THE BRAZILIAN HEALTHCARE SECTOR
GREAT OPPORTUNITIES ON LATIN AMERICA’S LARGEST HEALTH CARE MARKET

August 2015
São Paulo, Brazil
9.7% of GDP

BRL 470bn spent on Healthcare...

... comparable to many European countries.

However, annual health expenses per capita is still relatively low in Brazil (USD 1109, 2012).

THE BRAZILIAN HEALTHCARE MARKET IS THE LARGEST IN LATIN AMERICA AND GROWING RAPIDLY

SOURCE: WORLD DATA BANK, BRAZILIAN INSTITUTE OF GEOGRAPHY AND STATISTICS (IBGE), WHO
THE BRAZILIAN CONSTITUTION PROVIDES UNIVERSAL HEALTHCARE...

SUS - UNIFIED HEALTH SYSTEM

- The government has to provide free universal healthcare as a constitutional right for 200 million Brazilians, an important democratization movement in the 1988 constitution.
- The SUS is one of the largest public health care system in the world. The SUS operates through both public and private participation as it also finances the private sector performing complementary tasks not being taken on by the public sector.
- Theoretically, the SUS reaches 100% of the population. However, it is estimated that today there are approx. 150 million people that depend exclusively on SUS and 49 million people (or 25%) having private health insurances but that can also access to SUS.
- Brazil’s medical system is to a significant extent decentralized, giving autonomy to states and municipalities.

PUBLIC HEALTHCARE REACHES 100% OF POPULATION BUT ANYONE WHO CAN AFFORD HAVE A PRIVATE HEALTH INSURANCE

..YET THE PRIVATE SECTOR REPRESENTED 53% OF TOTAL HEALTH EXPENDITURES IN 2014

- The Brazilian governments’ share of total expenditure amounted to 47% in 2014. As a comparison, the Swedish government’s share represents 82% of total health expenditures.

- The public system in Brazil has since the start been underfunded and the expenditures fall far behind the OECD average of 70%. People often have to wait for months for exam results and critical procedures.

- Governments’ share on expenditures in Brazil are relatively low when compared to Sweden but absolute values are significant:
  - BRL 221 bn for the public sector
  - BRL 249 bn for the private sector

- The Brazilian Congress has approved that 25% of government revenue from oil findings will go to fund public healthcare. Oil and gas royalties reached BRL18.5 bn in 2014.

ALTHOUGH UNDERFUNDED, THE PUBLIC SECTOR IS AN HIGHLY INTERESTING CLIENT SEGMENT ONLY BY ITS MERE SIZE
HIGHEST CONCENTRATION OF HOSPITALS IN SOUTHERN AND SOUTH EASTERN BRAZIL
SÃO PAULO IS THE STATE WITH THE MOST HOSPITALS OF WHICH 79% ARE PRIVATE

NUMBER OF HOSPITALS PER BRAZILIAN STATE

- More than 1,000
- Between 600 and 1,000
- Between 300 and 600
- Between 150 and 300
- Less than 150

<table>
<thead>
<tr>
<th>Brazilian State</th>
<th>Region</th>
<th>Hospitals</th>
<th>% Public</th>
<th>% Private</th>
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<tbody>
<tr>
<td>São Paulo</td>
<td>Southeast</td>
<td>1,065</td>
<td>21%</td>
<td>79%</td>
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<td>Minas Gerais</td>
<td>Southeast</td>
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<td>19%</td>
<td>81%</td>
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<td>Bahia</td>
<td>Northeast</td>
<td>634</td>
<td>46%</td>
<td>53%</td>
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<tr>
<td>Paraná</td>
<td>South</td>
<td>509</td>
<td>32%</td>
<td>68%</td>
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<tr>
<td>Rio de Janeiro</td>
<td>Southeast</td>
<td>499</td>
<td>32%</td>
<td>68%</td>
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<tr>
<td>Goiás</td>
<td>Central West</td>
<td>434</td>
<td>41%</td>
<td>59%</td>
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<tr>
<td>Rio Grande do Sul</td>
<td>South</td>
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<td>15%</td>
<td>85%</td>
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<tr>
<td>Ceará</td>
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<td>Santa Catarina</td>
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<td>17%</td>
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<td>Pernambuco</td>
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<td>244</td>
<td>50%</td>
<td>50%</td>
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<tr>
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<td>243</td>
<td>73%</td>
<td>27%</td>
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<tr>
<td>Pará</td>
<td>North</td>
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<tr>
<td>Mato Grosso</td>
<td>Central West</td>
<td>164</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Paraíba</td>
<td>Northeast</td>
<td>159</td>
<td>55%</td>
<td>45%</td>
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</tbody>
</table>

TOP 14 STATES IN NUMBER OF HOSPITALS

PRIVATE HOSPITALS MORE COMMON IN THE SOUTH WHILE PUBLIC HOSPITALS DOMINATE IN THE NORTH

SOURCE: DATASUS
BRAZIL’S LEADING HOSPITALS ARE PRIVATE PHILANTHROPIC INSTITUTIONS

PUBLIC

- Attend mostly to SUS patients
- Many are working with overcapacity
- Although there are good quality hospitals, most are in bad conditions

Federal
- Managed by the federal government
- Mostly general hospitals
- 100 hospitals

State
- Managed by the state governments
- Large share of specialist hospitals
- 610 hospitals
- Example: Hospital das Clínicas (SP)

Municipal
- Managed by the municipal Government
- Mostly general hospitals
- 1685 hospitals

PRIVATE

Private
- Attend mainly to private insurance plans
- Are generally high quality
- Less than a half attend SUS
- 2860 hospitals

Philanthropic
- Private, non-profit oriented hospitals
- At least 60% of beds must be reserved for SUS patients. In return, the hospital gets exemption from taxes
- 6 of the best Brazilian hospitals are philanthropic, considered Excellence Hospitals by the government
- 1444 hospitals
- Private and philanthropic hospitals are generally more inclined to purchase high-end medical devices and equipment.
- Purchase prices are in general also higher in the private sector.

HOSPITALS

- General Hospitals
- Specialist Hospitals
- Day Hospitals (partial hospitalization)
- Research/University Hospitals

PRIVATE AND PHILANTHROPIC HOSPITALS GENERALLY MORE INCLINED TO PURCHASE HIGH-END PRODUCTS

SOURCE: MINISTRY OF HEALTH (MS), DATASUS, LEGISLATION
MORE THAN 80% OF PRIVATELY INSURED BENEFIT FROM A HEALTH PLAN THROUGH THEIR EMPLOYMENT CONTRACT

SOURCE: MINISTRY OF HEALTH - CNES, NATIONAL AGENCY FOR SUPPLEMENTARY HEALTH SERVICES (ANS)
RECENT REGULATION OPENS UP FOR FOREIGN OWNERSHIP OF HOSPITALS AND CLINICS IN BRAZIL

**BRAZILIAN’S FEDERAL CONSTITUTION**
- Creates an universal public healthcare system
- Article 199 of the Federal Constitution (CF-1988) states that health care is open to private enterprise. However paragraph 3 (§ 3º) declares the following:
  - § 3º It is forbidden the direct or indirect participation of foreign companies or foreign capital in healthcare in the country, except in cases provided by law

**FEDERAL LAW NO 8.080**
- The exceptions were presented by the Federal Law No 8.080: international insurance companies, laboratories, pharmacies, diagnostic companies, donations, all authorized in the country in 1990

**FEDERAL LAW NO 13.097**
- Law No 13.097, which amended the Federal Law No 8.080 opened up additional areas where foreign capital is now allowed for investments in clinics and hospitals

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AS FROM JANUARY 2015 IT IS NOW POSSIBLE FOR SWEDISH INVESTORS TO FULLY ENTER THE BRAZILIAN HEALTHCARE MARKET

1988 | 1990 | 2015
BRAZIL IMPORTED USD 10 BILLION IN HEALTHCARE PRODUCTS IN 2014

BALANCE OF TRADE - MEDICAL DEVICES AND EQUIPMENT
(including HS headings 9018, 9019, 9020, 9021, 9022)

- CAGR Import: 11,4%
- CAGR Export: 4,3%

Examples - key items Brazil is importing:
- Probes, catheters and cannulae
- Orthopedic or fracture appliances
- Magnetic resonance imaging apparatus
- Stents
- Ultrasonic scanning apparatus (doppler spectral analysis)

BALANCE OF TRADE – PHARMACEUTICALS
(including entire HS chapter 30)

- CAGR Import: 10,7%
- CAGR Export: 7,8%

Examples - key items Brazil is importing:
- Blood fractions and immunological products (modified)
- Medicines containing heteroatoms heterocyclic nitrogen compounds
- Vaccines
- Medicines with enzymes
- Medicines with hormones

LARGE POTENTIAL FOR MEDICAL DEVICES AND PHARMACEUTICAL EXPORTERS

SOURCE: MINISTRY OF DEVELOPMENT, INDUSTRY AND FOREIGN TRADE
ANVISA IS THE NATIONAL SURVEILLANCE AGENCY FOR PHARMACEUTICALS AND MEDICAL DEVICES

NATIONAL HEALTH SURVEILLANCE AGENCY (ANVISA)

ANVISA

Assessing risks and adverse events regarding health provision in hospitals, clinics, and health posts
Formulating rules
Establishing controlling mechanisms
Enforcing rules

For register within ANVISA, products are framed in the following risk classes:

- Class I – low risk for individuals and public health;
- Class II – medium risk for individuals and/or low risk for public health;
- Class III – high risk for individuals and/or medium risk for public health;
- Class IV – high risk for individuals and public health.

In accordance with ANVISA, Class III and Class IV products need mandatory registration within ANVISA, while only some Class II products need registration, such as medical equipment, due to special risks. Other Class II products and all of the products Class I need a cadaster.*

Documentation Required* | Class I | Class II | Class III | Class IV
--- | --- | --- | --- | ---
Cadaster (ANVISA) | ✓ | ✓ | ✓ | ✓
Register (ANVISA) | ✓ | ✓ | ✓ | ✓

= yes, need approval  
= no, do not need approval  
= only certain products need approval

COMPLYING WITH ANVISA STANDARDS ESSENTIAL FOR ENTERING BRAZILIAN MARKET

SOURCE: BUSINESS SWEDEN DESK RESEARCH AND INTERVIEWS WITH ANVISA *DEPENDING OF CLASSIFICATION PRODUCT WILL NEEDED A CADASTER (STANDARD REGISTRATION) OR GO THROUGH A COMPLETE REGISTRATION, INVOLVING A SIGNIFICANTLY MORE RIGOROUS EVALUATION PROCESS.
Brazil’s health care market is challenging but offers great business opportunities

Investments
- High future investments
- Oil royalties will increase public health expenditure
- New opening for foreign capital in clinics and hospitals

Stakeholders
- Presence of top quality hospitals
- High number of healthcare institutions
- Developing pharma industry

Which opportunities make Brazil interesting?

Investments
- Public health system is historically underfunded
- Most of health expenditure comes from the private sector
- Total healthcare expenditure per capita is low

What challenges should companies be ready to face?

Public System
- Complex SUS funding system
- Precarious situation in healthcare public institutions
- Complex public hospital purchase process

Market
- Aging population, increase of welfare diseases
- Increasing imports of healthcare products
- Large market of 200 million people, with 100% public health insurance coverage and strong private sector

Business in Brazil
- High production costs
- Excessive bureaucracy for registration of products
- Complex tax system
- Current economic crisis

Significant business potential on large and growing but complex health care market
BUSINESS SWEDEN OFFERS A FULL SERVICE PORTFOLIO FOR EFFICIENT MARKET ENTRY

OUR INDUSTRY FOCUS

ICT
HEALTH CARE & LIFE SCIENCE
MATERIALS & MANUFACTURING
SECURITY
CREATIVE INDUSTRIES
ENERGY & ENVIRONMENT
TRANSPORT SYSTEMS

OUR CUSTOMERS

SWEDISH COMPANIES EXPANDING INTO BRAZIL
LOCAL SUBSIDIARIES OF SWEDISH COMPANIES
SWEDISH GOVERNMENT

OUR MARKET OFFERING

MARKET ENTRY STRATEGY
PARTNER SEARCH
MARKET ANALYSIS
IMPORT ANALYSIS
ACQUISITION SUPPORT
STAKEHOLDER MANAGEMENT
SOURCING ANALYSIS
BUSINESS SUPPORT OFFICE*
RECRUITING

OUR STRENGTH

EXPERIENCED TEAM WITH INDUSTRY FOCUS
UNIQUE OWNERSHIP PROVIDE ACCESS TO THE SWEDISH GOVERNM.& FUNDING STRUCTURE
GLOBAL PRESENCE
LOCAL & SWEDISH PERSPECTIVE TO BUSINESS OPPORTUNITIES
ACCESS TO HIGH LEVEL AUTHORITIES & BUSINESS NETWORKS IN BRAZIL

* BSO SERVICES INCLUDE: OFFICE PLACE & SERVICE, ADMINISTRATION, COMPANY ESTABLISHMENT (INCL LEGAL ADDRESS), DELEGATE MANAGER AND FINANCIAL ANALYSIS
CONTACT US

BUSINESS SWEDEN IN BRAZIL

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