

# Annex 17. Impact of Foreign Investments on Public Health: A Philippine example



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## Impact of Foreign Investments on Public Health

### Key Discussion Points

1. Is there need for foreign investments on public health? A case study.
2. What are the advantages/disadvantages of foreign investments in the public health sector?
3. Potential obstacles to attract foreign investors.

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### Is there need for foreign investments on public health?

- Knowledge base in healthcare management.
- Opportunities to improve the public health sector.
- Learn from mistakes made in the West.
- Reduce the “brain-drain” problem.

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### Case Study: Asian Hospital, Inc.

- Tertiary hospital in Alabang, South of Metro Manila area.
- A 217-bed, acute care hospital, operational since May 2002.
- Approx. 970 employees, 700 active physicians and some 250 outsourced staff.
- Known as a cardiac center due to Dr. Garcia, Founder.

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### Case Study: Asian Hospital, Inc.

- Financial restructuring in early 2005 due to losses incurred since starting hospital operations.
- Operational losses continued till and including financial year 2006.
- First operational profit in 2007 followed by years of improving operational profitability and cash flow.
- Started an expansion process in 2009.

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### Case Study: Asian Hospital, Inc.

- Key factors to achieve this result:
  - ✓ Fresh capital.
  - ✓ Foreign investor with management responsibility.
  - ✓ “Acquisition” of international expertise.
  - ✓ Implementation of a proper Hospital Information System (HIS).
  - ✓ Constant follow-up process.
  - ✓ Reduction of nurse turn-over.

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**What are the advantages/disadvantages of foreign investments in the public health sector?**

- Acquire international expertise.
- Get access to management resources.
- Generate new/more job opportunities.
- Reduce the “brain-drain” problem (e.g. nurses).
- Know-how transfer.
- Improve the public health situation.

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**What are the advantages/disadvantages of foreign investments in the public health sector?**

- Dependence on foreign know-how.
- Dependence on foreign capital.

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**Potential obstacles to attract foreign investors**

- Red tape and corruption.
- Legal system.
- Capital flow (dividends, repatriation of capital).
- Cross-border borrowings.
- Taxes (income taxes, WHT, VAT, etc.).
- Tax audits (with unreasonable audit results).

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