Gustavo Ambrosini – General Manager, Fresenius Medical Care Peru

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Following an illustrious career at Baxter, Gustavo Ambrosini moved to the Peruvian affiliate of Fresenius Medical Care. As general manager, he describes the various projects that Fresenius Medical Care is undertaking to ensure patients suffering from renal failure are adequately treated.

What were the initial priorities you set for yourself on becoming general manager of Fresenius in Peru?

Fresenius Medical Care had received a declaration of interest for a public-private partnership (PPP) to build 24 dialysis centers across Peru in June 2011. My goal was to implement that. In July of that year, the change in Peru's government resulted in many changes in EsSalud. After a few months the PPP was ultimately rejected, as well as all the others in the EsSalud's portfolio. Essentially we started over. However, the mission of growing the provider business persisted (the other business being the provision of medical products and supplies like devices and pharmaceuticals) through the constant provision of dialysis services to patients directly. Patients are either covered by EsSalud, the Ministry of Health (SIS) or private insurance, which usually does not cover dialysis fully.

The actual number of patients suffering from kidney disease is lower than in other Latin American countries, because only a fraction of Peruvians are officially on insurance. There may be many potential patients out there. How does Fresenius Medical Care

reach out?

The prevalence of patients with end stage renal failure in Peru is around 400 per million inhabitants. This is indeed one of the lowest in Latin America. Chile's rate is about 1000 per million, and 600 in Argentina and Colombia. It is low in Peru because the infrastructure to offer dialysis service to patients is deficient and there is a lack of diagnosis. Without insurance, people do not go to hospitals. It is a vicious circle. We are now fixing this situation by acquiring hemodialysis clinics in good condition, having owned zero three years ago.

There are currently around 10,000 patients in Peru, almost 90 percent of whom are covered by EsSalud, and five or six percent by SIS. Out of those 9,000 EsSalud patients, only 25 percent are serviced through the EsSalud infrastructure. The other 75 percent are covered by private clinics that are subcontracted by EsSalud. There are between 80 and 90 private centers dedicated exclusively to dialysis in Peru. Some are good, some are too small; others are in need of improvement. We are focusing on those clinics with good condition to do product business or propose an acquisition to them. It is a slow process, but over time it will work. We also intend to build infrastructure through PPPs.

How does the PPP model work in Peru today?

In the past, if you had a private initiative, you could go directly to the institution that will partner with you. Fresenius Medical Care could go directly to EsSalud or the Ministry of Health. Now all private initiatives have to go through the Ministry of Economy and Finance, specifically an institution called ProInversión, which plays an important role in all sectors including health. One of the main strategies across many Peruvian governments has been to grow the country through PPPs. All projects really ought to go through ProInversión now, as its workforce is very professional, well-educated and well-prepared. After consideration, this institution approaches the final user (in this case EsSalud or the Ministry of Health or a Regional Government) and proposes a partnership with interested private company having evaluated the economic and financial pros and cons. That is the new process of the Peruvian government.

What is your assessment of the government when it comes to critical care, providing access to a product that can often be a matter of life or death?

There are pros and cons. The government's health reform has positive goals like leveling the income of physicians and harmonizing them among different institutions. It is a process, but it is a good thing. The reform also accounts for interchangeability. In the past, patients were limited only to hospitals of EsSalud or the Ministry of Health depending on their insurance status. Now the

government is trying to combine hospitals. This could be a good idea and is a faster solution for the lack of infrastructure. But there are mixed points of view about this. EsSalud and Ministry of Heath hospitals are already packed; bringing more people could make things worse, but if the government constructs more hospitals it will be a good thing. The idea will certainly collapse unless additional infrastructure is built.

The Ministry of Health announced a USD 3.5 billion investment in infrastructure projects in November 2014. However, there was much opposition in the Congress in general regarding PPPs going to the healthcare sector. Nevertheless, I believe this strategy is excellent for the country. ProInversión has a very favorable image in Peru. If a country does not have sufficient infrastructure and government approval is slow while the private sector is ready to invest, build and operate, this is undoubtedly a good thing.

However, many physicians working for the Ministry of Health thought that with private investors they would lose their jobs inside the Ministry. They think that new hospitals would hire physicians and nurses from the private sector more than the public sector. The other option is to build and operate the hospital, but working with physicians and nurses from the Ministry of Health's payroll. I deem that the private sector can work with any of both systems without major problems.

What do all these opportunities mean for Fresenius Medical Care?

We presented our project four years ago, it was initially declared of interest but unfortunately rejected lately by the new administration It was a contradiction; they wanted PPPs but simultaneously they cancelled ours among others. We are pursuing a new project now. Fresenius Medical Care is focused on dialysis, but the Ministry of Health is focused on hospitals. However the larger hospitals will include dialysis centers inside the hospital which is an opportunity for us.

Some studies suggest that if annual screening tests were done in Peru, many cases of end stage renal failure could be avoided and thus create big savings. How is Fresenius Medical Care active in this?

EsSalud has a program called VISARE, which estimates that there are 35,000 potential patients in EsSalud with chronic kidney disease. We are not in the condition of running detection campaigns; that is more for EsSalud and the Ministry of Health. . If we predict 35,000 potential patients, and we run prevention programs, less people will require dialysis which is great, but also those still requiring dialysis will be in better health conditions than now. We can give them better service for a longer time, so it's a good thing for everybody

In some other countries, Fresenius Medical Care runs conferences for physicians and patients inside hospitals free of charge, and also establishes agreements with private insurers in which we provide all necessary treatments for patients identified in the early stages of renal failure.

What are your projections for future growth?

Peru is a mining country. When metal prices are high, Peru is in good shape; when they go down we suffer. The price of copper – Peru's main metal – is 40 percent of what it was two years ago. The future depends how well new mining projects develop. If everything goes well we could double our copper production and exports in two years. There are many mining upcoming projects, and if things go well, the volume of exports will grow aggressively. Then, growth may return and Peru will once again become an attractive country for investors.

The future also depends on how well local communities are politically managed. Many projects have been torn down such as *Conga*, which was a gold project in Cajamarca. The local governments sometimes oppose mining companies; the challenge for any government will be to find a balance between the country interest and local needs.

Where will we find Fresenius Medical Care Peru in five years?

We are in an aggressive mode, and we are willing to invest in Peru because the prevalence is so low that it will increase sooner or later. We have a long-term strategy for Peru regarding the healthcare system. We are not afraid because GDP has not grown as expected in 2014. In the long-term, business will be good through our aggressive strategy.

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