

Brazil Allows Foreign Capital in Hospitals and Clinics

The recently enacted Law No. 13.097 of January 19, 2015 has lifted the ban on foreign capital participation in specialized and general hospitals and clinics in Brazil. The law also allows foreign companies engagement in family planning action and research.

Previously, foreign capital participation in health assistance in Brazil was restricted under Law No. 8.080 of September 19, 1990 to United Nations-related entities or international technical or funding cooperation and to the supply of health services dedicated to employees of foreign companies and their dependents living in Brazil. Foreign capital companies were allowed to control health insurance plans, but not to own hospitals or clinics directly, as they are now under Law No. 13.097, in effect since January 20, 2015.

Despite some possible Supreme Court-level challenge to the law by some associations, like Abrasco – Brazilian Association for Collective Health, the boosted investment in health assistance anticipated to result is viewed very favorably. Many strong-brand and well-capitalized hospitals and clinics may now receive foreign capital company equity investment in order to liquidate debt or increase capacity and range of offered services.

As multinational health companies, hospital networks and investment funds are now allowed to provide a full range of health services in the Brazilian market, a certain degree of consolidation or vertical integration is also expected, what might raise competition concerns and demand CADE's (Brazilian Competition Authority) intervention. The health sector has had some transactions recently reviewed by CADE, specially related to health insurance companies (e.g. Amil purchase by UHG), hospitals (e.g. Rede D'Or expansion) and diagnosis services companies (Dasa and Fleury expansions) and the expertise gained by the authority in these transactions should be used in future cases.

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