



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Myanmar's Health Infrastructure:
the Evolving Context for Foreign
Engagement

March 22, 2013



Discussion Topics



- What does Myanmar's health system look like now, and how is it changing in the context of such dynamic political changes?
- How "open" is the country in reality, and how is that openness making an impact on the health system?
- Do sound distribution channels for pharmaceuticals, medical devices, and diagnostics exist? What about regulation for medical products?
- What domestic and foreign private players currently have a footprint in the system? How might that footprint shift in the near and long term?
- Would the country's health system benefit from engagement from more multinational companies?

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Why So Much Interest?

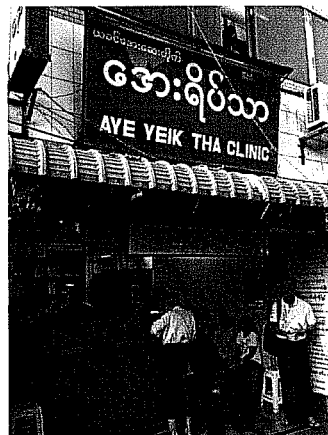
- Closure.
 - ❑ Regionally, this leaves North Korea as the last isolated and closed-off Asia country.
 - ❑ Myanmar's opening is another victory for the Washington model.
- Market Opportunity.
 - ❑ MNCs can access approximately 60m new consumers.
 - ❑ In the mid 1900's, Myanmar was the wealthiest country in Asia.
- Culture
 - ❑ Muscle memory of the British legal and education systems still exist.
 - ❑ Accessible and beguiling culture.
 - ❑ Sense that the people are flexible, tolerant, easy to work with.
- Regional Impact
 - ❑ China wants Myanmar's oil and natural gas, hydropower, and metal mining.
 - ❑ China wants access to at least one, maybe two, possible deep sea ports.
 - ❑ India wants one deep sea port.
 - ❑ Will Myanmar lean towards India or China?

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The Healthcare System Today

- Healthcare expenditures are 2% of GDP (188th globally).
- Consumers are used to purchasing healthcare (OOPS 82-85%) – they have very low expectations of government assistance. *If the economy grows, consumers will spend a lot more money on healthcare.*
- Government formulary spending translates to per-capita increase from \$0.20/person/year to \$2.00/person/year.
- Pharmaceutical market projected to grow from \$430m in 2012 to \$945m by 2015.



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The WHO's Survey

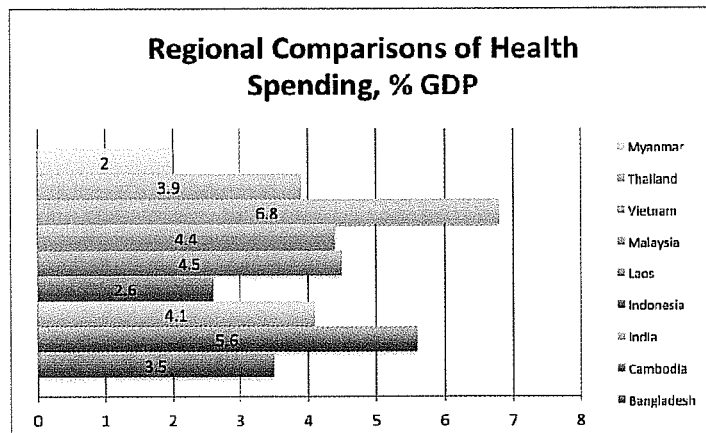
- Disability Adjusted Life Expectancy (DALE): 139/190
- Responsiveness: 151-153/190
- Fairness in Financial Contribution: 190/190
- Overall Goal Attainment: 175/190
- Health Expenditure per Capita in International Dollars: 136/190
- Performance on Level of Health: 129/190
- Overall Health System Performance: 190/190



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Overall Healthcare Spending

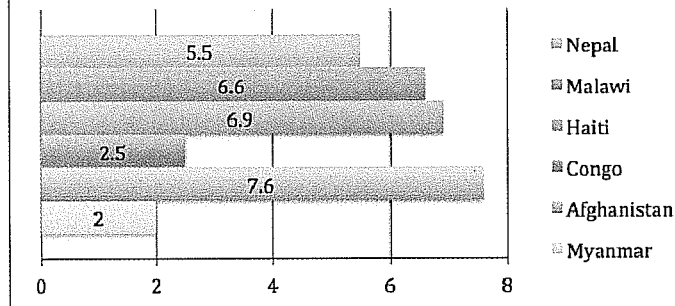


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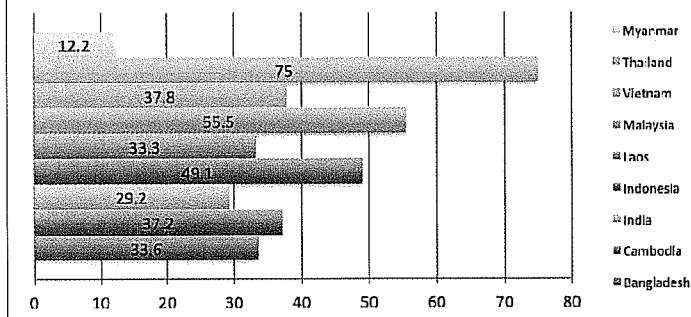
Overall Healthcare Spending

Developing Nation Comparisons of Health Spending, % GDP

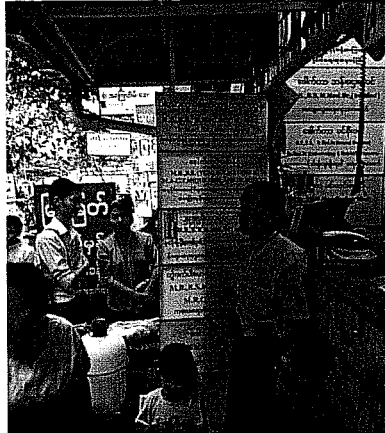


Government Healthcare Spending

Government Spending as % of All Health Spending



The Healthcare System Today

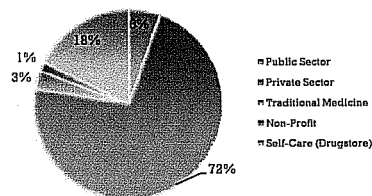


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- Communicable diseases remain a challenge.
 - The WHO, broader NGO community and Myanmar's doctors deserve credit.
 - Malaria and drug resistant malaria remain problems.
 - 180,000 fully developed TB cases (20,000 have HIV).
 - TB drug-resistance is also an issue.
 - 9,000 MDR-TB nation-wide.
 - Roughly 4,000 cases of dengue fever a year.
- Key CD initiatives for 2013:
 - Reaching Every Community (REC) to take existing programs into hard to reach rural areas.
 - One new cold-chain transport vehicle.
 - T'd school immunization program.
 - Expanded polio and measles eradication programs.
 - New polio specific diagnostic capabilities accessible to rural areas.
 - New two-wheelers for healthcare workers.
- Non-communicable diseases a growing issue:
 - 40.7% exhibit metabolic risk factors.
 - 18.4% of country overweight.
 - 48% report being a "regular smoker."
 - 51% report chew tobacco.
 - 19% of adult males are "heavy episodic drinkers."
 - Trauma accounts for 27% of all NCD mortality.

Why Is Industry So Excited?

Healthcare Seeking Behavior,
Out-Patient



Source: Ministry of Health 2008 "Health in Myanmar" Survey.

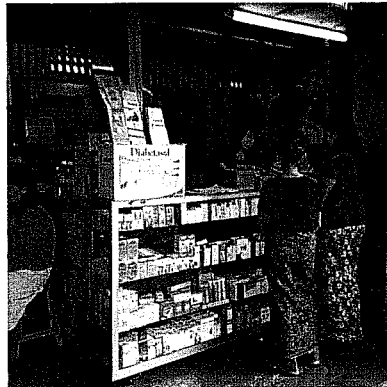


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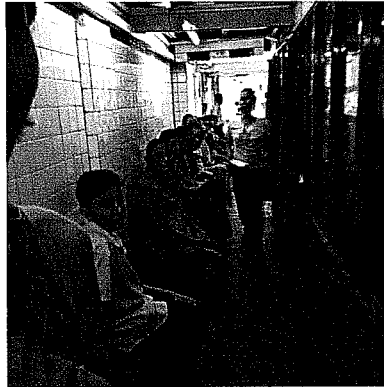


How Consumers Access Healthcare Today

Independent Pharmacies



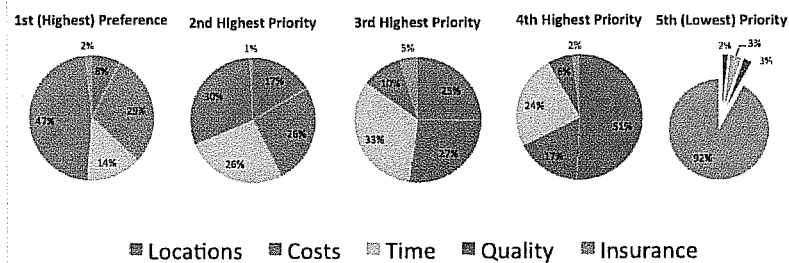
Polyclinics



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March 2013 Survey Results



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What Are the "Right" Priorities?



- Build out bureaucratic capacity in the MOH that can design, monitor and manage new public health policies and investments.
- Capacity building (more qualified doctors and nurses over more hospitals and clinics).
- Improve compensation for doctors and nurses.
- Provide training for healthcare workers to improve skills.
- Greatly expand the national formulary.
- Expand trauma care capabilities, in particular for rural areas.
- Address chronic hemodialysis supply chain interruptions.
- Significantly invest in oncology diagnostic capabilities and treatment therapies.
- Major expansions of cardiology diagnostics alongside significant device and drug interventions.

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How Open is the Country?

- Bias towards locals.
 - *Pharmaceuticals and devices have to be imported by a local company. Most never touch the product yet still account for 3-5% of the imported cost.*
- Arbitrary policy changes.
- Investment approval case-by-case.
- Weak rule of law, specifically in the area of property rights.
- Non-tariff barriers.
- Inconsistent tax policies.
- Inadequate financial sector.
- Confusing foreign exchange system.
- No "unique" structural impediments to healthcare investment or operations in Myanmar other than ability to spend and infrastructure.



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Prohibited or Highly Regulated Industries



- Strictly prohibited to government entities:
 - Teak harvesting and sale.
 - Forest plantations.
 - Petroleum, natural gas.
 - Pearl, jade, precious stones.
 - Prawn production.
 - Post, telecommunications.
 - Air and railway transportation.
 - Banking
 - Broadcasting.
 - Metal mining.
 - Electricity generating.
 - Military equipment.
- Many members of the military junta remain the powers behind each of these sectors.

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Distribution Channels

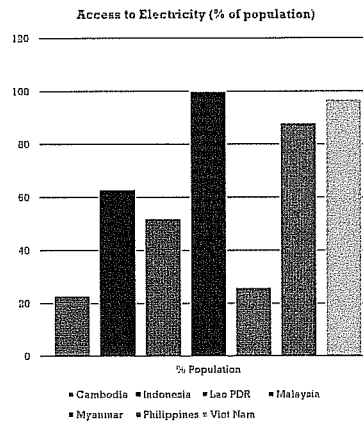
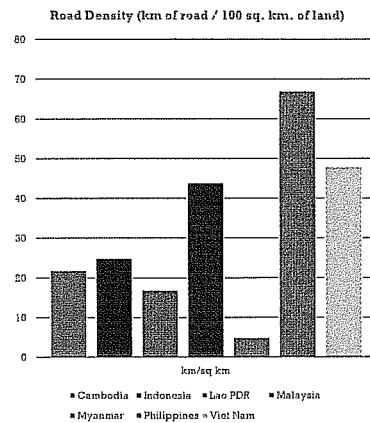
- Really only three "Tier 1" distributors: DKSH, Mega Life Sciences, Sea Lion.
- Almost impossible to over-state the importance of distribution partners.
- Why so important?
 - Highly fragmented market.
 - Very relationally driven.
 - Public tenders are poorly run.
 - Compliance risks abound.
 - Poor infrastructure.
 - Transportation challenges.



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Distribution Channels



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What To Look For in a Myanmar Distributor



- Captive in-country logistics.
- Robust compliance systems.
- Cold chain capabilities.
- Access to diverse points of sale.
- Geographic reach.
- Active partner training programs.

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Notes of Caution

- Current reforms are widely understood – within and without the country – as being a “point of no return.”
- The 2015 elections are key: will the military really allow them to take place peacefully and the results to be followed?
- Ethnic and religious strife is very real and in many ways as un-resolved today as it was when Aung San Suu Kyi's father was assassinated.
- Myanmar has a “natural resource curse.” Too many could reinforce cronyism versus embracing market reforms that will emulate the Asian Tiger economies.
- Globalization is at a different point today than when China, South Korea, and even Vietnam opened to the west.



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