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**Competition in the Healthcare Sector – Contribution from Georgia**

**- Session II -**

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This contribution is submitted by Georgia 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](https://oe.cd/chthc).

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## Georgia

### 1. Introduction

1. Competition in healthcare markets is critical to ensuring fair prices, broad access to essential services, and incentives for innovation. Like many countries, Georgia faces challenges in its healthcare and pharmaceutical sectors due to high market concentration and supply chain integration. The Georgian healthcare market is dominated by three major holding groups operating across the entire value chain, from pharmaceutical production and distribution to pharmacy retail, hospitals, medical services, and insurance, together controlling over 80% of the market. This structure reflects large-scale vertical integration and has led to collective dominance by these groups. Such market concentration can result in higher prices and limited patient access if left unchecked. Moreover, Georgia's mixed public-private healthcare model historically allowed a free pricing policy for medicines, which, combined with potential conflicts of interest in vertically integrated holdings, contributed to inefficiencies and unethical practices. In this context, the Georgian Competition and Consumer Agency (GCCA) has recognised that active oversight of competition is essential to protect consumer welfare and promote affordability in the health sector. The role of the GCCA extends beyond traditional antitrust enforcement into proactive policy advocacy, market analysis, and close cooperation with health regulators to address these structural issues.

### 2. Regulatory Framework and the Role of the GCCA

2. Georgia's competition regime provides a robust legal basis for oversight of the healthcare market. The Law of Georgia on Competition empowers the GCCA to combat anti-competitive agreements (cartels) and abuses of dominance across all sectors, including the healthcare sector. Notably, **Article 7** of this law prohibits agreements or concerted practices that restrict competition, while **Article 6** prohibits firms with dominant market power from abusing that power. The GCCA has actively enforced these provisions in recent years to tackle collusion and excessive pricing in pharmaceutical markets, as discussed below. The GCCA's mandate also covers merger control, requiring notification of mergers above certain thresholds and enabling the agency to review transactions for their impact on market concentration and competition. Companies that fail to notify mergers can be fined, underscoring the seriousness of merger oversight in Georgia.

3. In its approach to the healthcare sector, the GCCA has emphasised a mix of enforcement and advocacy tools. Key strategic priorities include conducting market research to inform evidence-based interventions, advocating for strong competition to integrate competition principles into health policy and regulation, and fostering inter-agency cooperation with the Ministry of Health and other sectoral regulators. This proactive and collaborative approach has allowed competition principles to influence healthcare reforms and regulatory decisions. For example, close coordination between the GCCA and the Ministry of Health was crucial to the design and implementation of recent pharmaceutical market reforms. The GCCA also works in joint groups with public health institutions to monitor market data and detect early signs of problems, reflecting an emphasis on data-driven policy and preventive action. Overall, the GCCA serves as both an enforcer of competition law and an advocate for pro-competitive reforms in Georgia's healthcare sector, ensuring that competition policy complements public health objectives.

### 3. Enforcement Actions and Reforms (2020–2025)

4. Since 2020, Georgia has undertaken significant reforms and enforcement actions to address the challenges of high concentration, integration, and pricing in healthcare markets. These efforts, led or supported by the GCCA, span comprehensive regulatory reforms in the pharmaceutical sector, landmark antitrust enforcement cases, vigilant merger control, and ongoing market monitoring. The measures have collectively aimed at enhancing competition, transparency, and consumer welfare in healthcare.

#### 3.1. Enforcement Actions Against Anti-Competitive Practices

5. While structural reforms were underway, the GCCA intensified enforcement of competition law in the healthcare sector, targeting both collusive behaviour and unilateral abuses. Two notable cases from 2023 illustrate the agency's commitment to addressing conduct that undermines affordability and access to medicines:

- **Oncology Medicines Price-Fixing Cartel (2023):** In 2023, the GCCA pursued a high-impact cartel case involving life-saving oncology drugs. The investigation was prompted by concerns raised by the Ministry of Health over unusual, identical pricing patterns observed in oncology medicines that were part of the state reimbursement program. The GCCA found that four major pharmaceutical companies had engaged in a concerted price-fixing scheme, coordinating their prices for reimbursed cancer medicines from 2021 to mid-2023. This conduct violated Article 7 of the Competition Law, which prohibits such anti-competitive agreements. By fixing prices, the companies distorted market outcomes and increased the public healthcare system's cost burden (since the state was reimbursing these drugs at artificially inflated prices). The Agency imposed fines totalling nearly **53 million GEL** (approximately **€18 million**) on the colluding firms, one of the largest penalties ever levied in Georgia's healthcare sector. This strong enforcement action not only penalised the offenders but also sent a clear signal that collusion in critical health markets would not be tolerated. It underscored the vital role of competition enforcement in safeguarding affordable access to essential treatments and protecting the integrity of publicly funded healthcare programs.
- **Excessive Pricing and Abuse of Dominance Investigation (2023–2024):** In late 2023, the GCCA launched an investigation focusing on potential **abuse of dominance** in the pharmaceutical supply chain, reflecting its priority of addressing "competition risks across the pharmaceutical value chain". The case examined whether dominant companies were charging unjustifiably high mark-ups on essential medicines. Eight pharmaceutical undertakings came under scrutiny for imposing exorbitant mark-ups ranging from **300% to 3,000%** on a set of 20 crucial drugs during 2020–2023. Under Article 6 of the Competition Law, it is illegal for a dominant firm (generally defined by Georgian law as having over 40% market share in the relevant market) to exploit its position through unfair pricing. The investigation revealed that for 14 of the 20 medicines studied, the companies indeed held dominant positions (often collectively, given the market structure). The GCCA found evidence that four companies had engaged in excessive pricing for seven medicines, charging consumers exorbitant prices unrelated to the medicines' costs. Such behaviour directly harms consumers, especially for essential drugs that patients cannot forego. In response, the Agency imposed fines totalling around **€180,000** on the offending firms. While the penalties in this abuse-of-dominance case were smaller in absolute value than in the cartel case (partly due to the specifics

of the law’s penalty calculations and the scale of the companies involved), the action was nonetheless significant in establishing a precedent against excessive pricing. Moreover, this case had a forward-looking regulatory impact: it coincided with Georgia’s broader adoption of the reference pricing system for medicines in 2024, which has since eliminated such egregious pricing problems and improved overall market discipline. In essence, the GCCA’s investigation not only penalised past misconduct but also supported the justification for new pricing regulations that prevent the recurrence of the abuse.

### 3.2. Pharmaceutical Market Reform Initiative

6. One of Georgia’s most impactful recent efforts is a comprehensive reform of the pharmaceutical market, designed and advocated by the GCCA in coordination with the Ministry of Health. Over the past few years, the GCCA identified structural inefficiencies in the pharmaceutical sector - a market that was highly concentrated and characterised by vertical and horizontal integration, high drug prices, and limited consumer choice. In response, the Agency led an evidence-based advocacy initiative that resulted in a series of systemic reforms addressing both supply- and demand-side issues in the pharmaceutical market. Key measures implemented under this reform initiative included:

- **Mandatory generic prescribing:** Physicians are required to prescribe medicines by their generic name where possible, to foster competition among interchangeable drugs at the ATC4/ATC5 classification levels. This breaks the automatic preference for brand-name drugs and encourages the use of lower-cost generic equivalents.
- **Nationwide electronic prescription system:** A unified e-prescription platform was established to enable continuous monitoring of prescribing and dispensing practices. This system helps detect conflicts of interest (for instance, doctors steering patients to pharmacies owned by the same conglomerate). It strengthens compliance with prescribing rules by leveraging real-time data, thereby improving transparency.
- **Quality and cost-control standards:** International quality standards such as GMP (Good Manufacturing Practice) were strictly enforced for pharmaceutical manufacturers and distributors. Updated treatment guidelines were introduced to address polypharmacy (the over-prescription of multiple drugs) and to implement cost ceilings for certain treatments, ensuring that efficacy and cost-effectiveness drive therapeutic decisions.
- **Regulation of pharmacists’ conduct:** Pharmacists are now obliged to offer patients lower-cost alternative medications (e.g. generic substitutes) when available, rather than automatically dispensing the highest-priced option. To support this, stricter penalties, including the possibility of criminal liability, were put in place for pharmacists or healthcare providers who engage in conflicts of interest or fail to act in patients’ financial best interests.
- **Transparency and ethics measures:** The reforms enhanced transparency in relationships between pharmaceutical companies and medical professionals. Any financial ties or incentives are more closely scrutinised, aiming to prevent unethical practices such as kickbacks for prescribing certain drugs. Public awareness campaigns were also conducted to educate consumers about the safety and efficacy of generic medicines, seeking to shift public perception and demand toward more affordable alternatives.

- **Integration of insurance and coverage policies:** To reduce out-of-pocket expenses for patients, Georgia worked to better integrate private supplementary insurance packages with the state’s universal healthcare program. This means that patients’ co-payments for medicines are lower or more often covered by insurance, improving access to needed drugs without financial hardship.
- **Introduction of reference pricing:** Perhaps most significantly, Georgia moved away from a free pricing policy for medicines by adopting a European-style reference pricing model. Price benchmarks for pharmaceuticals were established based on international or regional price comparisons, and this system now applies to over 7,000 medicines. Reference pricing caps excessive prices and forces overpriced drugs to come down toward the reference level, directly tackling the previously unchecked high price margins in the market.

7. These reforms, taken together, represent a holistic restructuring of the pharmaceutical sector’s regulatory environment. The initiative’s success was supported by strong collaboration between the GCCA, health authorities, industry stakeholders, and international partners. By aligning Georgia’s policies with global best practices, the reforms have substantially improved market transparency and efficiency. Notably, the measures achieved their primary goal of making medicines more affordable: as a result of the reform package, medicine prices in Georgia decreased by 45–70%, and patients are now saving an estimated USD 70–75 million per year on medication costs. This dramatic price reduction and cost saving for consumers underscore the positive impact of pro-competitive regulatory changes on consumer welfare.

### 3.3. Merger Control and Market Monitoring

8. Given the high concentration and vertical integration in Georgia’s healthcare markets, **merger control** is a critical tool to prevent further consolidation that could harm competition. The GCCA applies a strict merger control regime in the pharmaceutical and medical services sectors. The Agency closely monitors corporate registry data (in coordination with the Ministry of Justice) to detect transactions, and it requires companies to notify any mergers or acquisitions that meet the legal thresholds. If a company fails to notify a merger, it faces sanctions, a measure that ensures compliance and allows the authority to review deals before they are consummated.

9. Between 2020 and 2025, eight mergers took place in Georgia’s medical sector. Notably, none of these transactions involved mergers between the three large holding groups that dominate the market (there were no horizontal mergers among the top players during this period). Instead, the mergers were predominantly vertical integrations. For example, acquisitions between hospitals or medical service providers and insurance companies, or investments by healthcare companies in related fields such as medical education. The GCCA scrutinised these deals to ensure they did not lead to unfair advantages or reduced competition. In one instance, a merger was implemented without the required notification to the Agency, and the acquiring company was duly fined for this omission. By enforcing merger notification rules and reviewing each case, the GCCA has helped maintain competitive balance, preventing major conglomerates from further entrenching their collective dominance through the acquisition of rivals or critical market participants. This vigilant merger control has been an essential preventive tool alongside ex-post enforcement of conduct rules.

#### 4. Outcomes and Impact

10. Georgia's experience from 2020 to 2025 highlights a number of positive outcomes achieved through active competition policy in healthcare:

- **Substantial price reductions for medicines:** The comprehensive pharmaceutical reforms, including reference pricing and promotion of generics, led to medicine price decreases on the order of 45–70%, directly benefiting consumers. This translates into estimated savings of USD 70–75 million per year in medication expenditures for Georgian patients, a significant improvement in affordability and financial protection.
- **Improved market transparency and compliance:** The introduction of e-prescriptions, stricter conflict-of-interest rules, and greater transparency requirements has made the healthcare market more open and traceable. Regulators can now monitor transactions and pricing patterns, helping detect anti-competitive practices early and reducing information asymmetry. Greater transparency has also likely contributed to more informed consumer choice (e.g., greater awareness of generic options) and enhanced trust in the system.
- **Effective enforcement deterring anti-competitive conduct:** The GCCA's vigorous enforcement actions in 2023 set important precedents. The GEL 53 million fine for the oncology drugs cartel, one of the largest in Georgian competition enforcement history, has sent a deterrent message to the industry about the cost of collusion. Similarly, the action against excessive pricing signalled that dominant firms would be held accountable for gouging consumers. Following these cases and the implementation of reference pricing, there is evidence of improved pricing discipline in the market. Together, these enforcement outcomes have likely prevented future collusive behaviour and abuse, contributing to fairer pricing across the board.
- **Maintaining competition through merger oversight:** By enforcing merger control, the GCCA helped maintain a more competitive market structure. The fact that no mergers among the top three groups occurred during 2020–2025, and that vertical mergers were carefully reviewed, means the market did not tilt further towards monopolisation. This preserved opportunities for smaller players and new entrants, and kept alive the potential for competition in both the provision of services and the supply of pharmaceuticals. In the long run, this oversight supports a more dynamic market environment conducive to innovation and better services.
- **Influence on policy and regulatory alignment:** The competition authority's advocacy has had a tangible influence on health policy. Georgia's alignment with international best practices, such as EU-style reference pricing, DRG payment systems, and quality standards, was accelerated by the evidence and recommendations emerging from the GCCA's work. The reforms implemented not only solved immediate competition issues but also brought Georgia's healthcare regulations closer to OECD and EU norms, fostering a more sustainable and balanced market structure. This alignment enhances regulatory predictability and encourages foreign investment and cooperation in the health sector, knowing that Georgia is adopting globally recognised standards.

11. While these outcomes are encouraging, it is also clear that competition enforcement in healthcare is an ongoing task. Some challenges, like the noted price surges in unregulated services, require continuous vigilance. Nonetheless, the period 2020–2025 demonstrates

that a proactive competition policy can yield concrete benefits, including lower prices, greater access, and improved market functioning in the healthcare sector.

## 5. Ongoing Investigation and Future Plans

12. The GCCA's work has not been limited to medicines and corporate transactions; it also extends to the pricing and competitive conditions in medical services. The medical services market in Georgia has seen significant reforms in recent years, some of which have been spurred by GCCA's recommendations. For instance, the introduction of reference pricing for medicines (discussed above) and the adoption of a DRG-based (Diagnosis-Related Group) reimbursement system for hospital services were policy measures aimed at increasing competition and efficiency in healthcare delivery. These changes have generally improved patient access and curbed unreasonable cost growth in regulated parts of the health system.

13. However, the GCCA identified an emerging concern in 2024–2025: several medical services not subject to direct price regulation experienced a sharp price increase (about 26%) over a short period. Notably, services like physician consultations, which are often outside the scope of state price controls or standard insurance reimbursement rates, became significantly more expensive for consumers. Such price spikes in unregulated segments may indicate potential competition problems, such as ineffective competition, information asymmetries, or other market failures. In response, the GCCA launched a dedicated market monitoring exercise in 2025 to investigate the causes of these price increases. This ongoing study involves gathering data on service pricing, costs, and market structure in the affected healthcare service areas, and will analyse whether factors like provider concentration, informal pricing practices, or other anti-competitive conduct are at play. The findings of this inquiry, along with any policy recommendations, are scheduled for publication in 2026. The proactive monitoring initiative demonstrates the GCCA's commitment to continuously overseeing the healthcare sector and addressing competition issues as they arise, even in areas that have not yet been the subject of formal enforcement. It also reflects the agency's broader strategy of evidence-based intervention, using research and market analysis to proactively identify and address problems, in line with OECD best practices.

## 6. Conclusion

14. Georgia's recent experience affirms that, even in a healthcare system with significant private-sector dominance and integration, competition policy can play a transformative role. The GCCA's multifaceted strategy, combining regulatory reforms, strict law enforcement, market monitoring, and advocacy, has substantially enhanced transparency, affordability, and fairness in Georgia's healthcare markets. Consumers are seeing lower drug prices and savings, and anti-competitive practices that previously went unchecked are being addressed with appropriate remedies. Crucially, these efforts have been undertaken in close cooperation with health sector authorities and with an eye on international best practices, ensuring that competition initiatives complement public health goals rather than conflict with them.

15. Looking ahead, maintaining this momentum will require strengthened inter-agency cooperation and continuous adaptation to new challenges. The GCCA intends to keep aligning its actions with evolving global standards, so that competition policy remains an instrument for innovation and consumer benefit in healthcare. In summary, Georgia's

example demonstrates how a proactive, evidence-based approach to competition enforcement and advocacy can deliver tangible improvements in healthcare markets, ultimately benefiting patients and society at large. The lessons learned from 2020–2025 will inform ongoing efforts to ensure that the healthcare sector in Georgia remains competitive, transparent, and centred on consumer welfare.