



## THE LEADING PRIVATE HEALTHCARE OPERATORS IN ITALY

**Aggregate revenues expected to increase by a further 5.5% in 2023**

**In 2022 turnover grew by 2.7% vs 2021 and by 8.7% vs 2019, with profitability declining**

**Not all sectors show recovery: medical diagnostics up 22.3% vs 2019, hospital care up 10%, and residential care for the elderly up 4.1%, but rehabilitation services continue to decline (down 0.4%)**

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The **Mediobanca Research Area** has today published a new version of its report on the **leading private healthcare operators in Italy** which analyses the largest groups with individual total revenues of over €100m. The survey also includes a focus on the most recent and future trends in the Italian healthcare industry and a comparison with the international scenario. The full survey is available for download from [www.areastudimediobanca.com](http://www.areastudimediobanca.com).

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### **Revenues above pre-Covid levels, profitability declining, and bottom line negative**

In 2022, the 31 private healthcare operators analysed in the survey reported **total revenues of €10.6bn**, up 2.7% on 2021 and up 8.7% on 2019. These changes compare with the 6.6% reduction reported in 2020, due to the partial suspension of healthcare activities, and with the 14.5% rebound recorded in 2021. The **diagnostics operators** saw their total revenues increase by 22.3% compared to 2019, driven by the exceptional demand for antigen and molecular testing during the Covid-related pandemic, the conclusion of which led to an 8.1% dip in revenues versus 2021; while the next-best performances were posted by the **hospital operators** (up 10% vs 2019) and the **residential care providers** (up 4.1%). The latter's performance was boosted by improvement in the bed occupancy rates at the residential facilities (which averaged over 90%), and the opening of new facilities, which continued even during the pandemic. Conversely, there was no recovery for the **rehabilitation service providers**, whose revenues dropped by 0.4% versus 2019.

Aggregate **profitability**, which is still below pre-Covid levels, slowed further in 2022 as a result of inflation: **earnings before interest and taxes (Ebit)** was 60.4% lower than in 2019 and 49.7% lower than in 2021, while the **Ebit margin** declined to 1.8%, compared with 3.8% in 2021 and also, more pertinently, with 5.3% in 2019. With reference to the individual areas of specialization, the hospital care and rehabilitation sectors posted negative performances at the current profit level for 2022, the latter more pronounced than the former (down 0.3% and down 6% respectively). The diagnostics operators reported the highest Ebit margin of 11.1%, despite being affected by the shrinking margins. The sector was also impacted by the consequences of the decree issued by the Italian Health Ministry in June 2023, governing the new national healthcare range of fees for outpatient and prosthetic services, providing for reductions of around 30% in the main services. The decree, which was meant to come into force in April 2024, will become effective as from January 2025.

The aggregate **bottom line** of the 31 leading healthcare operators reflects an approx. €38m loss, making it two loss-making years in the last four (following the €53.9m loss reported in 2020). A total of 14 groups reported losses in 2022 (compared with five in 2021). The **aggregate ROE**, which had already declined from 5.9% in 2019 to 4.1% in 2021, decreased further to -0.8% in 2022. The best net profitability results were posted by: **Centro di Medicina (22.2%)**, **Humanitas (13.4%)**, **Eurosanità (9.5%)** and **GHC (8.3%)** in the hospital care sector, **Synlab (39.2%)** in diagnostics services, and **San Raffaele di Roma (36.3%)** in the rehabilitation segment.

The companies' **balance sheet** looks healthy in 2022, and reflects partial improvement compared to the previous year, with borrowings equal to 104.5% of net equity (versus 112.7% in

2021 and 120.8% in 2019). The operators with the most solid balance sheets are **IEO, Auxologico Italiano, Salus, Policlinico di Monza, Humanitas** and **Istituto Don Calabria**, the former of which has virtually no borrowings, and the other five borrowings of around 20% of net equity.

### Expectations for the sector

The end of the medical emergency situation in March 2022 encouraged the gradual recovery of activities in the healthcare sector, with full operations being resumed in rehabilitation services and hospital care during 2023, although **multiple problems persist**. These problems include the failure to cut back waiting lists, a factor which, combined with financial reasons, drove 4.5 million Italian citizens to forgo medical examinations during 2023, around 7.6% of the population.

The long waiting lists do not only affect those who are unable to afford the cost of healthcare, but also those who have taken out private insurance and the beneficiaries of company welfare policies, who are increasingly looking beyond the confines of the national health service, and so contributing to the **increase in private healthcare spending**. Hence it is reasonable to expect **an increase in the weight of private healthcare operators in Italy** in the near future, which can be **estimated at approx. €70bn, or 40% of the whole sector**.

The scenario going forward suggests that **public spending on healthcare will flatten as a percentage of GDP**, against increasing demand for services driven by demographic trends. The international statistics reveal an increasingly ageing population: in the OECD area, the percentage of the total population aged over 65 has increased from 7.6% in 1950 to 18% in 2022, and is expected to reach **26.4% by 2060. Italy, with a total 23.9%, is comfortably above the OECD average figure** (behind only Japan with 29%), which is expected to increase to **33.4% by 2060**. Again in the OECD area, life expectancy from birth has increased by more than ten years between 1970 and 2022, and in Italy now stands at 82.6 years, with a **birth rate** of 1.25 children per woman, one of the lowest in the world.

Based on the **preliminary figures for 2023, the aggregate growth in turnover for the private healthcare operators selected has been estimated at 5.5%**, with each of the segments considered reflecting different performances: for the diagnostics segment, a reduction of 4.0%; for rehabilitation services, growth of 4.1%; growth of 5.7% for hospital care, and of 14.0% for operators providing care for the elderly, with Italian residential facilities expected to return to full capacity by year-end 2024. Comparison between the 5.5% increase estimated by the Mediobanca Research Area and the 1.7% growth reported by the accredited spending provided for in the Italian budget law shows that the change in aggregate turnover is driven by the increase in healthcare services which Italian citizens are paying for out of their own pockets.

### Revenues: size, geographical diversification, and composition

In 2022 **Papiniano**, the holding company which owns the San Donato group and the San Raffaele hospital in Milan, ranked first by total revenues with €1,707m, ahead of **Humanitas** (€1,122m), **GVM – Gruppo Villa Maria** (€840m), **Policlinico Universitario A. Gemelli** (€799m), and **KOS** (€683m).

Some of the groups featured have an **extensive geographical reach** throughout Italy: **KOS, Sereni Orizzonti** and **Don Gnocchi** have operations in at least nine Italian regions, with a stronger presence in the north of the country. Among the hospital operators, **GVM** and **GHC** stand out, with a footprint in ten and eight regions respectively. **Papiniano** and **Humanitas** are concentrated in Lombardy: the former also has operations in Emilia-Romagna, where it generates 4.3% of its revenues, while the latter is active also in Piedmont and Sicily (which account for 21% of its turnover).

Eight of the companies considered also manage **facilities outside of Italy**, their presence in most cases being marginal. The exceptions to this are **GVM**, which has 14 facilities outside Italy (one of which in Ukraine) that generate 13% of its turnover, and **KOS**, which has 51 residential centres in Germany, providing 4,423 beds, and accounting for 28% of the group's total revenues. **Papiniano** also expanded its international operations in December 2023, with the acquisition, completed in conjunction with financial company GKSD, of American Heart of Poland, one of the leading Polish private healthcare service providers. The latter in turn signed an agreement to acquire Scanmed, also of Poland, in May 2024.

The breakdown of operations between accreditation and direct payment regimes reflects a diversified situation in 2022. **ICS Maugeri** and **San Raffaele di Roma** generate 96.0% and 94.4% of their income respectively through accreditation. At the opposite end of the spectrum is **C.D.I.**, the majority of whose diagnostic services are brokered by complementary schemes and insurance companies (41.5% of total revenues), private individuals (20.9%), and companies (10.7%). Other players with high percentages of revenues generated directly from clients include **Lifenet** (50.0%), **IEO** (35.3%), and **KOS** (35.0%).

### Healthcare spending: international panorama and Italy's positioning

At year-end 2022 there were a total of 29,354 **healthcare facilities** operating in Italy, 57% private and 43% public, representing an increase of 3,272 compared to 2010.

For the OECD countries, **average per capita spending on healthcare**, representing the sum of both public and private components, totalled approx. \$4,986 in 2022 (equivalent to 9.2% of the aggregate GDP). In the international comparison, the United States led the way, with average spending equal to 16.6% of GDP (\$12,600 per inhabitant, followed by Germany (12.7%), and France (12.1%). **Italy below average in terms of per capita spending both in absolute terms (\$4,300) and relative terms (9.0% of GDP)** In order to match the percentage recorded by Germany, Italy would have to increase its healthcare spending by €77bn, or by €65bn to match that of France.

As for public healthcare spending, Italy in 2022 spent 6.8% of its GDP on healthcare, behind Spain with 7.3%, the United Kingdom (with 9.3%), France (10.3%), and Germany (10.9%). For 2023 the figure is expected to be 6.3% for Italy, and 6.4% in 2024. In absolute terms, Italian public healthcare spending has increased based on current prices from €78,8bn at end-2002 to €131,7bn in 2022, declining, based on estimates, to €131.1bn in 2023. **In 2022, approx. 79% of the sector's aggregate value was generated by the public facilities, and 21% by the accredited facilities.** Spending by the latter outstripped that by the public facilities over the 2002-2022 time horizon (up 3.1%, vs 2.5%), apart from during the pandemic, when numerous measures were introduced to enhance the public sector, resulting in a 5.2% increase by these facilities in the 2019-2022 period, compared with a 1.8% increase by the accredited facilities.

Including services paid for directly (which rose from €31.5bn in 2012 to €40.6bn in 2023, at an average annual growth rate of 2.3%), and the brokered component (which has increased at an annual average rate of 5.5%), **aggregate spending on healthcare reached €176.2bn in 2023 (versus €175.7bn in 2022).**

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