

# PRIVATE HEALTHCARE IN EMERGING MARKETS

## An Investor's Perspective

### IN THE ISSUE:

JUNE 2016

2

page



#### INTERVIEW

Adam Darkins, Vice President for Medical Affairs and Enterprise Technology at Medtronic, discusses the great potential for telemedicine to broaden access to quality care.

4

page



#### MACRO INSIGHTS

Macroeconomic analysis of the ongoing global economic slowdown, its impact on emerging markets across sectors, and its implications for the health sector in particular.

6

page



#### CASE STUDY

A close look into how Global Health Investment Fund creates incentives for life sciences companies to address public health challenges that disproportionately burden low-and middle-income countries.

8

page



#### OPINION

Dr. Bobby Prasad, Chief Medical Officer at the Abraaj Group talks about shaping the health system of the future through the Group's Global Health Fund.

10

page



#### IFC NEWS & INITIATIVES

- Dispatch from IFC roundtable, where healthcare providers discussed opportunities of the Nigerian private health sector.
- Overview of IFC's recent investments
- TechEmerge - a new matchmaking program to connect technology innovators with healthcare companies.

## CAN TELEMEDICINE BROADEN ACCESS TO QUALITY CARE?

**Q:** *Telemedicine is changing rapidly—it's not just video anymore. How is this evolution of digital solutions changing the kinds of telehealth services available?*

Telemedicine began in the 1960s as video consultations between physicians and patients, virtually replicating face-to-face clinic visits. It has subsequently 'morphed' to involve other healthcare professionals and adopt functionalities from an ever-emerging range of new digital technologies. As innovative virtual services have evolved, the words describing them have proliferated to include terms like telehealth e-Health, mobile health (mHealth), and virtual care. Services these terms collectively embrace are transforming the patient experience and changing healthcare worldwide.

To appreciate the potential solutions telehealth offers, a definition is helpful as a frame of reference for stakeholders, including patients, caregivers, clinicians, managers and policymakers. Essentially, what we're talking about here is using information and telecommunication technologies to provide care when patients and clinicians are separated by geographic distance.

Digital technologies can support monitoring people at home with chronic conditions e.g., heart failure and diabetes; remotely diagnosing digital images, such as screening for diabetic eye disease; remotely reporting radiology examinations like out-of-hours X-rays; and distance-management of intensive care patients. So, it is not just video. Irrespective of telehealth technology, successfully making remote diagnoses and delivering care at a distance requires health information, such as details of the patient's history and laboratory results.

The quantum leap that makes telehealth transformational is combining it with information. This can be done by fax, but is ideally done through electronic health records or as a data set that is part of the telehealth solution itself. You should think of this combination of telehealth and electronic health information as a "multi-media patient record" that can help deliver the right care to the right patient, in the right place, at the right time.

**Q:** *How is this multimedia convergence, including mobile solutions, changing the way healthcare is delivered? What models are taking off the fastest?*



### INTERVIEW:

Adam Darkins, Vice President for Medical Affairs and Enterprise Technology at Medtronic

We are used to getting healthcare in physical locations, doctors' offices, clinics, or hospitals. Telehealth—a multi-media patient record—is a potential game-changer. Consider a person with a heart failure. Everything may be normal at a routine clinic visit, yet he or she deteriorates two weeks later at home. A virtual-doctor visit could prevent severe deterioration with admission to an intensive care unit. Although there are investigations, treatments and surgeries that need to happen in a physical location care decisions for increasing number of people with chronic disease can be made remotely. Telehealth helps these become shared decisions between patients and clinicians.

Mobile solutions quite literally put the ability to make these shared decisions into people's own hands. The term describing this is "connected care." The care model that has taken off most rapidly is health and fitness. This is having an impact on health promotion and disease prevention, a long-standing and elusive public health goal for policy-makers. Payers of all sorts, governments, insurers and employers, are exploring ways to pay for this because encouraging diet and exercise is better than treating the complications of chronic lifestyle associated conditions like diabetes, if they are avoidable.

When people have these chronic conditions, they can also benefit from mobile solutions to help with self-management of their symptoms and preventing disease progression. Apps devoted to diabetes, heart failure, and asthma etc. can improve medication compliance, reduce hospital admissions, help with living independently and prevent long-term institutional care. Hospitals, skilled nursing facilities, and community services are using telehealth to help manage patients across the continuum of care and in doing so, creating new business opportunities.

**Q:** *How is telehealth having an impact on Pharma?*

Connected care is changing how every sector of healthcare is relating to patients. It's giving us all new tools to connect with patients and a better understanding of their preferences and health goals. Improving patient compliance and using mobile technologies to improve research capabilities are as important to pharma as to the medical device industry. I



Photo © Intel | Free Press: Virtual Care Extends Care Anywhere

imagine much of what I have said will resonate with pharma. Connected care is not just linking patients in new ways; it's also linking all stakeholders in patient care delivery in new ways.

**Q:** *IFC's purpose is to expand access to quality healthcare in developing countries. How is telehealth relevant to achieving these goals?*

This is a really important question. Digital technologies have made it possible for developing countries to “leap-frog” in developing new business opportunities in many industries where its infrastructure previously gave the developed world many advantages. Now, today's infrastructure is often tomorrow's legacy system. Mobile technologies have given developing countries exciting new opportunities in banking and commerce. As I meet colleagues from developing countries at meetings and conferences, I am amazed at their innovation in healthcare. The challenge for developed countries is the change management of their existing bricks and mortar legacy systems—hospitals and clinics. Developing countries often have a cleaner slate and an opportunity to expand access to higher quality care at lower cost by designing the bricks and mortar healthcare infrastructure they need around connected care platforms that better serve patients. We are all creating the hospital of the future where new virtual models of care, e.g., for stroke and renal disease, provide specialist advice faster and more accessibly so the subsequent management of patients is more effective, efficient, and safe.

I have focused on the role of Telehealth and connected care in direct healthcare delivery to the individual. Equally important is the role that these virtual technologies can play in the education of healthcare professionals and in mentoring them to deal with complex cases they may only see infrequently. Telehealth, together with health information systems, has other public health impacts for dealing with infectious disease by helping to collect information to detect and track the progression of an outbreak, and bringing-in expertise to help deal with it.

**Q:** *What is the role of the government in expanding the benefits of telehealth?*

Despite its promise, the process of creating large scale Telehealth programs is challenging. The challenges are the people and technology aspects I have already talked about. Taking successful pilots to scale involves having the necessary clinical, technology and business processes to support them. Most healthcare systems are organized around hospital care and some proudly state, “when you have seen one hospital, you have seen one hospital.” What are they saying by this? They are saying that they do not have standardized processes among their various hospitals, which hinders telehealth development.

A major element of Telehealth's value proposition is in developing large networks of care. Scarce clinical resources e.g., neurologists, cardiologists, and infectious disease physicians can then be leveraged over larger geographical areas than where they are physically located, and without expense and delay of travel. Making this “knowledge sharing” possible means the clinical, technology and business processes need some degree of standardization and interoperability.

In my opinion, this is where the role of the government is most vitally needed. It is a shame to see a large investment made in people, technology, and money and find the promise of telehealth is not realized because of lack of standardization and interoperability. Governments typically play a role in fostering development in other industries by such standardization, something the commercial sector needs assistance with.

There is incredible energy and excitement from working in this area. What makes it most rewarding is that success comes from using technology to create relationships—relationships between patients, caregivers, and physicians between primary and specialist physicians. Delivering cardiac services over a network makes the network engineer a vital team member for the cardiologist to interact with, making care possible. When you get it right, clinicians will tell you this is why they chose a career in healthcare, and patients love it.

## MACRO INSIGHTS: CHALLENGES AND OPPORTUNITIES FOR PRIVATE HEALTH PROVIDERS

The global economic slowdown is affecting nearly all health sectors in emerging markets. It is curbing government funding for public health services and families' disposable incomes. This situation creates new opportunities as well as challenges for private health providers. Demand for health services will continue to rise, regardless of economic cycles, because of aging populations, urbanization trends, and shifts in disease burden. The need is greater than ever for the private health sector to step up to fill the gaps that the public sector is not able to fill.

### TOUGH YEAR

If 2014 was a difficult year for most emerging market economies, 2015 and the first quarter of 2016 turned out to be even tougher. Global trade contracted, commodity prices were sluggish, and capital outflows depressed asset prices and drove currencies down, which contributed to tighter liquidity. In addition, governments, corporates, and households were all struggling with high debt loads. This made it hard to finance new investments and curbed demand in domestic and export markets, which slowed growth. To cap this, United States interest rates began to edge up, leading to tighter financial conditions around the world and raising the cost of borrowing for all. As a result, productivity gains and wage increases were modest, and unemployment rose in many countries.

### CHALLENGES AHEAD

The United States is performing better than most other countries, but growth is not sufficiently strong to lift the global economy. As a result of these headwinds, the world is stuck in relatively low growth, leaving it vulnerable to a range of economic, political, and market challenges. The five main threats are outlined below.

- **Rising political uncertainty** affects advanced and emerging countries to varying degrees. The United States has presidential elections. The EU is grappling with a multitude of problems. Parts of the Middle East and Africa are at risk from conflict and unrest.
- **Lackluster growth** in developing and developed economies will continue, hurting trade. Government, corporate, and household balance sheets will come under

### Real GDP growth (Annual percent change)

#### EMERGING AND DEVELOPED MARKETS (WORLD)

	2010	2014	2015	2016 (p)	2017 (p)
<b>EMERGING AND DEVELOPED MARKETS (WORLD)</b>	5.4	3.4	3.1	3.2	3.5
<b>EMERGING MARKETS</b>	<b>2010</b>	<b>2014</b>	<b>2015</b>	<b>2016 (p)</b>	<b>2017 (p)</b>
Argentina	9.5	0.5	1.2	-1	2.8
Brazil	7.5	0.1	-3.8	-3.8	0
China	10.6	7.3	6.9	6.5	6.2
Egypt	5.1	2.2	4.2	3.3	4.3
India	10.3	7.2	7.3	7.5	7.5
Indonesia	6.4	5	4.8	4.9	5.3
Mexico	5.1	2.3	2.5	2.4	2.6
Nigeria	10	6.3	2.7	2.3	3.5
Pakistan	2.6	4	4.2	4.5	4.7
Philippines	7.6	6.1	5.8	6	6.2
Russian Fed.	4.5	0.7	-3.7	-1.8	0.8
South Africa	3	1.5	1.3	0.6	1.2
Thailand	7.5	0.8	2.8	3	3.2
Turkey	9.2	2.9	3.8	3.8	3.4
Vietnam	6.4	6	6.7	6.3	6.2
<b>DEVELOPED MARKETS</b>	<b>2010</b>	<b>2014</b>	<b>2015</b>	<b>2016 (p)</b>	<b>2017 (p)</b>
France	2	0.2	1.1	1.1	1.3
Germany	3.9	1.6	1.5	1.5	1.6
Japan	4.7	0	0.5	0.5	-0.1
United Kingdom	1.5	2.9	2.2	1.9	2.2
United States	2.5	2.4	2.4	2.4	2.5

Source: IMF Data



Photo@World Bank: Bicycle traffic on the streets in Hanoi, Vietnam

greater strain. Incomes and profitability will stagnate. Unemployment is unlikely to ease.

- **China's slowdown** will probably continue as its economy rebalances from heavy industry and exports to domestic consumption and services. This will hurt countries that export to China, especially commodity producers.
- **Commodities remain weak.** This may be good for energy and food consumers, but it hurts producers, especially those in the Middle East, Africa, and Latin America. And low commodity prices are a symptom of weak economic activity. Meanwhile, the world is becoming less energy-intensive, so the growth boost from cheaper oil is smaller than in the past, further delaying economic recovery.
- **Effectiveness of monetary policy** has diminished in advanced economies. Record low interest rates in the Eurozone and Japan have not increased demand for loans much or reignited growth. Even in the United States, where rates are still low, the economy remains fragile.

## REFORMS NEEDED

Low interest rates are losing their effectiveness, so a combination of greater public spending and structural reforms might do more to revive growth in advanced economies. In principle, faster growth would raise employment, increase demand, and make higher government debt more sustainable. And that would boost both global trade and capital flows, helping developing countries to restart their economies.

The need is greater than ever for the private health sector to step up to fill the gaps that the public sector is not able to fill

## CASE STUDY: GLOBAL HEALTH INVESTMENT FUND

**G**lobal Health Investment Fund (GHIF), was structured by the Bill & Melinda Gates Foundation (BMGF) and JPMorgan Chase & Co. as a “first-of-its-kind” impact investment fund designed to support the development of new drugs, vaccines and medical devices for public health challenges that disproportionately burden low- and middle-income countries.

The fund focuses on treatment and prevention of infectious diseases, family planning, and the reduction of maternal and child mortality. GHIF investments are complemented by global access agreements that obligate investee companies to bring the new products to the developing markets where they are critically required. As a “double bottom line” fund, GHIF seeks both financial returns and positive social impact, and both metrics are carefully evaluated when making investment decisions. Social impact is measured by tracking public health outcomes, typically via the reduction in morbidity and mortality as a result of successfully delivered interventions. GHIF also aims to catalyze global health projects at large biopharmaceutical companies where products designed exclusively for high-income countries may crowd-out R&D financing for products with good prospects for high-volume/low-margin returns through large public sector sales in developing countries.

Partially mitigating investors’ risks, BMGF provides first-loss protection of up to 20 percent of investors’ contributed capital. BMGF has also committed to reimburse investors for 50 percent of any additional downside experienced beyond the first-loss protection, which means that 60 cents on every dollar invested in GHIF is guaranteed by the Bill & Melinda Gates Foundation.

GHIF achieved its first closing in December 2012 and its final closing twelve months later. It has \$108 million in committed capital, including an IFC commitment of up to \$10 million. GHIF’s anchor investors are Grand Challenges Canada (funded by the government of Canada), the German Ministry for Economic Cooperation and Development (acting through KfW) and the Children’s Investment Fund Foundation (CIFF). Other GHIF investors include AXA Impact Fund, GlaxoSmithKline, JPMorgan Social Finance, Merck, the Pfizer Foundation, Storebrand, and a number of high net worth individuals and family offices. GHIF

is managed by Global Health Investment Advisors, LLC (GHIA), a Delaware company organized expressly for the purpose of overseeing impact investments designed to advance public health.

### THE FUND’S INVESTMENTS

The infectious lung disease, Tuberculosis, killed 1.5 million people worldwide in 2014, the majority in developing countries. GHIF invested \$8 million in a convertible bond issued by Epistem Plc (United Kingdom) to support development and commercialization of Genedrive, a novel molecular diagnostic platform, initially targeting point-of-care diagnosis of tuberculosis. Tuberculosis, especially its drug-resistant form, requires sophisticated diagnostic techniques for identifying the presence of the disease and prescribing the proper course of treatment—hard to find in developing countries. The World Health Organization (WHO) recommended that countries include new, rapid diagnostic tests for tuberculosis into their disease testing programs. If successful, Genedrive will offer a fast, affordable and accurate alternative for point-of-care diagnosis of tuberculosis and potentially other diseases. As part of its global access commitment, Epistem agreed to make its Genedrive platform available for sale in developing countries under a pricing framework that reflects the needs of poor patients in those regions. The company is also developing an equally compelling trial for hepatitis C infection on the Genedrive platform.

Cholera is an endemic disease in over 100 countries and afflicts both children and adults, causing 100,000 to 120,000 deaths annually, primarily in low-income countries. GHIF provided a \$2.5 million loan and invested \$2.5 million in preferred shares of EuBiologics, a South Korean manufacturer of an improved oral cholera vaccine for low- and middle-income countries. GHIF funding supported clinical trials, regulatory submissions, and expansion of the company’s manufacturing capacity. This investment, plus collaboration with government and donor organizations, put EuBiologics on track to offer its cholera vaccine at \$1 per dose to public sector buyers, once the manufacturing capacity reaches scale. In December 2015, EuBiologics received WHO prequalification as the second supplier of an oral cholera vaccine suitable for delivery in places where resources are



Photo©GHIF: Vaccination

scarce. EuBiologics will contribute to the WHO's vaccine stockpiling program, which is designed to ensure the availability of vaccines for mass vaccination campaigns in response to humanitarian emergencies in cholera-endemic regions and in conflict affected countries.

River blindness is a parasitic infection that affects more than 37 million people globally, with the heaviest burden in some of the poorest parts of sub-Saharan Africa. GHIF entered into a development and commercialization agreement with Medicines Development for Global Health (MDGH), an Australian non-profit biopharmaceutical company that is seeking regulatory approval from the United States Food and Drug Administration (USFDA) for moxidectin to treat the disease. GHIF committed to invest up to \$10 million, divided into three milestone-based tranches, to support this project. Moxidectin, if successful, would be an affordable and effective medicine complementing existing treatments for river blindness, with the potential to significantly accelerate the eradication of the disease. Following the approval of the drug, MDGH has committed to manufacture moxidectin and supply it at affordable prices for distribution by donor-funded programs. As most of the moxidectin will be distributed through non-commercial channels, GHIF's expected return will come from the anticipated sale of a "priority review voucher" (PRV) under a program administered by the USFDA. The program grants special vouchers to companies that successfully register new drugs or vaccines targeting neglected tropical diseases, and these vouchers can be used to receive priority review of any future drug application—potentially shaving 4 to 6 months off the standard FDA review timeline. Vouchers are transferable and can be extremely valuable for pharmaceutical companies eager to receive first-to-market advantage for "blockbuster" drugs.

GHIF committed up to \$10 million to Becton, Dickenson & Co. (BD), a global life sciences company, to develop, register and commercialize a new point-of-care diagnostic test for gestational diabetes mellitus (GDM) and/or preeclampsia (PE). The WHO estimates that PE accounts for at least 16 percent of maternal deaths in places with scarce resources, which adds up to 63,000 deaths each year. GDM is one of the most common complications of pregnancy, particularly in developing countries, where prevalence is believed to be increasing. An affordable, reliable point-of-care diagnostic

for either condition would permit an improvement in antenatal care for tens of millions of vulnerable women each year. The product, if successful, has commercial potential in both developed and emerging markets due to improved accuracy, convenience, and lower cost. The investment allows GHIF to catalyze the development and commercialization of a dual-market opportunity product in close collaboration with a global life sciences company.

GHIF provided a \$6 million venture loan to Atomo Diagnostics (Australia), to support development, registrations and commercialization of an innovative rapid diagnostic test for HIV, malaria, Ebola, and HCV using an innovative casing platform that integrates needle, blood collection, measuring, and test strip blood transfer for improved performance in both professional and self-testing settings. According to a recent BMGF study, 10-50 percent of rapid tests are wasted due to misuse, lack of test buffer or other disposables. Human error accounts for 10 percent of inaccurate results in professional settings and up to 40 percent in less trained settings. By reducing waste and errors, Atomo's rapid diagnostic tests are expected to save public health systems approximately \$150 million by 2030. Atomo's product, if successful, has commercial potential in both developed markets and emerging markets due to improved accuracy, high convenience, and low cost.

#### IFC'S ROLE

In addition to financial resources, IFC supports GHIF investments by reviewing environmental, social and governance reports prepared by the fund management to ensure that potential investee companies comply with IFC's sustainability criteria and with environmental and social performance standards. IFC's team also provides inputs on the investment proposals to the fund manager, leveraging its experience in emerging markets and its in-house healthcare sector expertise. The IFC team is an active participant in the work of the fund's Investor Advisory Committee and shares views on questions related to the fund's strategy and operations.

## SHAPING THE HEALTHCARE PARADIGM IN GROWTH MARKETS

**I**n March 2016, IFC committed US\$100 million to the Abraaj Global Health Fund— US\$50 million was provided immediately and an additional US\$50 million is phased to align with the Fund's final target of US\$1 billion. Dr. Bobby Prasad from Abraaj provides an insight into the strategic aims and objectives of the Fund.

At the Abraaj Group (Abraaj), we consider healthcare to be a compelling investment opportunity in growth markets. There is a large and growing demand for affordable high-quality healthcare driven by demographic trends, rising income levels, urbanization, and changing lifestyles. However, supply is lagging and for healthcare delivery to be effective, it requires substantial capital, deep operational expertise, and access to high-quality clinical staff.

Abraaj manages about US\$9.5 billion in assets across growth markets. Our most recent healthcare investment was in CARE, India's fifth-largest healthcare provider. CARE is recognized for its high quality tertiary treatment facilities, including cardiac care and neurosciences. To date, CARE has treated more than six million outpatients and over one million inpatients, a majority of which are from middle- and low-income groups in underserved second-tier cities in India. Prior to acquiring CARE, Abraaj had invested in 27 healthcare businesses across Africa, South Asia, Turkey, Middle East and North Africa, deploying close to US\$1 billion.

### BUILDING SUSTAINABLE SOLUTIONS

Creating access to affordable and quality healthcare with impact and sustainability is the cornerstone of our strategy. This is very ambitious and has never been attempted as a platform in these markets on such a profound scale. For example, within cancer care, we believe there is the opportunity to 'democratize' access to good quality and affordable oncological healthcare by working closely with global strategic partners such as Philips, Medtronic and the Bill and Melinda Gates Foundation. The economies of scale created by our platform will in turn enhance our ability to make quality cancer care more widely available.

We will also be hugely dependent on embracing cost-effective, technological innovations to make this succeed. Our



### OPINION:

Dr Bobby Prasad  
Chief Medical Officer  
The Abraaj Group

ecosystems will provide an opportunity for large data, hands-on research and collaboration with industry in affordable healthcare innovation. CARE represents a very good example of how our strategy aims to identify sustainable and commercial investments. CARE has re-engineered clinical delivery, identifying areas where process improvement, upskilling and task shifting work hand-in-hand to ensure better quality outcomes at the same time as reducing the associated costs. This not only produces more value-based healthcare, but above all, leads to increased human resource capacity building.

Abraaj will focus on expanding CARE's integrated healthcare delivery system, especially in under-penetrated regions of India. The partnership will bring CARE's high quality and proven delivery platform to other markets where Abraaj operates, especially sub-Saharan Africa. The CARE Foundation, the company's education, training and rural community outreach program, will be scaled up and expanded to develop and train high caliber doctors, nurses, technicians, physiotherapists and community workers.

### THE NEW DISEASE BURDEN

Today, there is a prescient need to aggressively tackle the increasing burden of non-communicable diseases (i.e., cardiovascular disease, strokes, cancer, diabetes and respiratory diseases) and much of our focus in working with CARE will be around developing a broader platform-wide solution for this.

About 80 percent of Non-Communicable Diseases are preventable with diet and lifestyle choices. Large-scale clinical trials highlight that good control of NCDs can have a substantial effect on the incidence of downstream complications. Furthermore, healthcare costs are rising because of the cost of treatment of complications and there needs to be effective, prioritized and equitable prevention of, and care for, NCDs. This will reduce the suffering, socio-economic burden, and healthcare costs that afflict communities in our target markets

Effective NCD prevention includes cost-effective and available interventions using inexpensive technologies and non-pharmacological and pharmacological approaches. An exciting opportunity also lies with smartphones, mHealth,



Photo@Abraaj continues to expand its investment in its healthcare portfolio, which includes Nairobi Women's Hospital

and telemedicine to enhance clinical care delivery models and education of patients and clinicians alike. When combined with trained personnel and referral systems, these basic technologies enable most patients with NCDs to be identified and treated close to local facilities. If effectively utilized, these low-cost technology interventions will invariably reduce medical costs and improve the quality of life and productivity in our communities.

#### A PARTNERSHIP APPROACH

To drive this overall vision forward, there needs to be the right leadership, training, and governance structures in place that can facilitate the use of available resources for prevention and control of such diseases. There are clearly multiple stakeholders involved here including government, NGOs, healthcare providers as well as the private sector. A collaborative and aligned approach with those that deliver healthcare and the health information systems they use is essential. With such a global foray of investments across multiple sectors and at multiple price points, the potential synergies uncovered through working together are extremely exciting and could create a healthcare eco-system that is unique and could serve as a model for future clinical care delivery.

Read Abraaj' Sustainability Report:  
Investing for Impact in Healthcare  
[www.abraaj.com/sustainability](http://www.abraaj.com/sustainability)

## REALIZING THE POTENTIAL OF NIGERIA'S PRIVATE HOSPITAL SECTOR

**N**igeria's health sector, underpinned by a growing population and a large economy, is poised for consolidation and growth. Yet this potential has often seemed just out of reach for private health service providers, daunted by the obstacles to working in this alluring market. Still, with the right policies, private providers can contribute greatly to strengthening access to quality health services in Nigeria.

In February, IFC and the Nigerian Sovereign Investment Agency (NSIA) convened a roundtable with 50 local hospital executives and international stakeholders to discuss the current challenges and future opportunities presented by Nigeria's private health sector. The well-attended session was structured around topics that fostered an open debate, and IFC and the World Bank Group Health in Africa (HIA) teams aim to continue this dialogue. IFC, HIA and NSIA have a key role to play not only through supporting the private health sector in Nigeria, but also through facilitating knowledge-sharing between the public and private sectors. As a follow-up, the IFC team has created an internal think tank-type discussion group, including Treasury, Blended Finance, Financial Institutions, and Equity teams to brainstorm and develop innovative solutions for access to finance in this market.

The session was well attended with active and positive engagement. IFC clients included: Hygeia (Nigeria), Ciel Healthcare (Africa Region), Falck (Denmark), and Apollo (India).

### ROUNDTABLE HIGHLIGHTS AND KEY MESSAGES

The Government of Nigeria (GoN) has an ambitious health agenda to raise quality of and improve access to healthcare services for 170 million Nigerians. The private health providers are able and willing to support GoN in these efforts. There are attractive opportunities for the government to work with private service providers capable of delivering appropriate quality through social health initiatives and public-private collaborations.

### *Regulatory Environment*

The GON at national and state levels is undertaking a renewed push to create social funding mechanisms for healthcare. For example, the National Health Act of December 2014 devotes one percent of the state budget to specific areas of healthcare. Lagos state has also passed a law that makes it mandatory for all citizens to obtain some form of health insurance, and other states are likely to adopt a similar approach. Implementation of such initiatives may take time and may need further support. The private sector must play a role for the social health insurance to deliver against its expected goals.

Real progress will come when GoN begins full implementation of the National Health Act and other approved legislation, such as the Leasing Act.

Other useful initiatives could include expedited government action on a policy for incentivizing healthcare investments and a health Public Private Partnership (PPP) policy.

It is critical for the government to engage with the private health sector, as it develops related regulation, policy and development initiatives in order to create sustainable business models. The Healthcare Federation of Nigeria (HFN) has initiated a process through which the private health sector can engage with the government in an organized and coherent way.

Growth in both public and private health insurance schemes could lead to new alternative models of healthcare provision in the market—the implementation of the National Health Act will fast-track such a move.

### *Public Private Collaboration*

While there is opportunity for increased public private collaboration in Nigeria, these initiatives must be carefully planned. There have been a number of PPPs with mixed results. The government has identified service priority areas with promise for some type of public and private collaboration; for example, in the area of primary care services. However, currently, there is limited understanding among private providers of how public private collaboration might be structured into the future. Nonetheless, there is significant commitment among some private players to participate and engage further with PPPs.

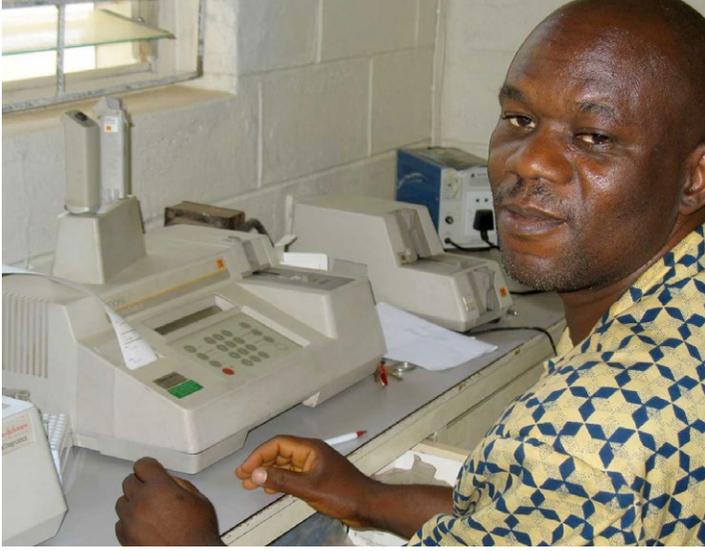


Photo © Mike Blyth: Lab worker at ECWA Evangel Hospital, Nigeria

### ***Access to Finance***

Access to finance remains a major problem for private health companies of all sizes. A common concern is that local financing is excessively expensive and not consistently accessible. Currently, many entities are unable to meet their full potential, and those willing to consider debt financing are affected by cash flows issues. Some potential solutions could include development of more conducive lending mechanisms; such as medical equipment leasing models that could include some form of portfolio financing, risk sharing, or leasing product. Pricing and funding would likely remain an issue for the foreseeable future.

Private equity investments in Nigeria have also picked up with a number of specialized funds targeting the sector. This model of funding, however, is also not free of its shortcomings, most specifically in terms of the shorter term horizon of such funds not being conducive to the health sector projects, which require 10+ years of patient capital to deliver the promised returns. The sector needs to attract more vehicles for investment, such as investment companies, or strategic players, in order to bring in the much needed capital to support the above initiatives.

Current foreign exchange issues are a major challenge as they limit foreign institutions' ability to provide debt financing, and they deplete equity returns. With the foreign currency at official rates being rationed by the Central bank, access to foreign currency at official rates has become increasingly difficult, leading to the emergence of a parallel FX market at 50%+ premium to the official rate. This situation is burdening all players and is cited as a challenge by medical equipment suppliers in particular. Investors and financiers will be carefully watching the foreign exchange policy of the GoN before deploying capital into the market.

It would be helpful to encourage and grow subsidized funding programs and to better utilize the existing ones. Access to current funds have been limited due to inconsistencies in the allocation of funds and relatively high security requirements. More work is needed to support emerging interest from local banks in the health sector to improve their understanding of the sector, through innovative financing and de-risking mechanisms, coupled with technical

assistance to banks. The government has embarked on initiatives to improve access to affordable finance, for example, with The Central Bank of Nigeria and Bank of Industry.

### ***Bankable Models for Growth and Investment***

Nigeria's private health sector continues to be fragmented, but presents an opportunity for consolidation and growth. There are several challenges to address; however, many of new project initiatives for addressing them are being developed in silos. Some project plans miss critical elements for success; including an anchor investor, capital and access to medical personnel and/or appropriate referral mechanisms. Broadly, sponsors must improve their business cases and make them more financially attractive to potential equity partners or lenders. This is especially true for large, green-field projects, where needs are obvious, but critical elements for success are often missing. There is potential for greater collaboration among various initiatives to help achieve the right mix of financing, operations and expertise.

A major trend in healthcare delivery across emerging markets is greater use of more integrated care models, which enable better planning and utilization of resources through more efficient and effective delivery of primary, outpatient and inpatient services. Laboratories, diagnostics and outpatient services are also expected to continue to grow with opportunities for greater collaboration and integration with hospital groups. A continued push for better quality would benefit clinical, management and overall patient experience.

Investment in infrastructure and equipment alone is inadequate. Shortages of clinical and management professionals in the healthcare sector are a major challenge for attention. Lack of medical staff is a crisis in many countries, and if left unaddressed, will undermine both public and private sector growth.

*Continue reading on page 13*

Follow IFC Health on LinkedIn  
for the news on IFC's engagement in  
the private health in emerging markets  
[www.linkedin.com/company/ifc-health](http://www.linkedin.com/company/ifc-health)

## IFC INVESTMENT NEWS

**I**FC's healthcare team has so far been having a very busy 2016 financial year. In addition to our core investment work, we have been ramping up our corporate financial services program—helping our healthcare clients look at new markets for expansion, introducing them to potential partners or M&A opportunities, and advising them on transactions. Likewise, we have several interesting studies underway to better understand the private primary healthcare and diagnostics space in emerging markets, the private sector role in the health systems of five East Asian countries (co-managed with DFAT), and pharmaceutical supply chains. We are also starting to gear up for our bi-annual Global Healthcare Conference, which will be held in the spring of 2017. Location forthcoming!

Meanwhile, our health investment program continues to expand, building on the US\$394 million of healthcare investments we closed in FY2015. In the first half of the year, our investments have spanned multiple sub-sectors including everything from the support of a home-based healthcare service provider to a leading role in the development of sustainable PPP models to financing the expansion of hospital networks into underserved markets. Our investments in the first half of the year have also reached a diverse set of emerging markets such as Ecuador, Nigeria, and Bangladesh, to name a few. Below are examples of transactions that were closed and the impact we expect them to have.

- *Hygeia*, an existing IFC client, is Nigeria's leading and largest integrated healthcare provider, offering both hospital and health management services. It operates two hospitals and three clinics in Lagos, a health maintenance organization (HHMO), a Community Health Plan (HCHC) for low-income families and a Foundation (HNLF) for capacity building of medical professionals in disease programs including HIV/AIDS. Along with three other partners, IFC's new US\$11.7 million financing will support the upgrade and operational expansion of Hygeia's network. The purpose of the project is to increase access to good quality and affordable healthcare services in Nigeria.
- *Portea* is a Bangalore-based home healthcare services provider, which engages with individuals, hospitals, insurance companies and corporates to improve

medical outcomes and reduce the burden on healthcare infrastructure by providing in-home care to post-operative, geriatric, chronic and neo-natal patients. The company provides its services across 22 cities in India, of which over 60 percent are second- and third-tier cities. It is currently active in 14 states, including NCR, Gujarat, Haryana and the Low Income States of Uttar Pradesh, Rajasthan and Madhya Pradesh. Portea will use the investment from IFC to further grow and deepen its presence in these states. The company's model reduces the burden on traditional, more costly, hospital-oriented healthcare facilities by providing accessible and quality care for patients in their homes. IFC will help finance the expansion of the company's home-based healthcare services in India.

- IFC made a US\$15 million loan to *Conclina*, a leading, high complexity hospital in Quito, Ecuador. The IFC loan will help Conclina upgrade its imaging and laboratory equipment, increase its hospital beds, surgery and ICU capacity, as well as improve its energy efficiency. As the first internationally accredited hospital group in the country, IFC's support will help expand quality healthcare, international standard in the country.
- IFC is partnering with *Falck*, from Denmark, an international emergency and health service provider, and the Investment Fund for Developing Countries (IFU) to form a Special Purpose Vehicle investing in sub-Saharan Africa. The vehicle will focus on scaling up primary healthcare clinics, a business model that has proven to deliver essential care at relatively low cost by avoiding expensive hospital-based treatments. IFC, through its corporate advisory services arm, also helped Falck assess the African market, including the identification of targeted entry points and potential partners.

## INTRODUCING TECHEMERGE

**I**FC launched *TechEmerge*, a new matchmaking program that will connect proven top technology innovators from around the world with leading corporates in emerging markets to scale commercial business.

As part of the program, IFC provides funding and assistance to conduct local pilot projects. The inaugural program is focused on the healthcare sector in India, and about 18 qualified Indian healthcare corporates have already signed up for the program, and strategic partners such as

Medtronic, Aditya Birla and Philips have expressed interest in exploring partnerships.

Through an open call for applications, IFC received over 300 applications from interested tech companies. Through a competitive process, the best candidates will be selected and invited to pitch their product at a matchmaking event on June 15 in New Delhi. More information can be found at [www.techemerge.org](http://www.techemerge.org).

*Continues from page 11*

### NIGERIA'S CHALLENGES ARE GLOBAL CHALLENGES

The messages from Nigeria are similar to the ones IFC and the World Bank Group Health in Africa team are hearing in other countries.

IFC understands the challenges and will be exploring ways to either actively facilitate support or indirectly coordinate further stakeholder dialogue.

Given the overlap of these challenges among the countries where IFC works, there is an opportunity for IFC to use its global experience in these markets, which could benefit current and future clients in Nigeria. IFC has set itself some action targets for maintaining the dialogue momentum in Nigeria and with World Bank Group colleagues focusing on the following:

- Consider access to finance issues across the spectrum of private health providers
- Make available an introductory guide outlining core business case requirements for potential investment cases
- Provide further insight into quality expectations for health entities
- Conduct targeted road shows for foreign medical education providers interested in investing in Nigeria
- Work closely with industry bodies like the Healthcare Federation of Nigeria

The WBG Health in Africa (HIA) team will:

- Continue to explore and showcase opportunities for the private sector in the GON's Health agenda
- Maintain public sector dialogue and support the private sector in discussion with government stakeholders.

Jointly IFC, HIA and NSIA to consult further on future approaches for PPPs.

The World Bank Group will explore opportunities for private sector participation in the Global Financing Facility for every woman every child.

# PRIVATE HEALTHCARE IN EMERGING MARKETS

## An Investor's Perspective

ISSUE 2 | JUNE 2016

### IFC'S GLOBAL HEALTH TEAM

Elena Sterlin  
Global Manager  
Health and Education  
[esterlin@ifc.org](mailto:esterlin@ifc.org)

Chris McCahan  
Chief Investment Officer  
[cmccahan@ifc.org](mailto:cmccahan@ifc.org)

Ioan Cleaton-Jones  
Principal Health Specialist  
[icleatonjones@ifc.org](mailto:icleatonjones@ifc.org)

Charles William Dalton  
Senior Health Specialist  
[cdalton@ifc.org](mailto:cdalton@ifc.org)

Biju Mohandas  
Principal Investment Officer  
& Medical Technology Lead  
[bmohandas@ifc.org](mailto:bmohandas@ifc.org)

Srividya Jagannathan  
Senior Investment Officer &  
Life Sciences Lead  
[sjagannathan1@ifc.org](mailto:sjagannathan1@ifc.org)

### STAY CONNECTED

Web: [www.ifc.org/health](http://www.ifc.org/health)

LinkedIn: [www.linkedin.com/company/ifc-health](http://www.linkedin.com/company/ifc-health)

Twitter: [#ifchealth](https://twitter.com/ifchealth)

### JOIN DISCUSSION

LinkedIn Group on Private Health in Emerging Markets  
hosted by IFC  
[www.linkedin.com/groups/8429146](http://www.linkedin.com/groups/8429146)

### QUESTIONS?

Please contact newsletter editors:  
*Leticia Crentsil at [lcrentsil@ifc.org](mailto:lcrentsil@ifc.org)*  
*Irina Sarchenko at [isarchenko@ifc.org](mailto:isarchenko@ifc.org)*