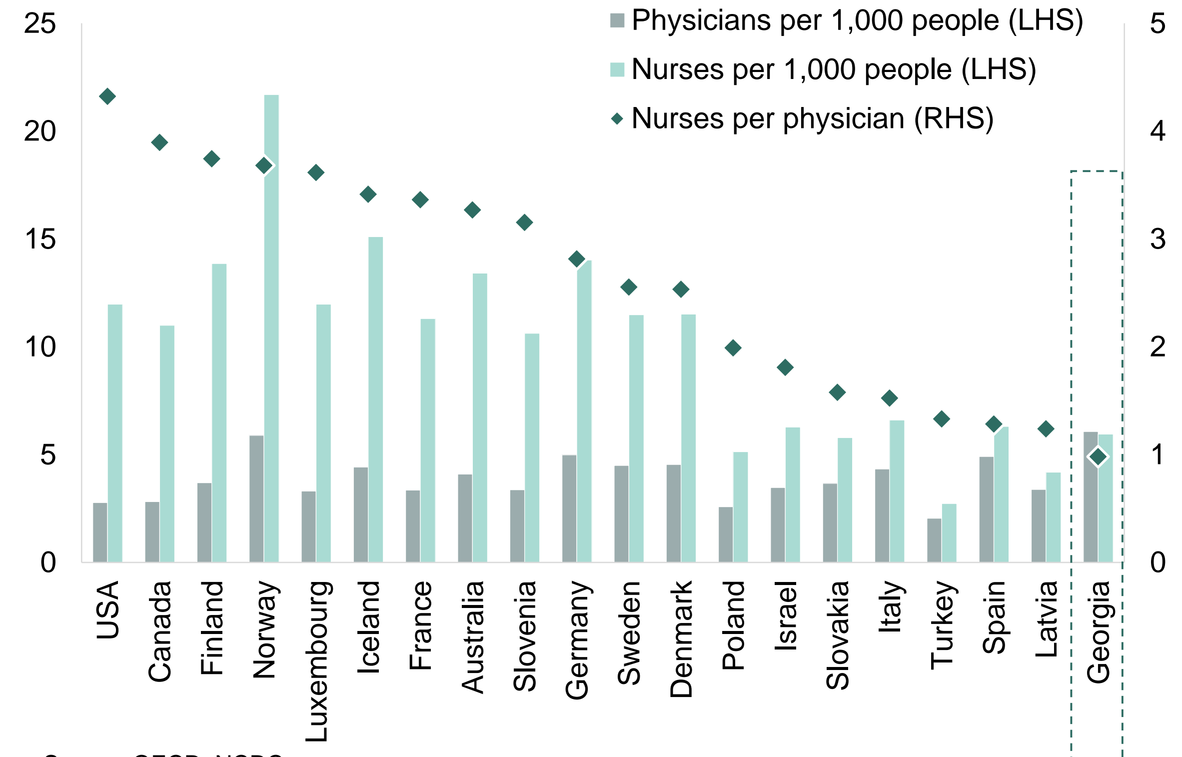
Georgia has one of the highest and growing number of physicians among peers, reaching 6.1 per 1,000 people in 2021, twice as high as OECD average. Meanwhile, there is lack of nurses, with only 1 nurse per physician in Georgia vs 2-5 nurses per physician in European countries. The trend is expected to continue as Georgian education system keeps admitting excessive number of students on one-cycle and residency medical programs, while admission of students on nursing programs in VET institutions is dropping.

Number of medical staff in Georgia, '000



Source: NCDC, GeoStat

Number of medical staff by country



Source: OECD, NCDC
Note: Latest data available

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Terms & Definitions

Term	Definition	
Inpatient care	Care for a patient who stays for a minimum of one night in the hospital or other institution providing inpatient care	
Outpatient (ambulatory) care	Medical care provided on an outpatient basis (without hospitalization), including diagnosis, observation, consultation, treatment, intervention, and rehabilitation services	
Bed occupancy rate	Average number of days when hospital bed was occupied as % of available 365 days	$\frac{\text{Total utilized bed-days x 100}}{\text{Number of beds x 365}}$
Hospitalization	Admission in a hospital for a minimum period of 24 consecutive inpatient care hours	
Average length of staying	Average number of days that a patient stays in a hospital	$\frac{\text{Total number of occupied hospital bed-days}}{\text{Total number of admissions or discharges}}$
Outpatient contacts	The number of visits to health facilities for outpatient (ambulatory) care during a year	
Out-of-pocket payments	Direct payments made by individuals to health care providers	
GWP	Gross Written Premium	
MoH	Ministry of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia	
MoF	Ministry of Finance of Georgia	
NCDC	National Center for Disease Control and Public Health	
OECD	Organisation for Economic Co-operation and Development	
WHO	World Health Organisation	

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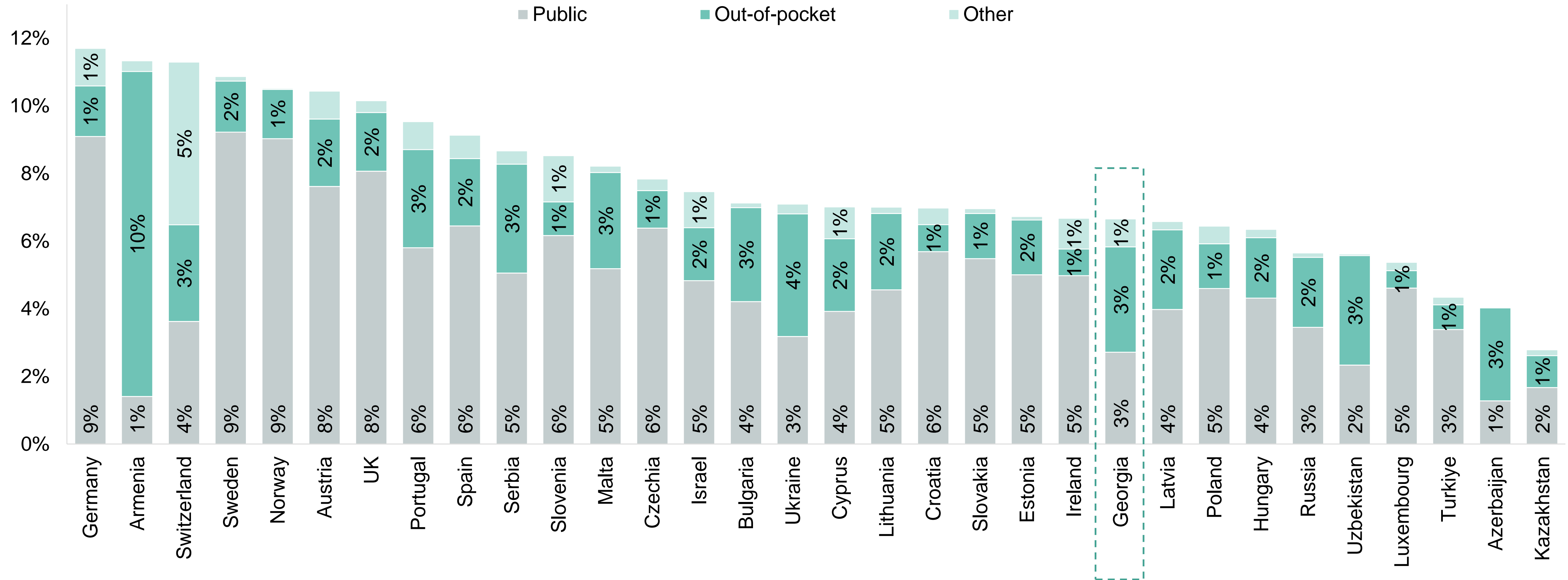
Annex 1: Total health expenditures as % of GDP

Current healthcare expenditures as % of GDP in 2019



Source: World Bank, MoH, GeoStat, Galt & Taggart

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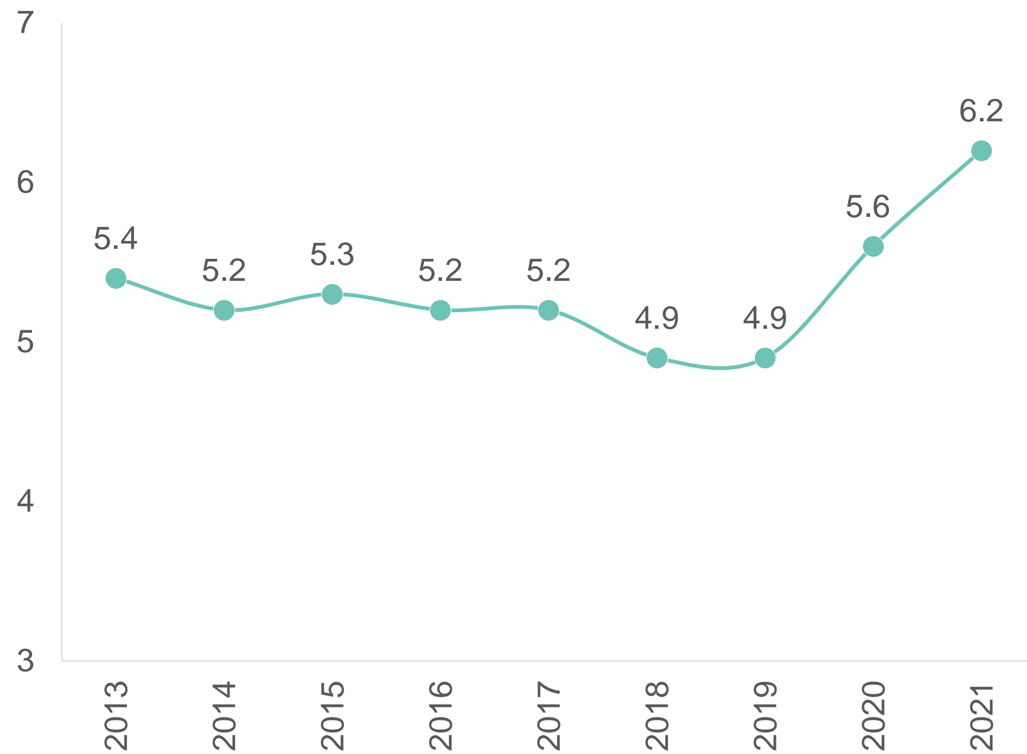
Annex 2: Average length of stay in hospitals

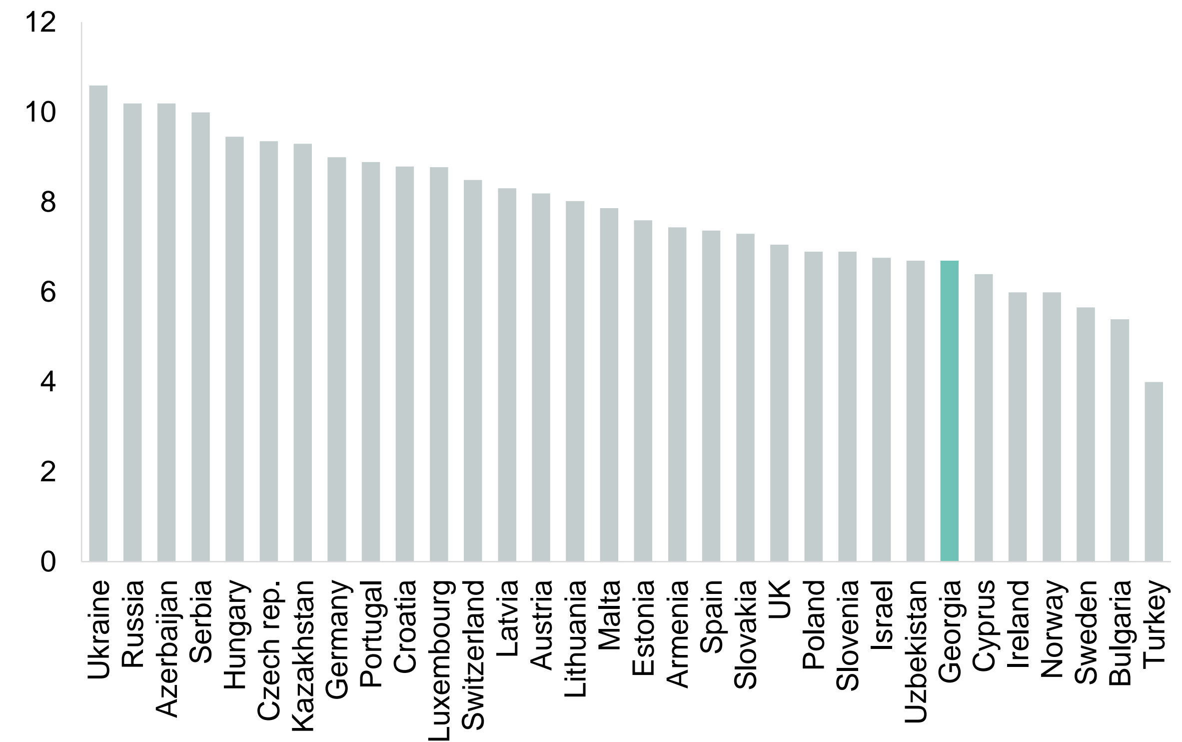
Generally, shorter length of stay in hospitals means higher efficiency. However, it is misleading in Georgia, as shorter length of stay could be explained by underdeveloped primary healthcare and hospitals' incentives to over-treat patients, changing outpatient cases into short-length inpatient cases, reducing average indicator.

Average length of stay in hospital, days



Source: NCDC

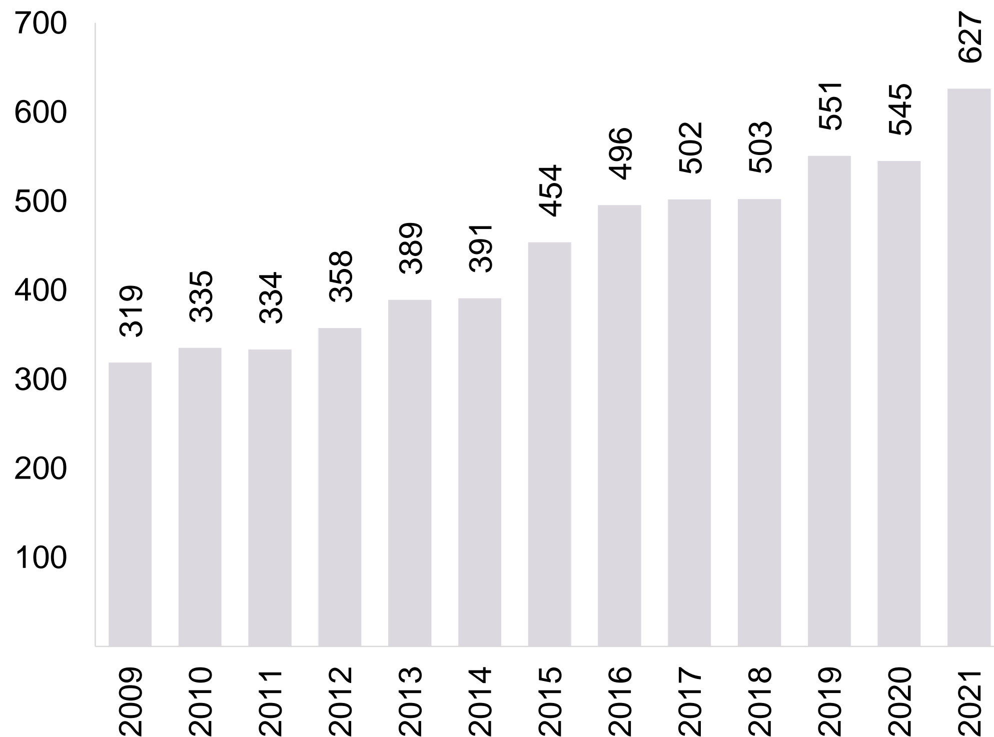
Average length of stay in hospital by country, days



Source: WHO
Note: Latest data available

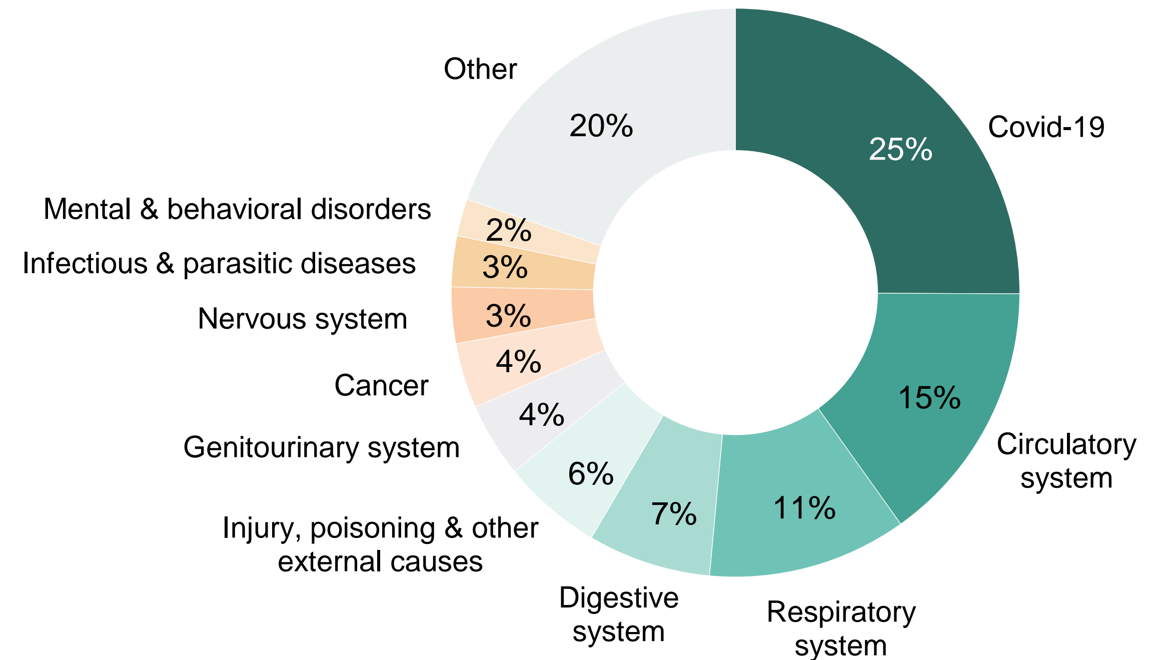
Annex 3: Number of hospitalizations

Number of hospitalizations, '000



Source: NCDC

Number of hospitalizations by disease group, 2021



Source: NCDC

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Annex 4: Profitability margins of medical companies in Georgia

Profitability of selected companies, 2021

Source: SARAS, Galt & Taggart
N=50, the selected 50 companies account for 51.3% of sector revenues and 50.7% of hospitalizations, according to 2021 data.

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