



HASA 2017
CONFERENCE

**THE
HEALTHCARE
PUZZLE**
integrating
healthcare



The question:

How the public and private systems can **coexist** (incentives, business models, efficiency)?

Agenda

1. Our country: Brazil
2. Healthcare in Brazil
3. BP: How are we doing to get along (private and public)?
 1. Main challenges





Brazil

Our country

207.990.600

people

2nd

biggest food
exporting country
of the world

5th

country with more
determined
entrepreneurs

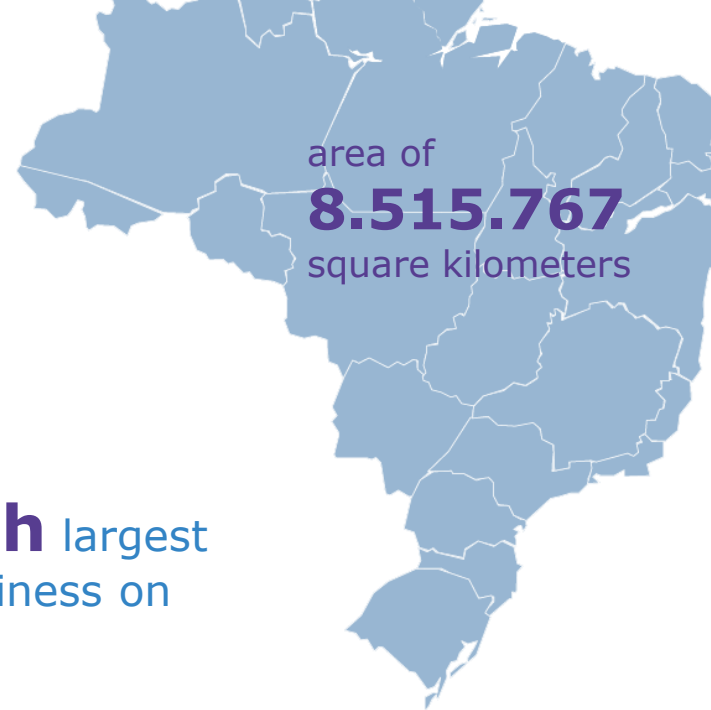
estimated **6.780**
public and private
hospitals

the world's **5th** largest
market for business on
the internet

6th

largest
pharmaceutical
market in the
world

24 of the **2000** largest
companies in the world are
Brazilian



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Political scenario in Brazil

- Who runs the country?
 - Congress and President
 - Supreme Court

General elections in 2018

- Corruption: **Political uncertainty**
- Changes in laws
- Ongoing investigations: “Lava Jato”, “Carne Fraca”...
- Areas facing crises: **healthcare**, education, security...
- Agenda of privatizations

As consequence...Economic scenario:

- 206 million Brazilians
- **12 million unemployed**
- **Increase in public debt**
- Economic recovery after two years of recession
- Inflation under control
- Slow, but **positive recovery**
 - GDP growth projections:
 - 2017 - 1.5%
 - 2018 - 1.7%





Healthcare in Brazil



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Public Health System is among the items with the lowest score in the population trust:



83 Fire Brigades



67 Church



65 Armed Forces



36 Federal Government



34 Public Health System



32 Municipal Government



30 President of the Federative Republic

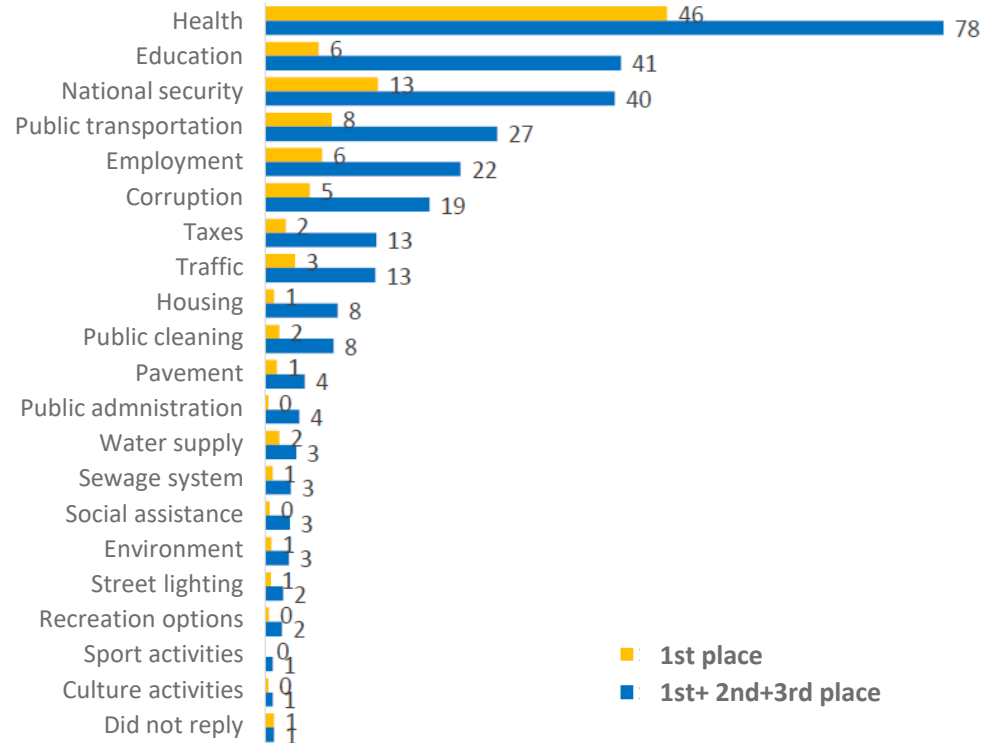


22 National Congress



18 Political Parties

Health is the population's greatest concern!



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Healthcare in Brazil: System



Public Health System

- Universal coverage of the public system, (Brazilian Act of 1990)
- All Brazilians have the right to access public system without any payment



Private Health plans:

- Health plans provide a supplementary form of assistance to healthcare. **(99% it is a fringe benefits from companies to theirs employees)**
- People do not lose their right to be treated under SUS (Brazil's Unified Health System).

Public Healthcare System: Overview

- **Covering** most of the population **76%**
- SUS **lost 24,000 hospital beds** in the last 10 years
- SUS reimbursements are not **reviewed since 1995**
- **Management** is a huge problem
- **Financing:** Amount of resources for healthcare, as a percentage of the total budget:
 - Federal - 13.7%
 - States - 12.0%
 - Cities - 15.0%
 - **Starting in 2018**, federal expenditure with healthcare will **be limited to the current value (no cost increase will be allowed)**

Private Healthcare System: Overview

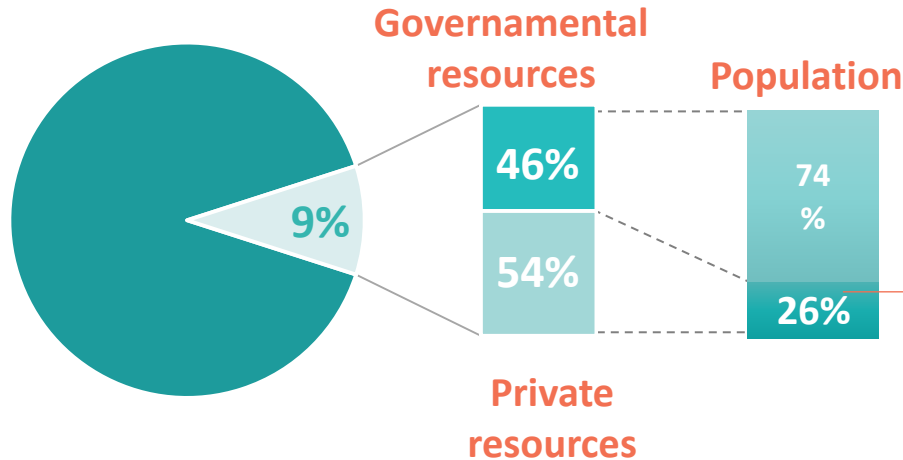
- **Covering 24%** of the population
- Offering much **better services**
- **70%** of healthcare facilities are **private!**
- Recession lowered the number of insured parties
- ANS - National Agency of Supplemental Health; Brazil – regulates the private system
- **Higher costs** and difficulties in **reimbursement adjustments**
- **Operational efficiency** is crucial
- Tight competition
- **Market consolidation** (M&A)

In Summary...

GDP representation:

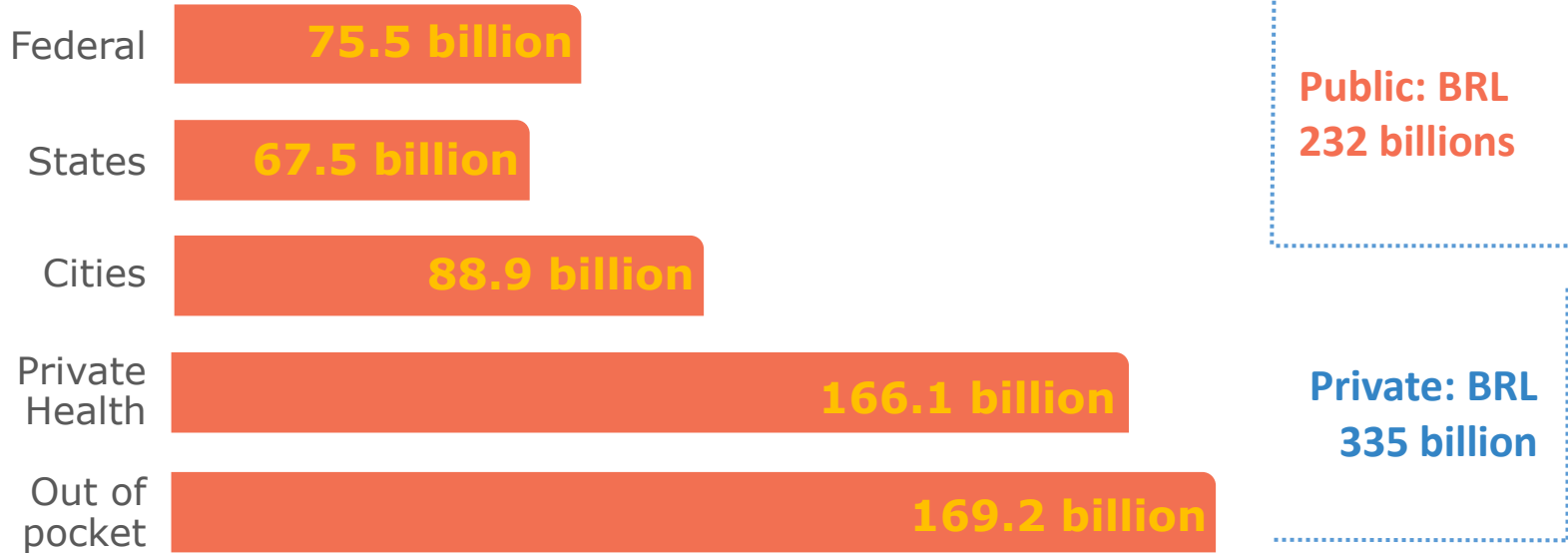
\$ In 2016:
R\$ 6.3 trillion

+ Health:
R\$ 567 billion



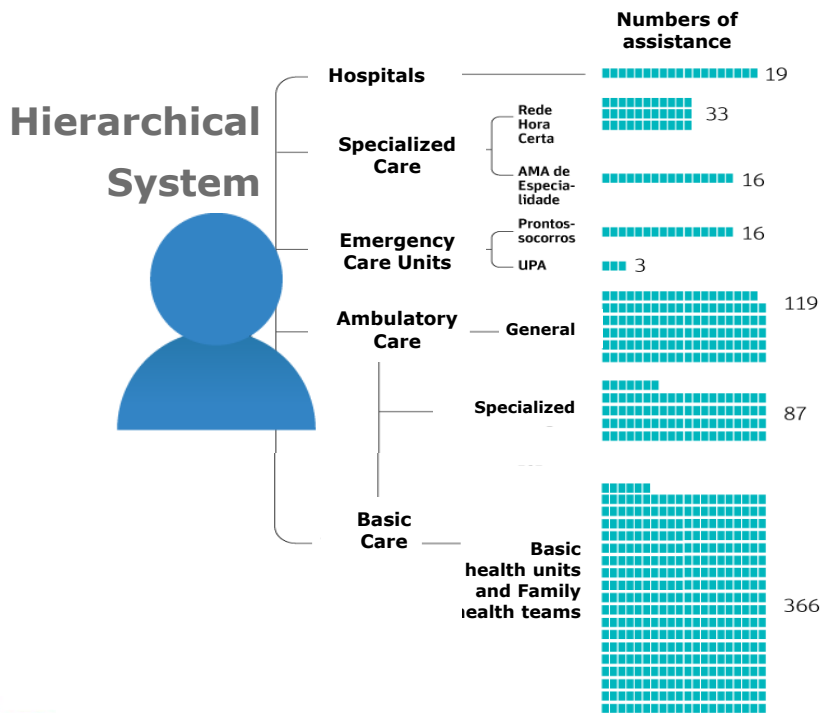
In spite of a heavier impact on the GDP, **supplementary health serves only about 26% of the Brazilian population.**

Healthcare in Brazil: Spending



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The public healthcare structure in the city of São Paulo is complex and lacks efficiency:

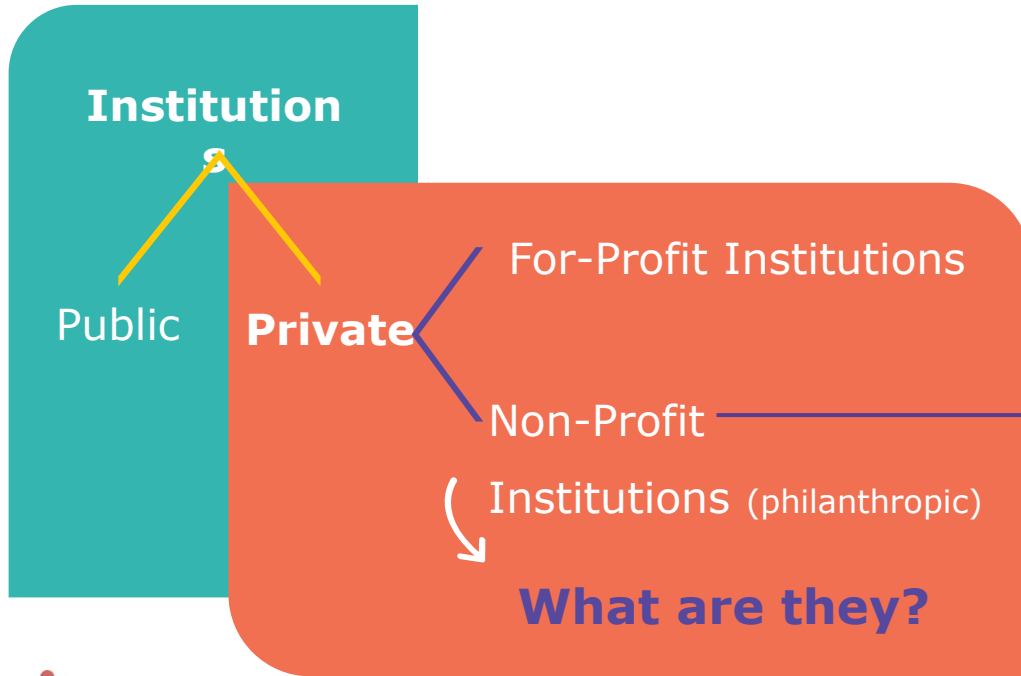


Contracts with non-profit institutions account for 58% of expenses

9.9 billion in 2016
(24% of the municipal budget)

Contracts	5,8
Human resources	2,5
Investments	0,6
Medical supplies	0,6
Others	0,4

Types of Institutions



Models: (tax benefits in return)

- **60% of total amount of hospital attendance - SUS**
- 20% of the total revenue in gratuity
- **SUS Institutional Development Support Projects (PROADI – SUS). The amount of tax benefits you get, the amount you have to invest in projects for SUS**
- Social Health Organization (OSS) or Public Interest Civil Society Organization (OSCIP)

Putting all together...

Public Health Care (SUS):

41% of hospital admissions
are in **Private Non-Profit Hospitals**
(**100%** of profit is reinvested in the institution)



BP – A Beneficência Portuguesa de São Paulo:

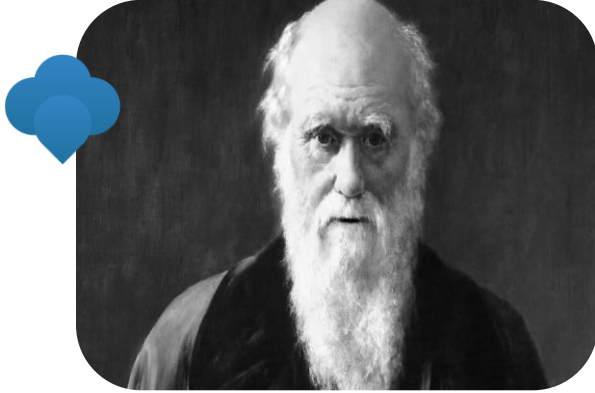
How are we doing to get along (private and public)?



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Our history...158 years ago...



Can you imagine how would be a Hospital in the same year that Charles Darwin published his brilliant Theory of Evolution?

We were founded in the same year!

And what about the assistance without electricity?

It only appeared when we were celebrating our 20th Anniversary...



Our purpose: To value life



- Life is everything to us
- Individual and collective
- It must be constantly respected, understood, investigated, monitored, and celebrated
- Knowledge, sensitivity, technology
- Combining medical specialties, but also other professionals

Values



Health comes first



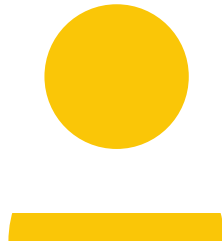
Credibility is cultivated



It is good to do good



Keep moving



We go further with partnership

Life is contagious

A health hub for each and every one:



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Portuguesa
de São Paulo

4 Hospitals
units

**Center of
diagnostics
and
therapies**

More than
200
Outpatient
clinics

**Research
&
Education**



Highlights

+U\$ 470 million

Revenue

2 million
Patients/year

+ 6 million
medical exams

100 thousand

First Aid Assistance

1100 beds
(226 ICUs)

More than

7,5 thousand
employees

+31 thousand

Oncologic Procedures

+37 thousand
Hospitalizations

3 thousand
physicians

53 specialties

31 thousand
Surgeries

3.6 MM
calls

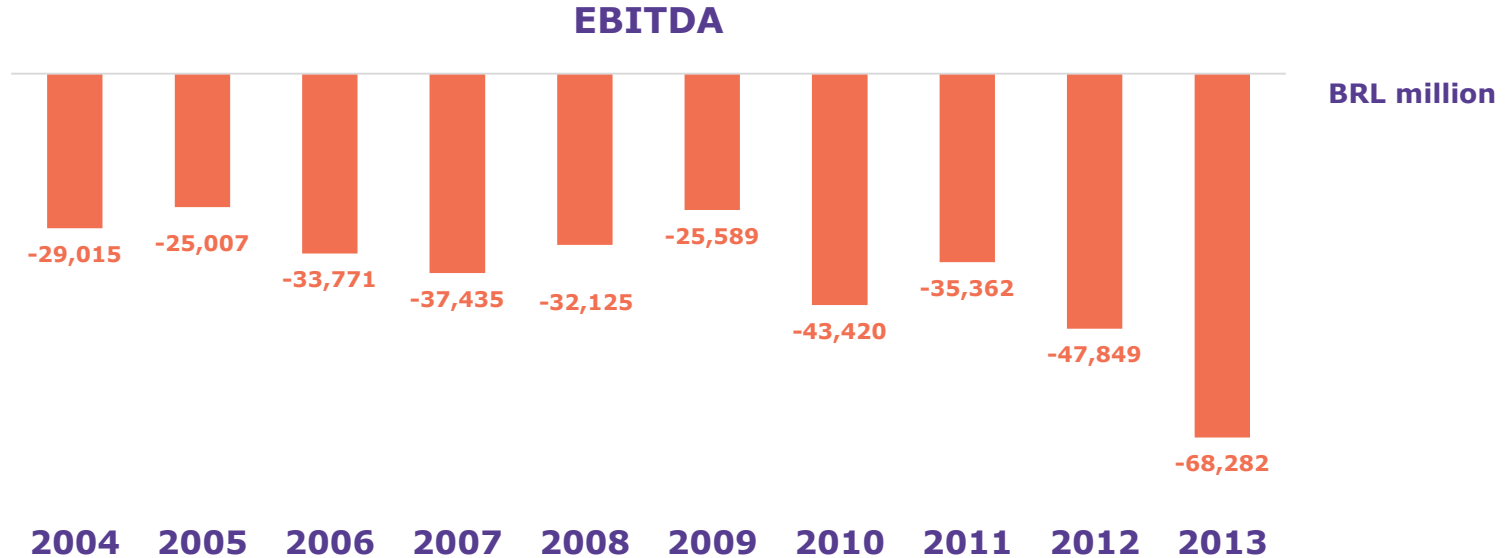


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An aerial photograph of a large, modern hospital complex. The buildings are primarily white and grey, with a prominent helipad on the roof of one of the central buildings. The complex is surrounded by lush green trees and is situated near a road with some traffic. A semi-transparent yellow box with rounded corners is overlaid on the center of the image, containing the text.

**BP:
The past
few years**

BP: The past few years?



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BP: How to solve?



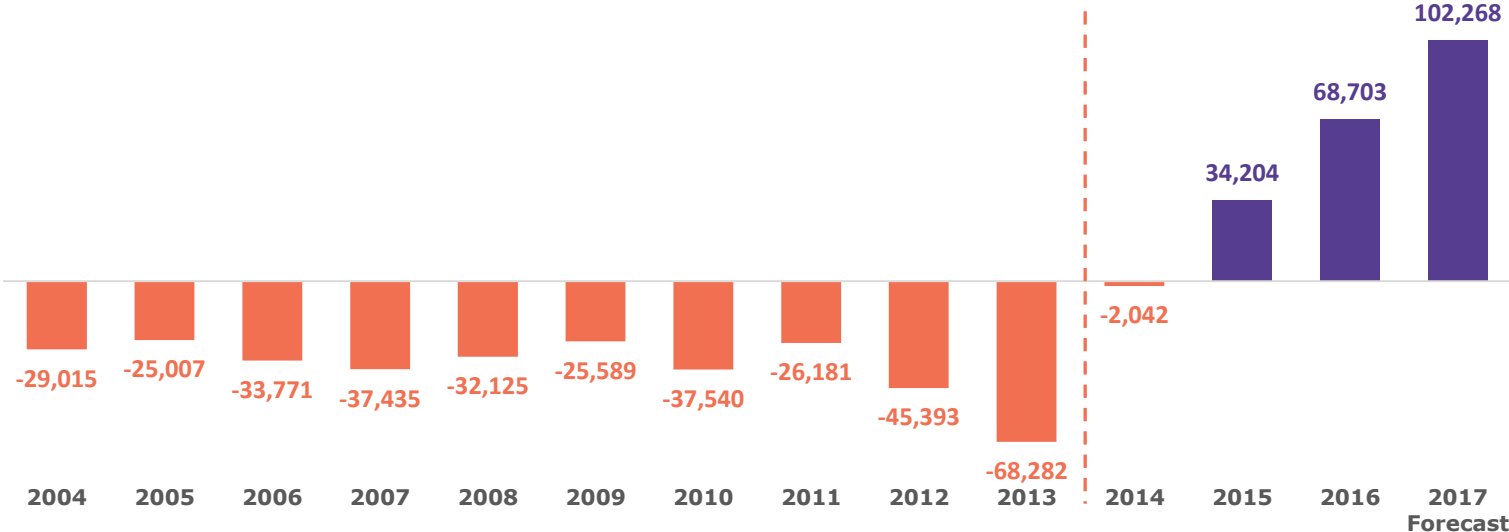
**Main
challenges
in this
scenario:**

1. Turnaround (Short term)
2. Business Management
3. Image in the market
4. Business sustainability

1. Turnaround in 2014!

EBITDA

PMO Implementation



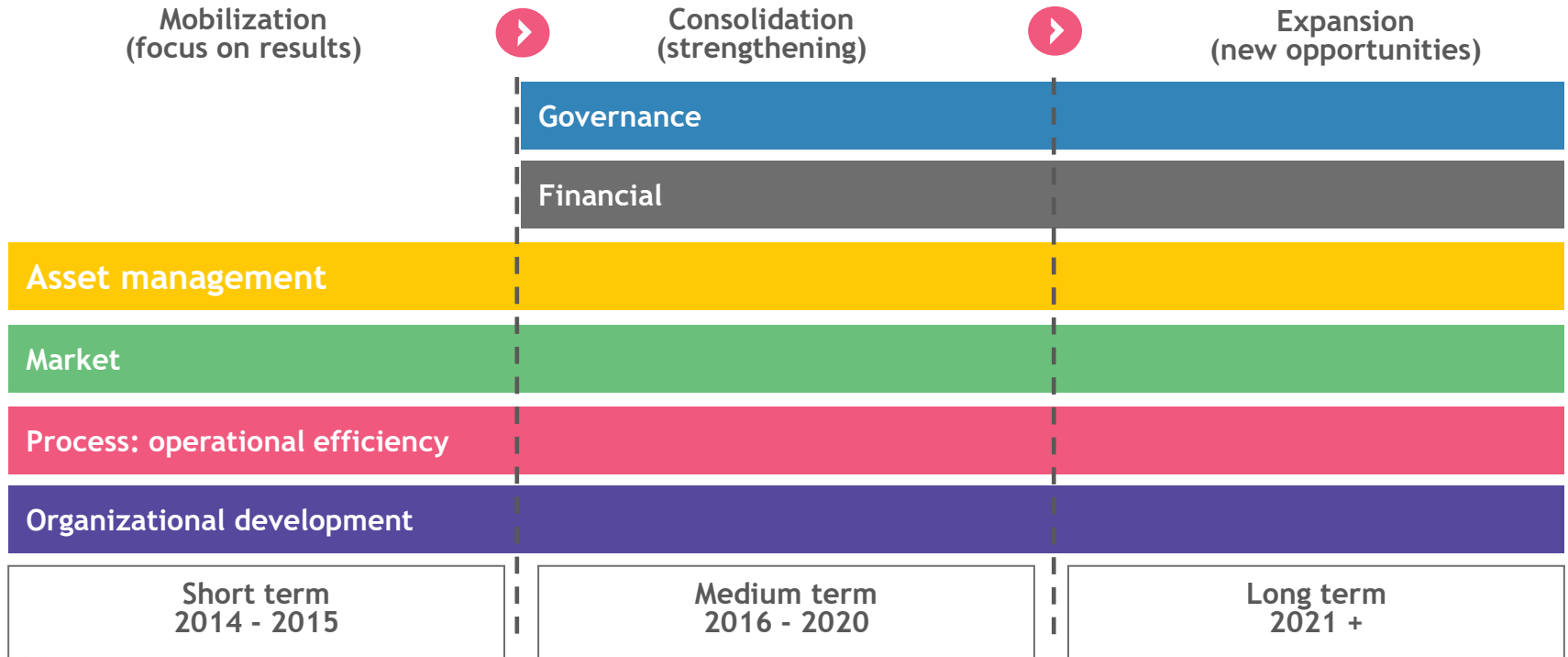
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2. Business Management: Strategic Horizon

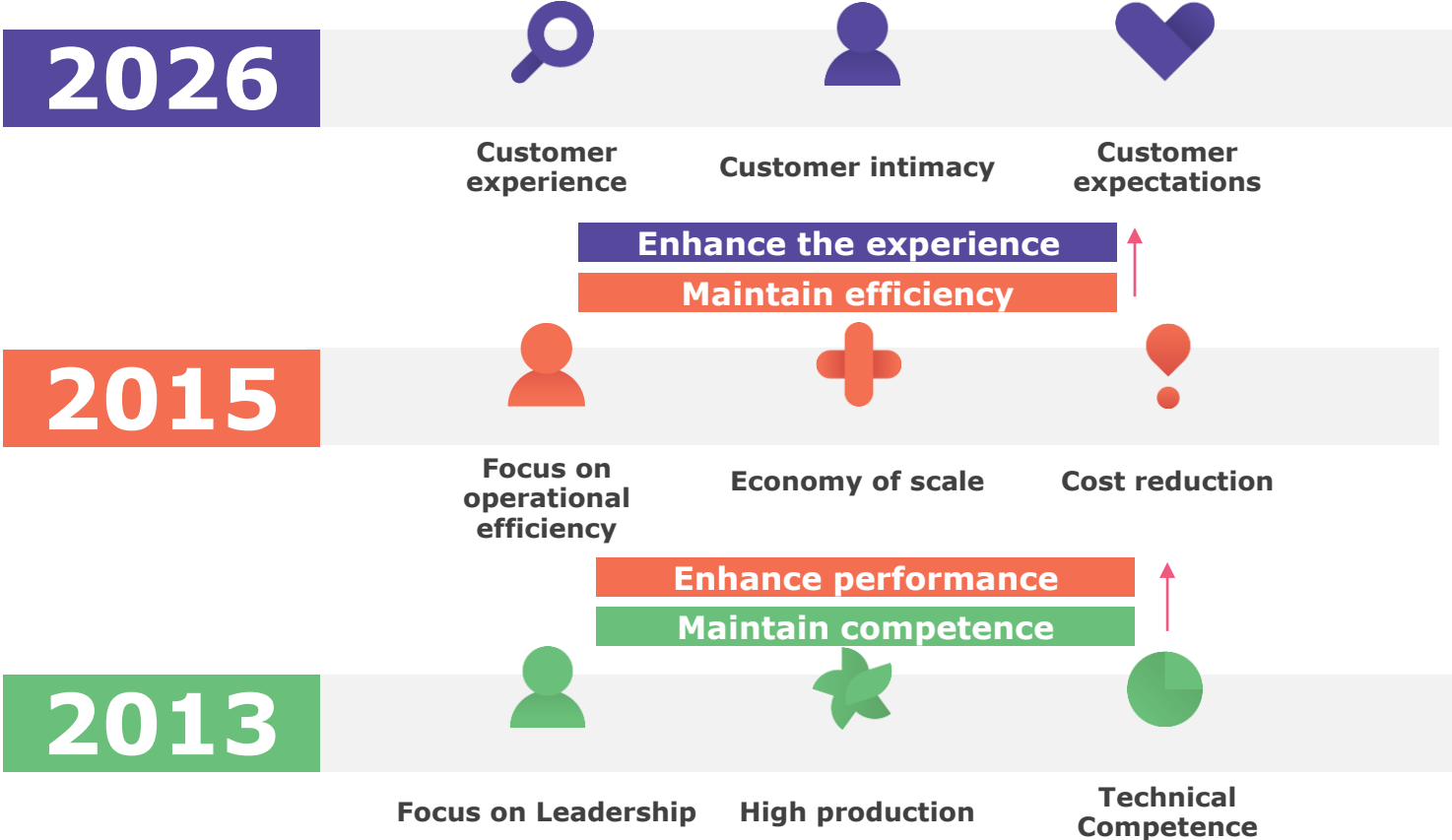
We carried out a situational diagnosis in 2013 and then we outlined our 10-year strategic horizon...



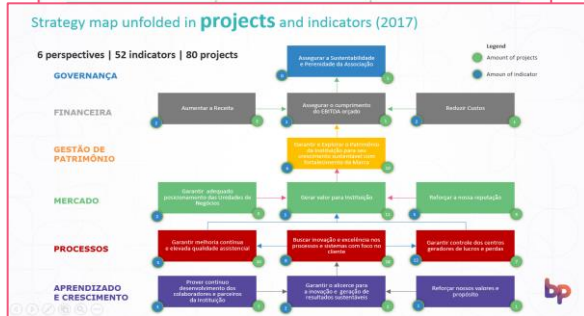
2. Business Management: 6 strategic perspectives



2. Business Management: Our focus



2. Business Management: Projects to execute the strategy



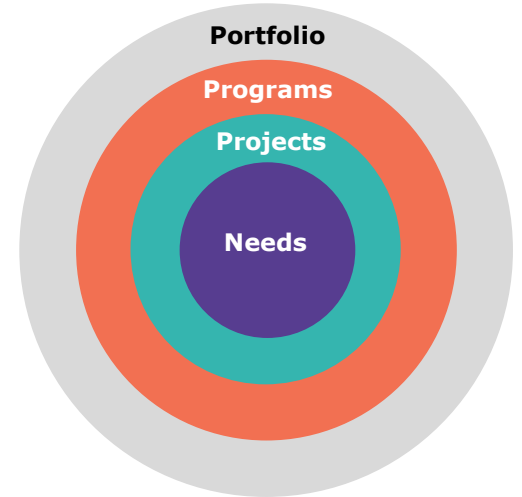
Strategic needs



Projects and programs, creation of BP's project portfolio



Product | Stakeholders | Scope aligned to the strategy



Execution portfolio

Programs (2)

Projects (80)



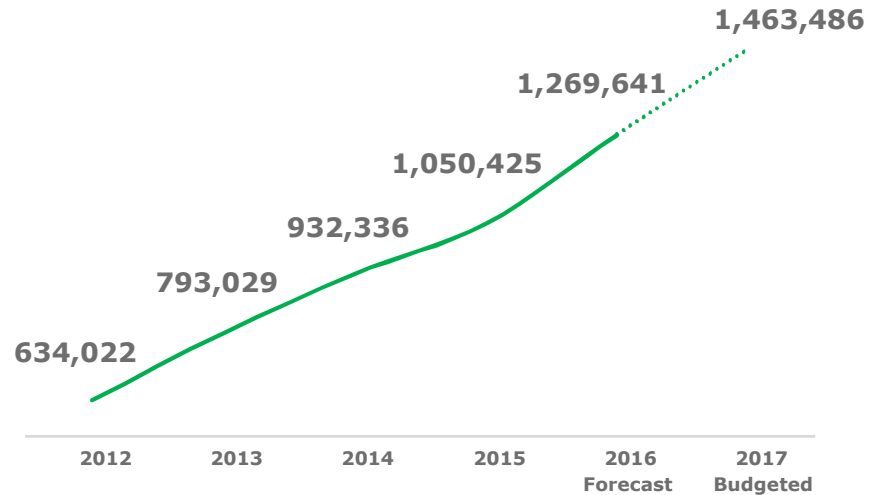
Some of our main Projects

1. Review our philanthropy model (from 60% SUS to PROADI – Hospital of Excellence)
2. Repositioning our Brand
3. PRM – Medical Relationship Program
4. New medical compensation models/ New health insure compensation model
5. Assessment and follow-up for new strategic partnerships:
 1. Government
 2. Private Health System
 3. Strategic Partners
6. Patient Experience: targeted offers
7. Development of new products
8. Conecta Project – Digital Transformation and Innovation





BP: We doubled our revenue in 5 years



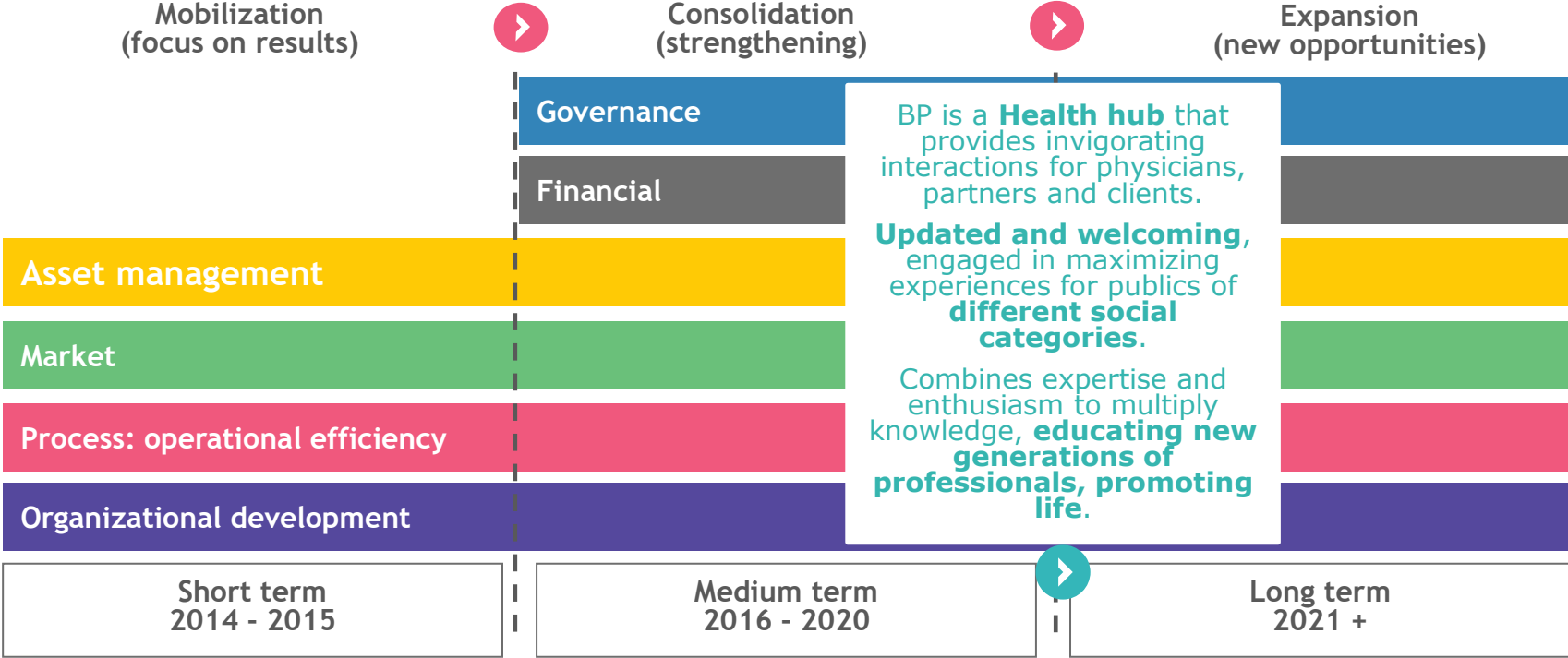
* Including Revenue from CP, SUS and Other Revenues

**What are we
focusing now?**

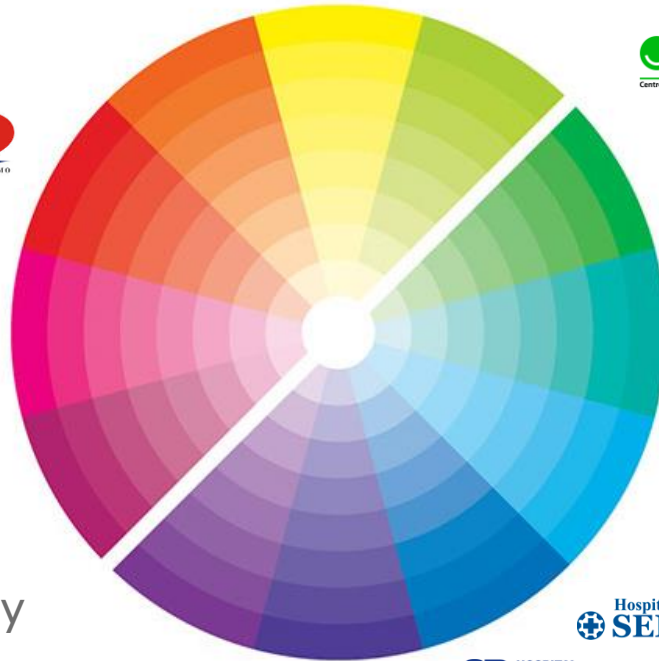


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2. Business Management: 6 strategic perspectives



Creating also an impact the Market...



Our brand was in a very common space...



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New colors and format...



New positioning means... health hub...our patients

In order to better adapt to the population's changes, we must focus on health instead of disease, offering a complete solution.

Medicine 4P: ●

Personalized
Participative
Preventive
Predictive

Continuity of Care



Prevention



Therapy



Diagnosis



Treatment



Follow-up



Chronic

Home care

Patient
Care

Imaging and Hospital
Systems

Patient
Care

Home care

Integration and clinical information

Prevention

Leading a healthy and fruitful life

Diagnosis

Shorter time for definitive diagnosis

Treatment

More efficient and cheaper care

Recovery

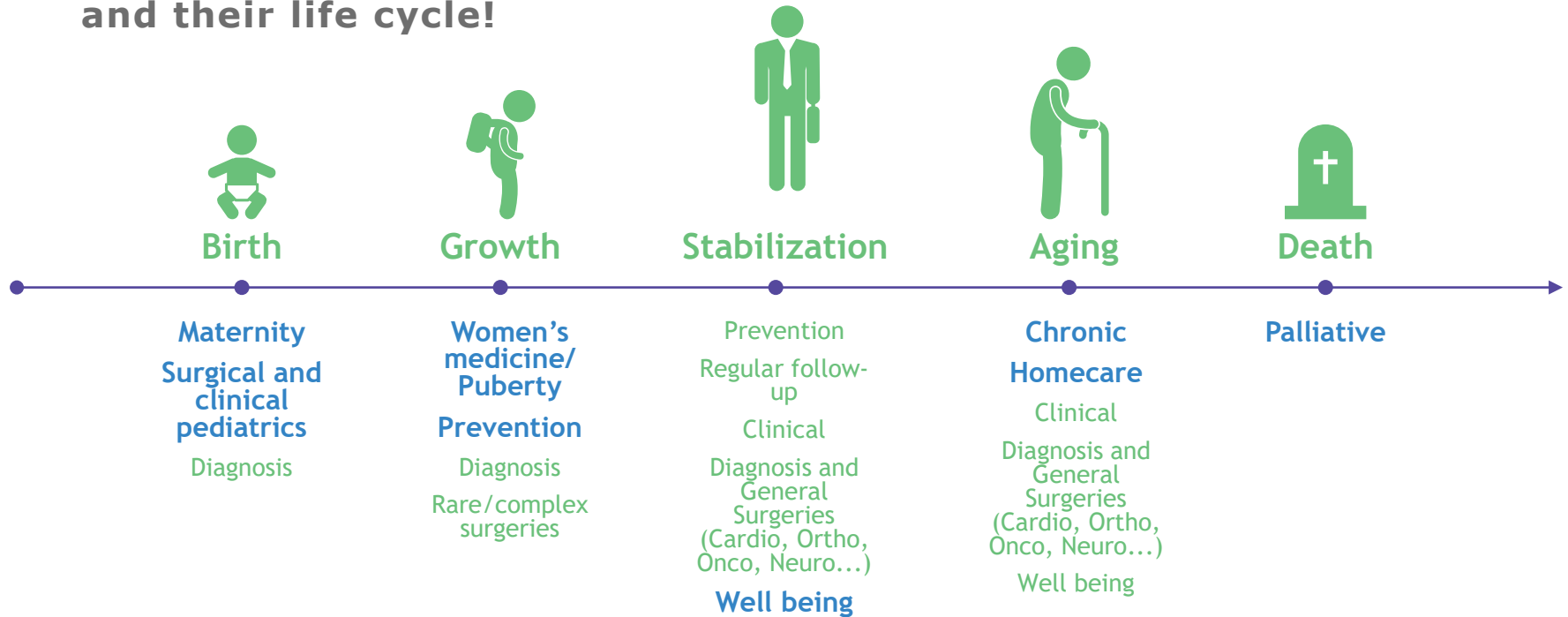
Fast, comfortable, predictable, lasting

Well being

Independent living, linked to caregivers (BP)

As a health hub...our patients

and their life cycle!

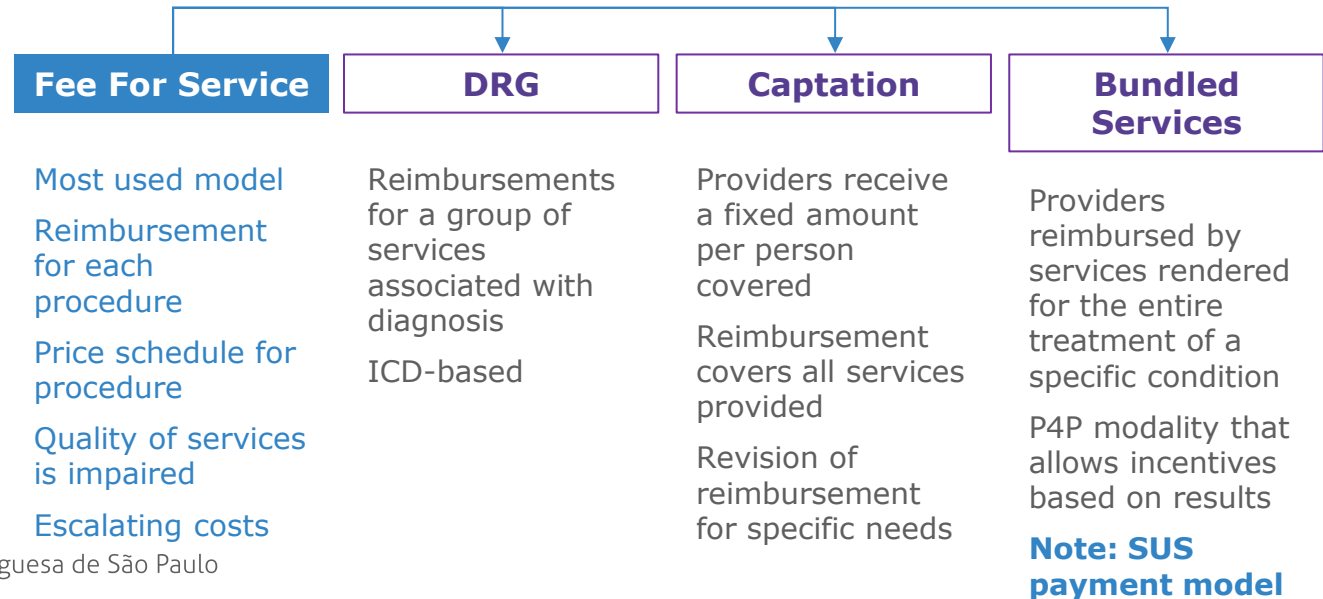


4. Business Sustainability: also relevant 2 other dimensions:

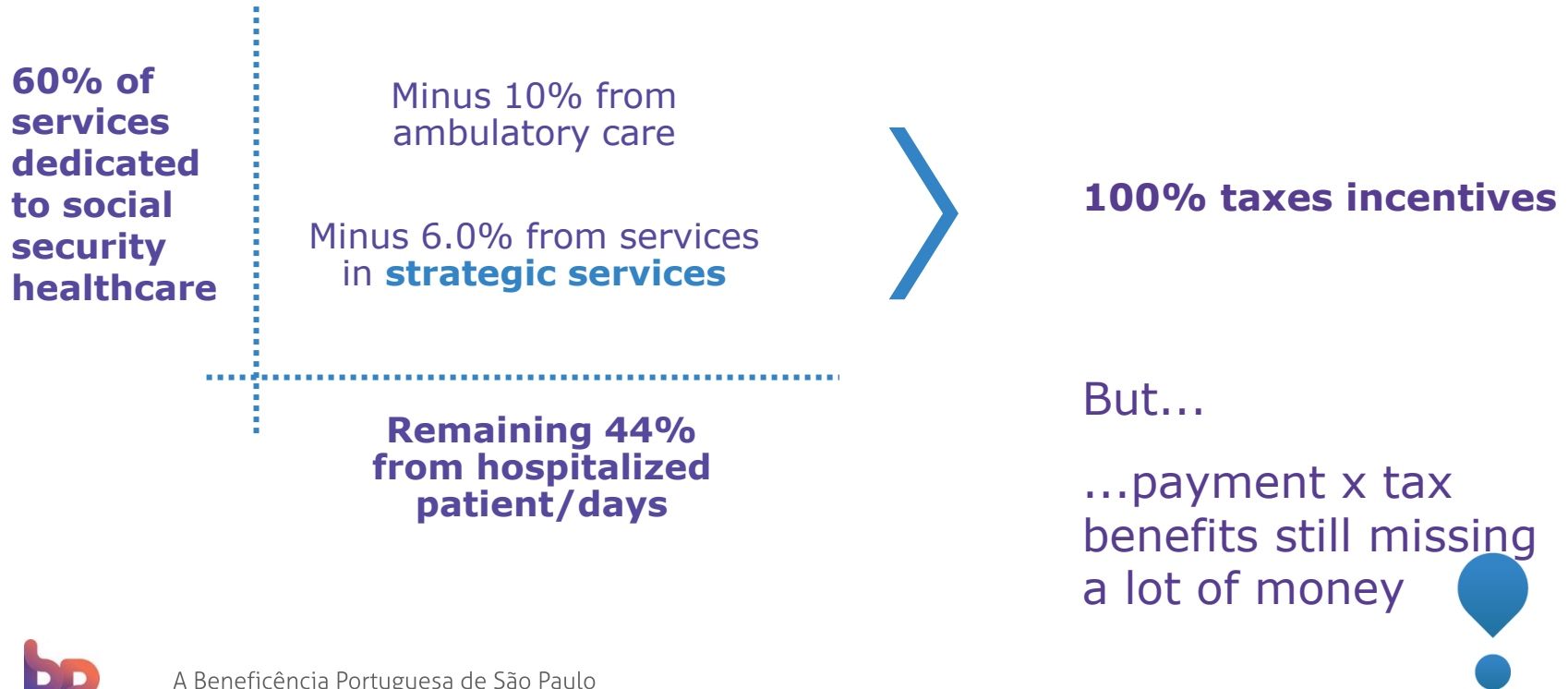
Sustainability of our business model

Future of Reimbursement Models

GOAL: Change the current philanthropy model. From 60% of SUS to PROADI – Hospital of Excellence



BP current philanthropic model: How does it work?



BP current philanthropic model: How does it work?

Profit and Loss Statement 2016

** price difference between Private Sector and SUS is five fold.

Income Statement for the year	Healthcare plans and "out of pocket"	SUS	2016 Total
Gross revenue	1.100.096	159.546	1.269.642
Allowance for doubtful accounts	(53.802)	-	(53.802)
Variable cost	(326.584)	(119.415)	(446.000)
Variable cost/Net revenue %	-30,9%	-74,8%	-36,7%
Contribution margin	729.709	40.131	769.840
Contribution margin/Net revenue %	69,1%	25,2%	63,3%
Fixed cost	(429.184)	(271.952)	(701.137)
Fixed cost/Net revenue %	-40,6%	-170,5%	-57,7%
EBITDA	300.525	(231.822)	68.703
EBITDA/Net revenue %	28,5%	-145,3%	5,7%
Net operating results	285.176	(238,840)	46.876



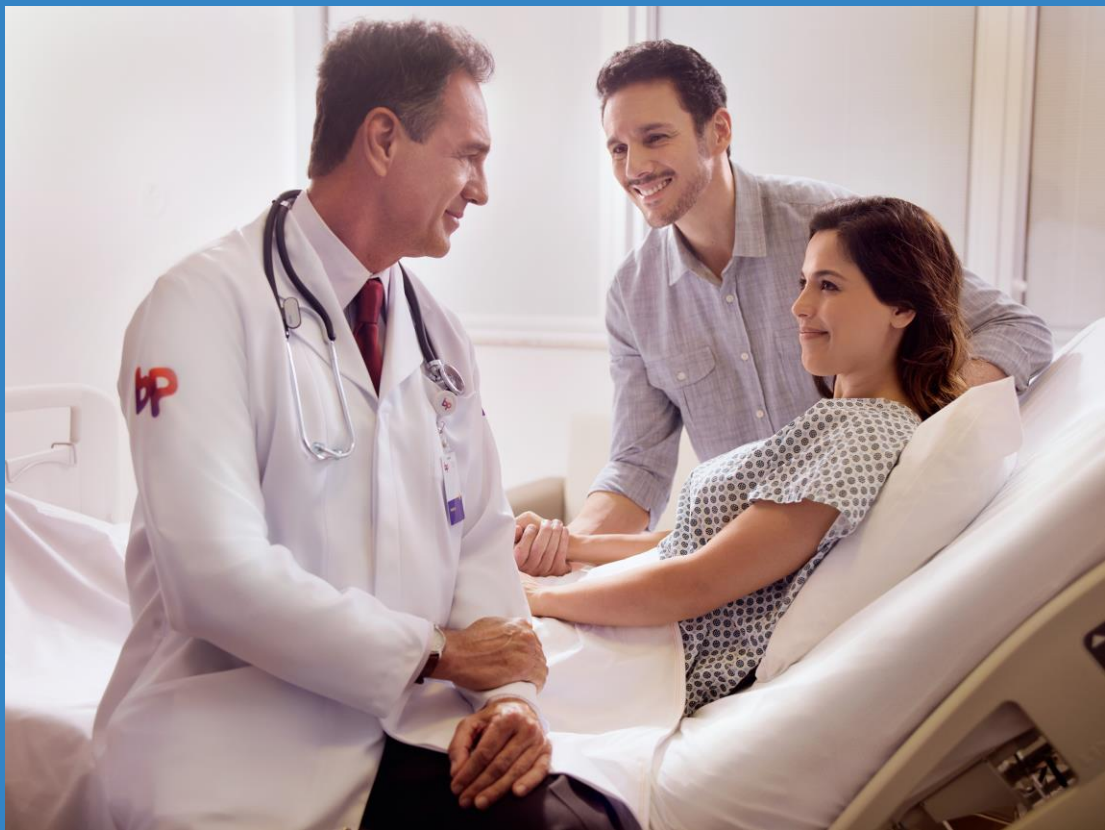
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**BRL
thousand**



4. Sustainability of our business model

- 2017 we were recognized
from Healthcare Ministry
as a **Hospital of
Excellence!**



Since end of 2017 we were recognized from Healthcare Ministry as a **Hospital of Excellence!**

And what do it mean?

There are a group of 6 Hospital of Excellence in Brazil and **BP was recognized in January 2017 as one of them...**

And what is it?

It's an Institutional Development Program of the Unified Health System (Proadi-SUS) created in 2009; an action of the Ministry of Health (MS) **aimed at strengthening SUS in partnership with reputed philanthropic hospitals;**

The **program is based on priority themes projects**

determined by the MS, such as:

- technology evaluation
- human resources training
- public health research
- development of techniques and management operation in health services.

Projects are financed by **financial resources acquired by the tax immunities (30% healthcare and 70%in projects)**



New model will be implemented from Jan.18 on!

And looking into the future....



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BP: Our Patients



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Our patients...they are changing!

New patient

Better informed and more demanding

- **86%** of Brazilians with access to the Internet use it to **search for health information**. Brazil is the fifth country in the world that most uses the internet for this purpose.
- **54%** would like to have **access to their medical records** and other health information online

Conventional healthcare no longer works

Expectations

- Immediacy
- **Individualized** care
- Clear information, explanations and **instructions** about your health
- Access to individual and **targeted facilities with high quality and comfort**
- Population aging over the next 20 years will significantly affect healthcare
- The **pathological profile has changed due to increased population aging** and lifestyle changes

Leadership

Involved in the decision-making process regarding the treatment



PATIENT wants to be **I** **N** **CLUDED**
FORMED
SPIRED



BP: Our Doctors



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Our doctors

PJ (Service
Provider)
Doctor

CLT (Employee)
Doctor

Challenges

- Succession
Development of Leadership
Engagement and retention
Team Building
- Leadership skills
Better compensation
Be part of strategic discussions

In Brazil...

432,000
physicians



physicians/1,000 people
2.9

Change in the doctors' work pattern:

- **Greater balance between personal and professional lives**
 - **Lower availability**
 - **Lower number of hours worked**
- Almost half of them have more than one job
 - **Higher professional costs**



Last but not least...



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In the long run...

Focus in operational efficiency



Master Plan;
Digital Hospital;
Branding;
Prioritize investments;
New technologies



Management of the main lines of direct and indirect costs;
Accountability;
Programs of Leadership Development;
Processes Management;
Third part contracts for support services

AND

differentiation in patient experience!

Partnership & Connections

Empathy & Compassion

Individual & Inspiring

Doing TO → Doing FOR → Doing WITH

=

HUMAN EXPERIENCE



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The question:

Can the public and
private systems coexist
sustainably?



They must!

Public health is a challenge, and joining efforts with the private system to overcome difficulties is the only way to deliver quality care to the underprivileged population.

That's what we fight for every day.





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THANK YOU!

Email: denise.santos@bp.org.br

