

Latin America healthcare Industry trends

Plenary session

DHL Global LIFE SCIENCES AND HEALTHCARE Conference
Miami, USA
2019.06.18





Introductions

About your presenter



Born in Peru. Lived in Mexico, Canada, USA, Hong Kong.

26 years studying Latin America markets.

Founder of InfoAmericas ('92), sold to Kroll ('07)

Co-founder of AMI ('11)

Overseen 2,000+ market intelligence engagements in LAC

Co-author of Can Latin America Compete (Palgrave) in '07

100+ articles published in major journals. LT columnist.

Advised dozens of Forbes Global 100 companies

Board member of CCA, NPH

Adjunct Professor, FIU

Miami based. Married. Father of three.

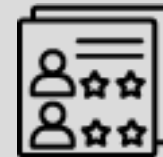
AMI is the leading independent Market Intelligence provider in Latin America



AMI is Latin America's leading Market Intelligence and Advisory group.



AMI's founding partners are pioneers in the field of Market Intelligence in Latin America, with over a quarter century of experience in the region.



AMI has experience in over 30 Latin American and Caribbean markets.

scip

AMI is a member of SCIP Strategic and Competitive Intelligence Professionals.

Legal notice

Wherever possible, AMI has verified the accuracy of information provided by third parties, but does not under any circumstances accept responsibility for such inaccuracies should they remain unverified.

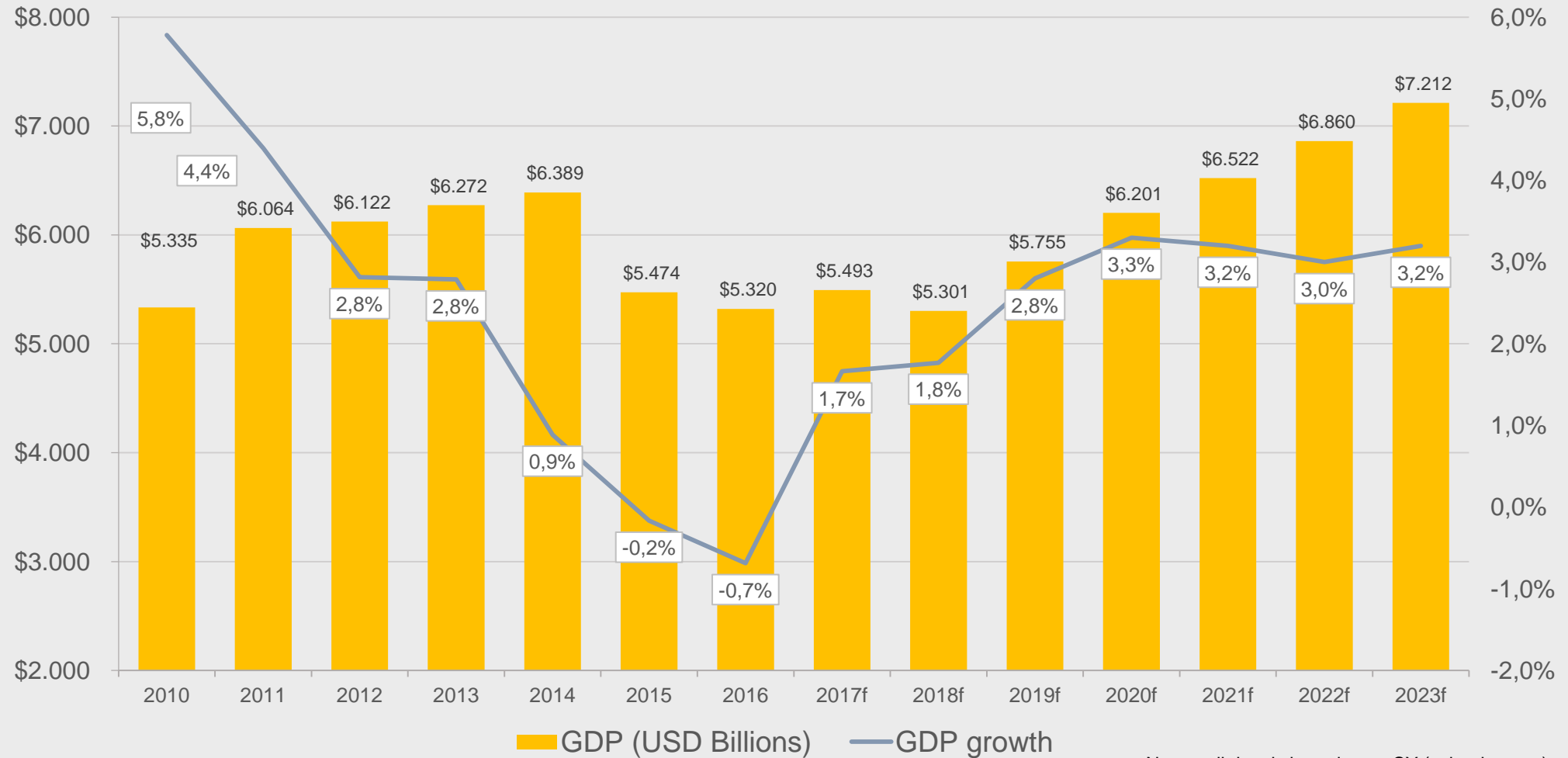
It is expected that the reader will use the information provided in this presentation in conjunction with other information and with sound management practices. AMI therefore will not assume responsibility for commercial loss due to business decisions made based on the use or non-use of the information provided.

Latin America in the global context



A slow but steady recovery

By 2021, the region will regain the \$1trn USD GDP lost in 2015/16

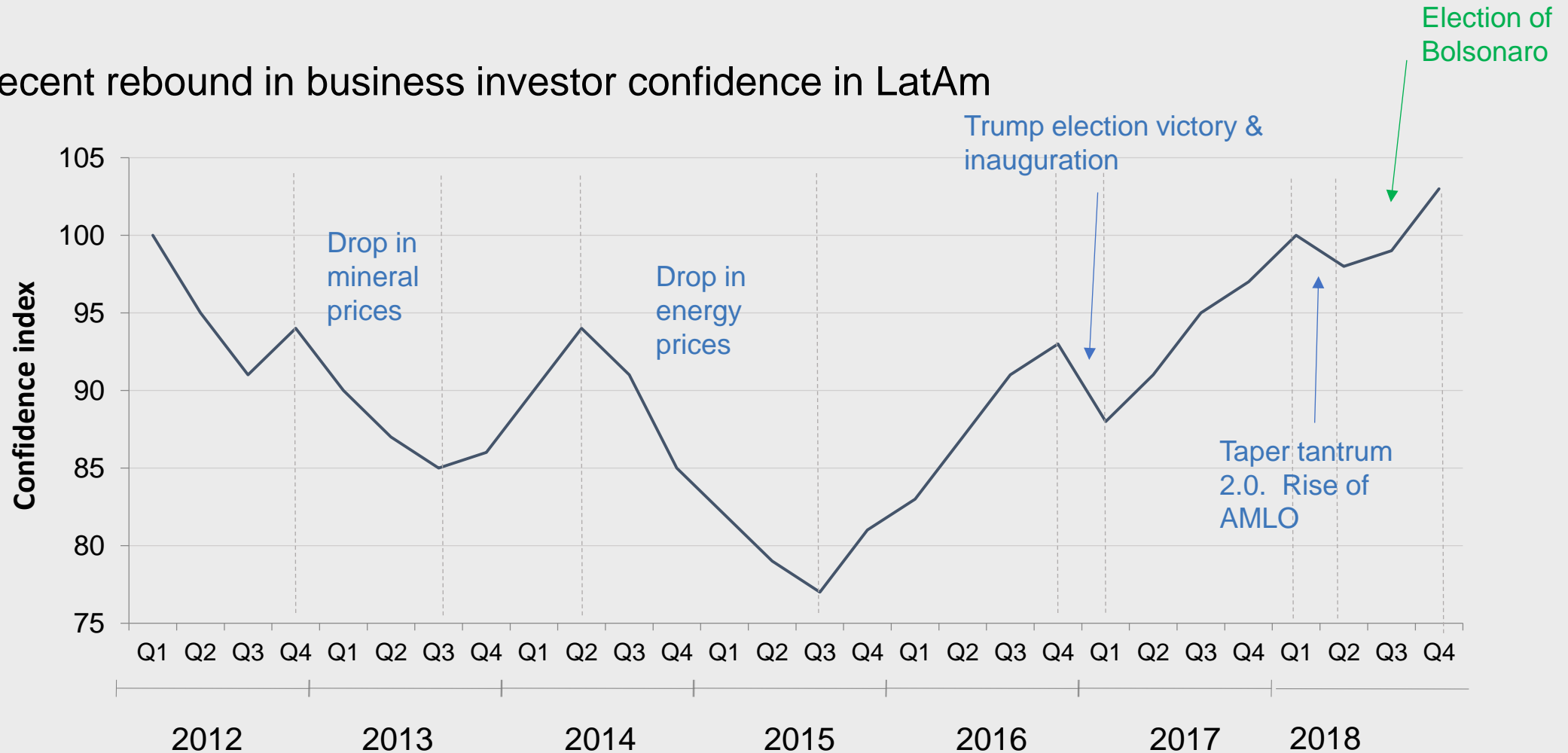


Note – all data is based upon CY (calendar year).
Sources: BMI, World Bank, UN, IMF

Business confidence is on the rise, with caveats

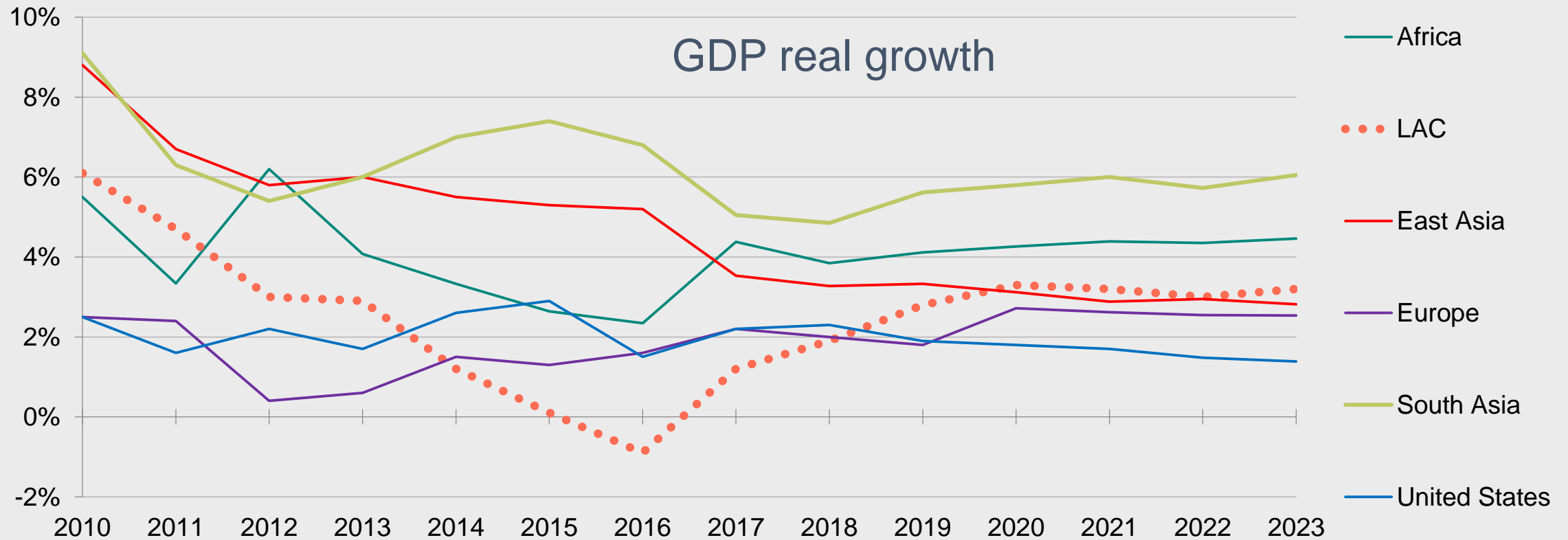
Recovering debt levels, mineral prices and favorable election results in Brazil and Colombia all contribute

Recent rebound in business investor confidence in LatAm



LAC is rebounding but will underperform other EMs

Modest commodity prices, rising Fed rate, small productivity gains all weigh on LatAm's future growth

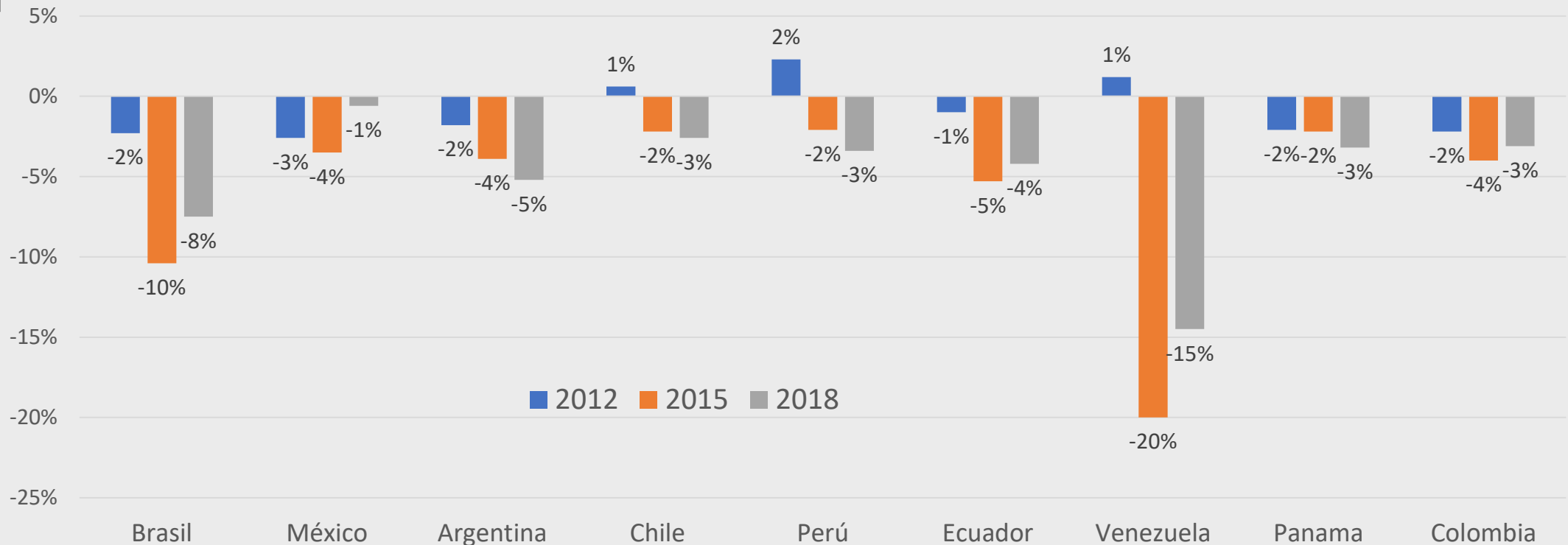


Sources: IMF

LatAm governments are fiscally constrained

LAC governments still need to catch up with cost cutting. None can afford to keep up with healthcare demand.

Fiscal Deficit/Surplus as % of GDP



Thrown out

Voters are rejecting the status quo, not shifting right or left



Leading Candidate
Jair Bolsonaro



Mexican Pres. Candidate
AMLO



Brazilian Ex-President
Dilma Rousseff



Brazilian President
Michel Temer



Peruvian President
Kuczynski



Peru Opposition leader
Keiko Fujimori



Mexican President Peña
Nieto



Chilean President Bachelet

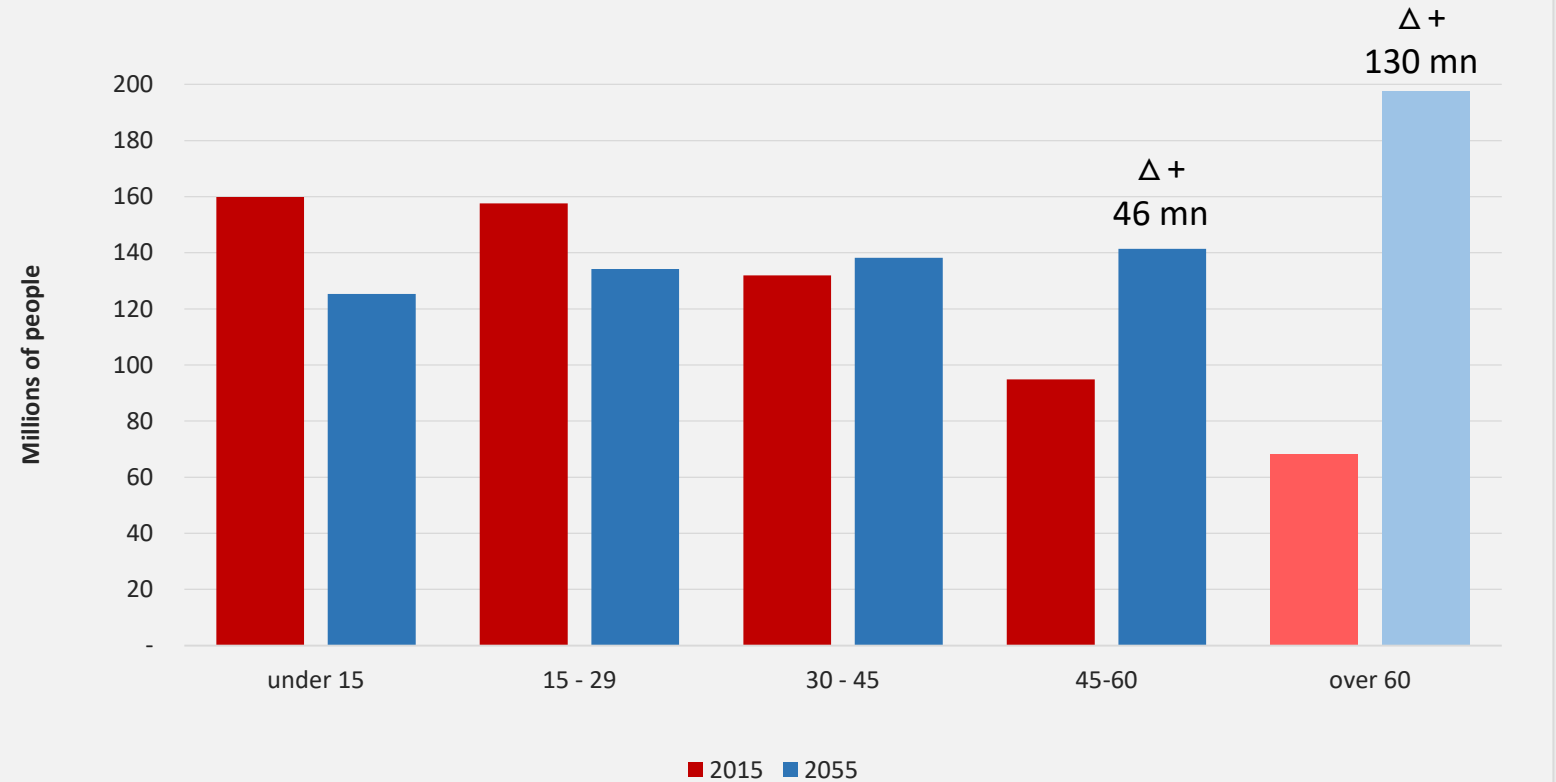


**Latin
American
healthcare
trends**

Latin America is the fastest aging region in the world

- In 2010, 10% of Latin Americans were over 60 years old; by 2020, this number will reach 21%.
- Healthcare expenditure is expected to rise at 5% per year through 2018, and possibly faster after that.
- The elderly are the greatest burden to healthcare budgets – over 80% of adults over 60 have at least one chronic disease.
- This is further impacted by the reduction of household size.
- Home care solutions are expected to demonstrate a CAGR of 8.7% from 2015-2020.

130 MILLION MORE ELDERLY BY 2055

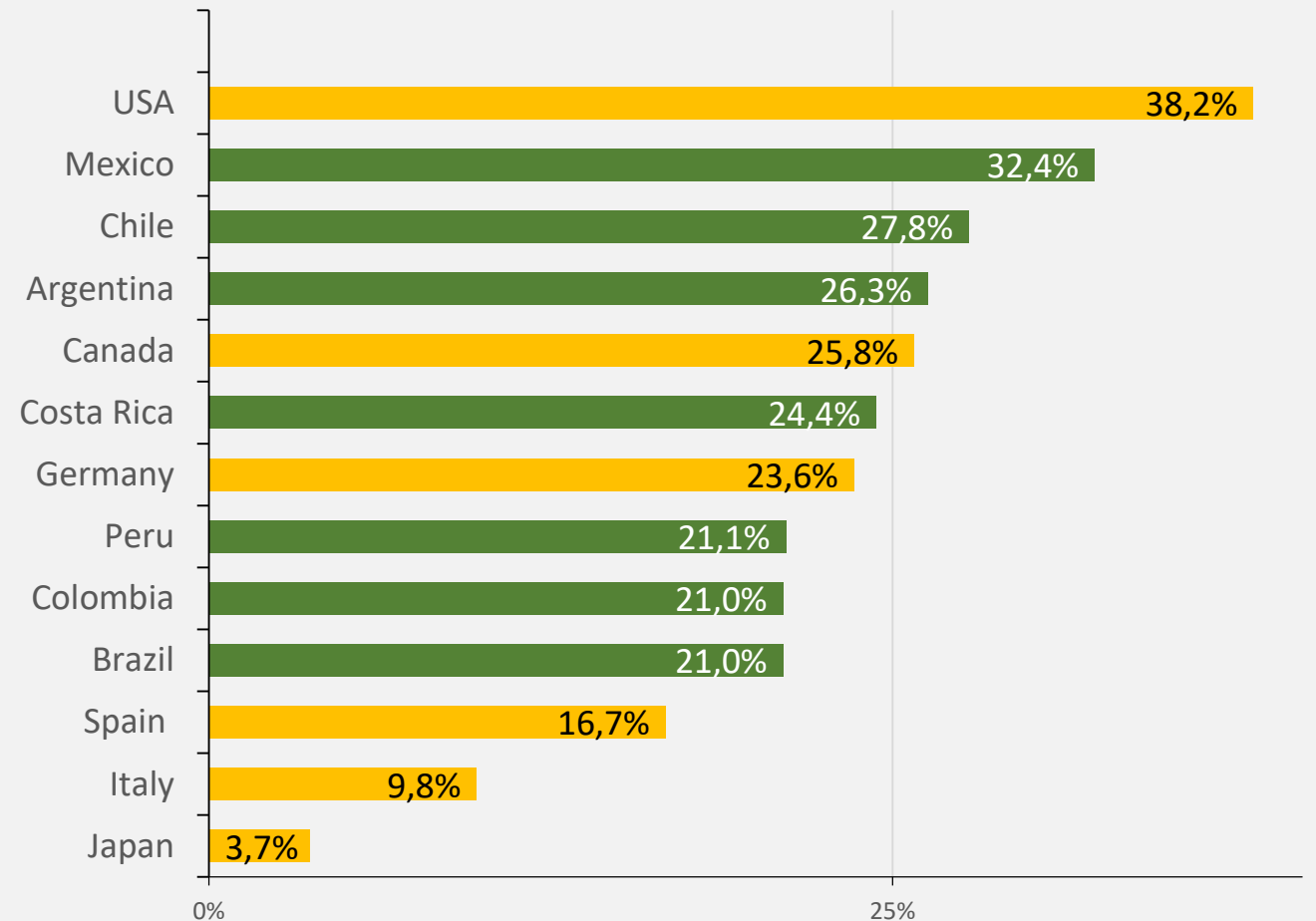


Sources: Center for Strategic & International Studies.

Latin America leads the global obesity epidemic

- Obesity leads to a series of related diseases, including heart disease, high blood pressure (c. 30% of LatAm population), diabetes (10% of LatAm population), gout, amongst others.
- 1.1 million new cases of cancer today in LatAm will double by 2030.
- LatAm new health regulations try to lower obesity.
- Populations are starting to make more health conscious food and beverage decisions, particularly upper classes.
- Experts predict that obesity will continue to be a health challenge in LatAm for at least another 30 years.

ADULT OBESITY 2017



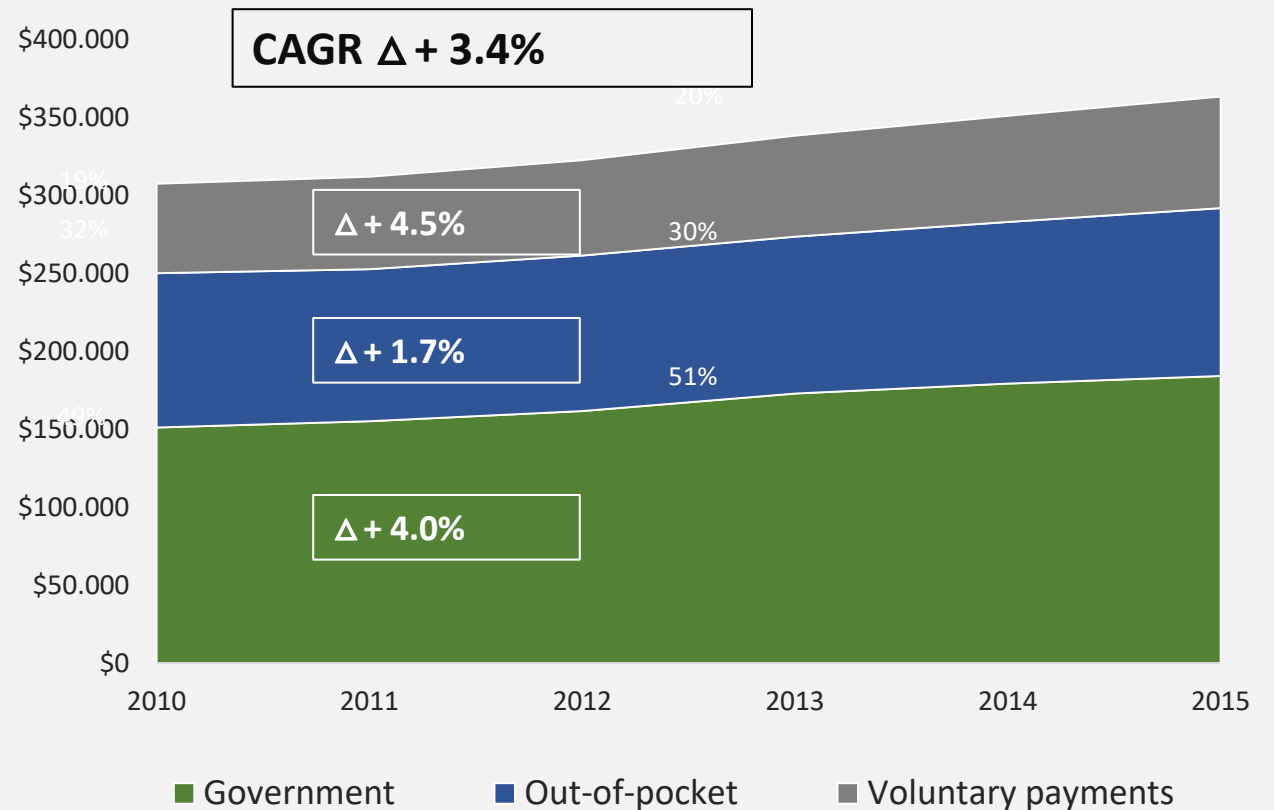
Sources: OECD Obesity Update, 2017. Renew Bariatrics 2017.

Healthcare expenditure on the rise

Highest growth seen in Chile, Peru and Colombia

- Healthcare expenditure is growing at a CAGR of 3.4% per year.
 - Chile, Peru and Colombia are outpacing the market with 8%, 7% and 5% CAGR respectively.
- Voluntary payments (including private insurance) is the fastest growing segment.
 - Chile and Colombia are outpacing the market with 9% CAGR each.
 - Argentina showed growth in 2015 after 4 years of continual decline.

HEALTH EXPENDITURE BY TYPE OF SPEND (US\$ CONSTANT 2010 MN)



Private insurance expands to the middle class

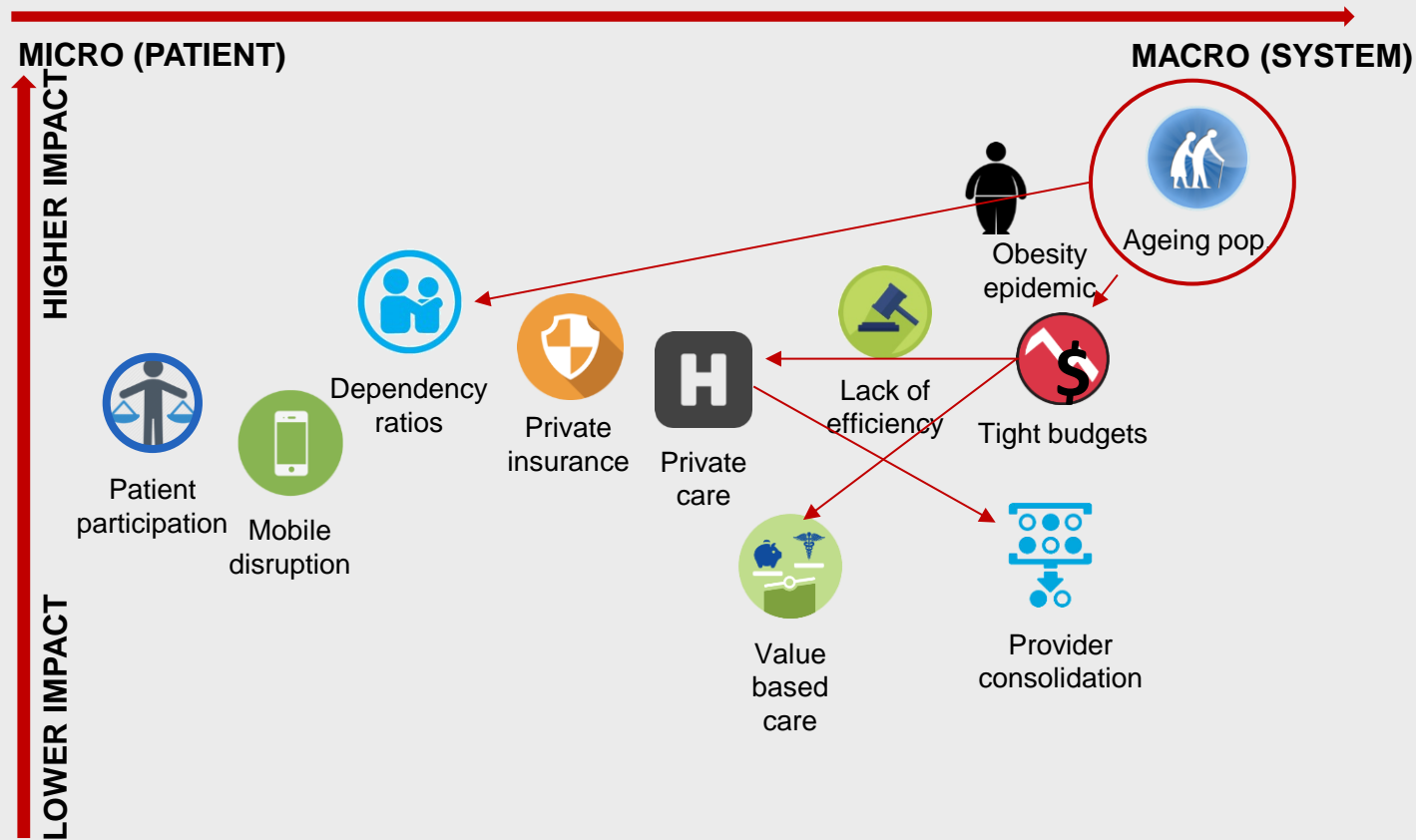
- Public healthcare has some well established, highly regarded institutions.
- It's not "just" a money issue.
 - Fiscal austerity, Red-tape, System inefficiencies, and Corruption, all **limit timely market access** to the public sector.
- Patients seek coverage from the private sector.
- Private insurance is expanding at >20% per year in some markets, looking to grow into the middle class and working class (SES C, C-).
 - Driven by international healthcare providers.
 - Non-traditional players are creating their own plans.
- Results in a proliferation of Small, Specialized Private Clinics and Hospitals.
 - ~80% of treatments in Private hospitals are covered by insurance.

INSURANCE PENETRATION BY SOCIOECONOMIC LEVEL

SES	% POP.	INCOME US\$	
A/B	7%	>\$90K	Private coverage
C+	14%	\$55-\$90K	
C	18%	\$25-\$55K	Expansion opportunity
C-	16%	\$15-\$25K	
D+	20%	\$8-\$15K	Public
D	18%	\$2.5-\$8K	
E	7%	<\$2.5K	

Source: GHI analysis based on INEGI and AMAI.

Demographic change → supplier structural change



- EFFECTS**
- Household structure and dependency ratios
 - Financial strain on public systems
 - Longer wait times, Lower quality of care
 - Migration to private care
 - Growth of private insurance
 - Provider consolidation (vertical integration, conglomerates)
 - Rise in value-based-care

Mexico's AMLO charts a new course on procurement



Mexico's health sector

- Healthcare expenditure: 5.5% of GDP.
- Public Healthcare: 10.4% of government spending.
- Total hospital beds: 167,000, of which 82% are public sector
- Public hospital spend: 65% of total



Policy changes under AMLO

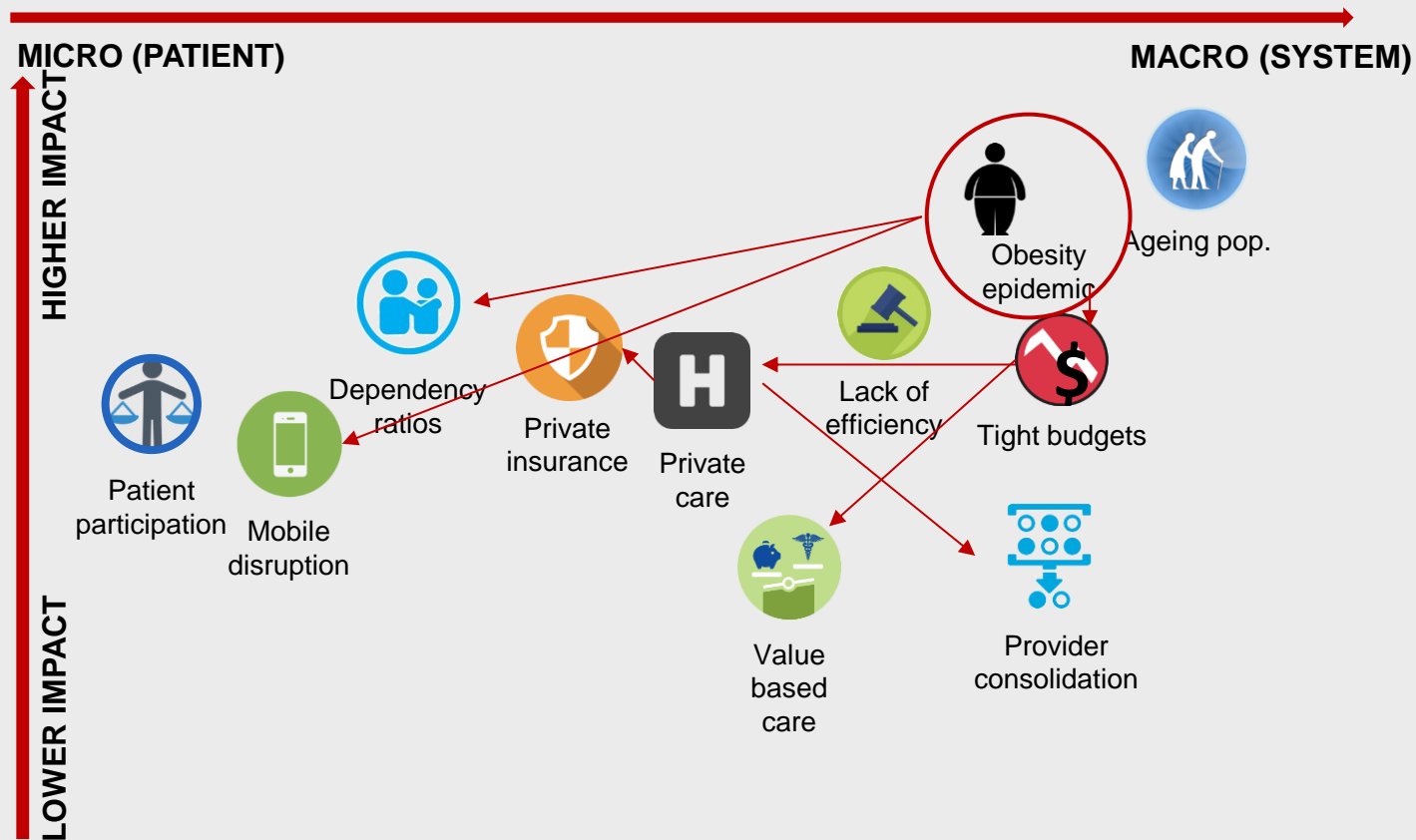
- Public tenders to be further consolidated to lower prices
- Consolidated inventories designed to lower waste
- Distributors to be squeezed out. Tenders sent to manufacturers
- Global tendering including Asian manufacturers to lower costs



Impacts

- Stops momentum towards value based care
 - Price, not quality will determine winning bids
- Will hurt innovation because small vendors will be discouraged
- Good for large scale generics, less so for IP driven labs
- Could discourage process reforms that require new technologies and methods

Thirst for patient knowledge → mobile app usage

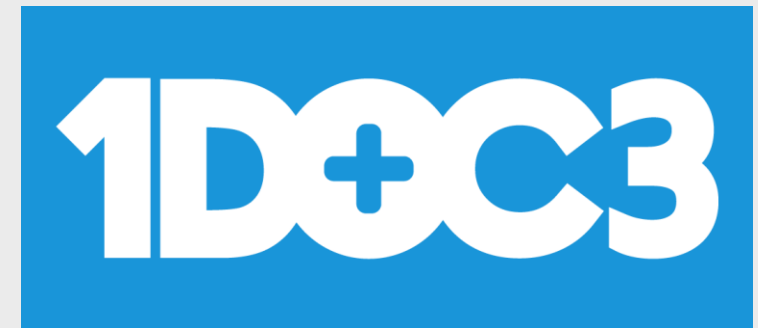


EFFECTS

- Financial strain on public systems
 - Longer wait times, Lower quality of care
- Migration to private care
 - Private care growing at >10% per year
- People wanting to take a more proactive stance in health management
- Use of mobile apps to do so

www.1doc3.com delivers much needed information

- Established In Colombia in June 2014 by Javier Cardona, junto con Nicolás Durán
- In its first four years, the site responded to 47 million health related enquiries, each of which is answered free of charge by a trained medical practitioner.
- The site does not provide any medical diagnosis or issue any prescriptions. But rather it informs and guides enquirers towards specific sources of medical advice.
- The sheer volume of questions and answers helps build a rich data base of anonymously supplied information that is then marketed, segmented and sold to interested parties, particularly suppliers of pharma and medical equipment and supplies but also policy organizations.
- Designed originally as a non-treatment (informative) form of telemedicine, the anonymous nature of 1doc3 has made it very popular among young adults and teenagers who are dealing with unplanned pregnancies, STDs and other medical conditions that come with many social stigmas.



Emerging logistics opportunities

Driven by cost reduction and getting closer to the patient



About AMI

1 AMI is Latin America's leading independent market intelligence consultancy

Our founding partners helped pioneer the field of market intelligence in Latin America **2**

3 Our consultants have advised a third of the region's 100 largest strategic investors over a span of two decades

AMI consultants have conducted over 3,000 client engagements in Latin America since 1993 **4**

5 Our holistic approach to market intelligence is unique. We combine market research, competitive intelligence, political analysis and economic forecasting in our studies.



John Price

Managing Director
jprice@americasmi.com



**Guillaume
Corpart**

Healthcare Practice Leader
gc@americasmi.com