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**School of Public Health  
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***The Experiences of the Owners of Private Healthcare  
Practices in Rural Regions of Armenia: a Qualitative  
Study***

**for  
Entrepreneurs in Medicine  
Turpanjian Rural Development Program**

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## ABBREVIATIONS

AMD	- Armenian dram
AUA	- American University of Armenia
BBP	- Basic Benefit Package
CHSR	- Center for Health Services Research and Development
EIM	- “Entrepreneurs in Medicine” Project
FD	- Family Doctor
GP	- General Practitioner
HPIU	- Health Project Implementation Unit
IDI	- In-depth Interview
KI	- Key Informant
MC	- Medical Center
MoH	- Ministry of Health
NIH	- National Institute of Health
PHC	- Primary Health Care
SHA	-State Health Agency
TRDP	- Turpanjian Rural Development Program
WB	- World Bank
YSMU	- Yerevan State Medical University

## **EXECUTIVE SUMMARY**

Competent healthcare workforce is vital for protecting and advancing health status of the population. In Armenia, the human capital of the healthcare sector is in suboptimal state due to chronic underfunding, emigration of well-trained healthcare professionals, and lack of refresher trainings for existing personnel. While the number of healthcare professionals exceeds the needed quantity, the latter are not distributed evenly throughout Armenia: around 44% of physicians are working in urban hospitals, and primary health care (PHC) facilities in rural areas are lacking appropriate human resources. As a result of such distribution of human resources, rural population has to travel to urban areas to get adequate care, which increases the patient load of urban hospitals and leads to treatment at late stages.

One of the approaches to increase access to quality health care in rural areas could be encouraging and enabling trained healthcare professionals to open private practices in rural regions of Armenia. The latter would provide the customers with an opportunity to make a choice between alternative services, thus raising competition between the services and motivation to improve the quality of provided care/services. However, the education in medical universities and colleges does not provide the graduates with entrepreneurial skills, therefore, very limited number of healthcare professionals take the risk to open and operate private practices. Besides, there are numerous factors repelling physicians from serving in rural and remote areas.

This qualitative assessment was conducted in the scope of the “Entrepreneurs in Medicine” (EIM) project funded by Turpanjian Rural Development Program (TRDP) at the American University of Armenia (AUA). The project aims to increase access to health care in rural areas of Armenia through facilitation of innovation and entrepreneurship in the health care sector. The program will include several interventions that will help physicians to open and operate private health care-related practices in rural areas of Armenia.

This study was designed to gather baseline information about the achievements and problems of private health-care-related practices functioning in rural regions of Armenia. It utilized qualitative methodology including in-depth interviews (IDIs) with 13 persons who have been running private medical businesses in rural regions of Armenia, including Tavush, Shirak, Gegharkunik and Kotajk marzes. No special sampling procedure was utilized to select the private practices for IDIs, as the number of eligible and

reachable / available practices was limited and all of them were interviewed. A semi-structured interview guide was designed to answer the research questions.

The findings of the study suggest that lack of funds/resources and lack of skills to raise funds are among the strongest barriers to expanding / running private practices in rural areas of Armenia. Due to several reasons, the participants did not consider loans as a good source of funds. The majority of respondents thought that without grants the private practice could hardly succeed. Some of the existing medical private practice owners were interested in providing Basic Benefic Package (BBP) services and getting reimbursement from the State Health Agency (SHA) for their services, however, they didn't know how to obtain it. Other perceived barriers /challenges to establishing private practices in rural areas were competition with state healthcare facilities, unreasonable requirements for licensing and unreasonable taxes. The study also revealed that lack of skills in accounting, developing business / financial plans and reports, conducting preparatory (market) research, developing marketing strategies, and supervising / assuring quality of health services were among the common weaknesses of existing practices which negatively affected their success.

Based on the study findings and suggestions provided by the study participants, the research team developed a set of recommendations. Given a number of challenges and problems in establishing and running private practices in rural areas of Armenia, it is recommended that the messages during the project marketing activities / recruitment of project participants present the success stories of existing practices, particularly, the diagnostic centers in Berd and Artik, and stress the following positive sides of private practices brought up by owners of the latter: independence; possibility to set one's own standards and rules and to assure that the conditions in the facility, equipment and technologies as well as the quality of provided services meet good standards; possibility to realize one's professional capabilities; and possibility to set flexible prices, as well as to provide discounts and free of charge services. Despite all the difficulties faced by existing practices, operation of a private practice has been perceived a very rewarding experience and the courageous people who dared to establish ones have been very satisfied and enthusiastic. The positive image of owners of the most successful practices should be underlined stating that they are excellent professionals; they have been using opportunities to upgrade their professional skills and learn entrepreneurship skills; they have been using all kind of sources including Internet to get information about opportunities to raise funds, to get new equipment, to introduce new technologies, and to hire highly qualified professionals. Furthermore, positive impact of existing private healthcare practices on the communities should be used for the marketing activities and establishment of

private practices should be presented as commitment to empowering rural communities. Finally, given the lack of entrepreneurship knowledge and skills among the existing private practice owners, it is recommended that the training course of the EIM project adequately addresses the identified gaps (e.g; explain what kind of practices are eligible for state funding and how the latter could be obtained; provide exhaustive information on current tax and licensing regulations; and present what kind of collaborations, marketing strategies and other activities and skills helped the existing successful practices to compete with state facilities, to attract more customers and to meet their needs).

## 1. BACKGROUND

Competent healthcare workforce is vital for protecting and advancing health status of the population.<sup>1</sup> In Armenia, the human capital of the healthcare sector is in suboptimal state due to chronic underfunding, emigration of well-trained healthcare professionals, and lack of refresher trainings for existing personnel.<sup>2,3</sup> Besides, while the number of healthcare professionals exceeds the needed quantity, the latter are not distributed evenly throughout Armenia: around 44% of physicians are working in hospitals, and the primary health care (PHC) facilities in rural areas are lacking appropriate human resources.<sup>2,4,5</sup> As a result of such distribution of human resources, rural population has to travel to urban areas to get adequate care, which increases the patient load of the urban hospitals and leads to treatment at late stages.

One of the approaches to increase access to quality health care in rural areas could be encouraging and enabling trained healthcare professionals to open private practices in rural regions of Armenia. The latter would provide the customers with an opportunity to make a choice between alternative services, thus raising competition between the services and motivation to improve the quality of provided care/services. However, the education in medical universities and colleges does not provide the graduates with entrepreneurial skills, therefore, very limited number of healthcare professionals takes the risk to open and operate private practices. Besides, there are numerous factors repelling physicians' from serving in rural and remote areas.<sup>6-8</sup> Various retention strategies have been used in several countries to increase access to health care in remote and rural areas. The effectiveness and long term viability of various interventions is not well-understood and demonstrated yet.<sup>6</sup> However, based on the available evidence, it appears that single interventions are rarely successful, since the interventions need to address the complexity of retention factors.<sup>6</sup> Intersectoral collaboration has been shown to be important where changes in practice and regulation would need to be supported by interventions from areas of labor, finance, local development, and education.<sup>6</sup>

The objective of the “Entrepreneurs in Medicine” (EIM) project is to increase access to health care in rural areas of Armenia through facilitation of innovation and entrepreneurship in the health care sector in the scope of Turpanjian Rural Development Program (TRDP) at the American University of Armenia (AUA). The program will include several interventions that will help physicians to open and operate private health care-related practices in rural areas of Armenia.

## **2. RATIONALE FOR AND OBJECTIVES OF THE RESEARCH**

This qualitative assessment was designed to gather baseline information about the achievements and problems of private health-care-related practices functioning in rural regions of Armenia. The findings of this study will be used to help shaping the EIM project interventions to help health care providers and Yerevan State Medical University (YSMU) graduates to open and operate private health practices in rural areas. The study objectives were to explore the achievements, needs and challenges experienced by medical business owners in rural areas and to identify the barriers to opening and running a private healthcare practice

## **3. METHODOLOGY**

The study was implemented by the Center for Health Services Research and Development (CHSR) at AUA between January – June, 2015. It utilized in-depth interviews (IDIs) with purposively selected individuals. The Institutional Review Board of the American University of Armenia approved the study protocol.

In-depth interviews were conducted with persons who have been running private medical businesses (such as medical/dental practices, pharmacies, laboratories and diagnostic services) in rural /semirural regions of Armenia. Three sources used to identify the contact information of potential key informants were as follows: 1) the list of the licensed private practices operating in Armenia provided by the Ministry of Health (MOH); 2) the list of health-related practices established with the support of TRDP; and 3) the list of private family medicine practices established with support of HS-STAR project funded by the United States agency for International Development (USAID). No special sampling procedure was utilized, as the number of eligible and reachable / available practices was limited and all of them (n=12) were interviewed. One of the selected practices was owned by a marital couple and both, the husband and the wife, were interviewed. The interviews were conducted in TRDP target marzes of Armenia (e.g., Tavush and Shirak) as well as in Gegharkunik and Kotayk marzes. Prior to IDIs, each potential interviewee was contacted via phone, provided with general information about the aims of the study, and asked if s/he would be interested in participating in the study. If the individual agreed to participate, the interviewer asked about convenient date, time and venue of the interview and made an appointment. The interviews were conducted face-to-face in a private location (e.g., mostly in a private room within the practice; however, some interviews were conducted at CHSR). Prior to starting the

interviews, oral consent was obtained from each participant including the consent to digitally record the interviews. The duration of IDIs was between 60 and 140 minutes.

The semi-structured field guide for IDIs (see it in Appendix 1) was designed to identify the prerequisites for success and problems experienced by medical businesses in rural areas of Armenia. The field guide had three sections. The first section explored issues related to opening up the private practices and included the following domains: the participants' ideas to open these particular practices; the skills, areas of educational background, special trainings, and personal features key to the success in implementing their ideas; any preliminary needs assessment / market research; availability of business and financial plans; fundraising / loan; and obtaining licenses and registering the practices. The second section explored the operation of the practices and included questions on the initial investment and return of investment; availability of documents regulating the operation of private practices; competition / products / services; facility / equipment / supplies; customer relations; existing and recommended quality supervision; marketing strategy; and personnel relations. After exploring each domain, a question was asked if during one's work as a private practice owner, the participant felt a need for trainings in that particular area. The third section aimed to explore the impact of private practices on the communities served as well as to record the recommendations of respondents to persons who would want to establish new private medical practices in rural areas of Armenia. Additionally, all study participants were administered short questionnaires assessing their demographic characteristics and information about their practices.

**Data analysis plan:** Most of the IDIs were audio-recorded and written notes were taken during the interviews. Three interviewees refused to be audio-recorded; for those interviews only written notes were taken. After the interviews the notes were transcribed based on the digital records. Textual data were analyzed by repeated readings of the text and identifying answers to research questions. The data from the short questionnaires was entered into excel worksheet and the proportions and means were calculated.

## 4. RESULTS

### 4.1. Characteristics of selected /interviewed private practices and their owners

The procedure of selecting eligible private practices is described in Appendix 2. The Table 1 below presents some information about the interviewed practices.

**Table 1. Information on 12 interviewed private practices**

Type of practice	Source of financial resources	Number of patients served per month
FM practice	HS-STAR, WB, loan, savings	----
FM practice	HS-STAR, WB, loan, savings	300-600
FM practice	HS-STAR, WB, loan, savings	150-200
FM group practice	HS-STAR, WB, loan, savings	
Pharmacy	TRDP	1,500
Diagnostic center	TRDP, other loans, grants from individual philanthropists, savings	400
Diagnostic center*	Family savings, a loan	---
Diagnostic center to be	Savings, a loan	50
Ultrasound diagnostics +pharmacy	Savings	40-50
Ultrasound diagnostics	Savings, a loan	300-400
Services to children	Savings, a loan	10
Dental practice	Savings, a loan	

Four of them were family medicine practices, three were multifunctional diagnostic centers, two practices provided ultrasound diagnostics services, two were pharmacies, one was providing pediatric services, and the last one was a dental practice. Further, four of the practices were supported by grants from HS-STAR (USAID) and Health Project Implementation Unit of the World Bank (HPIU, WB), and two of them were supported by TRDP to obtain a loan with low interest rate. One of the latter was also

able to raise some funds granted to his practice by individual philanthropists. The remaining six practices either used their families' savings or took loans with high interest rates. Only one of interviewed practices was operating in a rural area (dental practice), while the remaining 11 were operating in semi-rural / urban areas. The mean number of rooms in the practices was 4.7 ranging between two and eight. The mean number of staff was 4.9 ranging between two and ten. The owners of practices reported serving between 10 (pediatrician) and 1,500 (pharmacy) customers per month.

Table 2 describes socio-demographic characteristics of interviewees and Table 3 describes the interviewees' past training, skills, and prior experience in entrepreneurship. The mean age of interviewees was 42.6 ranging between 27 and 57 y.o.; five of interviewees were men and eight were women.. The mean number of years in educational facilities (starting from the first grade in primary school and including post-graduate training) was 18 ranging between 14 and 22. The interviewees worked on average 19 years (range 7-33) in their field.

**Table 2: Socio-demographics characteristics of key informants**

<b>Gender -Male /Female</b>	5 / 8
<b>Age</b>	
24-30	2
31-50	8
51 & up	3
<b>Education</b>	
14-15 years	2
16-18 years	6
19 -22 years	5
<b>Work experience (years) in one's field</b>	
0-15 years	5
16-20 years	3
21 -33 years	5

**Table 3. Key informants' training, skills, and entrepreneurial experience**

Any post-graduate training (in addition to common degree program )	11
Previous training in entrepreneurship	8
Previous business ownership	5
Previous experience in managing a business / people	8
Are dealing with accounting issues themselves	5
A non-professional family member / friend is responsible for accounting	2
Have a professional accountant / accounting is done by a professional from a firm	5

## 4.2. Study findings

### Section A. Opening up the private practice, prerequisites for its success and steps taken to implement it

#### *The decision to open a private practice*

The participants were asked about the reasons they decided to open up their practices and how they came up with this idea. The main stated reason was that the majority of key informants were not happy with their work in the state facilities: a) they have not been able to realize their professional capabilities; b) they were not independent; c) they could not do whatever they thought was proper / right to do; d) they didn't have proper /modern equipment and good working conditions which made themselves and their clients unhappy. The following quotes demonstrate some of the reasons brought up by the respondents:

*KI #2: In 2007 I got trained as a FD, however, back then no one was allowed to work as a FD in policlinics. In town policlinics there was a conflict – if family physicians would start providing some services they were trained in, the corresponding narrow specialists would have less patients...and their offices could be closed...I had experience in administrative / managerial work and I decided that I can run my own business and not depend on policlinic's administration / management with regard to financial management, because I was not satisfied with the way the latter was done. For example, the patients were not receiving free medications (although there were funds for that from BBP), it was not clear where the funds go. Additionally, at that moment, according to the health reform, policlinics were combined with hospitals into large Medical Centers and the flow of funds / financial management became even more unclear and in fact, the patients were not receiving what they were supposed to receive... As soon as due to efforts of WB HPIU and HS-STAR USAID the policy issues connected with the establishment of private FM practices were resolved and the appropriate regulations developed and implemented, I took the chance and opened my practice.*

*KI #4: In 2009, I was working in a town hospital as a therapist. The members of the World Bank HPIU came to the polyclinic and informed us about their project to support several family physicians who would be willing to open private practices. Together with several other physicians I decided to participate in the project. The HPIU staff and later, the staff of HS-STAR project helped us a lot in making this plan to come true*

*KI #6: During one of the recent trainings I realized that there are new ultrasound devices which may help to diagnose diseases much more accurately than with the old device I have been using at the health center. I discussed the issue of purchasing a new device with the head of the center, but he said it was not possible. After that, I decided to establish this practice so that my dream to work on the modern device would come true.*

*KI # 8: My clients were not happy with the conditions of state hospital where I have been /am still working, and they were visiting me at home. My family had its own funds and we decided to build this facility for private practice where I and my clients feel much more comfortable.*

*KI # 3: I was born in a pretty big village in Martuni region [Gegharkunik marz] and I am still connected with this village although I live in Yerevan. I knew that there is no quality dental service in the village and I decided to establish one so that my villagers could benefit from it*

The family physicians had done the preparatory work for establishing their practices while still working at state facilities; they have quit their prior employment when the practices had been already established and licensed, the required number of patients /clients enrolled and the funding from State Health Agency (SHA) received. The others kept their jobs at state facilities or other businesses after establishing their practices: they were working at latter after usual working hours.

Another reason for opening the private practices was due to the instability of job market in Armenia which made the respondents doubt the stability of their state-funded jobs.

*KI #6: I have a permanent job at the regional health center, however, there is no guarantee that they will keep me at this position as long as I would like.*

*KI #10: My entire family (my wife and 2 kids) are all MDs and I decided to establish this practice as a guarantee for myself and my family members to have jobs and income in the future.*

***Educational background, special training, skills and personal characteristics which were key to the success of private practices***

When asked about personal features that have been important and helpful for implementing their ideas, the respondents mentioned the following ones: patience, persistence, perseverance, self-confidence, goal orientation, integrity, aspiration for independence and autonomy, the sense of responsibility, the

initiative, readiness to take risks, and aspiration to/for innovations. The quotes below demonstrate some of the aforementioned:

KI #1: *...the persistence was the most important, because I moved forward by 'hitting my head to the wall'”*

KI # 8: *...it was my patriotism, the aspiration to do something good for our country and nation. That was what drove me to open up my practice.*

The majority of respondents also underlined the importance of patients' trust and the support of one's family. Solid background and sufficient experience in their professional area was also mentioned and considered by all respondents as one of the most important prerequisites for success. Nearly all respondents stated that they were at some professional trainings recently. Further, those respondents which had background in entrepreneurship-related fields, or participated in a training on these issues or had some experience in running a private business, managing a business /people, financial issues, and accounting considered all of the aforementioned very important prerequisites of success. Some of the participants, including the ones with appropriate background / training/ experience and the ones without any of those, felt that they needed additional or any training in these areas.

KI #4: *For running the private practice, I consider trainings very important. Although I have already been at a couple of trainings on entrepreneurship (e.g., the training at HS-STAR, also "Small and Medium Enterprises Support Program", I still feel that I would benefit from an additional training. For example, I have a professional accountant, but I feel that I have to know this issue myself so that I could monitor his actions.*

KI # 8: *I don't have any background / training in entrepreneurship. For example, I don't know how to deal with dishonest / competition and my personnel, and I feel that training on these issues would be very helpful.*

KI #10: *The knowledge and skills that I lack include financial issues and selecting appropriate laboratory/diagnostic devices. This is not my professional area and every time I have to ask other people and rely on their recommendations, which does not always work. I would like to get trained in these areas.*

*KI # 11: I participated in many trainings during my lifetime, but there is always something new that one can learn. If I would get an opportunity to participate in an additional training on marketing, financial management and accounting, I would be happy to do that. However, trainings are usually held in Yerevan but I live far from Yerevan, therefore, I could hardly be able to participate in a new training.*

However, there were some participants, who said that they have sufficient knowledge and skills to run their businesses and they do not have time or a need for more trainings.

*KI #9: At the very beginning I felt lack of entrepreneurship skills (e.g., planning of construction, financial issues), but then I went to an appropriate training and now I feel pretty confident in these issues - I do accounting for my practice myself and do not feel that I need an accountant. Neither I feel that I need additional training in any other entrepreneurship skill, because my practice is very small and simple and I don't have any problems running it.*

*KI #7: I was at many trainings and now I feel that I don't need any additional training. I have realized that no training is able to cover all issues that one may encounter during the practical work. If I encounter a problem, I search the Internet for answers or consult with my friends / colleagues or wider social network.*

### ***Needs assessment / market research***

The interviewees were asked if they conducted any preparatory market research before starting the business to see if their ideas would be successful. The findings demonstrated that half of the respondents have not conducted any research. They opened their practices without having a clear idea on what will be the demand for their services, how much would they have to spend to provide a unit of service and what could be a potential and realistic price for that, whether they will have competition, how strong it will be, etc. They mentioned that intuitively they could feel that this will work.

*KI #2: I haven't conducted any research because I just don't have time for that – I am working from 9 a.m. until 9 p.m. I just relied on my knowledge of the target population and competition.*

*KI # 8: I knew that my services will be demanded w/o any research, because even before opening the practice, my clients preferred to visit me at home, rather than going to the clinic.*

*KI #6: I had a stable number of clients in the hospital, who trusted me and I was sure they would come to me if I offer them to get investigated with a modern device. My family could afford to purchase this modern device and to build this facility for the practice. So, I don't feel that I took a risk. Even if the practice was non-profitable, I would be happy anyway.*

For owners of family practices, the classic market research was not needed, because their risk was minimal: they obtained a substantial financial support from HS-STAR or HPIU for establishing their practices and they were going to obtain from SHA the funding for operating their practices. All they had to do, was to convince their former patients/customers to cancel their enrollment in polyclinics and get enrolled in the private practices. Once they were able to do that, they started to receive funding from SHA (Basic Benefits Package) which would be sufficient for running the practices even if they were not able to attract clients for paid services.

Another half of the interviewees conducted at least some informal preparatory market research, assessed the expected number of clients, the size of needed investment, the risks, the likelihood of competition, etc. The owner of a diagnostic center said that since he was the head pediatrician in the region between 1989-97 and later worked as the head of the regional polyclinic, he knew very well the healthcare system of the region, its problems and shortcomings. Therefore he wouldn't invest considerable amount of funds / resources into the private practice without market research because he knew that the risk for failure was very high. The owner of another diagnostic center said that before introducing a specific service, he investigated the flow of local patients to clinics and diagnostic centers outside the community for using that service. The owner of the third diagnostic center reported that he conducted a formal market research.

*KI #5: We started with some calculations:[The town where the practice operates] has a population of about 20,000 and together with the population of surrounding villages we thought that we could serve around 30,000 people. Further, we assessed the market. There is a polyclinic in the town which provides some free of charge services; however, the quality of the equipment and the level of professionals there is pretty low. The nearest places where the population of this region could get the services of similar quality we were planning to provide were Gyumri and Yerevan. For considerable part of the population of this region traveling to Yerevan and Gyumri is not affordable. Furthermore, we assessed what proportion of the population would be able to use paid services and how much they would be able to pay for specific services. We could not just set a price*

*of each service comparable to prices in Yerevan, because the local population is poor. Therefore, we planned to set lower prices than in Yerevan. But we also found out that some proportion of the population would be able to attend the center more frequently for regular prophylactic check-ups. Having put together all this information, we came to the conclusion that we would be able to hire high-level professionals, provide high quality services for affordable prices and make some profit, although we didn't estimate the amount of profit. All these investigations helped.*

The vast majority of interviewees thought that the market research is necessary and the reason they didn't conduct it properly was the lack of appropriate skills. They said that they would be happy to participate in a training course on these issues.

### ***Business plan with financial plan as a subcategory***

The interviewee with background in economics, as well as the TRDP and HS-STAR beneficiaries answered affirmatively when asked if they had developed business and financial plans. All of them said that they did that themselves, however, the beneficiaries of TRDP and HS-STAR programs said that they developed their business plans during the training with the support of trainers. Some of interviewees have not had a clear idea what a business plan was and how to develop it. But when clarifications were provided, some of them said that they had some plans in their heads, but not on the paper. Finally, some of the respondents said that they did not need business plans, because they either didn't take a loan, or were not required to submit one to get a loan. When asked about setting clear goals, defining time frame for reaching them and actually reaching the targets, the majority of respondents said that, indeed, they had some goals in their heads, but the latter were rather vague and the targets for reaching the goals were not clearly defined. At the beginning, they didn't clearly define how much finances they had to invest, what capital and human resources they will need, and how long it will take to return the investment and start making a profit, etc. Some of them said that they succeeded even more than they had expected. Almost all respondents including those who developed plans and those who haven't, stated that plans are very important for the success of the business.

*KI #12: During the training at TRDP, I developed a business plan and defined the goals targets etc. I remember that when during the training at TRDP I was asked to set clear goals (e.g., how many customers I was expecting to have, what equipment I am planning to purchase, etc, I thought "Are they kidding me? How can I estimate this now?" But afterwards I understood how important it was to have clear goals and targets.*

With a few exceptions, the interviewees accepted that training on how to develop a business and a financial plans would be very helpful.

### ***Fundraising / Loan***

As it was noted by all respondents, establishing a private practice requires considerable amount of investments. Therefore, the lack of funds/ resources and lack of skills to raise funds were considered as very important barriers to establishing private practices. The owners of family medicine practices mentioned that the substantial proportion of their investments during the establishment of the practices was granted to them either by WB through HPIU or by USAID through HS-STAR project, without considerable efforts from their side. According to them HPIU and HS-STAR were extremely interested in convincing family physicians and were providing all kinds of support to beneficiaries, including grant proposal writing, obtaining licenses, etc. After establishment of practices, the family medicine practices were receiving the major part of their funding from SHA, therefore, they were, again, in more favorable conditions than the rest of interviewees, who were receiving profits solely from their clients for paid services.

The TRDP beneficiaries were supported by the program to obtain loans with low interest rate. One of them mentioned that he had also received a grant (\$2,500) from his former neighbor, who was currently living abroad. He was expecting to get another grant (\$8,000) from a philanthropist living in Russia which he planned to use for equipping an ophthalmology center. The rest of interviewees mostly used the family savings for establishing their practices.

In addition to mentioned funds / resources, all but one of the interviewees took loans for establishing their practices. None of them had any problems with getting a loan. While some of interviewees thought that it was a good idea to take loans, others thought that the latter are not a good source of funds, because there was a risk to fail returning loans.

*KI #4: I would advise others to take a loan, particularly if there is a chance to get one with low interest rate. However, it should be done only after doing accurate calculation.*

*KI #2: When you take a loan, it seems as for several years you don't earn any income, because you use almost all your income to return the loan. However, looks like there is no other way to make one's dreams come true.*

*KI #10: I would not recommend others to get loans, because the conditions for getting loans are commonly not good (e.g., the tax rate is too high, the timeframe for returning the loan is very short for such kind of businesses which do not provide quick return of investment).*

Although some of the interviewees were trained by supporting donors on fundraising, none of the interviewees has ever tried to raise funds on their own and none of them were confident that they can do it (except for getting a loan which was considered pretty simple). Overall, training on fundraising issues was considered desirable by almost all interviewees. Some of the interviewees expressed interest in learning how to get funds from SHA.

### ***Obtaining a license and registering the practice***

When asked if the respondents encountered any problems when obtaining the licenses for and registering the practices, half of the respondents mentioned that they did not have any problems. The HS-STAR beneficiaries said that the donor negotiated all licensing-related issues with the MOH, therefore, for them there was no problem to obtain their licenses. However, 5 of KIs (including an HS-STAR beneficiary) mentioned that they had some problems with licensing authorities. The common problem was that the requirements for licensing were out-of-date, and they contained some items which were not available for purchasing /not needed in current practices.

*KI #5: Barriers exist. While currently multifunctional technologies are being introduced every day, the government-approved list of equipment required for licensing contains very old equipment items, which are very difficult to find. Having spent a lot of effort, we were able to get all required equipment, however we do not use some of them. It is just for licensing and it was an additional expense for us. Another problem was that since our center has several departments, we were required to have a physician, a nurse and a sanitary worker / cleaner for each department. But we don't need to have these many staff members, because my wife is specialized in all laboratory diagnostic methods and she does everything herself with help of one nurse. I think that the licensing regulations should be revised and updated, they should be more flexible.*

*KI #7: For example, one of the licensing requirements was to have a device for water distillation which is a very old device and you can not purchase one. We found one in an old facility, borrowed it for just a couple of days when we were expecting the visit of the licensing committee and then returned it to the owners. It was just some hassle, ineffective spending of our time and efforts.*

KI #12: *While TRDP was requiring to get the license before it would allow to purchase the equipment, the licensing department required the opposite: they did not provide the license if the required equipment was not there. Meanwhile, it was a big risk to purchase equipment while the license was not obtained. Anyway, I had to do that. ...It wasn't easy to meet all the requirements for licensing. They are pretty strict and sometimes they include unnecessary items. I would say that I have spent additional \$1,000 for just getting the license (comment: it was not clear was that a bribe or the money was spent for making the practice meet all required conditions).*

Another problem was brought up by an interviewee who used an old building which was not built for a private practice and did not meet the requirements for licensing. She recommended to potential applicants to build a new facility for a practice rather than adjust an existing facility.

## **Section B. Operation of the private practice**

### ***Initial investment and return of investment***

At the beginning of this section, the respondents were asked if it was a good idea to start their private practices, what were the benefits of running those, and what were the current issues they were facing. Taking into consideration the instability/ scarcity of job market in Armenia, all respondents thought that it was a good idea to have one's own business, to keep themselves busy and to earn some income.

KI #7: *Although my practice is not profitable yet, I hope that soon I will have some profit. I think that having a guaranteed income in my own practice and keeping myself busy regardless of all kinds of reforms and staff reductions in state health care facilities was worth of all efforts that I have put into this practice.*

The next benefit brought up by the interviewees was the increased satisfaction with the work they were doing.

KI #3: *When you have your own business, you don't have to follow the rules and standards set by someone else even if you don't agree with them; you are 'the master of yourself' and you set your own standards.*

Among other reasons for satisfaction, the most frequently mentioned ones were as follows: the respondents liked that the quality of the work they were doing depended only on them; they were

independent and nobody else decided when they have to start and end their work; they could register their clients in advance in order not to make them wait for the service; they were setting the prices for their services themselves and could make discounts or provide free of charge services for those who could not afford it. Some respondents mentioned that the existence of private practices in Armenia was good for clients as well, because the latter got more choices.

Among the issues related to the operation of a practice, the respondents mentioned about the larger amount of work at private practices compared to state facilities. The majority said that they had to fill in a lot of forms required by the MOH and SHA. Also, they were seeing more patients daily compared to what they were used to at state facilities. Furthermore, they have had many additional responsibilities, such as supplying materials, managing the staff and the facility, accounting, and coordinating the entire work process in their practices. However, none of the respondents complained that the increased workload made them unhappy.

*KI #5: When we look back, sometimes we are asking ourselves "Was it worth all our efforts?" ...The volume of work is huge for both me and my wife. But in spite of all these difficulties, we feel happy that we have taken this step.*

*KI #1: The workload for me and the nurse is very heavy, we have 15-30 patients every day... But this is our business, and we can stay here as long as we need. Nobody can make us leave the facility because it should be closed after working hours.*

All interviewees said that the establishment of private practices requires huge amount of investment. None of the interviewees were able to return their investments by the time of the interview. While some of them were sure that they would return them in the nearest future, the others were not. Some said that making profit was not their primary goal.

The respondents were also asked if they were able to introduce any innovations at their facilities in terms of new equipment, services, or products during the operation of practice or if they were planning to do that in the nearest future. All respondents said that they had plans for expanding their practices; however, the lack of financial resources was a major barrier to that. In spite of the latter, the majority of respondents introduced some innovations recently. This particularly refers to the owners of diagnostic centers, who were constantly in the process of implementing innovations:

KI #10: *Recently I purchased and introduced in my center a multifunctional automate device for blood analysis which provides results for 22 indicators. I also introduced hormone and some other tests which were not available in the region before.*

(KI #12): *I purchased and introduced corresponding devices and technologies (e.g., coagulogramma) which were not available anywhere else in the region. We introduced also the tests for brucellosis, hepatitis, residual nitrogen. Also, due to lack of professionals and equipment, we cannot perform all needed tests and investigations here. For that purpose I started collaboration with some respected diagnostic labs in Yerevan which works the following way: if, for some reason, the needed test cannot be performed in my center, the sample for the test is taken locally and transferred in refrigerator to Yerevan; thus, the patient is getting a chance to have his investigation done in Yerevan and save the travel money. Additionally, I created an opportunity for a cardiologist, who lives and works in Ijevan to provide outsourcing services to my patients: due to Internet, he can see the cardiogram of a patient visiting our center. Neither the patient nor the specialist don't have to travel for this investigation ...*

Regardless of anticipated or actual profit, nearly all respondents thought that it was a good idea to start the private practice because of the benefits listed above. Some of the quotes from the interviews demonstrate the aforementioned points:

KI #12: *I have invested around \$40,000 for purchasing the equipment. Besides, I am still paying a rent for the space, because I don't have my own space. In January our turnover was 1,5 mln AMD while expenditures were 600,000 AMD. So, most probably, in 5 years I will return the investments I have already made, but I am continuing to invest. Recently I purchased 3 computers to provide the members of the staff having permanent jobs in other locations with the opportunities to connect with the Center and patients through Internet. Also, in the nearest future I am going to equip an ophthalmology center.*

KI #10: *I have no hopes for returning my investment during my lifetime. However, I am satisfied that all members of my family (e.g., my wife and two kids who are all MDs) will have guaranteed jobs in the future.*

KI # 11: *Making profit in a rural area is not easy, because the population is mostly unemployed and poor. I returned the investments that I made for purchasing the stock of medications, however, it will probably take years to return the investments that I made for building the facility.*

*KI #2: My primary goal when I established the practice was not obtaining big profits, because I knew it was not realistic. All funds coming from SHA are already allocated to cover specific activities and materials. I can not re-allocate them to obtain big profits. The only profit comes from paid services provided to non-registered patients. It is really small, yet, it helped me within 2 years to return 70% of my own funds (the rest part of investments was done by HS-STAR and HPIU) which I invested in the renovation of the facility.*

*KI #5: We invested a lot in this practice (around \$50,000) and we continue to invest because we are expanding it. We are leasing most of the equipment and we are paying considerable amount of rent for the facility. Although we created pretty good conditions in the rented facility, we decided to have our own space and currently we are in the process of constructing a big two-storey building where we are planning to move our diagnostic center, as well as to open a small in-patient (surgery) clinic. To make all these plans come true, we need considerable amount of funds. Since we could not set high prices for our services (big proportion of our target population is poor), the only way to increase our profit is to save on our expenditures. That is why we don't hire more people. This is how we can survive and expand.*

### ***Operation of the private practice***

The interviewees were asked about documents that were necessary to regulate the operation of their practices. The overwhelming majority of the interviewees stated they had all documents /reports which were required by supervising organizations (e.g., MOH, SHA, NIH, tax agency, etc) or helped them to operate their practices (e.g., reports on the number of visited clients and the number of services provided, the financial reports, the annual budget, etc). The majority had computers where they kept all their records.

None of the interviewees encountered any problems with suppliers or with overall management of their practices. Yet, some of the interviewees encountered temporary problems related to the seasonal character of their activities and the lack of financial resources to cover the expenditures during the seasons of low activity.

*KI # 3: Our activities have seasonal character. During the summer period when many men migrate abroad for seasonal work, the number of customers decreases, consequently, the income decreases. At the same time, some of our expenditures (e.g., taxes, salaries, utilities) remain the same. We pay for materials/ingredients. So there are some mandatory payments, which we do despite the abovementioned situation. If I know that I will not be able to work for considerable time period (e.g., recently I was at a training in Germany for 3 months), I submit an application to the Ministry of Health stating that the LLC will not operate for some period and in these cases I am not paying the taxes.*

When asked if they ever had problems with tax issues, the owner of a diagnostic center complained that the tax burden was very heavy, however, he did not have problems with tax collectors. Meanwhile, some of the interviewees said that they had problems because the regulations change very often and physicians are not able to keep up with the changes due to being overburdened with all other work they had to do as practice owners.

*KI #2: The laws and regulations change and I am not able to follow them up. Once I had to pay penalties to tax agency for the incorrect submission of the financial report.*

Finally, the interviews revealed considerable lack of skills in accounting and developing financial reports.

*KI #8: I don't have any background in financial/accounting issues, neither I have ever attended a training on these issues. Therefore, I am experiencing problems with these issues and asking my friends to help me with this.*

Only five of KIs who either had a relevant background (e.g., economist) or were trained on these issues (e.g., 2 family physicians who were trained at HS-STAR, a TRDP beneficiary and an interviewee who went to training on her own) were dealing with accounting issues themselves. In the rest of interviewed practices either a part-time professional accountant, or a more skillful family member or a friend were responsible for that. Overall, the training in accounting and other financial issues provided by HS-STAR and TRDP were considered very important. Even those beneficiaries, who delegated these issues to a professional accountant, said that it would be good to have basic knowledge on these issues in order to be able to monitor the work of an accountant.

### ***Competition/ Products / Services***

Almost all interviewees stated that their services were competitive and were utilized not only by the residents of the communities where the practices were operating, but also by the residents of other communities. All of them stated that they had sufficient number of loyal clients.<sup>1</sup> The majority of KIs stated that they faced conflicts with other state or private health facilities and competed with them for customers. While with other local private facilities there was a healthy competition based on the competitiveness of services, there was an unhealthy competition with the local state facilities based on the power imbalance. The resistance of state polyclinics toward establishment of private family medicine practices was particularly strong:

*KI #2: I had many problems with the head of the Medical Center where I was working as a GP before establishing my private practice. The main reason was that I was taking out the patients which got enrolled in my practice and the funds allocated to them by SHA. ...The manager appeared on the local TV channel and broadcasted misleading information to discourage the population to enroll in my practice. For example, he said that my patients will not be able to receive services of narrow specialists in the medical center for free (BBP), etc. After that, I appeared on the TV and tried to dispel the misconceptions, however, the presentation by the head of the MC reached the target, and it was very challenging for me to enroll required number of patients. .... Before opening the practice, I discussed this issue with marzpet to make sure he would support the idea, because in one of the regions there was a case when the marzpet was against the practice and the latter failed. The marzpet attended the opening ceremony of my practice and this was probably the most decisive/critical point in overcoming the barriers created by the MC.*

*KI #7: At the beginning, when I had just decided to open the practice, my colleagues from the state facility were creating barriers for me. They were visiting my potential patients and discouraging them to get enrolled in my practice. They were disseminating blackmail stating that I am a fraudster and I will cheat on the patients, that there can be no free of charge services in a private practice and that the patients will have to pay for everything. But when, in spite of*

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<sup>1</sup> The interviewers' observations confirmed that at least some of visited practices were pretty active. For example, during the preliminary arrangements for interviews, almost all interviewees said that they were very busy and asked interviewers to visit them after working hours because they did not want to make the patients wait for the services. And indeed, during the interviewers' visits which mostly were done after working hours some of the practices were pretty active. Some of the practices located in remote regions were visited by the interviewers during the working hours and they also seemed pretty active with a number of patients waiting in the lobbies. But a couple of practices located in remote regions were empty during the working hours when interviewers visited them.

*all of these barriers, I established the practice, they accepted it as a reality and don't interfere with my work anymore.*

Other types of practices also faced some competition with local state facilities, particularly at the beginning; however, it was not as strong as for the FM practices.

*KI #12: My competitors are the MC and the military hospital. I can not say that they create serious barriers for me; however, my services should be competitive in order for my practice to succeed. For example, recently the MC started to renovate its equipment and the facility, and this is a signal for me that I have to keep up with them. The strength of my practice compared to the MC is that my staff is younger and more professional. As for the hospital, they have pretty good professionals, but the conditions there are not good. So, I am able to compete with both.*

Furthermore, the interviewees stated that they face competition with similar facilities and professionals in Yerevan and other big cities, because rural people traditionally trust professionals from big cities more. The lower price as compared to prices in Yerevan and other big cities was mentioned by the majority of participants as the way to succeed in competition with the latter. According to respondents, the prerequisites for success in competition with state facilities where some of services are provided for free (BBP) are the higher quality of their services, their innovativeness and uniqueness, convenience and accessibility for patients, as well as caring attitude of the personnel.

*KI #2: In order to succeed in attracting more patients, the private practices should provide high quality services, be caring with patients, gain their trust, and provide more services on-site instead of referring them to other facilities. ... In our practice the patients do not have to wait for service because we register them in advance via phone. Also, we are providing the test results very quickly, while in the state polyclinic the patients have to wait. In our waiting room we have educational materials for patients so that they could spend their time effectively....*

*KI # 3: I think that features like quality, flexible prices, and positive attitude toward people make our services competitive.*

*KI # 9: Innovation and affordable prices are the keys to winning the competition with Yerevan practices. Last year when due to inflation of AMD the prices soared, my patients were calling me*

*and asking if the prices in my practice also increased. They were very happy to know that they didn't. I am trying to be patient-friendly as much as possible.*

*KI # 8: Our services are competitive due to their high quality, therefore I consider quality the most important prerequisite of success.<sup>2</sup>*

There were several interviewees who said that they don't compete with anyone for customers, or they don't do anything special to attract customers. The following citation demonstrates the aforementioned statement:

*KI # 3: I do not compete with anyone for attracting more customers. I leave it to people to decide where to go. The word about whatever one does spreads among people very quickly (both good and bad things). If I introduce innovations or improve the quality of my services, it is done mostly for my own satisfaction, rather than for attracting customers.*

The majority of interviewees said that they would like to get trained on how to deal with competition.

### ***Facility, equipment, supplies***

The majority of respondents either used an existing building / apartment owned by their families for their private facilities, or constructed a new building for that. However, some of them have been renting space for their practices which meant that considerable amount of their profit was used to cover the rent. In addition to making the practices more risky, renting space was not convenient because the practice owners were not allowed by space owners to do all needed reconstructions. Therefore, all of practice owners were dreaming to build their own facilities and considered this as a very important prerequisite for success. While some of the newly-built facilities had more rooms than they needed / used currently, the others which either rented space or owned an old space, had lack of space.

As stated by respondents, their facilities met the required standards for licensing.<sup>3</sup> In accordance with the requirements for licensing, the facilities had separate rooms for procedures. However, some facilities,

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<sup>2</sup> The KIs' statements about shorter time for patients' waiting for services, innovations, and lower prices were confirmed by the observations of the facilities, equipment and pricelists by the interviewers. In one of the interviewed diagnostic centers, which had all kinds of modern equipment / devices and was offering a wide range of modern diagnostic methods, the interviewers were able to get the pricelist, compare it with the respective prices in Yerevan's centers and find out that the interviewees were right.

<sup>3</sup> The observation by interviewers confirmed these statements in that the visited facilities were newly renovated, had proper sanitary-hygienic conditions, and were nice and comfortable as opposed to the majority of rural state primary health care

which were not initially constructed for medical practices, did not have the required number of separate rooms for various procedures, and the existing space was separated by curtains to meet the requirements for the number of rooms. Some of the facilities were really small to have the required number of separate rooms. But the owners did their best to make the facilities meet the requirements for licensing and, at the same time, be comfortable for clients and personnel.

According to respondents, the equipment, methods, procedures and technologies used in their practices were also appropriate and rather modern compared to the ones in the majority of state primary health care facilities. As stated by the respondents, the safety and appropriateness of facilities and equipment were among the requirements for licensing. Also, the equipment of the private practices was regularly checked up by MOH.

All respondents dreamed of expanding their practices and updating their equipment, procedures and technologies. However, since most of them were established recently and were not bringing high profits yet, they did not have adequate financial resources to make their dreams come true.

*KI #2: Although the HS-STAR provided me with some basic equipment (e.g., equipment for glicometry and urine tests) which was required for opening the practice, I still don't have all equipment to provide all tests that a FM practice can provide. For example, although we are allowed to do biochemical tests and cholesterol screening, I don't have the corresponding equipment. If we could purchase one, the practice would be more successful.*

*KI # 3: I am constantly expanding the practice and the list of our services. For example, I would like to have an implantology department, however, the lack of sufficient funds is a very strong barrier for that.*

*KI #12: As long as I am renting the space for my practice, I can not implement all my plans for expanding the practice. Besides, one of the serious problems in our town is the unreliable supply of electricity and water. If I had my own facility, I would get an individual (power) generator and a reservoir for water and this would solve many problems. Therefore, in the nearest future I am going to take a long-term loan and start constructing my own facility.*

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facilities. Some of them were as good as similar private facilities in Yerevan. The only discomfort felt by the interviewers was that almost all visited facilities were not sufficiently warm (the interviews took place between the end of February and end of March). The family physician from Djrvej whose facility was particularly cold was concerned with this discomfort. She said that she rented the facility in summer when it was warm, but in winter she realized that it was not possible to keep the facility warm.

Another interviewee stated that she purchased an expensive modern ultrasound device which, however, was not used because so far she was not able to find a qualified physician for that. The small size of the facility and the lack of appropriate conditions was mentioned by another interviewee as a serious barrier for expansion of her practice. In fact, the conditions of the facility and the quality of the equipment and supplies were considered by respondents among the most important prerequisites for success in competition with the state facilities.

*(KI # 3): Currently the technologies develop very fast and if you do not update your technologies/equipment, you can not provide high quality services even if you are an excellent professional.*

*(KI #12): Recently I travelled to Yerevan to attend the EXPO 2015 because I knew there will be modern equipment exhibited there. And I was able to get a new equipment made in Israel for the price of a similar equipment made in China. I mean, in order to succeed, you have to move, to do something, nobody is going to bring you everything on a silver platter.*

### ***Customer relations***

All interviewees stated that good relations with the customers are very important for the success of the practice, because if they don't care about their customers, they will lose them. Therefore, they try to do their bests to satisfy the customers.

*KI #2: Our practice is oriented toward patients' health education. We had a training for diabetic patients, also we provided them with educational materials which I had from my own trainings as well as took from the Internet.*

*KI #12: The customers, particularly the aged ones, most of all need and appreciate attention to them, caring attitude. If you do that, then you will succeed.*

Three of family physicians which were trained at HS-STAR were assessing the feedback of customers through suggestion boxes (they were trained to do that). Others said that in rural or semi-rural areas one does not have to conduct any formal assessments to know the customer's feedback, because in small areas "the word spreads very fast", people share their opinions with each other and their opinions reach the physician.

*KI # 3: I can tell about the customers' satisfaction from their face expressions. When I see that the patient is not satisfied, I try to understand the reasons for that. Patients never leave us with dissatisfaction. I wanted to introduce a box for customers' suggestions, but later we found out that it was inconvenient to organize, because the customer had to stay after you provided the service and they did not want to do that. Honestly, customers are passive and full of inferiority complexes and they would not write anything.*

However, some KIs liked the idea of having suggestion boxes and said that they will introduce them. As for taking into account the suggestions of customers, the KIs stated:

*KI #2: The patients' suggestions are very simple: they want to be treated with care, they want to receive high quality services and not to wait. We do everything to satisfy them.*

*KI #6: I always consider the financial standing of each customer and provide discounts if a particular patient can not pay for the service s/he needs.*

*KI #10: For me the needs of customers are a priority. I implemented a new methodology in my practice for just one patient who needed it.*

Only one of the family physicians said that if the physicians show to the patients that their feedback is too important for the physicians and that the very existence of private practices depends on them, then the reputation of physicians may be damaged as it happened when the open enrollment was introduced.

*KI #7: To be honest, I don't think that health care providers should underline how important the opinions of patients are, because, as a result, their reputation might be damaged. As in case of introducing the open enrollment, the dependence of physician on the patient increases. ...I think that in Armenia it was too early to introduce the open enrollment, because the patients started to think that they do a favor to a physician when they choose him/her and get enrolled in his/her list. They started demanding impossible things saying that otherwise they will choose another physician and things like that...I think that there should be some distance and subordination between physicians and customers.*

Some of the interviewees expressed willingness to get trained in customer relations issues.

### *Quality assurance*

The question about quality assurance was understood by the majority of interviewees, particularly, by the family physicians and the pediatrician as a question about supervision of their performance by a higher body to which they report (e.g., MOH, SHA and NIH). They answered that they were keeping electronic records and were submitting all required reports about their work to the mentioned organizations. As stated by one of the family physicians, there was a special software which helped to assess the performance of physicians, the quality of their work according to specific indicators (e.g., investigations / tests a patient with a specific diagnosis has undergone). Based on the performance, the family physicians were supposed to receive some bonuses, however, none of them received any so far. The aforementioned physician also said that she had heard that in the future the records of physicians may become available to the public through the internet so that each patient could see whether all standards were kept during his/her investigation, whether the latter was done properly, etc.

The owners of diagnostic centers and the dentist understood the question as one about check-ups of devices they were using. The dentist said that twice a year he invites specialists to check the quality of roentgen dosimeters and dentists' armchairs. The owners of diagnostic centers said that they were purchasing reference / calibration samples from reputable /reliable laboratories, and regularly checking the validity/reliability of test results by comparing the latter with the sample. They added that so far, they did not have any problems, no significant differences between the two were detected. The owner of a diagnostic center said that he was sending randomly selected samples for testing in reliable labs such as Diagen and Dialab and comparing the results with the ones recorded in his center: if there was a difference, they tried to understand what went wrong and correct the mistake. Despite all these check-ups, the owners of the expensive devices were concerned that all these expensive devices and equipment could break and cause a big financial loss if the latter are not regularly checked up by specialists. The only pharmacist that was interviewed said that most important is checking the expiration date of pharmaceuticals and keeping proper sanitary-hygienic conditions in the facility.

When asked about how they are supervising the work of their personnel, all respondents stated that the practices are small and they constantly see how the personnel works, therefore, they don't have any special procedures for supervision.

Nearly all respondents stated that they were at some professional training recently, however, it was difficult to understand from their responses if the quality of care / services was covered during these sessions. Also, all respondents considered quality assurance very important and all of them, including those who underwent some training on this issue, were very interested in participating in a relevant training.

### ***Marketing strategy***

When asked about marketing strategies, the majority of interviewees stated that they announced the opening of their practices via local TV and that it was the only marketing strategy they used. After opening the practices, they haven't been conducting any remarkable market research and didn't have any clear marketing strategy. Some of them thought that in semi-rural areas where their practices were operating, people knew each other and the word spread very fast; therefore they thought that their reputation as well as the nice conditions of their facilities, the modern equipment and the high quality of the services they were providing were enough to attract customers. But the others thought that effective marketing strategies were very important for attracting customers and accepted that the absence of a clear marketing plan and effective actions were their weaknesses. They explained this shortcoming with the lack of time and appropriate skills.

However, some interviewees used other marketing strategies in addition to just advertising the opening of their practices via local TV. Some of them developed booklets with the description of services they were providing and made them available in the lobbies of their practices as well as in other locations frequented by potential customers (e.g., local medical centers, stores. etc). One of family physicians said that she organized a special opening ceremony and invited the marzpet, who made a supportive speech and this played an important role in attracting new customers. The owners of a diagnostic center (e.g., the husband and the wife) said that in addition to advertisements and booklets, they spent a lot of time and put considerable efforts into educating both, the physicians from the local medical center and the local people. They explained the features of each diagnostic method, in which cases each of them should be used, what are the benefits of a certain method in comparison with another one, etc. They also explained the benefits of regular check-ups for each subgroup of population. Thus, they created considerable demand for their services. Further, from time to time they were organizing one-time benevolent actions such as "open doors" and "health fairs" when they were providing free of charge services. During these events, they were providing essential information about their services and thus attracting more people to use their services in the future. Another interviewee said:

*(KI #6): I have never had any marketing plan. But I organized “open doors” days for benevolent purposes several times, and I realized that they helped to increase the flow of patients to my practice. I was encouraging other practicing physicians and even motivating them (e.g., giving some fee) to refer their patients to my practice. When they saw that my ultrasound device was much more effective in providing correct diagnosis, than the one used in the medical center, they started to refer more patients to me.*

Another interviewee also brought up the “kickback” option mentioned above, but he had negative opinion /feeling about this strategy and he tried to avoid using it.<sup>4</sup>

Further, almost all interviewees said that they were providing discounts or even free of charge services to those customers who could not pay the requested price. Finally, the owner of a pharmacy said that when she just started, she was offering discounts to customers which were spending more than 2,000 AMD in the pharmacy, but currently she doesn't do that, because she may be unable to cover her expenditures. Whatever she was doing, she was lending a pharmaceutical to a customer in need to pay for it later.<sup>5</sup>

The majority of interviewees accepted that they lacked skills for marketing and expressed willingness to participate in a training course on these issues.

### ***Personnel relations***

The majority of interviewees didn't utilize any formal recruiting and hiring strategy. Some of them brought their former nurses with them from the state facilities. The others were relying on their and theirs social networks' knowledge of local specialists. The owners of one of the diagnostic centers said that they preferred to employ high-level professionals from Yerevan, whom they knew personally or who were famous in Yerevan for their professionalism rather than hiring local people whom they didn't know well and were not sure in their professionalism. The specialists worked in the rural practice part-time (e.g., once per week or two weeks depending on demand for their services), while keeping their

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<sup>4</sup> Looks like this option has been used by other interviewees as well, however, they didn't want to tell about that, because it was considered not a decent /good marketing strategy.

<sup>5</sup> This is a common practice in rural areas where people know each other well and it refers not only to the trade of pharmaceuticals but also to all other types of goods.

permanent jobs in Yerevan. The only full time employees at that center were the owners themselves who lived in Yerevan and traveled to the rural facility every day and some auxiliary staff including a lady at customer registration desk, a cleaner, etc. The lady at the registration desk was making a waitlist of customers for each specific service and the corresponding specialist was coming to the center only when s/he was requested by customers. The responsibility for the entire daily professional work (e.g., diagnostic tests and investigations) laid on one of the owners who had considerable previous experience in laboratory work in one of the best Yerevan clinics. Only two interviewees said that they follow the formal recruiting and hiring process, i.e., they announce a vacancy through local networks, make a short list, interview shortlisted candidates and hire one who meets the requirements.

All interviewees said that they had contracts listing the scope of work to be done, as well as the responsibilities and the rights of both sides. As for the job descriptions, the majority said that they didn't have ones, because everything was described in the contracts. The communication between "employees" and "management" was informal, because 10 out of 12 interviewed practices were rather small and commonly the "employees" and the "management" were working in the same room and solving all problems as soon as they occurred.

All interviewees said that their employees had adequate education and skills and this was considered very important for the success of the practice. One of the interviewees said that he hired only graduates of state, but not private educational establishments. All interviewees said that the new employees usually went through probation period when the employers and the old staff had opportunities to assess not only the professional, but also the personal characteristics of the new employee. During the probation period the new employees either were not paid at all, or were paid only a part of the salary. The majority of interviewees said that during the probation period they trained their new employees informally by demonstrating them the required skills during the working process and asking to repeat the same. Only a couple of interviewees said that they provided a formal training to new employees. The owner of one of the diagnostic centers said that sometimes he was sending his new or even old employees for training in well-known labs/centers so that they gained knowledge and skills in using new technologies: in those cases when the practice paid for the training, the contract with corresponding employee included a requirement that the latter should work in the practice for at least 5 years.

Some of the practice owners were paying to their employees fixed salaries comparable with the state salaries for a similar position. In other practices the salary depended on the number of services provided

/ amount of work done, however, the payment could not be less than the minimal state salary for a similar position. Besides, the payment per unit of service was higher during the holidays compared to usual working days. All respondents said that they were providing incentives for good work: in some cases it was a monetary incentive, such as the 13<sup>th</sup> salary, or a bonus at the end of the year. Other respondents said that they were providing non-monetary incentives, however, they didn't specify the latter.

Some interviewees expressed willingness to participate in a training on personnel relations issues.

### **The impact of the private practice, recommendations**

#### ***The impact of interviewed practices on the community/ies served***

The majority of interviewees said that establishment of their practices had positive impact on the communities they served. They said that they were able to increase access to and utilization of health care services as a result of the following:

- 1) They were providing services which were not available in these communities before (e.g., up-to-date diagnostic and dental services which before that were available only in big cities; a wide range of pharmaceuticals and a consultation of a professional pharmacologist, who can not only sell drugs, but also provide consultations when needed such as replacing an expensive drug with a cheap one with similar properties, prescribing drugs based on the symptoms, etc) or providing opportunities for local population to get one's investigation or treatment performed by professionals from Yerevan or another big city w/o travelling to there.
- 2) The community members got an opportunity to utilize up-to-date / modern services and quality health care in comfortable facilities located in their own communities or in facilities near to them which was much more convenient in terms of saving time and money than to travel to big cities.
- 3) The prices for services in new-established practices were lower compared to similar services in big cities. Additionally, the majority of practices were offering flexible prices and free-of charge services in case of extreme / urgent need.

4) One of the practices was providing free of charge services to kids with diabetes as well as to kids of a kindergarden which it collaborated with through “Bridge of Hope”.

5) The majority of practices were organizing benevolent actions such as “Health fairs” or “Open doors” when they were providing free of charge services.

6) Almost all interviewed practices had more comfortable facilities and more up-to-date equipment than the state facilities in the same location. Thus, even if similar services had been available in the given community before, nevertheless, availability of another facility gave the community members a chance to choose between services, while the competing facilities had to put considerable efforts to improve their services in order to attract customers.

7) Some of the interviewees mentioned that due to health education they were providing, the members of the communities they served started utilizing diagnostic services not only when they had complains / symptoms, but also for regular prophylactic check-ups, which would definitely have positive impact on their health.

8) Availability of modern diagnostic methods in a community played a positive role in educating practicing physicians and improving the outcomes of the patients’ treatment, because the latter was based currently on the results of correct diagnoses, rather than just on symptoms.

Almost all interviewees also stated that they created new jobs in their communities which was very important given the high rates of unemployment in rural and semi-rural communities of Armenia.

### ***Advices to persons who are planning to establish new private medical practices in rural areas of Armenia***

The majority of interviewees said that they would encourage establishing new private medical practices and providing quality up-to-date services in rural areas of Armenia where the latter have not been available so far. One of the interviewees said that opening a new health care practice in rural areas is an act of patriotism, because many people from rural areas can not afford to travel to big cities and therefore, currently they have no other choice, but to utilize low quality services at local state facilities. She added that lack of quality health care is one of the reasons for the depopulation of rural areas. However, almost all interviewees said that opening and operating a health care practice in poor rural and

semi-rural areas is an extremely risky enterprise and the chances that it will fail are very high. Therefore, they recommended to conduct thorough preparatory research before making a decision to open a private practice. One interviewee said that every detail should be taken into account before building the facility and it would be better to consult with appropriate specialists before the construction / renovation of the facility.

## **5. KEY FINDINGS AND RECOMMENDATIONS OF THE STUDY**

- 1) Lack of funds/resources and lack of skills to raise funds were reported to be among the strongest barriers to running / expanding private practices in rural areas. The majority of respondents thought that loans were not a good source of funds, because there was a risk to fail returning the loan. Besides, the respondents were unhappy with the conditions of loans (e.g., high interest rate, short time for returning). The respondents thought that at least for the establishment of a private practice, the person either has to have his own “free money” or to get a grant, otherwise, s/he will be in trouble. In order to address the barrier linked to the lack of resources, the experience of the HS-STAR beneficiaries who were able to take an advantage of the offers of international donors, as well as of the owner of the diagnostic center who has been able to obtain not only loans but also some grants from individual philanthropists should be presented during the recruitment of new participants and during the training course as examples of successful fundraising or at least taking active steps when the support is offered. The success stories should be presented to address the barrier connected with widely prevalent opinion regarding anticipated low utilization of private services. Another issue brought up by the KIs was that they would like to get state order, however, they did not know how to do that. The training course should provide exhaustive information on this issue explaining what kind of practices could be eligible for state order and how the permission could be obtained.
  
- 2) In addition to the lack of funds / resources, a major challenge to establishing and running private practices in rural areas was the competition with state healthcare facilities. Even though it is difficult to address, the issue of possible competition with state facilities should be brought up during the training. It should be stressed that key to the success in competition is to provide competitive services and to use evidence-based marketing strategies to promote own services. Again, the experiences of successful practices, different marketing strategies that they were using to deal with competition and to attract customers might be presented as examples how to overcome the competition. Also, the participants of the training during their practical work / assignments may give each other ideas how to overcome these barriers.

- 3) Lack of skills to conduct preparatory research and develop a business/ financial plan and marketing strategy were among the common weaknesses of existing practices' owners. The majority opened their practices blindly, without having a clear idea how much finances they had to invest, what will be the demand for their services, how long will it take to return the investment and start making a profit, etc. During the training the experience of diagnostic centers in Artik and Berd should be presented as the best practices which considered preparatory / market research as well as the development of business plans and defining clear targets and objectives among the most important prerequisites of their success. The experience of less successful practices which opened their practices blindly, which used for the practice an old inadequately constructed facility should also be brought up as the examples which should not be followed.
- 4) Some of the owners of private practices had problems when obtaining licenses for their practices including requirements for having some out-of-date items, which were not available for purchasing /not needed in current practices as well as having unnecessary staff. The training should address this issue and explain that attempts are made to revise the regulations, however, so far they have not been successful.
- 5) Lack of skills in accounting and developing financial reports was another weakness in the operation of existing practices which could undermine their success. Availability of computers was considered very important for the smooth operation of the practices and producing reports. The training in accounting and other financial issues provided by HS-STAR and TRDP were considered very important by all beneficiaries. Even those beneficiaries, who delegated these issues to professional accountants, said that it would be good to have basic knowledge on these issues in order to be able to supervise / monitor the work of accountants.
- 6) One of the participants complained that the tax burden was very heavy, some others had problems with tax agencies due to frequent revisions of tax regulations and inability of owners of private practice to be informed about changes due to the huge amount of other work they had to do as practice owners. During the training the most up-to-date tax regulations as well as the fact that they change very frequently should be clearly presented and the importance of following the regulations and obtaining up-to date information on the most recent changes should be stressed.

- 7) Another common problem that the study found was lack of understanding of what quality assurance was and lack of skills to supervise the quality of health services; this gap should be addressed during the training courses for the potential participants of the EIM project.
- 8) Given a number of challenges and problems connected with establishment and running of private healthcare practices, the messages during the project marketing / recruitment of new participants should stress the following positive sides of private practices, as perceived by the owners of existing practices: being independent; possibility to assure that the conditions in the facility, equipment and technologies as well as the quality of provided services meet good standards; possibility to realize one's professional capabilities; possibility to create for the clients the best conditions such as no waiting time, enough time for service, comfortable conditions in facilities; and possibility to set flexible prices, as well as to provide discounts and free of charge services. Also, it should be underlined that in spite of all difficulties faced by existing practices, operation of a private practice is a very rewarding experience and the courageous people who dared to establish such practices are very satisfied and enthusiastic.
- 9) Positive impact of private healthcare practices on the communities should be brought up and establishment of private practices providing quality up-to-date services in rural areas of Armenia where the latter have not been available so far should be presented as acts of community empowerment, because the lack of quality health care is one of the reasons of depopulation of rural areas.
- 10) Overall, success stories should be presented during the marketing activities and it would be excellent to involve into marketing activities the owners of the two most successful interviewed practices (e.g., diagnostic centers in Berd and Artik). Particularly, the positive image of owners of the most successful practices should be underlined stating that they are excellent professionals; they have been using any opportunity to upgrade their professional skills and learn entrepreneurship skills; they have been using all kind of sources including Internet to get information about opportunities to raise funds, to get new equipment, to introduce new technologies, to hire qualified professionals. Their mottos were: "the journey will complete only those who walk" and "in order to succeed, you have to move, to do something, nobody is going to bring you everything on a silver platter."

11) This assessment also suggested that the potential participants of the EIM project should focus mainly on those practices in rural areas which require small investments (e.g., pharmacies, dental offices, GPs, pediatricians, family physicians, ambulatory OB/GYN services). Another option would be establishment of a laboratory with limited amount of equipment and collaborating with big diagnostic centers with a purpose of transferring test samples taken locally as an alternative to equipping with expensive devices the local laboratory.

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## **APPENDICES**

## **Appendix 1.**

### **American University of Armenia Entrepreneurs in Medicine Project**

#### **GUIDE FOR IN-DEPTH INTERVIEWS WITH PERSONS WHO RUN PRIVATE HEALTHCARE-RELATED PRACTICES IN RURAL ARMENIA**

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##### **INTRODUCTION/CONSENT FORM *(Please read the following introduction verbatim)***

Good afternoon, and first of all - thank you very much for participating. My name is \_\_\_\_\_. I represent the Center for Health Services Research and Development of the American University of Armenia which is currently implementing “Entrepreneurs in Medicine” (EM) project funded by Turpanjian Rural Development Program (TRDP). The goal of the project is to explore if there is interest among professionals to open private healthcare-related practices in rural areas of Armenia. Of that we would like to understand the experience of already established private healthcare-related practices, to learn about their achievements and problems/difficulties they faced, and their needs to run successful businesses. With this purpose we are interviewing owners of established private healthcare-related practices.

We have approached you as the owner of a licensed private healthcare-related practice. We learned about your practice from the list of healthcare-related practices licensed by the Ministry of Health. The interview will last approximately an hour. We would like to ask you questions about your practice and take notes of your answers. If you do not mind, we would like to audio-record your answers as well, because the information obtained from you is very important for the study and we would not like to lose any piece of it. Your participation in this study is voluntary. You can ask questions you may have about this study. You are free to refuse to answer any of the questions. Or you can leave the interview any time you would like.

Your participation in the study poses no risk for you. The information you provide will be kept fully confidential and will be used only for the study purposes. Your name will not appear in the study report or any other publication/presentation of the study results; these will contain only general findings from all interviews. There could be also potential benefits for you, as you will gain information about the opportunities the TRDP is planning to provide. You are welcome to take advantage of these opportunities yourself and /or to share them with your peers. If you decide to apply for the project, you may benefit from the training in entrepreneurship, which, in combination with an opportunity to receive a loan with lower interest rate, may give you a chance to expand and improve your practice. In the long run, this project may contribute to increasing the access to quality health care services in rural regions of Armenia.

If you have more questions about this study, you can contact Dr. Anahit Demirchyan, the EIM Project Coordinator calling 060 612562. If you feel you have not been treated fairly or think you have been hurt by joining this study, please contact Dr. Kristina Hakobyan, AUA Human Subjects Administrator at 060 61 25 61. If you agree to participate, we can start.

*(If he/she agrees to continue, ask if there are any questions. Respond to his/her questions as appropriate, and then continue the interview with asking to complete the short questionnaire.)*

Date \_\_\_\_/\_\_\_\_/\_\_\_\_

Interviewer \_\_\_\_\_

Icebreaker

**Personal and practice-related information**

#	Question	Answer
1	Age	
2	Gender	
3	Current marital status	
4	Place of the private practice operation	
5	Education	
6	Specialization	
7	Work experience	
8	Current work	
9	When was the private practice established	
10	How many rooms are there in the private practice (role of each room)	
11	How many staff members (role of each staff member)	
12	What services does the practice provide	
13	Which services are free of charge for patients?	
14	How many patients do you have per month?	
15	Where the private practice gets funding from	

*(After completing the questionnaire, ask question #1.)*

**Section A. Opening up the private practice, prerequisites for its success and steps taken to implement it**

- 1. We will talk today about your private practice. What were the reasons you decided to open up your practice? How did you come up with this particular idea?**
- 2. (*Educational background / special training / skills*):** Which of your skills / areas of your educational background / personal features have been important /helpful for implementing your idea? What skills have you lacked? During your work as a private practice owner, have you ever felt/currently feel a need for training in how to run a private practice? *Probes: (e.g., how to investigate your customers and competitors and how to meet the demand of the former and to deal with the latter; how to develop a working plan; how to raise funds; how to manage your practice; how to deal with financial issues /accounting; how to ensure uninterrupted supply of materials/supplies; how to assure high quality of your services/products or in any other related field?)* If yes, please, specify in what fields?

3. (**Needs assessment / market research**): Did you do any preparatory work before starting the business to see if your idea would be successful? If yes, what kind of preparatory work did you do? *Probes: (e.g., explored the demand for your services, the cost of and potential price for the services you are going to provide, whether you will have competition, how strong it will be, etc.).* If you didn't conduct any preliminary research, what were the reasons for that? Do you feel that you need training in conducting preparatory research?
4. (**Business plan with financial plan as a subcategory**): Did you develop a working plan (e.g., *business plan*)? If no, what were the reasons for that? How much did you feel necessary to develop it at some point after starting your business? How did you come up with your business plan? Did you get any help? If yes, from where/whom? Did you set clear goals for your business and defined the time frame for reaching them? If yes, how successful have you been in meeting these goals? Do you think it is helpful to set goals? What do you think should one know to set realistic goals? How frequently do you review and revise your goals?  
  
4' (**Financial plan**): Did you have a financial plan? What issues did you consider? *Probes: (e.g., size of investment, sources of funding, resources needed including capital and human, services to be provided, potential customers of services, profitability of the medical business, potential risks and benefits).* During your work as a private practice owner, have you ever felt/currently feel a need for training in developing a working (business) plan, a financial plan?
5. (**Fundraising / Loan**): How have you raised funds for your practices? *Probes: (e.g., loans, external funding, own funds, the respective shares in the investment).* What problems /barriers (if any) have you encountered when raising funds /obtaining the loan (if any) for your private medical practice? Would you recommend your peers to repeat your way of fundraising/obtaining a loan? Why yes? Why no?
6. (**Obtaining a license and registering the practice**): What problems /barriers (if any) have you encountered when obtaining the license for and registering the practice? What lessons have you learned from the process that could help entrepreneurs like you?

## Section B. Operation of the private practice

1. (**Initial investment and return of investment**): In your opinion, was it a good idea to start this private practice? Why? What are the benefits of running this private practice? What are the current issues that you are facing? What proportion of your investment has been returned and how long did it take? What kind of innovations (if any) of the facility / equipment / services / products were introduced during the time of private practice operation?
2. (**Operation of the private practice**): What documents (*Probes: e.g., service provision plan, annual budget, etc*) help you to regulate the operation of your private practice? What kind of problems (if any) have you encountered when operating your practice? *Probes: (e.g., unreliable suppliers, lack of financial resources to cover the expenditures, overall management of the practice, etc.)* Have you ever had problems with accounting issues / developing a budget? What problems? Have you ever had problems with tax agencies? What problems? In your opinion, how important was/is it for the success of your enterprise to have a clear operation plan / regulations /manuals? Why? During your work as a private practice owner, have you ever felt/currently feel a need for trainings in how to operate a private practice, how to develop a budget and financial statements, etc.?

3. (**Competition/ Products / Services**): Which of the services provided by your private practice are utilized most of all in your community? How frequently do the residents of other communities (close, far) utilize the services provided by your private practice? How competitive are your products/services? *Probes: (e.g., Why do you think the customers buy your products/services? Which of their features make them competitive (quality of services/products, innovation, more affordable prices, etc)?* In your opinion, how important was/is it for the success of your enterprise to constantly work on improving the quality of services / products (if you work on this)? Why? Do you face conflicts with other state or private health facilities and do you compete with them for customers? What are the possible ways to solve or soften this kind of conflicts? What do you think about competition with others? During your work as a private practice owner, have you ever felt/currently feel a need for training in how to deal with competition, how to make your products more competitive, etc.?
4. (**Facility, equipment, supplies**): In your opinion, how up to date and safe from the community perspective are the facilities where your private practice operates and equipment, methods, procedures and technology used in your private practice? How up to date, easy to operate/maintain and safe are they from the personnel perspective? What do you do to make sure they are safe and upgraded? What are your plans for expansion of the practice, upgrading the equipment and technologies, improving the existing ones, etc.? What kind of obstacles have you had /do you foresee? *Probes: (e.g., finding or building an appropriate facility, purchasing appropriate equipment etc.)* How reliable are the subcontractors responsible for supplying the equipment, technology, supplies, electricity, water, gas, etc? In your opinion, how important was/is it for the success of your enterprise to improve the conditions of your facility and upgrade the equipment and technologies? Why?
5. (**Customer relations**): How are you managing relationships with your customers? How do you receive feedback from customers with regard to the services they received? *Probes: (e.g., exit surveys /evaluations / regularity).* Have the opinions of customers been taken into considerations when introducing innovations (if you introduced ones)? How? Would you bring an example of ideas for improvement generated by customers? In your opinion, how important was/is it for the success of your enterprise to improve customer relations / take into consideration customers' feedback? Why? During your work as a private practice owner, have you ever felt/currently feel a need for training in managing relations with customers?
6. (**Quality supervision (existing, recommended)**): What is the current procedure for the supervision of the quality of provided services in your private practice? Have you been formally trained in quality of care supervision issues? If yes, where and when? Based on your experience, what would you recommend to improve the quality supervision procedure /protocol in private healthcare-related practices? In your opinion, how important was/is it for the success of your enterprise to introduce / improve the quality supervision procedures/ mechanisms? Why? During your work as a private practice owner, have you ever felt/currently feel a need for training in improving the quality of care?
7. (**Marketing strategy**): What is your plan for attracting more customers? How are you advertising your products/ services? What is your marketing strategy based on? *Probes: (e.g., formal investigation of your customers and competitors and how to meet the demand of the former and to deal with the latter or just common sense.* What kind of problems (if any?) have you encountered with advertising your products / services and attracting customers? In your opinion, did/ would your business benefit from a clear strategy on how to attract customers and make the

practice profitable? How important is the preparatory research in ensuring formulation of a successful strategy? Why? During your work as a private practice owner, have you ever felt/currently feel a need for training in developing a successful strategy on how to attract customers and make the practice profitable?

8. **(Personnel relations):** What is the recruiting and hiring process in your private practice? How the personnel relations are regulated in your private practice? *Probes: (e.g., Do you have an employee manual, contracts, or written job descriptions? How are employees held accountable for their work (if this is done). How adequate are the education and skills of your personnel given their roles in your enterprise? How the new employees are trained? Probes: (e.g., formally, informally).* How effective is the communication between “employees” and “management”? How do you decide how much the compensation should be for each employee? *Probes: (e.g., Is it fixed or it depends on the number of services provided / the quality of performance).* Are there any incentives for personnel? What are they based on? In your opinion, how important was/is it for the success of your enterprise to have an adequate personnel policy / adequately trained personnel? Why? During your work as a private practice owner, have you ever felt/currently feel a need for training in managing personnel relations?
9. **(Obstacles /problems):** What kind of any other obstacles /problems (besides ones mentioned under each point of our discussion) have you encountered during the period of your private practice establishment and operation?

### **Section C. The impact of the private practice, recommendations**

1. What has been the impact of your practice on the community/ies served? How much change did it introduce in the life of the community? Did it address any problems in the community? *Probes: (e.g., created workplaces; increased access to health care as a result of the following: are providing services which were needed yet were not available in the community; the location of the facility is convenient, the services are more up-to-date and the prices are more affordable compared to competitors).*
2. What advice would you give to persons who are planning to establish new private medical practices in rural areas of Armenia?

**THANK YOU FOR YOUR PARTICIPATION**

## Appendix 2.

### **The procedure of selecting private practices eligible for In-depth interviews:**

Three types of sources were used for selecting the key informants. The list provided by TRDP included contact information of 6 health-related practices established with its support. They were as follows: a diagnostic center in Berd, Tavush; 3 pharmacies (1 in Ayrum, Tavush and 2 in Ninotsminda, Georgia); and 2 dental clinics in Gharabagh. One of the pharmacies in Ninotsminda, Georgia (owner Sevak Yerosyan) could not be reached. One of the dental clinics in Gharabagh (owner Armen Patashyan) was found out to stop operating because the owner had left for Russia. The rest of practices were contacted and all owners were ready to participate in interviews. However, for the purposes of saving resources, only the practices in Tavush have been interviewed. Further, the contact information of 4 private family medicine practices established with support of HS-STAR project was provided by the former employee of HS-STAR Garnik Harutyunyan. All four have been interviewed. The rest of key informants were selected from the list of licensed private health-care related practices provided by the MOH.

The original list obtained from the MOH contained 183 dental clinics, 3 ophthalmology practices and 37 other practices operating in rural and semi-rural areas (Yerevan and surroundings as well Gyumri and Vanadzor were excluded). Additionally, a list of 550 pharmacies was obtained. Considering that (1) pharmacies and dental practices are pretty well-established businesses which don't need additional support and therefore are not very interesting as key informants, we focused mainly on the list of "other practices". Out of 37 such practices, only 13 were considered eligible, as the rest 24 were either privatized former medical centers / polyclinics in former regional centers or towns, or big centers established /operating with the support of international donors. Of 13 eligible "other" practices, contact information was available only for 8. One of the owners could not be reached, the second one said that he was very busy and refused to be interviewed, and the third one was not considered because the practice was located too far (Syunik). The owners of other five practices, including a practice which was providing ultrasound diagnostic services and had a pharmacy, were interviewed (comment: one of the 5 interviewed practices had two owners and both were interviewed). A dental practice was selected randomly from the region (Martuni) where we were planning to conduct IDIs with other type of practices. Taking into consideration that two pharmacies were already selected (e.g., a TRDP beneficiary and a part of one of the aforementioned 5 selected practices), no additional pharmacies were selected from the list provided by MOH. As for 3 ophthalmology practices, the contact information was

available for only one of them. During the preliminary phone contact, the owner agreed to be interviewed and the appointment was made. However, when the interviewers arrived, the owner refused to be interviewed. Thus, overall 12 practices were visited and 13 interviews completed.