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Key Insights from Latin America's Healthcare Public Private Partnerships (PPPs)

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Market Synopsis

Latin America

The demand for quality healthcare services in Latin America continues to grow, but the supply of services has not kept pace, resulting in significant gaps in access. Governments are seeking innovative ways to expand their networks of partners and improve access to healthcare services. Public-Private Partnerships (PPPs) have become an attractive option for expanding healthcare services while requiring only limited up-front capital investment from the public sector.

In recent years, the leading causes of death in many Latin American countries have shifted from communicable diseases and accidents to chronic and non-communicable diseases. Treating these chronic illnesses requires additional healthcare resources and an increase in expenses.

Despite the challenges posed by the COVID-19 pandemic, many Latin American countries have shown resilience and demonstrated strong economic performance. The projected annual growth rate for the coming years varies across different regions and countries, but it is generally expected to be in the range of 3% to 4%. The expansion of formal employment opportunities in some countries has contributed to an increase in healthcare coverage.

Several countries, including Chile, Colombia, and Mexico, have taken the initiative to implement healthcare reform measures to achieve universal healthcare coverage. PPPs are seen as a promising approach to expanding access to quality healthcare services in the region. Effective PPP frameworks, comprehensive evaluation frameworks, and risk mitigation strategies are essential for ensuring their success.

PPPs are collaborations between public and private entities that aim to improve healthcare services, infrastructure, or financing.



Colombia and Mexico are cited as having more favorable healthcare PPP markets due to stable economies, expanding healthcare coverage and infrastructure investment, formal PPP legislation, and a favorable political environment.

Overall, the emergence of healthcare PPPs in Latin America offers a promising approach for expanding access to quality healthcare services. However, their success will depend on effective frameworks and strategies, as well as favorable market conditions and political will.

Latin American countries are projected to have a higher annual per capita health expenditure growth rate from 2018-2050 at 3.2% compared to the Caribbean at 2.4%.

Source: Inter-American Development Bank



Active PPPs in Various Countries

Brazil has several active PPPs in the healthcare sector, which have been successful in improving access to healthcare services for the population. One notable PPP is the PPP between the state of Bahia and the private company, Pro-Social, for the construction and operation of a new hospital in the city of Salvador. The hospital has been successful in providing high-quality healthcare services to the population and has also contributed to the development of the region. Another example is the PPP between the state of Rio de Janeiro and the private company, Instituto de Radiologia de Rio de Janeiro (IDR), for the construction and operation of a new cancer treatment center. The PPP has been successful in improving access to cancer treatment for the population and has also contributed to the development of the region.

Colombia continues to work towards improving its PPP regulations and framework. In 2019, the country passed a new law aimed at strengthening the PPP system and encouraging private investment in infrastructure. The new law includes measures to enhance transparency and accountability, simplify procurement procedures, and streamline contract negotiations.

As of 2021, Colombia has implemented over 100 PPP projects, with a total investment of around \$20 billion. These projects have primarily been in the transportation, energy, and water sectors. However, there have been some challenges with PPP implementation, including delays in project execution and disputes over contract terms.

To address these challenges, the government has continued to work with international organizations such as the World Bank to strengthen its PPP framework. In 2020, the World Bank approved a \$400 million loan to support Colombia's efforts to improve its infrastructure and promote private investment through PPPs.

Despite the challenges, there is still significant interest in PPPs in Colombia, with the government estimating that private investment in infrastructure could reach \$7.5 billion by 2022. The country remains committed to improving its PPP framework and attracting private investment to support its infrastructure development goals.

Costa Rica has several active PPPs in the healthcare sector, which have been successful in improving access to healthcare services for the population. One notable PPP is the Hospital San Rafael de Alajuela, which is operated by a private consortium that includes the Costa Rican Social Security Fund (CCSS) and the private healthcare provider, Hospital Metropolitano. The PPP has been successful in improving the quality and efficiency of healthcare services in the region.

Another example is the PPP between the CCSS and the private company, Becton Dickinson, for the implementation of a new medical equipment and supplies management system in several hospitals across the country. This PPP has been successful in reducing the cost of medical supplies and improving the efficiency of the procurement process.

Chile is still considered to have a strong economy, with a GDP of USD 289 billion in 2021 and a per capita GDP of USD 15,396. The country's economy is driven by industries such as mining, manufacturing, and business services.

According to the World Health Organization (WHO), Chile's healthcare system is one of the most effective and efficient in Latin America. The country has implemented reforms to improve access and quality of care, including the introduction of a universal health insurance system called the National Health Guarantee (Ges), which covers around 80% of the population.

As of 2021, Chile spends approximately 8.4% of its GDP on healthcare services, an increase from the 7.4% reported in the previous information. The healthcare system is provided by both public and private sectors, with the public sector being responsible for around 80% of healthcare spending.

Chile still faces challenges in terms of physician shortage and unequal access to healthcare services. According to the OECD, Chile has 2.2 physicians per 1,000 inhabitants, which is below the OECD average of 3.5. Additionally, private hospitals are still generally regarded as being of higher quality than public hospitals, and there are disparities in healthcare access and outcomes between urban and rural areas.

In terms of PPP projects, Chile has continued to implement infrastructure projects through PPP schemes. As of 2021, the country has completed a total of 90 PPP projects, with a total investment of USD 32 billion, primarily in the transportation and energy sectors. However, there have been criticisms of the PPP model, particularly regarding the transparency and accountability of these projects.



Honduras has been facing significant economic and political challenges in recent years. The country's economy has been hit hard by the COVID-19 pandemic, with a sharp decline in GDP and rising unemployment. Additionally, political instability and corruption have been major issues in Honduras, with protests and demonstrations against the government becoming more frequent.

Despite these challenges, Honduras has continued to make efforts to promote private sector participation and attract foreign investment. In 2021, the government announced plans to develop a new PPP framework to encourage private investment in infrastructure projects. The new framework will focus on renewable energy, transportation, and water and sanitation projects.

The government has also been working to improve transparency and reduce corruption in public procurement processes, which is crucial for the success of PPPs. In 2021, Honduras joined the Open Contracting Partnership, a global initiative that promotes transparency and accountability in public procurement.

Overall, while Honduras faces significant challenges, the government's efforts to promote private sector participation and improve transparency in public procurement processes are positive steps towards creating a more favorable environment for PPPs.

Mexico's healthcare system has faced significant challenges during the COVID-19 pandemic. The country has experienced one of the highest COVID-19 death tolls in the world, and the pandemic has highlighted long standing issues in the healthcare system, including underfunding, shortages of medical personnel and equipment, and inequalities in access to healthcare.

The pandemic has also exposed disparities in healthcare access and outcomes between the public and private sectors. While Mexico's public healthcare system provides coverage to a majority of the population, it has been underfunded and understaffed for years. Private healthcare, on the other hand, is often prohibitively expensive for many Mexicans.

To address these issues, Mexico's government has announced plans to invest in the public healthcare system and increase access to healthcare for all Mexicans. In 2020, the government launched the «Universal Health and Wellbeing» program, which aims to provide free healthcare services to all Mexicans, regardless of their employment status or ability to pay. The program includes plans to build new hospitals and clinics, increase staffing levels, and improve the quality of care in existing facilities.

Mexico has also been exploring the use of public-private partnerships (PPPs) to improve healthcare infrastructure and services. In 2019, the government announced plans to launch a PPP program for the construction and operation of hospitals and other healthcare facilities. The program is expected to attract private investment and expertise to help address the challenges facing Mexico's healthcare system.

Peru has made significant progress in improving access to healthcare services and addressing health inequalities.



The country has implemented innovative public-private partnerships (PPPs) to help meet the increasing demand for healthcare services, particularly in underserved areas.

One of the main PPP initiatives in Peru's healthcare sector is the "Hospital Project," which aims to build and operate new hospitals through partnerships between the public and private sectors. The project is being led by EsSalud, the country's social security agency, and has already seen the successful awarding of several PPP contracts for the construction and operation of new hospitals.

In addition to the Hospital Project, the government has also launched other PPP initiatives in healthcare, such as the "PAMS" (Programa de Atención Móvil de Salud) project, which aims to provide healthcare services to remote and underserved areas through mobile medical units. The PAMS project has been successful in improving access to healthcare services for thousands of Peruvians in rural areas.

To support the development of PPPs in healthcare, the government has established specialized agencies such as ProInversión, which is responsible for coordinating PPP tenders in various sectors, including healthcare. The agency has acquired subject matter expertise in healthcare to ensure that PPP projects are aligned with the country's healthcare needs and priorities.

Despite these efforts, Peru's healthcare system still faces challenges, including disparities in access to healthcare services and underfunding of the public healthcare sector. However, the government's commitment to PPPs and other innovative approaches to healthcare delivery is a positive step towards improving the health and wellbeing of all Peruvians.

Lessons from countries of Latin America

Project Design	Project Management	Aligned incentives	Communications
<ul style="list-style-type: none"> • Transparency • Piloting programs for the fine-tuning PPP contracts • Prioritizing social needs and resource availability 	<ul style="list-style-type: none"> • Knowledgeable supervisors, early engagement of hospital management • Incorporating change management and capacity building are critical to success 	<ul style="list-style-type: none"> • Balancing operating and financial risks • Provide financial incentives bases on perform metrics can drive outstanding performance 	<ul style="list-style-type: none"> • Sharing mechanisms across the region should be formalized

How Healthcare Works in Latin America: An Overview of Funding Systems

Brazil	<ul style="list-style-type: none"> • Primarily funded by government through taxes • Public healthcare system called Sistema Único de Saúde (SUS) • Private healthcare system available for those who can afford it • Funded by private health insurance plans and out-of-pocket payments
Columbia	<ul style="list-style-type: none"> • Healthcare financed through mix of public and private funding sources • Reforms to expand coverage and improve efficiency of the healthcare system • Universal healthcare system called SGSSS
Costa Rica	<ul style="list-style-type: none"> • Financed primarily through taxes and social security system contributions • Government reforms to increase spending and improve access to services • Establishment of a national health information system • Expansion of primary care services
Chile	<ul style="list-style-type: none"> • Healthcare partially financed by private health insurance plans, out-of-pocket payments, and employer contributions • Universal healthcare system called FONASA • Reforms to increase public spending and reduce out-of-pocket expenses
Honduras	<ul style="list-style-type: none"> • Mix of public and private funding sources • Taxes • Social security contributions • Out-of-pocket payments • Government reforms to expand coverage and improve efficiency • Establishment of a national health insurance system • Expansion of primary care services
Mexico	<ul style="list-style-type: none"> • Healthcare provided through public and private systems • Public system divided into Seguro Popular and IMSS • Private system available for those who can afford it • Reforms to expand coverage and improve quality of services
Peru	<ul style="list-style-type: none"> • Mix of public and private funding sources • Taxes • Social security contributions • Out-of-pocket payments • Reforms to expand coverage and improve quality of services • National health insurance system • Health technology assessment agency

Highlights of Latin America Countries

Brazil has a universal healthcare system that provides healthcare coverage to all residents, although the quality and accessibility of healthcare services can vary depending on the region.

The country has a high level of healthcare expenditure, with healthcare accounting for around 9% of GDP.

Brazil has a strong focus on community health, which has been successful in improving health outcomes for the population. The country is currently facing significant challenges in the healthcare sector, including issues related to financing, infrastructure, and human resources.

Costa Rica has a universal healthcare system that provides healthcare coverage to all residents, regardless of their ability to pay. The country has a high level of healthcare expenditure, with healthcare accounting for around 10% of GDP.

Costa Rica has a strong focus on primary healthcare, which has been successful in improving health outcomes for the population. The country is currently implementing a healthcare reform plan that aims to improve the efficiency and quality of healthcare services, including through the expansion of public-private partnerships in the sector.

Colombia's healthcare system is still divided into public and private sectors. As of 2021, the country spent around 7.2% of its GDP on healthcare, with an allocation of approximately US\$551 per capita. The country has made significant progress in expanding healthcare coverage in recent years, with around 97% of the population now covered by some form of health insurance.

The healthcare system is organized into three regimes:

- **Contributory regime** - Covers those who are employed and able to contribute to the system
- **Subsidized regime** - Covers those who are unable to contribute due to low income
- **Special regime** - Covers those with specific healthcare needs such as military personnel and government officials

There are still challenges with access to healthcare services in rural areas, and medical facilities can be limited. The government has implemented various initiatives to address this, such as the Rural Health Program, which aims to improve access to healthcare in rural areas, and the deployment of mobile health units to remote locations.

While progress has been made, there are still disparities in healthcare outcomes among different regions and socioeconomic groups. The government has identified this as an area for improvement and is working on implementing measures to address these disparities.

Chile has continued to develop its healthcare PPP projects, with some notable successes. In 2019, the government inaugurated the new Puente Alto Hospital, the country's first fully operational healthcare PPP. The hospital was built and is operated by a consortium of private companies, with the government paying a fee for the services provided. The hospital has modern equipment and technology, and offers specialized services such as neurosurgery, cardiology, and oncology.

Chile's healthcare system has also faced challenges due to the COVID-19 pandemic, which has strained resources and led to increased demand for healthcare services. The government has implemented various measures to respond to the crisis, including increasing hospital bed capacity, hiring additional healthcare workers, and launching a telemedicine program to provide remote consultations.

The healthcare system is a mix of public and private provision, with public insurance covering about 80% of the population and private insurance covering the rest. The country has a high number of doctors and nurses per capita, but faces challenges in providing access to medical services in remote areas and addressing issues of inequality.

Honduras healthcare expenditure of GDP was 7.1% in 2018 and 7.4% in 2019, with over half of the amount funded by public expenditures. About 87.7% of the population lacks insurance coverage, but uninsured individuals can still use public healthcare facilities, which suffer from poor infrastructure and limited resources. Around 60% of the population can access these services. The Honduran Social Security Institute covers 9.9% of the population, and 2.4% have private insurance. The public sector provides healthcare through two primary organizations, the Secretary of Health (SS) and hospitals, funded primarily by federal and regional funds with some external sources contributing up to 11%. (World Bank)

Mexico's healthcare PPP projects have financing schemes, where the private partner is responsible for initial investment and debt financing through a financial partner. The contracts include detailed performance metrics divided into quality standards and performance standards, with varying monthly deductions for failure to meet these standards. Mexico has a large number of hospitals, but the healthcare system is characterized by significant regional disparities in quality and access to care. The medical device market in Mexico is the second largest in Latin America and is rapidly growing due to factors such.



Overview of Healthcare Public-Private Partnership Landscape by Country

Country	Economic outlook	Healthcare access	Healthcare PPP market maturity
Chile	Most robust and steadily expanding economies in South America, which has been attracting a growing interest from private companies.	Underwent a healthcare reform in 2005 that significantly increased the accessibility of medical services for all its citizens and introduced a mandatory minimum benefits package that every Chilean is entitled to receive.	Medium
Columbia	In the last five years, the country has shown impressive economic performance which led to the restoration of its investment grade status in 2011.	The healthcare sector underwent significant reforms in 1993, resulting in health coverage expansion to the entire population, and additional healthcare reform measures are currently under consideration.	High
Honduras	Unemployment, poverty, and violence are increasing, leading to reduced private-sector investment.	Health System Reform Project aims to enhance healthcare services through implementing the country's health reform strategy.	Medium
Mexico	The private sector is showing a keen interest in Mexico's healthcare sector, thanks to its stable economy and a positive track record of healthcare public-private partnership projects.	Healthcare reform of 2005 improved healthcare access for almost 40% of the population in the country.	High
Peru	Witnessed a substantial economic growth over the past decade, which was recognized by the International Monetary Fund as one of the most stable and rapidly growing economies in Latin America.	Despite of around 38.1% of the population still being uninsured, the growing economy has resulted in an increase in formal employment, causing the enrolment in the federal employment-based insurance program to double since 2005.	High



Prospects for the future

Brazil's healthcare sector is complex and multifaceted. On one hand, the country has made significant progress in improving health outcomes and expanding access to healthcare services in recent years, particularly through the implementation of the Unified Health System (SUS), a publicly funded and decentralized healthcare system that provides healthcare coverage to all Brazilian citizens. Brazil has also implemented several successful public health programs, including programs focused on reducing maternal and infant mortality, improving vaccination coverage, and addressing non-communicable diseases.

However, Brazil is currently facing several challenges that could impact the future of its healthcare sector. One key challenge is related to financing, as the country's public healthcare system is facing significant budget constraints and many public hospitals and clinics are struggling to maintain adequate funding levels. Another challenge is related to infrastructure, as many areas of the country lack adequate healthcare facilities and equipment, particularly in rural and remote regions. In addition, Brazil faces a shortage of healthcare professionals, particularly in specialties such as primary care and mental health.

The ongoing COVID-19 pandemic has also highlighted some of the challenges facing Brazil's healthcare sector, including issues related to healthcare capacity, access to healthcare services, and healthcare workforce shortages. The pandemic has underscored the need for continued investment in healthcare infrastructure and human resources in order to ensure that Brazil's healthcare system is prepared to respond to future health crises.

Colombia includes improved health outcomes, increased access to healthcare services, and enhanced quality of care. In recent years, the Colombian government has invested heavily in healthcare infrastructure and technology, which has led to the expansion of primary care services and the establishment of new hospitals and clinics in underserved areas. Additionally, the country has implemented health insurance reforms that aim to provide universal coverage and reduce out-of-pocket expenses for patients.



Costa Rica's healthcare sector is generally positive. The country has made significant progress in improving health outcomes and expanding access to healthcare services in recent years, and has a well-established universal healthcare system that provides healthcare coverage to all residents.

One of the key drivers of Costa Rica's healthcare sector is its emphasis on primary healthcare, which has been successful in improving health outcomes for the population. The country also has a strong focus on preventative health measures, such as vaccination programs and public health campaigns, which have contributed to the country's relatively low rates of infectious diseases.



Looking forward, there are several opportunities for the future of Costa Rica's healthcare sector. One of the main priorities is to improve the efficiency and quality of healthcare services, including through the expansion of public-private partnerships in the sector. Costa Rica is already home to several successful public-private partnerships in healthcare, and these partnerships could be further expanded to help address challenges related to healthcare infrastructure, technology, and human resources.

Another priority is to continue investing in preventative health measures, such as vaccination programs and public health campaigns, in order to maintain and improve upon the country's existing health outcomes. Additionally, there is a growing emphasis on digital health and telemedicine in Costa Rica, which could help to improve access to healthcare services in remote or underserved areas of the country.

Chile includes improved access to healthcare for underserved populations, increased efficiency and cost-effectiveness of healthcare delivery, and enhanced quality of care. The Chilean government has made significant investments in healthcare infrastructure, technology, and workforce development in recent years. This has led to the expansion of primary care services and the establishment of new hospitals and clinics in rural and remote areas. Additionally, the country has implemented health insurance reforms that aim to provide universal coverage and reduce out-of-pocket expenses for patients.

The 2010 earthquake in Chile did indeed have a significant impact on the healthcare system, damaging or destroying many hospitals and healthcare facilities. However, the country has since made efforts to rebuild and improve its healthcare infrastructure.

Honduras is looking ahead and seen as a country to keep an eye on as it becomes the first in Central America to explore healthcare PPP projects. The 2010 PPP law has provided a solid legal framework for carrying out PPPs and establishing a tender process that promotes transparency and provides assurance to private sector participants. Despite this, the country's economic instability and persistent violence may dampen private sector interest. Ongoing projects will determine the future of PPPs in this country.

Mexico is found to have the most PPP hospital experience, and forthcoming studies will examine functional hospitals to determine valuable insights and ways to enhance the relationship between private partners and hospital management. The research will also investigate the success of risk transfer, performance metrics, and operational and financial efficiencies that can be achieved through PPP contracts.

Mexico's healthcare system continues to face significant challenges, the government's efforts to invest in the public healthcare system and explore PPPs are positive steps towards improving healthcare access and outcomes for all Mexicans.

Peru is leading the way in Latin America with its implementation of Public-Private Integrated Partnership (PPIP) projects, and other countries in the region are taking note. The success of these projects will depend on how well the contracts are enforced and supervised. ProInversión, the government agency responsible for promoting private investment in Peru, has already declared its intention to embark on additional healthcare PPP projects, which will include initiatives from both public and private sectors.



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