Interview with Fernando Del Puerto, General Manager, Pharma Investi Chile

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As the President of ASILFA what would you say are the main drivers and challenges for the Chilean pharmaceutical industry today?

Chile today is moving to implement a new healthcare system. The government is trying to address the inefficiencies of the public system today and to modernize it so that Chileans have improved access to treatments and medication. This reform will bring many changes for pharmaceutical companies and healthcare providers in the kinds of treatments that will be reimbursed by the government. For example, one solution that is being proposed is to implement a coupon-based reimbursement system that would allow a patient to receive essential treatment at a private hospital if the treatment is not offered by public hospitals.

Furthermore, the regulatory environment is also being shifted to create a system that is modern and more efficient and to bring it up to the standards of international regulatory agencies. The current regulatory laws are outdated and do not address some of the most relevant issues for the healthcare sector today. Some of the main issues for regulatory reform are the liberalization of the OTC segment and the respect of prescriptions by pharmacies that have been known to sometimes replace prescribed medication at the time of sale. Strategically speaking, it is necessary for the country to make the needed changes so that it can offer its people efficient and modern healthcare.

How would you evaluate Pharma Investi's overall performance in terms of growth, revenue and market share?

Perhaps the most obvious milestone of the company has been that in the last 7 years we were able to multiply our sales fivefold. Today Pharma Investi is ranked #5 in the prescription drug segment, #9 in terms of total units sold, and #8 in terms of value. This represents a notable achievement for the company as we have been able to move up the ranking and improve our position mostly through organic growth. Many reasons could explain that growth but perhaps we should highlight our improvement in chronic diseases and direct sales to hospitals.

Adding to your idea, Chile's pharmaceutical industry has been characterized as one of the most, if not the most, competitive market in Latin America due to rock bottom prices and the capacity of local manufacturers. What promotional initiatives has Pharma Investi undertaken in Chile, and how do you create a successful sales force in this country?

It is my core belief that the heart of any company's strategy should be innovation and the capacity for reinvention, and this is something that Pharma Investi really reinforces since I began working for the company. Innovation is not only relevant to the creation of new products, but it also involves innovation in the processes of the company and the way in which business is conducted on a daily basis. This is achieved by instilling creativity as part of the company culture and involving every employee in the process of bringing new ideas to the table. One way in which we do this at Pharma Investi is by hosting a company-wide event every year in which we ask every employee to set forth between 3-5 ideas of things that can be changed in the company. At the end of the day the top 3 ideas are rewarded , but many of them were. In this way we motivate all employees to feel a part of the innovative process by being able to shape the future of the company simply by coming up with useful and clever ideas. This also builds a certain culture of challenging current processes and always looking for alternatives that could be more efficient.
As for our human resources, Pharma Investi also has some specific policies that are adopted to ensure the growth of the company. One specific example involves the hiring of managerial positions for which we have decided to hire internally rather than looking for people from other parts of the industry. In doing this we motivate employees by providing them with opportunities for career mobility while at the same time retaining the most talented people in the company. By keeping the expertise and institutional knowledge within the company and mixing it with a constant drive for innovation we have been able to create constant opportunities for Pharma Investi.

The national healthcare system today has an estimated debt of US$ 500 million which has caused some serious delays in government payments to pharmaceutical laboratories. Considering that the public system is the biggest client in the country, how has Pharma Investi been coping with this situation?

There comes a point in time where you have to decide if you limit your sales to some distribution channels because of the delayed payments, or if you just bite the bullet and accept the situation for what it is. Considering that part of our strategy has been to increase our sales to the hospitals, we

simply cannot avoid this segment and have to find other ways of ensuring that we receive payments. One of the methods we have been using is to speak directly to the health authorities through the pharmaceutical association as a unified voice. This has proven to be effective, because at the end of the day the national laboratories are the leading companies supplying the public sector and the authorities recognize that they must keep us on their side. Of course this hasn't resolved the issue entirely; particularly when it comes to sales to CENABAST, but there certainly have been several improvements in the situation and today the hospitals are quite reliable in their payments. They represent about 35% of our total sales, so it is manageable to have some outstanding payments in the other segments of our client portfolio. Overall though, we have seen commitments by the government to improve their payments to suppliers with initiatives such as ChilePaga (ChilePays) that guarantees companies are paid within 30 days.

In an effort to streamline the Chilean pharmaceutical industry the authorities are planning to alter the way CENABAST operates by delegating the responsibility of delivering pharmaceutical products directly to the laboratories. How do you foresee this will affect Pharma Investi's operations?

This is not an issue that will affect us very much because we currently have similar methods of operating for some of our products, such as HIV/AIDS drugs that are already delivered directly to the hospitals. It is a shame because this initiative is not one coming from the industry but is rather a measure that is being imposed on us in an attempt to save CENABAST from the mess that it currently represents. At this point there is no point in fighting against something that has already been decided by the Ministry of Health, however, I believe the initiative would be a lot more effective if they had consulted the industry and included our input in how the process could be improved.

What is your vision for Pharma Investi for the next 3 to 5 years? Where would you like to take the company by then?

I would like Pharma Investi to be amongst the top 5 pharmaceutical companies in Chile. We will accomplish this by constantly improving the company's abilities and rewarding talent, while maintaining innovation as a core principle in all of our activities. I would also like to develop Pharma Investi's phyto-pharmaceutical offering because this is a segment that is quickly gaining credibility in the eye of consumers and physicians. At the end of the day the pharmaceutical sector is unique in that it provides an environment for me to strategize and implement business knowledge while at the same time contributing to society by improving the health of our patients and this is something that I always keep in mind when thinking about the future of the company and where it should be going.

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