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Latin America provides a number of opportunities to healthcare and life sciences companies. The Managing Director for the Global Life Sciences and Health Care Industry Group at Deloitte shares his perspective as well as recommendations on how to approach the region.

With the largest Latin American economies facing serious economic and political challenges at the moment, can we say that Latin America is still a continent of opportunity?

The bottom line is that Latin America is a region of opportunities despite the political and economic problems it is going through. Healthcare, and quality healthcare in particular, is a growing business all over the world, and that is certainly true also within Latin America. We are witnessing a growing middle class, which has very different expectations of what kind of healthcare they want to receive. Despite political challenges, the region offers a variety of opportunities in the private as well as in the public sector.

Where do you think most of the opportunities lie in Latin America today?

Diseases related to aging and chronic conditions such as obesity, diabetes and hypertension are affecting Latin America as they do other developing countries. Latin America is not immune to this burden, and it represents an important opportunity area. The region offers an interesting scenario: particularly the legislative changes in Brazil allowing foreign investment in the healthcare sector. This may lead to consolidation while providing other opportunities to payers and providers. Also, there is probably space for public-private partnerships (PPPs) in a number of areas. The problem is how to provide a minimum acceptable level of healthcare everywhere. They cannot do that without the involvement of the private sector.

Many countries in Latin America are in the process of implementing universal healthcare coverage, which may force pharmaceutical companies to enter partnerships with the government. What kind of form and shape should these partnerships take?

Currently, the pricing strategies of a few drug companies are causing the industry as a whole to be bashed over pricing, but I think that the vast majority of the industry is oriented towards improving human health, but it does require these companies to try to cover their R&D costs of these new innovations. Some drug companies are producing and providing drugs in parts of Africa to alleviate local diseases. The fundamental issue is that someone must be willing to pay for R&D; otherwise we'd only have generics and would not be developing new drugs. I worry about a lot of economies trying to push down pricing to such a level that, eventually, somebody else is paying the bill of R&D. You have to be able to find a trade-off. Many public systems press on pricing, they always will as it is a negotiation, but at some point they need to recognize the importance of R&D and be willing to pay the prize for it.

Who should pay for R&D then?

There are different ways of thinking about that, but you have to cover it somehow. It may be the government or tax payers. The question is: how do you want to think about it? The problem we have with R&D right now is that its value is included in the price of drugs, but it's hard to determine how much of what you are paying is really covering an R&D effort. Another way to do it is negotiating an R&D charge or a value-based approach, which is what is going on in Europe: pharmaceutical companies are paid for the demonstrated value of their products in terms of improved health benefits. I know this model is being discussed also in Latin America, but not much yet.

Over the past few years Latin America has seen the new entrants, among others, middle-sized specialty European companies or Indian players capitalizing on the growth

of generics. What would be your recommendation for companies interested in starting operations in the region?

I would recommend picking a lead country to deploy products as quickly as possible. Access is a huge challenge and getting approvals takes a long time across the region, even though it's getting better. Five years ago companies would pick Brazil as an entry point; today, I see they would rather launch in Mexico first and then penetrate the other parts of the region. The Mexican regulatory authority, COFEPRIS, has done a terrific job over the past few years following the example of the U.S. FDA and positioning Mexico as the entry point to the region, because if products are approved by the Mexican authority, they are approved a lot faster throughout the region. I would also suggest launching with the end-point in mind: adapt the strategy depending on the markets you are going to approach. A pricing rationale is also very important: many pharmaceutical companies are now starting their own value-based organization because they want more control when they start to launch and it allows them to define better how they would bring and price it to the market.

Latin America is lagging behind other regions in terms of innovation. Do you think there is hope to see one day more innovative products coming out of the region?

Hope is always there and a tremendous amount of innovation is going on in the region. There are local champions that have the potential to develop and room for that to happen. Many Latin America-based pharmaceutical companies are doing their R&D locally. Today, Latin America needs a hub to drive it. Boston is a good example: over the past ten years the city has brought together teaching hospitals, strong academic education and critical mass, and all of a sudden things start happening. In Latin America, we are seeing interesting initiatives in places like Buenos Aires around the University of San Martín and the Albert Einstein institute. However, overall, the focus so far on the continent has mainly been on healthcare improvements rather than on developing research on pharmaceuticals.

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