

Policy Changes – Brazil Invites Foreign Investment to Private Healthcare

Brazil's President, Dilma Rousseff, announced in January that her 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 discontent 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 citizens.

In response to the protests, the government announced 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. This 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 outlook for Brazil's health care sector, already promising, has now become more attractive. Spending had increased in recent years—from 8.9 percent of GDP in 2011 to 9.1 percent in 2013 and is now expected to continue growing with total spending on health care projected to rise to \$255.5 billion by 2017.⁹
- **Foreign firms to play in the hospital market** – President Rousseff announcement has the potential to provoke a game-changing restructuring of 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 taken over Brazilian firms, with the consolidation likely to continue.¹⁰ Hospitals and clinics, however, had remained off limits to foreign investors. This will now change and the first signs of interest from potential buyers have emerged, which is unsurprising: Brazil's concentrated hospital market and their revenue streams—outpatient care services generate up to ninety percent of hospitals' revenue—make for rich pickings.¹¹ Private equity investors are already looking to enter the market, with The Carlyle Group reportedly in negotiations to purchase the healthcare network Rede D'Or, the largest privately owned and independently operated healthcare system in the country.¹²
- **Protocol standardization** – Foreign investment in Brazil's hospitals is likely to accelerate the professionalization 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 standardized 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 decisions appear to be based on intuition rather than data.¹³

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

- **Sustainability of the SUS** – 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, the Sistema Único da Saúde (SUS), which could make a big difference in gradually stabilizing the public system's long-term financial health. The SUS 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 health care spending comes from public funding.¹⁴



⁹ "2015 health care outlook: Brazil," Deloitte, 2014, <<https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Life-Sciences-Health-Care/gx-lshc-2015-health-care-outlook-brazil.pdf>>
10 Ibid.

¹¹ See "The Hidden potential of Latin America's hospitals," Global Health Intelligence.

¹² "Healthcare sector open to foreign investment," SouthernPulse.info, 24 January 2015, <<http://www.southernpulse.info/sp-pulses/healthcare-sector-open-to-foreign-investment>>

¹³ "2014 global health care outlook: Shared challenges, shared opportunities," Deloitte, 2014, <<https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Life-Sciences-Health-Care/dttl-lshc-2014-global-health-care-sector-report.pdf>>

¹⁴ "2014 global health care outlook: Shared challenges, shared opportunities," Deloitte, 2014, <<https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Life-Sciences-Health-Care/dttl-lshc-2014-global-health-care-sector-report.pdf>>