

## Ex-Ante Evaluation (for Private Sector Investment Finance)

### Private sector Partnership and Finance Department, JICA

#### 1. Basic Information

Country : Federative Republic of Brazil

Project Name: Medical Access Improvement Project

Signing date: August 7, 2023

#### 2. Background and Necessity of the Project

(1) Current issues of the healthcare sector in the country and the priority of the Project

In Brazil, the universal health insurance system (hereinafter referred to as "SUS") was introduced in 1988, allowing the population to receive free medical treatment at both public and private medical institutions where the SUS is applicable. Approximately 75% of the population mainly at low- and middle-income level uses the SUS to receive the health care (Ministry of Economy, Trade and Industry of Japan, 2021). However, due to the constant budget shortfall of the federal government, those medical institutions that accept patients with the SUS are not provided with sufficient reimbursement from the SUS in a timely manner. The public medical institutions, which account for the majority of SUS-eligible medical institutions, have not necessarily expanded their facilities or secured medical personnel and equipment, making it difficult for them to provide even basic medical services adequately. The private medical institutions can also become SUS-eligible hospitals by signing a contract with the government. However, the amount of benefits paid by the government to the private medical institutions under the SUS is often lower than the average amount of benefits provided by private insurance companies. Hence, the private medical institutions often make a loss if it becomes a SUS-eligible hospital, because of which the number of SUS-eligible private medical institutions is still small. Due to these circumstances, both public and private medical institutions with SUS coverage are always crowded. It often takes a few months for a patient to get a medical appointment, and then the patient has to wait in a long queue in a clinic and consult with several doctors before finding an appropriate doctor who specializes the care in need. According to the state government of São Paulo, the average waiting time at such SUS-eligible hospitals reaches 300-400 days, which includes medical procedures postponed due to the COVID-19 pandemic.

The Lula administration, which took office in January 2023, has stated that it will increase spending on health care by improving the public health care system especially for the low-income segment. It has announced various policies such as mitigating the effects of the COVID-19, improving SUS waiting times, lowering prices of drugs approved by the Ministry of Health, and promoting the dispatch of doctors to rural cities. On the other hand, the Brazilian government made a constitutional amendment in December 2016, stipulating that spending on the healthcare sector, the third largest in terms of fiscal expenditures, be capped at 2017 spending levels for about 20 years, from 2018 to 2036, with the aim of fiscal tightening.

Although the Lula administration announced a new fiscal austerity plan on March 30, 2023, which aims to balance the primary balance by 2024 while ensuring public spending on health care, education, safety, and other sectors, the National Assembly is in a twisted state with different ruling and majority parties. The extreme fiscal spending and significant SUS improvements cannot be expected in short-term, and solving the above issues in the healthcare sector solely with public finance is unrealistic. Under these circumstances, people with certain income level purchase private health plan either on their own or through their employers, and receive private medical care without using the SUS. However, it is estimated that there are more than 100 million low- and middle-income people who cannot afford such private plans and fail to receive adequate medical care through the SUS alone (Patria, 2022).

This project will support the expansion of dr.consulta (hereinafter referred to as "DrC")'s business, which provides primary and secondary health care targeting the low- and middle-income people that are being spilt between these existing public and private health care insurance systems. It will also complement the public healthcare system as a completely private business, while contributing to the Brazilian government's focus on improving the healthcare sector for the low-income population. This project is in line with the Brazilian government's policy of addressing issues in the Brazilian healthcare sector.

## (2) Japan's and JICA's Cooperation Policies for the Sector and the Positioning of the Project

At the 2019 G20 Osaka Summit, the importance of universal health coverage ("UHC") was discussed and the strengthening of UHC financing in developing countries was called for. At the Japan-Brazil Foreign Ministers' Meeting in 2020, the Japanese Foreign Minister confirmed the collaboration between the two countries in the fight against the COVID-19. At the Japan-Brazil Foreign Ministers' Dialogue in January 2023, the Japanese Foreign Minister expressed his hope for further cooperation between the two countries in the field of health and hygiene, which was followed by the signing of the technical cooperation "Project for the Enhancement of Genomic Monitoring Network for COVID-19".

The "JICA Country Analysis Paper (2016)" for Brazil prioritizes human resource development in the healthcare sector in the country. As regards, JICA has been providing support such as holding seminars related to medical regulatory fields in both countries, training for Nikkei people in the medical field, providing medical equipment to Nikkei institutions for new type coronavirus infection and dispatching collaborative survey missions. In June 2021, under the JICA's Initiative for Global Health and Medicine, which aims to strengthen the diagnostic and treatment systems for infectious diseases, JICA provided a loan to Itaú Unibanco S.A. under the "Healthcare Sector Enhancement Project" to improve the systems of SUS-eligible private medical institutions in Brazil and strengthen the supply capacity of medical equipment and pharmaceutical companies in the country. DrC's projects business will contribute to all the four clusters in the healthcare sector in JICA Global Agenda; "strengthening diagnosis and treatment capacity of core hospitals", "strengthening the institutions for infectious disease control and testing", "strengthening sound health financing

systems", and "strengthening quality continuum care for mothers and children, including the use of maternal and child health handbooks".

As described above, this project is consistent with these cooperation policies.

(3) Responses of other development financial institutions

The project is co-investment with IDB Invest.

<b>3. Project Description</b>
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(1) Project Objectives

The project aims to improve medical access of low- and middle-income people in Brazil by expanding DrC's healthcare services, thereby contributing to the universal health coverage (UHC) in Brazil.

(2) Project Site/Target Area

All of Brazil, with a focus on the state of São Paulo

(3) Beneficiaries of the Project

Low- and middle-income people in the state of São Paulo and throughout Brazil

(4) Project Implementation Structure

DrC provides primary care (consultation and examinations) to low- and middle-income people mainly in the state of São Paulo, Brazil. It opened its first clinic in a favela (a shantytown) in 2011, and currently provides medical services to approximately 700,000 patients annually through its 28 clinics and telemedicine. The company developed its own AI algorithm from medical data from 2.5 million patients, which allows the company to automatically make appointments by predicting the necessary medical processes, doctors (more than 60 specialties are available), and nurses based on patient information prior to consultation. In addition, medical care is provided in accordance with more than 300 medical guidelines developed with physicians based on international standards. Through these measures, the system provides efficient and low-cost medical services while ensuring quality. In addition, to meet the diverse needs of patients, the company is promoting a subscription service that provides discounted medical care to patients and up to four family members or friends of the patients by collecting a certain fee in advance (hereinafter referred to as "subscriber"). It also launched affordable health plans in partnership with cuidar.me, a insurtech startup, that allows unlimited access to primary to tertiary care (tertiary care is provided through affiliated tertiary care providers) upon payment of a premium. This project will support DrC's efforts to improve access to healthcare for low- and middle-income people.

(5) Total Project Cost: \$47.54 million

(6) Project Implementation Structure system

Investee and Project Implementing Agency: DRCONSULTA LTD.

(7) Environmental and social considerations, cross-cutting issues, and gender classification

1) Environmental and Social Considerations

(i) Category classification: C

(ii) Basis for Categorization: The project is considered to have minimal or little adverse impacts on the environment and society under the "Guidelines for Environmental and Social Considerations of the Japan International Cooperation Agency" (dated January 2022).

(iii) Others: Medical waste is disposed of after obtaining the necessary permits and registrations from the Agência Nacional de Vigilância Sanitária (ANVISA) Agency and relevant authorities.

2) Cross-sectional Items:

Poverty Alleviation and Poverty Consideration: Provide medical services to patients from low-income families.

Infectious Disease Control: Provides vaccination to prevent new coronavirus infection.

3) Gender Classification: [GI(S): Gender Informed (Significant)].

<Reason for Activity/Reason for Classification> This project is funded by DrC, whose five current board members are all male and have agreed in writing to improve diversity within one year. In addition, 75% of DrC's employees are women, and under the Code of Conduct, which does not tolerate discriminatory behavior, an independent Diversity and Inclusion team is leading the project to implement measures to keep women in the workforce from various gender perspectives, etc. It has been confirmed that the company is implementing specific initiatives that contribute to women's empowerment, such as the implementation of measures for women's continued employment from various gender perspectives, led by an independent Diversity and Inclusion team, and has agreed in writing to continue these activities. The company plans to apply for certification of this project as a 2X Challenge project.

(8) Other special note: N/A

**4. Targeted Outcomes**

(1) Quantitative Effects:

Development Indicators	Baseline (2022)	Target (to be Implemented prior to exit, currently assumed to be 2028)
Actual number of patients handled (same person only, persons)	701,160	994,288
Total number of subscriber visits (times)	447,553	3,006,029
Actual number of lives of health plan (as of year-end, persons)	20,121	101,138
Percentage (number) of low- and middle-income patients/subscribers who pay on an out-of-pocket basis, subscribe, or have health plan (%)	92.4%	90% or more

(2) Qualitative Effects: Expansion of UHC

## **5. External Factors and Risk Control**

- (1) Prerequisites: Nothing in particular
- (2) External Factors: Nothing in particular

## **6. Lessons learned from Past Projects**

### (1) Evaluation Results of Similar Projects

In the past projects in the healthcare sector (evaluation year: 2020), we have learned that, from the viewpoint of enhancing the development effects, the project plan should be developed in such a way that it will contribute to the spread of medical technology and the expansion of the scope of the referral system after the project is completed. Another lesson learned is that the definition of project development indicators should be confirmed with the implementing institutions, and a system that ensures data collection during the project implementation period should be developed.

### (2) Lessons Learned for the Project

DrC has partnerships with more than 20 tertiary care hospitals, and sends patients who cannot be treated by DrC to tertiary care facilities along with the data collected to facilitate appropriate treatment at tertiary care facilities. DrC plans to increase the number of tertiary care facilities it partners with as it expands its business, which is expected to contribute to expanding the scope of its referral system. In addition, the definition of the project effectiveness indicators was confirmed with the DrC, which can be extracted from the data that DrC collects on a daily basis.

## **7. Evaluation Results**

As described above, this project meets Brazil's development challenges, development policy, and Japan's cooperation policy. Its necessity has been recognized, and there is also an appropriate project plan with a sufficient likelihood of success.

## **8. Plan for Future Evaluation**

- (1) Indicators to be used for future evaluation: as described in 4.
- (2) Future evaluation schedule (tentative): Post-evaluation scheduled for 2028.

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