



Outlook of Puerto Rico Healthcare Market

Industriales de Puerto Rico

HEATH INDUSTRY SUMMIT
“Redefining the Healthcare Model”

Presented by:

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Managing Partner
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Funding, Demographics & Clinical Model



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HEALTHCARE FUNDING

Healthcare Funding in Puerto Rico			
Sources of Funds			
Description	Amount	Funding	Source Document
Premium 6 principal insurance co., approximately 97% of total premium	\$ 12,362,743,060	Medicare, Vital and Commercial insurances	Office of Insurance Commissioner
Total estimated premium revenue	\$ 12,745,095,938	Total	
PR Governmental Funds:			
Department of Health	400,000,000	PR Tax Assessments	PR 2023 Budget
ASEM	61,000,000	PR Tax Assessments	PR 2023 Budget
ASMCA	107,000,000	PR Tax Assessments	PR 2023 Budget
CCCUPR	20,000,000	PR Tax Assessments	PR 2023 Budget
ACAA	90,000,000	Premiums	PR 2023 Budget
State Insurance Fund	550,000,000	Premiums	PR 2023 Budget
	<u>1,228,000,000</u>		
sub-total	<u>13,973,095,938</u>		
Add: Other Sources as:			
Medicare Traditional Program, VA Administration and people out-of-pocket	<u>1,026,904,062</u>		Galindez LLC estimate
Total estimated funding	\$ 15,000,000,000		



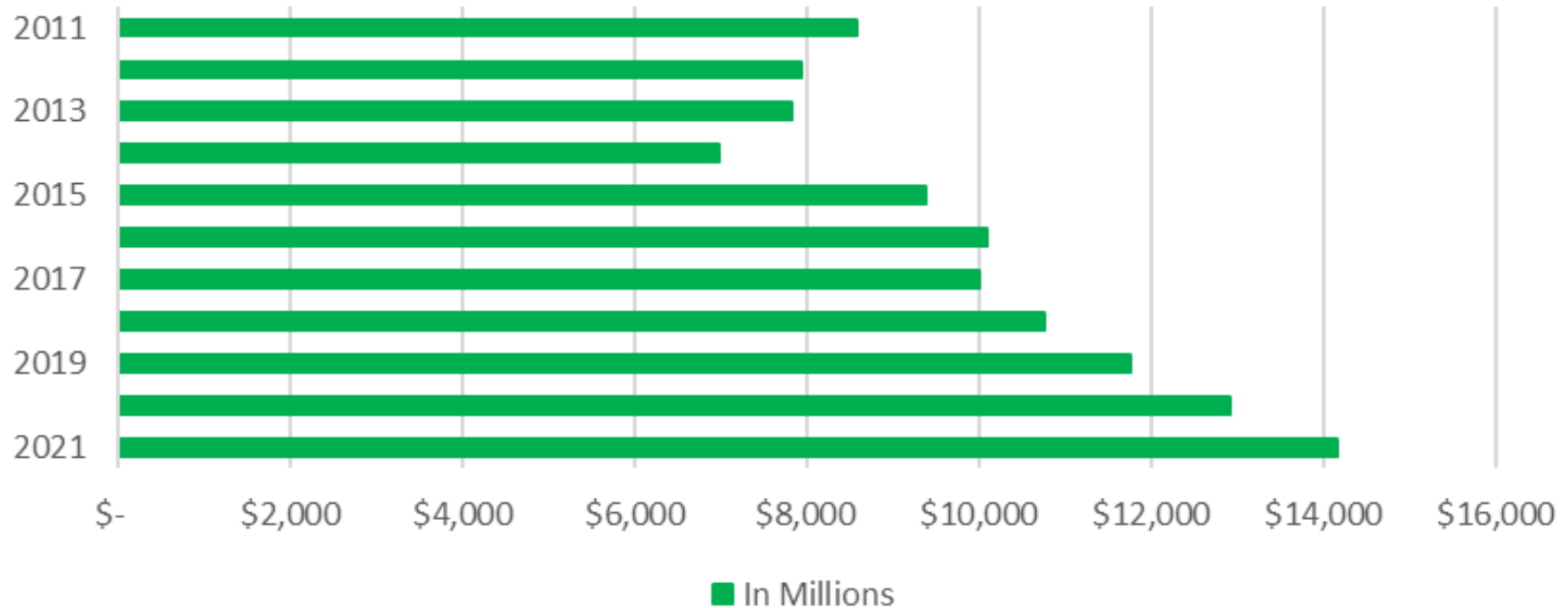
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HEALTHCARE RESOURCES

Estimated Puerto Rico Healthcare Resources 2021 vs. 2011



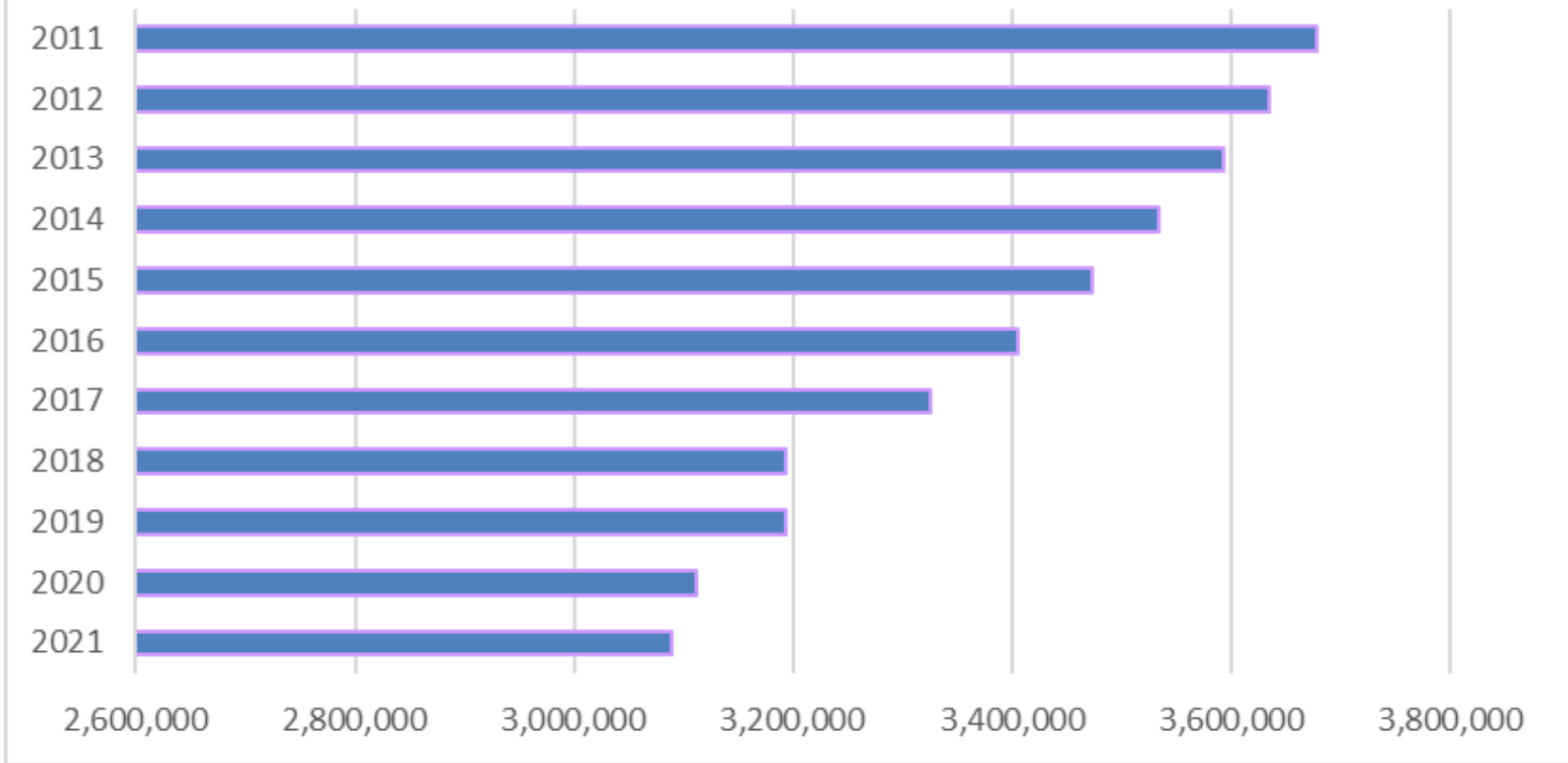
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CHANGE IN PR POPULATION

**Change of 589,148 in Puerto Rico Population
at 2021 from 2011**



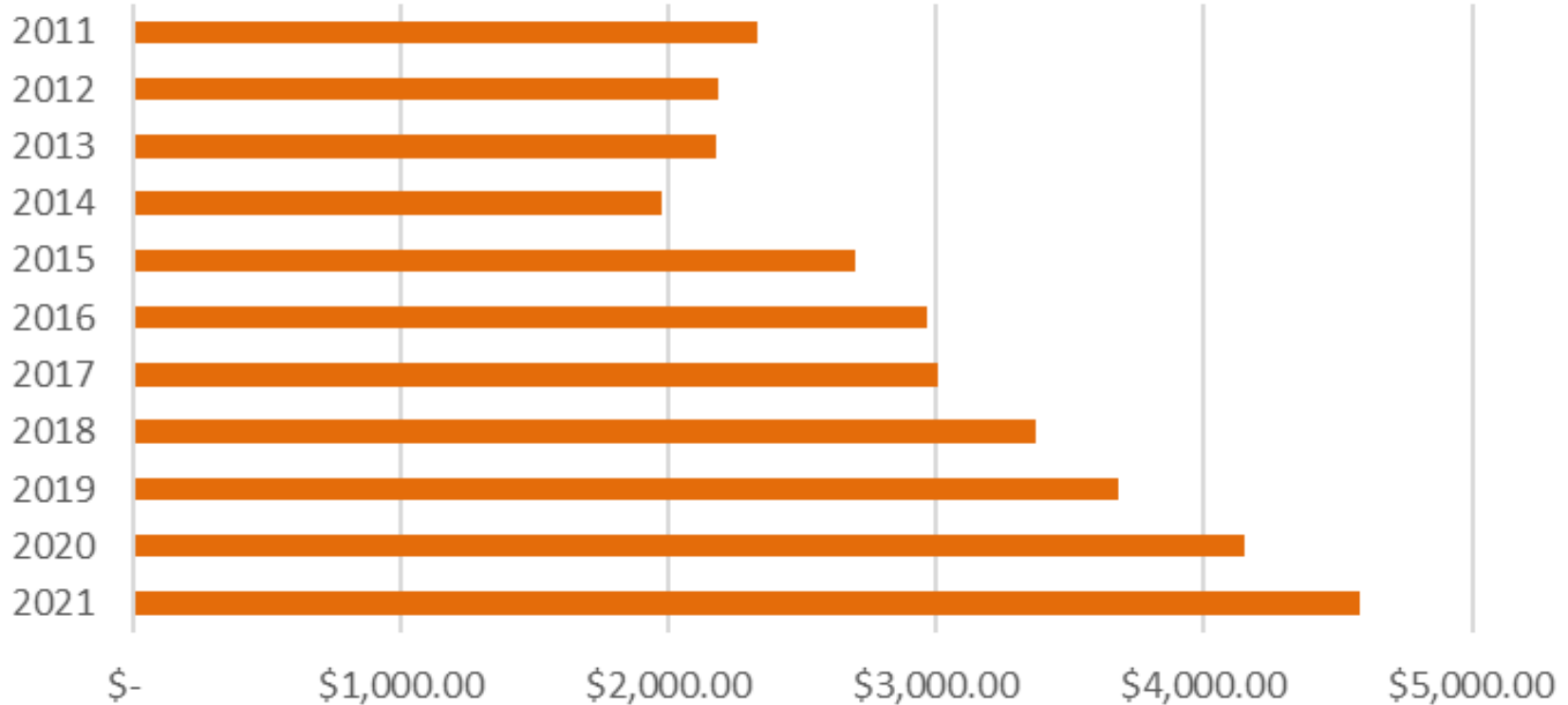
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HEALTHCARE RESOURCES PER CAPITA

Estimated Healthcare Resources Per Capita 2021 - 2011

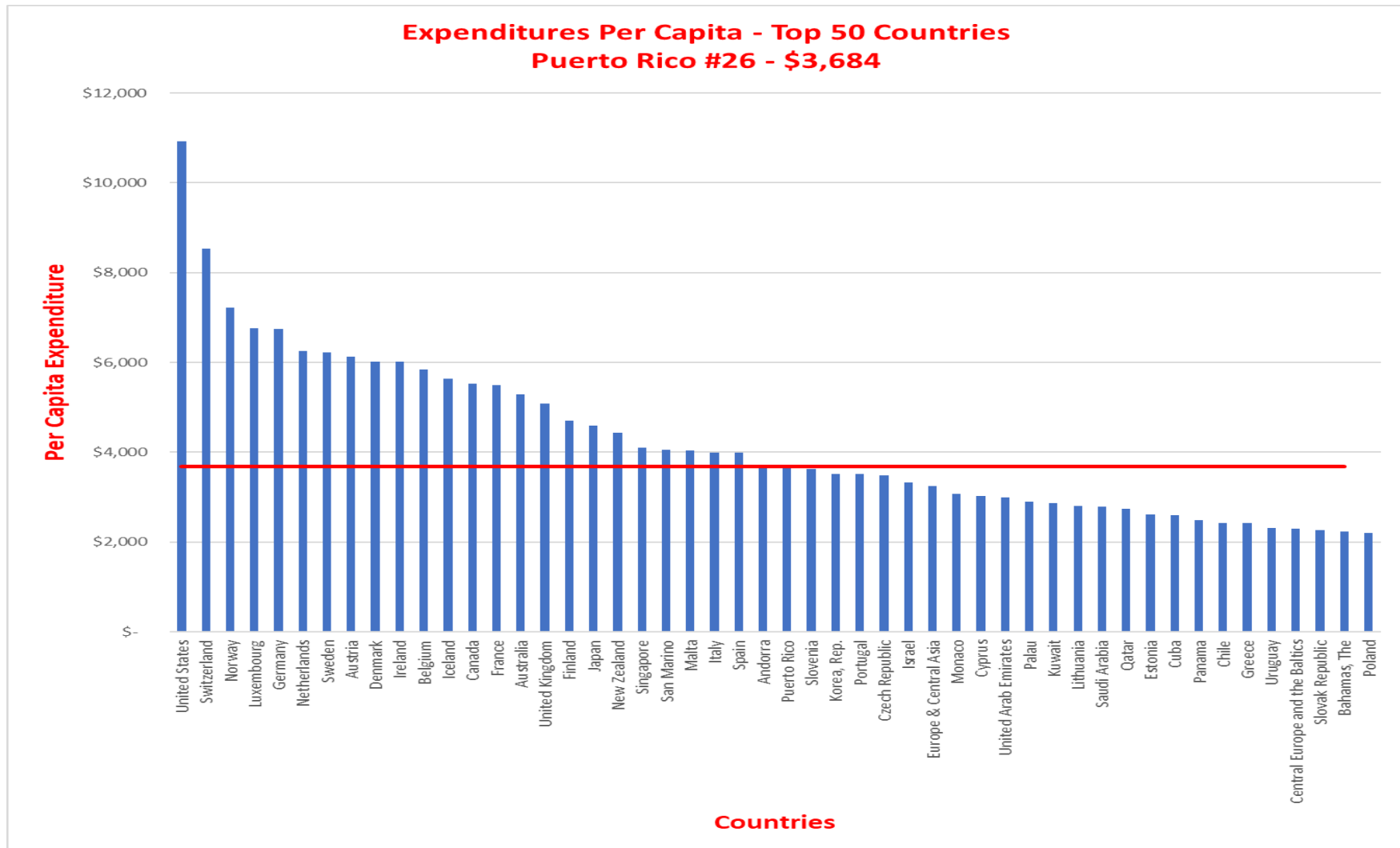


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TOP 50 COUNTRIES HEALTHCARE EXPENDITURE PER CAPITA

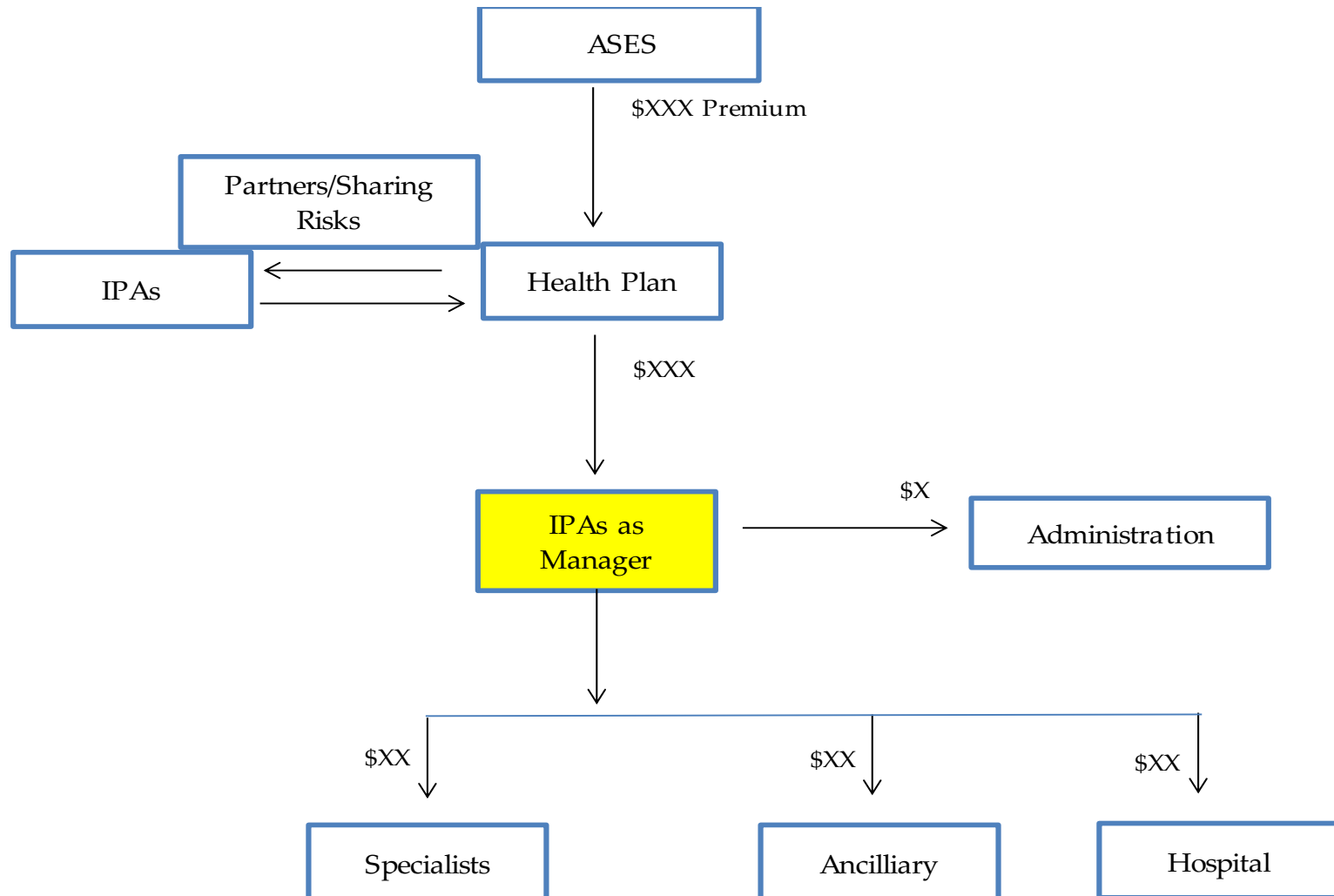


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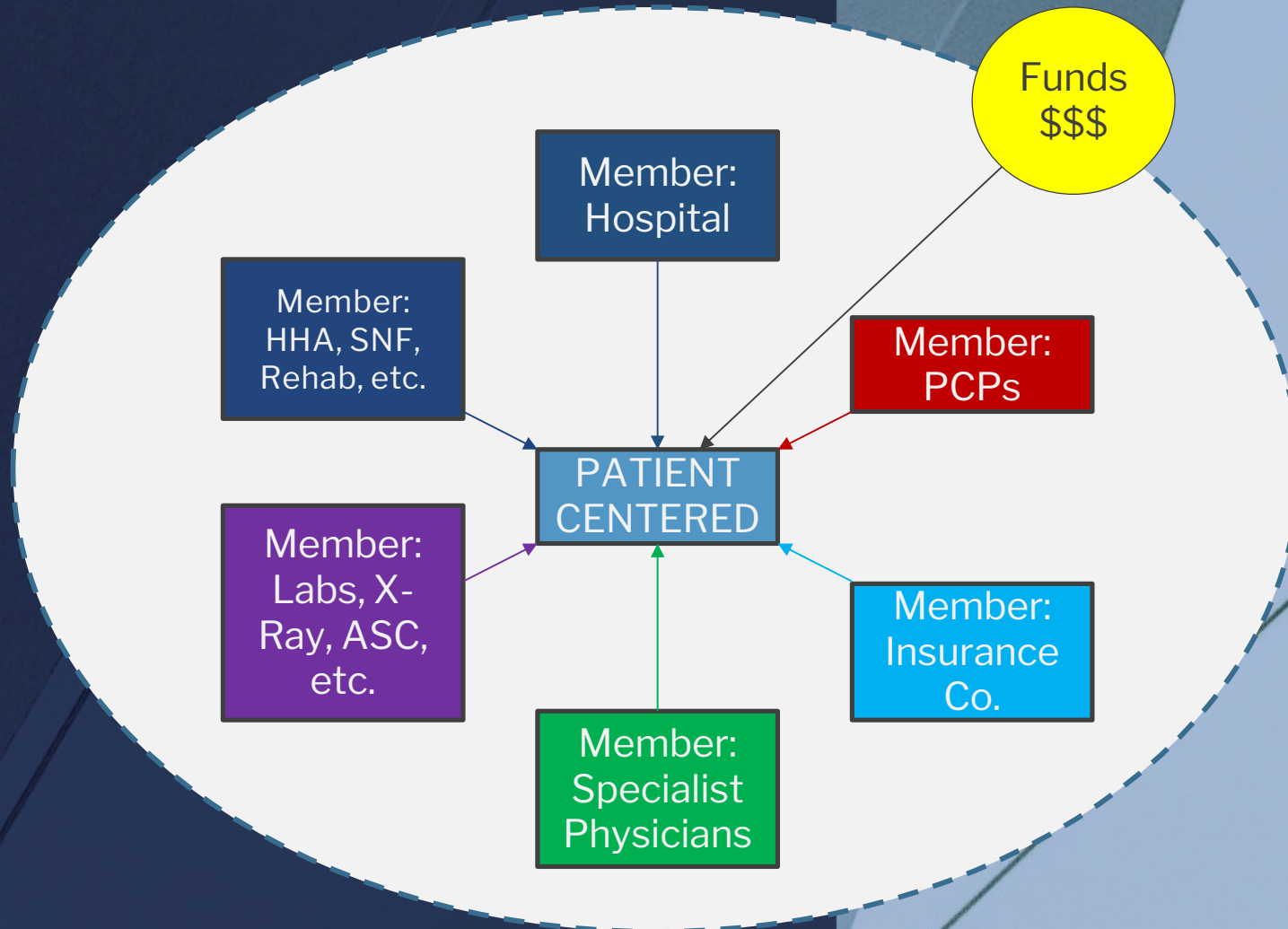
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EXISTING CLINICAL MODEL



INTEGRATED DELIVERY SYSTEM MODEL (IDS)



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Other Important Factors related to the Healthcare Market

OTHER IMPORTANT FACTORS

- A significant decrease in population since 2011, which includes a decrease in the birth rate.
- The Existing Clinical Model (How medical services are provided?). There is a financial incentive in the model.
- New developments in the medical technology and drugs therapy.
- New forms to handle and manage the medical care to the patient. (Ex. home infusion therapies, etc.).
- The country economy, ex. high unemployment results in an increase in beneficiaries to Health Reform Program, lesser amount of employers paying medical insurance, etc.
- Lack of physicians in several specialties, as surgery, pediatrics, etc.
- Uncertainty in federal funding.

OTHER IMPORTANT FACTORS

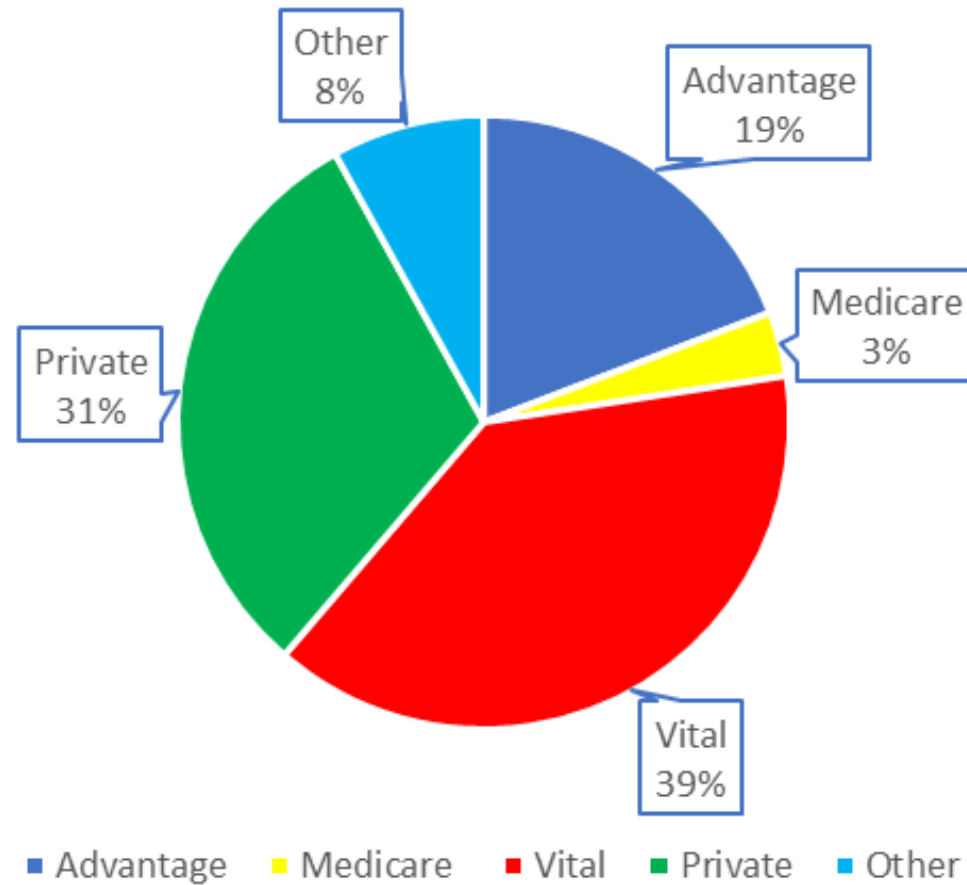
- Limited amount of insurance companies (choices).
- Limited access to financing to fund providers' replacement programs and new facilities. This situation affects significantly the non-for-profit organizations.
- Medicare Advantage (MA) market is extremely competitive, particularly between MMM Healthcare, Inc. and MCS, because its profitability, and with over 85% of Medicare beneficiaries in Puerto Rico are in a MA plans, including Platino's beneficiaries which are those dual-eligible (Medicare/Medicaid).
- There are approximately 1,200,000 Puerto Ricans which receive medical services under the health program sponsored by the Government of Puerto Rico known as Plan Vital.

OTHER IMPORTANT FACTORS

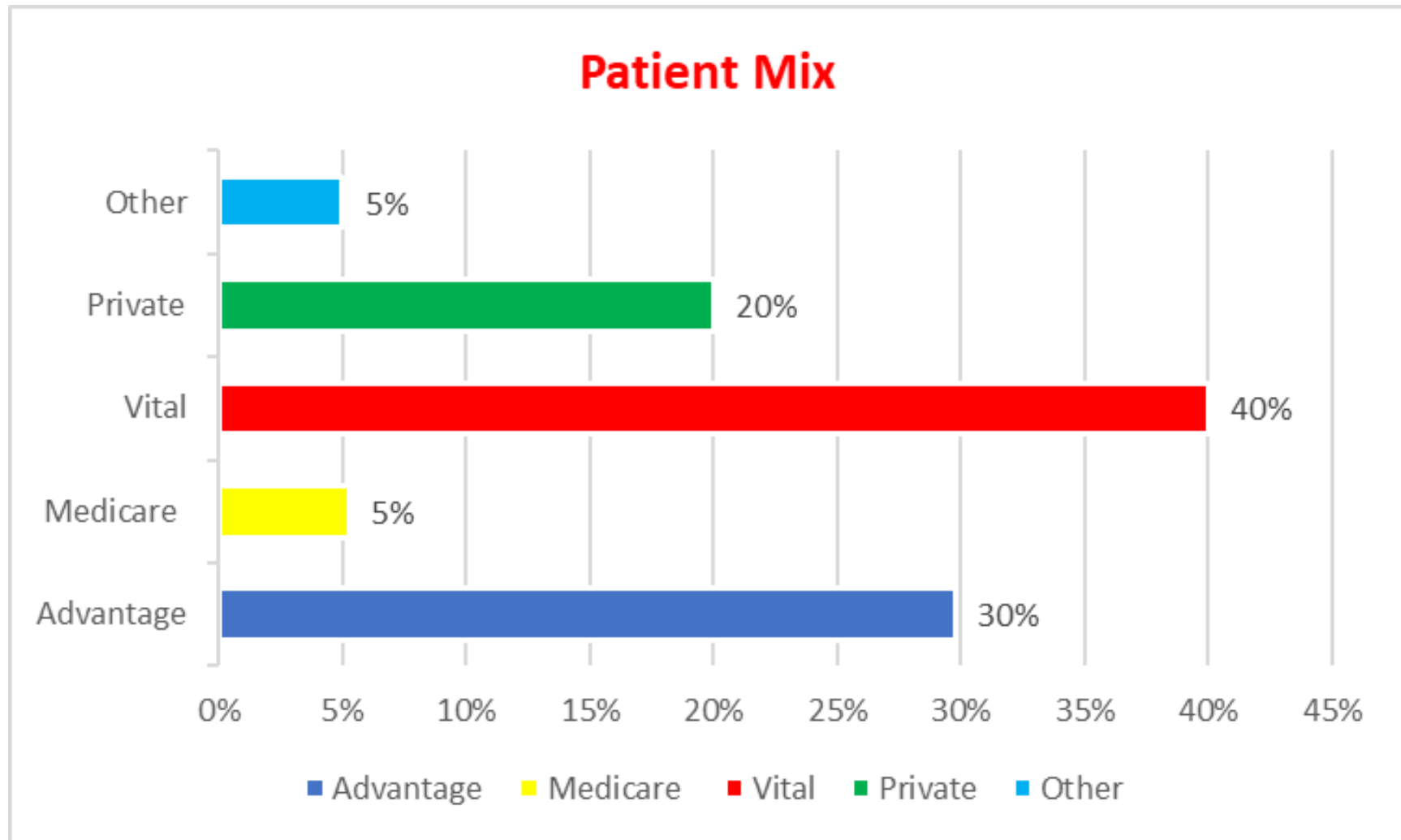
- There are approximately 30 health insurance companies and HMO providing healthcare insurance coverage in Puerto Rico. However, only six (6) of them subscribe over 95% of all premium revenue of the market and 90% of the subscribers. These companies are:
 - Triple S (SSS) (Commercial, Plan Vital and MA)
 - Medical Card System (MCS) (Commercial and MA)
 - First Medical Health Plan (Government and Plan Vital)
 - MMM Healthcare, Inc. (MA and Plan Vital)
 - Plan de Salud Menonita (Plan Vital and commercial)
 - Humana Health (MA and Commercial)

OTHER IMPORTANT FACTORS – POPULATION MIX

Population Mix



OTHER IMPORTANT FACTORS – PATIENT MIX



Insurance Companies Market



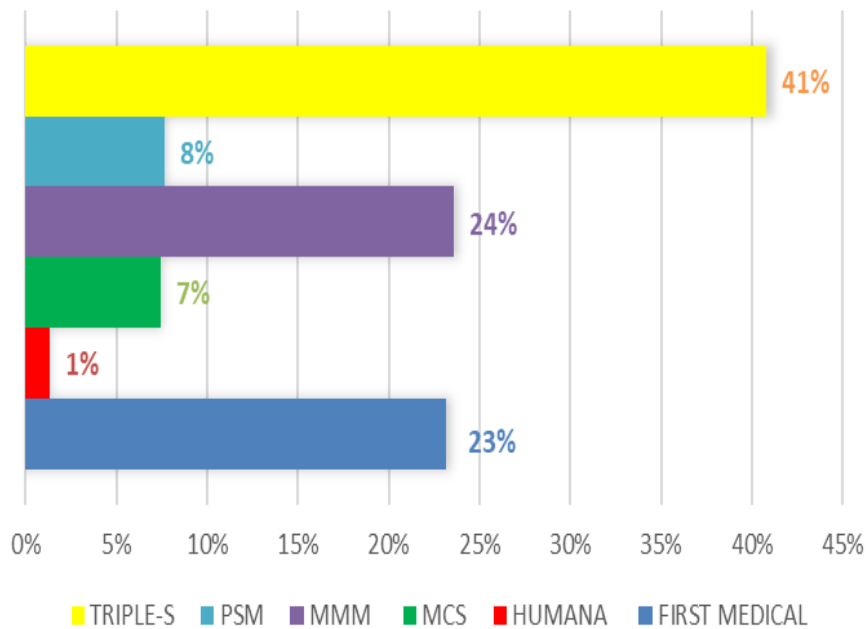
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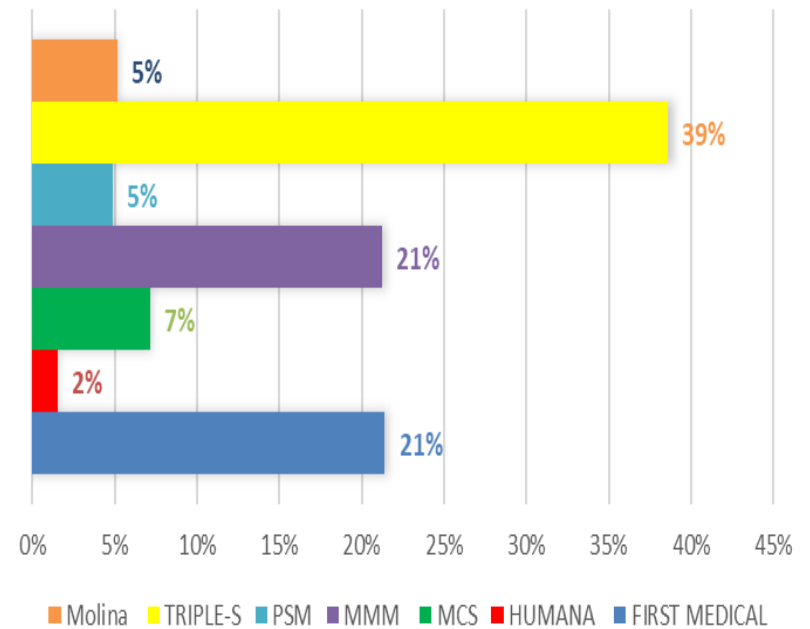
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MARKET SHARE BASED ON MEMBERSHIP

**2021 MARKET SHARE BASED ON
MEMBERSHIP OF 2.6 MILLION**



**2020 MARKET SHARE BASED ON
MEMBERSHIP OF 2.5 MILLION**



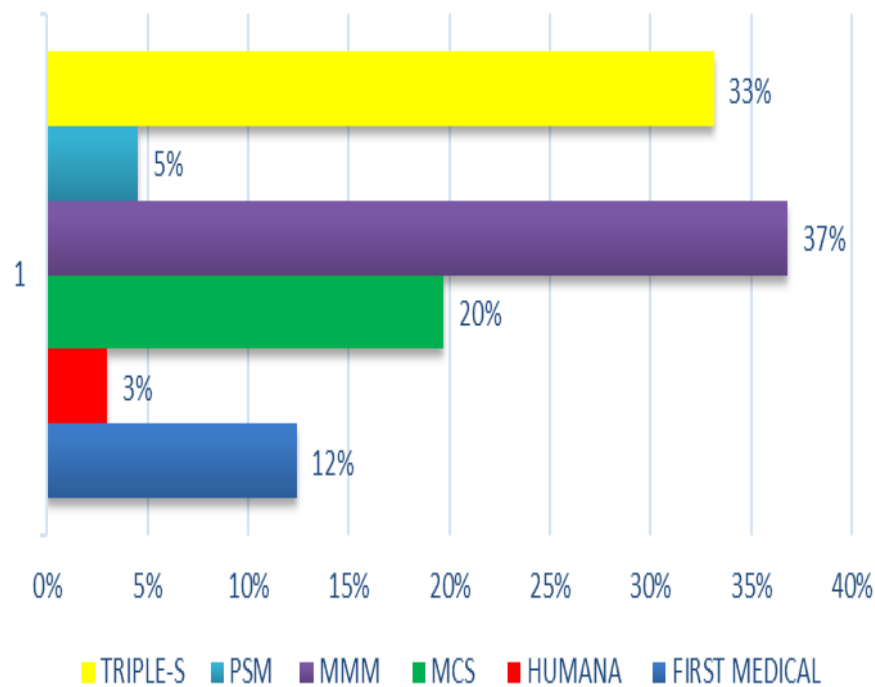
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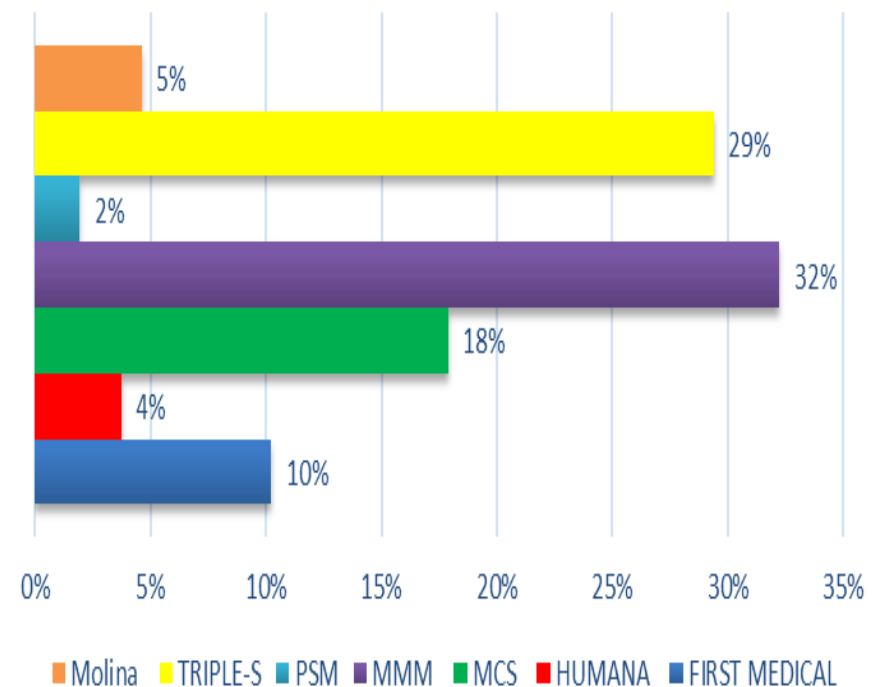
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MARKET SHARE BASED ON PREMIUM REVENUE

2021 Market Share based on Premium Revenue on \$12.4 Billion



2020 Market Share based on Premium Revenue of \$11.3 Billion

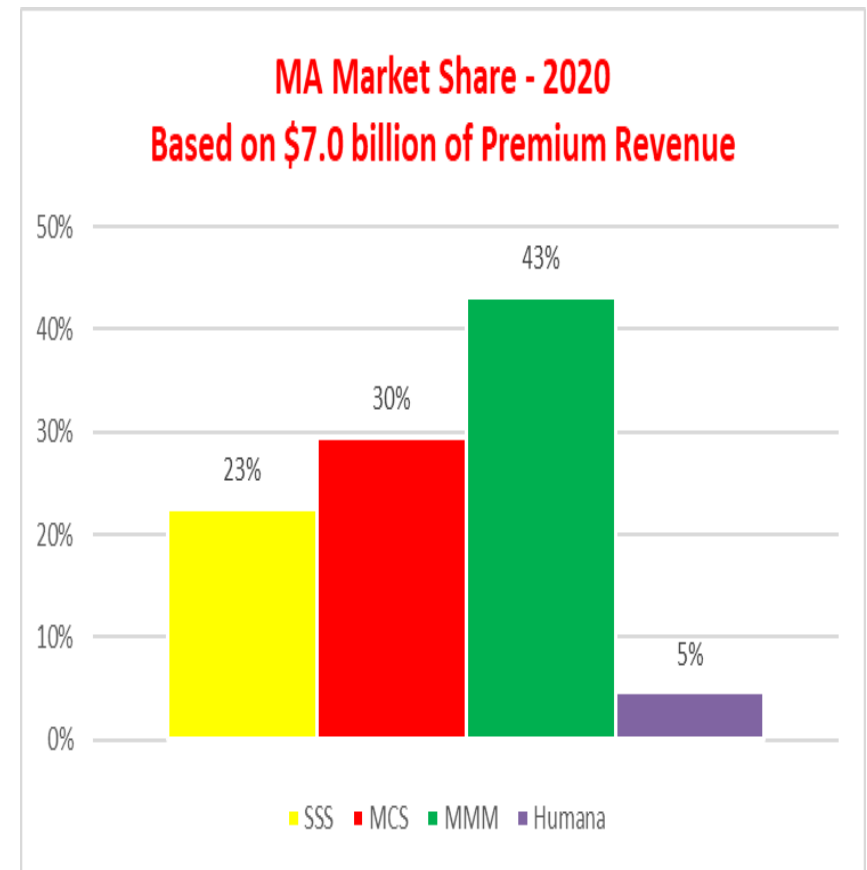
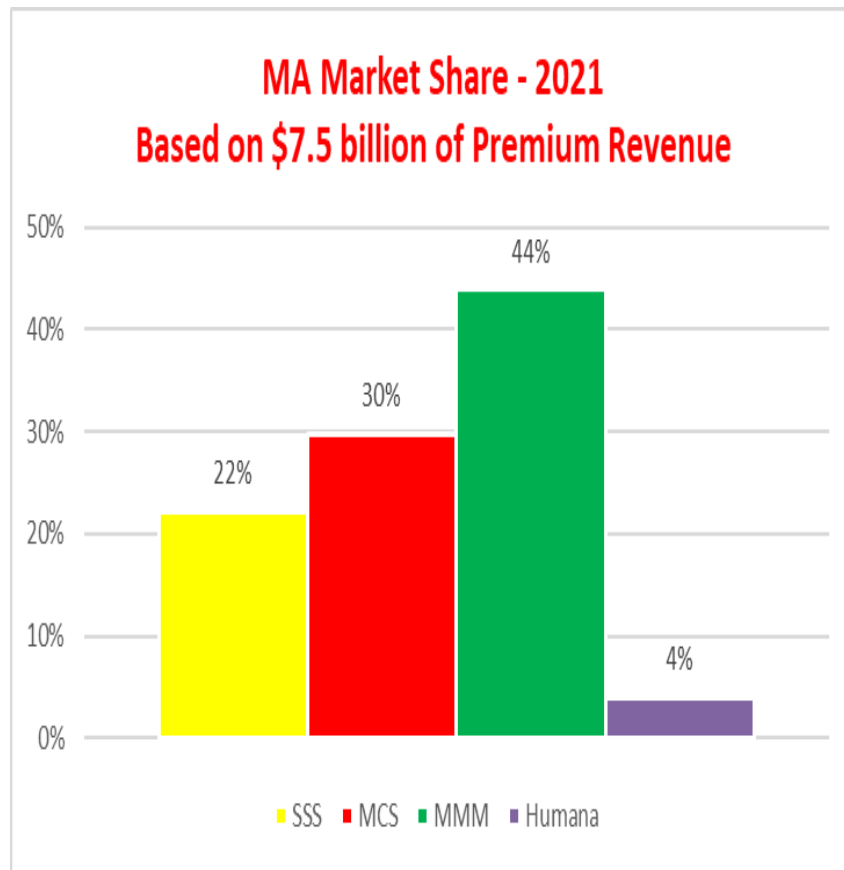


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MEDICARE ADVANTAGE (MA) MARKET SHARE



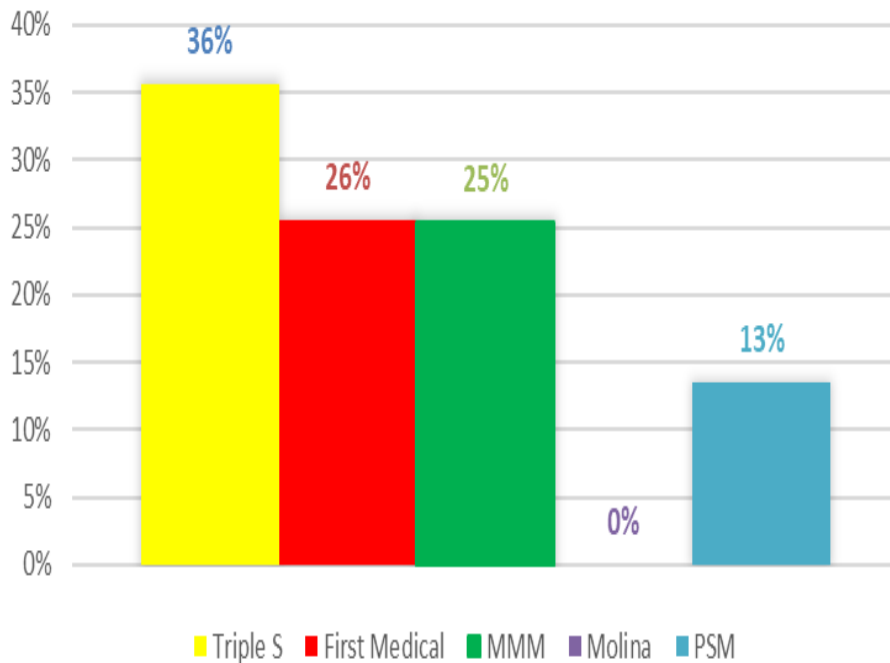
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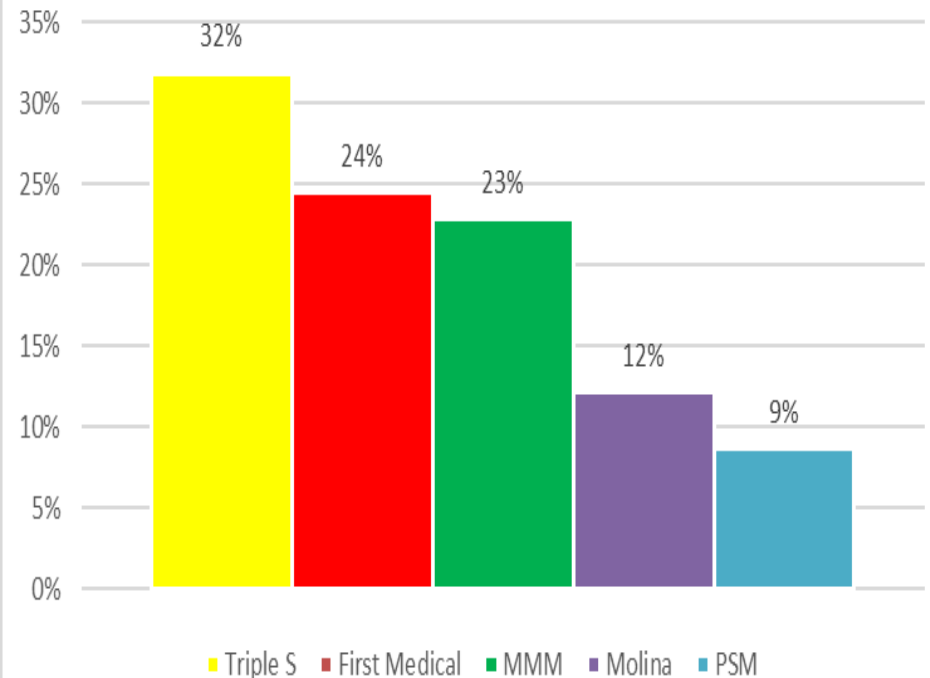
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PLAN VITAL'S MARKET SHARE

2021 VITAL MARKET SHARE BASED ON PREMIUM REVENUE OF \$3.5 BILLION



2020 Vital Market Share Based on Premium Revenue of \$2.9 Billion



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Hospitals' Outlook



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HOSPITALS' GENERAL REMARKS

There are 69 hospitals in Puerto Rico, 55 are private institutions and 14 are governmental institutions.

From the 55 private hospitals, 37 of them are for-profit organizations, of which 24 hospitals belong to four (4) wholly-owned private local companies. They are Doctors Center Hospital (4), HIMA-San Pablo (4), Manatí Medical Center Group (4) and Metro Pavia Health System (12).

Mennonite Health System, a non-for-profit entity, owns seven hospitals, a health insurance plan and several ambulatory primary centers, principally in the central-east-south regions of Puerto Rico.

HOSPITALS' GENERAL REMARKS (CONT.)

There are 4 psychiatric hospitals, 2 of them owned by companies located in US. Also, there are various psychiatric units operating within acute hospitals.

Encompass has 2 rehabilitation hospitals, and there is one additional facility which operates within an acute hospital.

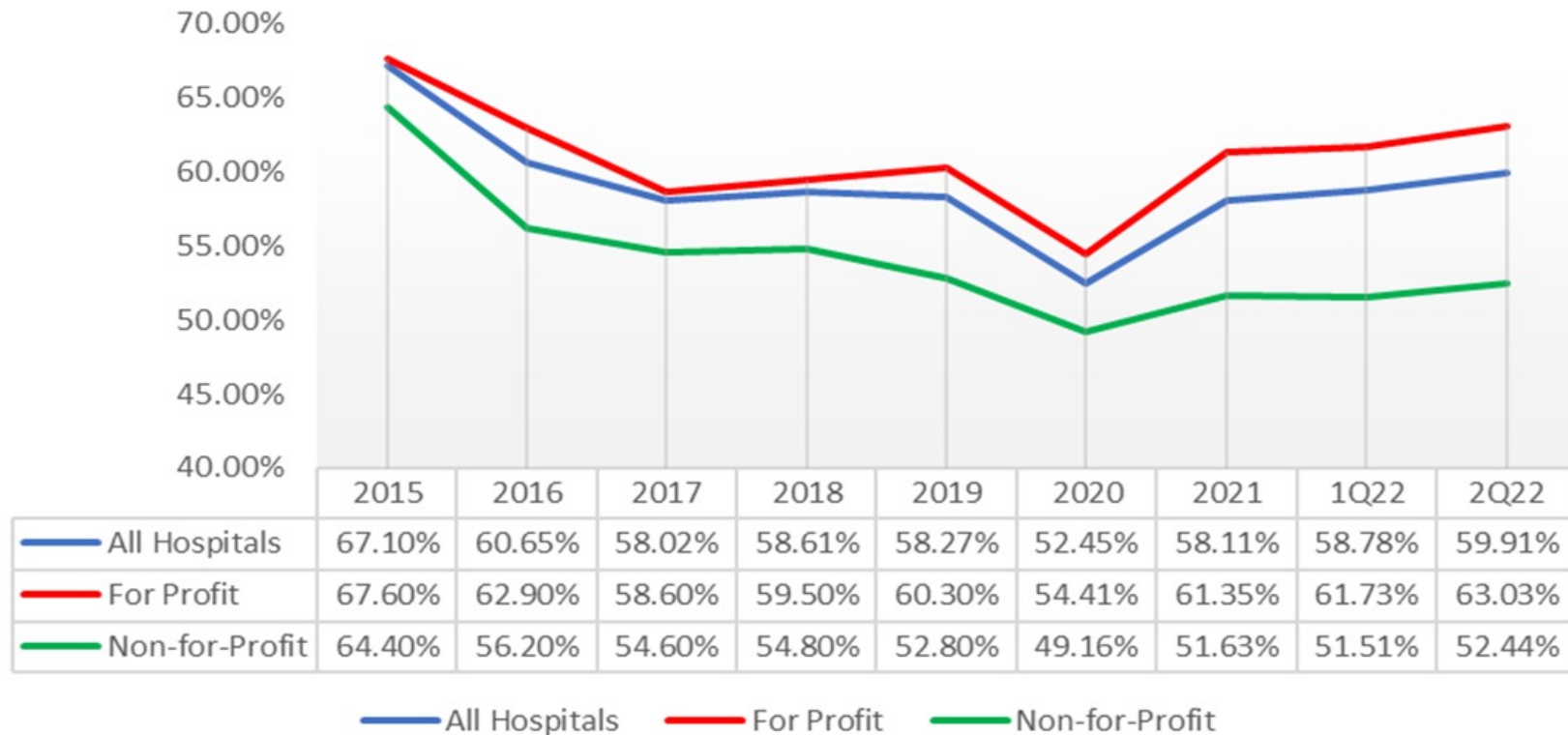
There are approximately 12,000 licensed beds, and at present only an approximated 7,900 beds are in use.

Puerto Rico hospitals enjoy tax exemption as follows:

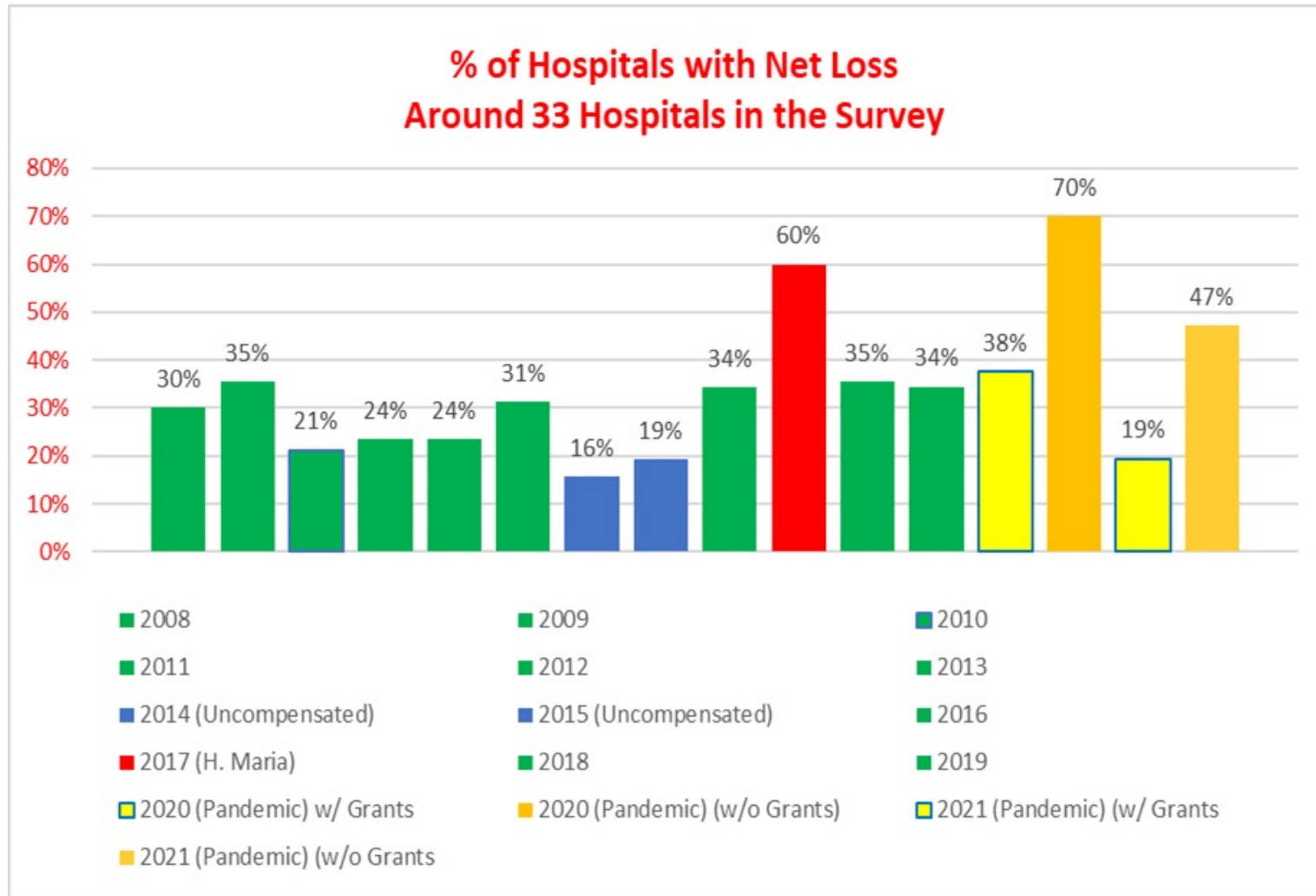
- For Profit: Law 168, as amended, on income, property, excise and volume of business related to clinical operations.
- Non-for-Profit: Under section 1101 of the PR Internal Revenue Code and various NFP hospitals also are exempt under section 501 c 3 of the US Internal Revenue Code.

PR HOSPITALS' HISTORICAL DATA - % OF OCCUPANCY

**Occupancy Rates
Puerto Rico Acute Private Hospitals
2015 up to 2Q 2022**



HOSPITALS' HISTORICAL NET RESULTS

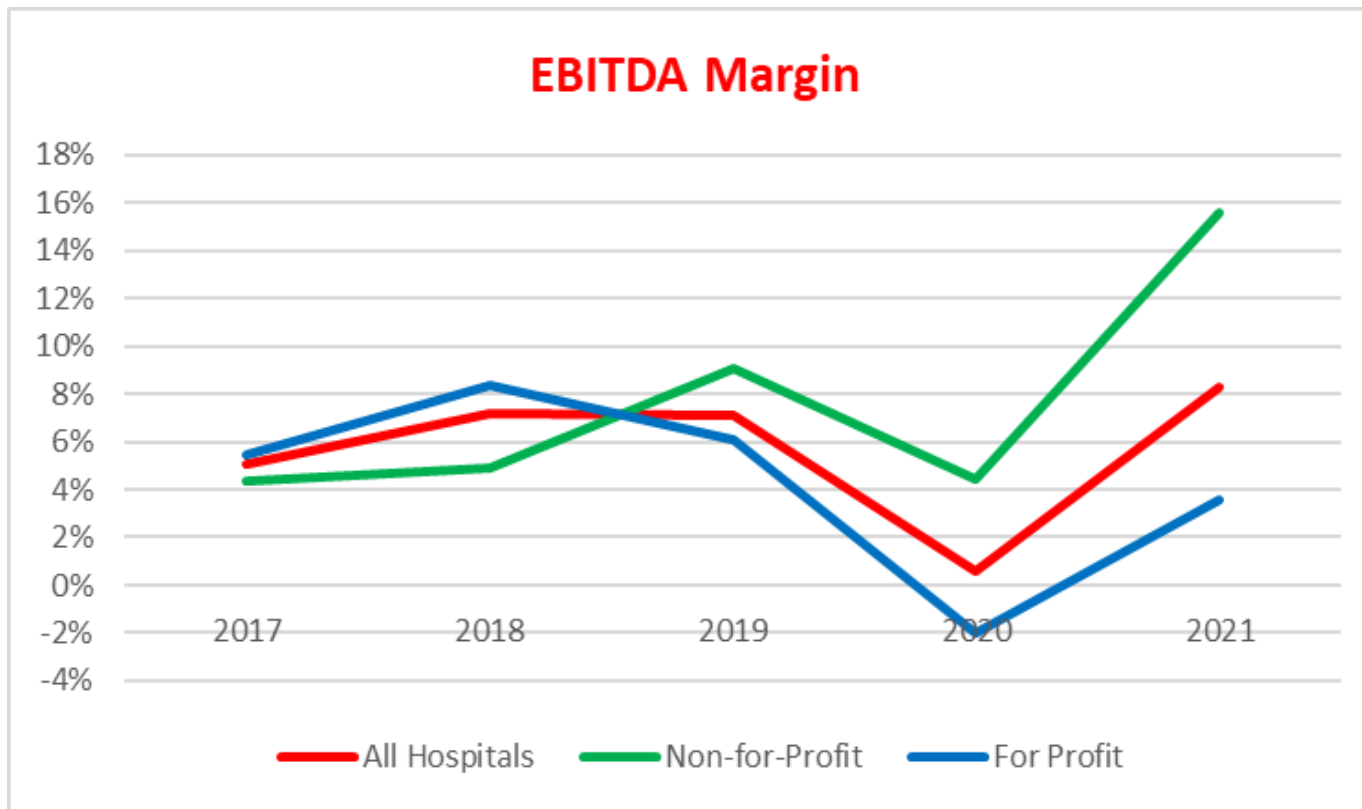


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EBITDA Margin

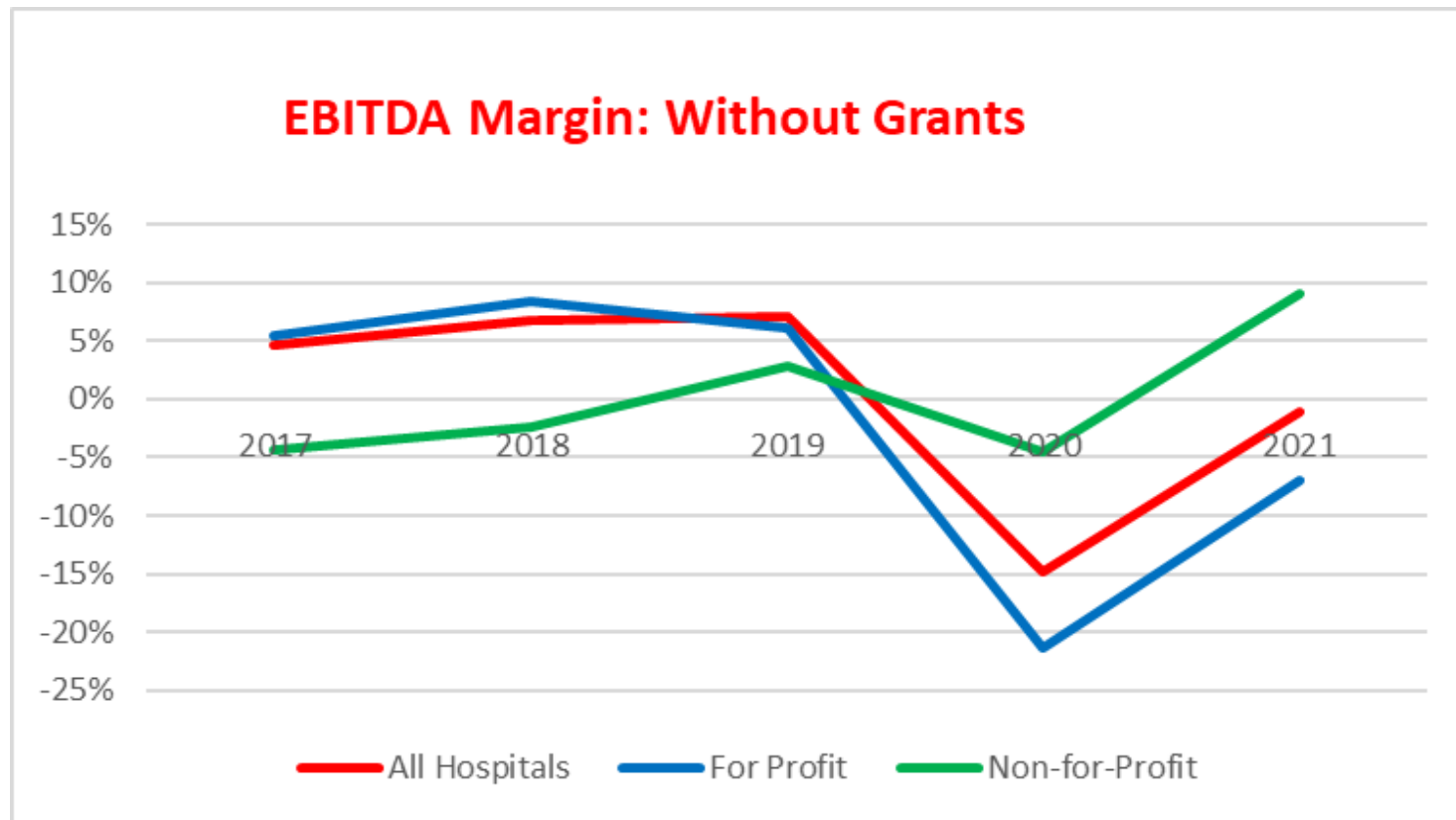


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EBITDA MARGIN - EXCLUDING GRANTS

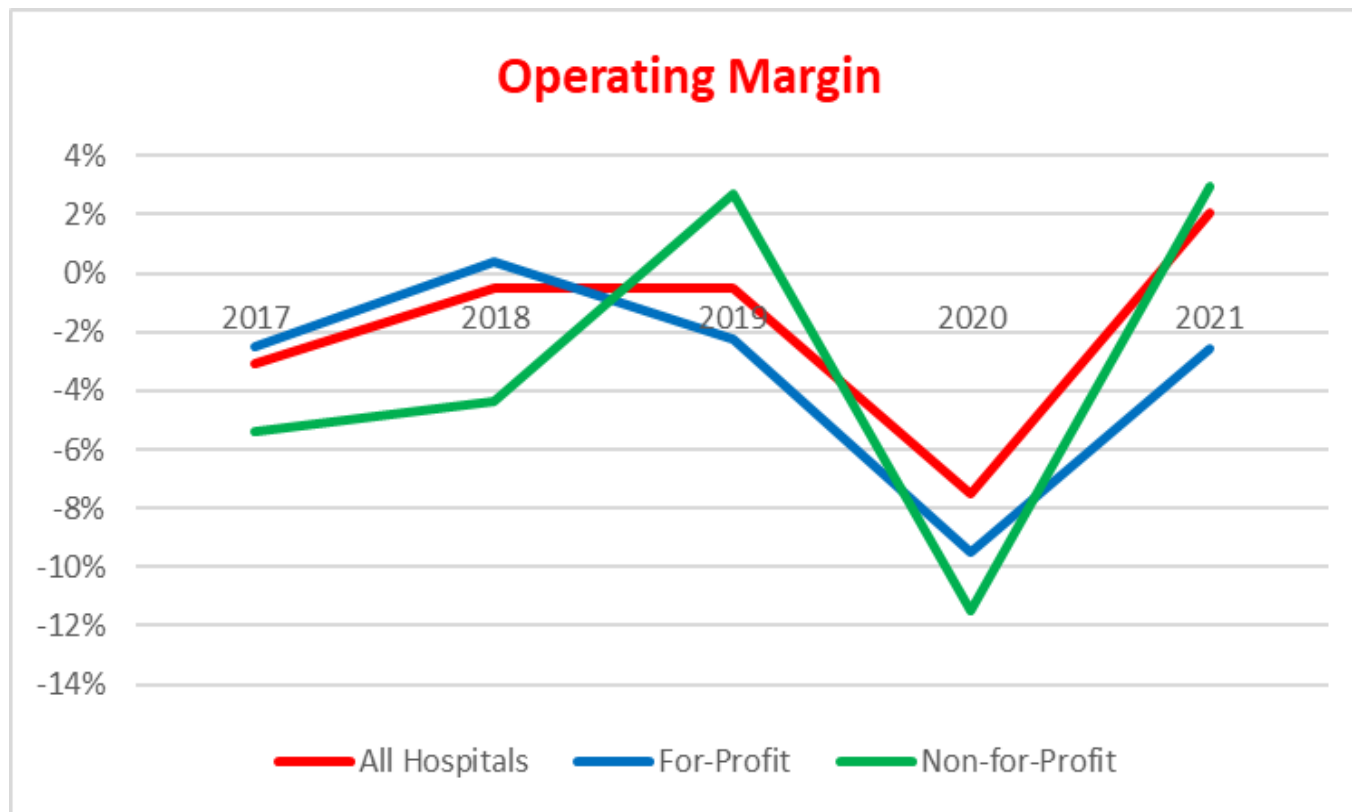


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OPERATING MARGIN

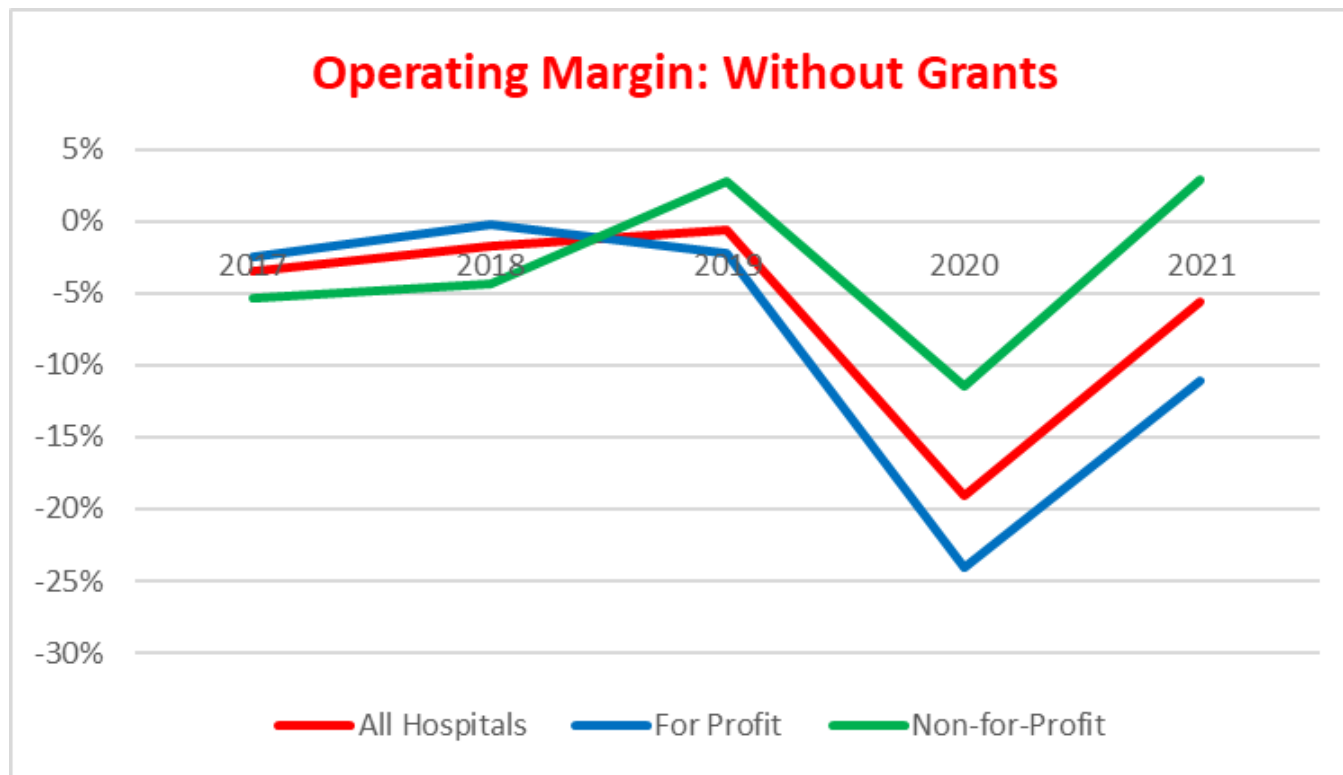


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OPERATING MARGIN - EXCLUDING GRANTS



Questions?



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