

# Health

## COLOMBIA FACT SHEET

Colombia's growing and maturing population, of more than forty-five million is fuelling an increase in government spending on healthcare and demand for medical products and services. The Colombian government has recently been committed to providing its citizens with affordable healthcare services. This has been achieved through one of the most extensive health insurance and medical financial protections in Latin America, which aimed to provide universal (100%) coverage by 2010. For this to occur it is expected that the Colombian government will need to increase the percentage of GDP spent in the public health sector from the current 7.8% to more than 12% into the foreseeable future.

The increased government focus on healthcare is exemplified by policies aiming to not only modernise and reconvert all their hospitals, clinics and clinical laboratories with (mostly) brand new state of the art equipment and highly trained medical professionals, but also to establish Colombia as the main exporter of medical services in the region. These factors provide Australian health sector companies with numerous opportunities for market entry into a growing area, currently unrepresented by Australian business.

### Medical

Colombia only produces low technology products and therefore imports all medium and high technology medical equipment from abroad. Bearing this in mind, the World Health Organisation (WHO) estimates that over fifty percent of the biomedical equipment in the country is currently obsolete, not used correctly, or lacking suitable maintenance. The procurement of new medical technologies will therefore remain a top priority. The fifty year armed civil conflict in Colombia has given rise to medical expertise in trauma and plastic surgery. The country also has other strengths in cardiology, orthopaedic, cancer, organ transplants, and renal therapy. In terms of medical issues and concerns, Colombia experiences respiratory pathologies from pollution in larger cities, as well as developing country diseases such as gastritis, malaria and malnutrition in rural areas. It has been noted that over the next two decades the occurrence of complex pathologies are likely to increase owing to Colombia's maturing population and government focus on prevention rather than intervention. In terms of healthcare professionals, numbers of both doctors and nurses are less than the regional average with 1.35 doctors per every 1000 citizens and 0.55 nurses for every 1000. These numbers are reflected by the lack of available hospital beds with a ninety-five percent occupancy rate of an average of 1.35 hospital beds for every 1000 people across the country.

### Exportation of Medical Services

The Colombian government has committed to invest substantially to position the country as the main exporter of health services within the region. The government expects to reach exportations in health services of US\$6 billion dollars in 2020. To achieve this goal the government recognises the need to train higher numbers of healthcare professionals; increase the installed capacity and technology of its hospitals; improve the general condition of its health infrastructure, and; to strengthen trade relations (inc. reciprocal social security agreements) with its key markets (source of patients). Those who are expected to take advantage most of the cheaper, yet quality medical services provided in Colombia include expatriate Colombian family members and friends, citizens of neighbouring Latin American countries, as well as some of the estimated six million United States citizens who travelled abroad for cheaper treatment in 2010. The areas most highly sought by medical tourists include those identified above as the strengths and fields of expertise in Colombia. These include plastic surgery, ophthalmology (eye surgery), trauma, orthodontic work and chronic conditions such as cardiovascular and cancer treatment. The quality and numerous opportunities available through Colombian health sector exports are quickly becoming recognised around the world and Australian companies need to be made aware of, and thereby take advantage of the numerous prospects available in Colombia.

### The Training of Healthcare Professionals

One area essential to the providing of quality health and medical services is high numbers of skilled medical professionals. As the figures above show, Colombia has a lower number of doctors and nurses per citizen than the regional average. Opportunities therefore exist for Australian companies to provide skilled medical training to, not only doctors and nurses but also laboratory technicians, both in Colombia and in Australia. There are also prospects for Australian medical research companies to lead and support clinical research and development in Colombia. For Australian companies interested in investing in medical research and development, the Colombian Foreign Investment Statute notes that foreign investors will receive the same treatment as domestic ones. Many United States clinic and training entities are already taking advantage of this through the development of agreements on research, teaching and service provisions with Colombian entities.

### Reconversion and Modernisation of Colombian Hospitals, Clinics, and Clinical Laboratories

The Colombian government recognises the need to improve medical security (reduce the incidence of complications from surgery) through the acquisition of more, technologically advanced medical equipment, as well as through improvements in health sector infrastructure. The recent improvements in the country's economic growth has meant that citizens expect their elected representatives to provide more returns, by means of social services, with the health sector being high on the people's list. Bearing in mind that sixty percent of investment in medical equipment occurs within the private sector (to equip private hospitals) the government has enacted a number of policies to increase public sector spending. This includes the "Buying for the Republic" ("Compras para la Republica") programme where the government is pressuring public hospitals to spend between 35% and 40% of their budgets to renew their technology and infrastructure. Also there is the construction of health sector Free Trade Zones (FTZs), known as the "Ciudad de la Salud" (City of Health) whose aim is to attract higher levels of foreign investment.

Opportunities therefore exist for Australian companies to invest in private and public sector medical/ health infrastructure and development projects. The products/ services most in demand, as a result of these investments include:

- Research and development (refer training of healthcare professionals section)
- Technologically advanced medical laboratory facilities
- Latest generation laboratory testing equipment
- Improvements to clinic efficiency

- Management services
- Minimally invasive surgery
- The provision of new types of medical services

Prospects also exist for the export of technologically advanced medical equipment. In 2008 Colombia imported US\$616 million dollars worth of medical equipment, thereby indicating the possibilities available for Australian companies. Best prospects are in the areas of:

- Advanced diagnostic imaging devices (MRI, CT scanning, ultrasound, Doppler, x-ray and computerised radiography)
- Laboratory equipment and consumables
- Non electrical medical, surgical, dental or veterinary instruments
- Electro medical equipment, and
- Prosthesis devices including orthopaedic appliances and artificial body parts and hearing aids

### Construction of Health Sector Free Trade Zones – Ciudades de Salud

Colombia, as with other countries in Latin America has recognised the importance of Free Trade Zones (Zonas Francas) for attracting foreign investment. These zones constitute a delimited geographical area inside the national territory of Colombia, where industrial and commercial activities of goods and of services are developed under special regulations of taxation, customs duties and foreign trade. What these special rules entail is that goods brought into these zones are considered to be outside of the national customs territory and do not incur import and export taxes. For companies operating within these zones, another benefit is that the income tax rate is set at 15%. The health sector currently has four Free Trade Zones in operation, in the cities of Bogotá, Barranquilla, Pereira, and Bucaramanga. These health sector Zones are currently set up by health service providers (hospitals, etc.) who use them to entice foreign investment for the building and modernisation of their infrastructure. The idea, for the future is to expand these kinds of projects all over the country. The other positive for these areas is that as well as being free of customs duties, all imports of medical equipment are exempt from Value Added Tax (VAT) payments. The VAT, in Colombia amounts to a 16% tax on the sale of all goods.

### Plan Vallejo

Another government initiative of assistance to Australian exporters is Plan Vallejo. This plan aims to boost Colombian exports by giving Colombian companies the ability to import, with entire or partial tax and rights exemption, consumables, intermediate goods and capital goods (machinery) if they are to be used in the production of goods and services destined primarily for export. This plan will be of assistance for those firms trading in advanced medical technology.

## Regulations and Licensing Issues on Medical Products Imported into Colombia

Medical equipment is included on the free import list and therefore does not require an approved import license. The importer does have to register all products with the Ministry of Health. The only reasons that import licences are required for medical equipment is when the importer is a government entity, the importer requests exemption from the payment of import duties or the goods are classified as non-reimbursable.

Regulations on the import of medical equipment have been strengthened (decree 4725 of 2005) with a stronger enforcement on control and requirements affecting the registration of new products (enforcement is undertaken by the National Institute of Food and Drug Monitoring (INVIMA)). Of note here is that all technical and scientific information, labelling, etc. must be translated into Spanish for entry to be authorised. The United States has made note of the stringent demands imposed by INVIMA on the registration of new products. The suggestion is that local distributors should be sought to avoid delays.

Excellent growth prospects also exist in the pharmaceuticals industry in Colombia. Regulations regarding the import of medicines, vaccinations, etc. are outline in decree 677 of 1995. All medications imported into Colombia are required to be registered with INVIMA (as the recognised regulatory body) on the health register. For registration to occur all norms, contained within this seventy-two page document must be strictly complied with. The basics requirements for registration involve a two stage evaluation in both a pharmaceutical and a legal context. The pharmaceutical evaluation judges the technical capacity of the manufacturer (regarding the process of manufacture) and the quality of the end product. While the legal evaluation is a study of the legal documentation supplied with the medicines to ensure they conform to the legal norms that regulate these products. New medications also require an additional pharmacological evaluation which studies the usefulness, suitability and safety of the new product. These evaluations can be expected to last for a substantial period of time and Australian companies need to be aware of this fact. Once again it is suggested that the assistance of local distributors, with vast knowledge of the process should be engaged to avoid delays.

### Barriers

Colombia's preferred source for health sector imports is the United States. Colombian medical professionals look to the US for education, training and leadership and therefore entry for Australian companies into the sector will be very competitive and difficult. There are many factors that make the US so

attractive for the Colombian health sector. These include their traditional economic ties, the quality and pricing of US imports, the exchange rate, and of paramount importance is their ability, thanks to their geographical proximity to provide customer service and follow up. In regards to medical equipment, in 2008 the US supplied forty percent of all medical sector imports. Australian companies looking for entry will need to bear in mind the fact that Colombia views US equipment at the forefront of state of the art technology, which is continually advancing due to on going research and development. High end technology developers will therefore need to develop entry strategies to counter these entrenched beliefs.

The entrenched presence in the market of, not only US companies but also German, Japanese, Chinese, Swiss, Brazilian and other European companies (who are not afraid to invest large amounts of money in Colombia) means that prospects for Australian companies may be limited. Much attention must be paid to formulate the correct entry strategy for your corporation. Finding the correct joint venture partner may provide the best avenue for entry.

Chinese medical imports are increasing, due to their cheap pricing (at up to thirty percent cheaper than US products) thereby encroaching upon the market share of seated companies. The areas of highest Chinese penetration include monitoring solutions, low cost consumables and the deontological sector. Australian companies attempting entry will also face the same challenges posed by cheap Chinese imports as those already there.

With no Australian health sector companies present or operating in Colombia, difficulties can be envisaged relating to a lack of local knowledge of what Australia has to offer. Initial negotiations will require a lot of time and effort to persuade buyers of the quality and value of your product, matched against those which they know and trust. It is noted that Colombians are inclined to buy new, reliable medical equipment from recognised sources to ease their concern with clinical outcome and patient safety.

Colombian import tariffs on final consumer goods (medical equipment and products, medications, etc.) are relatively high at fifteen to twenty percent. Although, as noted above (Plan Vallejo), products that are used in the production of goods and services, primarily for export can be imported into Colombia with a partial or total tax exemption. An example of this is found under government decree 3733 of 2005 that notes the conditions to be met for the exclusion of import taxes for primary chemicals used in the production of medicines.

All manuals, labelling, etc. associated with medical equipment and products are required to be translated into Spanish. This extends to the provision of training associated with the product and also to after sales technical support. Australian medical equipment providers need to be aware of this before entry.

INVIMA is the government body that enforces these directives and also registers goods on arrival.

The geographic distance and travel and freight time of Colombia from Australia means that problems may arise regarding issues particularly important to Colombians, such as face to face contact, spare parts availability and reliable after sales service. This may automatically put Australian companies at a disadvantage compared to their competitors.

### Best Advice

On initial entry into Colombia, Australian health sector companies are advised to seek out a reliable joint venture partner or third party for best results. If successful, then the choice can be made as to whether it is viable to set up a new entity in country or to stay in the joint venture.

Finding a trustworthy representative or distributor can be imperative in Colombia. For the public sector, local representation is essential as all distributors must be registered with perspective end-users so they are able to respond quickly to international and private bids. The private sector buys from international distributors directly (even travelling overseas to deal directly with the manufacturer) and therefore a local distributor is not essential, although the assistance of local representation is still highly recommended.

For the introduction of new medical technology into the Colombian market, promotion and marketing is vital. Recommended strategies include: Market exposure at national and international congresses of the different medical specialities; publication in medical scientific magazines; accurate and complete information provided to the medical speciality associations; seminars for local doctors organised by your local representative.

For Australian companies looking to export medical equipment, the preferences of the Colombian end-user must be understood. End-users, generally always buy new and reliable medical equipment that comply with international sanitary standards. They also expect a minimum one year guarantee; coupled with readily available customer service, spare parts, technical assistance, backup programmes and training. The addition of further incentives can assist greatly the chances of Australian companies bidding for contracts, etc. The market for refurbished and used medical equipment is not significant, but where sales do occur the regulations expand the above requirements to five years.

All negotiations in Colombia are required to be undertaken in Spanish. Even though the level of English proficiency is improving, sound business practice requires that Spanish speakers should always be present during negotiations.

It must be noted that all business dealings in Colombia (as with other countries in Latin America) take a long time. Before

entering Colombia you must be prepared to be there for the long haul and to spend considerable time in country building a relationship of trust with the companies you are negotiating with. It may take a considerable amount of time and money before you begin to reap the rewards of your labour. Once they like and trust you business is assured.

It is also advisable to acquire sound legal representation and advice before entering Colombia. Colombia has many complicated legal requirements and regulations for foreign companies that only lawyers with sufficient knowledge of the country will be able to fulfil correctly. They will also be able to build you knowledge of the local market and how it operates.