Interview: Xavier Valdez – General Manager Mexico and Central America, IMS Health



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Xavier Valdez analyses the dynamics impacting the Mexican pharmaceutical market and explains why IMS Health is transforming itself to strengthen its position as the partner of choice for decision-makers throughout the entire value chain.

How would you assess the performance of the Mexican pharmaceutical market for 2015?

From 2014 to 2015, the total Mexican pharmaceutical market displayed a strong 5.3 percent growth to reach 209.5 billion Mexican pesos [USD 11.14 billion]. Interestingly, the private retail market grew 7.1 percent over the past 12 months, whereas it had dropped 0.2 percent in 2014. This return to robust growth of the private sector is now propelling the overall market, as the retail market still represents 74 percent of the total Mexican sales.

This strength of the retail sector is seemingly linked with the current momentum propelling the entire consumer goods sector in our country, which in March 2016 displayed an annual growth rate of 11 percent. Furthermore, the increasing availability of medical consultations at the pharmacy point of sales and the convenience of this fast-growing model is also probably nurturing a relative displacement of the consumption from the institutional to the retail sector.

On the other hand, the increase of the institutional sector slumped to 2 percent annually, whereas we reported a 9 percent growth for the public sector in 2014. This lower growth of the institutional

sector is mainly attributable to the budget pressure currently faced by the federal government.

Within the thriving retail market, what are the product sub-sectors that sustain this impressive growth?

We see that the mature products still represent the largest share of the retail market (78.5 percent), as they have been further gaining in importance and continue to grow 3.8 percent year-over-year (March 2016 MAT). Furthermore, we see that generics are the product sub-category displaying the highest growth rates in the retail sector, while we estimate that they already account for around 79 percent of the total units sold in Mexico (retail and institutional markets). In terms of market penetration of generics, Mexico now stands as one of the most mature markets in the world.

In the meantime, we see that the domestic companies still take the lion’s share of the current growth of the retail market, and display the most impressive sales increase among all companies operating in this sector. In the meantime, we see that – according to their global strategies – most of the multi-nationals are now strategically focused on high-cost specialty treatments, which are by nature mostly related to the institutional market.

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Looking at specialty treatments, how has the biological sector evolved over the past years?

The Mexican biological market – comprising both innovators and biosimilars – has been growing 7 percent CAGR over the last three years to reach a market value of USD 1.123 billion, while non original biologics represent 32.9 percent of the total biological market.

In more mature markets, we noticed that innovative biotech companies have been steadily developing their biosimilar offering, in order to better optimize and make their cutting-edge but expensive biotech production lines more profitable. In Mexico, we also anticipate a similar situation in the upcoming years, with biotech innovators increasingly stepping into the biosimilar market.

Public health spending in Mexico continues to stand way below the OECD average. In the meantime, only a very few innovative treatments have been registered by the main social security institutes over the past two years. Given this tricky market access context in the institutional sector, do you see the sustained growth for the biotechnological market in the upcoming years?

I believe that it is the responsibility of all shareholders to find a way to sustain this growth. As an industry, we are currently discussing the opportunity to look at innovative market access models and we have identified two distinct ways out of this conundrum: either the industry manages to establish financial capping agreements with the social security institutes, or we move forward in the implementation of pay for performance schemes.

I am quite optimistic to see either of these two models implemented in a very near future: ultimately, the social security institutions and the industry share the same objective. While the industry obviously wants to see these products being accessible through the IMSS and ISSSSTE networks [the two main Mexican social security institutions, covering around 80 million Mexicans], these life-changing innovative treatments don't display any generics substitutes yet and are utterly needed to cure the institutes' patients.

In the meantime, it should also be highlighted that – beside the dramatic lack of new registrations in the public sector – the social security institutes' spending for already registered, high-cost medicines has nonetheless been significantly growing over the past years.

IMS Health study *Global Oncology Trend Report: A Review of 2015 and Outlook to 2020* estimates that annual global growth in the oncology drug market is expected to be between 7.5 and 10.5 percent through 2020, reaching $150 billion. Considering the importance of the demographic and epidemiological transition in Mexico, we see many pharma companies concentrating their efforts on this specific therapeutic area. What is IMS' outlook for the oncology market in Mexico?

First of all, the sheer impact of the demographic transition in Mexico should not be overlooked. In 2020, 66 percent of the Mexican population will be between 15 and 64 years old, which means that for the first time, adult population will constitute the majority. Furthermore, by 2050, we expect that more than 24 percent of the Mexican population will be older than 50 years old. Although 2050 might seem to be in the distant future, the importance of this transition will completely transform our population pyramid. In the meantime, the overall cost generated by our current disease burden, including diabetes, cardio-vascular diseases and cancer, will probably continue to dramatically increase in the future.

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Over the last 12 months, the value of the oncology market in Mexico has been growing at a rate of almost 8 percent. However, I am less optimistic this growth rate will continue over the upcoming years. Firstly, we recently saw that some key oncology products lost their patents, automatically

opening the door to generics. If the current bottlenecks to innovation in the public sector are not rapidly addressed and new innovative treatments are not registered soon, we can expect the overall value of the Mexican oncology market to decrease significantly. As a matter of fact, oncology treatments represent around 24 percent of the total social security institutes' budget dedicated to medicine purchasing, which is far more than all other treatments.

How do you see the Mexican market evolving in the upcoming years?

Over the recent years, Mexico has been displaying a remarkable consistency in terms of market growth, and we expect this growth to continue in the upcoming years. As a result, Mexico is considered the only Latin American country whose market value growth will be higher than what we had in past years. Our forecast is that the Mexican retail sector will grow over the next four years at an annual rate of around five percent, which is very attractive from a regional standpoint, taking into account the diverse inflation rates in Latin America. The only parameter that could relatively shade this impressive performance is the recent devaluation of the Mexican peso,

You were appointed general manager Mexico and Central America for IMS Health in December 2014. What would you highlight as some of your main achievements since you took over?

IMS Health acquired Cegedim in 2015, and this acquisition has been very promising in terms of fostering new synergies and bringing stronger added value to our customers. Leveraging Cegedim's physician database, we can now provide our clients with more accurate market segmentations and improve the impact of our consulting services with regards to sales force alignment. We have also been particularly focused on developing the connectivity of our different databases: associating our CRM tool with our geographically-segmented data, we can for instance deliver new sales force performance analysis with a heightened precision.

We are also about to finalize the implementation of a very exciting project: an integrated and comprehensive "data warehouse". For this new game-changing processing tool, we have been aggregating all our data with other external sources of information from the entire pharma value chain – be it other service providers, our customers and many available data sources in the market.

On May, 3rd 2016 the merger between IMS Health and Quintiles was announced, to form the industry-leading information and technology-enabled healthcare service provider across the entire life sciences product lifecycle. What kind of new added value and efficiencies will your Mexican clients and partners be able to access?

In Mexico, we expect to start the effective integration of expertise and service portfolios by the end of 2016. The acquisition represents an important milestone for both IMS and our Mexican clients. We will soon be able to extend and strengthen our scope of action to the clinical trial, drug development and treatment adherence fields. More than ever, we can offer our clients a holistic and unrivalled portfolio of services, which of course includes our historical strengths in CRM, sales force performance analysis, multi-channel marketing, and also physician database. Overall, this last year has been a very exciting time for IMS Health, and we undoubtedly now stand as a stronger and more comprehensive organization.

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Worldwide, Mexico is the affiliate with the highest share of sales coming from consulting. We recently offer a real-world evidence complete span of services, which is focused on highly-demanded healtheconomics and pharmeconomics studies, with regards to the therapeutic efficacy of our customers' treatments for example. We clearly identify this discipline as holding very promising growth perspectives over the upcoming years. In the meantime, we continue to strengthen our technology-related portfolio and strive to extend and improve our understanding of some under-covered markets, with regards to generics or other important health institutions

Our objective will always remain to provide the industry with powerful insights that have a decisive impact on their decision-making process. We are aware that the value of our mind-blowing quantity of data is ultimately enhanced by our processing capacity and exalted by our consulting skills. Our ability to translate data into decisive insights will ensure that we will continue to be seen as the partner of choice of the industry when it comes to making crucial and strategic decisions.

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