

*An Ephor Group Review &
Analysis of the Opportunity for
Healthcare Business Process
Outsourcing (BPO) Functions in
LATAM*

Q1 2014

A Near Shore Healthcare BPO Summary Report

*The Near Term
Opportunity for
Healthcare BPO services
in Latin America*

Ephor Group, LLC



ABOUT THE AUTHOR

The Ephor Group, founded in 2002, is a strategic advisory firm exclusively missioned to provide strategic advisory services, executive management, and financial resources to emerging and high growth oriented global Business Process Outsourcing (BPO) companies, with specific expertise in the Healthcare Business Services sector. Since its inception, the firm has provided economic development services and programs, economic analysis studies, labor supply, demand and costs studies, site selection & implementation services, capital acquisition and fund raising, coupled with significant merger & acquisition activities in Latin America (LATAM). This expertise has resulted in approximately 1,200 new healthcare support services related job opportunities to the region in the past 5 years.

Ephor Group's ("Ephor") principals and professionals illustrate nearly 70 years of experience in the region including: managing and operating 8 call centers and customer service activities for the largest bank in the region, operating a 400 seat "captive" healthcare case management center servicing the English speaking North American market, and has conducted 13 successful site selection processes. Ephor enjoys particular knowledge, experience and success in providing near shore support and capabilities to the North American healthcare delivery system. The Ephor Group Latin American office for the past 10 years has been located in Panama City, Republic of Panama.

Our Managing Partner, Garry Meier, is a well-known and respected thought leader and speaker on the global outsourcing sector, having served as President & COO of Medaphis Physician Services (MEDA), a publicly traded outsourcing provider of healthcare business services that grew to nearly \$650M in revenue. Garry also served as Chairman & CEO of Outsource International (OSIX), a publicly traded \$850M revenue provider of global BPO services with locations in 23 countries. Currently Mr. Meier is the Chairman of Latin American Card Services (LACS), a high growth provider of outsourced financial services, with locations in 10 LATAM countries.

Currently Mr. Meier's focuses his time on advising Boards of Directors, CEOs and Investors on their global growth initiatives. Of particular note, Mr. Meier is a resident of the country of Colombia, and speaks English and Spanish.

Ephor trusts the enclosed summary overview of the tremendous opportunity for BPO services prevalent in Latin America provides the required summary information and promotes a thought process which provides significant consideration of Latin America as a location for your organization's growth and expansion.

Ephor Group

- Founded in 2002
- **Significant Healthcare Services & RCM Expertise**
- 13 Site Selection Projects in LATAM
- 5,500 LATAM Jobs Created
- **Strategic Advisory Services**
- Operational Expertise in 23 Countries
- **LATAM Office in Panama**



METHODOLOGY

Central and South America have been making global news headlines recently due to the economic growth and opportunity that continues to present itself in this area of the global economy. Most of the nations in Latin America (LATAM) have finally and very recently left their checkered pasts and reputations as narcotics and gun trade routes behind, while over the past 5-7 years they have done a very effective and efficient job of creating political stability and economic growth. North American companies have taken notice of this accelerating opportunity, as illustrated by the fact that the region has become a receptacle of some 120 new BPO facilities comprising approximately \$350M in foreign investment in the past 2 years alone. Even with these impressive growth statistics, **Ephor Group has determined the total capacity utilization of BPOs in LATAM is in the lower 25% quartile, while the English speaking capacity utilization is even less across all BPO sectors.**

Throughout 2012 and 2013 Ephor Group conducted significant primary research and on-site evaluations of the country, locales and major metropolitan areas within the region, specifically for healthcare support services for the North American healthcare delivery marketplace.



As a result this market research was consolidated into a comprehensive report in early 2014. For quality and comprehensiveness this data and the findings are cross-referenced from secondary and tertiary sources, coupled with onsite evaluation and interviews with business, political and economic development professionals. Each data point is amalgamated from a minimum of three sources. In some cases, data is confirmed from as many as seven sources.

The information and findings presented in this healthcare briefing document is a summation of a larger report of the LATAM BPO market, its capabilities and opportunities for the region for the healthcare sector and beyond. The information was compiled in concert with the Ephor client base along with a network of operational executives and thought leaders from the region, and subsequently combined with the aforementioned data accumulated throughout 2012-2013.

Specifically, the research report encompasses macroeconomic factors such as economic drivers and includes, in part, information surrounding the economic health of the countries and cities of study. This economic health was evaluated via an analysis of such factors as GDP sizing and GDP growth rates (including Healthcare as a percentage of GDP) inclusive of a ranking among countries, trade surpluses including Balance of Payments analysis, foreign direct investment dollars and rules, corruption indexes, currency influx, currency flight and currency exchange risk. Further elements of the report contain political attributes of each candidate country and “general findings” in terms of relations and foreign direct investment views of incumbent government administrations.

LATAM Countries of Study

- **Belize**
- **Colombia**
- **Costa Rica**
- **Dominican Republic**
- **Ecuador**
- **El Salvador**
- **Guatemala**
- **Honduras**
- **Jamaica**
- **Mexico**
- **Panama**
- **Peru**

As with any BPO site selection process, an evaluation of labor supply, cost, and utilization is critical. Therefore, the “Data Library” and summary report includes all salient labor data and information, including specific healthcare clinical and support job positions and descriptions (i.e. English speaking nursing and clinical care professionals), supply and demand analysis, minimum wage requirements, detailed job level salary information coupled with information

surrounding employer burdens, payroll-related taxes, incentive pay, number of national and local holidays, standard vacation and maternity leave benchmarks. This information is provided at both the country and local levels.

The report also includes an analysis of **“How does a healthcare-oriented BPO operator and investor develop the Human Capital Supply Chain necessary to scale & grow?”** specific for healthcare knowledgeable workers, such as recruiting, staffing and training.

Infrastructure elements are understood within each locale, including job boards, country level and local level government assistance training programs, related career service data, staffing and recruiting organizations and commercial training institutions and their capabilities, along with all bi-lingual training entities.

In general the report provides a significant level of guidance and directional data and information which enables any healthcare BPO or healthcare clinical support organization to narrow its geographic search for the most optimal location to expand its operational asset base in LATAM.

Healthcare BPO Labor Success Factors

- Understanding specific skill requirements
- Labor costs of those requirements
- Labor supply of the specific skill requirements
- How to recruit, train & onboard those specific skills

Human Capital Supply Chain is Critical



OVERVIEW

As the economic growth and political stability continues to proliferate in the region, countries and local governments are creating programs to attract direct foreign investment, accelerate the attractiveness of market dynamics, and create an environment of assistance and support for the entire BPO sector. **Each country and city identified in the report contained a designated BPO initiative as an economic development venue and job creator.** Ephor emphatically states that LATAM indeed offers many strategic, geographic and economic advantages to healthcare BPO participants.

The BPO market opportunity in LATAM is no longer a closely-held secret among the most sophisticated (and largest) BPO providers. While the market is still on the early-adoption side of the curve, **Ephor suggests this window of opportunity is narrowing.** As larger BPO and “captive” centers are early adopters in the region, mid-size and even a few smaller firms have begun to follow suit, taking full advantage of the many favorable aspects of locating its business processes to a near shore environment. Ephor suggests this trend in the very near term (2-3 years) will accelerate, especially when one considers that many US-based BPO firms will need to escape the hostile small to medium size business burdens embarked on them by the current Administration, and specifically healthcare reform initiatives such as the Affordable Care Act (ACA).

LATAM Advantage

- **Proximity to US**
- Same Time Zones to US
- Greater “Hands-On”
- Logistics Savings
- Culture fit to US
- Capable Infrastructure
- **Labor Cost Advantages**
- Economic Stability
- Tax Incentives
- **Increasing Supply of Nursing & Clinical Professionals**
- English Speaking Ability
- Academic Support
- **Significant Capacity for Growth**



LOCATION FINDINGS

There are many key considerations for growth-oriented healthcare-oriented BPO organizations looking to conduct site and expansion analysis within the region. First, LATAM is within close proximity to the US, and falls within the same time zones. Even for European firms, the LATAM market is closer than India, Malaysia and other traditional locations for outsourcing.

From the US, operational executives have found that they can have a more hands-on approach to LATAM operations, thanks to this proximity. Managers can, in certain circumstances, fly in and out within the same day or two days, minimizing time lost due to travel and logistics.

Similar time zones to the US mean that employees in LATAM operational centers can continue a normal life and a regular working day similar to US counterparts, therefore creating significant operational synergies versus other, very distant BPO clusters. Cost savings in terms of flights and personal transportation in and of itself creates a compelling cost avoidance attribute to consider.

Geographic Advantage

- Cost effective travel vs. other BPO markets
- **Greater workforce & cultural synergies between North American locations**
- Similar time zones to US

LATAM countries and locales, especially over the past 3-4 years have invested heavily in infrastructure as part of a larger package of “positive considerations” to attract foreign investment. This has resulted in modern telecommunications capabilities and power reliability on par with the United States and Europe. Foreign operators utilizing BPO centers can now expect (and forecast) that any downtime due to infrastructure reliability is similar to what they should expect in domestic power markets. Added to this are the greater macroeconomic factors (GDP growth, currency exchange rationalization, e.g.) that are putting these nations on the path for growth and greater stability.

Of significant consideration is the culture in most LATAM nations, which is far closer in characteristics and affinity to the United States than nations from afar.



Ephor, on numerous occasions has taken clients or investors to locations within the region to show them that, in many aspects, one feels right at home in these cities. Often one may not know if one is in Sacramento or Medellin, Miami or Panama, Colorado Springs or San Pedro Sula. This familiarity only helps the BPO organization provide better and more culturally aligned services to US firms.

Along with infrastructure improvements, many LATAM nations now provide very attractive tax incentives and “free zones” for foreign operators considering creating a LATAM operational facility. Those incentives are varied and numerous, each individually focused on solving specific needs of each country. Ephor suggests that in the near future the environment for incentives will only become more prevalent for foreign investors.

Lastly, **the report substantiates the supply and quality of competent English-speaking skills with healthcare clinical and RCM capabilities is salient and growing.**

The LATAM market consists primarily of Spanish speaking populations with English as a second language (ESL). ESL in many geographies has become a requirement for a college level degree and in many of the secondary schools, especially in the larger countries, ESL is becoming a graduation standard. Of further note, a majority of the private educational institutions require approximately 5 years of English study as a graduation requirement. Students are increasingly aware of the advantages of having English language skills as a tool for career growth; the region provides a compelling location for English-to-English services to the global economy.

English Advantage

- **~20 million workers in LATAM speak English**
- Significant language training capacity
- **ESL is rapidly becoming an education standard**

Therefore, Ephor asserts that the current supply, training capacity and ESL focus within the identified geographies, will provide an adequate and growing supply of



English language capability to satisfy the long term needs of the healthcare-focused BPO sector in LATAM.



The report provides specific and detailed labor supply and compensation analysis of the healthcare clinical skills, including doctors, nurses, nurse practitioners, nurses' assistants, emergency medicine personnel and medical technicians. Additionally, the report provides specific labor supply, cost and training analysis of certain healthcare business services positions, including billing, coding, receivables management, and financial accounting outsourcing (FAO) positions within each country and locale of study. **Ephor concludes that the labor & skill supply for Healthcare BPO oriented skill requirements in LATAM is at best in the lower 25th quartile of utilization. Therefore, a significant opportunity exists for the Healthcare BPO sector to expand and prosper in LATAM.**

Recent activity in the region supports the findings of the report, as several large US firms have moved into various LATAM countries to fill their capability and capacity-oriented needs. Best Buy, for example, has many of its IT functions located in the region, taking advantage of local expertise and labor economics. TelePerformance, Sutherland Global, Allied Global, and "branded captives" such as HP, Google and Microsoft are a few of the many companies that have moved some of their operations to this favorable region. Additionally, many aggressive and knowledgeable mid-sized, business-based BPOs in North American are already taking advantage of the opportunities present in LATAM.

Table A: Near Shore Operational Capabilities, BPO Function Analysis

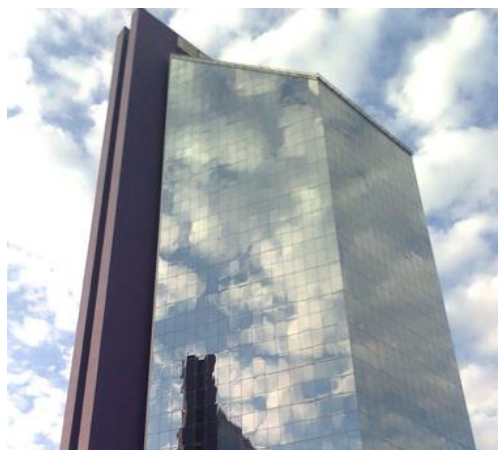
Operational Function	Belize	Colombia	Costa Rica	Ecuador	Honduras	Mexico	Panama
Healthcare Outsourcing	M	H	M	H	H	M	H
Transaction-based BPO	L	M	M	M	M	L	M
Live Voice BPO	H	H	M	M	H	H	H
Customer Services	H	H	H	M	H	H	H

H=High, M=Medium, L=Low Capability Level

In addition to general BPO site consideration information contained within the report, Ephor has recently completed a labor supply cost and utilization report of English proficiency specific to healthcare BPO market requirements. Ephor suggests that this report and their site implementation expertise further emphasize the critical need to include the development of a “proprietary human capital supply chain in all planning.” It is important to understand the size of the population applicable to the specific operational needs, their specific skill requirements and proficiency needs, as well as a thorough understanding of the cost attributes of implementing and operating in LATAM.

Table B: Summary Labor Statistics

	Service Sector Population	Unemployment Rate	Minimum Wage	Average Employer Labor Burden
LATAM	29% of total LATAM population	7.9%	24.6% of US Federal Min. Wage	44.2%



A BPO Center in Monterrey

Infrastructure Advantage

- Significant investment in infrastructure & communications over the past 5 years
- **99.999% Reliability**
- Underutilized capacity
- **Significant lower cost compared to other BPO markets**

Additionally, and of critical importance, the report provides an example of the many relevant financial considerations surrounding a near shore healthcare BPO implementation, which are combined and compared (through a comparison analytical model over a five year timeframe) to domestic US costs to determine the overall financial synergies and ROI on the start-up and implementation investments. This multiyear model provides the management information and financial guidance on the project and implementation planning needs.

Table C: Healthcare RCM Function Cost Comparison

	Savings Year 1	Savings Year 2
Colombia		
% of US Cost:	56.7%	63.7%
Mexico		
% of US Cost:	61.8%	67.3%
Ecuador		
% of US Cost:	43.2%	52.6%
Panama		
% of US Cost:	28.3%	38.8%

Cost Advantage

- Up to 55% Wage Savings
- **Up to 52% Total Labor Cost Savings**
- Up to 65% Total Operating Cost Savings

In conclusion, Ephor trusts this summary report illustrates the tremendous opportunity for Healthcare BPO operational capacity in Latin America and provides the required summary information that promotes LATAM as a location for your organization’s growth and expansion.

Please contact Ephor Group at 214.702.6427 or ephor@ephorgroup.com for further information and discussions relating to:

- *Strategic & strategy analysis of your business*
- *BPO sector analysis & forecast*
- *Comprehensive LATAM report review & analysis*
- *Overview of Ephor’s site selection & implementation process*



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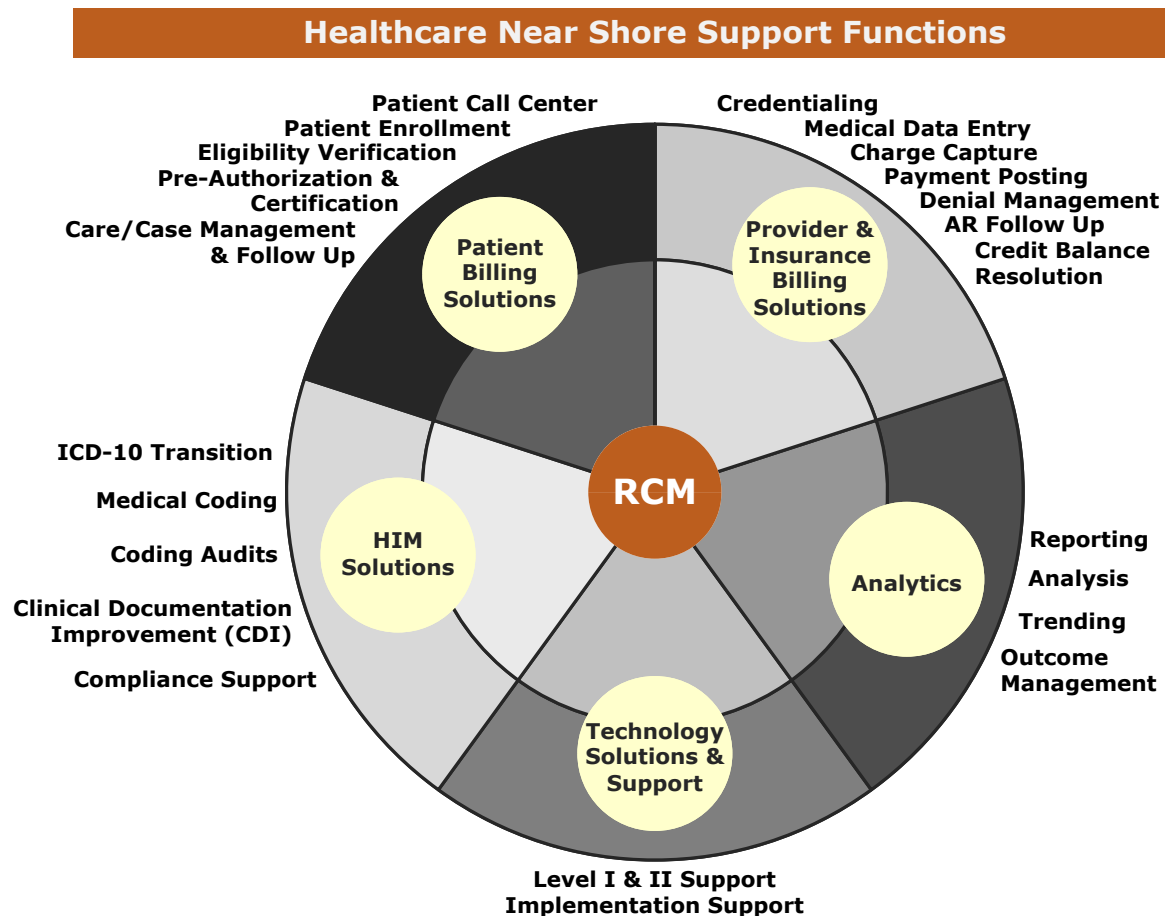
ABOUT THE AUTHOR

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Selected Data Library Contents

Table	Description	Importance
<p>English Speaking Capability Summary</p>	<p>Overview of English speaking population, its size in the service sector, and the overall English skill level of each population</p>	<p>This information is used to identify the best location for the specific English skill level required for your BPO operational needs.</p>
<p>Near Shore Operational Capabilities Analysis</p>	<p>Overview of the level of capability, by location, of each major outsourcing process</p>	<p>This information is used to identify the most appropriate location to implement an operational center for <i>your specific</i> business process outsourcing needs.</p>
<p>Labor Salary Comparison & Analysis</p>	<p>Overview of the labor markets, its makeup, size and critical factors influencing each</p>	<p>This information is leveraged to identify those markets which contain the most labor synergies, the “hungriest” population for jobs, and the employer burdens associated with each position.</p>
<p>Operating Cost Comparison & Analysis</p>	<p>Comparison and summation of critical cost factors, by country and city, and the savings compared to US costs</p>	<p>This information compiles the most critical factors affecting cost synergies in LATAM markets and provides a comparison of cost savings based upon US equivalent costs.</p>
<p>Logistics Data</p>	<p>Data table of flight durations from key US travel hubs, approximate flight costs, total travel time, major cities and airport codes</p>	<p>This information allows for reasonable comparisons of travel costs and time across the LATAM region. Results can be weighted to your priorities, or used to calculate cost per hour for your managers to reach near shore BPO centers.</p>
<p>Socioeconomic Analysis</p>	<p>Overview of the political, economic and social factors affecting each population and labor market</p>	<p>This macro-level information allows for a detailed review of the factors that will influence your operating center in LATAM. Government, legal system, visa requirements and GDP comparables are provided to determine the most economically stable business climate for your operating activities.</p>
<p>Foreign Exchange Analysis</p>	<p>Overview of current and historical exchange rate information and Balance of Payment data</p>	<p>This information is invaluable in determining the power of your CapEx dollar in a near shore location. Balance of Payment information provides further insight into the countries’ economic stability, capital flight risks and deficits.</p>



What Should My Growth Strategy Include & Why?

For a no obligation overview discussion with one of our Partners, contact



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How & Where Should I Expand My Healthcare BPO Capabilities?

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What Do I Need To Know To Expand & Why?

When considering site selection for a near shore BPO, this is what you need to know:

Macroeconomic Factors
Currency Exchange Factors
Workforce Competencies
Local Government Initiatives
Local Tax Rules & Implications
Human Capital Supply
Professional Development Support
Local Catalysts for Success
Workforce & Workplace Safety

Socioeconomic Factors
Logistics
Political Climate
Workforce Culture
Labor Rules
Office Space Markets
Payroll Factors
Microeconomic Factors
Job Boards & Hiring Agencies

For a detailed review of your requirements, contact



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