



**BIRLING**  
CAPITAL ADVISORS, LLC

**Think Strategically**

# **Wellness: A Priority the Puerto Rico Healthcare Ecosystem System Cannot Afford To Miss**

**February 25, 2024**

By Francisco Rodríguez-Castro  
President & CEO

## **What is Wellness?**

Wellness is defined as being in good health, especially as an actively pursued goal. It is often used interchangeably with "health", but wellness is more active and process-oriented, while health is more of a state of being. Wellness encompasses the eight dimensions of wellness: physical, intellectual, emotional, spiritual, environmental, financial, occupational, and social.

No longer a vague concept, wellness has evolved into a global phenomenon that piqued the interest of investors, industry leaders, and consumers alike. The COVID-19 pandemic has underscored the importance of health and wellness, with individuals worldwide seeking ways to safeguard and enhance their mental and physical well-being. As we transition from pandemic to endemic, the demand for wellness solutions remains robust and continues to grow.

A recent study sheds light on the vast opportunities and challenges within the wellness sector, as well as consumers' shifting preferences and behaviors. An impressive 82% of U.S. consumers now rank wellness as a top or crucial priority in their daily lives, a sentiment echoed by consumers in China, the United Kingdom, and other markets. Wellness is a universal value, diverse and inclusive, appealing to various demographics and income levels. The holistic market, encompassing health, sleep, fitness, nutrition, appearance, and mindfulness, has swelled to approximately \$1.8 trillion globally, up from \$1.5 trillion in 2021. We anticipate a steady annual growth of 5 to 10 percent in the U.S. market.

## **Navigating the Wellness Landscape**

However, carving out a successful niche in the wellness realm requires effort. Both new and established players must stay attuned to consumer sophistication and evolving trends. Success hinges on a nuanced understanding of emerging consumer needs and expectations.

Consumers have grown more discerning and skeptical of wellness claims, placing a premium on trust. The wellness market has ballooned to \$480 billion, growing at a steady annual rate of 5 to 10 percent. The wellness landscape is in constant flux, propelled by innovation in products and technology. This presents challenges in maintaining a compelling and relevant value proposition over time.

**Wellness: A Priority the Puerto Rico Healthcare Ecosystem System Cannot Afford To Miss**

Personalization alone is insufficient; consumers crave deeper, multifaceted insights. Harnessing cutting-edge technology, such as generative A.I., could provide a competitive edge by delivering unparalleled personalized experiences based on a spectrum of biometric data.

### Opportunities Amid Challenges

These challenges also pave the way for creating valuable consumer offerings. Consumers are proactive in monitoring their health and are open to embracing new technologies. Telemedicine services, biometric devices, and at-home health-testing kits are gaining traction, reflecting a readiness to adopt innovative solutions.

Women's health, an underserved sector plagued by research and funding gaps, presents another opportunity. While products often focus on reproductive health, other conditions that disproportionately affect women, such as headache disorders, autoimmune diseases, and depression, are overlooked.

Our findings suggest that the key to success in the wellness market lies not in a radical overhaul but in strategic innovation aligned with the core brand identity. Leaders should ponder, "What groundbreaking innovation can we bring to market next?" and, "How do we effectively communicate this to consumers?"

### The Final Word: Wellness: A Lasting Journey that Puerto Rico must embrace

The wellness market is not a fleeting trend but a lasting journey. It is also a dynamic and diverse market, with different opportunities and challenges in different regions. Puerto Rico, for instance, offers a unique wellness experience with its natural beauty, perfect weather, and rich culture. However, Puerto Rico is currently grappling with severe challenges to its healthcare ecosystem, which were present even before the pandemic and have been exacerbated by it.

From the onset of the pandemic on March 15, 2020, to December 31, 2021, the estimated losses to the Puerto Rico Healthcare ecosystem amounted to \$1,085,185,711 billion. Although the Cares Act provided some relief with a grant of \$400 million, a \$685 million deficit is hard to fill.

The U.S. leads in per capita health spending with 17.1% of GDP, followed by Puerto Rico with 16.6%, Germany with 11.7%, Cuba with 11.7%, and France with 11.5%—however, the U.S. and Puerto Rico lag in the health system performance of 11 major developed countries.

The U.S. Congress is discriminating with Puerto Rico's Healthcare funding. Each U.S. citizen receives \$13,000 per year in healthcare funding, yet Puerto Ricans only receive \$4,000 per capita, representing a shortfall of \$9,000 per capita per year in less healthcare funding. So, every year, Puerto Rico should have received \$29.9 billion per year in healthcare funding using the same allocation that the 50 states receive.

Recently, we celebrated when the U.S. Congress allocated some \$17.6 billion spread over five years, which amounts to \$3.52 billion. In the statement, Congress said it prevented some 1 million Puerto Ricans from losing benefits.

While this action is long overdue, the allocation of \$3.52 billion per year is just 12% of the total due to Puerto Rico, which Congress blatantly distributes stateside in discrimination against all Puerto Rico USA Citizens. The \$29.9 billion in less funding we receive amounts to \$300 billion in a decade.

Due to many challenges, including hurricanes, earthquakes, and the coronavirus pandemic, Puerto Rico's Healthcare Ecosystem and its components have taken a brutal hit.

If you find it hard to believe when I say that the U.S. Congress can and does discriminate against the U.S. citizens of Puerto Rico, consider this: our citizenship was granted by an act of Congress, not by the U.S. Constitution. This means that our citizenship is not protected by the Constitution and can be altered by Congress.

The 14th Amendment to the U.S. Constitution guarantees citizenship to "all persons born or naturalized in the United States, and subject to the jurisdiction thereof". However, the U.S. Supreme Court has interpreted this to apply only to states, not U.S. Territories.

As a result, the Citizenship Clause of the 14th Amendment does not protect the current U.S. citizenship of Puerto Ricans or the residents of the U.S. Virgin Islands, Guam, American Samoa, and North Mariana Islands.

Puerto Ricans are indeed U.S. citizens, but our citizenship is statutory, meaning it was granted by an act of Congress, specifically the Jones Act of 1917, not by the Constitution. Therefore, the rights of Puerto Ricans as U.S. citizens are subject to the decisions of Congress.

This distinction has profound implications for all matters related to Puerto Rico. It underscores the need for a more equitable and just approach to the status of U.S. citizens in Puerto Rico and other U.S. territories.

The risks facing the healthcare ecosystem have created a systemic risk situation, and we must discuss the 10 Factors affecting the healthcare ecosystem.

### **The 10 Factors affecting the Puerto Rico healthcare ecosystem:**

1. **2% to 3% of patients consume 80% of medical budgets:** One of the biggest problems in Puerto Rico is that the most significant percentage of health spending arises because people need to take care of their health conditions on time. When they go to the health centers, their conditions are so critical that the cost of treating them is in the millions. For example, 2% to 3% of patients consume 80% of medical budgets.
2. **There is a need to focus on chronic diseases:** diabetes is the most expensive condition in Puerto Rico due to genetic and dietary reasons.
3. **Lack of funds to carry out a Holistic Healthcare Model restructuring of the entire system:** it is critical to create a holistic model of preventive healthcare where the population is educated to take care of their health in a proactive way and with constant monitoring to learn how to stay healthy at all stages of their lives.
4. **Shortage of physicians wreaks havoc:** According to figures from the Puerto Rico College of Surgeons, in ten years, 5,000 physicians have left Puerto Rico, and the vast majority have moved to the United States in search of better economic conditions and more excellent work flexibility. That is a loss of over 36% of physicians in Puerto Rico.

**Wellness: A Priority the Puerto Rico Healthcare Ecosystem System Cannot Afford To Miss**

5. **Diverse and stricter quality measures:** the real problem is that all insurance companies have different quality measures that evaluate process, not patient outcomes; there is an increased need to overhaul the systems and agree on a methodology that places patient care first—better quality with less overhead spending.
6. **Cataclysmic events:** Hurricanes Irma and Maria in 2017 and the 2020 earthquakes followed by Fiona in 2022 continued unprecedented activity requiring emergency capacity renovations and upgrades costing millions).
7. **Cybersecurity Concerns:** medical facilities' victimization by hackers places the burden of protecting personal information on providers without government support.
8. **Less Diversity in Access to Capital and government bankruptcy:** that has limited access to financial markets, increasing financing costs.
9. **Population dynamics:** are crossing a double threshold with negative emigration patterns and negative population growth (live births vs. deaths), decreasing patient volume at 10% per year with a total population loss of 696,736 or 18.29%
10. **Aging and contraction of Medical Specialties:** is making some critical beyond the capacity of our residency programs to maintain the need.

In conclusion, while many factors impact our healthcare ecosystem, we cannot overlook Wellness as our future; the reality is that the wellness market is a dynamic and evolving landscape with challenges and opportunities. As we have seen, consumers increasingly prioritize Wellness in their daily lives, and this trend is expected to continue. The key to success in this market lies in understanding and responding to emerging consumer needs and expectations and leveraging innovative technologies to deliver personalized and meaningful wellness experiences.

In Puerto Rico, the question is not whether the healthcare ecosystem can afford to prioritize Wellness but whether it can afford not to. Puerto Rico is well-positioned to carve out a distinctive niche in the global wellness market. However, this will require strategic investment, innovation, and a commitment to building a healthcare ecosystem responsive to people's wellness needs and aspirations. The journey towards Wellness is not a fleeting trend but a lasting commitment to enhancing the health and well-being of individuals and communities. Now is the time for Puerto Rico to seize the opportunities presented by the wellness revolution. The path to Wellness is a journey; for Puerto Rico, that journey starts now.



Francisco Rodriguez-Castro, President & CEO • [frc@birlingcapital.com](mailto:frc@birlingcapital.com)  
 PO Box 10817 San Juan, PR 00922 • 787.247.2500 • 787.645.8430

Think Strategically © is a publication prepared by Birling Capital LLC and is a summary of certain recent geopolitical, economic, market and other developments that may be of interest to clients of Birling Capital LLC. This report is intended for general information purposes only, is not a complete summary of the matters referred to, and does not represent investment, legal, regulatory or tax advice. Recipients of this report are cautioned to seek appropriate professional advice regarding any of the matters discussed in this report considering the recipients' own situation. Birling Capital does not undertake to keep the recipients of this report advised of future developments or of changes in any of the matters discussed in this report. Birling Capital. The man and log symbol and Birling Capital are among the registered trademarks of Birling Capital. All rights reserved.