Policy Changes – Brazil Invites Foreign Investment to Private Healthcare

Brazil's President, Dilma Rousseff, announced in January that the government would allow foreign investment in the private healthcare sector for the first time. The government's decision is driven in part by the need to respond to the public frustrations that erupted during protests in June 2013. Protesters demanded, among others, improvements to the public health system, especially to address the needs of lower-income workers.

In response to the protests, the government introduced plans to increase the number of doctors by hiring foreign staff and by requiring medical students to work for two years, rather than one, in the public health care system before graduating. The most recent opening announced in January marks a significant turning point for Brazil with broad implications for investment in the country's healthcare sector.

- **Increased healthcare spending –** The sector like Brazil's health care sector, already promising, has now become more attractive. Spending had increased in recent years—from 8.4 percent of GDP in 2011 to 8.5 percent in 2012 and is now expected to reach more growing with total spending on health care projected to rise to 9.0% 9.1 billion by 2017.[1]
- **Foreign firms to play in the hospital market –** Previous Rousseff announcement has the potential to provide a game-changing intervening at the private health care market. Foreign health insurance companies have been able to operate in Brazil since the late 1990s, and since 2012 many have been given branches (BHs), with the consolidated likely to continue.[2] Hospitals and clinics, however, have remained off limits to foreign investors. This will now change and the first signs of interest from overseas buyers have emerged, which is encouraging. Brazil's semi-closed hospital market and their relative industry—acquisition rate—already generates some ninety percent of hospital revenue—make for rich pickings.[3] Private equity investors are already tapping up even the market, with The Carlyle Group reportedly in negotiations to purchase the healthcare network Hoste SCA, the largest privately owned and independently operated healthcare system in the country.[4]
- **Protocol standardisation –** Foreign investment in Brazil's hospitals is likely to accelerate the professionalisation of hospital management practices, with the potential for significant improvements in the quality and cost efficiency of care. Many hospitals in Brazil are hampered by a lack of standardised processes as well as outdated management practices, governance structures, and IT systems. For example, only a few of Brazil's hospitals follow diagnostic protocols, drug guidelines, while many executive directors appear to be focused on incentives rather than data.[5]

Most hospitals still do not use standard management reports, key performance indicators, head-start evaluations, and other common management tools to measure their performance. There is much scope to improve performance and compliance with sound investments in IT systems, management skills, and tools to monitor, control, and report key performance indicators.

- **Sustainability of the bill –** In time, significant investments in Brazil's private healthcare sector has the potential to shift the burden of care away from the public health care system, this balance across the country could, which could make a big difference in gradually stabilising the public system's long-term financial health. The bill is funded through federal and local taxes and employer and employee contributions. It is financially stressed, around 75 percent of the population depends on it, but only 47 percent of all of health care spending comes from public funding.[6]

[1] BMI Healthcare and Pharmaceuticals Report, Business Monitor International, 2014. https://www.bmiresearch.com/sites/default/files/images/brazil_healthcare_and_pharmaceuticals_report_q1_2014.pdf

[2] See "The Dilma scandal: A look at Brazil's hospitals," Global Health Intelligence.

[3] Healthcare sector overview in Brazil, Business Monitor International, 2014. https://www.bmiresearch.com/sites/default/files/images/brazil_healthcare_and_pharmaceuticals_report_q1_2014.pdf

[4] "Carlyle Group Said to Lead Bid for Hospital Operator Hoste," Bloomberg, 2014. https://www.bloomberg.com/news/articles/2014-04-03/carlyle-group-said-to-lead-bid-for-hospital-operator-hoste

[5] Healthcare Sector Overview in Brazil, Business Monitor International, 2014. https://www.bmiresearch.com/sites/default/files/images/brazil_healthcare_and_pharmaceuticals_report_q1_2014.pdf

[6] Healthcare Sector Overview in Brazil, Business Monitor International, 2014. https://www.bmiresearch.com/sites/default/files/images/brazil_healthcare_and_pharmaceuticals_report_q1_2014.pdf