

# Financing the Health Sector in Nigeria

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# Industry Footnotes

- The Nigerian healthcare industry has seen a steady increase in participation from both the private sector and multilateral institutions from all over the world.
- These organizations have fueled the industry with foreign direct investment, and these funds have been channeled towards advancing various facets of the healthcare value chain.
- However, the industry is significantly marred by some challenges which have impacted the growth of healthcare infrastructure and operations and minimized investor confidence.
- These problems range from medical tourism in the place of local healthcare expenditure to diminishing healthcare workforce across all cadres.

# Where we're headed...

- According to a report released by the Business and Sustainable Development Commission, it is estimated that the value of opportunities for organizations solving health-related challenges across Africa will be worth about \$259billion by 2030, and this could potentially create more than 16 million jobs
- Africa is also poised to host more than 14% of all business opportunities in health and wellness, trailing only North America, by the year 2030



**But, how far so far?**



# Lags and Leads: Optimizing for opportunities

- According to statistics from the Nigerian Economic Recovery & Growth Plan 2017 - 2022, at 55 years, the average life expectancy in Nigeria is lower than that of its peer African countries, e.g., Ghana (61 years) and South Africa (57 years). The prevalence of infectious diseases remains high, while lifestyle diseases such as heart disease, diabetes and cancer are on the rise
- Years of under-investment in health systems has resulted in poor infrastructure, inadequate modern equipment & technology and an inadequate number and mix of healthcare workers; this became more apparent since the Covid-19 pandemic
- The Covid-19 pandemic and the national lockdown also highlighted the urgent and pressing need for the overhaul of the Nigerian health system
- There has been update in regulation with the National Health Act and recent National Health Insurance Act which are now creating pathways for universal health coverage as well as financing for acute care.

## Nigeria's Socio-Economic Performance across Key Indicators

55 years

Average life expectancy in Nigeria

192



Nigeria's rank on infant mortality across 195 countries

24%



Proportion of children under 15 that are underweight

53%



Proportion of infant mortality and maternal deaths attributed to malnutrition

59%



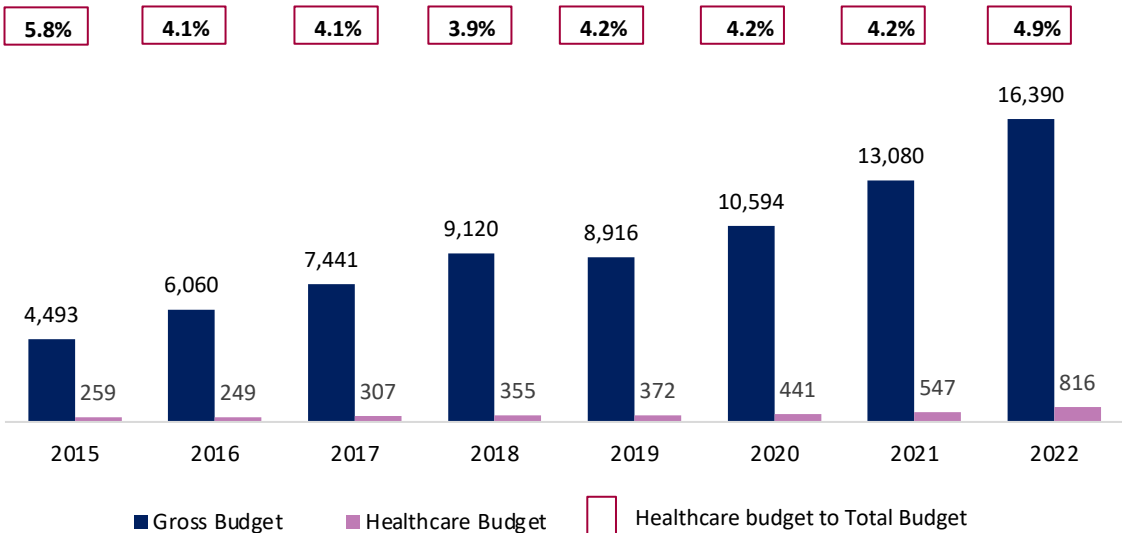
Proportion of births attended by skilled health personnel

14.4%



Proportion of secondary care facilities to total healthcare facilities in Nigeria

## Healthcare contribution to National budget



## Topline Nigerian Healthcare Statistics

| Healthcare Metrics                       |                                    |
|--|------------------------------------|
| Population                               | Over 200 million people (2019)     |
| Patient per Hospital bed                 | 2000:1                             |
| Patient-to-doctor ratio                  | 5000:1                             |
| NCD contribution to total deaths         | 24%                                |
| Percentage of population with insurance  | 4%                                 |
| Annual Spend on medical tourism          | US\$ 1.2 billion – US\$1.6 billion |
| % of population without Health Insurance | Over 96%                           |



# Positive expectations



## Large and Growing Population

- The country's large and growing population (~2.6% p.a)<sup>1</sup> as well as a rising middle class with the capacity to pay for services holds long term opportunities for the healthcare sector as the demand for improvements in infrastructure, healthcare and facilities will increase.



## Increase in the Incidence of Diseases

- There is a rising increase in the prevalence of diseases such as cancer, diabetes, obesity and high-blood pressure
- In addition, the COVID-19 pandemic showcases the paucity of healthcare resources as the need for localizing health services has become more apparent due to country and city lockdowns



## Increasing Healthcare Expenditure

- According to a report by Healthcare resource guide, demand for healthcare services is expected to increase over the next year with a value of over \$18 billion in 2023.
- Furthermore, the private healthcare sector is expected to contribute >70% of expenditure



## Economic Policy Incentives

- Recent policies and regulatory projects to expand the use of Public-Private Partnerships (PPPs) in the healthcare industry
- The Federal and State governments have indicated a willingness to partner with private healthcare providers and this is expected to improve investments in the long-term



## Ready Market of Affluent Nigerians Seeking High Quality Medical Care

- It has been estimated that Nigerians spend about US\$1.2 – US\$1.6 billion on medical tourism per annum to top medical tourist destinations include India, Europe, the United States and the Persian Gulf
- There is a ready market of Nigerians seeking high-quality medical care with the requisite purchasing power who are finding it increasingly difficult to seek healthcare solutions abroad given the healthcare infrastructural deficit in the country



## Increasing Technology Adoption

- There have been several technology-based startups who are driving efficiency across the healthcare value chain and partnering with the government to bridge the Nigerian healthcare infrastructure gap
- We continue to see the impact of companies such as Life Bank, 54 Gene, Medsaf, Helium Health etc. and this holds long term opportunities for the sector

# Low-hanging fruits

- Government-led efforts to achieve Universal Health Coverage, largely through Health Insurance funding
- Public Private Partnerships
- Digital Technology
- Major capital inflows through local and foreign private equity





# Opportunities for health insurance

- The concept of health insurance is still largely unfamiliar among Nigerians, as can be observed in many instances. Research from the WHO and World Bank revealed that more than 100 million people are plunged into extreme poverty annually due to healthcare expenditure
- More than 185 million Nigerians have no form of healthcare coverage and a good number of those who do often under-utilize the services, especially in the area of preventive medicine
- The proliferation of health insurance in Nigeria requires concerted efforts between public and private sector stakeholders. These efforts border on policy formulation and implementation, increased funding, public orientation, and stakeholder engagement
- Currently, only 19 states in Nigeria have set up a health insurance scheme and are at different stages of implementation. Adequate funding is needed for these schemes to thrive, and this is mostly in form of premiums from multiple enrollees as this in turn increases the risk pool
- Also, the recently enacted National Health Insurance Authority Act could potentially expand coverage of health insurance to 83 million poor and vulnerable members of the society. The FG's partnership with the WHO to operationalize the act is a prime example of multi-stakeholder collaboration in health insurance advancement
- Private health insurance providers (or HMOs) can also collaborate with international development agencies and impact investors to fund the infrastructure required to democratize health insurance to a broader demographic. Reliance HMO is a successful example.



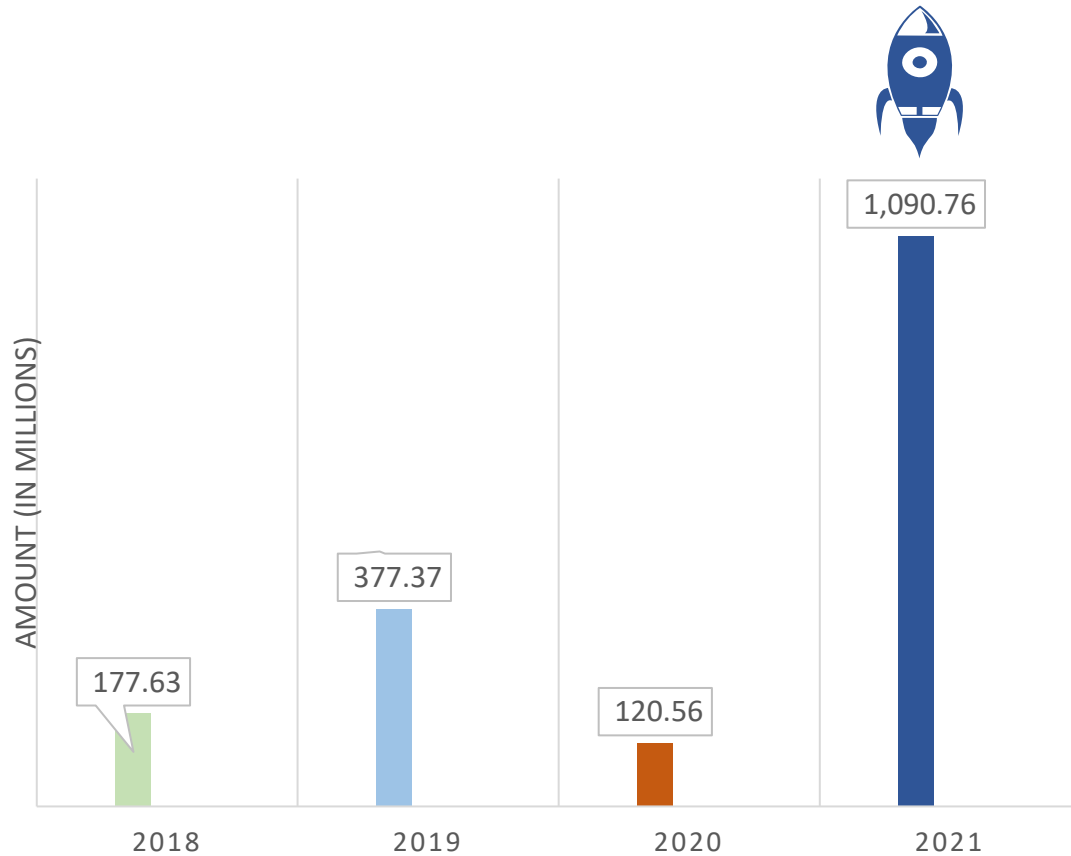


# Trends in the healthcare financing scene

- The African healthcare investment landscape is seeing increased interest from **impact investors**, further reflecting the bright prospects of healthcare businesses
- According to a new report by Salient Advisory, about 36% of the Foreign Direct Investment raised by 83 (health-based) companies in the last 12 months went the way of Nigeria, Ghana, Kenya, and Uganda
- A predominant portion of the funding received by online pharmaceutical start-ups are equity-based, a trend that could potentially assuage the pressures of short-term debt repayments
- The recent announcement of a \$7million grants initiative by the Bill & Melinda Gates Foundation could also foster the viability of early and growth-stage healthcare companies
- Recently, the Frontline Health Worker Innovation Challenge also saw three East African health start-ups (Bena Care, Streamline & Zuri Health) receive \$50,000 each in seed funding
- Four Nigerian healthcare startups were announced as beneficiaries of Google's Black Founders Fund Initiative. They include Clarifya, Wellahealth, LifeBank & Healthtracka.



## Fundraising by Nigerian healthcare companies



## Funding & Synergy for healthcare

- mPharma announced their Series D with \$35million
- Reliance HMO raised Series B funds of \$40m
- CarePoint (formerly Africa Health Holdings) raised \$10million at their bridge round to fund expansion into North & East Africa
- Medplus fund raise from Verod Capital
- Home lab testing startup, HealthTracka also closed \$1.5million at pre-seed to fund expansion
- TPG launch of Evercare Hospital, Reddington launch of Duchess Hospital
- Mergers & Acquisitions, strategic partnerships and expansion are also at the core of the healthcare resurgence in Nigeria

# Iwosan Investments acquisition of Lagoon Hospitals

- Iwosan's impact investors have the vision of creating a platform for healthcare providers to provide patient first, world class healthcare.
- Our investment focus is on healthcare facilities which cater to general and specialized services in the community to complement primary care and wellness
- We are also focused on capacity building through medical education, technology and supply chain
- We signify local investor confidence to develop and advance healthcare services in country and therefore reduce medical tourism



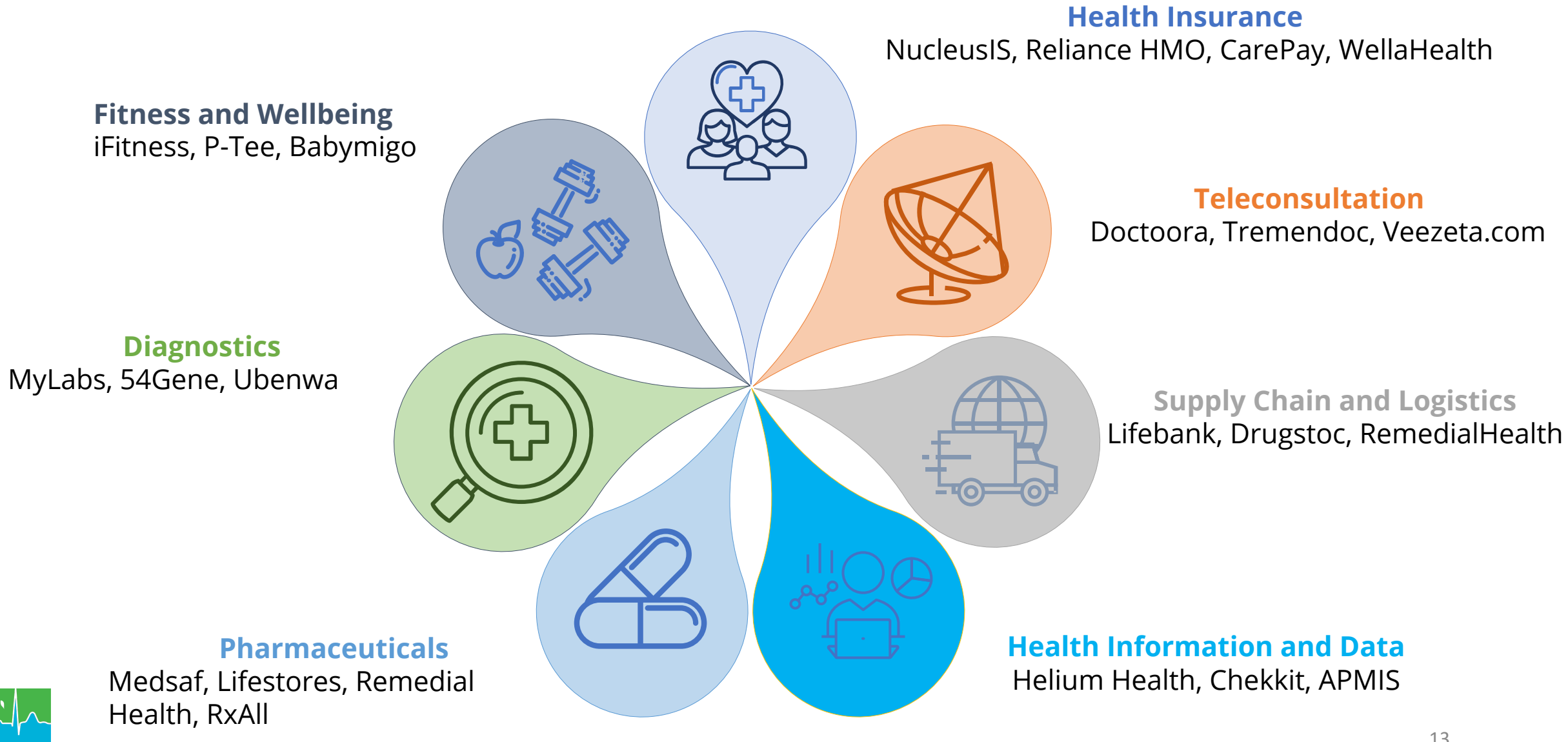


# PPP and its success stories

| PPP  | Project  |
|--|--|
| <b>NSIA LUTH Cancer Centre</b>             | <i>The NSIA, in collaboration with Varian and facilitated by the US Trade Agency upgraded the LUTH Oncology clinic, a project which cost about \$11.5million. Diagnostic centres were also set up at the tertiary hospitals in Kano &amp; Umuahia, with each cost \$5.5million</i> |
| <b>JNC / LUTH / MEDIVATION PROJECT</b>     | Medivation manages LUTH's radiology clinic with equipment supplied by JNC Limited  |
| <b>LUTH Crystal Optics Centre</b>          | <i>LUTH and Crystal Optics collaborated to build and manage an eyewear laboratory with higher productivity levels</i>  |
| <b>Gani Fawehinmi Diagnostic Centre</b>    | <i>A collaboration between Ondo SMOH and MeCure to build a state-of-the-art diagnostic center in 2011.</i>   |
| <b>Gbagada Hospital / FBN / Rotary PPP</b> | <i>Gbagada General hospital received a renal dialysis machine and 15 beds from FBN Insurance and Rotary Club, Lagos as part of Lagos State's PPP initiative</i>  |



# Are we paying attention to what is now called the healthcare start-up rebellion?

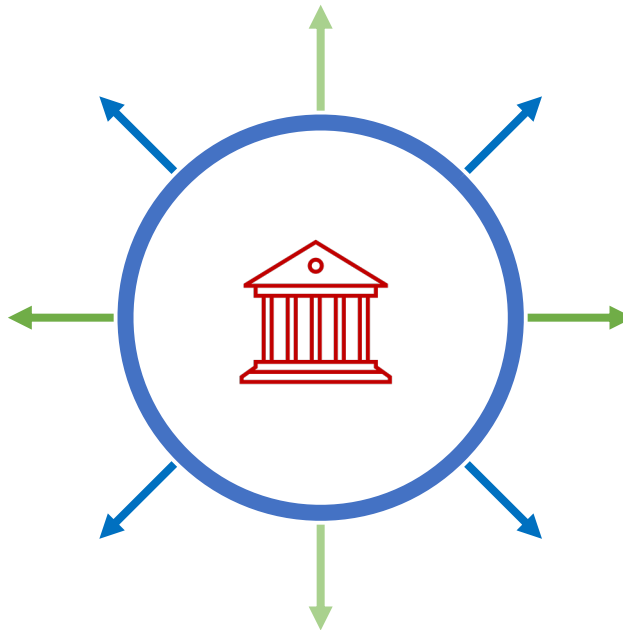


# What makes a healthcare business more bankable?

## Standardized Corporate Governance Structure

Rate your business on a scale of 1 – 10, using two points for each parameter.

## Digitization of internal processes and controls



## Comprehensive financial documentation

As a healthcare business owner, do you have adequate processes and systems in place to attract, sustain, and maximize investments?

## Quality and efficiency metrics

## Management of cashflows



# Role of Banks in Financing Healthcare in Nigeria

- Banks have a key role as industry catalysts by providing short and long term financing
- Understanding of SME and MSME financing should be put to work in the Healthcare sector
- M&A and PPP financing will help to create business partnerships and market consolidation which deliver economies of scale
- Equipment Financing is key for the improvement of health infrastructure
- Technical assistance to support healthcare clients to address the bankability factors
- Key issues of Interest Rates and Foreign Exchange availability – Financial hedging and other tools.....**MAGIC WANDS REQUIRED!!!!**





# THANK YOU.



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