# Daniel Varde, Consultant, Healthcare and Life Science â?? Deloitte Latin America

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*Daniel Varde, Deloitteâ??s top consultant for the healthcare and life sciences sector in Latin America, discusses the interaction of global, Latin American, and Argentinian healthcare trends, and strategic techniques for optimizing a pharmaceutical firmâ??s performance in Argentinaâ??s price-controlled, high inflation market.*

**With the current inflationary pressures to reduce costs, why should firms continue to hire Deloitte as a consultant?**

Pharmaceutical companies are facing some very significant pressures at the moment as the ministry of economy controls the prices of their products, and at the same time, prices have risen by more than 35 percent since the beginning of the year. Surviving in this environment has forced companies to overhaul their strategy, so that they can effectively reduce costs, or at least limit their growth, without losing revenue. At the same time, it is critical for companies to grow their revenues by launching new products and developing more exports, so there are R&D, registration, and marketing costs that cannot be cut and in some instances need to be increased in the short term. While a company could attempt to do their own analysis in-house, Deloitte has extensive experience in this regard and is able to analyze and prioritize different options for cost minimization and business development much more efficiently and accurately than our clients can themselves.

However, it is important to realize that despite the current issues, Argentina is still a very attractive pharmaceutical market for pharmaceutical companies, and is quite large with over USD 6.3 billion in sales according to IMS. Furthermore, prices are quite high relative to other countries, and as such pharmaceutical companies have enjoyed healthy profit margins in the past, and while they have been shrinking, they are still reasonable.

**Which global healthcare trends are visible in Argentina, and what are some of the trends unique to Latin America?**

The Argentinian market is unique in the sense that many multinationals have a much weaker presence here than they do in other similarly sized companies; Sanofi for example is the highest grossing pharmaceutical firm in Latin America, but only ranks 23rd in Argentina according to IMS. This is largely because we have some very relevant and significant local players such as Roemmers, BagÃ³, Elea, Gador and others, and in fact, local firms collectively have a 55 percent share of the pharmaceutical market. Local firms have about 90 percent of the medical supply market, and 100 percent of the health insurance market, and this large domestic industry insulates us from the global market to some extent.

However, we are obviously affected by global trends, and the primary impact is the rising cost of healthcare. There are a few different components to this, and the aging population with increasing healthcare needs is the first among them. The second is the evolution of the pharmaceutical industry itself, the movement from traditional pharmaceuticals to more innovative fields, meaning biotechnology for the most part, that has been seen at the global level for several years. Argentina developed its pharmaceutical and healthcare industry around generic companies, and was able to produce most â??typicalâ?• medications and treatments domestically while importing some innovative products; as the â??typicalâ?• treatment has become more advanced, we have had to import an increasing proportion of innovative products and APIs, which has of course increased healthcare costs. The â??biotech trendâ?• itself has begun in Argentina, with companies such as Biosidus and Dr. Sigmanâ??s Grupo Chemo leading the charge, and it is possible that we will catch up a bit in terms of healthcare costs in future years. Furthermore, weâ??ve always had to import medical technologies (sometimes used or not the latest technology) as we donâ??t have much productive capacity in this field.

Argentina is huge geographically, but the market is very different from the others. The biggest challenge is financial, as the provincial governments donâ??t have enough money to adequately fund their respective public healthcare systems. To compensate, there have been a number of different cost saving programs, such as Plan Sumar and Plan Remediar implemented at the national level. Plan Sumar aims to reduce long-term costs by improving healthcare services and preventative measures, while Plan Remediar and PAMI, the social security healthcare provider, reduce costs through bulk purchases if RX products at the national level.

**How do you advise your clients to approach the market with innovative products, due to the uncertain level of IP protection?**

The importance of generics varies from country to country, and play a very important role in Mexico, Chile, and Brazil, but less so in Argentina. In Brazil, there are a few very large generics manufacturers producing massive quantities, but the quality is inconsistent and originators charge high prices for their innovative products knowing that they will be copied sooner rather than later. In Argentina, the IP protection is, or was, weak enough that originators are still charging high prices, yet we donâ??t have the same level of savings from cheap generics as in Brazil, because the branded generics are also fairly expensive, but are of course of a higher quality than the non-branded variety usually are.

As for how we advise clients to approach this issue, they key is to quickly build market share that will be relatively insensitive to generic versions coming onto the market. This can be done effectively by partnering with one of the larger branded generic companies in Argentina, such as BagÃ³ or Gador, as the use of a local brand helps reduces the loss of market share to generics manufacturers. A reliable local partner is also an asset when navigating local regulations and entering the market, and since they would already be located here the necessary investment is much smaller. Finding the right partner is critical, as they are able to add a lot of value to a product launch if they have the right knowledge and contacts; such an organization or person right one has experience dealing with foreign companies and the local regulatory environment, and with contacts or knowledge of the public system. Knowledge of the public system is particularly important, as nearly half of Argentinaâ??s population lacks private or employment-based health insurance, and thus a large portion of sales will be funded at least in part by the public system.

**How are hard data and data analytics used and viewed culturally by Argentinian pharma businesses?**

Between IMS, Farmalink, and Close-Up, there is enough readily available data and market analytics that pharma companies do very little themselves. The pharmaceutical market is an anomaly in this respect, as no other industry has this level of transparency, with such detailed data, prices and volumes for each and every product and product category on the market, made so readily available. On the other hand, statistics are very complicated in Argentina, as macroeconomic statistics are not particularly transparent. This reduces the reliability and value of investment in analytics, and as such companies rely less on quantitative financial analysis than they do in other countries.

**With the increasing trend towards internationalization and exports, what are the relative strengths and weaknesses of Argentinian firms compared to their international competition?**

The top tier of Argentinian firms is very strong with respect to quality, manufacturing practices and standards, and scientific and technical expertise. Their technology, human capital, products, and processes are of a caliber only surpassed by the leading global innovators, and thus is very strong compared to their competition; other branded generic and generic manufacturers in India, China, and other countries, and domestic manufacturers in our target markets such Peru, Ecuador, Venezuela, Paraguay, Uruguay and some countries in Africa and the Middle East. We also have a distinct advantage in a few niche areas like vaccines and some aspects of biotech, where companies like Grupo Insud and Biosidus are among the first non-innovative companies to develop the necessary technologies. For the core pharmaceutical companies in Argentina, their only weakness in the competitive sense is price, which can be higher than a comparable Chinese or Indian product, although likely at a slightly higher quality.

**What is the scope of Deloitteâ??s healthcare and life science operations in Latin America and Argentina?**

Deloitte performs a wide variety of functions for customers in the healthcare and life science industry including auditing, tax and financial advice, M&A services, enterprise risk management, and consulting services. We are one of the only big accounting firms that have consulting operations in Argentina, and help our HCLS clients find solutions to all sorts of problems, although our IT implementation services generate the most activity. Specifically, we set up ERPs such as FIP, SAP, and Oracle for our clients businesses, as well as CRM solutions for their marketing teams and of course analytical support for strategic planning.

We are much more than just an accounting firm; we are a very large firm with a very wide area of expertise and capability, and are thus able to offer many different services, and in fact, Deloitte is the largest professional services firm in the world. As such, we interface with all of the major players, not only in Argentina, but also in the rest of Latin America, especially in Uruguay as the countryâ??s tax free zones play a very important roll in tax strategies for many of our clients.

**Has Deloitte been involved in the reform process here in Argentina?**

We are working with the ministry of health on one project, FEAPS which aims to improve the health for the population that relies on the public health system, roughly 20 million people across the country

One of the challenges we face in Argentina is the perception of consultants within the federal government and Ministry of Health, as most civil servants do not believe that we can add value or improve the efficiency or impact of public projects. Our reputation or image is much better in other levels of government, especially the autonomous city of Buenos Aires, and the province of Chaco where we work a lot with the head of the provincial government (Governor Juan Carlos Bacileff Ivanoff). As the federal administrations change and new individuals take office, I think these attitudes will evolve and hopefully we will be able to play a larger role in the public sector in the future.

**What lessons has Deloitte Argentina learned from the challenging business environment here, that Deloitte could benefit from globally?**

In Argentina, it is especially difficult to replicate strategy that is successful in other countries. Strategies canâ??t be simply localized, meaning implemented and slightly adjusted, as they can in many countries, and instead must be significantly altered or even replaced to be successful here. The dynamics here are different and often seem counter intuitive to outsiders, and as such what works elsewhere doesnâ??t here, and sometimes what works well here will not work elsewhere. So this is my advice; try to understand the local environment, what the currents and dynamics are, and develop strategies and solutions from this frame of reference. Understanding the environment well enough as an outsider can be very difficult, and thus it is usually advisable make use of local managerial talent.

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