

Client Alert

What Lula's Win in Brazil Means for Health

November 2, 2022

In a razor thin election Brazilians voted to elect leftist former president Luiz Inácio Lula de Silva over current president Jair Bolsonaro. Lula won 50.9% of the votes. Bolsonaro garnered 49.1%. What does a Lula presidency mean for health?

More public healthcare spend

Brazil has the largest universal health system in the world in terms of beneficiaries, reaching more than 200 million people. However, in recent years Sistema Único de Saúde (SUS) has suffered due to low public funding. Brazil currently spends around 4% of its GDP on health versus around 9.5%, the OECD average. The Pan American Health Organizations (PAHO) recommends 6%.

Bolsonaro spent the last four years pursuing conservative fiscal policies, which meant consistent reductions in the annual healthcare budget – with the exception of emergency packages during the Covid-19 pandemic. His government's proposed budget for healthcare in 2023 was the lowest in a decade in real terms.

This contrasts with Lula's promise to increase healthcare spending and investment in Brazil's national health system. While Lula's specific health policy proposals have been vague, he has pledged to restore funding to Farmacia Popular, which subsidizes medication for Brazil's poorest citizens. During Lula's former years in office child mortality reduced and vaccination rates increased.

A stronger ANVISA

Bolsonaro's reductions in the healthcare budget resulted in a decline of available resources for Brazil's Health Regulatory Agency (ANVISA), the U.S. FDA's Brazilian counterpart. In recent years, ANVISA has had to operate with 1,621 employees compared to the 2,150 it had in 2010. This led to approval backlogs for medicines, medical devices and diagnostics. Lula has pledged to re-open recruitment at ANVISA and ensure it has the personnel required to meet regulatory demand.

Support for the domestic pharmaceutical and medical technology sectors

Brazil's domestic pharmaceutical industry has grown significantly over the last decade. Oswaldo Cruz Foundation has an agreement with MSD to manufacture Covid-19 antiviral molnupiravir. BioNTech outsourced dose manufacturing of the Covid-19 vaccine it markets with Pfizer to Eurofarma Laboratorios. Lula has conveyed support for the domestic pharmaceutical industry. What that looks like in reality remains to be seen.

While Lula did not specifically mention plans related to the medical technology sector, plans to increase resources for ANVISA and enable regulatory reform would have a large impact on patient and market access to medical devices. Imported medical devices correspond to 80% of the market in Brazil (the U.S. represents 16.9% of this share).

Limited scope for policy reform

Bolsonaro's Liberal Party comfortably beat Lula's Worker's Party in both congressional and state governorship elections, making the Liberal Party the largest single party in both houses of Brazil's congress. This means Lula's ability to govern will be constrained by a right-of-center congress, which will limit his ability to enact policies without broader support, such as weakening IP rights.

While a conservative congress will likely push hard against any sensitive health reforms, Lula may find congressional support for policies pertaining to environmental protection, international cooperation, and economic stability – particularly towards addressing hunger and inequality in Brazil. These policies have widespread support, including from the private sector.

Aside from congressional pressure, Lula will be constrained by members in his own coalition. As part of his campaign, Lula formed a large coalition of political actors, including not only those in the Worker's Party but also right-wing officials and pro-market stakeholders. Any movements for health reform under a Lula presidency will be heavily shaped by these forces.

Final thoughts on Lula

Lula's election represents an unprecedented return of the leftist leader. However, his victory occurs under very different domestic and geopolitical circumstances than when he first took power in 2003. While Brazil was benefiting from the commodity boom in the early 2000s, Brazil faces an extremely polarized landscape, a pandemic, inequality, inflation, and shifting geopolitical trends related to the war in Ukraine. The country's fiscal situation is very delicate, and Lula will not have the same space to govern as he once had.

A pink tide in Latin America?

In the early 2000s the "pink tide" was used to describe a wave of elected leftist governments in the region – including Lula himself in Brazil. In the intervening years, countries in the region swung back to the right. Now, in 2023, Lula joins a growing group of left-leaning governments in Latin America, including Colombia, Mexico, Argentina, Chile and Peru that have come back into power.

In Colombia, Gustavo Petro was elected in June as the country's first leftist president, promoting the slogan: "health for life and not for business." Petro's health plan calls for a reformed healthcare system based on prevention, participation, decentralization and an intercultural approach. Upon the announcement of Lula's victory, President Petro tweeted "Long live Lula." Colombia plans to take up health reform should tax reform proceed. In Chile, President Boric was elected in March promising to spend more on health, education, and

pensions, and put forward a new draft constitution to mirror these changes. After the draft constitution failed last month, President Boric reshuffled his cabinet and appointed several more centrists, including new Minister of Health.

Like Lula, many recently elected left-leaning governments will not have the same space to govern as they once had. Therefore, we can generally expect more public spending on health coupled with health reforms shaped by political forces beyond the left alone.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

Robert Holleyman

Partner and C&M International President & CEO – Washington, D.C.

Phone: +1.202.624.2505

Email: rholleyman@crowell.com

Patricia L. Wu

C&M International Vice President and Managing Director – Washington, D.C.

Phone: +1.202.624.2963

Email: pwu@crowell.com

Olivia Burzynska-Hernandez

C&M International Senior Consultant – Washington, D.C.(CMI)

Phone: +1.202.624.2909

Email: ohernandez@crowell.com

Christian Roatta

C&M International Consultant – Washington, D.C.(CMI)

Phone: +1.202.624.2627

Email: croatta@crowell.com