PwC Mexico – José Alarcón Irigoyen, Partner & Leader of the Healthcare Practice – Mexico and Hispanic America



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The partner and leader of the healthcare practice for Mexico and Hispanic America shares his vision about how Mexico's healthcare sector is converging to look at innovative ways to understand how health impacts on the economic growth of the country.

Back in 2012 you told us that the Mexican healthcare sector had already started to transition towards the four big drivers of transformation, with changes reshaping the regulatory framework, the financial model, the healthcare provision as well as a move towards personalized medicine. How is Mexico progressing along this path?

Over the past couple of years the main lesson for all stakeholders of the Mexican healthcare system has been in realizing how important it is to move towards convergence. Within the private sector a key example is the innovation-driven pharmaceutical industry, which joined its forces through AMIIF (the Mexican Association of Pharmaceutical Research Industries) and appointed itself the strategic objective of significantly contributing to strengthen the competitiveness and health of Mexicans through pharmaceutical innovation. On the other hand the public sector is changing the way we look at the provision of healthcare. Everyone knows that the 6.2 percent of GDP allocated to health is not enough for a country as big as Mexico, but there has been an important change.

Whereas in the past the focus was on efficiency in resource allocation, today the government – along with the private sector – has realized that efficiency is not enough.

We could see this change at a very recent event the ministry of health held on prevention. All speakers referred to the 'Global Health 2035: A World Converging within a Generation' report published in *The Lancet* in December 2013, which suggests a new way of measuring the impact of investment in health on economic growth, moving away from the current model using traditional national income accounting based on percentage of GDP. The report argues that while 'GDP captures the benefits that result from improved economic productivity (the so-called instrumental value of better health), it fails to capture the intrinsic value of better health—the value of health in and of itself.' To overcome this, Global Health 2035 proposes the so-called 'full income approach', which adds a new set of indicators to measure how health impacts on economic productivity and combines GDP growth with the value people place on increased life expectancy — that is, the value of additional life years. It's a very interesting question, because it's about understanding how much a government is willing to pay to make its population live these extra years because of good health. In developing countries where they measured this variable over a ten-year period, they noticed that 24 percent of the full income GDP growth was because of investment in health.

In our last interview you told us that 'convergence is the way to approach the challenges of the sector with a broad view'. Recently the government announced its intention to move towards a universal healthcare system under the concepts of 'convergence' and 'portability of services.' How do you envision this upcoming reform and what challenges is the system facing to implement it?

The vision of the government's National Development Plan 2013-2018 is very clear with this regard and the strategy 2.3.4 of the plan points out that the priority of the current administration is to initiate the first steps to move towards the free election of a healthcare provider by citizens, which in turn should move forward to 'consolidate the tools to operate integrated networks of inter-institutional services.' The main challenge we identify is on the front of the management of care, because at the moment we have a silo-based healthcare system created 70 years ago on the premise that the formal economy would be much larger than it is today. We are the victims of this failed premise. Nowadays, we have to face the reality that this is not the case and that the healthcare system is facing three main challenges: first, the cost of the administrative burden, which today represents around 12 percent of total expenditure compared to the OECD average of 3.9 percent. Second, inequality, reflected in the out-of-pocket expenditure, which has not decreased over time and still represents 92 percent of private health-related expenses, leaving

only 8 percent to other types of coverage such as private insurance. Third, the practice of having physicians at points-of-sales, which has incremented exponentially as a low cost alternative instead of accessing healthcare provision at public institutions.

This said, we have not defined yet how this reform is going to happen. We think the government has three ways to go: first, an evolutionary approach, whereby it will create a portability platform by disease to incorporate financing, electronic patient record (EPR) and the right to choose health provider depending on the disease. Second, an innovative approach fostering public-private partnerships (PPPs) not only for large high-specialty hospitals, as it is the case today, but taking it to the next level. Relevant examples are provided by a project by the University of California, San Francisco (UCSF) on how the public sector can collaborate with the private industry to make this happen. At a more local level FUNSALUD (the Mexican Health Foundation) is very much involved in this kind of projects and is trying to move the Mexican healthcare system in this direction. As a result, we can start to see examples others to the federal government, such as a PPP in the Northern state of Sinaloa and one at ISSSTE (the Institute for Social Security and Services for State Workers). A third way would be a revolutionary approach, as it was the case for Mexico's state oil company Pemex; in the case of health it would be by separating the different elements of the sector, i.e. regulation, financing, provision and management.

So far a high degree of political capital was already used to move forward other relevant reforms passed by the government, so we think that currently the main obstacle to the implementation of the reform is getting a consensus among the main players of the sector, including trade unions. We may see an evolutionary approach during the administration of current president Peña Nieto to slowly move by 2018-2020 to a revolutionary approach, once the government has tested it can work and has clear examples and benefits.

Within the private market, distribution is changing dramatically. Large pharmacy chains have taken over market share and Hector Valle of IMS Health told us that in future we may see a closer collaboration between big pharma chains and hospitals as well as insurance companies. How is this going to happen and what benefits will it bring to the healthcare system as a whole?

I share the same vision of Hector Valle and we have a clear example of such trend with the company Previta, which today manages more than 50 points of care within Wal-Mart stores in Mexico. Wal-Mart imported this model to Mexico from the US and Canada, expanding the model for primary care at its pharmacies besides the presence of the physician at the point-of-sale. The insurance sector is also experiencing a lot of pressure to be more cost competitive and innovative

to ensure future growth, as today in Mexico only around 5 percent of the population is covered by private insurance, pointing to a big opportunity for expansion. The innovation may come from looking at alliances with hospital chains and retail chains with point-of-sale physicians to act together as a new player and offer an integrated healthcare delivery network, whereby the physician at the pharmacy will reference the patient requiring further attention to a clinic of this network through a financial model based on micro-insurance complemented with a model to manage the health of such citizens in an integrated way.

What trends may we see in the coming years with regard to healthcare, in Mexico as well as worldwide?

We are witnessing a sector that is learning the lessons from the consolidation of procurement to take it to the next level. The new name of the game is strategic purchasing, that is exercising the purchasing power of the government to change the economy and create supply when this is missing. The question behind this is: how can I intelligently generate supplies by incentivizing the private sector and financing the creation of new players in places where there are not? We are seeing the public sector evolving towards this practice, which represents an innovative idea if you look at the supply chain management, not only when medical devices and drugs get to the hospital, but also within healthcare institutions to benefit the patients. A further trend is also a renewed interest in the industry of medical devices – especially supported by the government agency ProMéxico, a growing segment where pharma industry and devices come together.

Something I'd like to stress is the general trend towards a more patient-centric industry. Being the purpose of PwC building trust in society and solving important problems, we really see a momentum for the patient to better organize in more impacting group of interests and showing the public and private sector that the way to go is managing health. I would like to invite everyone to visit the powerful proposal of the website www.patientslikeme.com, a US-based website organized around the patient, which may provide good learning for prevention programs in place at IMSS (the Mexican Social Security Institute) and ISSSTE. They propose to measure health taking in consideration three components: the physical, the social and the work aspects. So they ask each patient to estimate how much a disease is impacting not only their physical condition, but also social and family life as well as work. These metrics are measured over time to get a graphical view of health behavior. It's a very interesting proposal, as it makes you look at a quantitative way to measure health. Switching the focus on having a healthy population measured in this way could be a very transparent way to understand how costs, quality and access are shaping healthy, thus more productive countries.

A futurist named Jim Carroll talks a lot about Pharma 2020, pointing out how the most important aspect we are currently taking in consideration with regard to health is sickness. However, with the progress in genomics we have witnessed, in the future the driver of healthcare will be how to not get sick from something I'm likely going to be ill of in 20 years. We are not only talking about prevention in terms of nutrition and lifestyle, but also about how to prevent a disease and manage healthcare based on the (statistical and genetic) probability I may get a disease. Indeed it's a futuristic vision, but I think we are moving in this direction.

Why is PwC the partner of choice for institutions and companies operating in the healthcare sector in Mexico?

At PwC we think health matters, because it makes people happy and productive. As a global firm our responsibility has always been and continues to be to bring the worldwide best ways of managing health to our clients. Our priority is to fulfill our mission of making a difference for our clients, and by doing this also inspire and develop our high performance teams. Our vision is a platform where we are helping opinion leaders in the public, private and academic sectors to transform the healthcare sector. We want to be a catalyzer to bring the best solutions to their minds. We are actively working on innovative models and by advising clients in the public and private sectors we think we can contribute significantly to the transformation of the sector. We bring together the best minds in the Global Thought Leadership Council to discuss the common challenges and make stakeholders aware of initiatives and best practices we identify around the world. At the end of last year I took part at a conference in the US, where someone presented an analogy between the customer service of a hospital and the one of an airline. By applying the vision of another industry, you can see how many opportunities there are to improve the healthcare sector as a whole.

What can Mexico learn from other countries of the region with regard to healthcare and what is your vision about the Hispanic America region you are in charge of?

Today Mexico is a regional leader thanks to a revamped COFEPRIS (the Federal Commission for the Protection against Sanitary Risk). Nonetheless, we also have to learn from other countries in the region and I think particularly Colombia, Peru and Chile have interesting lessons they can teach us. I will draw the attention to the Colombian model of *Cajas de Mutualidad,* which represent an innovative public-private collaborative model of managing public health, to the Peruvian private health delivery networks and the Chilean *Isapres* model based on private insurers to see what can be applied to the evolutionary approach we were discussing earlier.

That being said, we really need to leverage that we are a region of Hispanics. In other parts of the world you have regions, such as the European Union, but you do not share the same language. In Spanish-speaking Latin America we share common origins, similar challenges and a very powerful geo-political position. I think as an industry we should follow the example of the Pacific Alliance to join forces and leverage this strength. We need to realize that the concept of sovereignity, the supreme authority, has been changing around us in ways that go beyond national views. A new model of international federalism, whose best example is the European Union, is possible and can also be applied to health. In Latin America we need to realize that countries acting isolated are in a worse position than acting together in facing such complex challenges as health. So why don't we focus Mexico on research in specific therapeutic areas, Colombia on health models and so on? Talent is always scarce, so we need to make sure we can share it. For this reason PwC has adapted the healthcare practice to converge Hispanic America and be able to see the broader picture, import / export best practices and cross-fertilize.

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