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Back in Latin America after several years in the US and Europe, Teva LatAm Head and Mexico GM Rodrigo Fernandez explains how the affiliate has adapted its strategy across the region and delivered consistent growth in most of its LatAm markets. He also explains how the region is confronting some of its bigger access challenges.

You came back to Latin America and joined Teva after a long international career in pharma. Can you tell us about your background and what brought you to Teva?

I have worked in the pharma industry for more than 27 years. I started my career in Costa Rica and Venezuela for Roche, then accepted to join AstraZeneca where I worked for 12 years. That took me to live in Europe close to 6 of those 12 years, working in global and local positions, before moving back to Costa Rica still working at AstraZeneca. In 2016 I took the opportunity to join Astellas and to work for Latin America out of Chicago.

The opportunity at Teva arose in 2020 and gave me the possibility to move back to Latin America, in specific to Mexico. Pretty much my entire career up until 2020 was centred on the innovation industry, which is very dynamic and science-oriented, and provides incredible breakthroughs. Latin America has a patient access issue that is quite relevant and generic companies, such as TEVA, have a lot that can contribute to solving it. So, it was a great opportunity for me to join and work for a hybrid company, TEVA, that researches innovative medicines and does R&D, but also works on a slightly different front in terms of facilitating access to medicines by being a global leader in generics. It was an opportunity to learn about the generics industry and to look at things from the other side while also maintaining a connection to innovation.

Latin America is a vast territory that includes a diverse collection of countries. What is Teva's strategy in Latin America and how is the affiliate split across the region?

In Latin America around 80 to 85 percent of the pharma market is concentrated in four countries. Brazil is the largest market and Mexico is the second. Those two markets are within the top 15 in the world in pharma. Then there is Argentina in third place, and Colombia follows. After those four markets, there is a second tier which includes Chile and Peru, which is also very interesting. With many different dynamics in Latin America and what Teva has managed very well over the past few years is understanding each market and the opportunities across the different healthcare systems. We are present in all these key countries except Colombia, and also have an operation in Uruguay. TEVA covers other LATAM markets through business partners.

Chile is a very clear example. Several years ago, Teva bought Laboratorios Chile as part of the strategy to conquer emerging markets. Laboratorio Chile was already the market leader, so Teva has managed to maintain that leadership position, be the partner of choice for pharmacy chains, and provide greater access for patients.

Argentina is a very interesting case as well. There are three or four main therapeutic areas where we maintain the top three position. The business employs close to 150 people and we have a manufacturing site that is becoming a launch site for the rest of Latin America.

In Brazil, we have a highly specialized organization. It is a very competitive market so we decided to focus on novel specialty products and targeted generics. It is also a market for innovation where we recently launched a drug for Huntington's disease, Austedo and the migraine treatment, Ajovy. We are making very strategic investments in Brazil, in terms of growth and in terms of serving specific groups of patients with unmet needs. For Huntington's disease, for example, the options are very limited. We are working with authorities and key stakeholders to ensure the right patients receive this treatment.

Finally, Mexico, as one of our large markets, is a very important endeavour for us at the moment because it is where we have found opportunities for growth and where Teva can compete with a number of both local and international players. Mexico is a market with a lot of healthcare and access needs with three specific challenges: access pathways; government procurement processes and certainty, and regulatory issues. But although we still have a very small portfolio with only about 40-45 products in the market versus the 3,000 that Teva has globally, we are present in key therapeutic areas in Mexico, both in primary care areas like pain, cardiovascular, or women's health, and very specialized innovative products in the supportive care area for oncology and haematology. After acquiring a local company in Mexico in 2017, TEVA is now leveraging a new platform and we have a manufacturing site for finished pharmaceutical products. In Mexico, we also have an API manufacturing site, which is a global site for Teva producing mainly for the USA.

In Peru we have a medium-sized organization, focused mainly on OTC and in critical products for cardiovascular. And, we also have a successful business unit in Uruguay. We serve the rest of the markets in Latin America through business partners.

Many of your colleagues in the industry have said that Latin America is punching well above its weight in terms of performance, particularly in the current climate and even providing positive examples for other regions. How is Teva performing so far in LatAm?

Latin America offers companies the opportunity to perform well and generates excellent performance examples to showcase around the world. Teva is not an exception. We are outperforming market growth in every single market where we operate at the moment with the exception of Peru. Just to provide a little perspective, in Mexico last year we closed the year as the pharmaceutical company with the fastest growth. Coming from a small base, we grew 3.5 times above the market. The same

thing is true in Argentina, and in Chile where we have a more mature organization and market leadership, we grew 1.5 to two times the market. And in Brazil 2021 was a very good year.

In 2022 performance of our product lines is starting to be more stable and we are driving a very good wave of performance across markets. We do face challenges every day, such is the case of Argentina and its economic volatility, Chile has been more unstable in currency exchange and socio-political environment over the last couple of years. However, through business models supported by local manufacturing sites and strong leadership on the ground, we are managing to accommodate these factors so that we can sustain our business. The rest of the markets have been more stable.

With respect to providing examples to other regions, we have a couple of very good showcase examples of e-commerce in Mexico and Chile that are leveraging the case for that globally and there is Austedo in Brazil, which is the third or fourth market in the world to launch the drug apart from the US and China.

Flexibility is another factor many of our interviewees mention with respect to region. Is being flexible and adapting to market conditions more important in LatAm than in other regions?

If you work in Latin America, or in emerging markets in general terms, you have to have a certain tolerance for change. However, I lived for several years in the US and was part of the US leadership team for Astellas and it was interesting to see the dynamics of the market and the challenges there. When I lived in Europe as well. The challenges are different, and the dynamics can change but working in China, Germany, the US, or Mexico, poses similar kinds of challenges that are related to what we do, the risks we take and how we drive people to make the right decisions for the future in benefit of patients.

Going back to market access, how challenging is it in Latin America? Do governments, regardless of their politics, see healthcare as something vital for the population?

Having worked in a number of countries, I do not think Latin America is different in terms of challenges. Look at the healthcare system in the US. It is extremely complex, challenging, and does not cover everyone. Pharma companies need to work around that in order to make sure that their products are available to patients, and that happens in LATAM and in every region of the world.

Latin America, of course, does not comprise the richest countries in the world, and there is a very large population of 600 million people. A country like Brazil is very large with very diverse conditions across its territory. When it comes to how well things are structured, governments in Latin America are trying to solve this issue in different ways. Argentina, for example, has a healthcare system that covers 90-95 percent of the population. But the big question is how sustainable that will be over time. In Colombia, what they have done over the past 15 years in terms of healthcare reform is very admirable, but only 50 percent of the population can contribute to the system, and 50 percent cannot and because of that you see the challenges the government and key stakeholders face. Mexico, for example where there is a population of 123 million people and only around 25 to 30 million people can truly pay out-of-pocket and only around 3-5 percent of the population is covered by private insurance. There is a huge part of the population that the government has to figure out what to do about it in the best possible way.

Therefore, the challenges come in three terms, the first one being the government's inability to afford to cover everything and everyone, and a lack of prioritization in terms of what needs to be

done. In many cases is not clear, what the long-term strategy is. The second issue is having modernized agile legislation for dealing with the economics of healthcare as a whole in order to reach the population and match unmet needs. Primary care and preventive care are very important so that people do not die from basic diseases, but in most of these countries, Brazil, Mexico, and even smaller countries like Costa Rica, the first cause of death is no longer infectious diseases, but cardiovascular diseases or cancer. In that sense, governments need to promote, along with the industry, a more modernized way of looking at healthcare, like in Europe, balancing cost-effectiveness, access and clinical benefits, matched to the population's needs. And the third factor that is critical here is the patients' journey for access to healthcare. In general terms in Latin America, the discussion has been mainly between governments and the industry. We have forgotten that it is an ecosystem where patients, healthcare professionals and physicians are involved and where the government is just one of the stakeholders.

There are few examples of a true multifactorial approach to healthcare. For example, the fact that in Brazil for the reimbursement of oncology medications in the private sector, patient groups are involved in the evaluation of therapeutics. Mexico has a completely different approach in which the government takes a more centralized approach without involving the appropriate stakeholders. Yet the best examples of things that have happened in Latin America around healthcare have been when multiple parts of the ecosystem come together and agree on something to move forward. We saw that a little bit with oncology and HIV treatments in Brazil and legislation that passed in Chile and in Mexico too.

After two years leading the region, what are your priorities for the LatAm affiliate going forward?

I would tie this to what I said in the beginning about the strength of Teva and what Teva can offer patients in Latin America. First of all, we have the advantage that we are a global player with global capabilities that can act at a very local level with adjusted local business models and market approaches to better serve the needs of the population. One of the key things I want to achieve over the next couple of years is to make sure that we in Latin America benefit from those global capabilities. For example, global R&D for both innovation and generic solutions. In addition, we have global manufacturing, and also local manufacturing. As I mentioned, we have four sites in Latin America and the pandemic showed us that there needs to be a balance between local and global and Teva has an advantage because of its multiple manufacturing sites, in Europe, the US, Asia and LatAm.

On top of that, Teva is a global market leader, and usually operates a top 3 company in key countries in the world. One of the things I definitely would like to see is for Teva to claim top positions in LatAm markets by competing in the right way, making the right choices, and taking the right approach to markets. We will try and grow the portfolio in a way that serves patients with a high level of integrity.

The third priority is making Teva a company that we feel proud of. One of the values at Teva is that we make our families proud, being a very diverse and inclusive organization, making sure we maximize the multi-cultural aspect that we have across all our countries and that we have a balanced leadership team for example, with more women claiming positions of leadership. In addition, we have a large global Environmental, Social, and Governance (ESG) program and we are setting that up in Latin America. Just to give you a figure, we plan to provide about 17 products over the next five years as a part of the access programs we would like to conquer for Latin America.

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