2.

Latin American Outlook

Transitions, Reforms and Trumped-Up Hemispheric Relations

Latin America's political leaders of late have faced the rigorous challenge of governing a growing and increasingly empowered middle class electorate amid the region's 2015-16 economic downturn. Squeezed between growing fiscal deficits and the demands of socioeconomic change, not all are emerging unscathed. By the end of 2016, the region's GDP will have shrunk by an estimated 1.1% in local currency driven by a fall in commodity prices and high currency depreciation across the region. The healthcare market, though more sheltered from economic cycles than other sectors, is affected by the tides of political change and public spending. As public coffers skimmed the bottom in 2016, the region saw an unprecedented increase in out-of-pocket expenditures from the middle class. There is also the question of the new political climate in the U.S. and what it may mean for geopolitics south of the boarder.

● **Brazil's Temer fights debt with privatization:** Brazil has been in a state of political uncertainty since the impeachment and subsequent ousting of former Workers Party President Dilma Rouseff earlier in 2016 for breaking budgetary laws. The government is swimming deeper in debt than during the infamous "lost decade" of the 1980s when the GDP was down 7.6% on a per-capita basis, and faces the country's worst economic recession in eight decades. The new administration led by fiscal conservative Michel Temer initially called for significant cutbacks to social programs including the possible revocation of universal healthcare as a constitutional right guaranteed to citizens since 1988. In September, however, he stated that social programs including health and education would be protected from cuts or expenditure caps, and unveiled a massive privatization plan to rescue the economy by raising US$ 24 billion from concessions in oil and gas, electricity, and infrastructure operations such as airports, ports and toll roads.

The government recently reapproved foreign doctor participation in Mais Medicos, a program that brings doctors to 38 million people in Brazil's most remote and underserved municipalities. Because Brazilian doctors decline to work in such areas, the program of 18,000 doctors (soon to be reduced to 14,000) relies heavily on 11,400 Cuban doctors on 3-year contracts that Temer had previously vowed to terminate. Like other industries, Temer has made moves to open emergency care services to private sector participation, and may not be long until further liberalization comes to Brazil's healthcare market at a time of both rising public demand and curbed public spending.

● **Mexico's approval of Peña Nieto down, reform momentum to slow:** Since his election in 2012, President Enrique Peña Nieto has been implementing a wide range of reforms to establish a more reliable healthcare system across the country. His 2013 National Development Plan for the Health Sector emphasized the importance of prevention and ensuring adequate access to the healthcare for the poor. This program helped in consolidating health promotion and disease prevention, while granting access to quality care and closing gaps in health coverage between different social groups. Peña Nieto pushed the Ministry of Health to strengthen the already existing universal healthcare programs by promoting cooperation between public and private institutions in order to reach the underserved. However, countercyclical spending meant Mexico's fiscal deficit crept upwards of 3%, prompting a plan to cut public spending in 2017 in order to reverse the trend. The president's approval ratings also struggled in 2016 due to corruption scandals and a widely criticized visit from Donald Trump during the U.S. presidential campaign. Peña Nieto's ratings hit a new low of 25% after Trump's victory, resulting in a series of high profile dismissals including the Minister of Finance. The PRI government will struggle to maintain reform momentum during increased fiscal tightening and political opposition in the ramp up to the 2018 presidential elections.

● **Argentina launches universal health coverage:** Argentine President Mauricio Macri has worked towards stabilizing the economy since his 2015 election through measures to control inflation and reduce the fiscal deficit from 5.4% in 2015 to 4.8% this year. In August, Macri announced an ambitious plan to create a universal healthcare system to bring an additional 15 million Argentines under coverage, paid for by the newly liberated Solidarity Redistribution Fund (FSR). He has earmarked AR $8 billion (approximately US$ 500 million) to invest in bolstering healthcare infrastructure and hospital expansions. He also announced a new National Agency for Health Technology Evaluation to develop ways to achieve technology-enabled cost efficiencies in key public spending areas such as buying equipment and prescribing medications. Macri's plan to boost the economy through increased spending is predicted to contribute towards a 3.2% GDP growth in 2017 after a 1.5% contraction this year.

- **Colombia's appetite for reform bigger than its wallet:** In early 2017, a series of Colombian health care reforms are set to come online from the Statutory Health Law (LES) approved in 2015, making medical service a fundamental right for every Colombian citizen and expanding the definition of coverage. The LES mandates that virtually all medications and medical procedures excepting cosmetic or experimental treatments be considered essential and covered by the public health system. This guarantees access to cutting-edge healthcare in most hospitals regardless of their public insurance provider (EPS) network. Financing these changes, estimated to boost health care costs by 20%, necessitates approval of the tax regime overhaul proposed in late 2016.

- **Chile innovates to broaden access to care:** Chile continues on the path set by legislation passed in 2015 that gradually expands health coverage for high cost conditions from 1,800 patients in 2014 to 20,000 by 2018, even including travel costs so that those living in remote areas can afford care. A recently developed National Dementia Plan attempts to address the growth in Alzheimer's and dementia that will affect 600,000 Chileans by the year 2050, up from 180,000 today.

- **Central America opens up:** Following Mexico's example, Central American countries are opening up healthcare services to foreign investors, with Honduras and El Salvador signing agreements with Japan to fund improvements to existing hospitals.

- **Donald Trump at the helm of hemispheric trade:** While much of Latin America has gained more trade and investment-friendly leadership, the U.S. appears to be heading in the other direction. The November election of protectionist candidate Donald Trump to the office of president calls into question the future of trade relations in the region. His repeated vilification of the North America Free Trade Act (NAFTA) caused the Mexican peso to drop 12% following his victory in November in light of the country's high dependency on its complex web of supply chains to the U.S. Ironically, the 300 multinationals producing 90% of NAFTA-enabled manufactured exports from Mexico have mostly American ownership. Ford, for example, announced a plan to move small car production exclusively to Mexico on the heels of the election, and that plan has not changed. What's more, raw materials originating from the U.S. accounts for almost 40 cents of every dollar the United States imports from Mexico, according to the Woodrow Wilson Center. American-owned OEMs in Mexico have long combined U.S. materials with the cost efficiencies of local labor to export a competitive product for

North American consumers. These supply chain interlinkages, creating over US$ 1 billion in cross-border trade, will be hard to unravel without a severe blow to U.S. multinationals and effectively handing North American manufacturing dominance to Asian players.

The Trans-Pacific Partnership (TPP) deal, a 12-country agreement that would have included Mexico, Chile and Peru, was abandoned by Congress the week following Trump's win.   South American countries like Brazil and Argentina will be watching for Trump's response to lobbyists calling for increased tariffs on their key raw material exports like steel and soybeans. Although Trump has not taken specific aim at the DR-CAFTA deal, Central American economies dependent on U.S. remittance payments are concerned with a possible crackdown on immigration and undocumented workers. Just how much (if any) of Trump's anti-global trade rhetoric will come to fruition remains to be seen, but it seems clear from President Xi Jinping's Latin American tour in mid-November that the Chinese are eager to expand their array of free trade agreements in Latin America and fill any partnership gaps in trade and investment that might be created by the new U.S. administration.

Looking ahead: Broader healthcare access presents affordability challenges and opportunities.

Although 2017 may not be a year of stellar GDP growth, the effects of more prudent fiscal management will gain traction and provide a basis for growth in 2018. The region has benefited from expanded medical services to underserved groups and will likely see increased healthcare liberalization or public-private partnerships to reduce the mounting cost of care. Pent up demand from austerity measures taken during the recession will see increases in public spending and investments in healthcare for 2017 as economies and currencies stabilize. Capital equipment and med-tech companies in particular stand to gain as hospitals expand and invest in cost-reducing technologies. Entrenched U.S. business interests in the region will likely prevent any major changes to existing hemispheric trade relations, but only time will tell.

About Global Health Intelligence

Global Health Intelligence provides detailed information on healthcare infrastructure in emerging markets in order to help clients understand the competitive landscape and identify opportunities for growth.

Founded on over 20 years of research expertise in emerging markets, Global Health Intelligence has developed the world's largest hospital demographics database focused on Latin America.

Find out how Global Health Intelligence can help you grow in emerging markets:

Mariana Romero
Account Manager
mariana@globalhealthintelligence.com
+1 (305) 441-9300 x308

Guillaume Corpart
Managing Director
gc@globalhealthintelligence.com
+1 (305) 441-9300 x302

Our Services

- **Hospital demographics**
  The world's largest hospital demographics database focused on Latin America
- **Market size / share**
  A unique methodology based on the analysis of import data to deliver reliable insights in a timely manner
- **Tailored research**
  Refined with 20+ years Market Intelligence experience:
  - Market sizing and segmentation
  - Partner search & market due diligence
  - Competitive profiling
  - Pricing and cost analysis
  - Best practices
  - Positioning and opportunity identification

Hospital Database Characteristics

12,000 hospitals profiled

Coverage in 11 countries

Over 100 data points per hospital

Raw data exports to Excel

Integration into your CRM

Prebuilt Tableau dashboards

Available immediately!