Interview with Jaime Cervantes Covarrubias, General Manager, Grupo Vitalmex Mexico

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Tags: Grupo Vitalmex Mexico

Can you give us a historical overview of the company and tell us about the vision behind its creation?

Vitalmex is a very humanistic company that puts the patient at the center. We focus on a very specific strategy based on 3 goals: Accessibility, availability, and opportunity.

There is clearly enough money for healthcare in the country. However the issue is infrastructure and the articulation of the fragmented elements of the system: it is too complex and not efficient.

Vitalmex saw this issue 20 years ago and tried to create a new business model. We were pioneers as we were the first integrator in the country, creating the comodatosystem (when the government buys equipment, they have to buy all the accessories from the same provider) and the first integrated services model. It means that innovation, medicines, information, technology, financing, are articulated around the patient needs. Mexico is a very challenging country when it comes to healthcare, and there are a lot of barriers that do not allow us to work as we wish. But At Vitalmex, we are used to change paradigms and we happened to modify the way the government was purchasing products, just by our strong will to improve the system.

30 years ago, the government was buying everything separately, which took a lot of time and money. We realized that we could smoothhat process by renting them some equipment and that was the first step towards a transition. We then offered the government to change the purchasing tenders in order to shift towards a cost per procedure system instead of a cost per product one.

We realized that we had invented a very specific business model that could even become an example for other countries. We convert the investment in equipment to current expenses, which helps the hospitals and the government a lot.

Before our system, the government only performed 700 minimal invasive surgeries in 7 years, but when we introduced the integrated services, they were able to do 1300 surgeries in one year only. We also reduced the equipment shortage problem and created a new trend in the government. Laboratories and blood banks started doing the same thing such as Falcon, so we really became a model to imitate and we have many competitors operating just like us.

We believe that if private companies get a bigger role in the healthcare system, by offering better management systems and integral solutions, the level of care will increase and the country will be able to offer better service to its population.

As you have already done a lot to change the system, How would you describe your growth strategy for the near future?

There are 4 different Mexico's that need to be taken in account, and therefore 4 different ways to do business with these different entities.

The first Mexico is extremely rich, with 23 million Mexicans that can receive world-class and expensive care. They are the target of the 5-star hospitals that Mexico as such as Hospital Angeles, ABC etc.

The second Mexico is based on the social security system, IMSS ISSSTE, and PEMEX where the employees prepay for their care through their federal taxes. It represents 50 million people.

However people are not using this system fully because the quality is not the best and it is not always reliable. Indeed some of them also have private health insurance.

The third Mexico accounts for 40 million people, which are considered as poor.

They are supposed to rely on Seguro Popular, which is a fantasy, with funds that are blocked. Because of the very low training of staff working in these institutions, they use the money for the wrong things and they decide everything, with their own rules.

Moreover the infrastructure is in bad condition, only running at 25% of its potential. The equipment is obsolete, abandoned, there is not enough staff, 80% of the budget goes to payroll, so the institution is only running with 20% of the budget dedicated to the patient.

Therefore, many companies are reluctant to get into this complicated system but Vitalmex is not. It is in our values and philosophy to try our best to increase the level of healthcare for this part of the population, at the bottom of the pyramid.

If we all put the patient at the center, the companies and institutions would be adapting to the patients, whereas currently it is the other way around.

We decided to focus on this bottom of the pyramid target because the challenges are huge. To work with this poor part of the population, we need to change the way we behave: that is why we are not only distributors, we are not only manufacturers, or integrators, but we are developers of healthcare systems. We want to give them accessibility, availability and opportunity.

How will you change your way of doing business by being developers? What will be your value-added?

As developers we want to create 4 different criteria for value:

First we want to create what we call flexible standardization, with a system that could be individualized, universal and functional. The second criterion is that we can bring economic benefits to the government from our solutions.

We also have mechanical engineers looking at the best technology, even to reuse equipment that is obsolete in Europe or in the USA but that could be refurbished and used in Mexico at a low cost, as the investment of that kind of equipment would already be amortized.

Our third criterion is simplicity, in order to create an affordable solution. We provide exact numbers and statistics to the government and we align our offer to these realistic needs, which creates economical advantage. The fourth criterion is the guarantee of service, because we are committed to provide high quality. Today the perception of our level of services is 8.7/10, and we know that we can do much better.

To increase our performances and the quality of our solution, we divide our offer according 4 strategies: the integrated services, the turnkey projects, the innovation and knowledge management, and the integrated programs. We believe that the government should contract us with one offer articulating the 4 strategies. If we can create this combination, we can help the government create an efficient healthcare system.

That is why our offer is completely unique: it is not focused on the hospital, not on the surgeon, nor technology. Our one and only focus is the patient, as it requires a lot of attention. We have strategic partnerships with SAP and Phillips, Johnson&Johnson, Boston Scientific, that are all very committed to the market as well.

Today in Seguro Popular, the budget is not properly managed because everything is purchased and organized separately, such as transportation, technology, telecommunications, medical equipment, infrastructure, staff training, logistics, etc. What Vitalmex offers is putting everything together, and it is a huge challenge.

Our first project where we were able to show that we were pioneers is a public hospital in Veracruz for which we have a 12 years contract. We developed not only a new business model, but also a new healthcare system, and we hope to get many more contracts in Mexico in the upcoming years.

How do you manage the integrated program you offer to the hospitals?

Our offer is an integral solution based on a yearly fee: we work on all aspects that are not efficient today, such as the surgery rooms, imaging, diagnosis etc. We focus on the main national diseases, being cardiovascular, diabetes, breast cancer and infant mortality.

More than a cost per procedure, what we offer is a cost per patient, as it is the center of our approach. Everything is included, and we make sure to avoid any kind of shortage, lack of staff or technical problem as the service is global and takes every variable into account. In some cases the government might even ask us to build new hospitals or refurbish some clinics. We also train and provide physicians.

We are not selling products but opportunity of health. We operate all the equipment and are in charge of the maintenance.

We basically provide everything to run a hospital so that the patients can get the best care out of the available infrastructure.

Based on the PPP law, our hospital runs 15,500 procedures per month in Veracruz, ad we created 150 jobs there. We installed surgery rooms, high specialty surgeries, imaging, hemo-dialysis clinics. We raised the capacity and productivity and the perception of quality of the service we provide is up to 96%.

As a final message, what is your assessment for the healthcare system in Mexico and where does Vitalmex fit in the picture?

We believe that the PPP law will help Mexico improve its infrastructure and it could even work for other sectors.

Our knowledge of integrated services can allow us to be developers and spread our program with universities, social funds, non-profit organizations, private hospitals, etc.

The system is so fragmented in Mexico that we could be the solution to unify all the different segments that compose the system, if the government would contract us, state by state.

Vitalmex is also opening in Spain, Peru and Colombia because we believe our model could help emerging countries solves their healthcare issues.

We have a strategic planning of 20 years and we want to contribute to a better ffuture for Mexico.

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