



PHM EMERGING MARKETS HEALTHCARE MONITOR

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In this month's issue....

In the November issue we have commentary on Novartis' expansion in China...late as it is.

The future for wellness and disease management brands is in India and the rest of Asia, not the USA.

Halal pharmaceuticals are being recognized for the game changer they will be.

Harbinger Capital's Africa investment may prove to be shortsighted if they don't diversify VIP Healthcare's strategy.

Our irregular column "On the Ground in..." takes us to Antigua, AHMC, Medweb, and pandemics.

And for readers of the PHM Emerging Markets Healthcare Monitor we have arranged a significant discount to attend the Russia & CIS Healthcare Infrastructure Summit. Please check the Conference Watch section for details on this most interesting Summit in to be held in Moscow next month. Hope to see you there!

As always, your feedback is appreciated and we look forward to hearing from you.

*All the best,
Hank Kearney*

Board of Experts....

Hank Kearney, President of PHM International, Inc., Publisher *PHM Emerging Markets Healthcare Monitor*.

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Krzysztof (Chris) Wasilewski, PHM International Business Development, Poland.

What we learned last month....

Poland

It is estimated Poles will spend 15 billion zlotys on private medical services in 2009, up from 13 billion zlotys in 2008.

Poles' expenses related to private health service, excluding costs of drugs, have grown by 13% to 22% annually over the last three years.

Poland

Poland has become the CEE region's leader in attracting foreign investments, having taken over Russia and Romania.

China

Since August 31, twenty seven round-trip flights have been launched between six mainland cities and Taipei. There are seven flights from Beijing, six from Shanghai, five from Hangzhou, four from Chengdu, three from Chongqing and two from Tianjin.

All on Air China alone.

South Korea

Third quarter GDP growth is up 2.9%, running at double digits annually, along with Singapore, Hong Kong.

Budget deficit for South Korea in 2009 are running at "only" 4.5% of GDP.

Brazil

In 2008 Brazil, with a population of 198.7 million, had fewer tourists than Bulgaria, population 7.2 million.

Gulf Region

Female investors control \$40b USD of region's wealth, mostly inherited.

Arunachal Pradesh

Southern Tibet or northern India? This is debatable.

China's harassment of the Dalai Lama? Remarkably short sighted, reactionary, and simply poor PR.

Malaysia

The World Bank has released an excellent study on the Malaysian economy, its migration to a middle income country and its future.

Long time readers know well the PHM Emerging Markets Healthcare Monitor has continually highlighted Malaysia's healthcare sector as one of the world's leaders in exporting knowledge and expertise.

From the "Malaysia Economic Monitor – Repositioning for Growth"

"...the economic model which has served Malaysia so well over the last thirty years in raising incomes and reducing poverty and moving the country to middle-income status requires reconsideration. The challenge for the new economic model is to reignite growth and transform Malaysia into an innovation - and knowledge - intensive high-income economy. With the economy operating under capacity, making adjustments is easier at this point. Also, the excess capacity worldwide is expected to trigger a global restructuring of capital allocation across countries and industries, thus offering a good time for Malaysia to seize the initiative and support a restructuring consistent with its long-term objectives."
p58.

Link to the report:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/MALAYSIAEXTN/0,,contentMDK:22390542~pagePK:1497618~piPK:217854~theSitePK:324488,00.html>

Asia – Pacific Watch

China - Novartis Unveils \$1.25 Billion China Investment

To serve the fast-expanding Chinese health-care market, the Swiss drug giant will pump big money into two R&D centers

"You point out the problem, and they go after it," says Novartis Chair and CEO, Daniel Vasella. "China and Shanghai have made tremendous progress in intellectual-property protection."

As a result, Novartis (NVS) is betting big on China. On Nov. 3, the Swiss pharmaceutical giant announced it plans to invest \$1.25 billion in a pair of Chinese R&D centers over the next five years.

"And if you want to transfer people to Timbuktu—people say: 'Where is that?'"

Link to the article:

http://www.businessweek.com/globalbiz/content/nov2009/gb2009113_520982.htm

I do recommend reading this article. It will likely leave you speechless.

Dr. Vasella has a unique flair for stating the obvious. Late, but obvious. He is also showing signs of "group think", a disappointing spot for a corporate leader.

However, he is in good company with other multinationals whose leaders seem to blunder when it comes to growth and expansion. In July of 2008 we commented on Glaxo's chief executive, Andrew Witty and his stated interest in Western Europe. GE Healthcare executive John Dineen, in August of 2008 stated he was determined to "understand" the world's emerging markets.

Early this year Dr. Vasella complained that Novartis could not participate in global donations of pharma supplies. Stating his charge was to assure the continuation and profitability of Novartis.

In this article he states; "You point out the problem, and they go after it. China and Shanghai have made tremendous progress in intellectual-property protection."

Whose cool-aid has he been drinking?



International

Perhaps I'm being a bit too tough on the old school pharma executive. Though he did spend his career in the insular industry, his enthusiasm for China is summed up with this quote from the article.

"We wouldn't invest here unless there is a talent base we can really tap—unless we have the scientists we can attract and retain," says Vasella. "And if you want to transfer people to Timbuktu—people say: 'Where is that?' Shanghai has a booming environment and the quality of life has improved a lot here."

Speechless indeed.....HK

Related article:

China - Novartis to Buy 85% of Chinese Vaccines Producer

Novartis AG, the Basel health-care giant, said on Wednesday that it definitively agreed to acquire 85% of the closely held Chinese vaccines company Zhejiang Tianyuan Bio-Pharmaceutical Co. for about \$125 million cash. The Chinese company produces vaccines targeting a number of viral and bacterial diseases, Novartis said. In 2008, Zhejiang Tianyuan doubled its net sales from the 2006 level, to \$25 million. The deal is subject to conditions including regulatory clearance in China. On Tuesday, Novartis had said that it planned to invest \$1 billion over five years for research and development in China.

Link to the article:

<http://www.marketwatch.com/story/novartis-to-buy-85-of-chinese-vaccines-producer-2009-11-04>

China - Perot Systems, Changsha Municipal Government Sign Healthcare IT Agreement

The agreement calls for Perot Systems to develop a plan for a city-wide Regional Health Information Platform, and it includes coordination of planning for healthcare data centers and the creation of electronic health records (EHRs) for city residents.

“...We applaud their approach to the country’s increasing focus on healthcare,” said Perot Systems president and CEO Peter Altabef, who attended the agreement-signing ceremony

Link to the article:

<http://govconwire.com/2009/10/news-perot-systems-chinas-changsha-municipal-government-sign-healthcare-it-agreement/>

This article was in the November 2 PHM Emerging Markets Healthcare News Feed

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Another title for this article could be “Perot Systems’ Long March Reaps Benefits.”

Not to draw many similarities to Mao, the efforts by Perot Systems’ CEO to commit to the effort has had a positive impact.

And here in this article is an important lesson, a lesson forgotten by too many top executives. If you want your company to succeed in China, or anywhere in the world’s emerging markets, you need to put your own feet on the ground. Not just the feet of the company’s chief of operations or marketing, but the feet of the CEO.....HK

China - CIGNA & CMC Launch Health Care Product in China

CIGNA & CMC Life Insurance Company Limited, a joint venture between CIGNA (NYSE:CI) and China Merchants Group, announced the launch of its first comprehensive health care product in China.

The International Employee Healthcare Plan is designed for employers based in China seeking group health care coverage for members of their workforce, including expatriate employees working in other countries, foreign employees working in China, employees returning to China from assignment in other countries, and senior managers.

Link to the article:

<http://www.smartmoney.com/news/pr/?story=PR-20091111-001826>

CIGNA has a dismal record of entering countries and leaving shortly thereafter.

However, this product is not like what they have done in the past. This is CIGNA’s expat product that is run by the international division and has a solid history.

The distinction is primarily in the target market. Rather than targeting the general populations in non-US markets with standard policy structures, the international division targets expats and executives.

This limited market allows for high value, high cost sales.

We see CIGNA’s international division to continue expansion, particularly in light of potential US healthcare reform.....HK

India - Future Group, Talwalkars Join the Rush as Branded Gyms Catch Up

A key growth driver are corporations, including the likes of Cadburys', i-flex and PwC, which reimburse employee spend on health & fitness as part of their HR policy.

Interestingly, apart from large cities like Mumbai, Delhi, Chennai, Bangalore and Kolkata, it is the smaller towns where branded players seem to be making the fastest inroads. Places like Guntur and Siliguri may seem way off the map but it is here that memberships get exhausted sometimes in three days flat.

Link to the article:

<http://economictimes.indiatimes.com/Future-Group-Talwalkars-join-the-rush-as-branded-gyms-catch-up/articleshow/5161701.cms>

Much like medical spas, we do see significant growth in fitness sector in emerging markets. But we are exclusively talking about emerging markets.

Note: The developed west will begin to see slow and negative growth in key healthcare segments such as fitness, wellness, and disease management, particularly within corporations. Reasons include budget constraints and cost shifting to employees and local governments.

But in emerging markets the growth will be significant as corporations and local hospitals begin to expand benefits and offerings as a direct result of long-term positive demographics and business growth.

Medical spas we do see as positive in both emerging and developed markets due to demographics and increases in the spread of communicable and autoimmune disease (e.g. chronic respiratory illnesses, rheumatoid arthritis.).....HK

India - Lupin Targets Buys in Gulf, Mexico, Brazil and Argentina

Lupin Ltd to continue its overseas acquisitions spree, negotiating with a few companies in the Gulf, Mexico, Brazil and Argentina and targeting companies involved in pharma marketing or those that have a mix of marketing and manufacturing base.

The Mumbai-based company has been on a buying spree. It acquired a company, Kyowa, in Japan in 2007, followed by a Pharma Dynamics' buy in South Africa in 2008 and the latest acquisition of Multicare Pharmaceutical in Philippines, earlier this year.

Link to the article:

<http://economictimes.indiatimes.com/Lupin-targets-buys-in-Gulf-Mexico-Brazil-and-Argentina/articleshow/5149962.cms>

Global expansion continues, leaving Basel, London, and Philadelphia in the dust. We've noted in many past issues that the future of pharma is "de-coupled" from the developed west.

In this article a pharma marketing company is the target. In the Pharma Futures III Project, pharmaceutical marketing is specifically addressed in the "Developing New Business Models" section. Also noted in Pharma Futures III is the potential for new funding models, linking philanthropic and private, for profit investment.

(In past issues we highlighted the need for a shift in NGO and donor mentality; citing the logical development of the sustainable, for profit foundation that does not rely on donors or promote a "donor mentality" in developing countries.)

But this article about Lupin is more an example of classic, opportunistic expansion. All hats go off to Lupin and the other emerging market companies that see opportunity where the old pharma players don't – or can't.

For a read on the Pharma Futures III project and download, go to <http://www.pharmafutures.org/>HK

India - Aurobindo gets South African Regulator's Nod to Market Drugs

29 Oct 2009, 1456 hrs IST, PTI

MUMBAI: Drug firm, Aurobindo Pharma today said it has received approval from the South African regulator to manufacture and market two drugs in that country

Aurobindo now has a total of 37 products approved by the state regulators in South Africa.

Link to the article:

<http://economictimes.indiatimes.com/Aurobindo-gets-South-African-regulators-nod-to-market-drugs/articleshow/5176255.cms>

This brief article is simply another example of the march of time. We've said it before and it's still appropriate....."Hello Mumbai!"

These next two pieces are related and comments follow.

Malaysia - Clinics Get Boost of Halal Medicine

Chemical Company of Malaysia Berhad (CCM) chairman Tan Sri Ab Rahman Omar stated "...Muslims and non-Muslims are becoming more discerning and want to be assured that medicines and health supplements are of the highest quality."

He said CCM's line of pharmaceutical products were certified halal and adhered to strict quality, safety and hygiene guidelines in every aspect of manufacturing.

"We are also proud to be the first generic pharmaceutical manufacturer in the country to offer healthcare products that are certified halal in 1999," said Rahman , " said Rahman at the signing of an agreement between CCM and KPJ Healthcare Berhad.

Link to the article:

<http://health.asiaone.com/Health/News/Story/A1Story20091031-177009.html>

This article was listed in the November 09 issue of the PHM Emerging Markets Healthcare News Feed.

Malaysia - CCM at the Forefront of Halal Pharmaceutical Industry

Chemical Company of Malaysia Berhad (CCM), the biggest pharmaceutical manufacturer in Malaysia has been at the forefront of the local Halal pharmaceutical industry and has been actively building strong market presence in over 20 countries worldwide. CCM also has further enhanced its regional development efforts through its existing network of offices in Singapore, Indonesia, Vietnam, Thailand and the Philippines.

Link to the press release:

http://www.ccm.com.my/mediaCentre/press_newsDetails.asp?intRecordID=130

Malaysia continues to innovate and export both product and knowledge.

Though not a recent development, halal pharma has the potential to be as significant as FDA approval.

A significant, global impact can be made if the manufacturers are able to brand halal pharmaceuticals as truly safe and secure vis-à-vis tightly controlled distribution to and through final point of sale.

And it is not just the Muslim community that will flock to these products. Think of the mess Nigeria, India , and China have been engaged in for months now, let alone the Brazil and Netherlands export problems.....HK

Middle East Watch

Bahrain - Country May Scrap Universal Healthcare

"The health care cost is escalating so rapidly that no government, irrespective of its wealth, can continue to provide free healthcare," Faisal al-Hamer, Minister of Health, was quoted as saying. "We are finding it increasingly difficult to meet the costs of providing free healthcare to the people and have no option but to go on to compulsory health insurance to offset some of the costs."

Link to the article:

http://business.maktoob.com/20090000388702/Bahrain_may_scrap_universal_healthcare/Article.htm

This article was listed in the November 2 PHM Emerging Markets Healthcare News Feed

Bahrain may scrap universal healthcare.

To quote someone much younger...."You think?"

I met with a government official in Manama back in 2001. The topic of discussion was Bahrain's need (and plans) to introduce private health insurance for its population.

The discussions back then were surprisingly enlightened. The government acknowledged its oil reserves would run dry in the near future, within a generation. The largesse created by oil would simply not be sustainable for the island nation. Health care expenditures, rising rapidly even in 2001, would need to be addressed with a positive bent towards private health insurance.

Fast forward to 2009, third quarter. What has changed? Nothing. But, what once was enlightened planning is today's bureaucratic delay.

The projected \$1.45 billion USD annual increase in Bahrain's healthcare budget by 2025 will look like a bargain by the time 2025 rolls around if the pace of change continues as its been.

.....HK

Africa Watch

Africa - Harbinger Capital Invests \$47m in African Healthcare Company

New York private equity firm Harbinger Capital Partner is to invest in African Medical Investment, a UK-listed provider of private hospitals, trauma centres and Well Woman clinics in Africa.

African Medical says that the capital will be used to expand its existing array of hospitals and clinics. Currently under construction is a 30-bed hospital in Maputo, Mozambique, with a trauma center, intensive care unit, radiology department and X-ray and ultrasound facilities.

Link to the article:

<http://www.altassets.com/private-equity-news/article/nz17167.html>

This article was listed in the November 9, 2009 PHM Emerging Markets Healthcare News Feed

We've listed African Medical Investment (VIP Healthcare) articles in the News Feed earlier. This is a company that has a well defined strategy, a mistaken strategy, but well defined nonetheless.

I like the company's focus on small bed counts for their hospitals. And we especially like their targeted efforts to women and the middle class in general. Other targeted markets include expats and the wealthy, but that's not particularly special, nor sustainable.

But what we do not like is the company's orientation to trauma care.

As we've written in the past, hospitals and trauma care don't mix all that well, particularly where legislation requires an "all takers" service. That is, the hospital must accept all patients in the emergency room (e.g. trauma) and stabilize the patient until the patient can be moved. This approach includes those patients with resources to pay and/or insurance, and those patients without even the ability to pay.

And it is those patients without the ability to pay that brings trouble for hospitals. Emergency rooms and trauma care are loss leaders.

So, for VIP Healthcare, should the countries where it operates bring about legislation that guarantees medical access to all citizens, its facilities will immediately become loss makers.

Rather, I should say, WHEN the countries bring about legislation.....HK

PS: We'd also like to see a more diversified board. Even with this new investment, the board is overly weighted to the oil sector...extraction executives don't play well with the politics of healthcare.

The next two articles are linked, with commentary following.

Liberia - Phebe Hospital at Verge of Closure

Acting Medical Director of Phebe Hospital in Bong County, Dr. Jefferson Sibly, says the hospital is at the verge of closure to the public as a result of the heavy debt it has incurred over the years.

Dr. Sibly said the hospital is indebted to dealers of petroleum products, sellers of drugs, and other vendors in Gbarnga and Monrovia.

He maintained that the hospital has a huge deficit that is a little over US\$300,000, an amount equivalent to the total salaries checks for workers at the health facility annually.

He said a budget deficit (\$300,000+ USD) was incurred during the drastic reduction in the budgetary allotment of the Phebe Hospital by the National Legislature in the 2009/ 2010 fiscal budget.

Link to the article:

http://www.liberiawebs.com/index.php?option=com_content&view=article&id=2171:phebe-hospital-at-the-verge-of-closure&catid=54:news&Itemid=172

Liberia - 'Unqualified Employees' Threaten Healthcare

The President of the West Africa College of Nursing (WACN), Mrs. Dedeh Jones has blamed the drastic decline in the standard of the nursing education and practice in the country to the employment of "unqualified medical personnel" who do not meet the basic standard of the profession.

"I'm calling on Employers of medical personnel to invest on the quality rather than the quantity by ensuring that their employees received regular training or they should be retrained,," she cautioned employers of medical personnel.

But, observers say the bottom-line is the failure or inability of government to pay health professional amount that commensurate with their skills and qualification, and as a result they sign on to other areas where the income is vastly encouraging.

Link to the article:

<http://allafrica.com/stories/200911120801.html>

This article was listed in the 16 November PHM Emerging Markets Healthcare News Feed.

These articles raise many interesting issues, none positive in the long run.

While the shortage of medical workers of all skill levels continues to grow worldwide, the failure of education systems to monitor and advance global standards isn't the only culprit in the mix.

We've written here before; the healthcare budgeting matrix performed annually by governments is a zero sum game. Inadequate funding is a choice made by government leaders.

The inability, or in some cases the refusal, to capitalize on existing resources within the community, in particular the private sector, is self-protectionism at its worst.

In Liberia we see the outcome of these choices:

Total expenditure on health per capita (Intl \$, 2006) is 39 while the total expenditure on health as % of GDP (2006) is 5.6

Out-of-pocket expenditure as percentage of private expenditure on health is 98.7% and the % of pre-paid health plans is 0.

The density of doctors per 10,000 population is less than one.

However, the government of China has started building a 100-bed hospital worth US\$10 million in Tappita, Nimba County. China is heavily invested in iron ore in Liberia.....HK

Nigeria - Federal Govt Moves to End Overseas Medical Treatment

Minister of Health, Professor Babatunde Osotimehin, has said the Federal Government will soon commission facilities at selected federal hospitals across the country.

This, according to him, is to facilitate the treatment of major and complicated ailments, as part of the efforts to provide easy healthcare services as well as bring to an end a situation where Nigerians seeking quality healthcare services go abroad in search of such services.

Oshotimehin said all those seeking medical treatment in England, Egypt, India and other countries would rescind their decision as soon as those facilities are commissioned.

Link to the article:

<http://allafrica.com/stories/200911171193.html>

This is a great article, both a glimpse at the future and a fantasy for today.

As one Nigerian told me, “It is good to die in London.”

For those hospitals and hospital companies dependent on contracts with foreign government ministries to funnel patients into their surgical suites, the days are numbered.

The cost of sending patients abroad for treatment will increasingly become too great, both monetarily and politically. Plus, the practice is a drain on domestic capital investment.

But it is fantasy to think individuals will “rescind their decisions” to go abroad, particularly when they are politically demanding or have their own resources.

Yes, it’s a look at the future. Hospitals in Dubai, Mumbai, and the world-over had better start developing those strategic plans.....HK

On the Ground In....

This is a non-regular addition to the PHM Emerging Markets Healthcare Monitor. In short, with “On the Ground In...” we will present the latest, non-confidential, reports and site visits from around the world....

On the ground in....Antigua.

Early August, 2009. Antigua, Caribbean. Tropical, hot.

I went to sit in on an annual conference given by the American Hospital Management Company (AHMC), the leader in hospital management in emerging markets. Long time readers may recall an early interview with AHMC CEO, Mr. Randall Arlett. This is a company to watch; they know their markets and have a turn-key administration product.

I had chance meeting with Dr. Peter Killcommons, CEO of Medweb, www.medweb.com. Serious investors may want to access this firm, though the founder states he’s not interested in selling. His passion is telemedicine development in frontier markets.

The flight down to Antigua was routine, a quick three hour flight full of coughing and sneezing passengers. This, of course is not unusual. Nor were the signs in customs guarding the country against H1N1. Immediate quarantine.

What I didn't know at that time was my exposure to pneumonia. At 50 +/- years of age and in good health, I was told this should not be a problem. It was.

This isn't a tale of woe, but rather a glimpse into the future.

What I was also told is, it is only a matter of time before serious communicable diseases, specifically noted was Ebola, are spread across the globe in a matter of days, or even hours...via a plane ride with....coughing and sneezing passengers.

We have touted rehabilitation spas and facilities as one bright spot in private healthcare's future. In July of this year we mentioned a rehab spa in Montenegro. It's focus? Respiratory illnesses.

Back in the March 2008 issue of the PHM Emerging Markets Healthcare Monitor we noted a few interesting articles on and about pandemics, pandemic maps, and pandemic risk bonds.

Updated links:

Paris - Next Plague Likeliest to Emerge From Poor Tropical Countries

<http://news.asiaone.com/News/Latest+News/Tech/Story/A1Story20080221-50701.html>

New York - Scientists Create First Map of Global Emerging Disease Hotspots

Link to article:

<http://www.wildlifetrust.org/news/releases/35.shtml>

For the maps. Continued past first map for time lapse mapping.

http://www.conservationmedicine.org/papers/Jones_etal_Nature_21Feb2008.pdf

Abbreviated from the "What we Leaned" section....

Pandemic Risk Bonds...

Munich Reinsurance Co. has created a bond program amounting to \$1.5 billion to transfer pandemic risks to the capital markets...

...We imagine this to be a growth product, although with little geographic reach.

Reason: limited underwriting capacity where there is a real need, e.g. Africa. Small outbreaks of various viral diseases occur on a regular basis in parts of the world. Late in 2007 numerous cases of Marburg and Ebola were confirmed.

Extraction industries need to pay attention.

On March 3, (2008) SCOR Global Life S.E. a subsidiary of SCOR S.E., entered into a fully collateralized mortality swap to protect itself in the event of major pandemics, natural catastrophes or terrorist attacks.

Conference Watch

A 20% discount is available to the:

OPIC Sponsored
Russia & CIS Healthcare
Infrastructure Summit 2009

15.12.2009-16.12.2009
Moscow

http://www.euroconvention.com/events.php?action=details&event_id=25

This conference, co-organized by OPIC (the U.S. Overseas Private Investment Corporation) and Euroconvention Conferences will explore the critical issues for successful development and structuring of new hospital projects in what is expected to be one of the World's fastest growing regions in the coming decade. Public-private partnership (PPP) and private equity healthcare infrastructure investments will feature amongst the topics. The link above will take you to the agenda.

Subscribers to the PHM Emerging Markets Healthcare Monitor will receive a 20% discount on the registration rates.

For additional information on this event, we encourage you to contact Mr. Claudio Cassuto at Euroconvention Conferences in London directly at 011- 44 207 381 9291 or cassuto@euroconvention.com.





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