# OUT-OF-POCKET PAINS

Of all their Latin American neighbors, Brazilians and Mexicans have enjoyed the most impressive economic growth and with it, are more prone to chronic disease. But can they afford medications? **Ana Schaeffer** and **Simeon Pickers** on why market access factors can make or break a product in these countries


As attention turns to emerging markets due to the limited potential of developed ones, Latin America has become one of the most promising regions for growth. The stars are Brazil and Mexico, together encompassing a population bigger than the United States and a domestic product similar to that of Germany.

In relation to the recent financial crisis, Brazil was one of the last countries to be affected and the first one out of the crisis. Whereas, Mexico, due to its proximity and close commercial ties to the US, was hit in 2009 but from there onwards recovered at a good pace.

Both countries are profiting from a "demographic bonus" (a relatively high proportion of young people at a productive age) but will shift toward aging societies over the next decades, similar to what we currently see in developed nations. Combine this with high urbanization and lifestyle changes and we can perceive the trend—populations more prone to chronic disease.

## The importance of accessibility

When discussing factors for success in emerging markets—or any other market for that matter—the usual top-of-mind considerations are focused on market access: Which clinical trials, safety and efficacy data ought to be presented? What are the steps toward regulatory approval? How can support by opinion leaders be ensured? What has to be done in order to obtain public and private reimbursement?

All are relevant and technical points, although sometimes, little thought is spent on how or if the average patient will be able to afford the medication. As both Brazil and Mexico are mainly out-of-pocket markets, where highest growth is seen in the lower classes, overlooking these aspects can prove to be an error in such countries.

Middle and upper classes in Brazil and Mexico represent a minority among the population as a whole. The most significant growth comes from the high portion of lower classes that are dynamically emerging, the so-called base of the pyramid. According to the United Nations Economic Commission for Latin America and the Caribbean, "in Brazil and Mexico…28 million and 14 million people


respectively moved up to the middle class during the years from 1990 to 2007." This trend is likely to get stronger rather than weaker in the current decade, despite the economic slowdown of recent years.

Both Brazil and Mexico, in theory, are welfare states approaching universal coverage in health services and supplies. Although the majority of people in Brazil and Mexico have access to public insurance coverage, a large portion of that group seeks private healthcare because of facility saturation and poor availability of drugs and services within the public system.

For instance, public pharmacies not only suffer from lack of stock for certain drugs, but also frequently face shortages. The latter has become a political hot potato in Mexico. Brazilians enjoy universal access to hospital and emergency treatment via the public system, however, not to all the newest drug options (insulin and metformin are free; DPP-IVs must be bought out of pocket).

Healthcare finance and resources are often mismanaged; analysts have shown that the overall cost of a Cesarean surgery in Mexico's social security institute is higher than the same procedure at a "Los Angeles" hospital, one of the premium private hospital groups in Mexico.


Patients, pharmacists and medical professionals are well aware of these deficiencies and know that in order to enable satisfactory patient care, other pathways to treatment and medication have to be employed. Market access factors, although necessary, are still not yet sufficient for market success. Alongside physician support, market accessibility is what can make or break a product in these countries, establish it in the market, and allow for blockbuster market share.

In order to gain a better understanding of how the high rate of out-of-pocket spending in Brazil and Mexico influences the different stakeholders' behavior as well as their relationships, last year Psyma conducted a series of short quantitative phone surveys with pharmacists (50 in each country). In addition, a qualitative portion included 12 ethnographic/in-home interviews with patients (diabetes, hypertension, dyslipidemia) from different socioeconomic grades, as well as in-office interviews with physicians (endocrinologists, cardiologists) and pharmacists.

Not surprisingly, we found that typical bills and responsibilities drain the household budget but that modern life has also turned some former luxuries into commodities—i.e., the mobile phone, cable/satellite TV and broadband, to name a few. Lower income patients and the elderly who depend on retirement funds or are commonly poly-medicated appear to be affected most.

Regardless of social class, most patients tend to seek out cheaper options and generics, and when needed, even go without certain medications, possibly only buying the priority drug.

We see additional cost pressure in Mexico, where patients prefer phone consultations, which usually do not trigger a consultation fee as would a formal doctor visit (i.e., to renew a prescription).

In both countries, samples are welcomed by patients and physicians. Coverage of consultation fees is different. In Mexico some patients would rather wait for a doctor visit in a public institution than pay for it out of pocket. In Brazil consultation fees are covered free of charge by medical insurances and the public setting, although in more severe situations patients might access out-of-network doctors.

Out-of-pocket spending might still be necessary, in which case cheap generic options become more attractive. An exception to this rule involved family child care, where branded products demonstrated more significance.

This view held among the Brazilian respondents, including those from higher socioeconomic brackets, while the pattern was strongly observed in Mexico, independent of socioeconomic status.

Notwithstanding differences in each country, cost is a daily issue for patients, and this hasn't been lost on physicians. As patients shop for clinicians that offer lower-cost medications, doctors match medications to the patient's pocket so as not to jeopardize compliance and physician loyalty. They often prescribe cheaper alternatives (possibly older generations) or a more conservative prescription of branded drugs (shorter treatment cycles). Some medical professionals also recommend patented drugs for the main disease and generics for less serious ailments.

Pharmacists said about 50% of clients request information regarding cheaper options. Through in-shop observations, it was perceived that patients

usually initiated the discussion for cheaper options, generics and discounts, regardless of class or disease, whereas price-matching and shopping around for the best option is a behavior that is more strongly observed in Brazil than in Mexico.

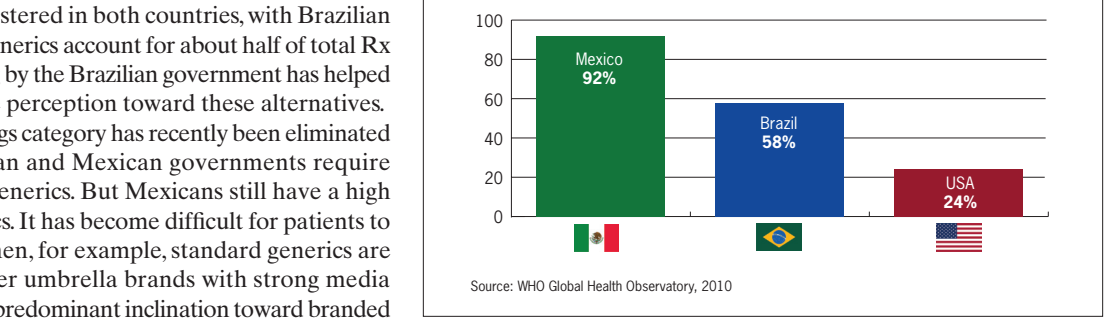
Generics utilization is registered in both countries, with Brazilian pharmacists reporting that generics account for about half of total Rx sales. Additional campaigning by the Brazilian government has helped to foster a generally positive perception toward these alternatives.

Although the "similar" drugs category has recently been eliminated in Mexico, both the Brazilian and Mexican governments require bioequivalence testing for generics. But Mexicans still have a high degree of distrust for generics. It has become difficult for patients to determine whom to trust when, for example, standard generics are bundled and marketed under umbrella brands with strong media support. This has produced a predominant inclination toward branded or patented options, even if it means higher overall spend.

Physicians in both countries demonstrate a preference toward brands, but accept that the decision is up to the patient. Physicians promote branded drugs whenever possible. However, pharmacists can legally offer generic options of any branded medication, although they insist that they do not influence the patient's decision.

## Enhancing accessibility

Major manufacturers are already working on enhancing the accessibility of their products. Certain trends can already be observed, some at more advanced stages than others:




■ **Branded generics.** Huge potential exists for pharmaceutical companies to seize the trust banked in their brands to provide economically competitive generic options, with the added confidence that these options maintain a high degree of quality, safety and efficacy. Several important companies have moved ahead already—Novartis with Sandoz, Sanofi with Medley, and now Pfizer with Pfizer Vitales.

■ **Intelligent promotions and discount cards.** These are advancing, not with the flat scheme of "2 for 1" or "20% discount on everything," but designed to encourage and reward treatment compliance and brand loyalty. In Brazil, pharmaceutical companies offer monthly discounts for certain products to patients who register through their customer services hotline. This improves treatment compliance and helps retain brand loyalty. In Mexico some patients voiced the desire for support in covering consultation/professional fees or other healthcare services in exchange for compliance with treatment.

■ **Investment in customer lifetime value.** Many patients, especially those with lower incomes, lack disease education. This can lead to dire consequences. The closer the brand physically gets to the patient—i.e., through mobile clinics, informative leaflets, or support for patient organizations, support programs or financing options—the greater impact the programs will have. One should also recognize the strong informal bonds of mutual support that exist among members of a specific group, be it the family, neighborhood or community. If a group's support for a member can act as a guarantee, then access to credit based on this can help enhance treatment and compliance.

■ **Distribution channels.** Although a challenging measure to implement, reducing intermediaries or shortening the distribution channels will have a positive impact on the end prices for consumers. Patients even suggested the establishment of branded outlets for drugs.

Considering the large shares of out-of-pocket spending, and the extent to which the population depends on the public healthcare systems, the fortune at the base of the pyramid is still undervalued. Future public plans will further invest in healthcare, especially as emerging countries adopt preventive measures. With the increasing middle class and shrinking poor working classes, companies who are already established with respectable company images and products and who can identify with patients at the base of that pyramid will certainly be one step ahead. ■

*Ana Schaeffer is managing director, Psyma Pesquisas de Mercado (Sao Paolo), and Simeon Pickers is managing director, Psyma Latina (Mexico City).*

## Argentina beckons as clinical trials host

Brazil and Mexico may boast the most upwardly mobile middle classes in Latin America. But Argentina is carving out a niche as a "clinical research powerhouse," says one analyst firm.

In 2010, the clinical trial market in Argentina was valued at $49.4 million in terms of revenue and is forecast to grow at a compound annual rate of 9% between 2010 and 2015, says GBI Research.

What makes the region so attractive for clinical research organizations (CROs), and by extension biopharma? Cost reduction, for one.

"Services and Investigator fees are generally speaking around 25% less," says Anne Blanchard, CEO and clinical operations manager of Blanchard & Asociados, a CRO with offices in Buenos Aires. "But taxes for importation, patient insurance and regulatory fees should not be underestimated."

Patients can more easily be recruited for trials, too, claims GBI, thanks to a large, willing patient pool coupled with what it calls "more limited medical facilities." Government investigator sites in metro areas, where relatively few have health insurance, help in enrolling subjects.

Blanchard says that Argentinians enjoy "relatively good access to health and strong patient-doctor relationships, leading to good compliance and retention rates (minimal dropout rates)."

Overall, she tells *MM&M*, the country provides "a good balance of timelines, recruitment potential and costs, while guaranteeing the E6 GCP standard and permanently monitors clinical research activity through site inspections."

As such, GBI predicts pharma and biotech firms will have good reason to outsource clinical trials there.