

HEALTHCARE LIFE SCIENCES & REVIEW

PHARMA
BOARDROOM

PUBLISHED IN
COLLABORATION
WITH:



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TO VALUE
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NEW CHANNELS,
NEW CHALLENGES
PAGE 42

MEDTECH,
THE RISING STAR
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MEXICO

NOVEMBER 2015

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Xavier Valdez, General Manager of IMS Health

Juan Knobloch, CEO and Founder of Knobloch group

Enrique Ruelas, former President of the National Academy of Medicine of Mexico

as well as all the companies we have met for their support, assistance and enthusiasm.



—Preface

Mexico: Bringing energy to health

While internationally, Mexico has been in the headlines largely thanks to the country's recently-approved energy reform, much more is going on in the country today. After almost thirty years of modest economic performance, the Peña Nieto government elected in 2012 has given itself the task of restarting the engine of growth with a number of structural reforms and the implementation of industrial policies aimed at transforming Mexico from a prevalently manufacturing-based into a more innovation-driven country.

Healthcare is rumored to be one of the next items on the government's busy agenda. The objective: move Mexico towards a universal healthcare system, whereby all Mexicans can use healthcare services at any institution, independent of their affiliation: the private sector will step in to offer the services the public system is not able to provide. Many challenges stand in the way also to the effective implementation of universal coverage, especially given the high fragmentation of the Mexican health system, the historical low investment in healthcare – only 6.2 of GDP, well below the average OECD of 9.3 percent – and the cuts to the budget due to falling oil prices.

Nonetheless, Mexico is moving in the right direction. Besides providing a stable and investment-friendly environment, the recognition of its regulatory authority Cofepris as National Regulatory Authority of Regional Reference for medicines and biological products by the Pan-American Health Organization (PAHO) and as a Functional Regulatory Agency for vaccines by the World Health organization (WHO) has made Mexico more competitive, opening up new business opportunities to domestic companies. Also, the recent opening of the Mexican Social Security Institute (IMSS) to clinical research is intended to open up the country to innovation and provide easier access to innovative drugs.

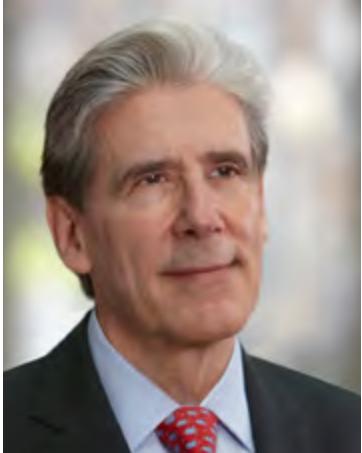
It is time for Mexico to be bold. This report aims to illustrate the reasons for the country to be optimistic about its healthcare future.





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Investment, not
expenditure
Interview



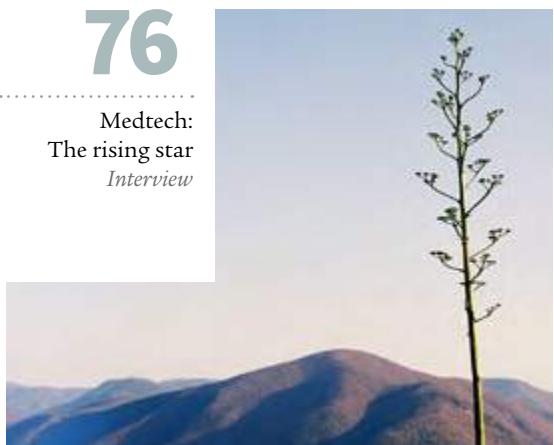
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**Striving for better health
and a brighter future**





—Foreword

Cofepris

Distinguished members of the healthcare, pharmaceutical and innovative industries,

As the Head of the Federal Commission for Protection against Sanitary Risks (Cofepris), I am proud to introduce this special report dedicated to the pharmaceutical and healthcare industry in Mexico. We consider this communication platform as a great opportunity to display the capabilities of the sector in the country as well as abroad.

2014 and 2015 represent an exciting time for the pharmaceutical sector. Healthcare is high on the agenda of the current government, who already announced the firm intention to move towards the creation of a unique National Universal Healthcare System to provide high-quality medical treatment to all Mexicans, independently from their affiliation.

Since Cofepris has been recognized as a National Regulatory Authority of Regional Reference for medicines and biological products by the Pan-American Health Organization (PAHO) and as a Functional Regulatory Agency for vaccines by the World Health organization (WHO), Mexico has begun to profile itself as one of the most important reference countries in the whole region to open up the country to exports worldwide.

As the second largest pharmaceutical market in Latin America after Brazil, with an excellent human resource base, strong infrastructure, production capacity renowned for high quality and affordable costs, and a natural gateway between North and Latin America, Mexico represents an important place of investment for regional and global pharmaceutical companies alike.

With this special report on the industry, I invite all members of the pharmaceutical and healthcare community to take a look at the exciting activities that Mexico has to offer.

Warm regards,

Mikel Andoni Arriola Peñalosa
Federal Commissioner of the Federal Commission for Protection against Sanitary Risks (Cofepris)



MIKEL ARRIOLA

Head of the Federal Commission
for the Protection against
Sanitary Risk (Cofepris)



**HEALTHCARE IS HIGH
ON THE AGENDA OF THE
CURRENT GOVERNMENT,
who already announced the
firm intention to move towards
the creation of a unique
**NATIONAL UNIVERSAL
HEALTHCARE SYSTEM****



Mexico has begun to profile
itself as **ONE OF THE
MOST IMPORTANT
REFERENCE COUNTRIES**

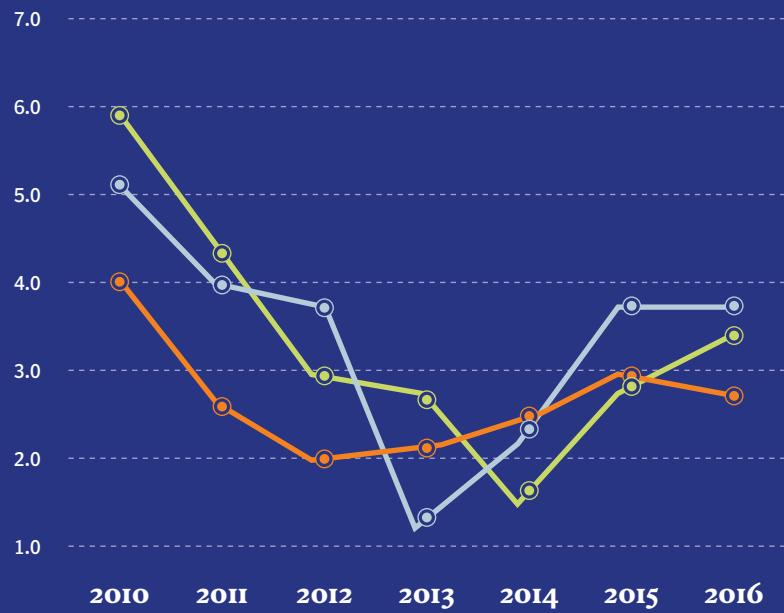
in the whole region



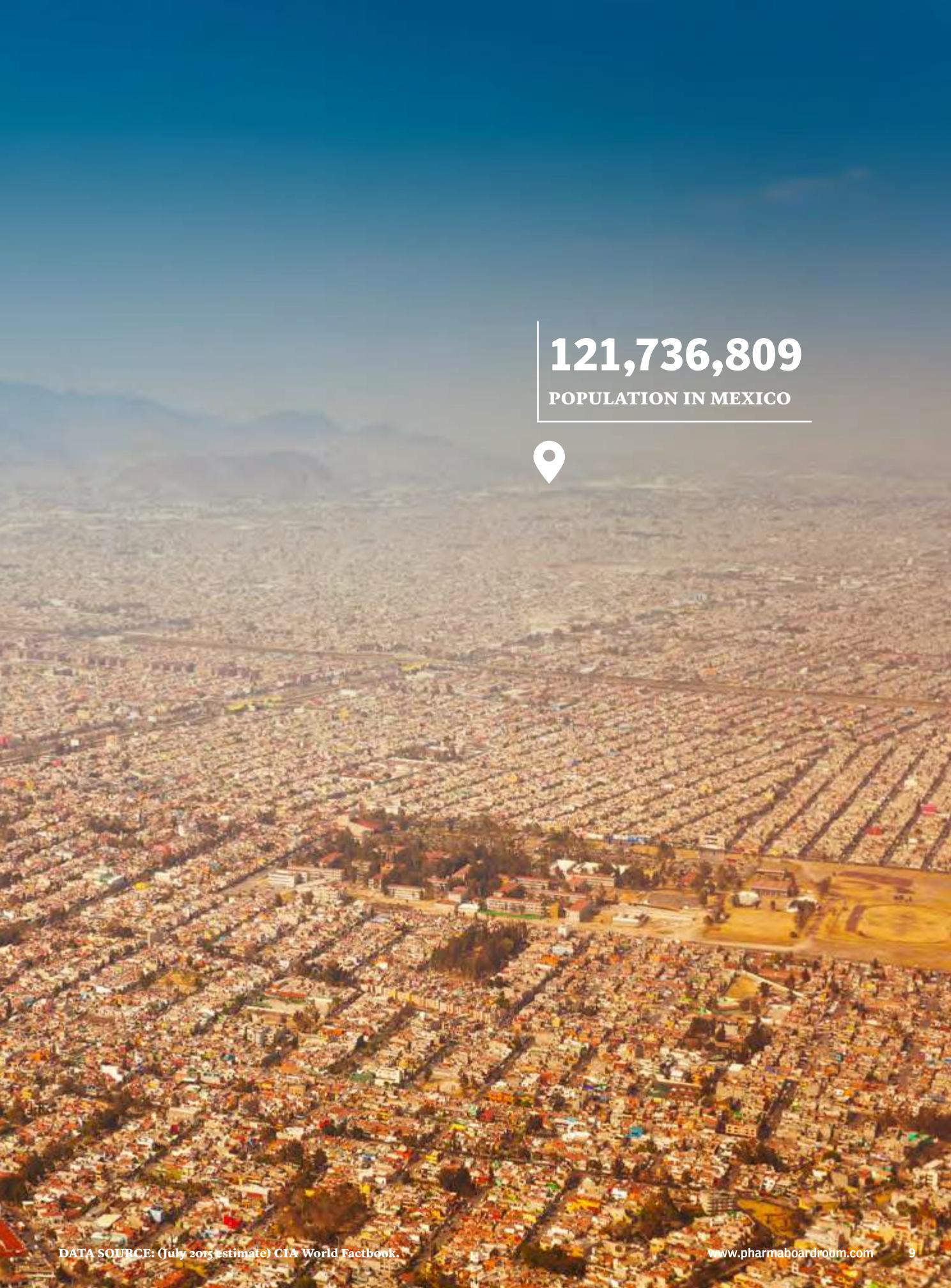
Macro-Economic Trends

REAL GDP GROWTH % CHANGE

● MEXICO ● LATIN AMERICA ● WORLD



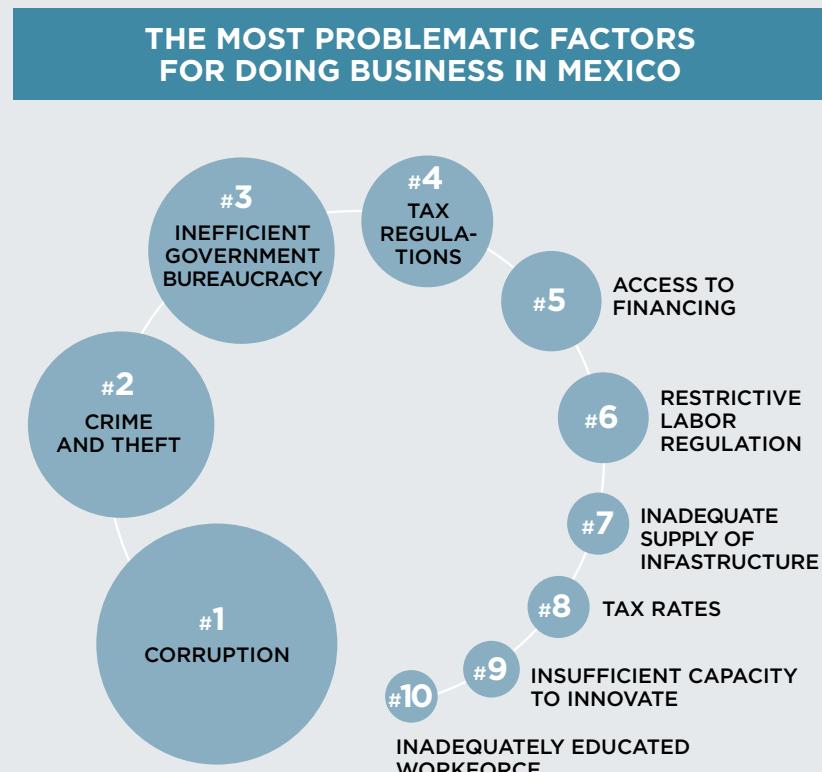
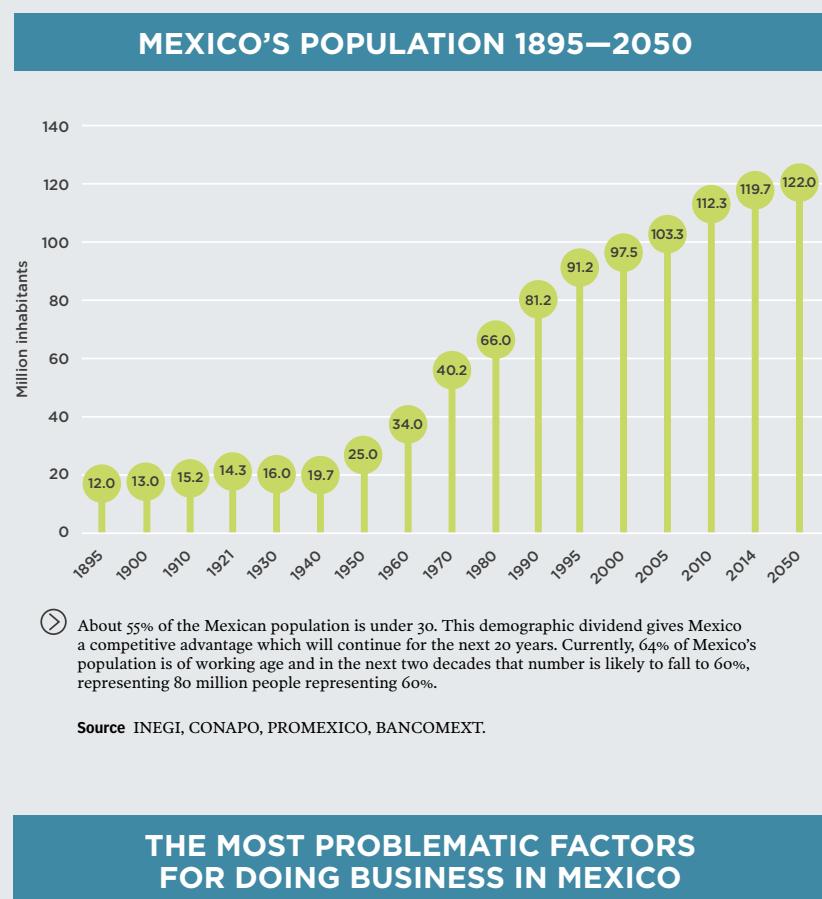
Source The Economist Intelligence Unit.

An aerial photograph of Mexico City, showing the vast urban sprawl and surrounding hills under a clear blue sky.

121,736,809

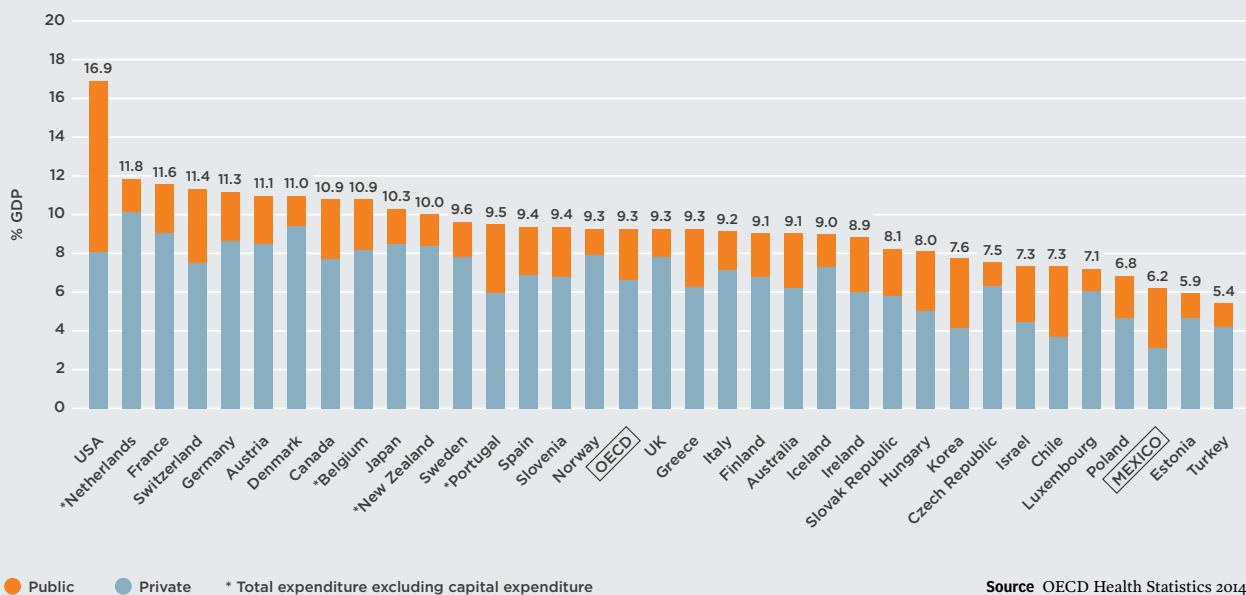
POPULATION IN MEXICO







HEALTH EXPENDITURE, PUBLIC AND PRIVATE, AS A SHARE OF GDP, OECD COUNTRIES, 2012 OR LATEST YEAR



● Public

● Private

* Total expenditure excluding capital expenditure

Source OECD Health Statistics 2014.



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Mexico: READY, STEADY, GO!

The implementation of structural reforms by the current government is intended to restart Mexico's engine of growth after years of modest economic performance. Classified as an 'emerging sector' by the Ministry of Economy, the pharmaceutical industry is intended to play an increasingly important role to the economy of the country.

WRITTEN AFTER INTERVIEWS WITH

Rogelio Garza Garza, Mexico's undersecretary of industry and commerce at the Ministry of Economy / Ugo de Jacobis, president and general director of AstraZeneca Mexico / Eric Alvarez, managing director of Janssen Mexico.

While the global investment community has been eagerly following the developments of the BRIC (Brazil, Russia, India and China) block, Mexico has been silently paving the way to fueling future growth. Few emerging markets can boast a reform agenda as ambitious as Mexico's. Since he took office in December 2012, besides opening the long-time state-run energy sector to foreign investment, Enrique Peña Nieto's government has undertaken an unwavering program of reforms aimed at cutting Mexico's chronic levels of tax evasion and spurring competition in sectors heavily dominated by oligopolies such as telecommunications, broadcasting and banking. The objective: restarting the engine of growth.

"Over the past thirty years, economic growth in Mexico has averaged only 2.4 percent per year, mainly as a result of structural problems of our economy," explains Rogelio Garza Garza, Mexico's undersecretary of industry and commerce at the Ministry of Economy. "The country's performance is well below potential due to a number of reasons, such as scarce financing for businesses, expensive energy costs, insufficient regulation of economic competition and a lack of highly qualified human capital. The magnitude of the challenges we faced required a transforming impulse, which culminated in the eleven structural reforms implemented by the current government."

The efforts are apparently starting to pay off. After the slump experienced in 2013 and a modest 2.1 percent increase



in 2014, GDP growth is forecast to pick up to a more encouraging annual average between three and four percent in 2015-19. Although the 2015 estimate has already been revised downwards since the beginning of the year following the slump in global oil prices and weaker domestic output, this year Mexico's economy is still expected to grow by 2.7 percent.

The outlook comes as a breath of fresh air for companies operating in Latin America. After a rough 2014 plagued by high inflation, economists expect a gloomy year for Mexico's big regional rival, Brazil, whose GDP is forecasted to shrink by 1 percent in 2015. Colombia, Chile and Peru are feeling the strain of the slackening commodity boom of the last decade, while Argentina and Venezuela suffer from chronic stagflation.

Mexico, on the contrary, presents a relatively stable economic, political and business environment that, under the influence of the recent structural reforms, offers a much more encouraging panorama. As Ugo de Jacobis, president and general director of AstraZeneca Mexico points out, "Regardless of the changes the country is undergoing, the level of certainty it provides – especially from an economic perspective – is higher than in other countries in Latin America. Competition is fierce, but the market as well as the regulatory framework in place provide the necessary certainty to keep investing in Mexico."

Yet, the ambition of Peña Nieto's team goes well beyond restarting the engine of growth. "The objective of the



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Competition is fierce, but the market as well as the regulatory framework in place provide the necessary certainty to keep investing in Mexico

UGO DE JACOBIS

President and general director of AstraZeneca Mexico

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current government is to transform Mexico from a prevalently manufacturing-based into a more innovation-driven country," explains Garza Garza. "We are interested in positioning Mexico not only as a cost competitive manufacturing hub, but also as a country that develops value-added products. With this new mentality and thanks to the implementation of specific industrial policies, we are migrating from a traditional model leveraging manufacturing cost competitiveness to a model fostering R&D tailored to fit the needs of the country." This is also true for the pharmaceutical sector, which represents 1.2 and 7 percent of Mexico's GDP and manufacturing GDP respectively, according to estimates from Canifarma, Mexico's national pharma association. Most industry experts agree that so far the sector has been overshadowed by

ROGELIO GARZA GARZA Mexico's Undersecretary of Industry and Commerce at the Ministry of Economy	UGO DE JACOBIS President and general director of AstraZeneca Mexico	ERIC ALVAREZ Managing director of Janssen Mexico
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the automotive industry, which today represents 15 percent of Mexico's manufacturing GDP. "In 2013 IMS conducted a study comparing us to nine other countries, such as the UK, Turkey, Argentina and Brazil," explains Eric Alvarez, managing director of Janssen Mexico. "It highlighted how Mexico is behind when it comes to innovation and, more importantly, made clear the impact this has on the productivity of the population. The report played a large role in demonstrating to the authorities the importance of ensuring that as a country we promote innovative products, helping us to be more productive and consequently grow the economy." And he adds: "Traditionally when talking about engines of growth in the Mexican economy, we refer to the automotive business, which clearly is an important one. The IMS report emphasized the importance of the pharmaceutical sector and now the authorities and the pharmaceutical sector are working together to further improve the situation."

Garza Garza agrees on this point. "The pharmaceutical industry plays a key role to the Mexican economy. Besides the percentage of GDP it represents, the industry is closely related to labor productivity and human capital formation, as it contributes to improving population's life expectancy and quality." For this reason the Ministry of Economy has classified the industry as an 'emerging sector' to be fostered through targeted industrial policies aimed at increasing production, attracting investment in technology and expanding exports both for multinational companies and national laboratories. "In Mexico, as in other countries, multinational labs specialize in the production and marketing of innovative products, a result of R&D of new chemical entities and therapeutic applications. Here, the question we need to answer is: how do we generate an ideal environment for them to develop and grow?" asks Garza Garza. "By the same token, we need to create the right conditions for Mexican companies to develop innovation: we don't want our country to stagnate and decline by exclusively being a manufacturing hub for foreign companies. To do so we are generating funds to support local companies in their operations and are currently in talks with the World Health Organization (WHO) to allow product developments made in Mexico to have international recognition; this will clear the path for many small companies to reach other areas of the globe in a much easier way." ☀



PHARMACEUTICAL INDUSTRY

Leading pharmaceutical exporter in Latin America in 2013

MAIN INVESTORS

Million USD, 2005-2013

AMOUNT INVESTED IN 2013



MAIN EXPORT DESTINATIONS

Million USD, 2013

**1.7 BILLION USD
IN EXPORTS**



Source ProMéxico with information from Global Trade Atlas and KPMG.



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*Source: Knoblock Information Group, MAT May 2015 in units



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Creating a ‘healthy’ IP SYSTEM

Despite the overall positive perception of the pharmaceutical industry, Mexico’s intellectual-property (IP) law has not undergone relevant changes since 1994. The current negotiations for the Trans-Pacific Partnership (TPP) provide the country with a not-to-be-missed opportunity to review the country’s IP system.

WRITTEN AFTER INTERVIEWS WITH

Alejandro Luna F., partner of the life science practice at Olivares / Irma Egoavil, country manager at Celgene Mexico / John Merkels, managing director at MSD Mexico.



ALEJANDRO
LUNA F.

Partner of the life
science practice
at Olivares



IRMA
EGOAVIL

Country manager
at Celgene
Mexico



JOHN
MERKELS

Managing
director
at MSD Mexico

IP rights in Mexico are protected by a combination of national laws and international conventions and agreements, with the Mexican Institute of Industrial Property (IMPI) as the authority responsible for the registration of patents, trademarks and licenses. The same is true for the pharmaceutical industry. Although the country ranks only seventh in Latin America and the Caribbean –behind Chile and Brazil– and 54th worldwide in the 2014 International Property Rights Index, R&D-driven companies operating in the market share a positive perception. “Mexico offers a good environment for patent and data protection, better than in other countries in the region,” points out Irma Egoavil, country manager at Celgene Mexico. “Some aspects can still be improved – having a regulation in place does not necessarily mean it is always enforced –, but overall Mexico is attractive from this point of view.” John Merkels, managing director at MSD Mexico, shares Egoavil’s point of view: “Generally speaking, Mexico is a good place to do business with a strong patent protection and regulatory system.”

Alas, in the expert eye of Alejandro Luna F., partner of the life science practice at Olivares, founded in 1969 and today the most awarded IP practice in Mexico, the IP enforcement for the pharmaceutical industry has still room to improve. “Mexico’s IP law has not undergone relevant changes since 1994, when it was amended for the implementation of the North-American Free Trade Agreement (Nafta),” explains Luna. “Whereas over this time we have experienced dramatic changes in the way we live and do business – from globalization to digital revolution passing through technological innovation – our IP law simply has not.”

The current negotiations Mexico is currently involved in for the TPP provide the ideal scenario to update it. “Mexico has now the opportunity to review its complete IP system to fulfill the obligations derived from the partnership, which we knew were going to be higher than the ones required by the Nafta and the Agreement on Trade-Related Aspects of Intellectual Property Rights (Trips),” points out Luna. “I strongly believe the current negotiations provide Mexico with the unique opportunity to overcome the current pitfalls of the IP legislation, improve the law and make it both more effective and efficient.”

Today, the most important challenge pharma companies face in Mexico is the length of a cause, which can take up to

12 years. “This results in the patent holder most of the time either giving up or opting for a settlement,” points out Luna. “The period of time would not be that bad, if the payment injunction would be eventually fully effective. However, in Mexico neither the one nor the other happens today.” Also, the system presents an important conflict of interests. “The first step of an infringement action implies presenting it before the IMPI, which – paradoxically – is also the institution that in Mexico issues the patents,” explains Luna. “A civil or administrative court of law should decide their validity and enforcement.” Time for Mexico to create a ‘healthy’ IP system. ☈

Juan,
sigue siendo
el chico más cool
de la ciudad.

IPSÉN
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The Healthcare System

PEOPLE COVERED BY SOCIAL SECURITY SERVICES

12.9

MILLION
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ISSSTE

Mexican Institute
for Social Security



57.3

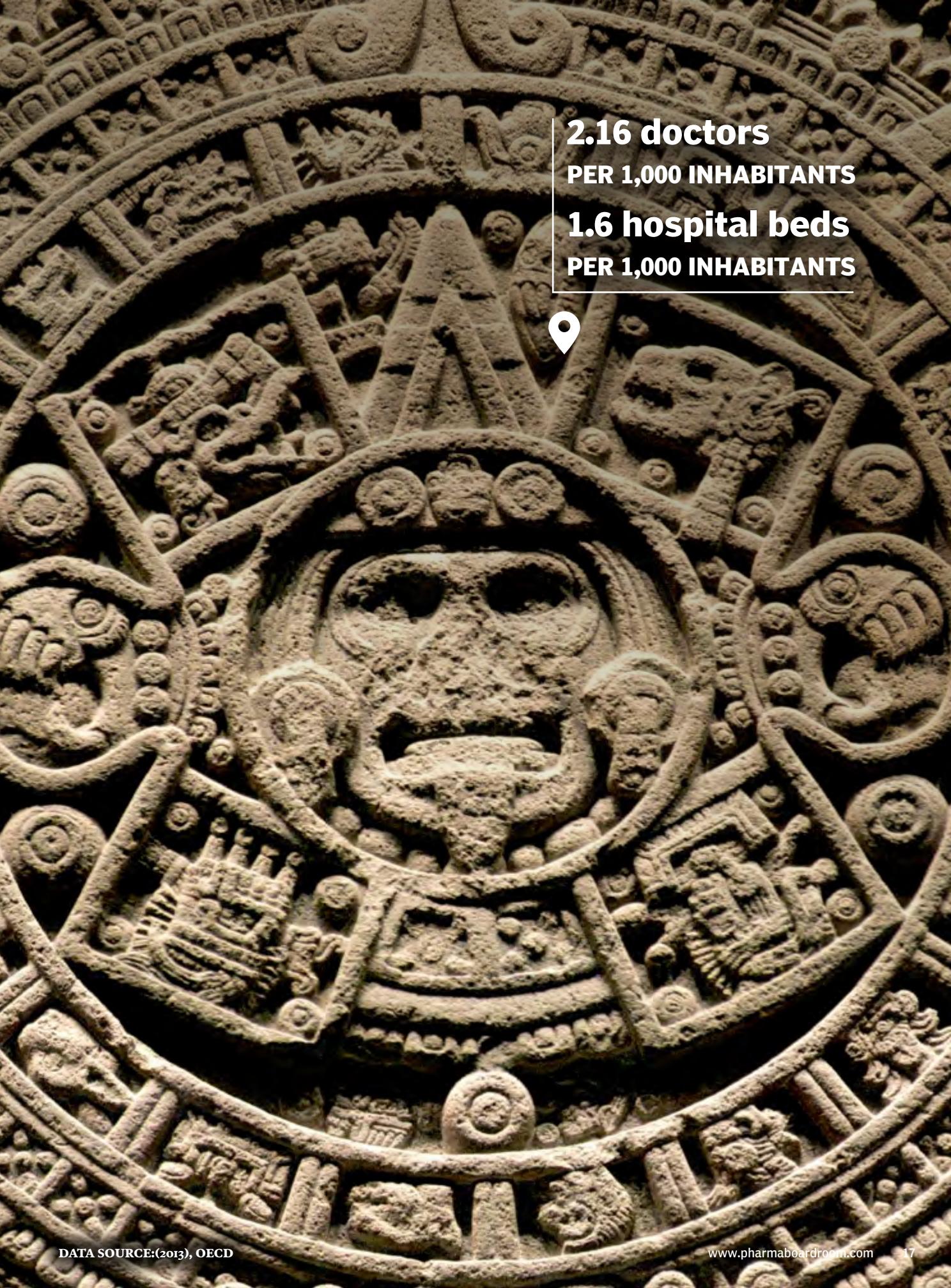
MILLION
—
Seguro Popular

60.6

MILLION
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IMSS

Institute for Social Security
and Services for Civil
Servants (ISSSTE)

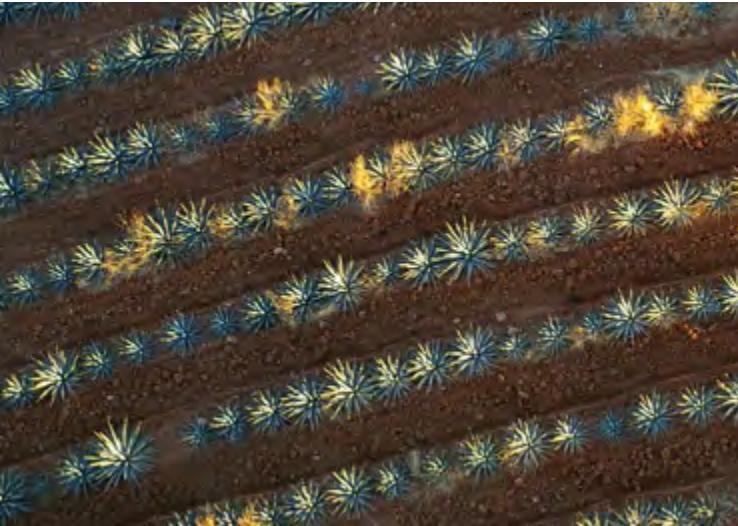
Source Instituto Nacional de Estadística y Geografía, 2015.



**2.16 doctors
PER 1,000 INHABITANTS**

**1.6 hospital beds
PER 1,000 INHABITANTS**





From volume TO VALUE

Although the country is moving in the right direction with regards to universal coverage, a number of barriers to effective implementation remain.



WRITTEN AFTER INTERVIEWS WITH

Maki Ortiz, president of the Health Commission at the Senate / Gabriel O'Shea, national commissioner of Seguro Popular / Julio Frenk, former minister of health and dean at the Harvard TH Chan School of Public Health / Enrique Ruelas, former president of the National Academy of Medicine / Guillermo Soberón, former minister of health; Hector Valle, former general manager for northern Latin America at IMS Health / José Campillo, president of the Mexican Health Foundation (Funsalud) / Roberto Tapia, CEO of the Carlos Slim Foundation.

Healthcare is one of the next items on President Peña Nieto's busy agenda. The objective: moving Mexico towards universal healthcare coverage. The initiative was started at the beginning of 2000 by the previous government with the objective of ensuring in the long term that "any Mexican – employed or unemployed – could go anywhere in the country and get quality healthcare at any institution," explains Maki Ortiz, president of the Health Commission at the Senate.

Historically, the Mexican health system has been fragmented among different providers and access to healthcare services was only offered to salaried workers and their families. At the beginning of 2000, the two main public healthcare providers – the Mexican Institute for Social Security (IMSS) and the Institute for Social Security and Services for Civil Servants (ISSSTE) – hardly covered half of the population, leaving nearly 50 million Mexicans uninsured. Since then, Mexico has gone a long way towards the creation of a universal healthcare system. The first important milestone was laid in 2004 with the launch of *Seguro Popular*, a public insurance scheme offering previously uncovered Mexicans access to a package of basic health services. A decade after its implementation, national commissioner Gabriel O'Shea announced proudly that: "57.3 million previously uninsured Mexicans are now enrolled in *Seguro Popular*."

"When *Seguro Popular* was approved a decade ago, we were aware that this was a mid-term reform and that the next step was the integration of the public institutions providing healthcare services in Mexico and the possibility of interaction with private care providers," comments Julio Frenk, former minister of health and currently dean at the Harvard TH Chan School

of Public Health. After universal enrollment – today almost completed – the next step is universal coverage, which means access to a package of comprehensive healthcare services with financial protection. Over the last ten years, the number of interventions covered by *Seguro Popular* has increased three-fold, the amount of drugs included more than 300 percent, and the number of diseases included in the so-called fund for protection against catastrophic expenditures raised from four to 59. The last step would be universal effective coverage, which implies services are provided with a level of quality that ensures a successful effect on the patient as well as on society. As Enrique Ruelas, former president of the National Academy of Medicine, points out, "universal health coverage is about value, not only volume. If you don't introduce quality into the equation, you risk doing more harm than good."

The upcoming reform aims to create a universal healthcare system under the concepts of portability of services and convergence. The idea is to give Mexicans the opportunity to use healthcare services at any institution, independent of their affiliation – a measure already approved for obstetric emergencies to face the dramatic number of maternal deaths in the country. This will soon include a limited number of chronic-degenerative diseases, such as heart failure, diabetes, kidney transplants and HIV, among others, before moving on to cover more diseases over time. "Three main institutions cover more than 90 percent of our population: if we let people choose among those three options through universal healthcare coverage, this will lead to a healthy competition to see who can provide the best service. I see that as something extremely positive that can take our health care system to a whole new level," comments Guillermo Soberón, former minister of health.

However, a number of challenges stand in the way of the effective implementation of universal coverage. First, universal enrollment: while the Ministry of Health claims that full coverage has almost been reached, Hector Valle, former general manager for Northern Latin America at IMS Health, argues that "studies carried out by IMS Health, the National Public Health Institute and the National Institute for Statistics and Geography (Inegi) indicate that around 20 percent of the



MAKI ORTIZ
President of the
Health Commission
at the Senate



GABRIEL O'SHEA
National
commissioner
of *Seguro Popular*



ENRIQUE RUELAS
Former president
of the National Academy
of Medicine



**GUILLERMO
SOBERÓN**
Former minister
of health



HECTOR VALLE
Former general
manager for Northern
Latin America at
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JOSÉ CAMPILLO
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Mexican Health
Foundation
(Funsalud)

population is still uncovered.” Second, healthcare expenditure. Over the last decade, despite the number of Mexicans enrolled skyrocketing, total expenditure on healthcare increased from 6 percent to just 6.2 percent, well below the average 7.4 percent of other Latin American countries and the 9.3 percent average of OECD countries; on top of this, nearly half is still paid directly by patients. Additionally, the Ministry of Health recently announced a cut of nearly USD 650 million to the health budget, probably a consequence of the steep fall in oil prices. A further hindrance is effective integration of different healthcare providers. “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,” points out Valle. Last but not least, as José Campillo, president of the Mexican Health Foundation (Funsalud) argues,

“we support increased participation of the private sector in the health sector through outsourcing of services and public-private partnerships. But there are still many questions about how this should happen.”

Roberto Tapia, CEO of the Carlos Slim Foundation, shares the same worries. “How can you imagine an integrated health system without having a shared information system among the different institutions? How can you think of having an accountable health system if the different institutions are not connected?” For this reason the foundation gave itself the mission to help the healthcare system include more innovation. Two examples are the initiatives *Amanece* and *Casalud*, aimed at respectively reducing maternal and infant mortality and ‘reengineering’ healthcare services at primary care units. “We are going slowly but firmly believe it’s the right time to push for concrete changes,” he says. ☈

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Healthcare: INVESTMENT, Not Expenditure

Julio Frenk, Mexico's former minister of health and current dean at the Harvard TH Chan School of Public Health, discusses how Mexico is moving towards effective universal coverage, the challenges the system is facing and the issues that remain.



HCLS In an interview you gave some time ago, you mentioned that “health stopped being the concern only of the domain experts and started becoming a central component of the most pressing issues on the global agenda.” How do you think this is reflected today in Mexico?

Julio Frenk Health is now understood to be a central determinant of other social objectives, such as economic growth, political stability and security. This has led to a marked change over the last decade, as health has become a much more central topic. Today it is not only the concern of ministers of health, but also of ministers of finance and security—without good health, a country’s economy cannot grow, and uncontrolled epidemics can become a security issue, as is currently the case with Ebola. The visibility of health on the government agenda has increased, and this is reflected in the fact that resource allocation to healthcare has grown tremendously over the last fifteen years, both in the form of international transfers to developing countries and in domestic budgets.

When I was minister of health in Mexico back in 2000, we articulated very explicitly that besides its intrinsic value, health is a major means to achieving economic growth, stability and national security. The paradigm shift was to persuade the minister of finance that healthcare is not an expenditure, but an investment, and that one of the reasons successful economies work is that they are investing in health.

HCLS With total expenditure on health standing at 6.2 percent of GDP, Mexico ranks way below the OECD average of 9.3 percent. If more resources are allocated to health, what else should be done to make sure that this has a long-term effect on all other sectors of public life?

JF My position has always been that of a basic commitment to taxpayers to allocate more money for health. However, the issue is not only getting more money for health, but also getting more health for the money. We can point to many examples of very inefficient systems, where the results are not commensurate with the money that was invested. That’s where good management, incentives and efficiency become so important—to ensure that the resources are allocated adequately, and a system really gets more health for its money.

HCLS Seguro Popular, one of the most important health programs you envisioned, developed and implemented, just celebrated its first decade in existence, and now covers more than 57 million Mexicans. What is left to accomplish?

JF I always think of universal coverage in three stages: stage one is universal enrollment, when everyone is enrolled in a financial protection scheme. Mexico reached stage one in 2012, almost on time with the seven-year period the law provided. The second

step is the period of moving from universal enrollment to universal coverage, meaning that a set of benefits has been defined and the system has the capacity to provide these benefits. We are pretty much there, but it’s still not enough. The last step is universal coverage, meaning coverage with quality. That is the next new frontier. I think Mexico has achieved universal coverage, through the affiliation either at IMSS, ISSSTE or Seguro Popular, and the healthcare system is getting there in terms of benefits covered. The big challenge now is effective universal coverage, which is when these benefits are provided with a level of quality that reaches the desired level of improvement. And that is the stage where more work is needed.

HCLS One of the most expected changes in the sector is the announced healthcare reform, aimed at consolidating the universal healthcare system under the concepts of “convergence” and “portability” of services. How do you envision this reform?

JF When the reform for the introduction of Seguro Popular was approved a decade ago, we were aware that this was a mid-term reform and that the next step was the integration of the public institutions providing healthcare services in Mexico and the possibility of interaction with private care providers. Several proposals for such an integrated system are currently being debated. The problem in Mexico,



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The issue is not only getting more money for health, but also getting more health for the money

JULIO FRENK

Former minister of health, dean at the Harvard TH Chan School of Public Health

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as with many other developing countries, is that traditional social insurance was not only an insurance mechanism, but also infrastructure. And that led to segmented healthcare systems with their own networks of hospitals. What we need now is portability, because otherwise we are duplicating infrastructure. We need a much more open system, where everyone is insured and can go to their provider of choice, which in turn will improve efficiency. So the next step is to reach an agreement to ensure that highly complex procedures can be conducted at hospitals that are part of a public-private network. A more ambitious step will be that when we accredit healthcare providers, such as hospitals and ambulatory clinics, people are allowed to enroll freely and the insurer pays an enrollment fee to the network, which undertakes the comprehensive care of the patients and their families. We are still a long way away from that, but we are on the way there.

HCLS What do you think are the main trends that will impact healthcare in the future, in Mexico and worldwide?

JF The main trend is that we are becoming victims of our own success. People are living longer, and the rapidly aging population is leading to a dramatic transformation of healthcare. In Mexico, we are still facing an unfinished agenda of common infections and under-nutrition, and we also have an emerging challenge represented by non-communicable diseases, mental health disorders, and violence. This is a huge shift. We have been able to deal with the diseases that are less expensive to prevent, but we are now facing health challenges that require an integrated approach and a set of preventive measures that focus on health lifestyle, early detection and, in case someone becomes ill, making sure that no one becomes financially ruined to pay for healthcare services and drugs. That is the biggest challenge that Mexico and other emerging economies are facing. ☀



Science For A Better Life





Reengineering HEALTHCARE

Roberto Tapia, CEO of the Carlos Slim Foundation, discusses how the Foundation is actively involved in shaking up the system to bring innovation –and energy – to health. Because, to put it in Carlos Slim's words, 'poverty is fought with health, education and, above all, employment and more employment'.



Museo Soumaya

HCLS Health is one of the many areas the Carlos Slim Foundation is actively committed to. When and how did this involvement start?

Roberto Tapia The involvement of the Carlos Slim Foundation with health goes back almost 30 years. The organization was created in 1986 with the vision of

improving the life of the most vulnerable segments of the Mexican population. The foundation started with isolated interventions, but we soon came to realize that we needed to generate innovative models to change the health agenda of the country in a way that allowed us to tackle relevant health-related issues in Mexico, as well



as across Latin America. That's why in 2007-08 we redefined our agenda to focus on innovative solutions for problems such as maternal and infant care, the increasing trend towards non-communicable diseases, neglected infectious diseases such as dengue and Chagas, as well as health education. Our goal: develop solutions that are innovative, sustainable and replicable; establish alliances with key players from the public, private and social sectors in order to implement these innovative models, and act as a catalyst for change in services and public health policies.

HCLS What have been some of the most important innovative models the foundation has developed to improve the healthcare system in Mexico?

RT Two of the most important initiatives the Foundation has embarked in are Amanece and Casalud. Amanece focuses on reducing maternal and infant mortality. We are currently present in the 138 municipalities with the highest maternal and infant mortality rates in the country, and are working very closely with the Ministry of Health and IMSS-Prospера.

On the other hand, the Casalud model aims at 're-engineering' healthcare services at primary care units, which are the base of the health systems pyramid. The model focuses on the active prevention and management of non-communicable diseases such as overweight, diabetes and hypertension and is intended to foster benchmarking and transparency, by tracking online activities of the healthcare units to generate feedback and, in turn, improve efficiency. Thanks to a strong partnership with the federal government, so far we have implemented this model in 26 states, for the benefit of more than 1.2 million patients, and have committed ourselves to bring it to all 32 states of the republic.

HCLS The foundation is also very active with regard to R&D and specifically genomics. What activities are you currently focusing on these days?

RT Since the beginning of its activities, prevention has been carved into the DNA of the foundation. We firmly believe genomics can play a crucial role in this sense. That's how we came to partner up with some of the leading local and international institutions in this field, such as the Broad Institute in Boston, MA, the Institute of Genomic Medicine (Inmegen), the Cancer Institute and the Institute of Medical Sciences and Nutrition Salvador Zubirán in Mexico. We are focusing efforts to study two problems: breast cancer and non-communicable diseases, mainly diabetes.

HCLS What about the programs to strengthen immunization?

RT To better understand the status of immunization programs in Latin America, we carried out a regional study. Latin America has been very successful in the past in eradicating diseases such as polio and measles. But suddenly

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We soon came to realize that we needed to generate innovative models to change the health agenda of the country

ROBERTO TAPIA

CEO of the Carlos Slim Foundation

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the region found itself in stand-by. The findings of the study identified several areas of opportunity, among them the need for more systematic training for medical professionals, new regulations to ensure countries have a larger number of vaccines available, and an improved regulatory framework to accelerate the approval of new vaccines.

HCLS What are most important challenges the foundation faces to effectively implement innovation in the healthcare system in Mexico and how are you overcoming them?

RT It's a huge challenge. We are moving a system, which in the past has been successful on many fronts, mainly on infectious diseases, but today is dealing with problems that require the system to work as a system. Prevention has become more a political statement, than a reality, as besides vaccines not much was done in the past. We had to take a proactive prevention approach, shake the system up and push it outside of its comfort zone. We really think we need to bring energy to health. And this mainly implies a complete reengineering of primary healthcare. In Mexico second and third level healthcare institutions are used to innovation, as they are high-specialty structures. But we need to bring innovation into primary care.

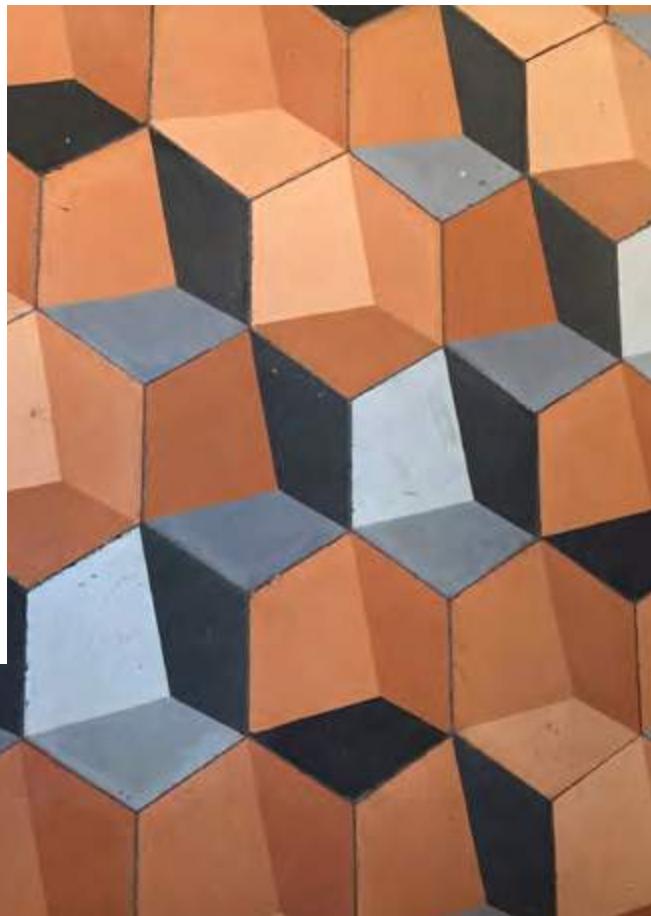
HCLS We have heard that one of the next reforms on the agenda of the government is the healthcare reform. How do you envision it?

RT The previous health reform was mostly a financial reform that didn't really impact on people's health. In my opinion, Mexico needs to satisfy a number of conditions before even thinking in embarking in a new health reform. How can you imagine an integrated health system without having a shared information system among the different institutions? How can you think of having an accountable health system if the different institutions are not connected? We are going slowly but firmly believe it's the right time to push for concrete changes. Unfortunately we do not see the health agenda moving forward at the pace we'd like to. Alas, how can we have an economically competitive country if health and education are not top priorities? ☺



Convergence in mexican HEALTHCARE

José Alarcón Irigoyen, partner and leader of the healthcare practice for Mexico and Hispanic America at PwC, shares his vision about how Mexico's healthcare sector is converging to look at innovative ways to understand how health impacts on the economic growth of the country.



HCLS Back in 2012 you told us that the Mexican healthcare sector had already started to transition towards the four big drivers of transformation, with changes reshaping the regulatory framework, the financial model, the healthcare provision as well as a move towards personalized medicine. How is Mexico progressing along this path?

José Alarcón Irigoyen Over the past couple of years the main lesson for all stakeholders of the Mexican healthcare system has been in realizing how important it is to move towards convergence. Within the private sector a key example is the innovation-driven pharmaceutical industry, which joined its forces through AMIIF (the Mexican Association of Pharmaceutical Research Industries) and appointed itself the strategic objective of significantly contribute to strengthen the competitiveness and health of Mexicans through pharmaceutical innovation. On the other hand the public sector is changing the way to look at provision of healthcare. Everyone knows that the 6.2 percent of GDP allocated to health is not enough for a country as big as Mexico, but there has been an important change. Whereas in the past the focus was on efficiency in resource allocation, today the government – along with the private industry – has realized that efficiency is not enough.

HCLS Recently the government announced its intention to move towards a universal healthcare system under the concepts of 'convergence' and 'portability of services'. How do you envision this upcoming reform and what challenges is the system facing to implement it?

JAI The main challenge we identify is on the front of the management of care, because at the moment we have a silo-based healthcare system created 70 years ago on the premise that the formal economy would be much larger than it is today. We now have to face the reality that this is not the case. The healthcare system is facing three main challenges: first, the cost of the administrative burden, which today represents around 12 percent of total expenditure compared to the 3.9 percent of the OECD average. Second, inequality, reflected in out-of-pocket expenditure, which has not decreased over time and still represents 92 percent of private health-related expenses, leaving only 8 percent to other types of coverage such as private insurance. Third, the practice of having physicians at points-of-sale, which has incremented exponentially as a low cost alternative instead of accessing healthcare provision at public institutions.

This being said, we have not yet defined how this reform is going to happen. We think the government has three



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Over the past couple of years the main lesson for all stakeholders of the Mexican healthcare system has been in realizing how important it is to move towards convergence

JOSÉ ALARCÓN IRIGOYEN

Partner and leader of the healthcare practice for Mexico and Hispanic America at PwC

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possible ways to go: first, an evolutionary approach, creating a portability platform by disease to incorporate financing, electronic patient records (EPR) and the right to choose health provider depending on the disease. Second, an innovative approach fostering public-private partnerships (PPPs) not only for large high-specialty hospitals, as it is the case today, but taking it to the next level. At a more local level Funsalud (the Mexican Health Foundation) is very much involved in this kind of project and is trying to move the Mexican healthcare system in this direction. As a result, we are starting to see examples other than the federal government, such as a PPP in the northern state of Sinaloa and one at ISSSTE (the Institute for Social Security and Services for state workers). A third way would be a revolutionary approach, as was the case with Mexico's state oil company Pemex; in the case of health it would be by separating the different elements of the sector, i.e. regulation, financing, provision and management.

So far, a high degree of political capital has already been used to move forward other relevant reforms passed by the government. We think that currently, the main obstacle to the implementation of any reform is finding a consensus between the main players of the sector, including trade unions. We may see an evolutionary approach during the administration of current president Peña Nieto to move slowly by 2018-2020 to a revolutionary approach, once the government has tested it can work and has clear examples and benefits.

HCLS What trends might we see in the coming years with regard to healthcare, in Mexico as well as worldwide?

JAI We are witnessing a sector that is learning the lessons from the consolidation of procurement to take it to the next level. The new name of the game is strategic purchasing: exercising the purchasing power of the government to change the economy and create supply when this is missing. The question behind this is: how can I intelligently generate supplies by incentivizing the private sector and financing the creation of new players in places where there are not?

We are seeing the public sector evolving towards this practice, which is an innovative idea for supply chain management, not just to get medical devices and drugs to hospitals, but also within healthcare institutions to benefit patients. A further trend is also a renewed interest in the industry of medical devices – especially supported by the government agency ProMéxico – a growing segment where pharma industry and devices come together.

HCLS What can Mexico learn from other countries of the region with regard to healthcare and what is your vision about the Hispanic America region you are in charge of?

JAI Today Mexico is a regional leader thanks to a revamped Cofepris. Nonetheless, we also have to learn from other countries in the region and I think particularly Colombia, Peru and Chile have interesting lessons to teach us. The Colombian model of *Cajas de Mutualidad*, for example, represents an innovative public-private collaborative model of managing public health, to the Peruvian private health delivery networks and the Chilean *Isapres* model based on private insurers to see what can be applied to the evolutionary approach we were discussing earlier. In Latin America we need to realize that countries acting isolated are in a worse position than acting together in facing such complex challenges as health. ☺

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PREVENTION *is* better than CURE

Due to the rapidly evolving epidemiological profile of the Mexican population towards non-communicable diseases, today prevention stands high on the agenda of the Ministry of Health, with obesity and diabetes as the first enemies to fight.

WRITTEN AFTER INTERVIEWS WITH

David Kershenobich, general director of the National Institute of Medical Science and Nutrition Salvador Zubirán / Pablo Kuri, undersecretary of prevention and health promotion at the Ministry of Health / Erik Bakker, market access and public affairs director at Novo Nordisk Mexico / Eduardo Arce Parellada, general manager of Sanofi Pasteur Mexico / Roberto Tapia, CEO of the Carlos Slim Foundation

Mexico's epidemiological profile has changed dramatically over the past 20 years. Whereas back in the 1990s the main causes of premature death were communicable diseases such as diarrhea and respiratory infections or birth complications, in 2010 non-communicable diseases were taking their toll. Today ischemic heart disease, diabetes and chronic kidney disease are the leading causes of death, with obesity being the major risk factor, affecting seven in ten Mexicans. In 2012, the obesity rate among adults in Mexico was 32.4 percent, up from 24.2 percent in 2000 and the second highest rate among OECD countries, second only to the US. The rapidly changing epidemiology – if not controlled – foreshadows a dramatic impact on an already overloaded healthcare system.

"The main transformation Mexico is undergoing is the migration from having a very successful health policy focused on controlling infectious diseases to having the current problem of controlling non-transmittable diseases," explains David Kershenobich, general director of the National Institute of Medical Science and Nutrition Salvador Zubirán. "Chronic diseases cannot be approached in the same way as infectious diseases, as they require a completely new realignment in the way you attend them. One of the big changes we need to foster is moving from a system focused on curing to a system focusing on prevention." To reverse the trend in 2013 the government launched the National Strategy for Prevention and Control of Overweight, Obesity and Diabetes aimed at promoting more proactive public health interventions, a comprehensive medical care model and implement more effective public policies. Proposed regulatory policies



included standards of food and beverages in schools, food labeling, marketing of foods and non-alcoholic beverages to children and fiscal measures as well as a concerted effort to change Mexicans' bad habits.

Indeed, it's still early to evaluate progress. "Obesity is not something you can change in one or two years, so it's early to talk about results," points out Pablo Kuri, undersecretary of prevention and health promotion at the Ministry of Health. "It is a multi-factorial and long-term run. You have to first deal with the social determinates of health. These are all the conditions not connected to the health system, but having an impact on it: education, work, income, taxes, among others."

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The main reasons that lead the company to pick Mexico over other countries (...) is the strong commitment of the Mexican government to public health, and specifically to vaccination

EDUARDO ARCE PARELLADA

Sanofi Pasteur Mexico

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These are all non-health issues but reflect how we still have a lot to do. We may not have results so far, but have implemented initiatives, put process indicators in place and are monitoring their development."

The so-called 'silent killer' diabetes poses the greatest challenge. According to the 2012 National Survey on Health and Nutrition, 9.2 percent of Mexicans have been diagnosed with diabetes. While the survey indicates that 80 percent of patients receive some form of treatment, only 25 percent showed adequate metabolic control. "The minister of health has called the situation a public health emergency and made a powerful statement explaining that if we don't address diabetes and its consequences today, we'll lose the gains in life expectancy from the last 40 years," explains Erik Bakker, market access and public affairs director at Novo Nordisk Mexico. This is especially worrying given that evidence from scientific literature indicates that approximately half of most common chronic disorders are usually undetected, suggesting that at least half as many Mexicans suffer from diabetes. "The federal government recognized very early that they are unable to tackle this issue on their own, and that all stakeholders –including state and municipal governments, civil organizations, and the private sector – must play an active role in improving the standard of treatment for diabetes," he adds.

An area Mexico can boast about is vaccination. "Many will be surprised to hear this, but Mexico has one of the most complete public immunization programs in the world after the US," explains Eduardo Arce Parellada, general manager of Sanofi Pasteur Mexico. "This means a Mexican is vaccinated with the largest offer of vaccines available and the costs are fully covered by the government. This is something unbelievable, even in Europe where governments are very welfare-oriented. The Mexican government has had this pioneering vision for a long time." Back in 2009 Mexico was chosen by Sanofi Pasteur as one of the few countries to install one of its global production plants for vaccines. "The main reasons that lead the company to pick Mexico over other countries – in the region as well as worldwide – is the strong commitment of the Mexican government to public health, and specifically to vaccination," he points out. A commitment reinforced by the recognition of Cofepis as a Functional Regulatory Agency for vaccines by the World Health Organization (WHO) for the 2014-2017 period and the recent announcement of the eradication of rubella in the country.

Important milestones, which led Sanofi Pasteur to choose Mexico as the first market to see the launch of the much-awaited dengue vaccine, a revolution in terms of public health, as the incidence of the diseases has grown dramatically in recent decades. According to the WHO, about half of the world's population is at risk, especially in tropical and sub-tropical climates. Hence, it's a top priority for a large number of countries around the world. "The Mexican government gave us the support to conduct all clinical studies in Mexico and this, combined with the vision the company has for the country, made us decide to develop the vaccine here," explains Arce Parellada. "Mexico never had Phase I

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It is a multi-factorial and long-term run. You have to first deal with the social determinants of health

PABLO KURI

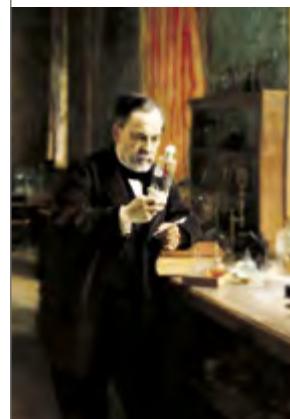
Undersecretary of prevention and health promotion at the Ministry of Health

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studies for vaccines, while for the dengue vaccine we conducted Phase I, II and III locally."

Despite this, challenges persist. In the words of Roberto Tapia, CEO of the Carlos Slim Foundation, in the past, Mexico's system was "successful on many fronts, mainly on infectious diseases, but today is dealing with problems that require the system to work as a system. Prevention has become more a political statement than a reality, as besides vaccines not much was done in the past. We have to take a proactive preventive approach, shake the system up and push it outside of its comfort zone. We really think we need to bring energy to health." ☀

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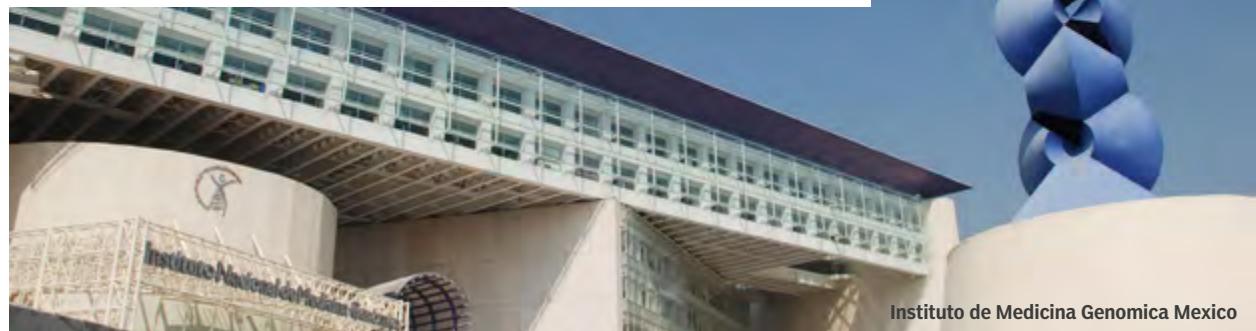
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Ten years studying the Mexican HUMAN GENOME

As Mexico is facing the burden of non-transmittable diseases, genomics – a path the country has embarked on early on – turns out to play a key role in addressing the challenges these imply.



WRITTEN AFTER INTERVIEWS WITH

Guillermo Soberón, former minister of health and founder of the Mexican Institute for Genomic Medicine / Xavier Soberón, general director of the Mexican Institute for Genomic Medicine Inmegen / Gerardo Jiménez Sanchez, founding president of the Mexican Society of Genomic Medicine / David Kershenobich, general director of the National Institute for Medical Science and Nutrition Salvador Zubirán / Roberto Tapia, CEO of the Carlos Slim Foundation / Irma Aguilar, head of genomic research at Landsteiner Scientific

Mexico's epidemiological profile is undergoing a rapid transformation towards non-communicable diseases. For these diseases, prevention is crucial, as they generate a heavy burden on the healthcare system as well as on patients. And genomics can play a key role in finding new ways to approach them.

Mexico has embarked early in the genomics adventure. "Mexico was one of the early adopters of genomics research and personalized medicine from the latest phases of the Human Genome Project," points out Gerardo Jiménez Sanchez, founding president of the Mexican Society of Genomic Medicine. "Mexico got involved in the Human Genome Project at the end of the nineties and actively participated in some aspects of the decoding of the human genome," explains Guillermo Soberón, former minister of health and founder of the Mexican Institute for Genomic Medicine (Inmegen). "We wanted to take advantage of the new discoveries in those unknown areas," he continues "and the outcome in 2004 was the creation of Inmegen."

"Our R&D efforts are focused on unlocking the genomic traits and characteristics of the Mexican population," explains Xavier Soberón, current general director of the institute. The ultimate objective: improving the health conditions of the

population by developing treatment based on specific traits of Mexicans. "The differences in genetic makeup in our country are astounding. The best and most efficient way to understand such diversity is with the tools of genomics and we need to make everyone understand that," explains Soberón.

Another institution very active on the genomics front is the Carlos Slim Foundation, which collaborates closely with Inmegen and the Broad Institute in Boston. In January 2010 "we launched a very broad agenda aimed at strengthening and accelerating Mexico's genomic research capabilities," explains Roberto Tapia, CEO of the foundation. "In its first five years the initiative has made important breakthroughs, which have changed the use of genomics in the country, especially to better understand what role does genetics play in a condition with such a high-prevalence in Mexico, such as diabetes."

Nevertheless, the most important aspect is to make sure the research finds its way to the industry. One pioneering Mexican company has embarked in the challenge: Landsteiner Scientific. "Landsteiner started its adventure with genomics back in 2013, when the company entered an agreement with the Spanish firm Neopharm Obesity," explains Irma Aguilar, head of genomic research. "Back then, nobody was doing genomic medicine; but we knew genomics was going to be the name of the game in the near future." With this idea in mind the company started using resources from other business lines to finance R&D in genomics to identify therapies with a higher probability of success in a particular patient. "Landsteiner is orienting the development and production of drugs for highly prevalent diseases in Mexico and Latin America like cardiovascular, oncologic and neurodegenerative diseases, as well as obesity," she adds. ☈



RAISING *the bar*

Besides protecting the health of Mexicans, the regulatory authority Cofepris offers today an important value-added to the investment community: predictability and transparency. And the whole industry seems to welcome it.

→ WRITTEN AFTER INTERVIEWS WITH

Mikel Arriola, head of the Federal Commission for the Protection against Sanitary Risk (Cofepris) / Socorro España Lomelí, executive director of ANAFAM / José Alberto Peña, general manager of GSK Mexico / Rafael Gual, general director of CANIFARMA / Alfredo Rimoch, general director of Liomont

Creating the conditions to drive growth in the pharmaceutical sector has been the top priority of Mikel Arriola, head of Cofepris and undisputed regulatory star of the sector. "I have always been firmly convinced that having an efficient and transparent authority could only generate growth in the industry you regulate," he notes. And since his appointment back in April 2011, he has been walking the talk. Besides catching up on the backlog of 25,000 drug registrations left behind by the previous administration, the commissioner has pushed to cut the timeframe to authorize new medicines on the market from 360 to 60 days.

But there are other jewels in the crown of Mexico's revamped regulatory authority for Arriola to boast about. The first is the long-awaited recognition by the Pan-American Health Organization (PAHO) as a national regulatory agency of regional reference in July 2012. "The recognition was a milestone, because today drugs registered with Cofepris are recognized at international level. And this has helped local companies start exporting to other countries, especially to markets in Central and Latin America," explains Socorro España Lomelí, executive director of Anafam, the association that brings together local drug manufacturers. The second milestone came in June 2014 with the recognition by the World Health Organization (WHO) as a functional agency for vaccines for the 2014-17 period, which adds Mexico to the elite group of 28 players in this segment. "Taking into consideration the fact that only a limited number of countries worldwide have this recognition, it's definitely something Mexico can be proud of," acknowledges José Alberto Peña, general manager of GSK Mexico.

"The recent reforms ensure the country offers today very different conditions for investment," points out Arriola. "At Cofepris we have included an added value, which is untouchable but very important: predictability and transparency." And the industry seems to welcome a stricter regulatory authority complying with international standards. Having raised the bar, now the priority of the industry seems to be getting the recognition it deserves. Rafael Gual, general director of Canifarma, has made it his personal objective to transform the pharmaceutical industry into the most important manufacturing



sector in Mexico. "Besides the numeric objective, what is important is that we are working closely with the government to ensure the pharmaceutical sector is recognized as an increasingly important player in the economic development of the country," he notes.

Socorro España Lomelí acknowledges that recognition of the national pharmaceutical industry is also one of the challenges for Anafam. "Mexican drug manufacturers are investing in the country and are fighting for it – and this should be recognized at national and international level." Alfredo Rimoch, general director of Liomont, one of the top Mexican players, shares this point of view: "We don't want government protection; we want support and those opportunities and incentives that are promoted by the government and granted to other industries, such as the automotive, and we still do not receive." ☈

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Mexican drug manufacturers are investing in the country and are fighting for it –and this should be recognized at national and international level

ALFREDO RIMOCHE

General director of Liomont

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An efficient and transparent REGULATOR

Mikel Arriola Peñalosa, Head of the Federal Commission for the Protection against Sanitary Risk (Cofepris), shares the astonishing results of his last three years of tenure at Cofepris, undertaken with the priority of improving access of the population to a well-supplied drug market and making the Mexican pharmaceutical industry a much more attractive investment destination.

HCLS What are your goals and priorities today?

Mikel Arriola Peñalosa Since I was appointed as commissioner back in April 2011 I have always been firmly convinced that having an efficient and transparent authority could only generate growth in the industry you regulate. One of our main goals is to create the conditions to drive growth in the pharmaceutical industry – and access and efficiency are crucial. Today Cofepris' priorities are aligned with the health policy established by the federal government, whose main objective is to improve access of the population to a well-supplied drug market that offers innovative and generic medicines at the most affordable prices.

HCLS How is Cofepris improving access to treatment and how do you make sure to keep the balance between generics and innovative drugs?

MAP After the renewal of the registrations, we decided to implement a two-tier strategy to improve access to both categories of drugs. From October 2011 to 2014 Cofepris released a total of 31 active substances, which correspond to 287 new registrations of generic drugs, addressing 71 percent of Mexico's causes of mortality. This resulted in an average price decrease of 60 percent in the private and public market, with the greatest reductions in medicines for diseases, which represent 50 percent of mortality in Mexico, namely diabetes, cardiovascular and oncologic diseases, saving the government USD two billion in three years and offering additional treatment for 1.1 million Mexicans. This has been very positive: since 2011 penetration of generics in Mexico has increased from 34 to 54 percent in terms of value and from 50 to 84 percent in terms



of units, converting Mexico into the first market in the world for generics.

Let's talk about innovation now. In 2011-2012 we implemented a policy to foster access of innovative drugs and started recognizing the work of other agencies, especially the EMA and the FDA. As a result, between March 2011 and August 2014 we have issued 133 new molecules, which account for 20 different therapeutic classes that represent 73 percent of the causes of mortality in the Mexican population. Moreover, we are now authorizing new drugs within 60 working days, which has helped transform Mexico into the global launch country for four new molecules (two for asthma and two for diabetes) and the dengue vaccine.

HCLS In July 2012 Mexico was recognized as a National Regulatory Authority of Regional Reference by the PAHO and, more recently, as Functional Regulatory Agency for vaccines by the WHO for the 2014-2017 period. What do these recognitions mean for the Mexican pharmaceutical industry and how do they make the country more competitive?

MAP As a result of this milestone we started being recognized by other countries and today are selling 70 generics to El Salvador, 50 generics to Ecuador, are opening Colombia and Chile, are starting to share GMPs with Brazil, an inward-looking market, and are working with other agencies to expand access to other countries. A further goal of this recognition is to help increase exports of Mexican pharmaceutical companies. Traditionally Mexican companies have been mainly focused on the local market. However, today fiercer competition and changes in the purchasing process of the government



have significantly driven down prices, forcing companies to look abroad for additional market opportunities. After PAHO we started working with the WHO to obtain the certification for vaccines, which is a more difficult process. Today we are the 28th agency in the world and this milestone will allow Mexico to generate new technology, because today we import 99 percent of our vaccines.

HCLS What impact did all these initiatives have on Mexico's macroeconomic and health indicators?

MAP Thanks to all the initiatives implemented, today we can boast better figures for many indicators that we were worried about when we arrived in 2011. The main indicator was the percentage of the public budget destined to health invested in the purchase of medicines. While three years ago we were one of the last countries within the OECD, as a consequence of the strategies in place we decreased this percentage by two points, from 29 to 27. We aimed to decrease this indicator by five percentage points, and this has been terrific progress, as the indicator had not moved for 30 years. The other indicator that improved is out-of-pocket expenditure in health. In 2010 it was 50 percent; today, using the last indicator of the World Bank, it's 44 percent — these were results we were looking for when we decided to revamp Cofepris.

We authorize a new product in 60 working days and have implemented a very innovative procedure to lower the burden of the agency and of companies — authorized third-parties

— which have allowed Cofepris to approve around 3,000 products within two years in less than 20 working days. Without the help of third-parties the average time would be 2.5 years. That's a considerable change in terms of opportunity cost, which has made us save more than USD 135 million.

HCLS With the PAHO and WHO recognition in the pocket, what is Cofepris' next step and how would you like to see the commission by 2018?

MAP We still have to lower times, become more efficient, be less costly, modernize the process to include IT and get involved in the technological agenda of the government, and offer better service on a daily basis. We receive more than 580,000 applications yearly, as we regulate 10 percent of Mexico's GDP. But I am very optimistic.

HCLS What piece of advice would you give to investors looking at Mexico and the Mexican pharmaceutical sector?

MAP Mexico is changing: the recent reforms ensure the country offers very different conditions for investment and the pharmaceutical industry features a very modern and transparent agency now. We have included an added value, which is untouchable, but very important: predictability and transparency. Today we are an agency, which provides services, as it is the case in any other developed country. ☺

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THE EXTERNAL ARM of Cofepris

A further milestone Mikel Arriola's revamped regulatory authority can be proud of is the implementation of authorized third parties, external organizations that have helped Cofepris dramatically decrease the approval time of registrations.



→ WRITTEN AFTER INTERVIEWS WITH

Consuelo Albarrán, CEO of DefiLatina Healthcare / Isidro Rodríguez, CEO of Entimem / Graciela Aguilar, technical & RA director at Qually Corporación / Salvador Berrios Vides, managing director of Qually Corporación

One of the main challenges Mikel Arriola had to face after his appointment as federal commissioner of Cofepris in 2011 was the backlog the regulatory authority had accumulated over time. A legal reform in 2005 had mandated the renewal of around 25,000 drug registrations and upon his arrival less than 160 had been completed. To speed up the process Cofepris decided to use the support of external organizations: authorized third parties. "Reviewing dossiers is a delicate and time consuming job done page by page, almost like the work of an artist. It is not something that can be processed in bulk by a machine," explains Consuelo Albarrán, CEO of DefiLatina Healthcare. For this reason in 2011 the authority invited companies interested in becoming authorized third parties to go through an application process and an extensive audit."

"Before third parties, a dossier could take three years to be approved; now it takes around three months," she adds. "Time is money, and especially for the pharma industry." Isidro Rodríguez, CEO of Entimem, another of the 17

authorized parties currently operating in the market, confirms the important role they play for the authority and the industry alike: "The objective is to facilitate and expedite administrative procedures and shorten the time necessary to issue sanitary registrations," he explains. "Our main responsibility is to review in advance the dossier the company submits to Cofepris to ensure it fulfills all requirements."

The change has not been easily accepted. "At the beginning manufacturers were skeptical about the process and questioned its compliance, as it is an increasingly important issue in the industry," Rodríguez explains. "However, Cofepris ensured the responsibilities of parties were well-defined and transparent and over time the industry has come to understand that the extra step is not a fast-track process."

The regulatory authority has also implemented a strict auditing process to ensure the level of quality is kept over time. "Cofepris has a commission named *Comisión de Control Analítico y Ampliación de Cobertura* (CCAYAC) responsible for authorized third parties in



**ISIDRO
RODRÍGUEZ**
CEO of Entinem



**CONSUELO
ALBARRÁN**
CEO of DefiLatina
Healthcare



GRACIELA AGUILAR
Technical & RA director
at Qually Corporación



**SALVADOR
BERRIOS VIDES**
Managing director
of Qually Corporación

Mexico," explains Graciela Aguilar, technical & RA director at Qually Corporación. "Every two years we have to renew our authorization with this body."

One of the main challenges authorized third parties face is the increasing complexity of products to be approved. "We are very interested in developing biosimilar technology, a market that presents new challenges for the regulatory bodies," points out Salvador Berrios Vides, managing director of Qually Corporación. "The main challenge we face as a company is to be able to produce a laboratory capable of working

on biosimilars. These products are different to other drugs, requiring more experience and new specialized equipment. Around the world biosimilars are increasingly being produced and if we want to sell such products in Mexico, an outsourcing company like Qually Corporación must conduct analytical work, following the same bioequivalence model but with new technology and new infrastructure."

Despite the challenges a system, which has helped drastically improve approval times and may be soon replicated in other parts of the world. ☀

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The Mexican market

TOTAL MEXICAN MARKET BY VALUE

Broken down by type (Million mexican pesos)



TOTAL MEXICAN MARKET IN UNITS

Broken down by type (Million mexican pesos)



- Innovative drugs, public sector
- Innovative drugs, private sector
- Branded generics, private sector
- Generics, public sector
- Generics, private sector

Source IMS PMM and GSDT, MAT 12-13: IMS Estimations.



\$16.4 bn USD

TOTAL PHARMA MARKET
IN MEXICO 2014





Our contribution to improving health is to research and develop innovative medicines that make a real difference in the treatment of patients.

In a world where health challenges are increasing, we are committed to using the best science for life. And to make this a reality, we have invested more than US\$ 4.2 billion in Research & Development around the world in 2013 in search of solutions that make a difference to people's health, because we know that health is our most valuable asset.

AstraZeneca





—Foreword by Bomi

This second edition of Healthcare & Life Sciences Review Mexico is important for all industry decision makers, as many fundamental aspects of the industry are currently being redefined. Macro trends like the consolidation of manufacturers through M&A activity, combined with local trends like the need to save costs in the public sector, the rise of generics and biosimilars, and the financial struggles of wholesalers are changing the rules of the game. Those who adapt and make the patient their top priority will strengthen their market position. It is time for healthcare companies to think of R&D not only as being about drugs and devices, but about their business models and their go-to-market strategies.

Global M&A activity has grown tremendously in the last year. In 2014, the total value of healthcare deals reached USD 213 billion and during 1Q15 alone it reached USD 95 billion. These acquisitions should streamline the new organizations, make them more efficient, and wring out redundancies. Cost cutting is a top priority and companies must act accordingly. Additionally, more scale generates bigger challenges for decision makers.

Mexico's public healthcare deficit continues to increase. At this pace, it will represent more than 12 percent of GDP by 2018. Generating innovative solutions for the patient at a lower cost is not an option but an essential need for the country. However, generic drugs are not the panacea. The volume of generic drug products consumed by the Mexican population grew from 54 to 84 percent over the last three years to 2014 according to Cofepris. This might reduce the average cost per unit; however, there is still a debate about the efficacy of these products and the potential long-term cost involved for the public sector.

The financial struggles of wholesalers have forced manufacturers to think about new ways to reach their consumers. The integration or substitution of independent pharmacies into large institutional chains, combined with the increased participation of retailers, is allowing manufacturers to solve part of the problem. However, innovation needs to happen to guarantee availability for all Mexican consumers.

Bomi de Mexico has a clear understanding of market needs and acts as a strategic partner to develop tailor-made logistics solutions for its clients. We fulfill our mission to "Save and Improve Lives" by helping pharmaceutical companies and medical device manufacturers satisfy their supply chain needs at the most efficient cost. We find opportunities for continuous improvement by sharing and constantly analyzing all operational information with our clients. Our consolidation power allows us to do a lot more with less.

I am convinced that the healthcare and life sciences industry players must work together to solve the challenges that are having a negative impact on the patient. It is our responsibility to efficiently deliver solutions to patients as much as it is to invent new molecules or the next generation of medical devices. This publication serves as a showcase to express the views of the key figures across the industry and ignite the conversations that will lead to much-needed tangible results. I believe that in this context, this publication will prove to be extremely relevant in the evolution of Mexico's healthcare and life sciences sectors.



MARIO SICILIA

General director, Bomi Mexico

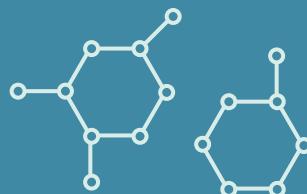


THE VOLUME OF GENERIC DRUG PRODUCTS

consumed by
the Mexican population

GREW FROM 54 TO 84 PERCENT

over the last three years
to 2014 according to Cofepris



It is our responsibility to
EFFICIENTLY DELIVER SOLUTIONS TO PATIENTS

as much as it is to
INVENT NEW MOLECULES
or the next generation
of medical devices





MEXICO: a mature pharmerging market?

Ten years after being listed by IMS Health among the seven high-growth pharmaceutical markets – so-called ‘pharmerging’ markets – today Mexico’s market dynamics resemble those of a mature market.

WRITTEN AFTER INTERVIEWS WITH

Miguel Salazar, country managing director Boehringer Ingelheim Mexico / Pedro Galvís, managing director of Merck Mexico / Socorro España Lomelí, executive director of Anafam / Andrés Aguirre, strategy director of Grupo Bruluart

Almost ten years have passed since IMS Health listed Mexico – along with China, Brazil, Russia, India, Turkey and South Korea – among the seven ‘pharmerging’ markets promising above average prospects for growth. All markets shared common drivers such as an increasing government healthcare investment, a high level of out-of-pocket expenditure and an increasing burden of chronic diseases. Today Mexico is still viewed as an emerging market in terms of dynamics, but with growth rates that better resemble those of mature economies.

“Many companies typically classify Mexico as an emerging market, although it is actually behaving as a mature one,” points out Miguel Salazar, country managing director of the family-owned German company Boehringer Ingelheim. Pedro Galvís, managing director of Merck, shares the same view. “Despite being considered an emerging market, Mexico resembles a mature market in several aspects.

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The whole pharmaceutical industry has done a lot to inform patients about bioequivalence, to make sure they understand that a generic drug is the same as an innovative one and that they represent a cheaper option for treatment

SOCORRO ESPAÑA LOMELÍ
Executive director of ANAFAM

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It's a double-edged sword sometimes, because expectations from headquarters are high as Merck Mexico grows at a double-digit rate; however, the market does not.”

While offering opportunities from an aging population, a changing epidemiological profile and expanded healthcare coverage, the market also feels the strain of several factors, which include the government's push to drive down prices, an increasing penetration of generics and, consequently, diminishing brand loyalty among consumers. Moreover, the fiscal reform implemented at the beginning of 2014, combined with the annual inflation breaking the four percent ceiling set by Mexico's Central Bank, hit consumers' purchasing power – all important changes in a market where nearly half of the health expenditure is out-of-pocket. Since 2012 the government has made it a priority to improve the access of the population to a well-supplied drug market that offers medicines at the most affordable prices. Aligned with this policy, the regulatory authority implemented a strategy to facilitate the approval of generic drugs. Today, with an 84 percent volume share, Mexico is the second market in the world for penetration of generics behind the US.

“The whole pharmaceutical industry has done a lot to inform patients about bioequivalence, to make sure they understand that a generic drug is the same as an innovative one and that they represent a cheaper option for treatment,” explains España Lomelí of ANAFAM. “People's mindset towards generics has been changing and an increasing number of Mexicans are now aware that generic products are just as good as brands,” points out Andrés Aguirre, strategy director of Grupo Bruluart. “Sometimes it is also a matter of not having a choice. When people cannot afford to buy branded products, they try generic versions only to realize they work just as well. This means that from that moment onwards, branded products are not an option anymore,” adds his brother Juan José, sales director of the group.

So it comes as no surprise that, despite the meager overall market growth in 2014, local, mainly generic-driven players have showed the best performance in the retail market, with a more than 6 percent year-on-year increase. Large product portfolios, volume-driven agreements, integrated distributors and strong bonds with the public sector help them outpace big pharma.



TOP 50 LEADING CORPORATIONS BY VALUE IN THE TOTAL MARKET

Source IMS Health.

1	PFIZER CORP.	6.35%
2	SANOFI CORP	5.73%
3	BAYER CORP.	5.36%
4	NOVARTIS CORP.	4.57%
5	SCHERING PLOUGH C	4.41%
6	BOEHRINGER ING.CO	3.77%
7	SANFER CORP.	3.15 %
8	MERCK-SERONO	3.06 %
9	JOHNSON JOHNSON CO	3.01%
10	SENOIAIN	3.00 %
11	PISA	2.99 %
12	ASTRAZENECA CORP.	2.91%
13	GLAXOSMITHKLINE CO	2.50 %
14	LILLY	2.43%
15	TAKEDA CORP	2.43%
16	RIMSA CORP	2.42%
17	MERCK SHARP DOHME	2.31%
18	LIOMONT	2.23%
19	GENOMMA LAB	2.16 %
20	ROCHE CORP.	2.10 %
21	SIEGFRIED RHEIN	2.04 %
22	ASOFARMA	1.68 %
23	ABBOTT	1.68 %
24	ARMSTRONG	1.64 %
25	VALEANT PHARM.INT.	1.59 %
26	CHINOIN	1.14 %
27	CARNOT	1.12 %
28	MEDIX CORP.	1.02 %
29	SOPHIA	0.97 %
30	SILANES CORP.	0.96 %
31	UCB PHARMA	0.88 %
32	QUIMICA FARM.CORP.	0.86 %
33	SERRAL	0.84 %
34	PSICOFARMA	0.82 %
35	RECKITT BENCKISER	0.82 %
36	PROTEIN-APOTEX	0.80 %
37	ALLERGAN	0.72 %
38	ITALMEX CORP	0.58 %
39	LUNDBECK	0.57 %
40	GRUNENTHAL	0.55 %
41	BRISTOL MYER SQUIBB	0.48 %
42	ULTRA	0.43 %
43	INVES FARMAC	0.42 %
44	PROCTER&GAMBLE COR	0.40 %
45	GRIN	0.39 %
46	FARMASA	0.37 %
47	ALMIRALL	0.36 %
48	PROBIOMED	0.33 %
49	NESTLE CO	0.32 %
50	ASPEN CORP	0.30 %



New channels, NEW CHALLENGES

In recent years the growth of Mexico's pharmaceutical market, estimated to be worth around USD 16 billion, has been increasingly driven by sales of low-price branded generics and private labels.

→ WRITTEN AFTER INTERVIEWS WITH

Miguel Salazar, country managing director Boehringer Ingelheim Mexico / Pedro Galvís, managing director of Merck Mexico / Socorro España Lomelí, executive director of Anafam / Andrés Aguirre, strategy director of Grupo Bruluart

2014 was not an easy year for the pharmaceutical industry in Mexico. IMS Health and Knobloch Information Group, the two leading data providers to the industry, estimate that the total market – worth around USD 16 billion – grew between 2.4 and 2.6 percent over 2013, with the private retail market reporting negative growth. Besides the evolution of the market towards more mature dynamics, a number of factors have impacted its performance. One of the top drug wholesalers, Casa Saba, went unexpectedly bankrupt, forcing the industry to rechannel the distribution of products. The tax reform implemented in January 2014 also hit the purchasing power of consumers, forcing them to look for more affordable options, especially taking into consideration the fact that half of healthcare expenditure in Mexico is still out of pocket.

Back in 2000 Juan Knobloch, president and founder of the Knobloch

Information Group, started realizing that retailers were changing their purchasing patterns. "They were still mainly buying from traditional wholesalers, but they also started sourcing products from smaller alternative distributors, as well as directly from manufacturers," he explains. "We soon came to realize that the sell-out was higher than the sell-in reported by wholesalers, mainly due to two trends. On the one hand, pharmacies were increasingly acquiring low-price branded generics from approximately 500 minor distributors spread across Mexico and not tracked by our competitors; on the other, pharmacies – especially larger chains – had started developing their own private labels, which were delivered directly by contract manufacturers to the chains, thus not tracked either." Today these two groups of products report the highest growth rate,

mainly driven by consumers looking for pricing.

According to Knobloch, in 2014 the total pharmaceutical market had a value of nearly USD 16 billion (at pharmacy price), of which approximately 74 percent was private and 26 percent institutional market. However, "in the private market only 63 percent of units move through audited channels (traditional wholesalers, national and regional drugstore chains, supermarkets and independent pharmacies), whereas 37 percent move through alternative channels." These channels encompass the low-priced branded generic drugstore chain *Farmacias Similares*, generics drugstores and generic-only wholesale clubs, which are warehouses, where independent pharmacies go and buy directly low-priced branded generics. "15 years ago this alternative market did not even exist; in units today it represents almost 40 percent of the total private market," he stresses.

"After the so-called 'Tequila crisis', which hit Mexico in 1994-95, the Mexican businessman Víctor Manuel González Torres understood that people needed a low-cost alternative to out-of-pocket healthcare expenses," he explains. In 1997 he started the breakthrough model of *Farmacias Similares*: a drugstore chain selling low-priced generic drugs under the slogan '*Lo mismo, pero más barato*' (The same, but cheaper) and with physicians at the point of sale. It was a game changer.





**JOSÉ ANGEL
GARCÍA HINOJOSA**
Vice president of sales at
Grupo Loeffler-Russek



PABLO ESCANDÓN
President and
CEO of Nadro



LUIS ZEREZERO
General director of
Laboratorios Keton

The family at the head of the Grupo Loeffler-Russek also identified the same need. "In the early 1990s I started avidly studying the emerging – and yet unknown – generics market and together with my brother decided to start our own business," recounts José Angel García Hinojosa, vice president of sales and second generation at the head of the company. "Given our capital availability and the market demand for more affordable drugs, we decided to start a wholesale firm to distribute generic drugs to the Mexican population. That is when Loeffler-Russek was born. At that time we did not have the capital to enter the high-priced patented market and invest in marketing. That is why we opted for generic drugs instead; we saw a huge niche opportunity. However, we didn't want to stop at being a mere distributor, we wanted to be producers. So we acquired facilities to have our own laboratory and created Russek – our manufacturing branch."

Private labels are also the big winner of this shift. Today store brands represent approximately 12 percent of the total volume of the private market. "We estimate in future 90 percent of pure generics will be private labels," predicts Knobloch. The main drivers behind this trend: competitive pricing and the trust people place in large retailers and pharmacy chains. And the growing practice of recommending store brands at the point of sale. "Shifting of prescription at pharmacies is also becoming a big issue. Patients get to the point of sale with a prescription, but pharmacists change it, often for a home brand," explains Gurulinga Konanur, general manager of the Indian pure generics manufacturer Torrent in Mexico. "Nadro recently launched a TV campaign

exhorting people not to get their prescriptions switched, as only the physician knows the best drug for the patient to take." Under the slogan *Círculo de la Salud* (Circle of Health) the leading wholesaler is promoting a national campaign among approximately 7,000 affiliated points of sale nationwide to fight against the unethical practice. "Sometimes it is simply more advantageous for the retailer to substitute one drug for another," explains Pablo Escandón, president and CEO of Nadro. "However, the only one that has a capacity to decide on a given prescription is the doctor who prescribed it in the first place. This is not clearly understood in Mexico, thus we are pushing to ensure that prescriptions are and should not be substituted."

Despite shifting trends, Mexico continues to be an attractive market space to access. "With a population of almost 120 million and a high level of out-of-pocket expense for healthcare, Mexico is a very interesting market for any company operating in the pharmaceutical marketplace," points out Luis Zerecero, general director of Laboratorios Keton, a 100 percent Mexican company founded in 1956. "People naively believe that the pharmaceutical industry is not complex; but things are changing at a quick pace, so it is not easy to keep up with what is going on," he adds. Thanks to his decade-long experience Zerecero is well aware of the challenges new entrants face in Mexico and decided to start offering hosting services to companies interested in tapping the Mexican market. "Today we represent ten different international companies, spanning from Austria to Italy, Spain, France, and Germany," he boasts. ☈



LOEFFLER
División Veterinaria Animales de Consumo
Empresa fundada en 1978 con más de 80
registros de medicamentos diseñados para
animales de consumo.

LOEFFLER
División Humana Genéricos
Con inicio de operaciones en el año 2000,
al día de hoy es la empresa que
representa el 80% del volumen de GLR.
Dueña de 75 registros sanitarios y más de
120 presentaciones comercializables.
Participa en los mercados de Genéricos,
Private Label y Gobierno.

Russek
División Maquillas
En el año de 2005 se fundó RUSSEK,
empresa dedicada al servicio de maquillas
para laboratorios transnacionales y
nacionales. Actualmente representa el 9%
de los ingresos de GLR.

InnoPharma
División veterinaria Animales de Compañía
En 2010 inicia operaciones la empresa
especializada en atender las necesidades
médicas de los animales de compañía. Con
un catálogo inicial de 12 productos, hoy es
la compañía que más productos lanza al
mercado de forma anual.

TRABAJAMOS PARA
MEJORAR LA SALUD
HUMANA Y VETERINARIA



A DIFFERENT *point of view*



Juan Knobloch, president and founder of Knobloch Information Group, leading supplier of market data to the pharmaceutical industry in Mexico, provides an in-depth overlook about the most important changes that are reshaping the Mexican pharmaceutical market.

HCLS Knobloch Information Group is the leading supplier of market data to the pharmaceutical industry in Mexico. What business opportunity did you identify when creating the company?

Juan Knobloch The firm was founded in 2000, shortly after I left IMS Health. Back in the days we started realizing that retailers were changing their purchasing patterns: they were still mainly buying from traditional wholesalers, but they also started sourcing products from smaller alternative distributors, as well as directly from manufacturers, not tracked by other data suppliers, meaning that part of the market was not being captured. Hence, instead of

sell-in data, tracking volumes wholesalers sell to pharmacies, we decided to start tracking sell-out data, what is scanned at the counter. This also allowed us to measure the new product mix which was beginning to appear in drugstores. This made a tremendous change: first, in the quality of the data, and second because we started capturing the products that pharmacies were actually selling, independently of where they sourced the products.

We soon came to realize that the sell-out was higher than the sell-in reported by wholesalers, mainly due to two trends. On the one hand, pharmacies were increasingly acquiring low-price branded generics from

approximately 500 minor distributors spread across Mexico and not tracked by our competitors; on the other, pharmacies – especially larger chains – had started developing their own private labels, which were delivered directly by contract manufacturers to the chains, thus not tracked either.

HCLS What percentage of the Mexican market do you audit today?

JK We audit 99 percent of the private market. Today 70 percent of our data is comprised by direct sell-out information provided by pharmacy chains and other market players, such as supermarket chains. Taking into consideration the fact that independent pharmacies do not usually have the resources and space to keep inventory, we can affirm that sell-in to this channel equals the sell-out of the point of sale, so we could consider that we



are tracking nearly 85 percent of the Mexican market at sell-out level. Our panel is the largest in the country and encompasses information from 82 institutions among wholesalers (national and/or regional), drugstore chains with national, regional and local coverage, supermarkets, generic wholesalers, telemarketing firms and additional data suppliers.

We are also auditing the most important players in the institutional market via outsourcing – the government.

HCLS Besides market information, what kind of additional services do you provide to the pharmaceutical industry?

JK We offer a number of services that span from market data; ad hoc reports; price scanning to know the real price at which products are sold to the public, and product tracking to monitor the launch of a new product. We also provide information for

the sales force: we estimate that up to 70 percent of the sales reps in Mexico are paid based on the results tracked via our audits – ATV Territorial Sales Management. Only a few other countries in the world – Germany, Argentina and Brazil – have companies like Knobloch Information Group, which compete directly with IMS Health to provide data to the pharma industry. A further competitive advantage we can leverage is that we produce everything in Mexico, which allows us to respond very promptly to our clients' needs.

HCLS What makes Mexico attractive for local and international companies and how much was the pharmaceutical market worth in 2014?

JK Mexico is a strategic market for the pharmaceutical industry: it occupies the 11th position amongst the 12 countries in the world with more than 100 million inhabitants and is projected to

become the 13th pharmaceutical market by 2018. In general, we consider the Mexican market as mature, with both the private and institutional sectors playing a very important role. In 2014 the total pharmaceutical market had a value of nearly USD 16 billion (at pharmacy price), with approximately 74 percent corresponding to the private and 26 percent to the institutional market. In units, 2014 saw sales of 3.5 billion units (up 3.9 percent vs. 2013), with 48 percent coming from the private market and 52 percent from the institutional. Private market consumption is financed almost 100 percent by out-of-pocket expenses by patients.

HCLS What is the most striking aspect of the Mexican pharmaceutical market today?

JK During the last decade, we have seen an exponential growth in the sale of low-priced branded generic products as well as private labels, both in

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The combination of primary audited and alternative market reports a compound annual growth rate (CAGR) of 3.5 percent in units over the last decade

JUAN KNOBLOCH

President and founder of Knobloch Information Group

the audited as well as in the so-called alternative market. These two groups of products report the highest growth rate. Today in the private market only 63 percent of units move through audited channels (traditional wholesalers, national and regional drugstore chains, supermarkets and independent pharmacies), whereas 37 percent move through alternative channels. These channels encompass the low-priced branded generic drugstore chain *Farmacias Similares*, generics drugstores and generics-only wholesale clubs, which are warehouses, where independent pharmacies go and buy low-priced branded generics directly. 15 years ago this alternative market did not even exist; in units today it represents almost 40 percent of the total private market. The combination of primary audited and alternative market reports a compound annual growth rate (CAGR) of 3.5 percent in units over the last decade, which demonstrates that the Mexican market has been growing, but in different channels.

HCLS What are the reasons behind the surge of this alternative market?

JK The main driver was pricing. After the so-called ‘Tequila crisis’, which hit Mexico in 1994-95, the Mexican businessman Víctor Manuel González Torres understood that people needed a low-cost alternative to out-of-pocket healthcare expenses, so he decided to make a radical change. In 1997 he started the drugstore chain *Farmacias Similares*, introducing a breakthrough model: selling low-priced generic drugs under the slogan ‘*Lo mismo, pero más barato*’ (The same, but cheaper) and have physicians at the point of sale. The patient could undergo a medical visit for as low as USD 2 and

get drugs up to 75 percent cheaper than in traditional pharmacies. It was a success. Today the chain has nearly 5,000 points of sale across Mexico and has kept the same price positioning ever since. The launch of *Farmacias Similares* has been a game changer for the industry and retail sectors.

HCLS Historically Mexico has been a brand-driven market. Along with pricing, what has helped low-priced generics increase their penetration?

JK Genomma Lab developed a line of generic products under the brand *Primer Nivel* and invested millions of pesos in TV advertising to talk about the benefits of this type of drug. Under budget constraints, the government has also played an important role in promoting the use of generics. More recently private labels have bolstered this trend, as people trust large retailers such as the large pharmacy and national, regional and supermarket chains. Physicians and medical institutions have also changed their prescription patterns. As a result, today approximately 20 percent of all prescriptions are generics. 20 years ago, this would have been unthinkable.

HCLS What market segments are growing or decreasing most and why?

JK Some pharmaceutical companies are having a hard time in Mexico. Over the 2005-14 period the total private audited market shrank by 2.1 percent in units, but the prescription market (excluding infant formulas) plummeted a remarkable 32.5 percent. If you do not take low-priced branded prescription drugs from local manufacturers into consideration, the drop in volume

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was even higher: 39 percent. Patients switched to low-priced branded generic drugs, pure generics and private labels. Today private labels represent approximately 12 percent of the total volume, and are growing exponentially. We estimate in future 90 percent of pure generics will be private labels.

HCLS Given the increasing share of private labels and low-priced branded generics, what opportunities do you see for pure generics?

JK Pure generics have mainly succeeded in the form of private labels. The remainder have not succeeded in Mexico mainly because of high pricing, combined with low margins given to retail. It was natural for some big pharma companies to move into generics, but the Mexican market is very special and pure generics need the right strategic mix to be competitive.

HCLS A further dramatic change occurred regarding the retail sector, which is witnessing an increasing consolidation of pharmacies. How does it look today and how do you think it is going to change in the future?

JK This consolidation is also expected to continue in the near future. Drugstore and supermarket chains offer a positive point-of-sale experience to consumers and a number of benefits, such as fast and free home delivery, as well as loyalty programs and special discounts. As a result of the exponential growth of national and regional drugstore chains as well as supermarket chains, today five players account for 56 percent of the units sold in the audited pharmaceutical market. We expect that for the year 2020 six players will make up approximately 65 percent of the total units sold in the private audited market.

HCLS How is this consolidation impacting other players, such as independent pharmacies and wholesalers?

JK In order to remain competitive against large chains and their private labels, independent pharmacies are increasingly buying low-priced



branded generics to compete in price and product mix. As a result, they are slowly converting themselves into generics pharmacies. On the other hand, given that big chains are developing private labels and are increasingly sourcing directly from drug manufacturers, and independent pharmacies are increasingly buying low-priced branded generics, the market of traditional wholesalers is decreasing.

HCLS What about other product segments?

JK The same trend towards low-priced products is also true for branded OTC, which over the 2005-14 period decreased by 16 percent in units, whereas low-priced branded OTC have increased by almost 170 percent. The infant formula segment, on the contrary, is a very interesting market worth nearly USD 600 million with consistent growth in units and value.

HCLS What are your personal ambitions for the company and what can we expect from the pharmaceutical market in the near future?

JK Our company will continue to do what is does best – serve our clients, which are our main driver, by developing new important strategic services. There will always be opportunities and we do not foresee disruptive changes in the near future. An important factor is the growth of chronic-degenerative consumption in all segments of the market. This represents, and will continue representing, great opportunities for companies innovating in the area of high specialty and chronic-degenerative drugs. The market will become a specialty-oriented market: we expect it to be worth approximately USD 6 billion by 2020 (private and institutional). Although many companies are reducing their sales forces, I think it will continue being a key driver to maintain market share. Innovation should also be

a strategic point, both from a product development point of view as well as with regard to new go-to-market strategies to take over market share from competitors.

Mexico offers important benefits: patent protection by local authorities, a continuous improvement and modernization of regulations by Cofepris, controlled inflation, currency stability, as well as many potential opportunities for dynamic companies. Mexico is a market where pharmaceutical companies should be active players in the future. Also because – paraphrasing the words of the movie character Joe Black – I dare to say that “nothing is certain in this world but death, taxes and healthcare.” On a personal note, we would like to thank all our data suppliers whom we regard as our partners, as well as our clients who trusted our company since its creation in 2000 to become the leading supplier of sales market data in Mexico. ☺

The advertisement features a large globe with a stylized 'G' logo overlaid. Several hands of different skin tones are reaching up towards the globe. The top right corner contains the Glenmark logo and tagline: 'Glenmark A new way for a new world'. The central text reads: 'It's more than just about innovation in healthcare. It's about creating new ways for a new world.'

At Glenmark, we are synonymous with innovations in pharmaceuticals. Our track record boasts a legacy of developing medicines and molecules that have been revolutionary in impact. However to us, these innovations serve a greater purpose. We wish to create a world devoid of pain, where every face beams radiantly with joy! We are a world where a brighter tomorrow dwells in the hopes and ideas of today.



ACCESS is the name of the game

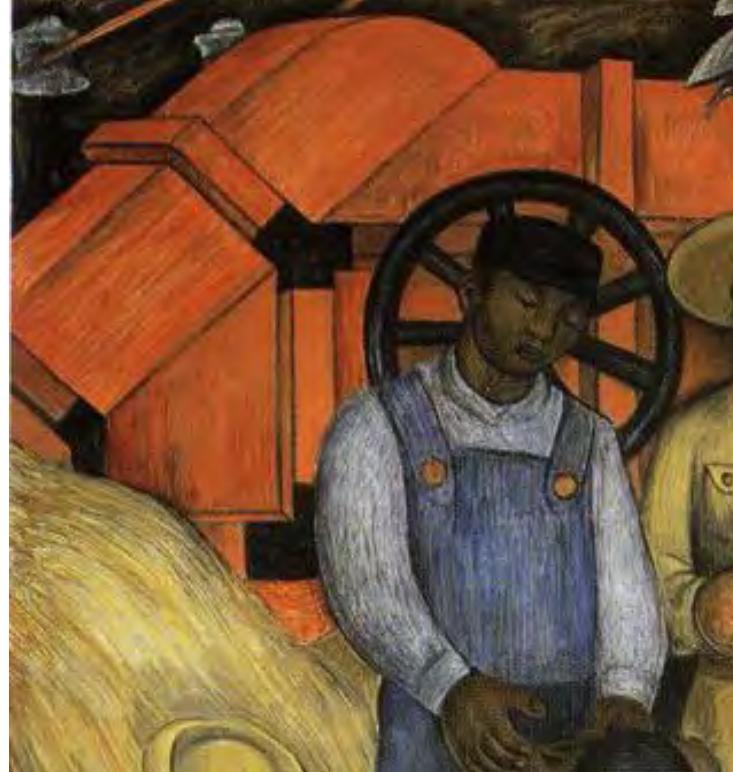
Drug access is the main challenge multinational companies are facing. AMIIF, the association bringing together the most important research-based pharmaceutical companies, and the private industry are looking at new ways to ensure innovative drugs have access to the market.

WRITTEN AFTER INTERVIEWS WITH

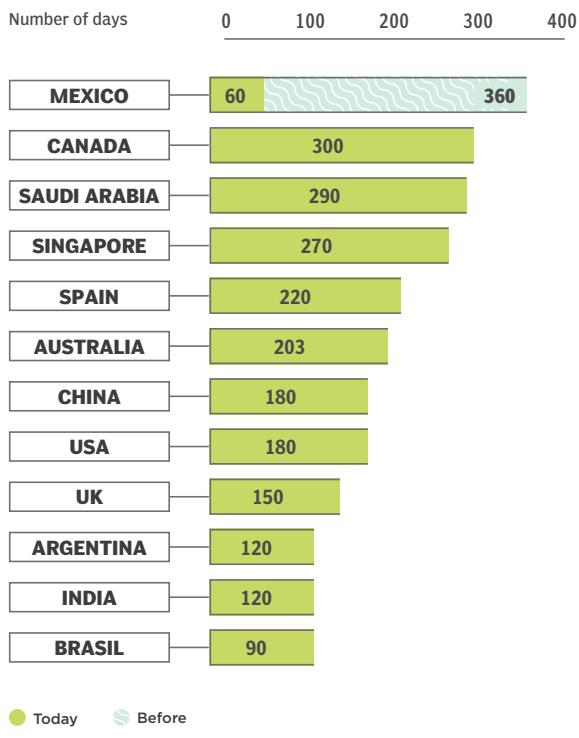
José Alberto Peña, general manager of GSK Mexico / Pedro Galvís, managing director of Merck Mexico / Mikel Arriola, commissioner of Cofepris / Cristóbal Thompson, executive director of AMIIF / Ugo de Jacobis, general director of AstraZeneca Mexico / Alexis Serlin, country president of Novartis Mexico.

Given the skyrocketing increase in the penetration of generics, where does innovation come into the equation? Apparently it's a common concern for big pharma. "Ensuring that new products get to end consumers is one of the biggest challenges that we are facing as an industry at the moment," says José Alberto Peña, general manager of GSK Mexico.

According to an IMS Health study carried out in 2014, in Mexico it takes up to 4.3 years for a new treatment to be listed in the public healthcare sector, compared to two years in the UK and Japan, and 3.4 years in Brazil. "Drug access at Mexican public healthcare institutions is currently the main issue for all multinational companies," explains Pedro Galvís, managing director of Merck Mexico. Cofepris has taken big steps in recent years to improve the situation, also including innovative drugs in its access strategy. Whereas in 2010, before the Arriola administration, only three new molecules were approved, "between March 2011 and August 2014 we have issued 133 new molecules, which account for 20 different therapeutic classes that represent 73 percent of the causes of mortality in the Mexican population, namely chronic diseases," points out the federal commissioner. "Moreover, we are now authorizing new drugs within 60 working days, which has helped transform Mexico into the global launch country for four new molecules (two for asthma and two for diabetes) and the dengue vaccine." Alas, the problem does not lie within the regulatory authority. After a drug gets the approval from Cofepris, it still has to pass the General Health Council to later be approved through each and every one of the healthcare providers, i.e. IMSS, ISSSTE, Seguro Popular, the Army, the Navy, etc.



DAYS TO GRANT REGISTRATION FOR INNOVATIVE DRUGS



Source "Cofepris Regulatory actions to improve access to medicines and health"
Mario Alanis Garza, October 2014.

Upon his appointment as executive director of AMIIF, the association bringing together the most important research-based pharmaceutical companies, Cristóbal Thompson, made it his "personal mission to move AMIIF from being a stand-alone organization which only represented the interests of its members, to being one integrated into the healthcare sector."



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Ensuring that new products get to end consumers is one of the biggest challenges that we are facing as an industry at the moment

JOSÉ ALBERTO PEÑA

General manager of GSK Mexico

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To find a trade-off between innovation and affordability, drug makers are increasingly looking for a collaborative approach with the government. "Drug access is a shared responsibility between the private and public sector. Fortunately, today there is a much more open dialogue to define how to make innovation available at public institutions," points out Ugo de Jacobis, general director of AstraZeneca Mexico. Alexis Serlin, country president of Novartis Mexico, confirms that "drug access is high on the agenda. Thus, we are partnering with the Ministry of Health to make sure innovation gets to patients in an economically efficient way for the government." ☈



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SMART SCALE: *the expert eye*

Fabiola Trigueros, founder and president of Smart Scale, explains how the company delivers clever and innovative information technology services to the pharmaceutical industry, acting as a significant partner for both information technology and healthcare.



**FABIOLA
TRIGUEROS**

Founder and president
of Smart Scale



HCLS What have been the main global trends taking place within the healthcare industry in Mexico over the last few years?

Fabiola Trigueros Previously multinationals were the leaders for innovative drugs, serving the population and managing the whole industry. The Mexican government has sought ways to increase the access people have to medicines. It has supported the generics market, which until recently was dominated by small investors, giving it the potential for real growth and taking significant market share from the traditional industry.

HCLS What role is there for the government in this process?

FT Mexico needs to be able to have more confidence in its government. The authorities need to ensure that the economy continues to grow. We are currently going through a difficult time for entrepreneurs and additional steps are required, such as tax relief measures. The government is doing an important job, helping the population by improving care facilities for patients. But we need a more loyal government working for the good of companies and consequently benefiting all Mexican citizens.

HCLS What role do consulting services have?

FT The ever-changing environment in the pharmaceutical industry demands consulting and information services to accompany the transition going on in the sector. Smart Scale is composed of experts working in the field, providing ad-hoc solutions for pharmaceutical industry sales and marketing departments. We deliver effective and accurate solutions allowing companies to develop better decision making processes.

HCLS Smart Scale is recognised for the quality of its services. What have been the main growth drivers for the company?

FT We are the number one Mexican company specializing in service, advice and consultancy with global technology tools for the pharmaceutical industry and health sector. We have the best data on doctors, pharmacists and hospitals. This is our core business. We have the right technological tools, with our partner Media Soft. We specialise in CRM, working on customer relation management issues as well as CLM (closed loop marketing).

Smart Scale with its Smart Data business unit has developed, since its inception, the best database of physicians, pharmacies and hospitals. We have become one of the best options in helping our clients improve their sales forces by supporting them with consulting, reporting, and data processing. This has been achieved by taking full advantage of the almost 30 years of leadership experience I have gained in this field.

HCLS One of the main success factors in a consultancy is the people. What can you say about the Smart Scale team?

FT Our employees are very professional and enthusiastic. We take on young people, with a lot of creativity. We have an analysis department that are experts in their field. This is a crucial point of differentiation. Even if we have numerous competitors, our focus on analysis is a considerable advantage. Using the knowledge, experience, dedication and passion of the entire Smart Scale team and taking advantage of our cutting edge technology has been key to our success. ☀



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OPENING UP *to innovation*

The agreement between AMIIF, the association that brings together the most important research-based pharmaceutical companies in the country, and the Mexican Social Security Institute (IMSS), the largest public healthcare provider in Mexico to open up the institution to clinical research is an historic milestone to ensure Mexican patients can have increasingly access to innovative drugs.

WRITTEN AFTER INTERVIEWS WITH

Mikel Arriola, federal commissioner of Cofepris; Cristóbal Thompson, executive director of AMIIF / Claudia Soto, general manager of Parexel Mexico / Gerardo Cárdenas, CEO of Innovare R&D / Irma Egoavil, country manager of Celgene Mexico / Bernardo Kanahuati, general manager of Bayer HealthCare Pharmaceuticals Mexico.

Making innovation increasingly available to the Mexican population is a shared concern among public stakeholders and private industry. Mikel Arriola, federal commissioner of Cofepris, has made one of the priorities of the regulatory authority he leads to help innovation access the country. "We know that compared to more developed countries our portfolio of drugs is weak in terms of innovation, also because of the backlog the agency experienced until 2011." As a result, besides reducing the time-frame necessary to approve innovative molecules, the commissioner implemented a "policy to foster access of innovative drugs and started recognizing the work of other agencies, especially the EMA and the FDA." The most recent milestones was the approval of 17 new molecules in March 2015, with five

orphan drugs among them, totaling 150 new molecules since his appointment in 2011.

Yet, much more is boiling under the surface. Ensuring innovative drugs get access to the Mexican market is also number one priority of AMIIF, the association that brings together the most important research-based pharmaceutical companies in the country, and its executive director Cristóbal Thompson. Besides lobbying for access, which is still the main obstacle, one of the strategic objectives of the association is positioning Mexico as a hub for clinical research. "Today the pharma industry is in a very different position with the government compared to other sectors, which receive millions and millions of dollars of investment every year, as is the case of the automotive industry,"

explains Thompson. According to AMIIF estimates, USD 50 billion are invested globally in primary and secondary research each year. In 2013 Mexico received USD 160 million in investment for clinical research, while, despite the economic crisis, Argentina saw nearly USD 500 million- more than double. "Why doesn't the same amount of money get invested in Mexico?" challenges Thompson. "Given the macroeconomic stability and strategic position we should get at least USD 500 million per year, which in a ten-year period would mean USD 5 billion of investment - as much as the automotive industry." The main challenge: long approval times, which make companies prefer alternative destinations such as Korea and India. "There have been instances when protocols were not ready to be run in Mexico because they were lacking the required approval," explains Claudia Soto, general manager of the contract research organization Parexel in Mexico. "As an industry, we need to be competitive. Sponsors are always looking to start with the fastest country. The sooner a study can begin, the more patients can be included."

Interestingly enough, financing innovation also seems to be a challenge. "When you go and explain intangible assets, it's incredibly hard to sell a



CLAUDIA SOTO

General manager
of Parexel Mexico



**GERARDO
CÁRDENAS**

CEO of Innovare R&D



BERNARDO KANAHUATI

General manager of
Bayer HealthCare
Pharmaceuticals Mexico



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The deal between AMIIF and IMSS] means having nearly 70 million patients under the same roof... This agreement opens a goldmine

GERARDO CÁRDENAS

CEO of Innovare R&D

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project," points out Gerardo Cárdenas, CEO of Innovare R&D. "Venture capital in Mexico is very immature while more financially developed environments for the biopharmaceutical industry, such as the US, do not know the Mexican financial regulation, so do not want to risk into an unknown environment."

To place Mexico in a better position on the global map in October 2014 AMIIF announced an agreement with the Mexican Social Security Institute (IMSS), the largest public healthcare provider in Mexico, and Cofepris, to open the institution up to clinical research for the pharmaceutical industry and decrease the approval time for clinical protocols from three months to one. "The agreement definitely represents a historic milestone for the Mexican health system," points out Cárdenas. "Mexico didn't used to have a clinical trial culture and recruitment processes were not well established. This arrangement means having nearly 70 million patients under the same roof - an impressive number and network. IMSS was completely closed in the past, so this agreement opens a goldmine. This is a game changer in terms of R&D in the country." "That being said, now the regulatory authority needs to define good clinical practices," he points out. "Cofepris is taking care of this, but I think the pharmaceutical industry should share this responsibility by importing best practices from abroad and investing resources to establish state-of-the-art clinical research centers at IMSS. Today it's like having only crude oil; we need now the infrastructure to refine and get gasoline - and big pharma definitely needs to participate."

As a result a number of companies are planning to include Mexico within their upcoming clinical protocols. Orphan drug companies are no exception. "For us clinical research is a way to bring medical innovation to patients,

especially for those who otherwise would not have access to treatment," explains Irma Egoavil, country manager of the recently opened subsidiary of Celgene in Mexico. The company has more than 300 clinical trials running worldwide and already some trials in Mexico for leukemia and myelodysplastic syndromes. "Authorities have understood that opening the doors to clinical research is a good way to provide access, but also to provide early experience to physicians to learn about the products and better select the right patient. However, in order to be competitive at international level, as a country we need to expedite the approval and

recruitment process for trials. We have the patients, the physicians and the need: if we do not move faster, we'll lose the opportunity."

This is especially true for companies focusing on innovation. "Innovation is in our DNA," explains Bernardo Kanahuati, general manager of Bayer HealthCare Pharmaceuticals Mexico. "The only way to keep our leadership - not only in Mexico, but throughout the rest of the world - is by keep launching innovative products." "[We are] interested in involving an increasing number of Mexican patients in global clinical trials to allow a faster registration process in the country and, thus, benefit a larger portion of the population," he explains. "As we speak, we have five drugs in the pipeline, all of them about to enter Phase III. These products represent our latest developments in oncology, cardiology and women health, among others. The future is around the corner, so the first step is to make our innovations available on the market and, of course, to patients." ☈

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NOVARTIS' *bet on innovation* IN MEXICO

Novartis, a global pharmaceutical innovator, has announced a plan to invest 150 million USD in its Mexican affiliate in strategic areas such as clinical research, quality control and back-office services. Moreover, the company is betting on innovation beyond the pill, through initiatives such as the recently launched e-card based loyalty program.

Novartis' global strategy is to lead through innovation. It comes as no surprise considering R&D is carved into the company's DNA, well beyond its official creation back in 1996 through the merger of the two pharmaceutical giants, Ciba-Geigy and Sandoz.

Among the company's top 15 most important markets worldwide, Mexico is no exception to this scenario, with number one priority being to bring innovation to patients. Alas, access to innovative products is one of the main



challenge Mexicans face in their home country. According to healthcare information company IMS Health, having a new drug available at public hospitals in Mexico can take up to 4.3 years, more than double the time it takes in the UK and Japan. Well aware of this, Novartis has made new product launches a top priority in Mexico, receiving approval for national reimbursement for seven drugs. "We have a terrific 80 percent approval rate with the National Health Council, which is three times the industry

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standard," points out Alexis Serlin, country president of the local affiliate since August 2012.

The company is also interested in bringing innovation to Mexican patients by creating solutions that go beyond the pill. The result: ConTacto, a patient program providing product discounts as well as follow-up to treatment. "In Mexico, Novartis is the only drug manufacturer that has launched an e-card-based loyalty program, which provides useful

information both to the physician and the patient about patient's treatment adherence as well as additional benefits, such as tips on how to better manage the disease," explains Serlin, recently appointed new president of the industry chamber Canifarma. "Innovation is mainly about the company's new product launches, which is reflected in the very rich pipeline. But it also refers to how to bring innovation beyond the pill, for example using technology and new healthcare systems. The recently launched loyalty program is the only one in the country and is transforming into a platform with an app," he adds.

And this is not the end of the story. Novartis' commitment to bringing innovation to Mexico is also visible through its investment in clinical research. "We have increased very significantly our footprint in terms of clinical studies in the country and we are increasingly not only delivering data, but also investing in local R&D to make innovative treatments available to a good base of patients," explains Serlin. In October 2014 the company announced a plan to invest USD 150 million in the Mexican affiliate over the next five years. The investment – destined to key strategic areas such as clinical research, quality control and back-office services – is intended to support the growth of the company in the nearly USD 16 billion market as well as to transform it into a hub for Latin America. ☈

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A Voice for RESEARCH

Cristóbal Thompson, executive director of AMIIF, the association bringing together the most important research-based pharmaceutical companies, discusses how the association has stepped up to partner up with the government and stakeholders to fight for the same objective and create a better health system in Mexico.



HCLS You were appointed as executive director of AMIIF in May 2013. What has been your top priority since then?

Cristóbal Thompson When I joined AMIIF I realized over time the market had changed and so had the health system, but the association hadn't. Hence, I decided to make it my personal mission to move AMIIF from being a stand-alone organization that only represented the interests of its members to being one integrated into the healthcare sector and a meaningful actor able to sit down with the government to discuss how to improve the health system as a whole.

Everybody is always talking about making Mexico a more productive and competitive country, but what role does health play in this scenario? This is something AMIIF is actively concerned about – especially in the long-term.

HCLS AMIIF recently announced its agreement with IMSS to open the institution to clinical research for the pharmaceutical industry. What impact will this agreement have on investment in clinical research in Mexico?

CT Positioning Mexico as a hub for clinical research is one of AMIIF's strategic objectives. However, today the pharma industry is in a very different position with the government compared to other sectors, which receive millions and millions of dollars of investment every year, as is the case of the automotive industry. At AMIIF we understood we need to find something in line with the priorities of the government to attract FDI to the country. We need access, the government needs investment. How do we match that?

Based on prior experiences, I know that clinical research is heading towards other countries such as India and Korea because approval times in Mexico are too long for companies to wait. Cofepris and IMSS have started taking steps to improve the administrative barriers of the past and, therefore, open the door to higher investments. I stressed this aspect with Mikel Arriola at Cofepris and then approached José Antonio González Anaya and Javier Dávila at IMSS. Everyone in the industry told me it would be impossible for IMSS to open to clinical research, but it happened because we found something that was of mutual benefit for both parties.

HCLS So, what is going to be the next step on the agenda of AMIIF to position Mexico as a hub for clinical research and what benefits would clinical research bring to the country?

CT We recently signed an agreement with the Association of Clinical Research Organizations, which carries out 50 percent of the clinical research worldwide, to ensure international companies can bring clinical research to Mexico.



Every year USD 50 billion are invested in primary and secondary research globally. The question is: what percentage of that do we want to have in Mexico? Given the macroeconomic stability and strategic position we should get at least USD 500 million per year, which in a ten-year period would mean USD 5 billion investment – as much as the automotive industry.

The benefits of having more clinical research carried out in Mexico are several: from offering early treatment to patients with no cost to creating quality jobs; the average salary of a worker of the automotive industry is MXN 20,000 (USD 1,228), whereas in the pharmaceutical industry it is MXN 30,000 (USD 1,842) – 50 percent more. This confirms the pharmaceutical industry is a strategic sector to the economy. Moreover, innovation does not only come from international companies members of AMIIF, but also from local companies.

HCLS What is your vision about the healthcare sector for the coming five years?

CT First and foremost, we need to find means of financing health. The industry is already open to finding alternative ways to the traditional ones,

but before that the most important question we need to ask ourselves is: how can we more efficiently use the resources we already have? How do we improve administration and are more efficient? All this would definitely make a difference in the outcome of the patients. Second, we need more treatment options to be included in the national formulary, as we need to ensure patients get the best treatment options available on the market. It's not only about bringing down the price of drugs; research needs investment and without research there is no innovation.

Mexico is among the top economies in the world, the 11th largest pharma market in the world and has a population of 120 million people. Yet, it is a country where the health system is very poor, so there is a lot of opportunity for improvement.

I am happy to say that today we have a totally different AMIIF, which has a voice and is integrated into a system. We are not the solution, but we are part of it, as we all are patients of the same health system and we have to fight all for a common cause – this is the common denominator. ☺

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In **Teva Pharmaceuticals Mexico**, we are committed to build a healthier world, we improve the quality of life for patients and families, using the highest quality standards in our products and through support programs.



New (Indian) kids on the block



An increasing number of Indian companies are entering the Mexican market attracted by its stable business environment, high out-of-pocket expenditure and its strategic position to enter the rest of Latin America.

WRITTEN AFTER INTERVIEWS WITH

Gurulinga Konanur, general manager of Torrent Mexico / Adrián Gabriel Ruiz Parra, General Manager Hetero / Eugenio García Verde, country manager of Glenmark Mexico / Amrut Naik, managing director of Lupin Mexico.

Indian companies are increasingly interested in tapping into the Mexican pharmaceuticals market. "Everyone in India talks very highly of Mexico and thinks it's a market to be in" says Gurulinga Konanur, general manager of the Mexican subsidiary of Torrent.

General Manager of drug manufacturer Hetero explains that his company chose Mexico "mainly because of the great work done by Mikel Arriola at Cofepris to create a solid regulatory environment for the pharma industry." Today "Mexico represents a strategic hub to access and control further operations in Latin America."

Before acquiring the Mexican ophthalmic company Laboratorios Grin in 2014, Lupin spent time looking for the best market to enter Latin America and for the perfect partner. "Latin America is a high priority region for Lupin," explains Amrut Naik, managing director of the Mexican affiliate. "We have been looking at Brazil and Mexico, the two biggest drivers in this block, for more than five years now. Lupin's buyouts are primarily focused around our specialty business, which offers a combination of technology and a commercial platform, along with entry into new geographies where we see strategic value. To be a meaningful player in this continent, we strongly believed in pursuing an inorganic entry strategy to gain critical mass and make quick wins."

Torrent also had high expectations for the market. "The Mexican affiliate was established in 2006 with the vision of becoming a leading branded generics company in the therapeutic areas of cardio-vascular, central nervous system (CNS) and diabetes, three segments Torrent has been traditionally strong in," explains Konanur. However, market entry today is not free of hindrances. "One of our biggest challenges has been the inaccurate perception associated to the low quality of Indian products," comments

García Verde. "Fortunately, this is changing. The way we are overcoming this perception is through the development of stronger brand equity with high quality products commercialized as branded generics and innovative products." On the other hand, Ruiz stresses the difficulties of making the local market understand the advantages of more expensive products in the API segment. "Competition from Asian manufacturers is fierce. Hetero is a company that complies with all the best manufacturing practices required by the industry, so does not offer a cheap product. Yet, we offer advantages in the mid- to long-term, as due to the high quality of ingredients, the fact that our quality assurance process is more effective, registration is faster and documentation more transparent."



66

Everyone in India talks very highly of Mexico and thinks it's a market to be in 99

GURULINGA KONANUR
General manager of Torrent Mexico

Despite the difficulties, all these companies have bold plans for their respective local affiliates, leveraging unattended market niches. "Glenmark does not always operate strictly in the same therapeutic areas across the world. In Mexico, for example, we decided to focus on dermatology because of timing and opportunity," explains García Verde. And this strategy is bringing results: in four years the company has launched more than 20 prescription drugs, moving into additional therapeutic areas where the company wants to grow, such as respiratory and oncology.

As of today in Mexico, Hetero has established 12 business-to-business API contracts, nearly 50 products negotiated and agreed, 22 registrations and eight production plants in India already inspected and approved by Cofepris. "Moreover, we have established three joint ventures with Mexican companies to have local manufacturing with the



possibility of acquiring them in the mid- to long-term" adds Ruiz enthusiastically.

Lupin wants to bring innovation to Mexico and consolidate its position in the ophthalmology segment. "In Mexico, our business today is primarily branded generics; however, in the mid-term, we see this changing to be in a position to also carry innovative products through a combination of in-house efforts (Lupin and Grin) and licensing products from innovative companies in US and Europe," explains Naik. "We are also exploring avenues of getting in complementary products that are a good strategic fit to our overall portfolio. Our aspiration at Laboratorios Grin is to evolve as a holistic ophthalmologic player in the Latin American continent. Ophthalmology is one of the go-to strategies for Lupin internationally and represents a key specialty for our future work. Acquiring Laboratorios Grin in Mexico allows us to work towards our vision of expanding and leveraging Lupin's strengths in ophthalmic segment."



66 Hetero... complies with all the best manufacturing practices required by the industry, so does not offer a cheap product **99**

ADRIÁN GABRIEL RUÍZ PARRA
General Manager Hetero

Niche segments are also Torrent's objective. "We are not interested in primary care segments, as competition is high and customer loyalty low," explains Konanur. "We want to focus on niche therapeutic areas. In the chronic segment, once a customer understands you offer a good quality product at a good price, you won't lose them easily, especially under the economic constraints we are currently experiencing. Besides CNS and cardiovascular, we'd like to enter diabetes, a huge problem in Mexico and a segment where we have a solid backward integration."

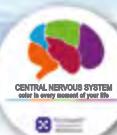
Time for the new Indian kids on the block to be bold. ☺



66 One of our biggest challenges has been the inaccurate perception... of Indian products. Fortunately, this is changing **99**

EUGENIO GARCÍA VERDE
Country manager of Glenmark Mexico

☒ Our presence in Mexico



Our start:

- ▶ **2006:** Successful market entry in Mexico to provide healthcare services at affordable prices
- ▶ **2010:** We began commercial operations with nearly 60 well-trained professionals dedicated to promote products for mental health
- ▶ Launching of a solid product line of branded generics for the Central Nervous System
- ▶ Development of generic drugs in accordance to Mexican regulation



In Mexico we rely on:

- ▶ 11 marketed brands
- ▶ Patient adherence program offering treatment at affordable prices
- ▶ Leading products such as the generic premium brand **VEXTOR** (antidepressant), the no.1 venlafaxine in Mexico



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MEXICO: a gateway to Latin America

Two companies from two different countries chose Mexico as their entry market to Latin America. The heads of these companies discuss market entry strategies.



WRITTEN AFTER INTERVIEWS WITH

Edmée Stenken, senior area director for Latin America at Leo Pharma / Fernando Zárate, general manager for Mexico, Central America, the Caribbean and the Andean region at Valeant.

Mexico is Valeant's most important market in Latin America – well ahead of Brazil, which is 20 percent smaller – and the 11th worldwide. To consolidate its footprint in the country, Valeant acquired the local generics maker Tecnofarma in 2009 and specific product lines from the branded generic manufacturer Atlantis Pharma in 2012. In Mexico we want to maintain the same philosophy of acquisitions that characterizes the company globally. We are currently evaluating the acquisition of some new companies, both locally as well as in the region I'm in charge of, which encompasses Central America, the Caribbean and the Andean region (Venezuela, Colombia, Peru and Ecuador). Valeant is a unique company in the pharmaceutical industry, in Mexico as well as all over the world. It works with very different channels and each market has a high degree of freedom with regard to decision making, which results in flexibility and fast action. In Mexico we participate in all sales channels with more than 200 products. After the acquisition of Tecnofarma back in 2009 the company decided to keep the 55-year old Grossman brand to leverage its high awareness among physicians, and it paid off: today Grossman represents 70 percent of our business in the country. We also offer contract manufacturing services to pharmacy chains. In 2014 we actually launched a new strategic business unit that only focuses on private labels and reviews all molecules we have in our different businesses to identify new product options we can offer to our local clients. We are a very diversified and sales-oriented company and our flexibility allows us to take advantage of all opportunities the market offers. ☀

Many things have changed at Leo Pharma in the last 15 years: we have moved from being a company mainly focused on the European and Canadian markets to a team that is reaching out to the rest of the world. Three years ago we consolidated the dermatology division and divided the world in five regions according to their market characteristics. With this regionalization and because of the different social and economic circumstances, it became evident that the needs of the patients varied according to each specific region. Our response has been to develop diverse portfolios for each area. For example, we introduced larger pack sizes for the treatment of skin infections, a very common condition in Latin America, but at a reduced price per treatment.

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Mexico is Valeant's most important market in Latin America – well ahead of Brazil, which is 20 percent smaller – and the 11th worldwide

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We are happy to have strengthened our organization in Mexico and Latin America as well and are planning to launch new solutions, such as smaller pack sizes for our products, so more people are able to afford them. We want to leave a strong footprint in the market and in the region. We are focusing on making sure that patients are getting good quality medical care; it is not only about the products and how they use them, it's much more than that. I would like to move to a more patient-centered view by looking at local needs: we should find localized models to reach each Leo Pharma region because one size does not fit it all. ☀



FERNANDO ZÁRATE, General manager Mexico, Central America, the Caribbean and the Andean region, Valeant

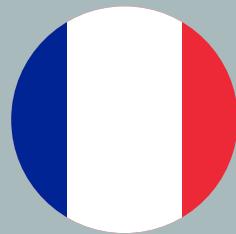


EDMÉE STENKEN, Senior area director for Latin America at LEO Pharmaceuticals



The French CONNECTION

Ipsen and Mayoly Spindler have entered a worldwide partnership for their primary care activities. The objective: leveraging their complementary competencies and product portfolios. Mexico is one of the first countries to see this partnership in place.



WRITTEN AFTER INTERVIEWS WITH

Edmée Stenken, senior area director for Latin America at Leo Pharma / Fernando Zárate, general manager for Mexico, Central America, the Caribbean and the Andean region at Valeant.

Founded in 1929 as Laboratoires Beaufour in Dreux, France, and later renamed *Institut des produits de synthèse et d'extraction naturelle* (Institute of Synthetic Products from Natural Extraction), today the Ipsen Group is divided into two completely autonomous divisions – primary and specialty care – and globally is a combination of own operations and strategic partnerships. “We usually look for leading companies, which rely on strong operations in a region or market, a large sales force or expertise in a specific therapeutic area – a partner that really brings value to Ipsen,” explains François Ramognino, general manager of the Mexican subsidiary. “It’s not only about licensing the products for sale, it’s about monitoring its performance, understanding what can be improved, and providing scientific information as well as training – it’s a very active and win-win partnership for both sides.”

Mexico is no exception to this global strategy and the company is leveraging three strong partnerships to pave the way to double the size of local operations within the next few years. “We chose Sanofi for its strong footprint in Latin America and its expertise in oncology, so have a regional

deal for Somatuline Autogel, our drug for neuroendocrine tumors. We chose Galderma as a global leader in dermatology to handle Dysport for aesthetic indications, while we take care of the medical indications,” explains Ramognino. Last but not least, “Ipsen has been strong in primary care, with a specific focus on gastro-intestinal disorders and a leading position in Europe, Russia and China in this segment. In Mexico, we decided to leverage Mayoly’s expertise to market Smecta, a drug indicated in the treatment of acute diarrhea (rebranded as Iprikene in Mexico), as it has a sales force dedicated to this segment.”



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Mayoly Spindler will benefit from Ipsen's products, while Ipsen will benefit from Mayoly Spindler's sales strength

ALEJANDRO MARÍN
General manager of Mayoly Spindler Mexico

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In Mexico, we decided to leverage Mayoly's expertise to market Smecta, a drug indicated in the treatment of acute diarrhea (rebranded as Iprikene in Mexico), as it has a sales force dedicated to this segment

FRANÇOIS RAMOGNINO
General manager of Ipsen Mexico

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Established 80 years ago, Laboratoires Mayoly Spindler is today an independent French family-run pharmaceutical company, covering several therapeutic areas but with a special eye for gastroenterology and dermocosmetics. International markets nowadays represent 60 percent of the company’s turnover and the Mexican affiliate, started in 2005, plays an important role to the group. “So far the business has been 100 percent focused on gastroenterology,” explains Alejandro Marín, general manager of the Mexican operations and first Mexican head of the office. But “Mexico has a very big responsibility, as it is the first country in the world where we are marketing the drug on behalf of Ipsen. Through the creation of a co-managed commercial platform, the two companies are leveraging their complementary competencies and product portfolios. Mayoly Spindler will benefit from Ipsen’s products, while Ipsen will benefit from Mayoly Spindler’s sales strength – this agreement leverages the complementarity of each company.”



Italian companies paving their way in Mexico



Looking for new overseas market opportunities, an increasing number of family-run Italian companies have entered the Mexican pharmaceutical market. Vincenzo D'Elia, general manager of AlfaWassermann, and Mario Muniz, general manager of Chiesi, talk about the reasons that drove their respective companies to choose Mexico and their future plans on the market.

WRITTEN AFTER INTERVIEWS WITH

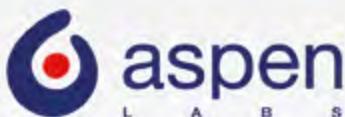
Vincenzo D'Elia, general manager of AlfaWassermann
/ Mario Muniz, general manager of Chiesi

HCLS What was the vision behind entering the Mexican market?

Vincenzo D'Elia Alfa Wassermann chose Mexico because the brand was already present on the market through a number of products, so it could build on that. In addition, the country offered a number of opportunities. First, it is a stable country macroeconomically. Second, it has a strong

patent law – stronger than in Brazil for example. A third element was the expected structural reforms to ensure sustained longer-term growth. Then, foreign direct investment in the country is welcome. Also, Mexico is one of the countries in Latin America with the lowest investment in healthcare, so we expected the government to raise it over time. The opportunities were there, so it made sense to enter Latin America through Mexico.

Mario Muniz As for Latin America, Chiesi first decided to enter Brazil back in the 70s. A number of reasons led the company to enter Mexico only at a later stage. First, the country's regulation: in the past, to distribute products in



With focus to enhance the **Pharmaceutical and Nutritional** businesses in addition to its existing subsidiaries in **Brasil, Mexico and Venezuela**, Aspen has expanded its presence across the Latin American geographies in last couple of years by operationalizing subsidiaries in **Argentina, Chile, Colombia, Central America, The Caribbean, Ecuador and Peru**.

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Mexico you were required to have a plant. Second, Mexico's respiratory market - historically Chiesi's main product line - is not well developed and very competitive. If you compare Brazil to Mexico, for instance, you have twice the population and four times the respiratory market. The decision to launch the respiratory line in Mexico took almost three years, but today represents the company's commitment to the market in the long-term. And the bet is paying off: after eight months with the product line in the market we already have around five percent market share, which is an incredible result.

HCLS What can we expect from your company within the next five years?

VE We aim at being the most successful Italian company in the Mexican market. When we started back in 2011 we were number 113 in the IMS Health ranking, while last month we were number 82. In five years I would like to see the company among the top 40-50 companies in the market - ideally number 45. We expect to achieve this objective by launching new products and closing strategic partnerships, but if necessary also buying some local critical mass, as we are interested in expanding our product portfolio. 2014 and 2015 are going to be tough years, but I am very optimistic about the future, as we'll witness the impact of the structural reforms just implemented, which in turn will attract foreign direct investment.

MM We plan to launch several products of Chiesi's pipeline in Mexico. Within the respiratory line, in 2016 we plan to launch our dry powder formulation in extra-fine particles Foster dispensed by the NEXThaler device. Chiesi invested several years in understanding what would be the perfect device and build in all features other devices miss. In 2018-19 we plan to launch a very innovative drug for chronic obstructive pulmonary disease (COPD): it will be the first extra-fine triple combination in the market for COPD, so we are very excited about it. Besides the respiratory line, we plan to launch our products for cystic fibrosis (Bramibot and Hyaneb) and rare diseases, including the first gene therapy for lipase deficiency. Our ambition is to reach USD 32.5 million in five years. The main motivation to make this happen is that we really believe Chiesi's products are life-changers and really add value to patients' lives. ☺



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In 2018-19 we plan to launch the first extra-fine triple combination on the market for chronic obstructive pulmonary disease

MARIO MUNIZ
General manager of Chiesi

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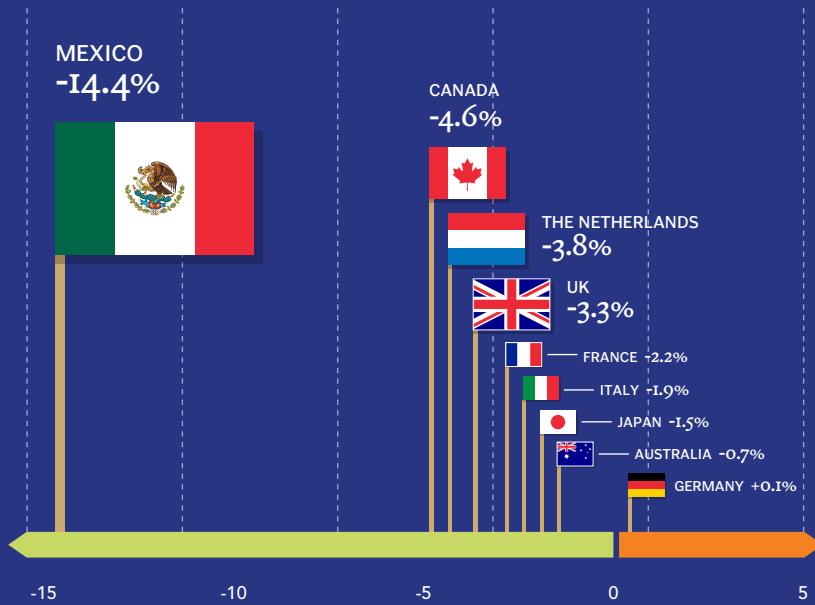
aspen
LABS



Manufacturing & Innovation

MANUFACTURING COSTS IN THE PHARMACEUTICAL INDUSTRY

COMPARED TO THE US IN 2013



Sources Global Trade Atlas, KPMG (Competitive Alternatives 2014).



60,212

JOBs CREATED
BY THE INDUSTRY





BIGGER footprints

Besides the optimistic macroeconomic outlook and a stable business environment, Mexico's manufacturing cost competitiveness is attracting an increasing number of companies to increase their foothold in the country.



WRITTEN AFTER INTERVIEWS WITH

José Manuel Caamaño, general manager of Takeda Mexico / Pedro Galvís, managing director of Merck Mexico / Carlos Abelleyra Cordero, CEO for Spanish Latin America at Aspen / Rafael Suárez, country manager of Ferring Mexico / Miguel Salazar, country managing director of Boehringer Ingelheim Mexico / Juan José Davidovich, general manager of Sifi Mexico.

Besides a stable business environment and optimistic outlook, Mexico offers companies in the pharmaceutical arena an additional advantage: manufacturing cost competitiveness. According to the 2014 BCG Global Manufacturing Cost Competitiveness Index, average direct manufacturing costs in Mexico are 4 percent cheaper than China's. The same is true for the pharmaceutical industry. According to KPMG's 2014 Competitive Alternatives report, in 2014 Mexico's manufacturing costs for the pharmaceutical industry were 14.4 percent cheaper than in the US.

For this reason an increasing number of companies in recent years have announced significant investments to strengthen their local footprint in the country. In the effort to meet increasing international demand, Takeda has chosen Mexico for its cost competitiveness and is currently upgrading its local infrastructure. "The Takeda Mexico plant started operations in 1961 and has had two large renovations since then. Today, it exports to 16 countries including Colombia, Argentina, Peru, Ecuador and Venezuela. It has certifications from Cofepris, Safe Company from the Ministry of Labor, Clean

Industry from the Federal Attorney for Environmental Protection (Profepa) and Invima from Colombia, in addition to several, continuous audits," explains José Manuel Caamaño, general manager of the Mexican affiliate. "For the past nine months, our plant was completely refurbished to become a best-in-class plant with top technology and high-quality staff." The local footprint has also helped the company to better adapt to the local needs of the market. "We have developed a product portfolio specifically tailored to the country: The four areas we will be focusing on locally are primary care and high specialty, with treatments in cardio-metabolic, oncology and gastrointestinal. Takeda Mexico has successfully launched 11 products in three years in Mexico."

Yet, advantages go well beyond cost competitiveness. "We compete not only with regional, but also with international production sites at a global level. The level of productivity we can achieve in this type of environment is high thanks to the lower cost of manufacturing, but also due to the level of human capital available – Mexico offers the right mix," points out Pedro Galvís at Merck, which in 2013 announced an

investment of USD 10 million to increase the manufacturing capacity of the local subsidiary.

Aspen is also betting on Mexico. The South African giant is decided to transform Latin America into the third pillar of success for the group, after its origin country and Australia – and has decided to leverage local production in Mexico to do so. To make this happen Aspen appointed Carlos Abelleyra Cordero, with more than 20 years of experience in the industry, CEO for Spanish Latin America. Former general director for Wyeth Mexico and Central America, today Abelleyra is charged with the mission of successfully integrating the infant nutrition business Aspen acquired from Nestlé back in 2013. "When I was appointed CEO I knew the goal was to lay the foundations to create Aspen Latin America – and that's what we are doing." Part of the deal included the acquisition of a production facility in Mexico the South African drug maker plans to use to penetrate the region. "We plan to invest USD 20 million to double the current production capacities. In the mid to long-term the idea is to have a full pharmaceutical production plant



JOSÉ MANUEL CAAMAÑO
General manager of Takeda Mexico



PEDRO GALVÍS
Managing director of Merck Mexico



RAFAEL SUÁREZ
Country manager of Ferring Mexico



MIGUEL SALAZAR
Country managing director of Boehringer Ingelheim Mexico



JUAN JOSÉ DAVIDOVICH
General manager of Sifi Mexico

based here, which can be a hub for the region.” What stands out about the adventure of Aspen in Latin America is that the company is going a different way. “Aspen used to be a 100 percent generics company, and in South Africa and Australia it still is. But in Latin America the generics space faces fierce competition from local manufacturers and prescription still represents an important purchasing driver, so we decided to adapt to the local scenario and change the strategy from a basket to a therapeutic area company.” The long-term objectives are ambitious, with Abelleyra planning to achieve USD 1 billion regional sales by 2020.

The Swiss specialty biopharmaceutical group Ferring is also going the same way. “The company has a very clear idea about where they want to be – globally, regionally and locally,” explains Rafael Suárez, country manager of the Mexican affiliate. “To strengthen its commitment to Mexico – the second market in the region after Brazil – back in 2008 Ferring bought a manufacturing facility in the State of Mexico, where we repackage imported bulk products for the local market as well as for Ferring subsidiaries in Central and South America.”

Boehringer Ingelheim, which is turning 130 in 2015, has also announced the intention to scale up local operations. “Since 1995 Mexico has been appointed a strategic production site by corporate,” explains Miguel Salazar, who in May 2014 announced the company’s plan to invest nearly USD 26 million to increase production capacities in Mexico. “We are also planning to convert Mexico in a hub for the manufacturing of diabetes products to then distribute them to the whole world.”

Besides cost competitiveness, also other factors have encouraged companies to strengthen their foothold in the country. Mexico today is one of the most open economies in the world with 45 free trade agreements in place and currently negotiating the Trans-Pacific Partnership (TPP) with other eleven countries of the Asia-Pacific region. It is the case of the Italian ophthalmology leader Sifi Group. “We looked at countries such as Chile, Brazil and Peru as a new base to enter the Americas, taking into account market dimensions, language

barriers, cultural differences and facilities,” explains Juan José Davidovich, general manager of the local affiliate. “We soon identified an ease of business in Mexico and decided to look for a partner here.” And the ambitions for the group in Mexico are high. “The role that Mexico will play for Sifi, will be that of a hub to enter Central and South America,” explains Davidovich. “This because of Mexico’s agreements with other Latin American countries such as Chile and Colombia, which will greatly facilitate our operations in the region.” ☀





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CARNOT:pushing incremental innovation



JUAN ÁNGELES
URIBE

CEO of Carnot

Among the top 15 Mexican players on the market, Carnot is betting on a main differentiator: incremental innovation.

Founded in 1941, Carnot is today among the top 15 Mexican companies in the market in terms of sales. "Today the second generation at the head of Carnot has the very clear vision of transforming the company from a family operated business to a family owned professionally operated business," points out Juan Ángeles Uribe, former director of R&D and now CEO of the company. And to do so the company is betting on incremental innovation. "Creating a new molecule or moving into biotech is not within Carnot's scope. In recent years we have focused our efforts in developing products featuring innovation, which could provide patients with added-value," explains Ángeles.

"We have worked a lot in developing technology, such as controlled release, which provides the patients with an easier administration and us with an easy way to differentiate from the competition." An example of such innovation is Juvenum, a low-dosage estradiol and progesterone combination for the treatment of menopausal symptoms, featuring an innovative delivery mechanism, launched in 2014. "We define innovation as the added value we can give to our product that the patient is ready to buy. If the patient is not ready to buy it, then it would not be worth it," adds Ángeles. In order to be able to continue betting on innovation, the company is undergoing an important transformation. The vision for the future is pretty clear: "We want to keep incremental innovation as our main differentiating platform," boasts Ángeles. ☈

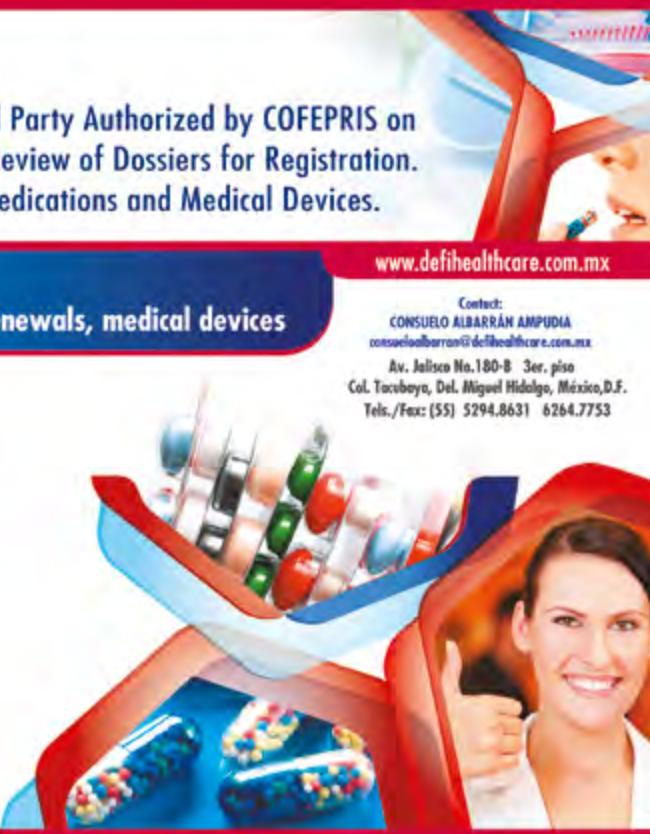


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WHEN ACADEMIA *meets* PHARMACEUTICAL R&D

Udimeb offers outsourced R&D services to the pharmaceutical industry.

When in the 1970s Sergio Estrada-Parra, today one of the most renowned immunologists in Mexico and winner of the 2012 National Science Award, started working on transfer factors at the National Polytechnic Institute (IPN), he probably never imagined what the future of this project would be. What started as a pure academic research project developed into Udimeb, a spin-off focusing on R&D. "Today Udimeb is a three-armed institution which comprises Udibi, a national laboratory unit offering R&D bioprocess services; USEIC, an institution providing free clinical services in the field of immunology," explains Sonia Mayra Pérez Tapia, today executive director of the organization. Then we have Farma FT, the company in charge of manufacturing the immunomodulatory drug Transferon."

"Today, the private industry comes to Udibi in search of specialized help to complete their developments in the fields of pre-clinical tests." The executive director has ambitious plans for Udimeb. "Our dream is to be able to offer to the industry basic R&D, proof of concept, pre-clinical and toxicological tests and, eventually, Phase I studies for clinical research, with the necessary equipment and infrastructure to perform them in-house." In order to beef up strategic partnerships with the private sector, it would be easier for Udimeb to spin off to become an autonomous business. However, Mexico's cumbersome regulation for public education institutions hinders this. "Mexico is the only country where private-public collaborations are seen as 'prostituting' science," she regrets. "I think initiatives, which bring together private industry and academic institutions should be strongly encouraged." ☺



**SONIA MAYRA
PÉREZ TAPIA**

Executive director
of Udimeb

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BIO-EQUIVALENCE STUDIES



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THE POTENTIAL *of pharmaceutical* MANUFACTURING

Rafael Gual, the general director of the board bringing together multinational and local drug manufacturers talks about the chamber's goal to position the pharmaceutical industry as the most important manufacturing sector in Mexico, how the chamber is working with the government and its membership to reach this goal and which new dynamics are redefining the industry.



RAFAEL GUAL

General director
of CANIFARMA

HCLS One of Canifarma's strategic objectives by 2020 is to position the pharmaceutical industry as one of the key manufacturing sectors in Mexico. What is the chamber doing to reach this goal?

Rafael Gual We have been working on a development program for the pharmaceutical industry. The objective is to make sure the pharmaceutical industry represents 20 percent of the GMP of the chemical sector in Mexico by 2018. Today it's 17 percent. But besides the numeric objective, what is important is that we are working closely together with the government to ensure the pharmaceutical sector is recognized as an increasingly important player in the economic development of the country.

HCLS The chamber also wants to position Mexico as a leader in clinical research. What are the current challenges faced by drug manufacturers in the country to conduct clinical trials?

RG Taking into consideration the high percentage of Mexican population in the US and the proximity to the most important drug market worldwide, our country has huge potential as a hub for clinical trials for the whole region. However, Mexico still lags behind in terms of clinical research. The situation has improved over the past few years, but not at the speed we would have liked it to. One of the obstacles we see is the time for approval of clinical trials by hospitals ethical committees and by Cofepris. Approval times have improved in comparison to the past, but a lot needs to be done yet. We have already a list of institutions for different specialties, which can work as third parties to authorize clinical trials in the country, but the process is

still very slow. A further hindrance so far has been not being able to conduct research at IMSS, the largest health institution in the country, because the ownership of the results would have been claimed by the institution, even if research was paid by the industry. We hope we can overcome these challenges in the near future to make sure the country can take advantage of this trend.

HCLS The Ministry of Health has been aggressively pushing the use of generics, which today represent 85 percent of the market in terms of volume. How did this change the industry?

RG In the public sector the impact has not been significant, because generics have always had a high market share and public institutions will continue to purchase innovative drugs for those high-specialty treatments, which require them. The recent consolidation of the procurement process of public institutions may have driven down prices, but has not changed the market in terms of units. Yet, in the private market the share of generics soared, also due to the common malpractice of "prescription switching" at pharmacies: a patient comes with a prescription of a specific drug and the pharmacy physician changes it with a house-branded generic product, even if this is forbidden. Sometimes I even fear that they may change medical treatment.

HCLS What do you think about the rising trend of pharmacies offering medical consultation at the point-of-sale (POS)?

RG The trend is here to stay, it is a necessary evil. It definitely changed the rules of the game in the past couple of years, but will not change it that much anymore. It is relieving government institutions of



some pressure, and filling a gap, but we must remember a medical consultation at a POS is far from being equivalent to one at a medical institution. At pharmacies, physicians do not create a clinical record and hygiene conditions are questionable. At the beginning of 2014, Cofepris hardened the regulatory framework and established minimum hygiene requirements for this kind of practice, but it's difficult to monitor all the POSs regularly to make sure they comply with the law. As it is often the case in Latin America, the law says one thing, but what happens in reality is different. At Canifarma we believe the regulation of this practice must be increasingly tightened in the future.

HCLS What are Canifarma's main priorities for the next five years?

RG The main role of Canifarma is to spur the growth of the pharmaceutical sector and make sure the current opportunities are turned into reality – and it's happening. We must be very proactive in helping companies take advantage of the support and tools the government provides. My personal project is to make sure that this happens and transform the pharmaceutical in the most important

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The pharmaceutical industry in Mexico is undergoing a rapid transformation, but has been traditionally stable, offering interesting opportunities to international investors

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RAFAEL GUAL

General director of CANIFARMA

manufacturing industry in Mexico. Actually, the supports we are facilitating are not only for drug manufacturers, but also for suppliers – and it's a huge opportunity. Last but not least, we want to develop the local production of active ingredients: several drug manufacturers used to be active in this segment, but not anymore because of the price war the trade agreements have caused. We firmly believe it's a sector, which can be recovered especially in an environment where quality is important and justifies a higher price. The pharmaceutical industry in Mexico is undergoing a rapid transformation, but has been traditionally stable, offering interesting opportunities to international investors. ☀

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BIOGRAFT: A TISSUE BANK *made in Mexico*

BioGraft is the first private tissue bank in Mexico meeting the increasing demand for implants of human musculoskeletal tissue. The general director and founder discusses the vision behind the creation of BioGraft, how the company mastered to overcome skepticism and the plans to expand exports and transform the company in the tractor of a biotech cluster.

BioGraft is something of a rare breed in the Mexican biotech landscape. As José Raúl Flores Fletes, the company's founder and general manager, likes to put it, his company is an exception in Mexico. "We are an innovative, young and paradigm-breaking company." BioGraft is a biomedical technology firm with a very special focus: implants derived from human muscle skeletal tissue. Back in 2003 Flores identified a growing need for these devices in the Mexican market, which often only had poor quality or even smuggled products. Quality was the number one priority from the very beginning, so Flores decided not only to comply with local but also with international regulations, undergoing the audits from the US FDA and registering with the American Association of Tissue Banks (AATB).

Paradoxically, the main challenge the company had to face was in the local market: widespread skepticism towards the *Hecho en México* (Made in Mexico) brand. "Locally manufactured products suffered from a very poor image because of low quality standards," Flores explains. "To overcome this negative perception we decided to implement an open house policy, whereby we invited the surgeons to visit our facilities and see how we produce our implants." And he seems to have won his bet: today some of the most important key opinion leaders in traumatology and orthopedics in Mexico are using BioGraft's products.

Today the company is not only consolidating operations in the local market, but also already exporting to South Korea, Spain, Switzerland, Guatemala and Peru, as well as eyeing the challenging German market. A success story, which is also possible partly thanks to the support from the National Council of Science and Technology (Conacyt), Mexico's entity

in charge of promoting scientific and technological activities. "Thanks to the company's successful trajectory we received five grants, which allowed us to consolidate our product portfolio, enter the demineralized bone matrix (DBM) segment - today the only one produced in Latin America - the market of human cartilage derived products for maxillofacial and plastic surgery, to leverage the innovation culture within the company with training and, last but not least, enter the cadaveric-skin-derived implants segment, which is a growing need in the country and we hope to start very soon," explains Flores.

But the ambitions of the general manager go far beyond that. "In five years I'd like to see BioGraft as an engine of a biotech cluster, having a more international presence, leading the Mexican association for tissue banks and being finally recognized by the skeptics." All without forgetting corporate social responsibility. "We are also committed to give back: we donate a very significant percentage of what we manufacture to hospitals where we have rehabilitation programs, and to pediatric hospitals. It's a great combination: we are innovating, we are fostering medical R&D, we are generating employment and we are supporting the society - maybe not at the pace we'd like, but we are," he adds enthusiastically. ☺

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In five years I'd like to see BioGraft leading the Mexican association for tissue banks

JOSÉ RAÚL FLORES FLETES

Founder and general manager of Biograft

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The graphic features a central logo for Innovare R&D, consisting of a blue and green circular emblem next to the text "INNOVARE r&d". The background is filled with various molecular models, represented by spheres of different sizes and colors (white, grey, green, blue) connected by lines, symbolizing a complex scientific environment. At the bottom right, there is a tagline: "Innovare R&D strongly believes in the synergies of partnering in a constantly evolving Industry, where breakthrough science is the foundation for improving human life." Below this tagline is the website address "www.innovare-rd.com.mx".



*Attention to detail,
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FAMILY FIRMS *in transformation*

The relatively stable market growth of Mexico in recent years has lured new players into the pharmaceutical market: ProMéxico estimates that almost 700 companies compete today. A higher degree of competition forces local, especially family-owned, companies to implement changes to adapt to the new landscape and stay competitive.

WRITTEN AFTER INTERVIEWS WITH

Juan José Aguirre, sales director of Grupo Bruluart / Andrés Aguirre, sales director of Grupo Bruluart / Sandra Sanchez y Oldenhage, general director of Probiomed.



JUAN JOSÉ AGUIRRE

Sales director of Grupo Bruluart



ANDRÉS AGUIRRE

Sales director of Grupo Bruluart



SANDRA SANCHEZ Y OLDENHAGE

General director of Probiomed

Grupo Bruluart has been in operations for more than 60 years, yet it was only in 1971, when the Aguirre family, today at the head of the group, took over the administration. The roller-coaster of the first years, driven by more stringent marketing regulations and the economic crisis Mexico went through in the early 1980s, is now in the past. Today the company can boast a sound positioning in the market: the group relies on two manufacturing facilities in the State of Mexico, its own distribution branch Brudifarma as well as a pharmacy chain, Farmacia GI. “We have just been through a three-year period whereby the company has been shifting from a traditional family business with our father as a single head giving the guidelines to all sections of the firm, to a more corporate organization with a board of advisors,” explains Juan José, sales director of the group. “We are still a family owned business with our father as the chairman, but we are definitely empowering each individual general manager more.”

“What we have noticed is that, since we have both taken up our roles within the company full time, the collaboration between different sections of the company has improved drastically,” adds brother Andrés, strategy director of the group. “We often see family businesses getting lost when the company is being transitioned to the next generation of management. However, we have been very lucky because besides having a very open-minded father, who is happy to let go of today’s



decisions, we have very different personalities that allow us to complement the needs of today’s changing industry.”

Probiomed is going a different way. Founded back in 1970, the company has been family-run ever since, moving from the API segment into generics and, eventually, becoming the first Mexican company to venture in the biotech segment. Today, strong with a portfolio of products exported to 14 countries as well as four production plants, the founder and current president of the company, Jaime Uribe de la Mora, wants to move Probiomed to the next level, and to do so has appointed general director Sandra Sanchez y Oldenhage, a young professional with more than 20 years in the industry, and former general manager of Amgen Mexico. “As general director I have a threefold mission: institutionalize the company – establishing and enabling corporate governance – expand it internationally, and drive organic growth with in-market products and the development of new drugs,” she explains enthusiastically. The vision: to become the global biosimilar company from Mexico to the world. “This strategy will allow the family business to accelerate growth in a disciplined manner, maintain competitiveness and ultimately become a strong global player in a rapidly changing external environment. An environment where you need to reinvent yourself to ensure you can endure the challenges and boldly harness the opportunities.”



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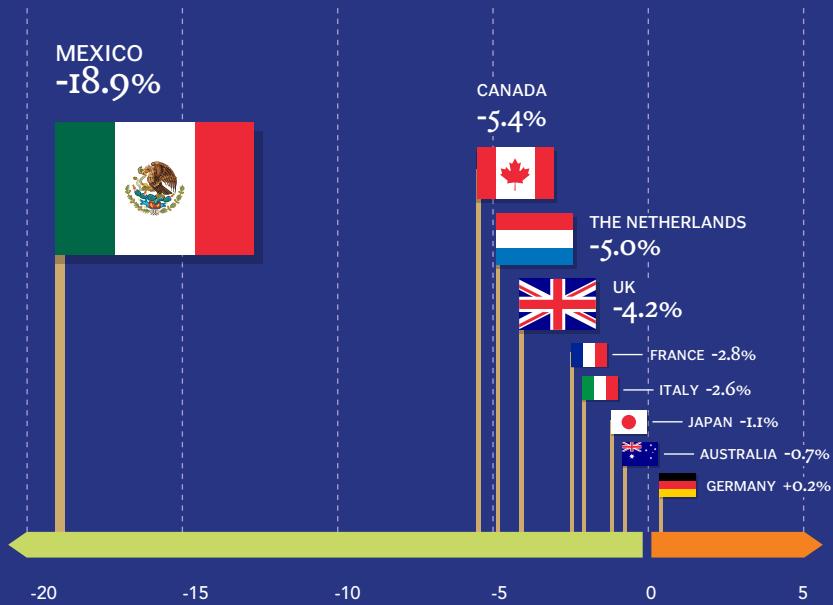
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Medical Devices

MANUFACTURING COSTS IN THE MEDICAL DEVICES INDUSTRY

COMPARED TO THE US IN 2013



Sources Global Trade Atlas, KPMG (Competitive Alternatives 2014).

A close-up photograph of several large, thick, green agave plant leaves. The leaves have a textured, slightly fibrous appearance with some white, papery material at the base where they meet the stem.

15.67 bn USD

VALUE OF PRODUCTION
IN 2013 IN MEDTECH





MEDTECH: *The rising star*

As well as an interesting pharmaceutical market, Mexico also has an attractive medical device industry, which is receiving increasing attention by international and national players alike.

WRITTEN AFTER INTERVIEWS WITH

Rogelio Garza Garza, Mexico's undersecretary of industry and commerce at the Ministry of Economy / Pablo Dávila, president of the Mexican Association of Innovative Medical Device Industries (AMID) / Alejandro Paolini, executive vice president for healthcare Mesoamerica at Siemens; Carlos Jimenez, managing director at B. Braun Aesculap Mexico / Mark Stoeffels, general manager of Philips Healthcare Mexico / Roger Brownrigg, general manager of Johnson & Johnson Medical Mexico.

According to ProMéxico, Mexico's production of medical devices in 2013 was estimated at nearly USD 16 billion, with an average annual growth of 7.2 percent and forecasted to climb to USD 26 billion by 2020. Manufacturing cost competitiveness – according to KPMG in 2014 producing medical devices in Mexico was 19 percent cheaper than in the US – the advantageous terms of the North America Free Trade Agreement (Nafta) and the fiscal benefits offered within the framework of the *maquiladora* program have lured

international companies, especially from the US, to choose Mexico to establish their footprints. In 2013 Mexico's total exports were estimated at USD 6.9 billion, positioning it as the leading exporter of medical devices in Latin America, with more than 92 percent of exports heading northwards to the US.

Though, the ambitions for the sector are higher. “The objective of the current government is to transform Mexico from a prevalently manufacturing-based into a more innovation-driven

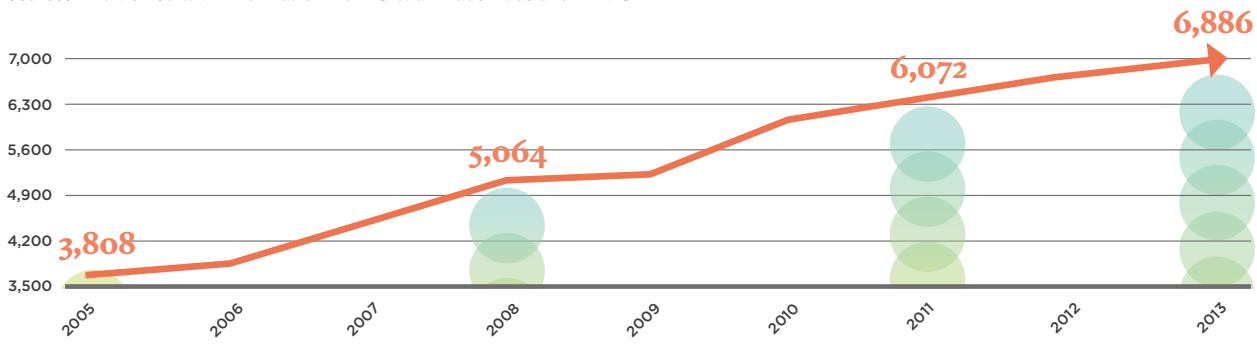




MEDICAL DEVICE EXPORTS FROM MEXICO

In million USD

Sources ProMéxico with information from Global Trade Atlas and KPMG



country," explains Rogelio Garza Garza, Mexico's undersecretary of industry and commerce at the Ministry of Economy. "We are interested in positioning Mexico not only as a cost competitive manufacturing hub, but also as a country that develops value-added products." And this also applies to the sector of medical devices, which along with the pharmaceutical industry, has been appointed an 'emerging sector' to be targeted with specific industrial policies.

This recognition has been well received by the industry. "The pharma sector has much more weight because it is an industry with a long history and well identified by everyone," points out Pablo Dávila, president of the Mexican Association of Innovative Medical Device Industries (AMID). "Medical devices, on the other hand, are not well understood." Since the creation of the association in 2006, Dávila has made it his personal priority to position the industry of innovative medical devices on the agenda of the government. "We are always seen as part of the pharmaceutical industry and have not been recognized as a strategic sector for the health and economy of Mexico," he stresses. "Currently we are preparing a position document to be presented to the government explaining who we are, where Mexico stands regarding innovative medical devices and present a proposal to work together. AMID members have 30-35 manufacturing facilities in Mexico. The potential of the investment that can come to Mexico is huge as well as the money we can generate for the economy."

Besides representing an important international manufacturing hub, with its 120 million population, an estimated 3,900 hospitals and increasing demand for healthcare services due to an aging population, Mexico represents an interesting domestic market the industry is trying to better understand.

"In Mexico we do not have as exact information for the sector as it is the case for the pharmaceutical industry," explains Dávila. "It is a huge challenge to size the market. I do not know a single company that has precise information about the market of medical devices." Nevertheless, AMID has appointed itself the task to provide the industry with better estimates.

What is a shared opinion, though, is that the domestic market has not experienced significant growth over the past eighteen months, mainly due to low investment by the government and delays and cancellations in public tenders. "We had to face difficult years," admits Alejandro Paolini, executive vice president for healthcare Mesoamerica at Siemens. "In Mexico, we are split 50/50 between the private and public sector and, with the appointment of the new government in 2012, we knew that in the first years we were not going to see a high level of investment in the public sector and for that reason the market has not been very active. Fortunately, there was a significant level of investment in the private sector, which helped compensate."

Besides the low investment in healthcare, an increased competition seems also to be a current challenge companies are facing. "Since February 2010 the ability to register new products was deregulated and since 2013 and 2014 more competition has entered the Mexican market," points out Carlos Jiménez, managing director at B. Braun Aesculap. As a result, companies are increasingly focusing on offering added value to their clients. "Because we provide services that our competitors do not, such as training about our products and after-sales maintenance, we have been able to grow continuously," stresses Jiménez. Philips has decided to bring it to the next level. "Philips is implementing a global strategy intended to look at the full 'continuum of care', which does not only encompass diagnostics, hospitalization



PABLO DÁVILA

President of the Mexican Association of Innovative Medical Device Industries (AMID)



ALEJANDRO PAOLINI

Executive vice president for healthcare Mesoamerica at Siemens



CARLOS JIMÉNEZ

Managing director at B. Braun Aesculap Mexico



ROGER BROWNRIGG

General manager of Johnson & Johnson Medical Mexico



MEDICAL DEVICES INDUSTRY

Sources ProMéxico with information from Global Trade Atlas and KPMG

MAIN INVESTORS

Million USD, 2000-2013



MAIN EXPORT DESTINATIONS

Million USD, 2013



and treatment, but also healthy living, recovery and home care," points out Mark Stoeffels, general manager of Philips Healthcare Mexico. "Our goal is to become the best provider of solutions across the complete 'continuum of care'." And the company intends to do so leveraging customer service and education of medical professionals and nurses. "We have understood that if we do not train medical professionals and nurses, they will not be able to use the products correctly, thus not having the desired impact on patients," points out Stoeffels. For this reason the company inaugurated in May 2014 the Philips Healthcare Academy Center.

Besides leveraging customer service, medtech companies are also increasingly looking at providing integral solutions to clients and entering public-private partnerships (PPPs). "In my opinion PPPs could represent a financial solution to the government's current situation," points out Paolini. "At the moment, the budget allocated to health is limited – for example, to build new hospitals – but at the same time there is high demand

from the population to have good health services. PPPs become a good alternative to bridge this gap, an integrated solution to the problem. The private sector can play an increased active role in the development of the healthcare sector."

"In the future hospitals will pay for what they need, this may be a service, a scan or a patient outcome," stresses Stoeffles. "Hospitals want to take care of patients, not of an MRI scanner. With this new model we take care of the technology, while they take care of patients and the investment shifts from capital to operational expenditure." The main objective is to make sure healthcare is seen as a shared responsibility. "The bottom line is that we need to sit down with all our stakeholders to figure out how we can collaborate and how can we leverage standardized protocols that will really have an impact on clinical as well as on economic outcomes," stresses Roger Brownrigg, general manager of Johnson & Johnson Medical Mexico. "It must become a win-win situation with the greatest benefit being to the patient."

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PHILIPS



The continuum OF CARE



The general manager of Philips Healthcare Mexico shares the company's intention to become the leading provider of solutions across the full 'continuum of care' by making customer service, education, software and integrated solutions the strategic pillars to find innovative ways to deliver healthcare.

HCLS What are the most important trends you are witnessing in the Mexican healthcare systems and how is Philips adjusting to them?

Mark Stoffels At Philips we have come to realize two important trends. First of all, – and this is true not only for Mexico—, if you want to improve the healthcare system you need to be able to track outcomes and costs. It sounds pretty obvious, but most hospitals, especially in emerging markets, do not. Also, if you want to address the health system as a whole,

it is not enough to just sell a CT or MRI scanner.

Globally Philips has always been a med-tech provider with paramount technology and R&D at the heart of all its new product developments. We have some of the best products in the world in radiology, for instance. However, they are of little use in countries where only a limited share of the population has access to this kind of technology. That is why in Mexico, Philips is implementing a global strategy intended to look at the full 'continuum of care', which

does not only encompass diagnostics, hospitalization and treatment, but also healthy living, recovery and home care. Our goal is to become the best provider of solutions across the complete 'continuum of care'.

HCLS How does this translate into the company' go-to-market strategy in Mexico?

MS The first pillar of our strategy is to invest heavily in customer service and education. Especially in med tech, customer service is a



key differentiator. Even if you have the best products and technology in the world – which I think we have-, if you do not provide a solid follow-up to all customers' needs, everything falls apart. Over the past two years we have made customer service a key priority and today we are the number one company in the med-tech segment in Mexico. On the other hand, we attach a great deal of importance education. We have come to realize that too often our paramount technology is not exploited to its maximum capacity. We have understood that if we do not train medical professionals and nurses, they will not be able to use the products correctly, thus not having the desired impact on patients. For this reason, in May 2014 we inaugurated in Mexico the Philips Healthcare Academy Center that we use for technical training and continuous education.

The second pillar of our strategy is Hospital Informatics. As mentioned earlier, if you cannot measure outcome and costs, you cannot improve healthcare.

Data is the future and only organizations and hospitals able to track patients' data will be able to improve outcomes and be successful. Back in 2010 Philips acquired Wheb Sistemas, a leading Brazilian provider of Hospital information systems. The solutions, including the hospital informatics system TASY, were soon integrated into Philips' portfolio in Brazil. I was strategic marketing director for Latin America at that time, so very familiar with the new products. When I was appointed general manager here in Mexico, I wanted to offer the solutions here. Mexico was chosen as a pilot market after Brazil to test the system and identify in what markets we can launch it next.

The third pillar is Integrated Solutions. As it is the case worldwide also in Mexico we are witnessing a shift towards non-communicable diseases, with a relatively young but not particularly healthy population and high levels of overweight, especially among children. This represents a societal challenge in twenty years from now.

Hence, we believe healthcare will be delivered in a very different way in the future. Today we have hospitals investing large amounts of resources in buying equipment, while we add to that the provision of maintenance services. In the future hospitals will pay for what they need, this may be a service, a scan or a patient outcome. Hospitals want to take care of patients, not of an MRI scanner. With this new model we take care of the technology, while they take care of patients and the investment shifts from capital to operational expenditure.

HCLS We have seen you recently invested in a partnership to establish the Swiss Hospital in Monterrey. What do you think about partnerships between the private industry and the government and how does Mexico compare to its big rival Brazil?

MS The technology partnership we have with Swiss Hospital is one of the first in Mexico and I believe it will not be the last. From a PPP point of view, I believe that the model still needs a degree of 'tropicalization' to be implemented successfully in Mexico. We have seen a rise of such partnerships worldwide and also in Mexico, but rather applied to infrastructure and construction projects, not so much in healthcare. However, today a new regulatory environment allows companies such as Philips to proactively approach the Mexican government to propose solutions. We are investing in the organization to be able to participate in these kind of projects in the future, as the required skills are completely different. Such a partnership is a long-term relationship and the risks you are taking as a company are very different from just providing equipment.

My impression is that the partnership model is a little bit more mature in Brazil. Philips, for example, closed its first long-term partnership with the State of Bahía, in the North of Brazil, to supply our technology to a number of hospitals. In Philips' home country, the Netherlands, a share of the healthcare business consists of long-term managed equipment services contracts, a model

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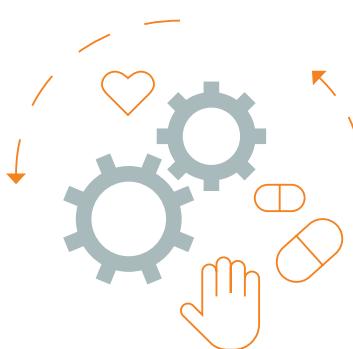
Our goal is to become the best provider
of solutions across the complete
'continuum of care'

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MARK STOFFELS

Philips Healthcare Mexico





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Creativity and energy are needed to get Mexico's healthcare system to the next level. The country needs innovation, entrepreneurial spirit and people daring to think in a different way about healthcare and to let go of the traditional models in which we provided healthcare in the past

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MARK STOFFELS

Philips Healthcare Mexico

originated in the UK National Health System and now expanding all over the world. We are trying to bring such innovative models also to the Mexican market. Meanwhile we have entered a partnership with a local integrator that bundles services for the government on a payment-per-procedure modality. It is small scale, but it has been a successful collaboration so far.

HCLS What about the private healthcare market?

MS We are seeing a consolidation of hospitals becoming more competitive, as margins and profitability are crucial. The market is growing, because of the high share of population, which does not have access to care. Most existing hospital directors we speak to are positive when they talk about investments. In addition, you have a number of smaller hospitals and diagnostic imaging centers popping up across the country. The growth may have been flattened in the past couple of years due to the economic situation, but our ten-year long-term outlook is positive, simply because of the size of the population and the epidemiological profile of the country.

HCLS In 2014 Philips announced the next phase of its 'Accelerate!' transformation program, moving from a holding company structured around multiple divisions to two stand-alone operating companies - HealthTech and Lighting Solutions. What did this change imply for the healthcare business in Mexico?

MS Under the 'Accelerate!' program the company has decided to split the

business into two parts: HealthTech, which encompasses the traditional healthcare med tech portfolio and what we today call the Personal Health portfolio and Lighting Solutions. The vision behind this split is that to be successful you need to focus. Both segments offer different opportunities, but also very different challenges. The same will be applied to Mexico's operations.

HCLS The Philips healthcare business is organized around four strategic business groups: Imaging Systems, Patient Care & Clinical Informatics, Home Healthcare Solutions, and Healthcare Transformation Services. What segments are growing most and why?

MS We expect the Healthcare Transformation Services to be the segment driving most growth, as it is the unit involved in partnerships and integrated solutions. We have especially high expectations towards healthcare informatics, as these are increasingly crucial for hospitals to control outcomes and costs. We are also very optimistic about the other business segments, because the market is in its infancy and we have a population of 120 million, which only has limited access to healthcare.

HCLS What role does Mexico play in the region and to the group?

MS For Philips Latin America is extremely important and within Latin America Mexico is one of the key countries to invest in. We have a long-term plan approved by our board of management, which we are delivering

upon consistently. You will always have economic distractions such as the fluctuation of the peso and cuts to budgets. Part of leadership is to keep the course and continue focusing on these millions of Mexicans, who still do not have access to healthcare and understand how we can help.

HCLS Where are we going to see Philips in the coming five years in Mexico?

MS Our ambition is to touch an increasing number of Mexican patients: we have already touched with our equipment 14 million people in 2014. We want to triple this number in the upcoming five years. Also, Philips will increasingly focus on offering solutions rather than products. And we are going to do so investing in service and education, software and integrated solutions – this on top of our technology portfolio, which is at the core of our business. Creativity and energy are needed to get Mexico's healthcare system to the next level. The country needs innovation, entrepreneurial spirit and people daring to think in a different way about healthcare and to let go of the traditional models in which we provided healthcare in the past.

Today healthcare is the most exciting sector to be in because there is so much to be done, and given the large population and the need for healthcare services, Mexico is a perfect place to be. Mexico will always be changing: the key to be successful is to have a long-term strategy. And this is what Philips is doing. We have a great plan and we will keep investing in the market. ☺

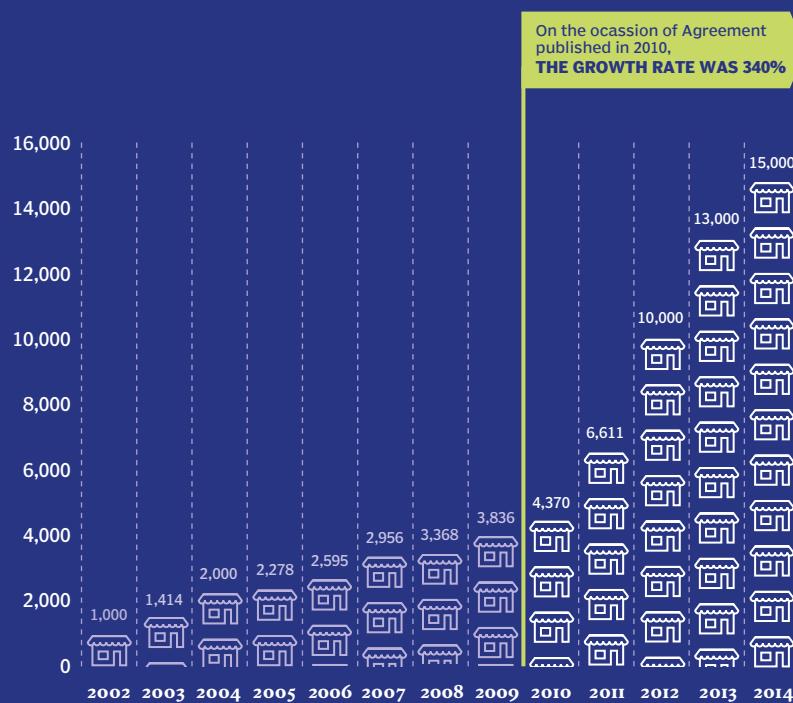


Retail & Distribution

PHARMACIES OFFERING MEDICAL CONSULTATION IN MEXICO

2002–2014

● PHARMACIES AFTER THE AGREEMENT ● PHARMACIES BEFORE THE AGREEMENT



Sources COFEPRIS (2013) with data from IMS Health, Farmacias Similares, Farmacias del Ahorro and other minor chains.



**250,000 MEDICAL VISITS
PER DAY FOR PHARMACIES**

VS

**290,000 MEDICAL
VISITS PER DAY FOR IMSS**





Navigating the new RETAIL ARENA

The consolidation of large pharmacy chains and the presence of physicians at the points of sale are reshaping the retail arena, forcing multinational as well as local companies to adapt their approach to the market.



WRITTEN AFTER INTERVIEWS WITH

Karel J. Fucikovsky, general director for Mexico and Central America at Pierre Fabre Mexico / Carlos Abelleyra, CEO for Spanish Latin America at Aspen / Rafael Gual, general director of Canifarma / José Alarcón Irigoyen, partner and leader of the Healthcare Practice for Mexico and Hispanic America at PwC.

Two important trends are shaping the pharmaceutical retail scenario, forcing both local and international companies to rethink their go-to-market strategies. First, a reconfiguration of the retail segment with the consolidation of pharmacy chains and the market entry of new players; and second, the presence of physicians at points of sale.

According to IMS Health, chains and supermarkets went from holding 45 percent market share in 2008 to 59 percent in 2013. By mid of 2014 three pharmacy chains – Benavides, Farmacias Guadalajara and Farmacias del Ahorro – controlled almost 90 percent of pharmacies in the country and are increasingly becoming a preferred option for customers. The recent announcement of drug store retailer Alliance Boots' acquisition of Farmacias Benavides as well as the market entry of non-pharmaceutical retail players such as Femsa, owner of Mexico's leading convenience store chain Oxxo, indicates the segment offers interesting growth perspectives.

However, the real game changer in the industry are physicians at the point of sale. "The emerging power of physicians at pharmacies is a trend unique to Mexico and the Latin American region and growing incredibly at the moment," says Karel J. Fucikovsky, general director for Mexico and Central America at Pierre Fabre, and the numbers confirm this belief. According to Cofepris, out of the nearly 28,000 pharmacies that exist in Mexico today, 54 percent offer medical consultation, 340 percent more than in 2010. IMS Health also estimates that pharmacies provide over 250,000 medical visits on a daily basis – an impressive number considering that IMSS provides nearly 290,000. "This has been a phenomenon that no one in the past has taken very seriously into account, but it will eventually make pharmaceutical companies refocus their strategies," concludes Fucikovsky.

Opinions on the presence of physicians at the point of sale are split within the industry. On the one hand, many think it represents unfair competition, as doctors tend to prescribe store brands. "The prescription switching that pharmacy chains are doing, from branded generics to private labels, is huge and is challenging to assess as it is not audited," points out Carlos Abelleyra, CEO for Spanish Latin America at Aspen. "This is jeopardizing the price strategy companies have at normal pharmacy chains." Rafael Gual from Canifarma warns against the practice as well. "The trend is here to stay, it is a necessary evil." On the other hand, many think it can help diminish the chronic habit of Mexicans towards self-medication, while it unburdens the public healthcare system and fosters prevention.

And more changes can be expected in the turbulent medicine retail arena. José Alarcón Irigoyen, partner and leader of the Healthcare Practice for Mexico and Hispanic America at PwC, thinks the industry can even expect more disruptive approaches. "The innovation may come from looking at alliances with hospital chains and retail chains with point-of-sale physicians acting together as a new player and offering an integrated healthcare delivery network, whereby the physician will refer the patient to a clinic in this network." Only time will tell. ☀

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The prescription switching that pharmacy chains are doing, from branded generics to private labels, is huge and is challenging to assess as it is not audited

CARLOS ABELLEYRA CORDERO
CEO for Spanish Latin America at Aspen

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OPTIMIZING *sales efforts*



Besides reshaping the industry, the changes taking place in the retail arena are impacting how pharmaceutical companies are approaching the market. “Pharmaceutical distribution has undergone considerable changes,” explains Dominik Bacher, director of the consulting company Bacher Zoppi, which provides commercial solutions

to the industry. “The wholesale market lost strength to the fast growing national and regional pharmacy chains; GPs have lost patients to retail consultancies; patients and consumers now have the power to decide among different options with the increasing acceptance of generics. This evolution has had a strong impact on the way pharmaceutical companies promote products to hospitals, physician offices and point of sales.”

The changing retail scenario demands changing market approaches. Pharmaceutical companies are increasingly looking for more targeted sales efforts, which require a better understanding of the market dynamics and a special eye at the most important stakeholder: the patient.

A major consequence of these changes is the reduction of in-house sales forces, which Bacher Zoppi estimates have been cut by four to seven percent on an annual basis. The main reason: drug companies are increasingly looking for specialized sales forces. “Targeting is increasingly selective,” he points out. “Today

the main focus for allocating resources and the promotion efforts towards the physicians is through patented products, reducing investments in mature products to a minimum.” A growing number of players and options – especially in the generic segment – also demands differentiation.

After more than 19 years of experience in the industry, Bacher is optimistic about the future. “We have received



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There is a vibrant opportunity for the pharmaceutical industry and all other stakeholders to design and implement patient programs to improve the quality of life of the consumer

Dominik Bacher
Director of Bacher Zoppi

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increasing feedback from executives, informing us that their companies are changing from a cost containment focus towards a new emphasis on partnering with companies who can offer more value," he explains. To better fulfil the changing needs of its clients the company evolved its business model. "We have adapted our processes and systems to the new environment by deploying smaller and more specialized sales forces, and by focusing on higher potential targets in order to increase our

effectiveness and assure a return on investment for our clients," stresses Bacher.

The company has also decided to assign resources to market intelligence to better understand the market place and design effective go-to-market strategies. "The biggest consequence is that today we manage many more projects that tend to be more specialized and focused on specific targets," he points out. And highly trained resources are essential to ensure effectiveness. "Our highest priority is to constantly increase our capacity to recruit talent with the required skills to generate sustainable demand in a highly competitive environment."

Besides looking for innovative go-to-market approaches, Bacher also suggests an increasing focus on the final users of medicines: patients. "We believe that not enough attention has been given to patient care these last few years," he points out. "Part of the challenge is the complexity of integrating patient programs to include all the stakeholders, namely the doctors, the patients, their families and care takers, the pharmaceutical industry and the patient organizations." Bacher Zoppi is interested in better understanding the patients and their needs. "There is a vibrant opportunity for the pharmaceutical industry, as well as for all other stakeholders, to work together, design and implement patient programs to improve the quality of life of the consumer," he affirms. ☺

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REDEFINING *distribution*

The distribution of pharmaceutical products is experiencing major changes in Mexico, which are triggering a redefinition of the role of traditional wholesalers and the increasing the industry's dependence on specialized supply chain services capable of providing more tailor-made services at reasonable costs.



WRITTEN AFTER INTERVIEWS WITH

Mario Sicilia, CEO of Bomi Mexico / Pablo Escandón, president and CEO of Nadro / Carolina Galicia Durán, general manager of World Courier Mexico / Eduardo Tapia, Senior Director for Life Science and Healthcare at DHL Mexico.

The distribution of pharmaceutical products in Mexico is undergoing a profound reshaping. "In the past four wholesalers – Nadro, Marzam, Casa Saba and Fármacos Especializados – were in charge of distributing medicines to the more than 20,000 independent pharmacies across the country," explains Mario Sicilia, CEO of the third-party logistics provider Bomi. However, at the beginning of 2014 Casa Saba declared bankruptcy, leaving a black hole of estimated USD 450 million in the market. "Some pharma companies have lost revenues and cash they are not going to collect anymore, while the market shares have been significantly affected in some categories due to the scarcity of products at the point of sale," he adds. Besides the exit of Casa Saba, the increasing negotiation power of big pharmacy chains with drug manufacturers as well as the growing vertical integration of production for store brands is squeezing wholesalers to reinvent themselves.

Pablo Escandón, president and CEO of Nadro, today the leading wholesaler in the market, seems well aware of this trend. "Specialized wholesalers like Nadro are responsible for the physical movement of products and provide innovation by different means, such as promoting small stores and making them more competitive. We help them improve their level of service and increase the fill rate they offer to their consumers," he explains. For this reason, while serving all type of final customers, he decided to focus on servicing the more than 14,000 small independent stores located outside of urban areas and often the only options of health in smaller communities. "We understand that our core business is not only traditional wholesale and distribution, but also in providing and articulating solutions in healthcare. We see other ways of creating value for manufacturers, retailers, suppliers, doctors and even ways of servicing patients directly."

While some may think a natural move for wholesalers could be to become logistic partners to the industry, Sicilia sees it differently. "The changes in the distribution landscape have not affected our operations. We deliver to wholesalers, as we do to any other client," he stresses. "Our business model is very different because we never own the inventory, whereas wholesalers do. It is not our intention to compete with them, as we fulfill different needs of the market."

"It's really tough for such companies to do the downscaling, as they have a different business model and organization, whereby they own the whole transportation system," he concludes. "It's hard to do what we do, because we start from a very frugal culture and a more asset-light business model. It's not easy to downscale the model fast and efficiently. That's why I am not much concerned about them entering our market."

Certainly, pharmaceutical supply chains in Mexico today have a number of challenges that only specialized providers can cope with. More cost-efficient solutions and lead times seem to be some of the most important requests on side of clients, while providing the sufficient flexibility to handle tailor-made requests. "We do not consolidate shipments, which helps us be more flexible in our routes and be able to change at any moment," explains Carolina Galicia Durán, general manager of World Courier Mexico. "However, there are also a lot of challenges implied. Packaging is complicated, especially in Latin America where there are not as many options as in the US, for example. And as for logistics, the competition is increasing day-by-day. When it comes to risk management, it's important to analyze the risks and to be ahead of the game. However, on the positive end, in recent years in Mexico we have experienced a better regulatory environment, which has made our work much easier."

"The Mexican healthcare industry is undergoing a transformation, adapting to new realities," agrees Eduardo Tapia, senior director for Life Sciences and Healthcare at DHL Mexico. "The rapid expansion of services and the increasing pressures on costs of all segments of customer service are affecting the current supply chain model. The patent cliff is increasing cost pressure, and intensifying regulation is driving the need for compliance and control. Manufacturers



MARIO SICILIA
CEO of Bomi Mexico



PABLO ESCANDÓN
President and
CEO of Nadro



**CAROLINA
GALICIA DURÁN**
General manager of
World Courier Mexico



EDUARDO TAPIA
Senior Director for Life
Science and Healthcare
at DHL Mexico

are, as a result, are exploring new solutions for their supply chains. By implementing programs such as load consolidation, optimization of the delivery network and shared distribution, we can deliver significant benefits to our customers, helping to achieve a better healthcare system for all," he explains.

As a result, logistics providers are looking for an increased collaboration with clients to better understand their operations and their needs, along the complete supply chain. "The most important change was a shift from being a 'black box' to be much more transparent towards the client," notes Sicilia. "In the past the thinking was 'the less you know, the better', as this would make the client more dependent on the logistics supplier. We have completely changed this paradigm to become a real partner to our clients and provide them with the best solutions."

Due to its strategic logistical position, Mexico also plays a

crucial role in international supply chain management of the pharma industry. "Mexico acts as an important international hub in the manufacturing of drugs and medical devices, in particular for companies seeking to establish production systems within the Latin American market," stresses Tapia. "Mexico is competing to be the best option for the distribution of drugs and medical devices to the South American market as well as to Europe, Asia and the US." This adds complexity to the scenario. "The goal of bringing production closer to consumer markets, helping to reduce logistical risks and improve the speed of response in the service, are factors that are transforming the shape of the Mexican health service industry," Tapia points out. This is a strategic role DHL has identified very well. As part of the company's 2020 strategy, the life sciences sector has been positioned as a global priority for 2015, with Mexico as one of the company's top eight markets in life sciences, accounting for one-fifth of annual turnover in the country. ☈

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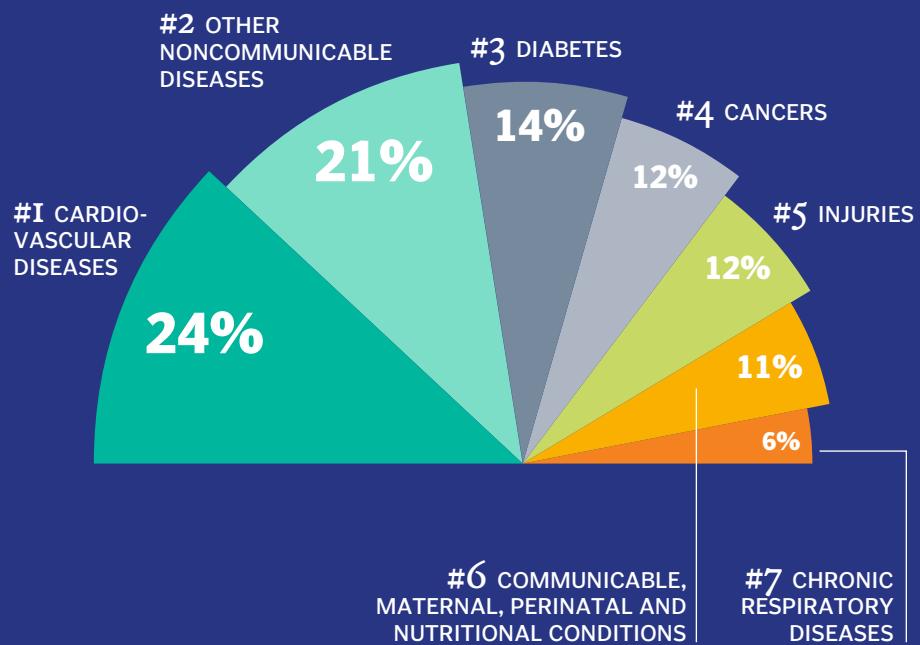
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Key Therapeutical Areas

MOST FREQUENT DEATH CAUSES

PROPORTIONAL MORTALITY (% OF TOTAL DEATHS, ALL AGES, BOTH GENDERS)



Sources World Health Organization (WHO), 2014.

7 million
MEXICANS SUFFER
FROM A RARE DISEASE





FIGHTING RARE DISEASES *in Mexico*

Seven million Mexicans are estimated to suffer from rare diseases. Health authorities are increasingly aware of the difficulties patients go through and in recent years have facilitated the access of orphan drugs, attracting new players to the market.

WRITTEN AFTER INTERVIEWS WITH

Raúl Vivar, head of Shire Mexico, Central America and Caribbean / Luis Calderón, general manager of Alexion Mexico / Elvin Penn, executive director and general manager of Amgen Mexico / Irma Egoavil, country manager of Celgene Mexico.

According to the Mexican Organization for Rare Diseases, seven million Mexicans suffer from a rare condition, defined as one that affects fewer than five in 10,000 of the population. "Physicians do not normally have these types of diseases in mind and their procedures and testing are not always adequate," explains Raúl Vivar, head of Shire Mexico, Central America and Caribbean. The challenges related to diagnosis are even higher when it comes to ultra-rare diseases, as it is the case of paroxysmal nocturnal hemoglobinuria (PNH), a condition in which red blood cells break down earlier than normal. "In case of rare diseases we are talking about five in 10,000 people. But ultra-rare diseases are five in a million," points out Luis Calderón, general manager of Alexion in Mexico. "Early recognition of ultra-rare diseases is still a challenge. The probability for a physician to meet such a patient is very low. It's something, which is not their everyday, so we need to make them think out of the box."

Access to treatment is also a hurdle patients face in Mexico, as it depends on the healthcare provider they are affiliated with. "Fortunately our products for lysosomal diseases are all available at the different public institutions. However, the situation is different at every healthcare provider," explains Vivar. The public insurance scheme *Seguro Popular*, due to budget constraints, only covers patients who start treatment before the age of ten and only at a very limited number of certified hospitals across the country. At the Mexican Institute for Social Security (IMSS), on the other hand, the main hindrance is the time between diagnosis and beginning of the treatment, which can span up to 18 months – too long for such a life-threatening condition.

The good news is that in recent years Mexican health authorities have shown an increasing openness towards recognizing the importance of correctly diagnosing and treating rare diseases. The first step was a change implemented to Article 224 of the Health Law in 2012, which officially acknowledged the existence of orphan drugs, and thus rare diseases. The regulatory authority Cofepris has also shown an increasing concern with the treatment of rare diseases and since 2012 has granted market access to 19 new orphan drugs. This renewed openness has attracted new international orphan drug companies, such as Celgene, Eisai and BioMarin, to enter the

Mexican market and bring together stakeholders to make sure these conditions receive the correct recognition. "A problem of this magnitude has not an easy solution and should be addressed by different stakeholders, such as physicians, patient organizations, education institutions, public healthcare providers," adds Vivar. "To make sure we can raise the necessary awareness we are starting collaborations with different parties such as the Mexican Association of Pharmaceutical Research Industries (AMIF) and other drug companies focusing on rare diseases."

With the recent opening of IMSS to clinical research, the Mexican market is also very interesting in terms of R&D in this field. Amgen envisioned this almost a decade ago, when the company decided to establish its first affiliate in Latin America in Mexico. "What started back in 2006 as an R&D hub intended to cover the rest of Latin America has received over the last eight years an investment of over USD 22 million in clinical research," explains Elvin Penn, new executive director and general manager at the Mexican affiliate. Today the company has 21 clinical trials running at leading research institutions in Mexico and plans to keep generating clinical data in the country for local as well as global registration processes.

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What started back in 2006 as an R&D hub intended to cover the rest of Latin America has received over the last eight years an investment of over USD 22 million in clinical research

ELVIN PENN

Executive director and general manager of Amgen Mexico

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To make sure we can raise the necessary awareness we are starting collaborations with different parties

RAÚL VIVAR

Head of Shire Mexico, Central America and Caribbean

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Another company that decided to venture into Latin America through Mexico is Celgene. “To be able to fulfill the commitment Celgene has with patients, the management decided it was time to have a direct presence in the region, namely in Mexico and Brazil,” explains Irma Egoavil, country manager of the recently opened affiliate. “We are starting operations in both countries, but Mexico offers some advantages that allowed us to accelerate the process.” Today the company already has the marketing authorization for two therapies – one for multiple myeloma and one for myelodysplastic syndromes – both already listed in the national formulary and waiting to be available at the different institutions.

The story behind Alexion’s Soliris goes back to 1992. The monoclonal antibody drug, which had been originally tested to treat rheumatoid arthritis and kidney diseases, turned out to be the first and only effective treatment for patients with paroxysmal nocturnal hemoglobinuria (PNH), an ultra-rare disorder that causes destruction of red blood cells. Since then, the drug has also been approved for a further rare condition, atypical hemolytic uremic syndrome (aHUS), which affects kidney function. In Mexico the adventure of Alexion, the drug maker marketing Soliris, started in 2011. “Today we distribute the drug only for PNH,” explains Luis Calderón, general manager of Alexion in Mexico, “but we are ramping up for the launch of three new indications coming out within the next three to four years.”

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We are ramping up for the launch of three new indications coming out within the next three to four years

LUIS CALDERÓN

General manager of Alexion Mexico

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As is the case for any rare disease, early and correct diagnosis is the name of the game. Physicians are “so focused on other pathologies that they may easily miss these, and by the time they are diagnosed it might already be too late,” explains Calderón. For this reason Alexion is actively involved in helping patients and the medical community bridge the gap. And the efforts are paying off: over the past four years the company has reached triple-digit growth rate in Mexico and is preparing the launch of new indications. When asked about how it is to come from traditional drug makers and now work for an ultra-specialized company, Calderón points out that “whereas previously in an educational program with physicians you would probably spend only up to 30 percent of time discussing patients’ cases, now you spend 90 percent of the time discussing them,” as each patient and case is unique. ☀

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Latin American neuroscience GETS A HEADSTART IN MEXICO

The first woman appointed as general director of one of the leading neuroscience institutions in Latin America discusses the institute's priorities in terms of R&D for brain diseases, training of high-specialty medical professionals and the increasing trend towards the feminization of medicine in Mexico.



HCLS What kind of pathologies do you mainly focus on at the institute, and what is your approach to patients?

Teresa Corona At the INNN (the National Institute for Neurology and Neurosurgery), we have focused our attention on the evolving epidemiological profile of the Mexican population, with a particular eye at how neurodegenerative diseases such as Parkinson's, dementia and brain tumors evolve with the modern increase of life expectancy and cerebrovascular diseases. A disease that plays a particularly important role in Mexico is multiple sclerosis, as it is the main cause of chronic disability for young people in the country. The good news is that a number of biotech drugs have entered the country to help us tackle this condition. On the other hand, being still a developing country, we do not have to forget infectious diseases such as tuberculosis and neurocysticercosis.

Our institution encompasses a diverse spectrum of specialties and neuroscience branches, such as neurology, neurosurgery, neuropsychiatry, neurogenetics, neuro-ophthalmology, neurophysiology and neurochemistry, among others. All our patients receive multidisciplinary points of view and treatments, as we think

it is more efficient to look at a problem from several angles. We have experts of each area that will thoroughly analyze each patient's case with a different perspective.

HCLS What is the main challenge the institute faces today and how are you overcoming it?

TC As is the case with most of the national healthcare institutions in Mexico, funding is an issue, and since we handle a high volume of patients, most of our budget is funneled to medical care instead of research or human resource development.

Fortunately, a number of institutions are helping the Institute's scientific and medical research with grants and funding, including Conacyt, the Carlos Slim Health Foundation and some US-based universities. One of our jobs is also to help decision makers understand the fact that we need more monetary resources to continue our R&D endeavors to translate our research into results. Many of our efforts have translated into tangible results: we have developed treatments for dementia, Parkinson's, epilepsy, headaches and brain tumors, among others. Our knowledge



**TERESA CORONA
VAZQUEZ**

Instituto Nacional
de Neurología
y Neurocirugía
(INNN)



seeks to transcend the walls of our laboratories and finally reach medical care facilities all around Mexico.

HCLS What has been your experience as the first female general director of this institute, and what is your advice to women interested in pursuing a career in the healthcare sector?

TC Being appointed general director has been one of the most enriching experiences in my life and I think it is really important that such decision-making roles are opened to women in our society. When you have a professional approach in the early stages of your life, things become much easier because there is a time in life when you will have to face competition for a leadership position or a better income, among many other things. When that moment comes – and if you prepare yourself from a young age – you will have a complete and competitive profile. You need to fight your way through with absolute transparency and honesty. There are a lot of obstacles women have to overcome to show they are as capable as men are. I would recommend never losing coherence and consistency with who you are and your main priorities.

Another piece of advice I always give to our residents is not to letting personal life be an anchor to their professional life. Many women experience motherhood and give up on their career, as getting back to being active as a professional is very demanding. Being a mother should not interfere and contradict your professional aspirations. For this reason here at INNN, we have implemented hiring programs in which we give women an advantage of two years over men because they might have opted for motherhood and/or taking care of their newborns. Mindsets are difficult to change but it is nothing that can't be accomplished.

Statistics show that in the last few years there is a trend towards a so-called "feminization of medicine" in Mexico, with more female students graduating from medicine at a 60:40 ratio and even 70:30 in certain universities. For instance we currently have four female resident neurosurgeons in our institution for a specialty, which takes about seven years to complete and historically has been mainly practiced by men. We just need a few examples like these to show we can get to important positions in the medical community. We only need to keep pushing! ☺

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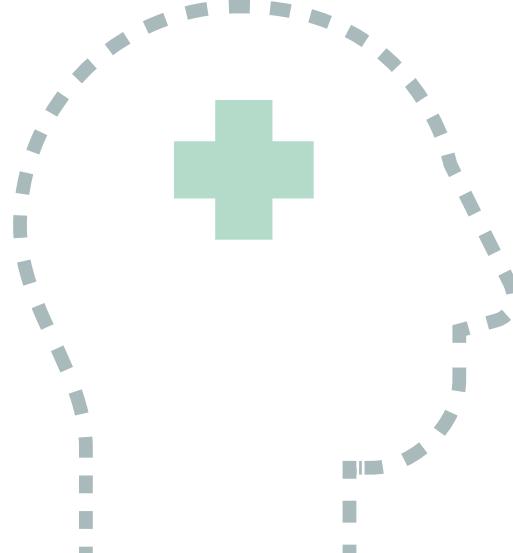
Mental health in Mexico faces a series of barriers such as under-diagnosis, lack of treatment or treatment at a very late stage, very low investments and social stigma. Even though the country has advanced slowly in all these matters, there is still very much to be done.

WRITTEN AFTER INTERVIEWS WITH

Maria Elena Medina Mora, general director of the National Psychiatric Institute / Ramón de la Fuente and Oscar Parra, general manager of Lundbeck Mexico.

Despite the high burden that mental illness-related issues place on the population and on economies, in many countries, the problem is ignored, or paid very little attention. In Mexico, for example, it is estimated that one in four people aged 18-65 has a history of psychiatric problems, but only a small percentage are diagnosed and treated adequately. "In many cases, people simply ignore the fact that they have a disorder," explains Maria Elena Medina Mora, general director of the National Psychiatric Institute Ramón de la Fuente. "Many teenagers and their parents, for instance, don't give mental health issues an important role and think these are just temporary problems."

"People with schizophrenia represent one percent of the total population in Mexico, but most of them live their life without receiving any treatment because of social and cultural barriers that make them afraid of being harshly judged by society," explains Medina Mora. The institute estimates that 75 percent of people with mental disorders never receive treatment or get treatment only at a very late stage of the condition. Depression is an increasingly important public health



problem. It is the fourth cause of disease in the world in terms of lost years of healthy life and, according to the WHO, will be the most recurrent cause of working disability within the next decade. "Depression is most definitely a disease that is affecting Mexico and it is a very serious case for the nation," explains Oscar Parra, general manager of Lundbeck Mexico. "The number of days taken off as a consequence of depression is 2.7 times higher than those led by chronic diseases." A crucial aspect for a country which has productivity as one of its important selling points

- per year Mexican workers work 26 percent more than the OECD average.

Fortunately the country seems to be going in the right direction. "Depression was not considered a disease in the past and society would tend to just label people as weak. Today, CNS diseases overall are very well accepted and recognized as illnesses that require treatment. There is still a long way to go but we are definitely moving towards the right direction," points out Parra. In Mexico Lundbeck, the worldwide leader in the CNS segment, is looking for solutions to provide increasing support to patients. "We have also launched a mobile application dedicated to patients with depression. The idea with

the app was to develop a tool that can help to track the progress of medication and its effects on the disease. This can help as the patient is given a visual reminder of his or her progress, which is psychologically very encouraging." ☈



AN EYE ON *animal health*

Animal health represents a growing segment of the pharmaceutical industry with more than 100 companies competing in the market.

Tornel is a 100 percent Mexican company dedicated to provide veterinary solutions for racehorses, small species, pigs and ruminants in Mexico as well as abroad.



MAURICIO BRAVO

President and CEO of Tornel

The animal health industry in Mexico has had a significant boost in revenues over the past few years, triggered by the escalating occurrence of zoonotic diseases, growing consumer focus on animal health and food safety as well as increasing pet ownership. According to Canifarma, total sales of the veterinary industry in 2014 were estimated at USD 450 million, with a compound annual growth rate of 6.9 percent in the 2007-2013 period. Today in the Mexican market there are more than 100 animal health companies, indicating competition is intense.

Founded in 1976, Tornel provides veterinary solutions for racehorses, small species, pigs and ruminants and privately owned ever since. "It's not easy to contend with international players like Bayer, Novartis, MSD and Zoetis," points out Mauricio Bravo, president and CEO of the company. "We are a 100 percent Mexican company and sometimes customers doubt the quality of our products, so you have to even work harder to demonstrate it."

Despite this, the company can boast a long story of successful exports to the Caribbean, Central and South America as well as to more exotic markets like the Middle East. "My parents loved travelling and used to attend fairs and events all over the world to promote the company and its products. In 1997 they attended the Dubai World Equine Exhibition, an event organized by the sheikh of Dubai, and were approached by several distributors from Africa and the Middle East. That's how Tornel's adventure in this region started," Bravo explains. "Today we have had success in Dubai, Kuwait, Oman, Jordan and Bahrain, and are in the process of registration in several countries of the region to enhance our exposure in these very interesting and large markets. Of course there are challenges in terms of language, business culture and the registration process is very slow – it can take up to two years – but over the years the export business has grown nicely and continues to grow share of our total output."

Moreover, Tornel is an excellent example of 'triple helix', as it works very closely with institutions such as the National Institute of Forestry, Agricultural and Fishing Research (INIFAP) and the Faculty of Veterinary Medicine at the

National Autonomous University of Mexico (UNAM) to develop new vaccines. "Two years ago we wanted to develop a vaccine with viruses isolated here in Mexico for cattle and sheep. We knew the National Council of Science and Technology was willing to allocate funds for such an initiative, so decided to involve the two prestigious research institutions." This is a collaboration Bravo hopes to continue. "Today we have a very strong pipeline of more than ten new products and hope to continue the collaboration with the research institutions, as it will allow us to innovate and improve the effectiveness of our products, and tailor them to the needs of our markets ::"

Laboratorios Tornel with more than 39 years of experience creatively develops, manufactures and commercializes innovative and differentiated products designed to meet the needs of the animal health consumer, including:

Analgesics, Antibiotics, Anti-inflammatory, Anti-parasitic, Hormones, Reconstituents, Vaccines and Vitamins.

The company is present in Africa, Asia, Caribbean, Central and South America and the Middle East.

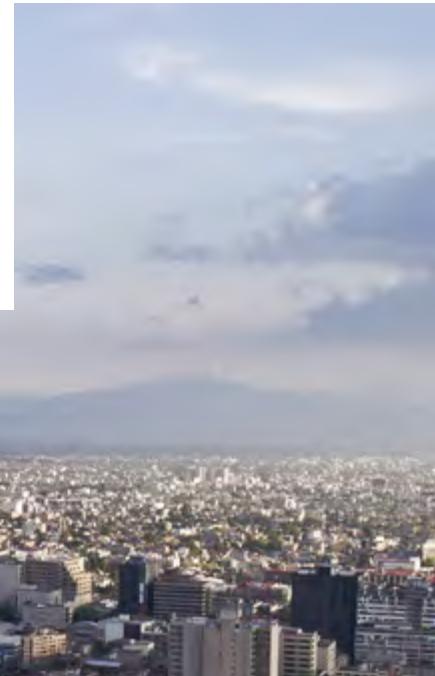
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EVENTS tailored for the pharma sector

Mexico can also boast a privileged strategic position in terms of geography to host events of the pharma industry. The director of the leading provider of event-related services to the pharmaceutical industry provides an overview of the company's experience over the past 30 years.



ALFREDO GUTIERREZ

Director of Anfitriones

Besides offering favorable business conditions, Mexico also boasts a privileged strategic position in terms of geography to host events for the pharma industry. "We are located in a very strategic area of the world, neighbors of the US and bordering South America, with the required travel infrastructure," points out Alfredo Gutierrez, director of Anfitriones, a family-run company that for the past 30 years has dedicated itself to helping international companies organize business trips and corporate events. "For Americans our country is not only very nearby, but also provides better value for money when it comes to organizing conferences."

Back in 1985, the founders of Anfitriones understood that the emerging pharmaceutical industry was requiring an increasing number of events and no company was fulfilling the need. "Anfitriones was created and has grown together with the pharma industry, we have become a strategic partner," explains Gutierrez. The company started with three employees. 30 years later, it boasts a staff of 230 and is still working with its original clients. "Roche have been our client for more than 25 years, we have been working with AstraZeneca for almost 15 years, and with Anadim (National Association of Distributors of Medicines) for over 20 years," reveals Gutierrez. "These are all good examples of how we work with our clients over decades and not merely on a short term basis."

Under the slogan 'from the airplane ticket to the smell of flowers,' the company provides all types

of services for an event – from travel arrangements, to management of hotels and coordination of ground transportation. Today the pharmaceutical industry represents 60 to 65 percent of the company's business, which has sought for diversification expanding its services to the automotive, banking, energy, food and beverage industries.

The main challenge Gutierrez reports is finding the right profile of people. "We have a specific profile that we are looking for," he explains. "The challenge we have is in finding people with the right background. Our industry, that of meeting planners (event organizers), is a small one. There is no university program with a specific focus in this area. A large percentage of our employees have worked for the company for over 15 years, and so have been trained internally. We train recent graduates as well as part-time students, and many choose to stay on once they have finished their studies, allowing us to educate them in our culture and way of working."

Gutierrez is optimistic about the future and hopes to start offering soon the company's services in other markets. "I am confident that within the next few years we will become an international company, with offices in other countries, offering services outside of Mexico." Keeping the feet on the ground, though. "It is essential that we take our time when considering our future growth plans, ensuring we remain in control of the process, consolidating our position in markets where we are already strong."


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Obituary:

PharmaBoardroom deeply regrets to announce the sudden deaths of Antonio López de Silanes Pérez, age 73, president of the family-run Grupo Silanes, and Sebastián Lerdo de Tejada, age 48, general director of the Institute for Social Security and Services for State Workers (ISSSTE) during the writing of this report.

Our sincerest sympathy goes to their families and beloved ones.

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