

### 3. Budget crunch: government belt-tightening offers opportunities for companies to fill health care gaps

As they strive to provide healthcare to large populations characterized by vast income disparities, Latin American governments struggle with the tradeoffs between accessibility and sustainability. Even the income-progressive core of the region's most advanced healthcare institutions, but the majority of the country's public healthcare system suffers from poor planning and underfunding. With few exceptions, most healthcare providers of long-standing in the public sector.<sup>1</sup>

These are huge challenges with a lack of infrastructure, personnel and poor distribution of resources – public healthcare often suffers by geography and increasingly obsolete services they are less apt to reach a consensus on better possibilities.<sup>2</sup> These factors explain for well short of addressing the growing healthcare pressures of an aging population.

The lack of infrastructure and distribution of resources opportunities offers opportunities for the private sector, especially in countries such as Brazil, Mexico, Chile, and Colombia, where healthcare expenditures are rising. Companies who can offer high quality care and treatment at a reasonable cost stand to make significant gains.<sup>3</sup>

Private health expenditure as a % of GDP countries			
	2011	2012	2013
Brazil	4%	4%	4%
Colombia	10%	10%	10%
Chile	1%	1%	1%
Mexico	4%	4%	4%
Peru	1%	1%	1%

Source: WHO

However, private sector providers face challenges of their own. Private institutions in Mexico, for example, face a shortage of nurses because they offer lower wages and benefits compared to the public sector in the public sector.<sup>4</sup>

While there is no perfect solution, governments can set the stage for private companies to complement – and in some cases offset – rigid and overburdened health systems. Rules and regulations will need to evolve as a result, and already some countries have set up new frameworks to enable greater private participation in healthcare provision. Encouraging local solutions and alternatives to imports is particularly relevant given escalating commodity and drug economic inflation around the globe.

- 1. Spending 10% (and in Brazil, where in early 2013 President Dilma announced that foreign companies could head private hospitals, then helping to expand private care and

offering part of the financial burden away from the public sector. Private equity funds Corpis Group and ICI Holdings (traded over 2013) entered in the field of the Latin American market, to continue new hospitals and expand current facilities.<sup>5</sup>

- 2. ICI recently raised several Brazil's independent service centers for its third largest diagnostic imaging company, with the acquisition of radiology services in Colombia in 2012.<sup>6</sup>
- 3. Management Science for Health (MSH) worked funding to provide technical assistance to Mexico, Morocco, Honduras, and other countries throughout the region to increase access to integrated health services.<sup>7</sup>
- 4. Telemedicine gained traction in Argentina throughout 2013. Through the newly launched Federal Cyberhealth Plan, Argentina is developing a connected network of hospitals. The country is taking advantage of the new infrastructure to deploy new technologies such as tele-diagnosis and tele-education tools. Private companies like Pfizer are investing in the field by expanding the number of Pfizer Training and Communication Centers (PACC), a remote-delivery service in Brazil and introducing them into Argentina.<sup>8</sup>

“...Private companies and entrepreneurs will take over a lot of government functions, opening huge opportunities to profit from a vast population that won't mind paying to get the service they deserve — mostly in health care...”

John D. Donohue and Charles D'Amico

These initiatives, though primarily driven by cost efficiency concerns, also reveal a desire to transition toward (1) a **health-based** framework and (2) **patient-centric** healthcare. Treatment with accessibility, health IT, and diagnostic imaging will be able to capitalize on regional trends to expand in these fields. Private institutions, in turn, are expected to step in and complement the public sector's shortcomings with offerings geared to the **“middle market customer”** – products and services geared to those who want access to better healthcare at reasonable cost.