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Global Forum on Competition

Competition in the Healthcare Sector – Contribution from Armenia

- Session II -

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This contribution is submitted by Armenia under Session II of the Global Forum on Competition to be held to be held on 1-2 December 2025.

More documentation related to this discussion can be found at: oe.cd/chthc.

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1. Given the predominant role of the healthcare sector in fostering economic development and enhancing the social well-being of the population, the Competition and Consumer Protection Commission of the Republic of Armenia (hereinafter – the Commission) has consistently prioritized this field within its key monitoring activities. In line with its mandate to conduct market studies, the Commission has, in recent years, undertaken a series of studies addressing various aspects of the healthcare sector.

2. In 2021, the Commission conducted a market study on the Circulation of Medicines. Subsequently, in 2022, it carried out another market study focusing on the sector of Providing Assistive Devices. At present, the Commission has launched - among others - a market study on the Circulation of Coronary Artery Stents and the Provision of Stenting Services, which is expected to be finalized at the end of 2025.

3. Below, the main findings of the study on the sector of Assistive Device Provision (hereinafter - **Study**) will be presented.

1. Sector of providing assistive devices

4. Medical rehabilitation plays a crucial role in ensuring the social and professional reintegration of persons with disabilities, and within this process, the effective provision of assistive devices is of paramount importance. The study aimed to identify existing competition-related challenges and potential risks in the sector, review best regulatory practices applied in comparable countries, and develop recommendations for enhancing the competitive environment in Armenia.

5. The Commission focused on two main product markets within the assistive devices sector:

- Upper and lower limb prostheses, excluding functional prostheses;
- Orthoses, including all types of orthotic devices.

2. Main Findings of the Study

6. The study has shown that in the case of all types of assistive devices, their sale by all economic entities has been carried out at a price equivalent to the reimbursement amount established by the state. This has consequently created an absolute absence of price competition in the market.

7. This fact itself is based on two reasons, the first of which is related to the state regulation of the sector. According to the regulations, if the price of assistive devices acquired within the framework of the certificate is lower than the price established by the certificate, then the entity is financed for the provided assistive devices in the amount of the actual price. If a person prefers to acquire upper or lower limb prostheses that are cheaper than the certificate's price, they may acquire other spare parts or related accessories from the same entity within the limits of the certificate's increased price. At the same time, it is stipulated that the provided certificate is valid for 90 calendar days from the date of provision.

8. In such a situation, the beneficiary is forced to acquire the prosthesis within the framework of the certificate within 3 months. Considering that there is a one-year warranty period, in the case of choosing a cheaper option, they must predict what parts they may

need during the remaining two years of the prosthesis's service life. It is important to emphasize that a beneficiary receiving a prosthesis for the first time does not have the necessary awareness at the very beginning of the prosthetic process. Moreover, they are mostly not in such a psychological state to be able to make predictions about the need for additional parts with a time horizon of more than one year.

9. Under this principle, if a beneficiary acquires a prosthesis at a price lower than the state-set price, the difference is considered a lost potential benefit, as it could have allowed them to achieve a higher level of healthcare.

10. Thus, the price established by the state becomes a mandatory price for all economic entities operating in the market under the existing model of managing funds saved by the beneficiary.

11. Acquiring prostheses at a higher price is financially difficult for the beneficiary. In the case of acquisition at a lower price, the impossibility of managing the saved funds leads to a loss of potential benefit for the beneficiary. In this situation, if economic entities set a price below the reimbursable amount, sales would drop sharply because beneficiaries aim to fully use the state support.

12. On the other hand, it is important to emphasize that the list of economic entities operating in the sector provided to the beneficiary contains information only about their addresses and contact details. In other words, the beneficiary lacks information about factors such as the countries of origin of the parts, the required international standards, or other relevant details. Access to this information would allow them to evaluate the quality of prostheses or compare different providers in the sector. At the same time, clear and effective mechanisms have not been developed to assess the cost structure and price offers of manufacturers. In fact, as a result, both demand-forming parties in the market—both the beneficiaries and the Ministry of Labor and Social Affairs of RA (hereinafter - Ministry) - have a low level of awareness.

13. In contrast, the manufacturer fully understands and evaluates the sales chain of assistive devices, their own production costs and price formation. Being aware of the information asymmetry in the market between consumers (in this context, both the Ministry and the beneficiaries) and themselves, they have the opportunity to organize sales at the prices of certificates that are higher than actual prices.

14. Another issue is the question of accessibility of services for citizens living in the regions. The regulations contain provisions regarding the requirement for regional representation. However, the assessment of compliance with this requirement is not included in the qualification process. The address of the representation is simply entered in the corresponding line of the application form. As a result, verifying and assessing the technical equipment, accessibility, and service conditions of these representations becomes difficult. Mostly, in such representations, only the collection and registration of beneficiaries' data is carried out. The company's prosthetist specialist provides services to beneficiaries either in an office equipped with technical means located in Yerevan, or periodically visits the regional representation. These visits are made to resolve accumulated issues of beneficiaries and to monitor their prosthetic or orthotic process.

15. The study found that high beneficiary loyalty and limited market entry significantly contribute to the market concentration observed in Armenia's prosthetics and orthotics sector. The strong loyalty of recipients, particularly during crucial rehabilitation stages and among child orthotics users, creates substantial barriers for new firms to enter the market. This, coupled with a shortage of qualified professionals and limited referral networks, reduces competition and consolidates the market around a few established providers. As a result, the sector remains highly concentrated, with limited new participants able to enter,

especially in sub-sectors like functional prostheses, which are characterized by high production risks.

16. Overall, the regulatory and structural challenges in Armenia further exacerbate the situation, reinforcing the lack of competition in the sector.

17. In conclusion, the assistive devices market remains narrow and predominantly focused on initial rehabilitation, while frequent regulatory changes prevent business entities from pursuing long-term development. These limitations, together with strong beneficiary loyalty to existing providers, have produced a highly concentrated market with minimal space for effective competition, innovation, or meaningful improvement in service quality.

3. Recommendations

18. ***Retention of Unused Compensation Balances:*** To mitigate the risk of excluding lower-priced suppliers and to encourage price competition, beneficiaries should be allowed to retain the difference between the certificate price and the device's actual price for future repairs or other social needs. This approach would also promote shared responsibility between the state and the beneficiary and encourage price competition among suppliers.

19. ***The introduction of an electronic platform*** for the acquisition of assistive devices, together with the establishment of clear technical and social standards, would greatly enhance both transparency and consumer confidence in the sector. By implementing such standards, beneficiaries would have a concrete framework to assess and compare providers, prices, product specifications, and user reviews. The platform would not only connect directly with the Ministry's information systems but also ensure that the assistive devices offered meet internationally recognized criteria for quality and functionality. Clear technical and social standards set by the Unified Social Service would guarantee that each beneficiary receives the most appropriate device for their needs, ensuring a sufficient level of assistive technology across all options. This standardization would provide a solid foundation for decision-making, improve product quality, and give consumers confidence that they will always have access to reliable, high-quality assistive devices, no matter the provider.

20. ***Improving Regional Access:*** The state could provide transportation cost compensation for beneficiaries traveling to prosthetics or orthotics providers for fittings, training, or follow-up care. Integration of this mechanism into the electronic platform would allow automatic calculation of compensation based on location data.

21. ***Certificate Price Determination Reform:*** A new model for determining certificate prices should involve market-based price offers from economic entities, evaluated jointly by the Commission and the State Revenue Committee of the Republic of Armenia for economic justification and accuracy. Verified data from tax and customs systems should inform this process to ensure realistic pricing.

22. Based on the study's recommendations, the Ministry has developed an electronic platform that partially incorporates the concepts and criteria proposed by the Commission. At present, the Commission and the Ministry are in the process of signing a Memorandum of Cooperation aimed at enhancing collaboration, particularly in the determination of certificate prices within the sector.