

2015 Health Sector Perspectives in Mexico





Introduction

The Undersecretary's Office for the Integration and Development of the Health Sector at the Ministry of Health has now announced that the next transcendental transformation in Mexico will happen in the National Health System. A possible reform in Art. 4 of Mexico's Constitution may shortly take place that in turn will result in changes in the General Health Law, through which the Government will try to guarantee that institutions such as IMSS, ISSSTE and the federal and local Ministries of Health offer quality healthcare to any patient, no matter to which scheme they contribute.

The reform of the Mexican Health System is a continuous process that should focus on responding to the needs of our social setting. Today's reality presents great challenges and opportunities as regards satisfying the right to health among the Mexican population, both in 2015 and in the future.

The current situation of our population comes as the result of having moved from living in rural areas to increasingly more urban population centres, among other aspects. The insufficient infrastructure and the lack of security, coupled with a sedentary lifestyle, all represent risks that we must continue to address.

The population transition is a relevant aspect in our analysis, since we must take into account the increase in the adult population, in particular the growth in senior citizens, in relation to the drastic reduction in the birth rate. In the same way, the changing behaviour and habits that are happening in our country, exposed to an open market subject to global competition, are hugely important.

Our country's varied development has led to differing regions with their own specific health conditions. One of the clear aims in 2015 is the fulfilment of the Millennium Development Goals – among them is the reduction in maternal deaths, which gains particular importance in view of the varied development across the country. This specific Goal means that in 2015 we need to reduce maternal deaths to no more than 22 per 100,000 pregnancies. Yet in 2009, according to the 2008 Health Accountability Report published by Mexico's Ministry of Health, this figure was approximately 63.

The epidemiological transition from infectious to chronic degenerative diseases signifies big challenges in preventative versus curative medicine in both the public and private sectors.

Today's risks are those of excess weight, obesity, high blood glucose and others associated with diet and a sedentary lifestyle. Until now, we have seen actions related rather to medical care for diseases, but from 2015 into the future opportunities will arise for strengthening primary care and prevention, thereby bending the associated cost curve and increasing the population will access to care.

Another aspect with important implications that we have observed is the growth in the formal labour market to which the population has access. We believe that the existence of a broad labour offer that is still informal does not contribute to the sustainability of the system. Agreements between different institutions will become increasingly relevant in this regard.

One of the major themes in the following months is the traceability of resources with the aim of achieving efficient public financing, thus enabling a greater opportunity to access health services. Here it is of utmost importance to set up pay-for-performance and quality standards for the goods and services that our National Health System purchases. Regulation and active supervision of medical practice will directly support achieving quality care.

The risks described here are the fundamental ones and we are deeply aware of the existence of others, so that we recognise the broad opportunities for transformation that our Health System can offer in terms of the country's development. The hope is that, in 2015, the health authorities will present decisive steps for transforming the Mexican Health System, based on firm commitments by Government and by the private sector to participate jointly in the system.

There is little doubt that, in 2015 and for the rest of this presidential term, we will see noteworthy and progressive changes in the national health system. In view of this, PwC Mexico's Health Practice has prepared this perspectives document looking towards next year from the viewpoint of health service providers, pharmaceutical manufacturers, doctors, regulatory issues, medical device producers, technology suppliers and health insurers.

Health service providers

Health service providers play a fundamental role in responding to the challenge of effective coverage, above all when, according to the National Population Council (CONAPO), the natural population growth in Mexico is slightly above 1% but decreasing due to a declining birth rate. On the other hand, ageing in Mexican society i.e. those over 60 is increasing, as is the prevalence of chronic degenerative disease (such as cardio-vascular disease, diabetes, cancer and others).

At first sight, it would seem that health infrastructure is sufficient at the current rate of population growth, but in reality, this is not the case due to the demographic and epidemiological characteristics of the majority of patients in Mexico. For this reason, we should be making room for private sector service providers and other public ones to contribute to better healthcare for the population, with support from public health institutions.

The above-mentioned characteristic becomes clear in the 2013 Seguro Popular Outcomes Report, where 208 accredited service providers, both public and private, took care of all affiliated users under the Fund for Protection against Catastrophic Health Costs (FPGC). It is important to point out that a quarter of these are located in Mexico City or Mexico State. However, other states with significant providers for this Fund are Guanajuato, Jalisco and Tamaulipas.

While this is positive, one has to ask the question: what is happening in other states? The response is that there are too few providers, which can lead to market distortions such as oligarchies or access difficulties. This can lead to having to travel to other states where there are sufficient services.

We envision a demographic, economic and institutional environment of significant needs, where service providers will have to demonstrate leadership in promoting that patients assume co-responsibility for their health. The key elements in this scenario would be: the use of technology to facilitate the monitoring of patients' clinical condition; optimum financing schemes to ensure the supply of products; operational process flexibility to ensure the efficient use of resources; identifying synergies between insurers/distributors/providers to take advantage of each other's strengths and to seek business profitability.



Pharmaceutical manufacturers

As has been the case in other industries, the last few years have not been easy for pharmaceutical companies in our country. The economic slow-down, cost containment measures on the part of health institutions and the general reduction in purchasing power have all had an impact on the medicine market. Although Mexico is the second largest market in Latin America after Brazil, in 2012 the per capita spend on medicines was \$ 1,625 pesos and in 2013 this was \$ 1,647 – scarcely a growth of 1%, driven mainly by a price increase for medicines in the private market. According to IMS estimates, in fact, government bought 2.2% more medicines in volume, yet the average price per medicine was 0.35% less due to the preference for generic drugs and the recent expiry of patents for essential medicines.

Since 12 years ago, generics lead the total medicine market in Mexico, absorbing 8 of every 10 medicines sold in the country. As in other developed nations, this tendency will continue due to Mexicans' sensitivity to medicine prices and the declining productivity in the development of new medicines combined with the ageing of existing portfolios.

In addition to this, industry faces another two great challenges. On the one hand, there are the complicated processes for getting new medicines included in the National Formulary, not only on the part of the General Health Council (CSG) but also by the institutions themselves (IMSS, ISSSTE). In fact, in 2013, of 75 new molecules proposed for inclusion, the CSG only accepted 47 and, of these, ISSSTE and IMSS were only prepared to include 50% and 36% respectively. The reasons most frequently given for rejection are security, efficacy or lack of information in the studies or information given.

Finally, the changing panorama in medicine distribution in Mexico, originally triggered by the Casa Saba crisis but then compounded by the Marzam buy-out and the arrival of new international players in the Mexican market such as Alliance Boots, implies a new change in the commercialisation model for medicines. Under this scenario, there is a need for new risk and payment sharing schemes, where alliances and the vertical integration of the distribution chain will offer greater benefits and will bring the patient closer to the pharmaceutical industry, thus favouring patient adherence.



Epidemiological and healthcare panorama

According to what we have experienced so far in healthcare during 2014, this appears to confirm what we have seen in recent years; that giving quality healthcare to those suffering from any chronic illness is and will continue to be a growing challenge. Diseases such as diabetes mellitus, systematic high blood pressure, high cholesterol/triglycerides, obesity, heart attacks and all those conditions known as Metabolic Syndrome are chronic diseases with a high mortality rate in our surroundings and unfortunately are the most expensive to treat.

Currently, our health system treats patients with chronic diseases in a traditional way, that is that the patient only visits their doctor when the disease is at an advanced stage, or at best a year after the first symptoms. This means that the illness has already caused damage to a vital organ. By letting the disease advance due to lack of care, damage can occur in various organs, which the doctor could have prevented with an early diagnosis with adequate treatment and monitoring of the patient.

On the other hand, the public health system continues to grant funds or to pay third parties, since they calculate the medical service required based on population demand and not according to other processes that might result in quality medical attention and an adequate control of the patient.

The lack of a strict quality assurance methodology continues to impact on the population's health and economy and eventually on the finances of the system itself, causing greater expenditure in health budgets and out-of-pocket costs for the patients.

According to the FAO, Mexico occupies first place in the world in obesity and approximately a third of the population suffers from this to some degree. This is a serious and dramatic health problem since it originates many of the chronic diseases that affect our population and due to this situation, we need programmes in the immediate future that will help not only to treat these diseases but rather to prevent them.

Preventative medicine is essential in our country and we find ourselves at the ideal moment to develop and implement efficient programmes with the aim of preventing and promoting the early detection of chronic degenerative diseases. If we do not act now, our health system will be unable to offer sufficient care, due to the size of the population that demands it.

Finally, the population in our country is growing older, our age pyramid is turning upside down and in a few years from now, the number of senior citizen will be even greater. This will be another factor that will increase demands on the health system in our country; demand that will be difficult to meet due to the kind of conditions suffered by a geriatric population.

It is time to put into action programmes and initiatives that promote and strengthen universal and effective health coverage and that, at the same time, attack the above health problems. If we achieve this, our future could be promising and attractive.

Regulatory Affairs

By 2015, the national health system should be working according to new rules that individual states should observe as regards the purchase of medicines, which will have an impact on the pharmaceutical industry's business model.

In this sense, both the Federal Government and the states will incorporate increasingly more new business models where they start to share risks with industry by requesting services in an integral way. These will include medicines and, above all, quality. Regarding this point. Government dependencies are seeking to standardise the supply of products and services that guarantee maximum security and quality. In order to achieve this, they are implementing tenders with very specific regulatory components, concentrating large volumes of medicines, where the legal relationship with new players in industry will be fundamental in achieving strategic alliances.

This makes this a theme of economic competition and, since the Federal Law on Economic Competition came into force on 7 July 2014, pharmaceutical companies are required to set out new protocols regarding the risks that arise on a daily basis regarding their personnel, mainly in the handling of prices, negotiations and alliances between competitors.

As part of best international practices in public sector procurement designed by the OECD, the Federal Government has implemented a public procurement strategy whereby they have started to publish various tenders that are part of a new way to purchase medicine called "The Consolidated Purchase of Medicines and Supplies", in the sum of 43 thousand million pesos.

In view of the implementation of this new public policy, the pharmaceutical sector might well ask the following question: how many millions of pesos is the true size of the government's need to buy medicines? The response could lead to various scenarios and we could get an idea by analysing different information that could be helpful for the health sector.

Regarding the amount of acquisition of medicines by the Federal Government over the next few years, we need to be clear about the complexity of the National Health System, which allows for the coexistence of various players who act as facilitators and have legal powers. This grants them the Technical and operational powers to carry out their own purchases and each government body (whether federal or state) handles its own funds in an independent manner.

In this sense, the pharmaceutical industry should migrate towards new Business models that take into account the value added in seeking to integrate services that include medicines by disease category in order in the future to attend to a specific population for a specific disease.

Medical Devices

Medical devices are essential for the diagnosis, treatment and rehabilitation of diseases. An analysis of the sources of change, together with an objective and well-defined strategic planning can help companies to reach the profit levels they hope to achieve. In Mexico, there is a range of sources of change that we should consider in order to achieve excellent benefits.

As the reform aims to make our health system more efficient and to optimise costs, the Federal Government is visualising a strategy of consolidated purchases based on volume and this purchasing scheme will govern medical devices.

This consolidated purchasing scheme will force medical device companies to seek the best strategy for large-scale production in order to be able to reach the capacity to supply the volume that the government will tender. It is important to note that our country is the largest supplier of medical devices to the USA, which in turn I the largest medical device market in the world.

In our country, we have developed a top-level cluster. An example of this is the San Diego cluster in Tijuana where there are over 60 companies operating and producing high tech, efficient medical devices. These facilities allow companies to reach higher levels of optimization and to open new markets

In September 2014, the General Health Council carried out a survey through its official internet portal. This public survey is in connection with their intention to modify the “Evaluation Guidelines for Health Supplies” and the “Guidelines for carrying out Economic Evaluation Studies for updating the National Formulary for Health Supplies in Mexico”. In the event that the Council proceeds with new rules for the inclusion of medical devices in the National Formulary, these will include the budgetary impact of the product that is requesting inclusion.

Furthermore, the National Centre for Pharmaco-vigilance and Techno-surveillance, part of the Federal Commission for the Protection against Health Risks (COFEPRIS) carried out an opinion survey regarding the guidelines for preparing techno-surveillance reports. These reports are an indispensable requirement for renewing the health registration for medical devices, since without this the manufacturer cannot sell the product.



Technology

The portability and harmonisation of health services is one of the options to improve the health system, allowing people to choose which health provider can give them the best care. This will create competition between institutions and thus raise the quality of service.

In order to initiate this portability and harmonisation we consider that one of the pillars on which the Mexican Health System should be built is the use of information and communications technologies (ICT), which could become one of the key features through the implementation of an Electronic Patient Record (EPR) that is integrated and unified across all health institutions. This could be one of the main solutions that would benefit all the stakeholders in healthcare.

An across-the-board EPR could play a fundamental role in guaranteeing portability and interoperability under a new General Health Law, where service delivery is unrelated to the affiliation of the patient, because it would allow for the sharing of information among all health institutions.

The role of ICT has proved fundamental for sharing information about patients and it ensures the best healthcare since it reduces human error. An example is the application of ICT in three key areas: patients, hospitals and doctors.



Medical insurance

Without a doubt, the theme that most attracts attention in 2015 will be the implementation of the new Law for Insurance and Guarantee Institutions (LISF) that goes into force on 4 April 2015.

This relates to a very Deep change in the internal management of insurance companies, where self-governance will be the challenge that each company must overcome.

The most important element in the new LISF is surely the introduction of Solvency II, which is a regulatory framework that began in Europe to guarantee the solvency and viability of insurance companies.

Solvency II is based on three principals: 1) the calculation of reserves and capital, 2) corporative governance and 3) information.

The challenge is huge and the implementation of these new regulatory requirements will surely lead to company mergers and the entry of new players in the market.

Particularly in health insurance, the brokers will try to have a more active role in the National Health System Reform, proposing more efficient schemes to satisfy the needs of certain population groups that prefer to opt for private health services together with complementary coverage through social security.

Finally, as usual, the Medical Expenses and Health Insurers should focus on maintaining an adequate control over the cost of claims, so that they can ensure their profitability and a competitive annual fee for their clients. We may see new products and services aimed at covering these needs, especially exploiting the benefits that the new LISF brings, to offer coverage for preventative medicine, which in the past was the exclusive preserve of the ISES (Institutions for Specialised Health Insurance).

Pre-Assessment Unit ↑
Patient Theatre Reception ↑
West London Day Surgery Centre ↑
Central Admissions ↑

Building
Pre-Assessment Unit ↑
Theatre Reception ↑
Surgery ↑
Admissions & HDO ↑
Patient Assessment Unit ↑
Ward 10 ↑
Ward 11 ↑



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