Interview: María Eugenia Méndez – Healthcare & Life Science Leader; Jorge Romero Castañeda – Strategy & Operations Director, Deloitte Mexico



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Jorge Romero Castañeda and M

aría Eugenia Mendez, Healthcare & Life Science leader and Strategy & Operations Director at Deloitte respectively, share their expertise about the Healthcare & Life Science sector in Mexico and showcase the integral solutions that the firm offers to the industry to help companies gain competitiveness as well as to meet future business trends such as digitalization.

After slowing in 2012-13, Mexico's pharmaceutical sector is expected to grow in average 5.6% rising from USD 16.4 bn in 2013 to 21.5 bn in 2018. Could you please tell our international readers what steps the industry needs to take to keep performing at this level?

Maria Eugenia Mendez (MEM): In order to define an action plan for the future, it is important to take into consideration the evolution of the industry in the last few years. It is a reality that the pharmaceutical industry in Mexico moved from growing at double digit to single digit pace and for many companies, the private industry has decreased its contribution to growth mainly as a consequence of the drastic increase of generics penetration in the Mexican market

The context totally changed throughout the last decade and now there are national companies offering high quality generics that totally fit with the national needs and some transnational

companies are not enjoying the same level of growth as the local ones. In general terms, MNC’s are more oriented to margins than volume.

In my opinion, one of the most important points in management is to have a clear strategy and this can create strong differences between one company and another in terms of growth results. National laboratories are a clear example since they have been able to identify the local needs and they have targeted all their strategy to them obtaining outstanding results.

National laboratories have focused all their efforts in developing primary care markets and all their investments have been targeted to that. These companies have understood the main drivers of their niche to tailor their operations to the correct levers such as samples and face-to-face interactions aligning their offering to physicians and patient’s needs.

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On the other side, many companies are struggling because they have not a clear strategic focus and they are trying to do everything at the same time, for example targeting primary care physicians and high specialty ones at the same time; the synergies and the benefits of clear focus for this type of companies are not that real.

Mr. Romero, you have around 5 years of experience in ATP companies. Since 2010, Cofepris has been strengthening its regulation to meet with the highest regulation standards such as EMA or FDA. How has this regulation evolved and how is this translated into a challenge or an opportunity for the industry?

Jorge Romero (JR): The positioning of generics in Mexico was low quality in the past because they were not as effective as expected. Therefore, in 2005 the national regulation changed and Cofepris insisted that all products must have a proper bioequivalence study. Consequently, drugs registered before 2005 had to comply with the new requirements, setting 2010 as a deadline for such a process; there were approximately 15,000 drugs registered in the market before 2010 but after 2010 there were only 10,000 products remaining.

In my opinion, the next regulation programs will be targeted to pharmacovigilance having more impact on the post-market stage of the products. It is important to consider that all these regulation programs that are tailored to enhance the quality of pharmaceutical products are directly impacting to other industries such as medical – tech because they are all related to drugs regulation.

However, pharmaceutical industry is in continuous development and there are always products going off patent as well as new products entering to the market. Biotech are going to be the new challenge for Cofepris and these products are going to experience a strong growth in Mexico.

Nevertheless, despite being a challenge for the industry in terms of having to comply with all these procedures of quality, it is also an opportunity because Cofepris is considered as a gate to other countries in Latin America and it can be a lever to drive the internationalization of the industry.

When we had the pleasure to meet Dr. Narro Robles, National Secretary of Health, he explained us the importance of Public Private Institutions to enhance the national healthcare eco system being both aligned to the same objectives. What are your conclusions on that?

MEM: Public health institutions such as IMSS, ISSSTE and Seguro Popular have the purpose to cover all the population but it is a reality that they do not have the capability and the infrastructure to accomplish such purpose without leveraging on the private sector. Therefore, private industry has identified this national need and they are progressively aligning their objectives to the national ones. In my opinion, Public and Private Partnership's (PPP's) model is key for enlarging the patients market access and accomplish the government's objectives.

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One of the main characteristics of the Mexican Healthcare system is its fragmentation with different public institutions such as IMSS, ISSTE and Seguro Popular. How is this fact affecting to the sustainability and the quality of the system in the mid-run?

JR: There is an existing proposal of minimizing such public health fragmentation but the action plan is not that clear. In this regard, the government is carrying out several advancements such as drugs purchasing centralization in order to obtain better prices, quality standardization amongst the different public institutions and facilitate the monitorization of drugs supply to them. The government is fully aware about this need and they are trying to overcome such challenge but there is still a long way to go.

Financial sustainability of the public healthcare system is one of the priorities of the government, and this explains why Mexico is one of countries with most generics penetration being more than 80% of consumed drugs. As experts of the sector, do you foresee an increasing role of truly innovation in Mexico?

JR: Unfortunately, innovation is still quite limited to the majority of the Mexican population and such developments are translated into drugs and treatments with higher costs that do not create strong improvements in terms of enlarging market access. In my opinion, the innovation will come from finding better and more cost-efficient ways of treating rather than from generics' development; technology will play a crucial role in this regard enhancing the scalability and the track of such treatments.

MEM: There are some examples of local innovation coming from Mexican companies that are already enhancing the financial sustainability of the public health and they are receiving international awards. We have identified telemedicine as a trend that will allow delivering health to the population enlarging the market access as well as permitting remote tracking of such treatments.

Considering that the government has recently announced budget cuts for healthcare sector for 2017, how is Deloitte helping the government and the industry to gain efficiency and competitiveness?

MEM: We have several solutions that are tailored to each one of the industry needs, particularly two main services that are fully tailored to enhance the industry competitiveness: enterprise cost reduction and advanced analytics.

"Enterprise cost reduction" helps the companies to find the best way to lower their costs having direct impact to their profit and losses financial statement and increasing their operative margin as a consequence. It is a reality that some companies, specially those with plenty of resources, are not always looking to different ways to skim their costs structure in order to gain efficiency and enhance their profitability ratios and Deloitte have the expertise and the tools to help them in this sense.

"Advanced analytics" is tailored to numerically understand the consequences of marketing actionsto increase the revenues of a company. This service helps companies to accurately measure every marketing expense that they are incurring before and after the money is already allocated through return of investment (ROI) estimations and tracking the actual results afterwards. Through "advanced analytics" we identify which ones are the demand's triggers and we help pharmaceutical companies to tailor their marketing expenses to them adapting their action plan accordingly to how the market reacts. It is important to take into consideration that not all marketing actions are as impactful as others depending on the life cycle of your drug and the market particularities.

JR: Deloitte is able to offer integral solutions since we are both in the commercialization and in the regulation side of the industry. As aforementioned, Mexico is a market nearly dominated by generics and being able get your product on the market from day one and be as competitive as possible are the two key factors of success in generic's industry.

Companies like IMS Health operate exclusively with the healthcare sector. Given Deloitte's coverage of much broader range of industries, how do you ensure that you can operate to an equivalent degree of specialism?

MEM: Deloitte is considered as a truly global company with multifaceted professionals coming from different backgrounds and industries. Both characteristics give us a broader perspective of the healthcare and life science industry challenges permitting us to design disruptive solutions with outstanding results. Obviously, we also leverage our solutions on specialists like Jorge with strong in-depth expertise in some areas such as regulatory.

I would like to reinforce that having cross-functional teams with strong collaboration between different industries help us to find best practices that can be extrapolated from one industry to another, which can be sometimes really difficult to identify when you are strongly involved in just one industry.

JR: In addition, Deloitte is able to offer integral sanitary solutions because we have also strong expertise in other areas such as legal, audit, risk management, strategy and operations. Therefore, companies in the healthcare and life science industry consider Deloitte as their partner of choice to help them in their corporate departments across all their value chain both in their elementary and support activities.

What are the key objectives that you would like to achieve in the upcoming three years?

MEM: Digital solutions are going to be the future in the commercialization side of the healthcare and life science industry. We are working towards enlarging our expertise in the digitalization process of the industry and have incorporated a strong technological team that operates hand in hand with our strategy & operations and human capital divisions to integrate different expertise targeted to digitalization to be in the forefront of this business trend.

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