

# IMS Health - Hector Valle, General Manager North Latin America - Mexico

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*The general manager of the leading information solutions provider for the pharmaceutical and healthcare industry talks about the challenges Mexican patients face in the public sector, how large pharmacy chains are reshaping the competitive landscape and the special synergy the company has developed with government institutions.*

**With the new Mexican government taking office in December 2012, there has been a relevant change in the people that today are heading the healthcare sector in Mexico. How close is the new government to the industry?**

Today healthcare does not seem to be a top priority on the government agenda, as most of the attention has been devoted to the energy and tax reforms. Nonetheless, the current government features key personalities. The minister of health, Mercedes Juan, is a very knowledgeable person: she relies on an extensive career within the sector, knows what she is doing and we are very happy with her work so far. Mikel Arriola of COFEPRIS (the Federal Commission for the Protection against Sanitary Risk) has also done a great job since he took office in 2011. The changes he pushed to accelerate drug approvals have had a very positive impact on the whole industry. He has some pending items with regard to drug safety regulation, but the rest are all proven successes – and everyone in the industry recognizes this.

**Although you mention that healthcare is not a top priority for the government, rumor has it that a reform is at the door for 2015 to move Mexico further towards a universal healthcare system. What is the current status of health coverage?**

The Ministry of Health states that only three percent of the population is missing, but according to studies carried out by IMS Health, the National Public Health Institute and INEGI (the National Institute of Statistics and Geography) it's around 20 percent.

The government has to define very well how they will guarantee full healthcare coverage for the whole population in the future and how they are going to integrate all existing public institutions, because the systems and processes they are using today are completely different and separate. If you want to build an integrated system, you first have to standardize and connect the existing ones – something which is not happening yet.

**What challenges do you see for patients who are attended in the public healthcare sector?**

Drug access. According to a recent IMS Health study, in Mexico it takes up to 4.3 years for a new treatment to be listed in the public healthcare sector – way too long if compared to the two years it takes in the UK and in Japan or even the 3.4 years of Brazil. There are two reasons behind this lag. First, overall government expenditure in healthcare is too low. Currently only 6.2 percent of GDP goes to health, much less than the average 7.4 percent of other Latin American countries and the 9.6 percent of other OECD countries. Second, after a drug gets the approval from COFEPRIS, it still has a long way to go. It has to pass through the Public Health Council and through each of the government institutions providing healthcare services, i.e. IMSS, ISSSTE, Seguro Popular, the Army, the Navy, etc., before being listed. This causes a huge delay.

A further challenge patients face is the availability of medicines. To improve inventory management, the Mexican Social Security Institute (IMSS) has been decreasing its stocks from three to 0.7 – 1.5 months, but unfortunately it is not working effectively.

**New players are reshaping the private sector, namely large retail pharmacy chains such as Farmacias del Ahorro, Benavides, Guadalajara, and San Pablo. Why have these chains grown so much in the past few years?**

Pharmacy is always top-of-mind for patients when they have to purchase a drug. When surveyed about why they prefer to go to a pharmacy rather than to a supermarket to purchase drugs, respondents usually say: “I’m not looking for soap or food, I’m buying medicines.” Top-of-mind

definitely plays a crucial role. Second, convenience. The majority of pharmacy POS (points-of-sale) can be easily reached using public transport and have parking space. Most patients hate going to In-Store-pharmacies to purchase drugs, because they have to pay a few pesos for the parking – it is something they just do not understand. Further factors are availability of products, chains being perceived as a cheaper option – even if it is not always the case: they offer a whole range of additional services, such as medical consultation and payment of utilities.

**Having physicians offering medical consultations on-site is a rising trend in Mexico. How has this impacted the healthcare sector?**

Having physicians at the POS has been a game changer. IMS Health estimates that currently 30,000 physicians provide over 250,000 medical consultations in pharmacies on a daily basis – which is impressive taking into consideration that this is almost the same number that IMSS does (290,000).

Many in the pharmaceutical industry think such a practice is unacceptable, arguing that physicians tend to prescribe house brands, thus causing a huge conflict of interest and unfair competition. Besides the conflict of interest, I think it is a positive trend because it helps the population have a faster access to medical care, it unburdens the public healthcare system and helps promote prevention.

**It seems, though, that the growth of pharmacy chains has been at the expense of drug distributors, such as Casa Saba, Marzam and Nadro. What role are they going to play in the future?**

When large chains gain relevance, they tend to purchase directly from drug manufacturers, but some continue to purchase from distributors. We have seen a trend towards a “fee for service” model and it seems that some distributors in the mid-term may shift into becoming logistics players. Part of the business will be kept as it currently is, part will be logistics and part will be marketing services – they will become service providers for the industry.

**What do you think will be the next “big move” as with regard to pharmacy chains?**

We see an increasing trend towards a closer collaboration between pharmacy chains and hospitals as well as insurance companies, which will create a complete parallel system emulating the government model. We think this is going to be a game changer. It is difficult to say when it is going to happen, but probably within the next 24 months.

Recently the US retailer and pharmaceutical wholesaler Alliance Boots acquired the pharmacy chain Benavides and everyone is waiting to see what best practices the group is going to implement in Mexico. Having such a global player in the market will definitely change the complete dynamic of the game.

**During our last interview you mentioned that the push for generics would continue.**

**What happened since then?**

Today generics represent 85 percent of the market in terms of volume, including the private and public sector. Private labels have gained a lot of strength and have made Mexico one of the biggest markets for generic drugs worldwide. Mikel Arriola and COFEPRIS have done a great job in the past few years making sure that when patents expire, generic drugs could be introduced fast on the market. Perception has evolved: patients are more open and comfortable with generics, especially because they represent huge savings.

**Besides an increasing trend towards the use of generics to drive down prices, also the extinction of patents is affecting pharmaceutical companies worldwide. So, what do you think they can do to stay competitive on the increasingly challenging Mexican market?**

Most companies have to rethink their market strategy. Some are focusing on products which still have a patent, some are promoting their “mature” products, and some understand how to work closer with the government to guarantee drugs are listed in the public institutions and get to the population. Portfolios have been shifting from primary care to specialty products.

**IMS Health is the world’s leading provider of information, services and technology for the healthcare industry. Nilton Paletta, President for IMS Health Brazil and Latin America, told us that the company is looking to transition from being a data provider to become a specialized consultancy for pharmaceutical companies. How is this happening here in Mexico?**

Worldwide, Mexico is the country with the highest share of sales coming from consulting. We have been providing strategic consulting to companies, institutions, insurance companies, wholesalers, and, of course, to the government. Mexico is very particular in the Latin American space because of its strong collaboration with the government and it’s something we want to continue in the future.

IMS Health is also moving into the tech & app segment for the healthcare industry and is in the process of merging with Forcea, a Belgian-based company that specializes in BI applications and analytics for hospitals and life sciences organizations. We also continue to strengthen our data and

patient databases – of course on an anonymous basis – to track patient data along their life to understand how they react to different treatments.

**Are any of the services you offer tailor-made for the Mexican market?**

In recent years we have developed consumer audits of non-pharma products, such as OTC and personal care products, which here in Mexico are very close to pharmaceutical products, also physically. So we started selling the information to FMCG companies competing in this space, such as Johnson & Johnson, Colgate and Procter & Gamble, among others.

**People are a crucial asset in consulting. At IMS, how do you make sure to find and retain the correct resources?**

At IMS we have people, who come from the pharmaceutical industry, from distribution channels, from the government and from the consulting business. This mix gives us the uniqueness and the know-how to go to our customers, understand them and really provide a value added. IMS understands healthcare, that's a competitive advantage we have compared to other market research companies. It's our bread and butter.

**What do you believe the future holds for the Mexican healthcare and life sciences sectors?**

In 2013 Mexico has been under a lot of pressure, but continues to be a stable market. It's predictable compared to other Latin American markets such as Argentina and Venezuela. This year the economy will probably grow at two to three percent, as the tax reform hits industry and the purchasing power of population, but reforms should help the economy move faster and bring back the country to a five percent average growth rate in the close future. My message to readers is: continue investing in Mexico and we will get back to growth!

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