

## **L.E.K. Consulting**

### Digital in Latam's Healthcare Sector – Where Are the Real Opportunities Today?

March, 2023

These materials are intended to supplement a discussion with L.E.K. Consulting. These perspectives will, therefore, only be meaningful to those in attendance. The contents of the materials are confidential and subject to obligations of non-disclosure. Your attention is drawn to the full disclaimer contained in this document.



# Digital solutions are pivotal to support companies in addressing demographic and market pressures that challenge systems' sustainability and care provision

## Key trends



*Growing disease burden and health expenditures*



*Increasing drug and MedTech costs given new disciplines and capabilities*



*Healthcare infrastructure constraints*



*Complex care pathways*



*Consumerism and high healthcare / patient engagement*

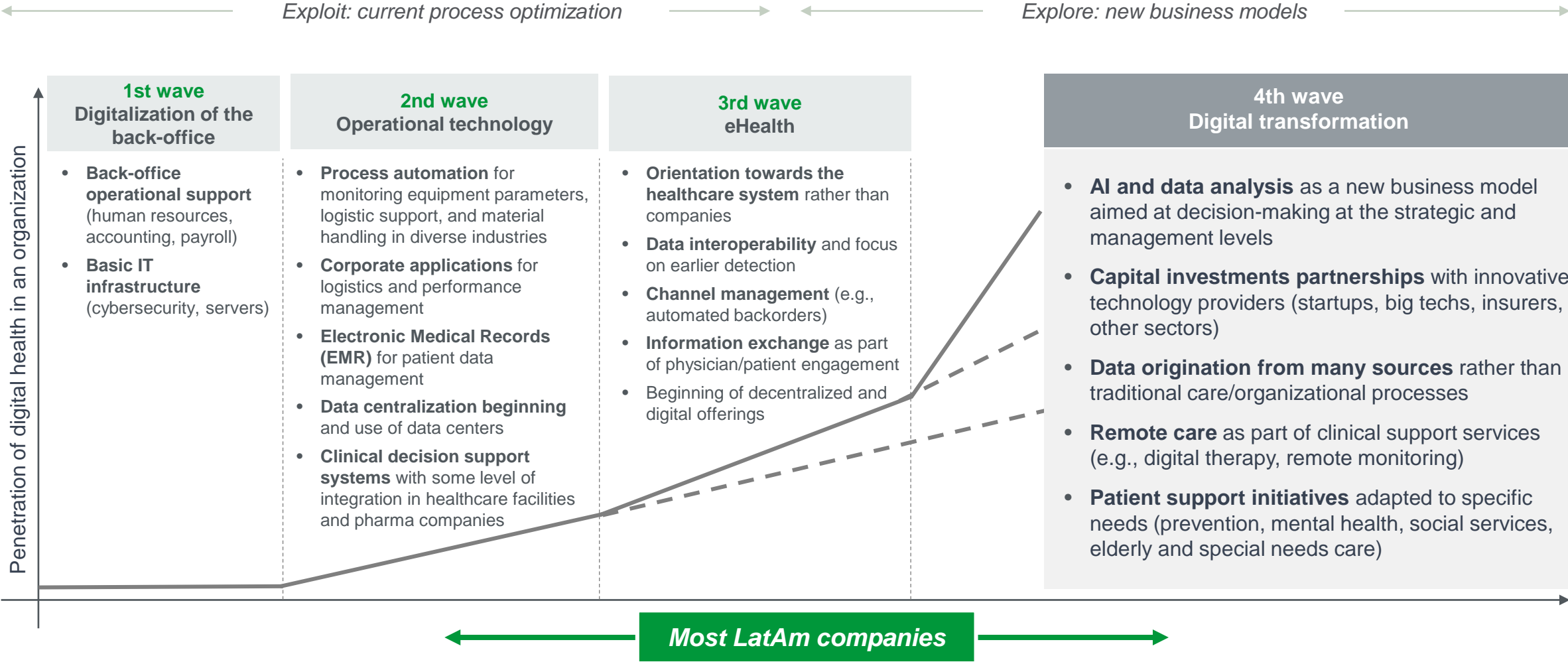


*Funding pressures*

Digital solutions support healthcare companies in dealing with demographic and market pressures by allowing

- ✓ **Better control of patient's conditions**, in early stages and during acute / chronic episodes
- ✓ **Quicker and cheaper development** of pharmacological and MedTech products
- ✓ **Operational and care delivery efficiencies**
- ✓ **Better engagement** with and navigation of patients
- ✓ **Innovative solutions** that better align with market participants' demands

Although many associate digital with disruption such as AI, there is a long evolutionary path to be pursued and multiple companies are still in early stages and have yet to build foundation capabilities



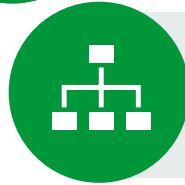
Source: L.E.K. research and analysis

## In this context, L.E.K. designed the Digital Excellence Framework “DEX” to support companies in assessing their digital maturity and navigate the challenges of “becoming digital”

- **The Digital Excellence Framework (DEX) helps companies navigate** the complex challenges of "becoming digital" and supports the assessment of digital maturity, strategy, and implementation priorities
- **There are five key areas that support "digital excellence" for companies** from a holistic perspective, which compose our assessment framework
- **The DEX framework has been applied in numerous situations for healthcare, MedTech, and life sciences clients;** for example, in board presentations, strategy development, portfolio prioritization, and roadmap development



Development of a digital **strategy**, implemented through...



building a digital **organization**, supported by...



a modern digital **infrastructure**, which supports...



developing a relentless **customer focus**, and enabling...



continuous reinvention of **business models**

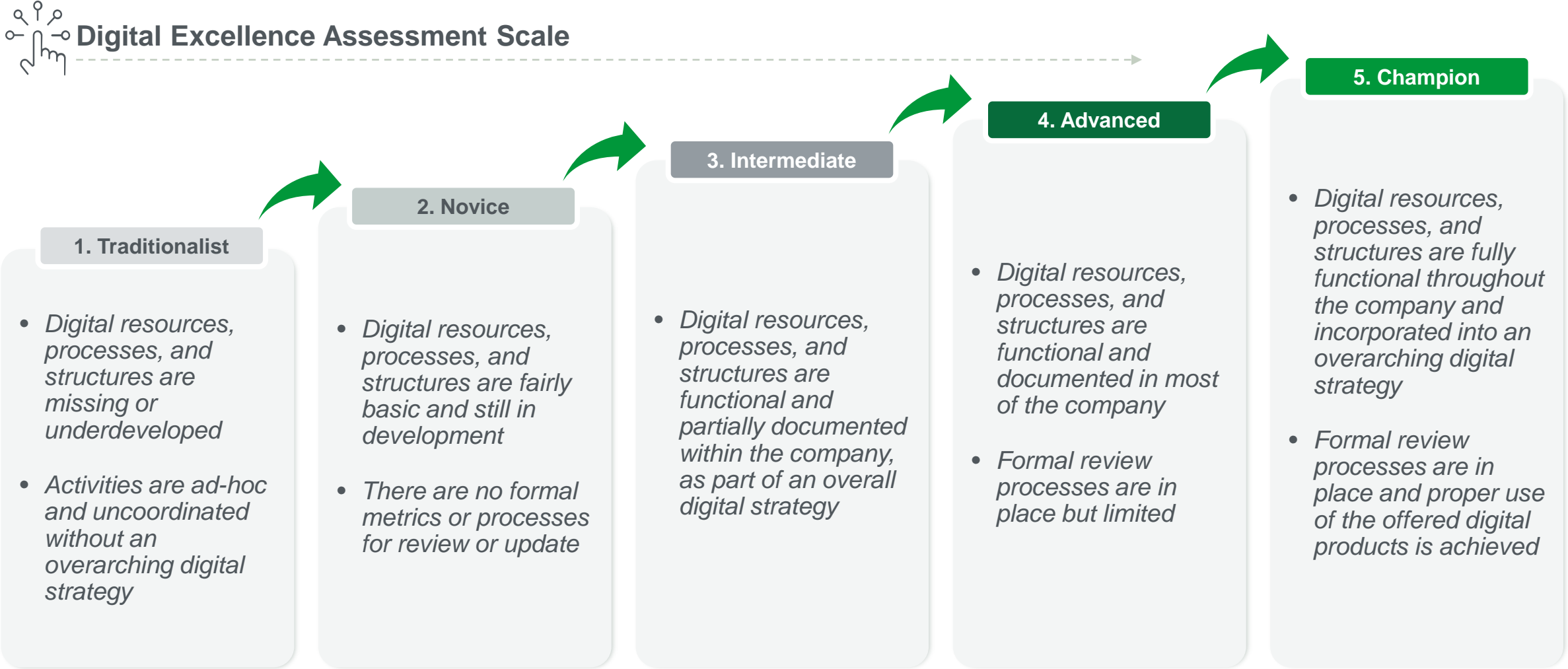
# The DEX focus on five key dimensions for the digital transformation – Reimagine, Reorganize, Rebuild, Refocus and Reinvent, which can be further segmented into nine subcategories

INDICATIVE



Source: L.E.K. Consulting

# The DEX allows assessment and classification of companies' digital maturity in five levels - Traditionalist, Novice, Intermediate, Advanced and Champion

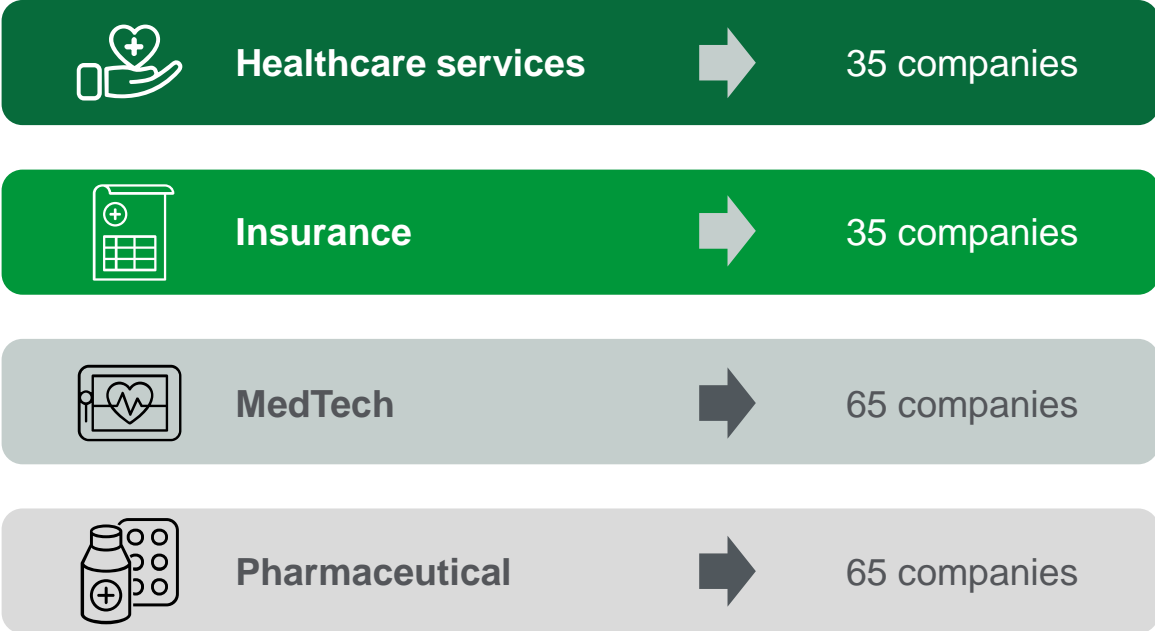


Source: L.E.K. research and analysis

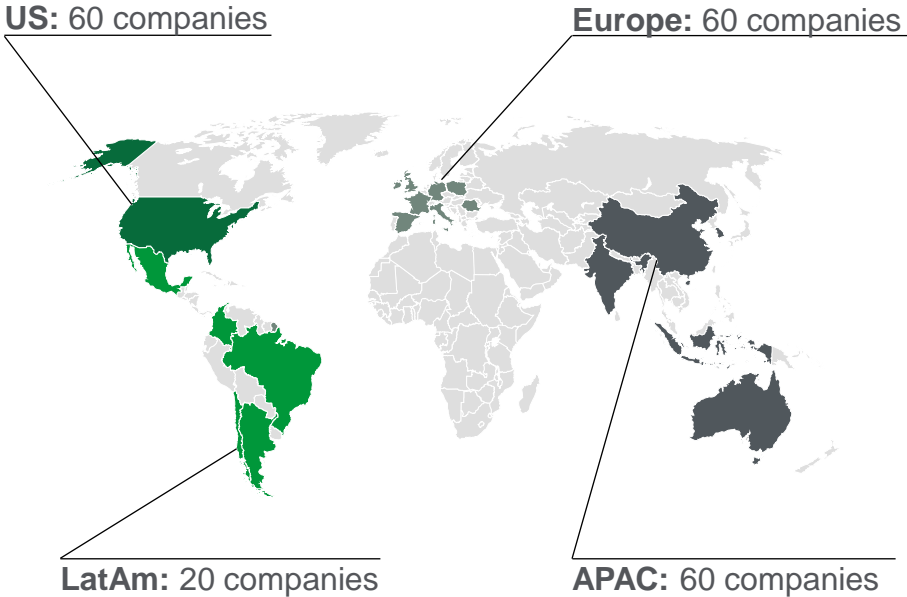
L.E.K. ran the DEX survey in the second half of 2022 with 200 companies, from 4 subsectors and 19 countries to have a comparative perspective of healthcare digital maturity across the globe

Total number of responses for DEX healthcare: 200 companies

Subsector

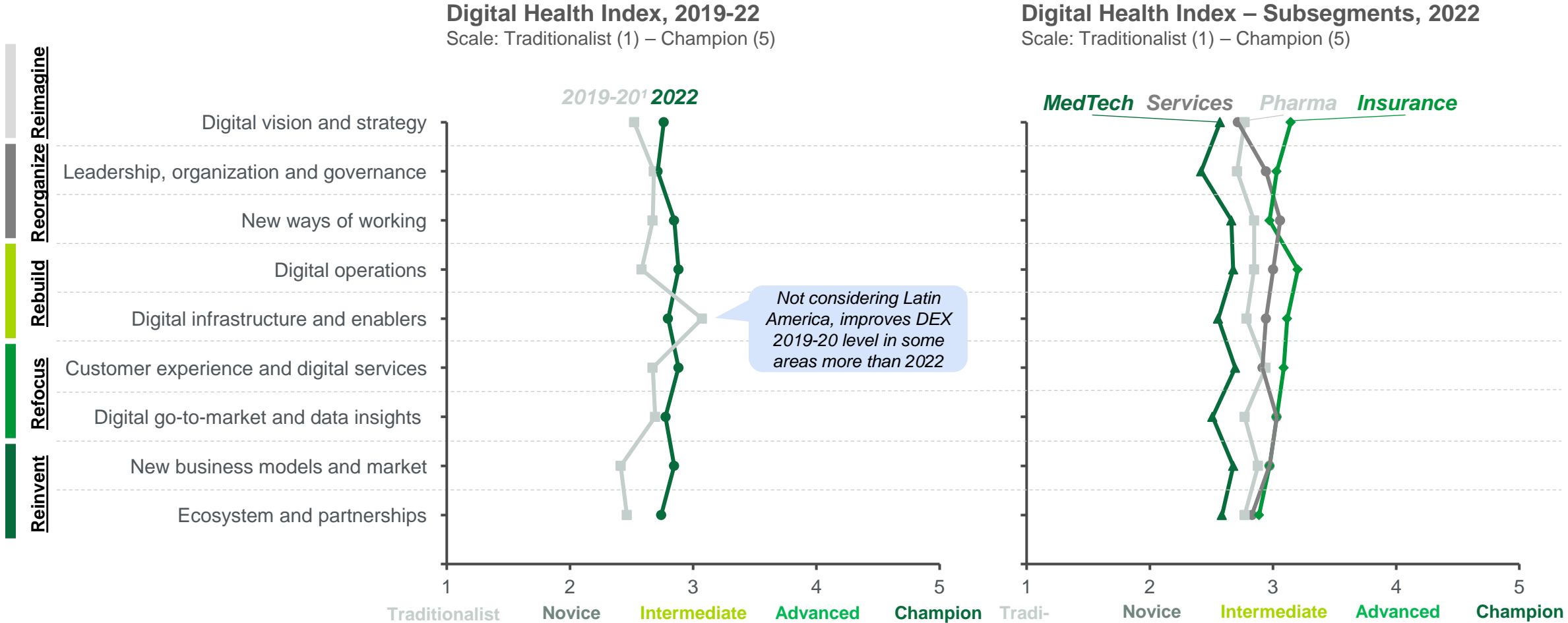


Geography



Source: L.E.K. research and analysis

# Results indicate that the sector is at novice stage, having evolved little between 2019 and 2022; Insurers in general have a higher maturity, and Medtech a lower maturity



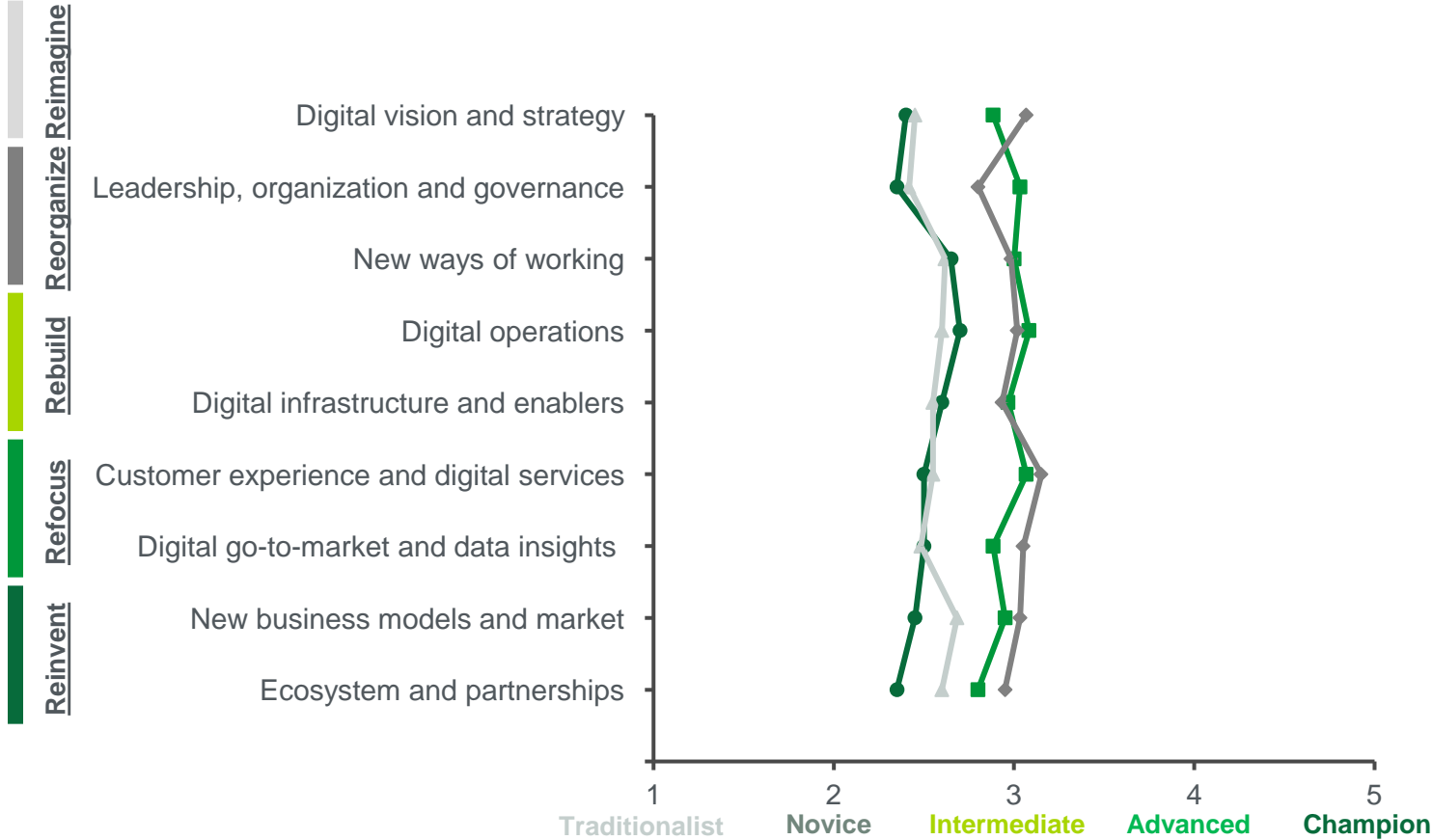
Note: 1) Only pharma and MedTech subsectors and US, Europe and APAC geographies  
Source: L.E.K. research and analysis



# LatAm (and Europe) are at initial stages of digital transition, lagging US and APAC

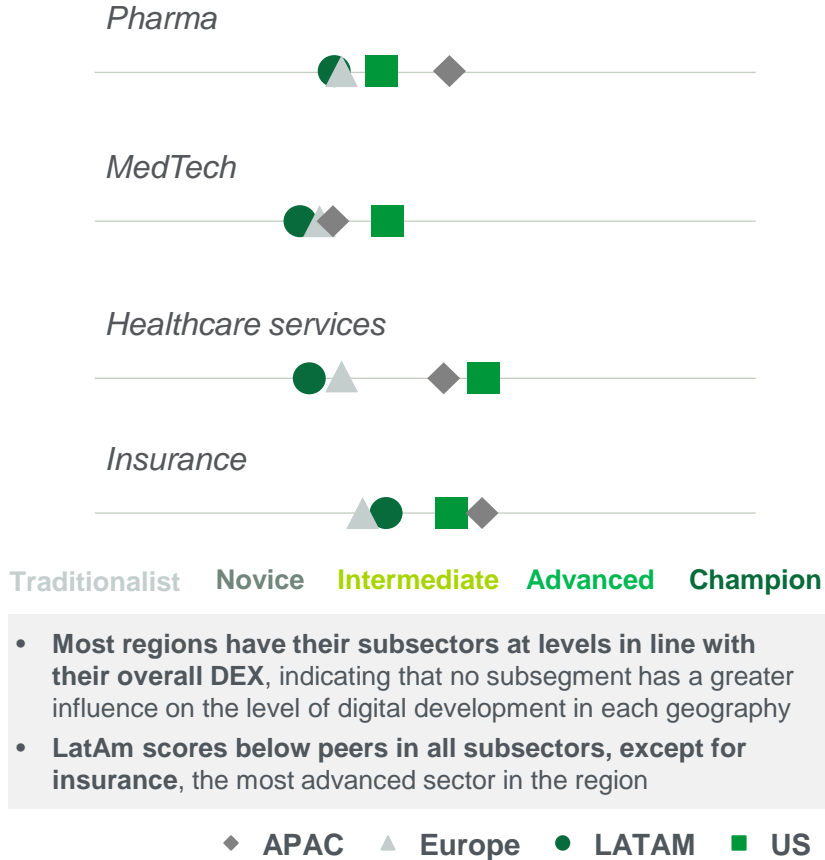
## Digital Health Index, 2022

Scale: Traditionalist (1) – Champion (5)



## Digital Health Index – Geographies average, 2022

Scale: Traditionalist (1) – Champion (5)



- Most regions have their subsectors at levels in line with their overall DEX, indicating that no subsegment has a greater influence on the level of digital development in each geography
- LatAm scores below peers in all subsectors, except for insurance, the most advanced sector in the region

Source: L.E.K. research and analysis

# The Healthcare digital readiness scores for Latin America are not unexpected, considering the region low Digital Competitiveness Rankings

## IMD World Digital Competitiveness Ranking, 2022

Ranking out of 63 countries



Top 10 countries are from Europe, Asia or US...

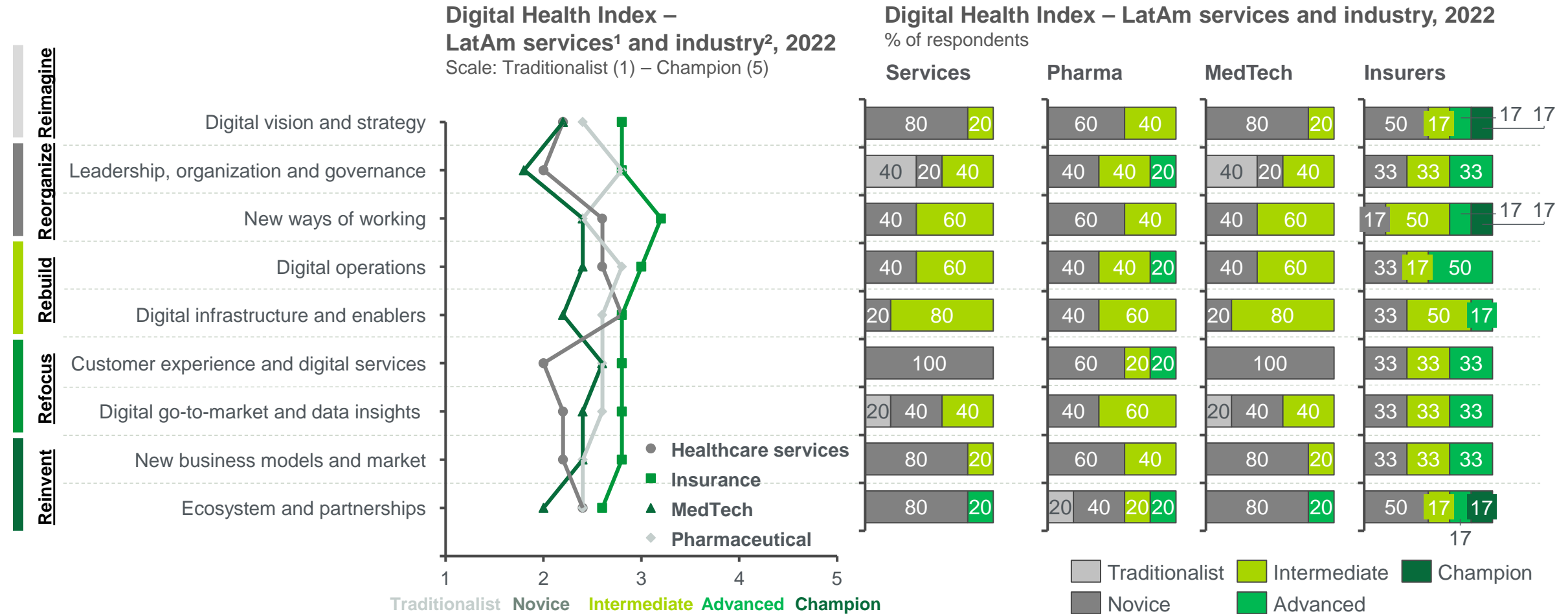
... while LatAm countries occupy most of the positions in the last quartile and have the 5 of the 10 least advanced countries in digital terms

## LatAm Countries' IMD Ranking 2022

Assessment criteria	Argentina	Brazil	Chile	Colombia	Mexico	Peru	Venezuela	
<b>Knowledge</b>	Talent	#61	#62	#39	#58	#54	#59	#63
	Training & Education	#49	#51	#54	#46	#53	#37	#60
	Average rank #55	Scientific Concentration	#48	#25	#55	#56	#49	#60
<b>Technology</b>	Regulatory framework	#61	#55	#41	#59	#56	#51	#63
	Capital	#62	#57	#43	#56	#55	#53	#63
	Average rank #56	Technological framework	#55	#51	#36	#61	#54	#59
<b>Future readiness</b>	Adaptive attitudes	#49	#43	#26	#48	#54	#53	#63
	Business agility	#37	#52	#43	#54	#46	#39	#55
	Average rank #50	IT integration	#53	#43	#34	#58	#47	#59

Source: IMD World Competitiveness; L.E.K. research and analysis

# Insurers and service providers are relatively more mature than the rest of the industry in the region, especially in infrastructure and processes



Notes: 1) Healthcare services and Insurance; 2) MedTech and pharmaceutical;  
Source: L.E.K. research and analysis

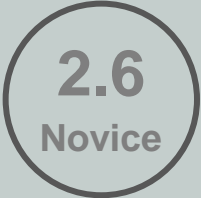
**Sectors deep dive**  
*Services & Insurance*

**Insurance & Services**



**Healthcare services and insurance**

DEX index



**Industry**



**MedTech and pharmaceutical**

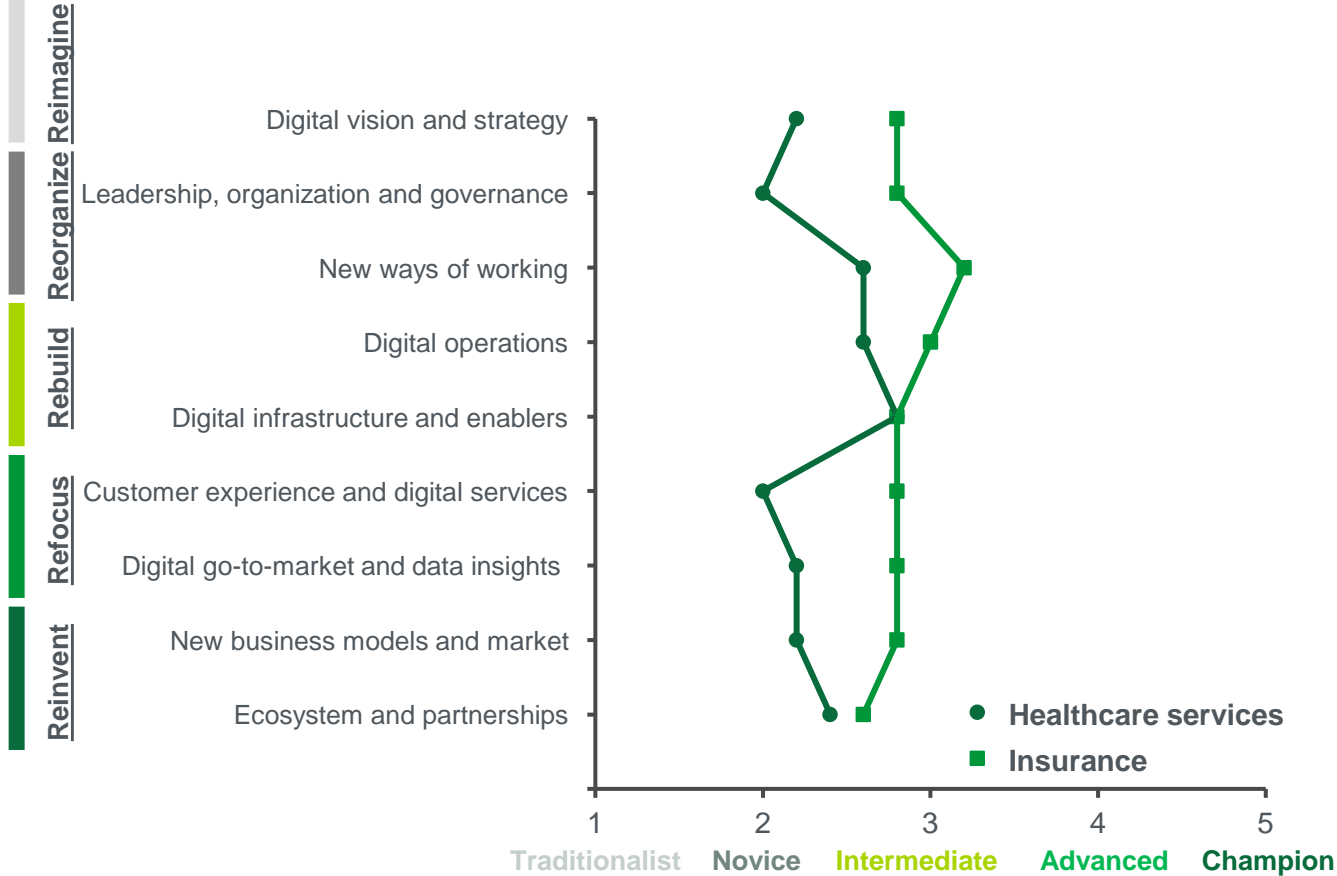
DEX index



# Insurers and service providers have evolved in infrastructure and process automation and are beginning to evolve towards innovative offerings, though still lacking in strategy and governance

## Digital Health Index – LATAM Services, 2022

Scale: Traditionalist (1) – Champion (5)



### Discussion

- **Insurers are currently ahead of peers, including providers** however, both industries are still in the lower to middle range of digital maturity; Higher development relates to Financial-services background and need for management infrastructure
- **In services, development has happened mostly in infrastructure and enablers**, with timid evolution in leadership, organization, and governance
- **Major disruptive opportunities relate to “refocus” dimensions** such as CX and GTM, though service providers still need to get foundations right



Some areas of progress include:

*Telehealth, electronic health records (EHRs), mobile health (mHealth), and medical imaging and diagnostics*



Some of the challenges include:

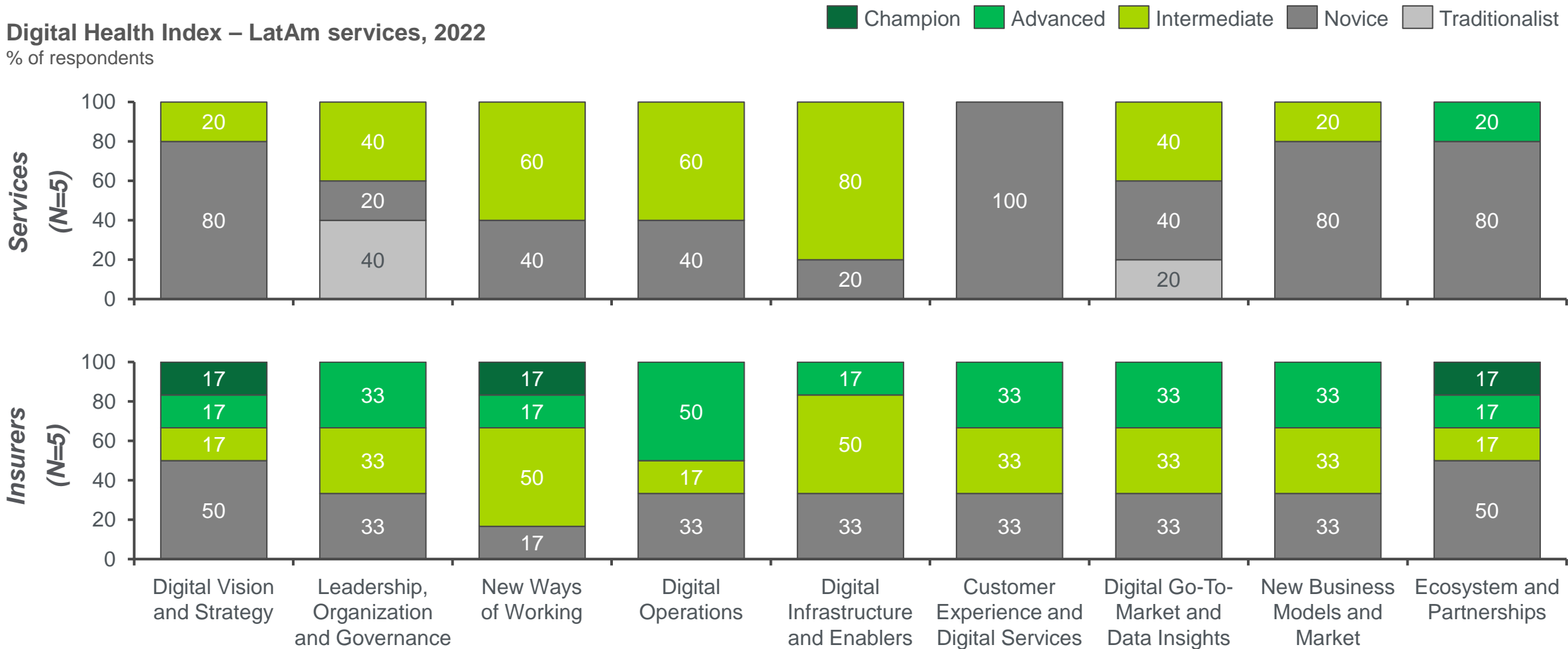
*Infrastructure and connectivity, digital literacy, interoperability, and regulatory frameworks*

Source: Inter-American Development Bank (IBD), Medicina S/A; L.E.K. research and analysis

# Most respondents classify their business in the novice and intermediate levels, though insurers acknowledge higher maturity; Infrastructure, digital operations and “ways of working” outstand

## Digital Health Index – LatAm services, 2022

% of respondents



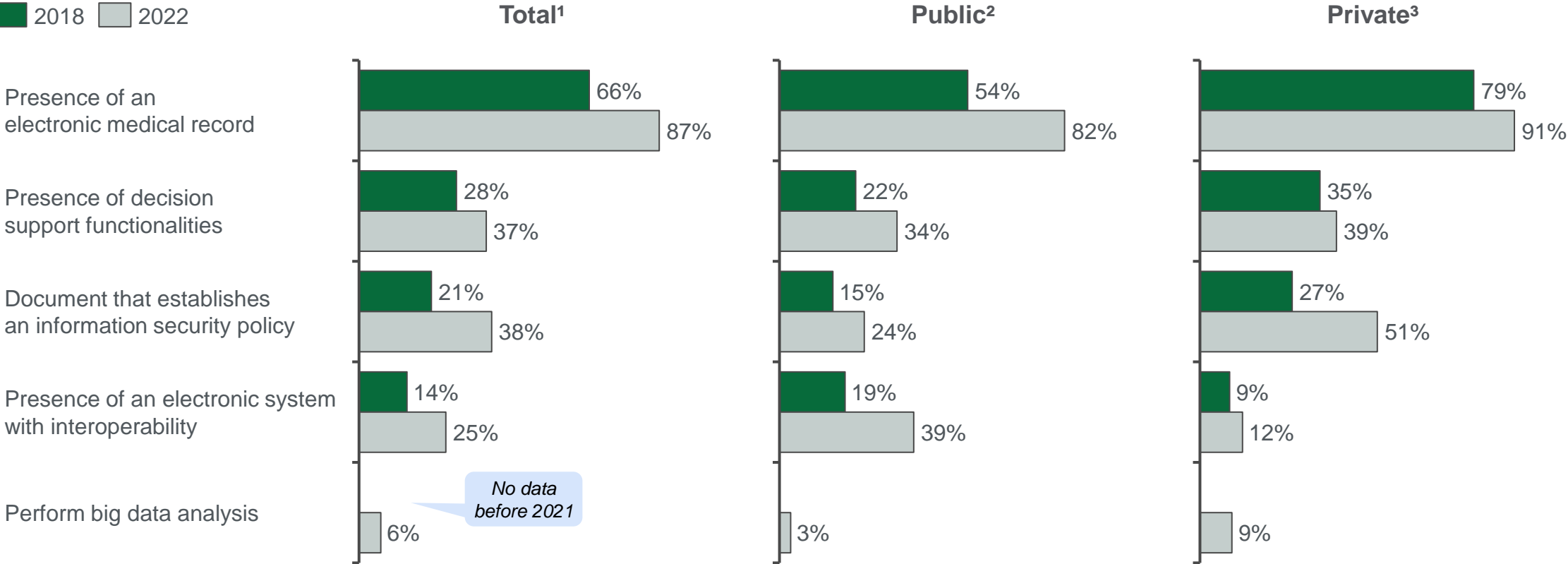
Source: L.E.K. research and analysis

# As an example, hospitals in Brazil have made great advances in critical systems but still fail to properly integrate data and are on early stages of data processing

## CETIC Brazilian hospitals digital development, 2018 - 2022

% that have the resource; Number of answers

2018 2022



Notes: 1) N (2018): 104,605, N (2022): 120,069; 2) N (2018): 53,412, N (2022): 58,091; 3) N (2018): 51,193, N (2022): 61,977

Source: CETIC; L.E.K. research and analysis

## However, there are multiple groups pioneering more disruptive approaches, allowing for better operations and care delivery

### Description of use cases

Telemedicine



- Albert Einstein Hospital used Amazon AWS cloud system in *Einstein Conecta*, a telemedicine system for low complexity cases that serves people and companies 24/7

### Outcomes

- Flexibility to increase the number of people served per year from 30,000 (2018) to 2 million (2020), have over 80% satisfaction of customers served, and greater agility for the platform to grow

AI



- *Sírio-Libanês* innovation department incubated *Sofya*, a startup that improves the format of clinical documentation using a voice-to-text and artificial intelligence platform

- Reduction of up to 40% of medical data entry time by increasing the speed of filling anamneses and medical records, in addition, it assists in patient care by preventing potential accidents/health risks and monitoring medication schedules

Data analysis



- Dasa has invested \$1.56 billion between 2018 and 2020 to create one of the largest proprietary data lakes in the healthcare industry reaching more than 6.4 billion data points to make more personalized diagnoses, more efficient care, and reduce mortality rates in more severe cases

- 20 to 30%<sup>1</sup> reduction in the health insurance claim for older age groups in a portfolio with more than 150,000 patients, in addition to reduction of ER entries and hospitalization time, benefiting from better data use for monitoring and follow-ups

Interoperability



- Médica Sur hospital has created "Mi Hospital Digital," a program to constantly monitor patients digitally through an Alexa voice control assistant installed in their rooms, digital clinical record, an online platform for interaction between patient and doctor, and health education resources

- Improved patient outcomes, through increased speed of clinical data interpretation, physician-patient communication, and patient engagement

Note: 1) According to the president of Dasa Group in a report by Valor Investe dated in 04/27/2021 - "Dasa lança plataforma digital para integrar negócios e passa a operar sob marca única"  
Source: Companies websites; L.E.K. research and analysis



**Sectors deep dive**  
*Industry – Pharma & MedTech*

**Insurance & Services**



**Healthcare services and insurance**

DEX index

**2.6**  
Novice

**Industry**



**MedTech and pharmaceutical**

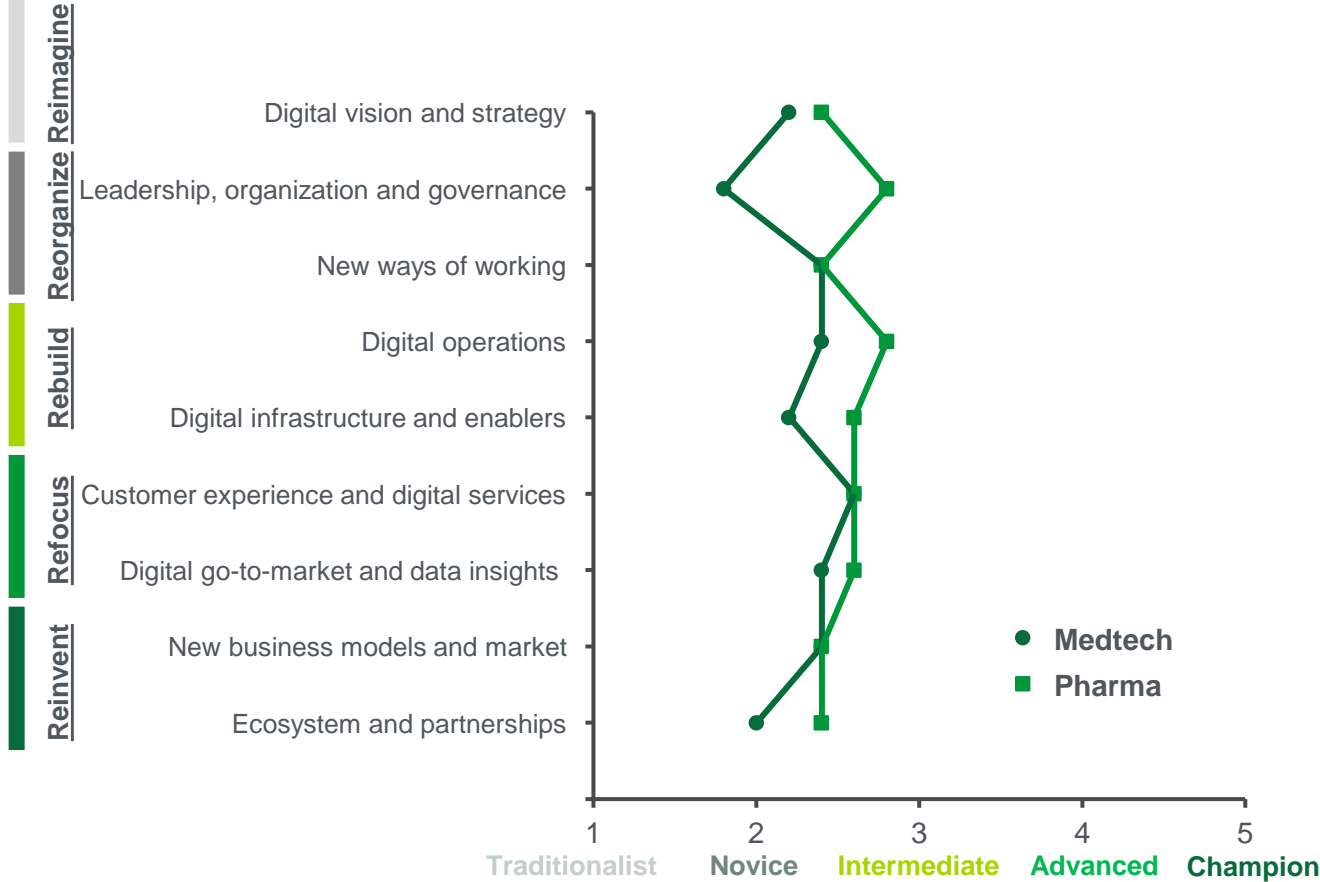
DEX index

**2.4**  
Novice

# Although pharma and MedTech companies evolved GTM models as result of pandemic restrictions, digital maturity is still relatively low across all dimensions

## Digital Health Index – LATAM Pharma & MedTech, 2022

Scale: Traditionalist (1) – Champion (5)



### Discussion

- **Pharma companies currently outperform MedTech's** in technology utilization, however both face barriers in attaining digital proficiency, despite advancements in recent years
- **MedTech particularly lags in leadership and governance** which probably spill overs to other dimensions
- **To both pharma and MedTech franchises in LatAm opportunities concentrate in rebuilding**, to create the adequate infrastructure that will allow digital development over time



Some areas of progress include:

*Marketing and commercial tools, e-commerce platforms, basic infrastructure*



Some of the challenges include:

*Clear strategy, data architecture and integration, interoperable and connected infrastructure across the value chain, including connections with key partners, such as distributors*

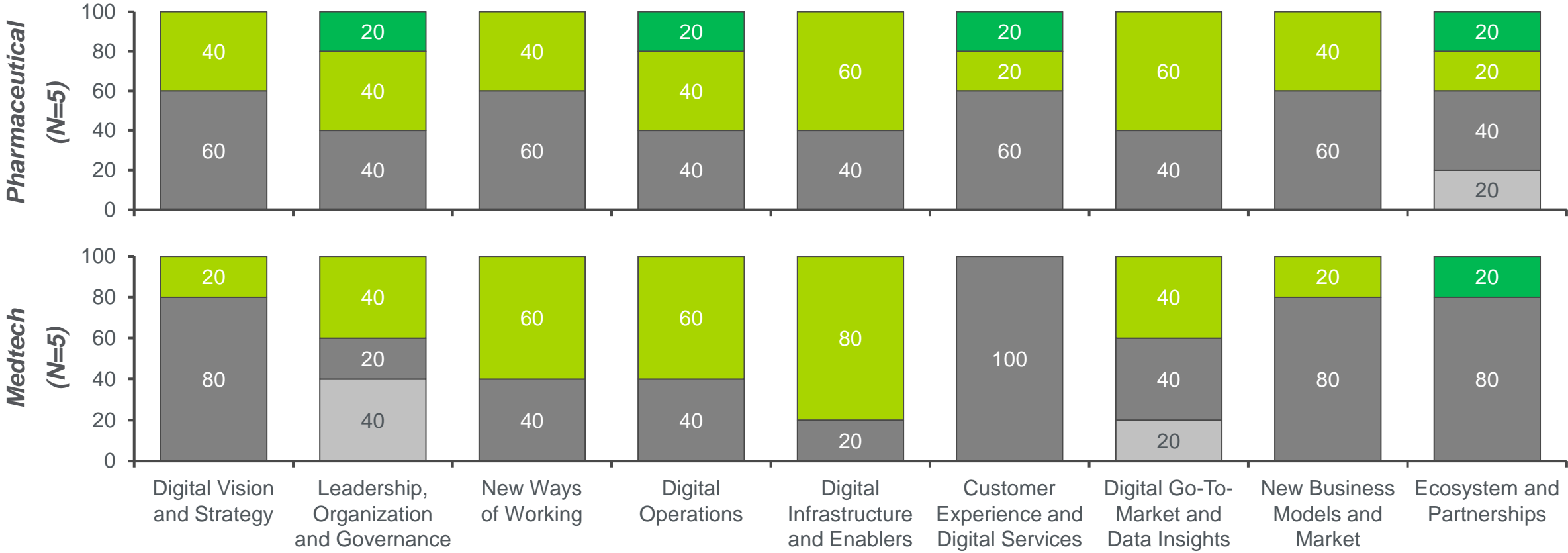
Source: L.E.K. research and analysis

# Both the pharma and MedTech companies are at novice stages in most dimensions; Companies are more mature on operations-related, while pharmas are making more progress in commercial areas

## Digital Health Index – LatAm industry, 2022













% of respondents

Champion Advanced Intermediate Novice Traditionalist



Source: L.E.K. research and analysis

# However, there are multiple local companies committed to further digital development, not only building basic infrastructure, but also innovative solutions, as Eurofarma with its CVC arm

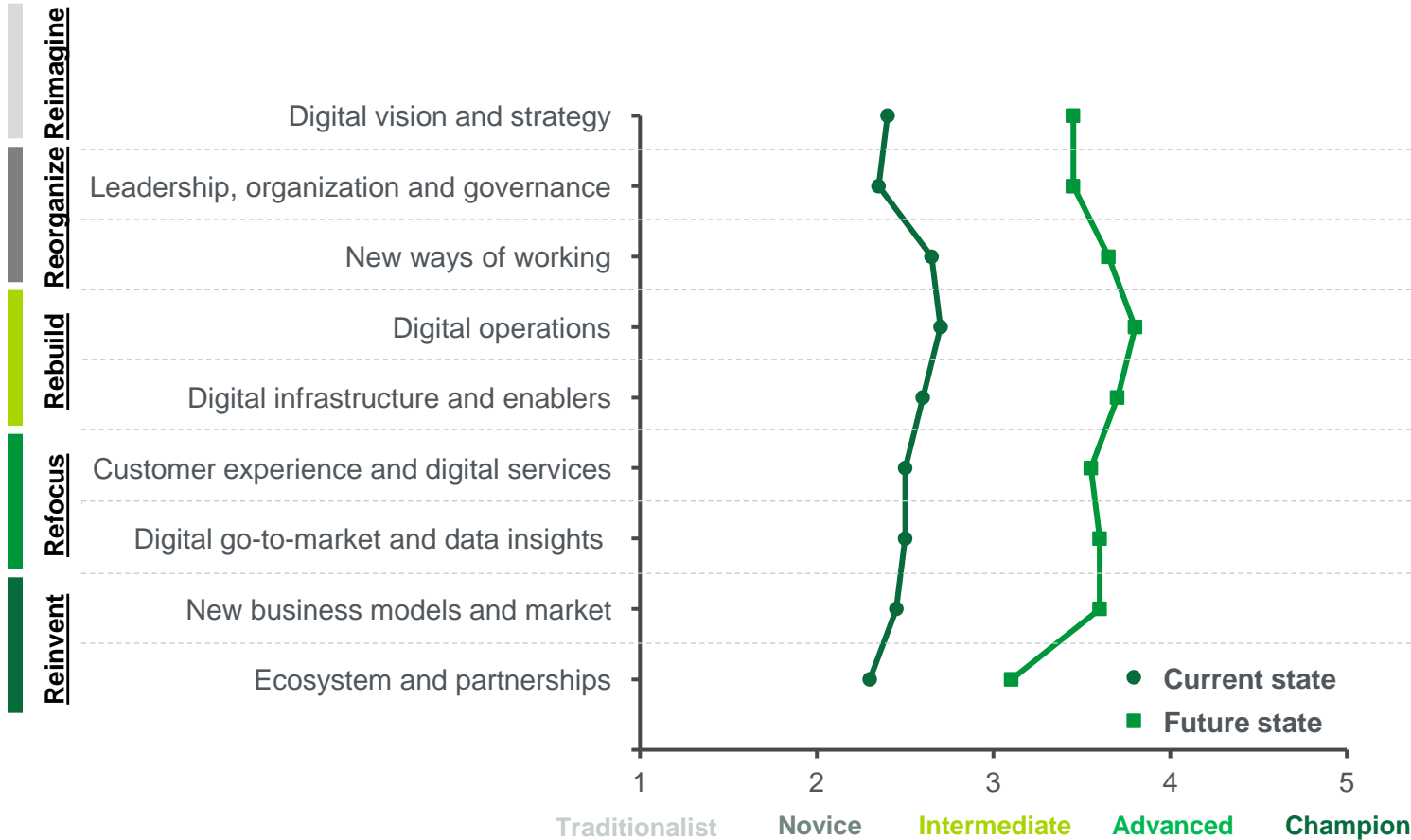
Description of use cases		Outcomes
Supply Chain	  <ul style="list-style-type: none"> <li>R\$ 45MM investment in the 4.0 automation of the Pernambuco warehouse, automation includes inputs receiving with vehicle tracking software, warehousing, and packaging and shipping with automated robots</li> </ul>	<ul style="list-style-type: none"> <li>Real time warehouse operations data generation that can be interpreted to further increase sales &amp; operations efficiency and improved operational efficiency on packaging</li> </ul>
Manufacturing	  <ul style="list-style-type: none"> <li>EMS invested R\$ 150 MM (2013) in building a robotic driven packaging system for solid pharmaceuticals</li> </ul>	<ul style="list-style-type: none"> <li>~70% increase in production rates of solid pharmaceuticals, expanding manufacturing capacity from 45 million units per month to 76 million</li> </ul>
Commercial	  <ul style="list-style-type: none"> <li>Novartis developed new strategies for drug access based on an online questionnaires that documents patient symptoms in a structured manner and support HCP diagnosis</li> </ul>	<ul style="list-style-type: none"> <li>Diagnosis accuracy and validation in 80% of the cases in primary care settings</li> </ul>
Distribution	  <ul style="list-style-type: none"> <li>Hypera partnered with RFXCEL (2020) to help develop a track and trace system for their products, allowing full visibility of the distribution process through integrated monitoring of the packages</li> </ul>	<ul style="list-style-type: none"> <li>Development of integrated internal systems to external connections, including distributors, and generated compliance reports</li> </ul>
Backoffice	  <ul style="list-style-type: none"> <li>Implemented ERP, CRM systems, automation of manual processes, and digital collaboration tools to improve its backoffice operations in Latin America</li> </ul>	<ul style="list-style-type: none"> <li>Improved the efficiency of its operations, enhanced the customer experience, increased agility, and facilitated better teamwork across locations</li> </ul>
Disruption	  <ul style="list-style-type: none"> <li>Eurofarma's Corporate Venture Capital program invests in companies and startups that offer technology solutions aimed at improving different areas of the healthcare industry, such as operational efficiency and commercial viability</li> </ul>	<ul style="list-style-type: none"> <li>In 2019, Neuron Ventures was launched, a fund with R\$ 45MM to support the development of innovative healthcare solutions, which in recent years has invested in startups such as Ocean Drop, The Men's, and Just for You</li> </ul>

Source: L.E.K. research and analysis

# Looking ahead, the LatAm healthcare industry expects to continue evolving digitally, with special focus on further exploring operational efficiencies from digital tools

## Digital Health Index – LATAM, 2022

Scale: Traditionalist (1) – Champion (5)



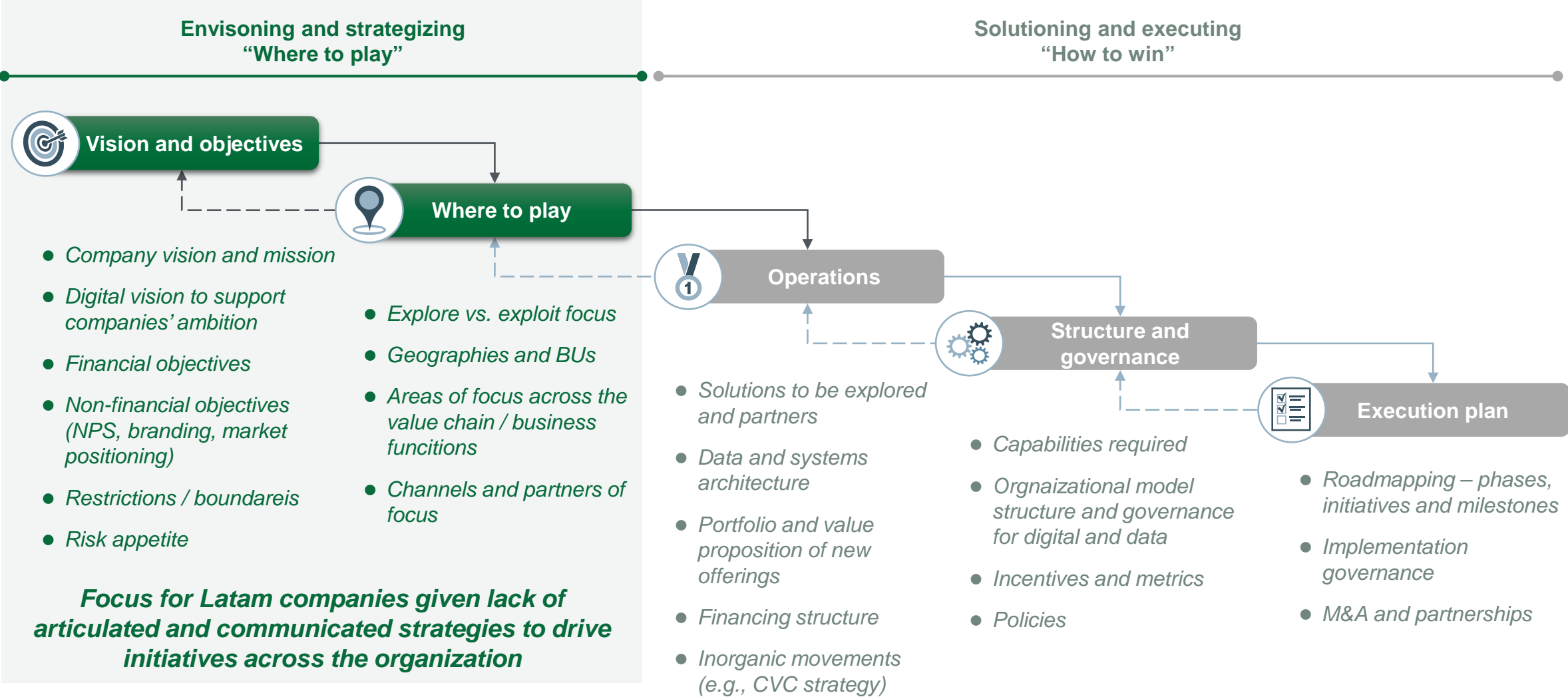
## Key focus areas – LATAM, 2022

Growth and development ranking

	Healthcare providers	Insurance providers/payers	Pharma	MedTech
Digital vision and strategy	#3	#2		
Leadership, organization and governance				
New ways of working		#1		#2
Digital operations	#2	#3	#1	#2
Digital infrastructure and enablers	#1		#3	#1
Customer experience and digital services			#3	
Digital go-to-market and data insights			#3	#2
New business models and market			#2	#2
Ecosystem and partnerships				

Source: L.E.K. research and analysis

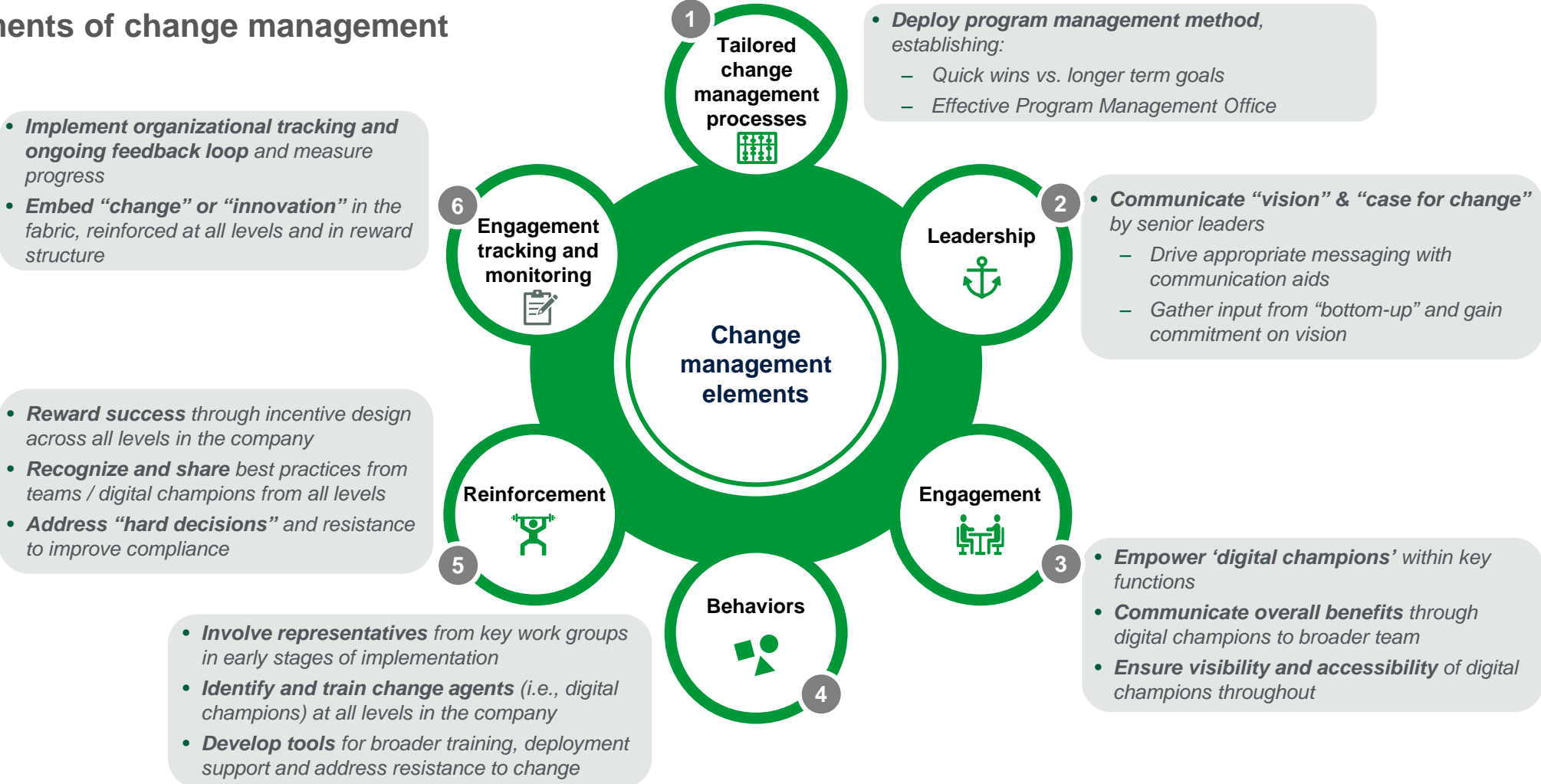
# In this context, Latam companies must have defined digital visions and strategies to guide investment priorities and governance routines



Source: L.E.K. Consulting

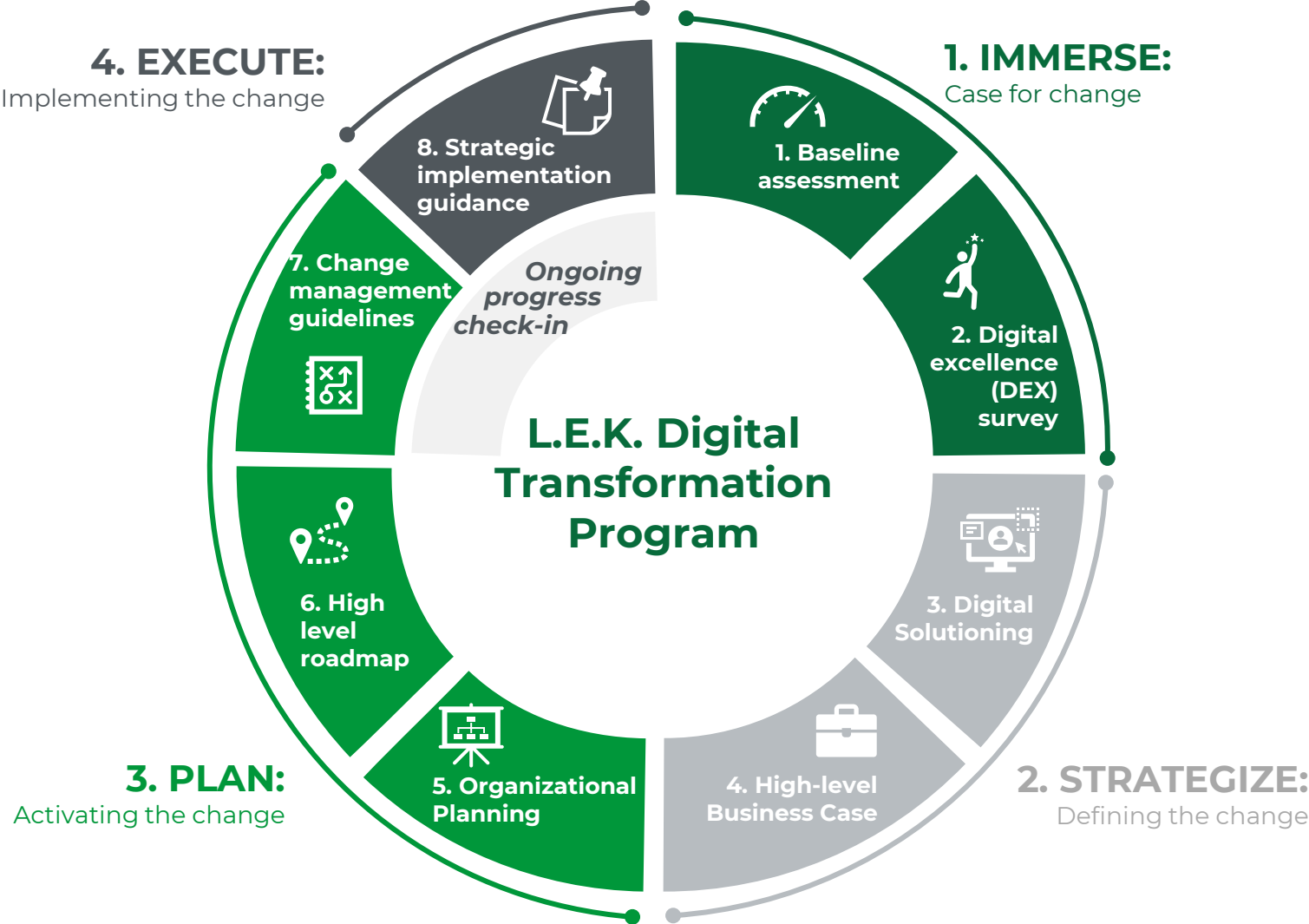
# Moreover, it is pivotal to have organizations prepared to navigate this new moment and change management efforts are essential

## Key elements of change management



Source: L.E.K. Consulting

# L.E.K. has a unique approach to help companies prioritize efforts and navigate digital transformation, from strategizing to implementation support



Source: L.E.K. Consulting



## Connect with us!



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- *Maurício is a partner of L.E.K. in São Paulo and responsible for the Healthcare practice in Latin America*
- *Mauricio has almost 25 years of consulting experience, has worked in hundred of strategy, digital transformation and M&A engagements, and is one of the founding members of the Sao Paulo office*
- *Maurício has a degree in Computer Engineering from Unicamp in Brazil and an MBA from MIT Sloan in Boston. He was also awarded merit-based scholarships from the Estudar Foundation and the Ling Institute in Brazil*

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- *Klaus is a Senior Advisor in L.E.K. Consulting's Munich office and Digital Health Lead*
- *He has more than 25 years of experience across Europe and Asia-Pacific, encompassing a variety of disciplines including digital, technology, business strategy, and program management support*
- *Prior to L.E.K., Klaus worked for IBM in the Global Digital Strategy consulting team, and was leading healthcare and life sciences*
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