



# Economic Outlook and the Health Sector

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**Presented to:**



**February 2, 2011**



# THREE MARKET SEGMENTS AND FACTORS DRIVING THESE MARKETS



## Commercial Insurance

- P.R. Economic Situation
- P.R. Employment



## Reform

- P.R. Fiscal Situation
- Federal Health Reform



## Medicare

- Federal Health Reform
- U.S. Fiscal Situation



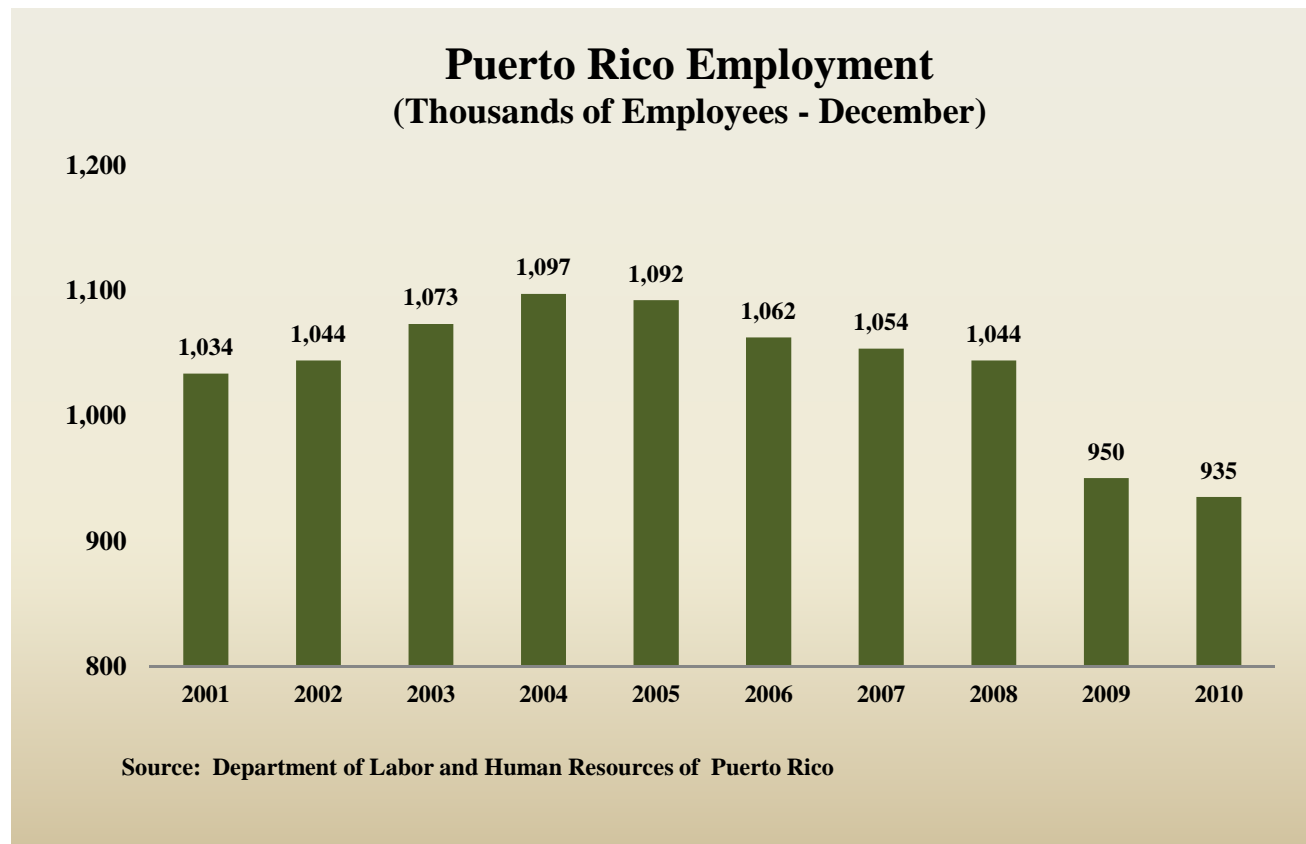
## RECENT EVENTS: P.R. ECONOMY AND FISCAL POSITION

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- **Tax Reform**
- **Non- resident corporate tax**
- **Standard & Poor's outlook change**
- **Moody's negative outlook of  $\leftrightarrow$  Retirement System**
- **Some positive signs:**
  - ex. **GDB Economic Activity Index**
- **Negative signs persist**

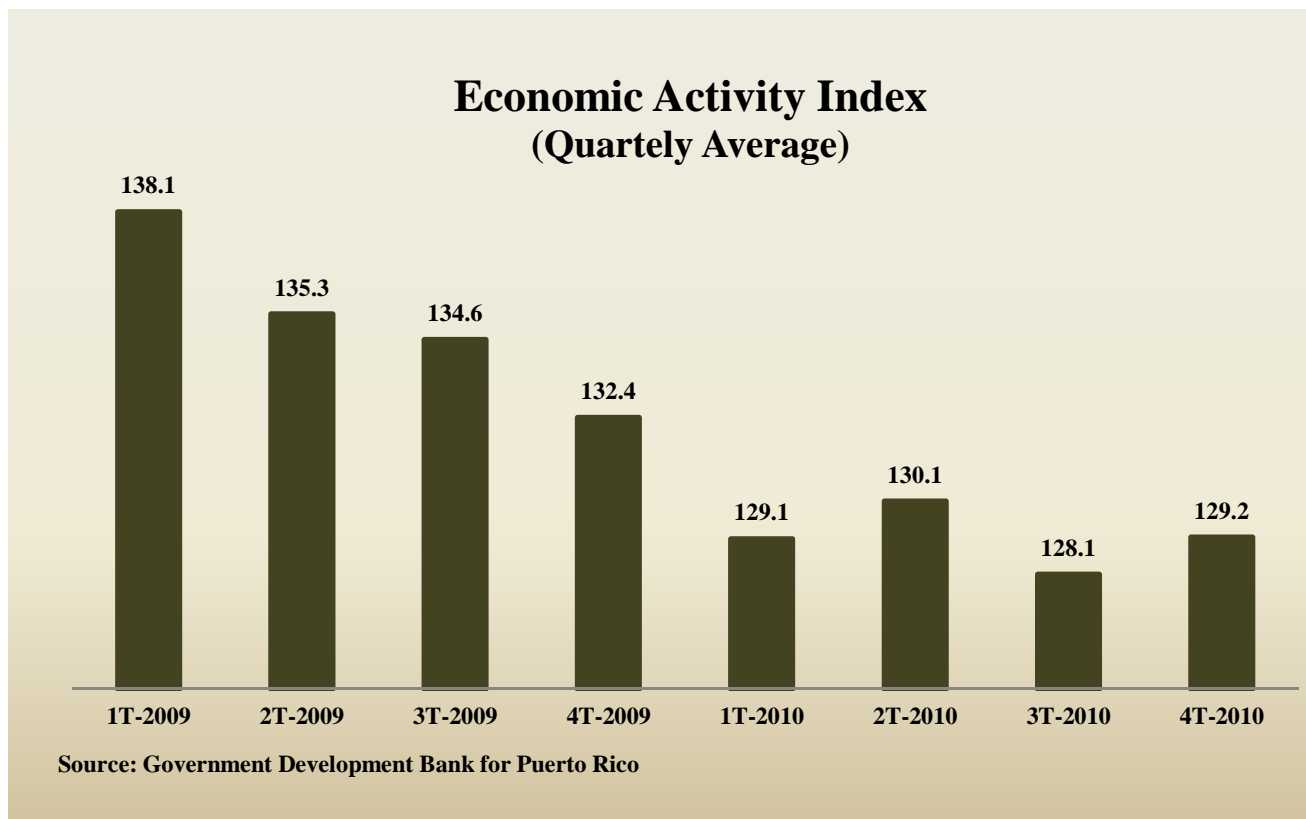


# Employment Trend





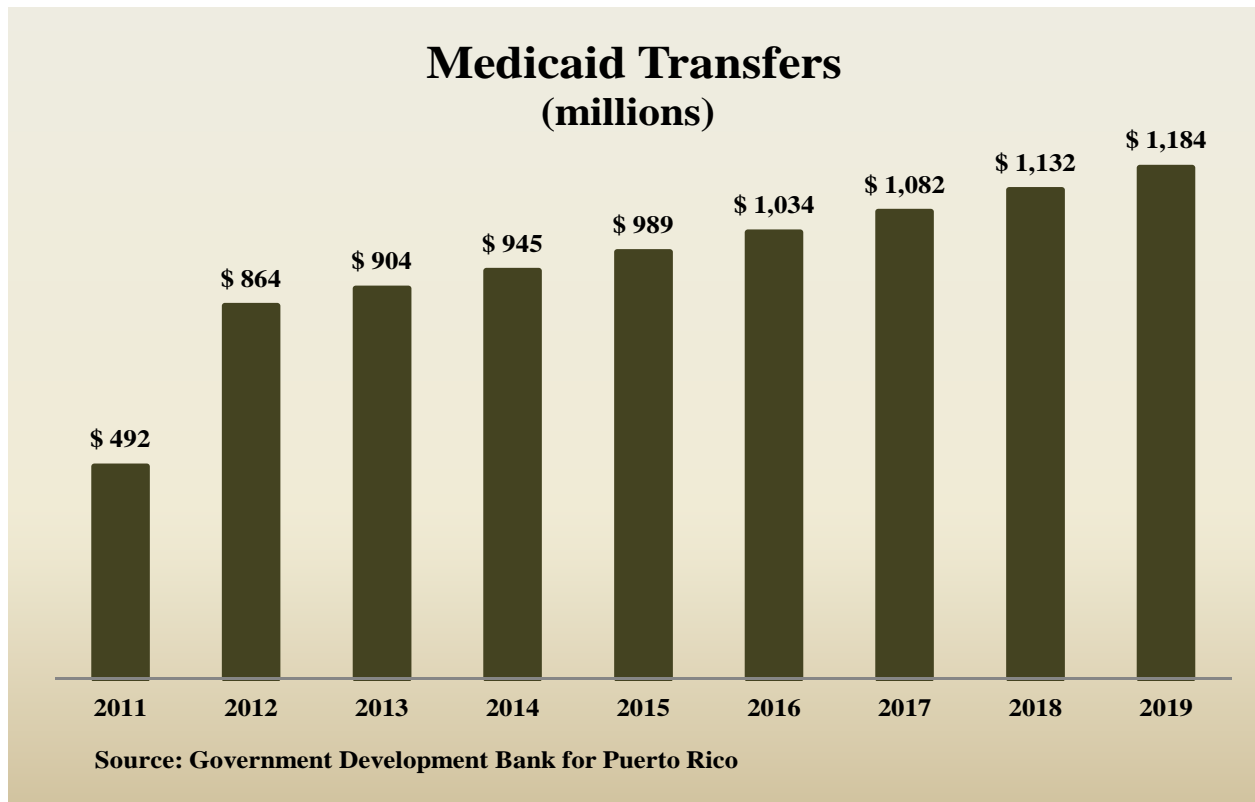
# GDB Index





# Federal Health Reform financing

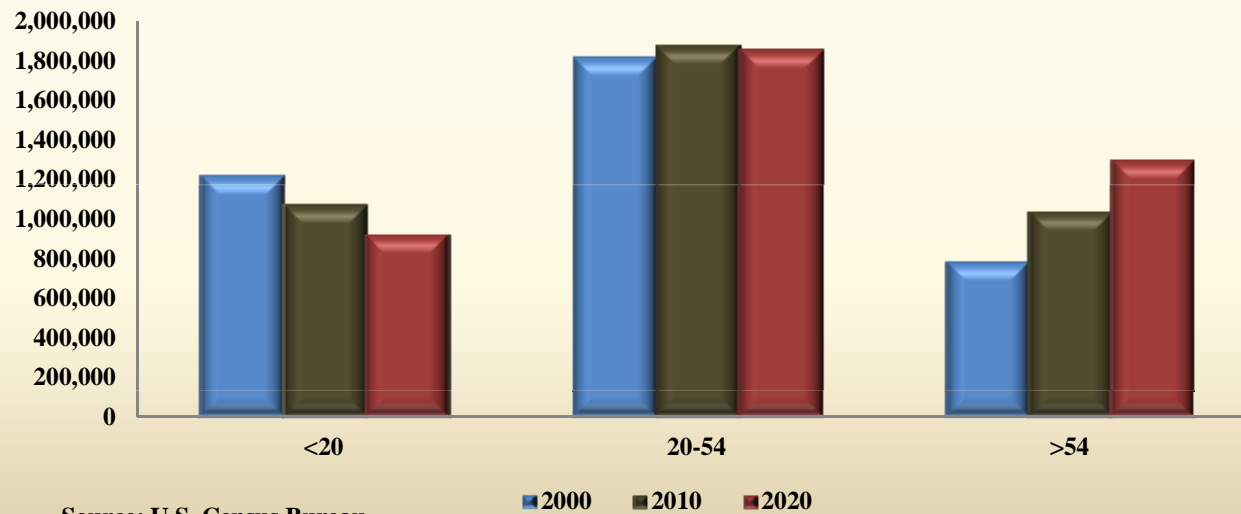
## Local Health Reform





# Demographic Change

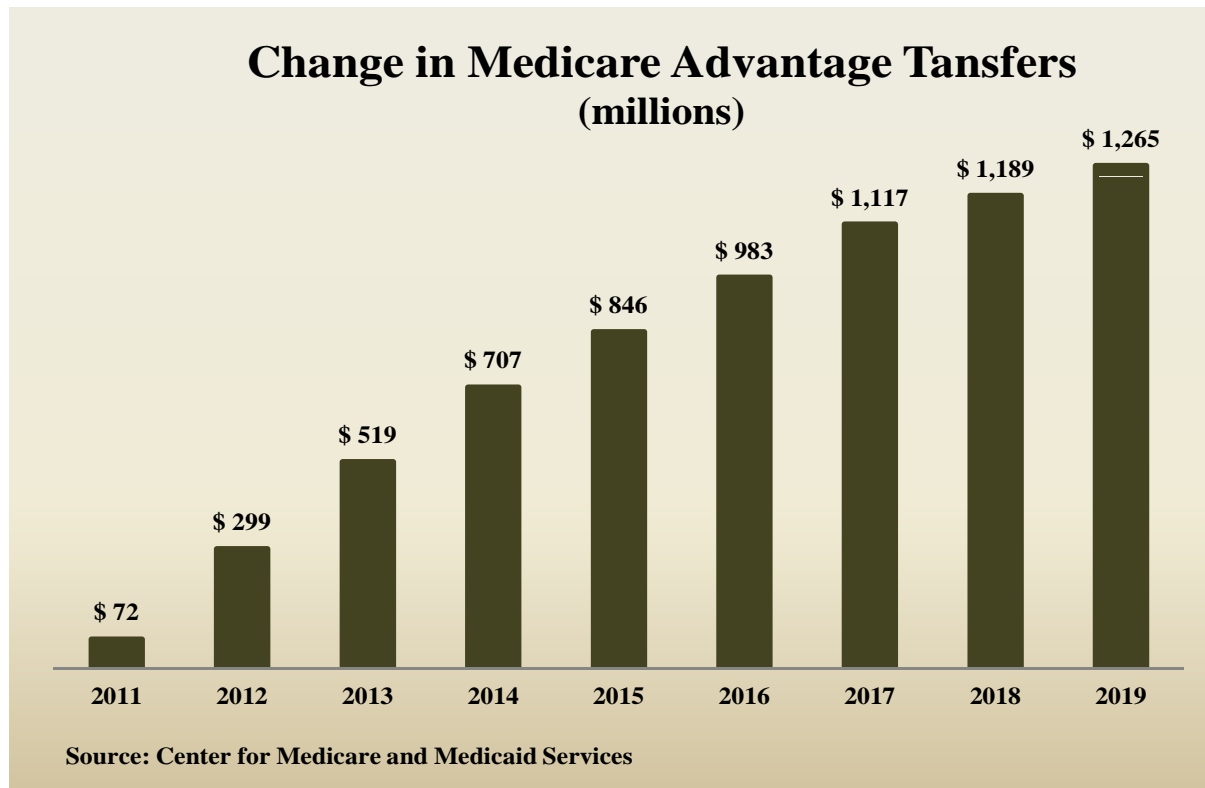
**P.R. Population Distribution by Group of Age:  
2000, 2010 & 2020**



Source: U.S. Census Bureau



# Federal Health Reform Impacting Medicare Advantage







# Recent Indicators

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## Negative Signs

- Employment and Unemployment Indicators
- Construction Indicators
  - Permits, Cement
- Banking Data
- Bankruptcies

## Positive Signs

- Revenues of Treasury Department
- New Vehicle Sales



# CRITICAL ISSUES

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## When the great recession will finish?

- How effective is the fiscal adjustments plan?
- How will replace the ARRA funds?
- When will cleanup on the bank?
- When construction is reactivated?
- How and when manufacturing will recover after the *patent cliff*?

## And, after the recession?

- What can we expect of the APPs?
- How much permanent damage will cause the 4% of excise tax?



# Risks

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## **EXTERNAL**

- **Weak U.S. economy**
- **Volatility of oil price and interest rates**

## **INTERNAL**

- **Derailment of the Fiscal program**
- **Insolvency?**



## THREE MARKET SEGMENTS



### Commercial Insurance

- Stagnant market as employers seek to cut costs
- Employment will not recover in the short term



### Reform

- Pressures despite funding from the Federal Health Reform
- Stable or marginal increase in participants



### Medicare

- Pressure in terms of individual payments (Medicare Advantage)
- Increase in the number of people covered