



CASE STUDY

A Retail Approach to Diabetes Care

Clinicas del Azucar: Bringing Disruptive Innovation to Chronic Disease Management in Mexico

June 2019

ABOUT IFC

IFC—a sister organization of the World Bank and member of the World Bank Group—is the largest global development institution focused on the private sector in emerging markets. We work with more than 2,000 businesses worldwide, using our capital, expertise, and influence to create markets and opportunities in the toughest areas of the world. In FY18, we delivered more than \$23 billion in long-term financing for developing countries, leveraging the power of the private sector to help end poverty and boost shared prosperity.

ABOUT THE CASE STUDY

Expanding access to quality and affordable health care is a central element to eliminating extreme poverty and promoting shared prosperity. The World Bank Group has a goal to end preventable deaths and disability through Universal Health Coverage (UHC). In many developing countries, governments do not have the capacity to serve the entire population and private health care providers often play a critical role in meeting societal needs. IFC is developing case studies that demonstrate the ability of the private sector toward achieving global and national health care goals. Through a focus on efficiency and innovation, certain business models can provide better outcomes at a lower overall cost to society.

WRITTEN BY

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PHOTOS

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Clinicas provides coordinated care for diabetes and hypertension by specialized doctors, nurses, nutritionists, and psychologists – a one-stop-shop, all under one roof.

HELPING DIABETICS AVOID COMPLICATIONS

Guadalupe Rentería began to have blurry vision, she got irritated quickly, and the skin on her feet was peeling. She was also overweight. One day, she passed a store front run by Clinicas del Azucar (“Clinicas”) (Sugar Clinics) and went in. She got a blood test on site and within 15 minute she was diagnosed with diabetes. When she found out, she started to cry. Diabetes is a lifelong condition and it requires active management to stay healthy and minimize complications that can be life threatening. Guadalupe was afraid that she would end up like her father, whose legs had to be amputated because of complications from the disease. He had kidney failure but could not tolerate dialysis treatment and he died.

In Mexico, diabetes is an epidemic, and it is the leading cause of death. In the State of Nuevo Leon, where Guadalupe is from, complications from diabetes have led to a spike in suicides, in part because the cost of treatment is high and getting care is challenging. Fortunately, by going to Clinicas, Guadalupe found an affordable and convenient medical center to effectively manage the disease.

Clinicas has pioneered an innovative, new concept in Mexico for diabetes care. Its one-stop-shop model incorporates a high quality, multi-disciplinary health team under one roof. Coordinated care for diabetes and hypertension is provided by specialized doctors, nurses, nutritionists, and psychologists. Working together, they provide patients with a comprehensive diet and exercise strategy that helps to control blood sugar levels and prevent complications. It has been successful, but to reach even more patients, Clinicas is integrating behavioral science, big data analytics, artificial intelligence technology, and a mobile app. This will help preserve its low-cost structure and reduce the financial burden for patients. The approach helps patients better manage complex conditions and results in fewer complications that requires costly hospital treatment.

By July 2019, Clinicas will have established 15 locations in four states, making it the largest private provider of specialized diabetes and hypertension care in Mexico. With a staff of 220 health specialists, of which more than two-thirds are women, it has treated more than 103,000 patients and prevented about 20,000 complications. More than 63 percent of patients have met their goals for maintaining blood sugar levels and have their diabetes under control. This is well above the rate in Mexico’s public sector and is comparable to international norms.

Since 2013, Clinicas has been growing at a compound annual growth rate of more than 90 percent. In 2018, IFC made a US\$4 million equity investment in Clinicas to double the number of clinics across Mexico, and to help it develop its digital strategy that will enhance the reach of its service offering.

The approach worked for Guadalupe. In her initial visit, the 50-year-old had elevated blood sugar levels. She explains, “My HbA1c numbers were very high, at more than 10 percent but a few months after treatment my HbA1c came down to 5.6 percent.¹ My weight change has been radical. I weighed 78 kilograms (about 170 pounds) and now I weigh 62 kilograms (about 135 pounds). Now, my diabetes is so controlled that I have the blood glucose levels of a person that does not have diabetes.” Javier Lozano, Co-Founder and CEO of Clinicas explains, “We had a vision to disrupt how diabetes care was delivered in Mexico. We were passionate about making it affordable for middle- and low-income people and we have successfully reduced the cost of privately provisioned diabetes care from US\$1,000 to US\$250 a year. We pioneered a retail chain approach dedicated to the special needs of people with diabetes and scaled it up.”



Clinicas taught Guadalupe how to make lifestyle changes and her blood glucose levels are now normal.

¹ Hemoglobin A1c (HbA1c) is a blood test that measures blood sugar control and risk of diabetes complications. A patient with an HbA1c above 6.5 has diabetes. The higher the level of HbA1c, the greater the risk of developing diabetes-related complications.



"By specializing in diabetes, we centralized expertise and standardized care, making it more effective, while reducing the cost of care." Javier Lozano, pictured with Co-Founder Fernanda Zorrilla.

CREATING A McDONALDS APPROACH FOR DIABETES CARE

When Javier Lozano was growing up in Mexico, he dreamed of becoming a great scientist and changing the world. He was preparing to apply to the Massachusetts Institute of Technology (MIT) for undergraduate studies when he decided he first needed to get to know his own country better. He relocated to the mountainous villages of the Sierra Tarahumara, where he helped villagers improve their health and wellbeing through nutrition and the implementation of innovative small-scale farming.

Years later, now studying for a Master of Business Administration at MIT, he decided to cross register for classes at the Harvard T.H. Chan School of Public Health. Inspired by his earlier work in remote villages in Mexico, he wanted to study how technology could improve the delivery of health care and how it could help low-income people living in remote villages get diagnosed. As a student, he got field experience working on diabetes projects in Tanzania and later for a group of hospitals in Boston. He saw that technology could play an important role in improving health outcomes by increasing communication between doctors and patients and fostering greater adherence to medication regimens.

Javier's mother had diabetes and in talking to her about how she managed the disease, he was surprised to find out that she was struggling. She was overwhelmed and exhausted going between different doctors and a nutritionist, trying to manage the disease. Care was highly fragmented and time consuming. She was at the point of giving up—even if it meant she would die. Javier was shocked and started to wonder why diabetes care was so complicated. He realized that if it was so hard for his mother, who was able to access good private health care providers, it must be even more difficult for the most vulnerable members of society to manage the disease. He knew that if someone could pay for specialized care, that the likelihood of developing complications was less than 4 percent, but without money, the probability of developing complications rose to 60 percent. He thought this was an injustice and asked himself, “Why don't we have a McDonalds (model) for diabetes care?”

In his MBA studies, Javier had learned about the growing trend in health care of disease specialization and management, in which health care companies were starting to specialize in the care of diseases, such as kidney dialysis and joint replacements. He wanted to do the same for diabetes. He knew that by specializing in one disease, he could centralize expertise and standardize care, making it more effective. Further, he could create economies of scale, incorporate technology, and introduce more efficient processing innovations. By combining these elements, he could reduce the cost of diabetes management. He decided that a one-stop shop business model that was focused on providing convenient and effective care exclusively for diabetes was the best approach.

As Javier progressed in his graduate studies, he was mentored by Dr. Julio Frenk, then Dean of the Harvard School of Public Health and a former Minister of Health for Mexico. Dr. Frenk helped Javier refine the idea of an integrated approach to providing care for diabetes patients to better serve Mexico's needs. Armed with a solid strategy, Javier decided to return to Mexico to disrupt the way that diabetes was treated in Mexico.

He was in touch with Fernanda Zorrilla, a friend from the Sierra Tarahumara project, who was a social behavior expert. She told Javier about her experiences when her late fiancé was undergoing cancer treatment. “Hospitals,” she said, “focus only on the patient and ignore the patient's family and the health and psychological difficulties they face as a loved one struggles through a disease.” She decided to help Javier co-found Clinicas. Today, Clinicas' care model takes a holistic approach that addresses not only the physical aspects of health care, but also the social and emotional support that patients and their families need.



Globally, diabetes is on the rise. Mexico has one of the highest levels of diabetes in the world and only about 25 percent of the population has the disease under control.

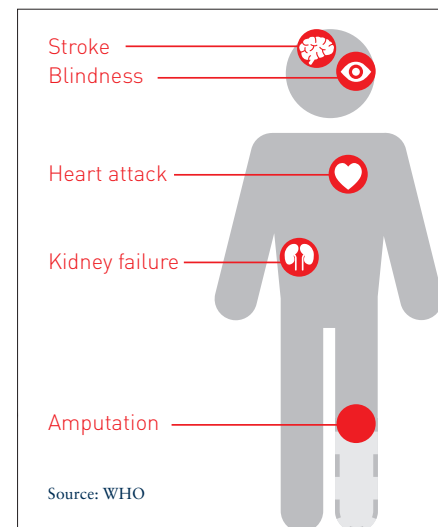
BUILDING A LARGE NETWORK OF HIGH-QUALITY, AFFORDABLE SERVICES: CLINICAS' BUSINESS MODEL

The Disease and the Market

Diabetes is a chronic metabolic disorder. Type 2 diabetes is largely considered a lifestyle disease that is attributed to an unhealthy diet, insufficient physical activity, and being overweight or obese. Type 2 diabetes represents about 90 percent of diabetes cases globally. Diabetes is a lifelong condition, which once diagnosed, requires active management, otherwise it escalates into more complicated conditions. Left untreated, diabetes can affect the nerves and reduce blood flow. It can lead to complications such as blindness, kidney failure, stroke, and heart attacks and can require amputation of the feet and legs. It significantly increases the risk of premature death.

Globally, diabetes is on the rise and prevalence has been rising more rapidly in low- and middle-income countries. According to the World Health Organization, in 2014, 422 million adults had diabetes and nearly 10 percent of global deaths were attributed to diabetes and high blood glucose levels.

Mexico has one of the highest levels of diabetes in the world. The epidemic is considered a national emergency—more than 70 percent of the population of 130 million is overweight. It is the leading cause of death, with more than 80,000 fatalities each year. It is estimated that about 14 million people are diabetic, and another 40 million are believed to have the disease and not know it, and several million others are pre-diabetic. If the crisis continues to grow unabated, in a decade, there could be at least 30 million diabetics in Mexico.



Health Care Delivery

Health care in Mexico is delivered to about 113 million people through two key government programs: the Mexican Social Security Institute and Seguro Popular. The Social Security Institute is the largest public health care provider, serving 58 million formally employed people, of which 4 million are diabetic. In 2016, the program spent MXN\$44 billion (US\$2.3 billion) on diabetes care, and by 2050 it is expected to reach MXN\$185 billion (US\$9.6 billion).² Seguro Popular, the second largest public health program, serves 55 million people and cares for about 1 million diabetics.

Notwithstanding the vast investment the government has made, diabetic prevention, diagnostic, and comprehensive treatment options are financially constrained and there are limits on what can be spent on the disease. Key monitoring tests, such as HbA1c blood tests and retinal and renal screenings, are done infrequently. As a result, only about 25 percent of diabetics in Mexico have the disease under control, while in the United States and in other countries it is about 60 percent.

² The average foreign exchange rate in 2016 was 18.69. For 2050, the foreign exchange rate was calculated at 19.1 as of June 12, 2019. (Reuters)



Clinicas didn't want to depend on donors for funding because priorities could change over time and it would be difficult to scale up. A for-profit company was the most effective way to build a stable business.

In Mexico, about 10 percent of the population obtains treatment through privately provisioned health care, but it is expensive. With a price tag of about US\$1,000 per year, diabetes treatment is out of reach for many lower- and middle-income people. As a result, patients go untreated and Mexico has the highest rate of hospitalizations from diabetic complications among the 34 countries of the Organization of Economic Co-Operation and Development.

Barriers to Care

Typically, diabetes care delivered in a traditional doctor's office is very time consuming. Wait times in public institutions can be two or three hours long and the attending doctor may not be fully knowledgeable about the disease. The ritual is even more precarious for low-income patients who rely on buses and public transportation. Going to the doctor can take a half day or more, when counting travel and wait time. For informal workers, the opportunity cost is very high as they need to close their street shops and loose income when they aren't working.

The investment of time is exacerbated for diabetes patients because treatment requires continuous follow up, and patients need to go to the doctor more than 15 times each year. Given the financial challenges many of these patients already face, they have little flexibility to regularly close or miss work, and as a result many patients decide to forgo treatment.

Vision

Given the volume of patients whose conditions were worsening because of market failures, Clinicas wanted to offer diabetics affordable and convenient disease management. The intent was to disrupt how diabetes care was delivered in Mexico, making it patient-centric and affordable, while adhering to the norms and guidelines of diabetes care. Clinicas opened its first clinic in 2011, after a careful study of the market dynamics. From the

start, they planned for growth through a retail chain approach because they knew that one clinic was not enough to address the magnitude of the problem. The goal was to create social impact through a profitable venture that could reinvest proceeds and expand across the nation.

Corporate Structure

Javier knew that his target market was low- and middle-income Mexicans, but he had to figure out how to set up the venture so that it would be financially sustainable over the long term. Given his background, he considered setting up a non-profit, but he didn't want to depend on donors because he realized their priorities could change over time and threaten the organization's future, while the uncertainty of funding would make it difficult to scale up. He concluded that creating a for-profit company was the most effective way to build a stable business.

Affordability

Clinicas decided on a market-based approach that would offer value-based services. Since the only source of payment would be directly from patients paying out-of-pocket, Clinicas had to find a way to make it affordable. Javier and his new team conducted market research, interviewing prospective patients. They found that on average, people were willing to pay about US\$250 per person, per year. Based on this, they determined what quality services could be delivered at that price point.

To be sustainable, Clinicas would need to design a low-cost, high-volume business, with expenses that were well managed and under control. "It is easier to design services that are directed at low- and middle-income people from the outset, rather than to create solutions for high-income people and then adjust it downward," Javier explains. Clinicas' focus on value creation was successful. Today, Clinicas offers diabetes treatment packages for US\$250, offering a savings of US\$750 over other private providers.



To be sustainable, Clinicas needed to design a low-cost, high-volume business, with expenses that were well managed and under control.



Most Clínicas facilities are leased store fronts in retail locations with large anchors, such as supermarkets. Location is essential to drive steady foot and vehicular traffic that feeds high volumes.

Convenience

The Clínicas model eliminates many of the barriers to diabetes care by offering a patient-centric approach that emphasizes patient convenience. First, it worked to reduce long commutes and positioned its clinics in convenient locations in communities. Nearly all Clínicas facilities are leased store fronts in retail locations with large anchors, such as supermarkets. Location is essential to drive steady foot and vehicular traffic that feeds the high volumes it needs.

Integrated Care Model

Next, Clínicas created the one-stop-shop model where patients could get all the care necessary to control the condition under one roof. It consolidated a core team of doctors, nurses, nutritionists and psychologists in all its locations. Further, since about 50 percent of diabetics also have other chronic metabolic conditions such as hypertension (high blood pressure), and treatment of both diseases follows similar approaches, Clínicas began formally offering hypertension treatment in 2017. By addressing both diseases simultaneously, Clínicas could continue to save the patient time and cost. It added this service without dramatically altering the cost structure, while simultaneously generating additional economies of scale.

Each time a patient comes to Clinicas they undergo the equivalent of 7 consultations (laboratory, feet check, eyes checks, doctor, nutritionist, psychologist, and diabetes educator). By integrating the entire care team into one visit, Clinicas reduces the number of annual medical visits from 21 to 4.



Efficient Work Flow

Clinicas designed the work flow to help patients to be seen quickly. This is accomplished with optimal use of staff time. Clinicas established clearly defined roles to maximize use of doctor and nurse encounters. It allocates the work that needs to be done to the most cost-effective person in the health team. For example, nurses can ask typical intake questions and help the patient get started with the lab work. This helps to increase quality time with the doctor at lower cost. With efficient patient scheduling and by organizing the workflow of services to optimize both patient and staff time, the average patient can be seen by the clinical team in about an hour and a half. This is a reduction in time for patients of about 80 percent.³ By efficiently managing processes and patient flow, Clinicas bolsters patient convenience and manages internal costs better by reducing idle staff time.



More than 63 percent of patients have met their goals for maintaining blood sugar levels and have their diabetes under control.

Dr. Omar Meza
Chief Medical Officer

Standardization of Care

Inspired by the retail approach, Clinicas knew that to scale up and grow the business, it would need to develop uniform standards of care so that a patient can walk into any of the clinics and have the same experience. Relying on evidence-based, best practices for the treatment of diseases, Clinicas created a defined structure of protocols to be followed by each member of the health team at each patient visit. Processes have been standardized and the staff has been trained.

Standards are important to facilitate consistent explanations and guidance that is provided to the patient. The team reinforces the same points, thereby providing the patient with greater clarity and confidence about the approaches being taken. An interconnected Electronic Medical Record platform allows patients' records to follow them regardless of which clinic in the network they visit.

Pricing - Bundled Packages

Clinicas discovered that many patients had a fear of going to the doctor because they were worried that they could not afford the doctor's fees. Because the target market has limited disposable income and is value conscious, transparency in pricing and predictability was critical to success.

Clinicas developed a membership subscription model that bundled together, for a flat fee, the essential services needed to treat the disease. The key services revolve around normalization of hemoglobin A1c (HbA1c), which gives the average blood sugar level over the previous two to three months, and prevention of complications. Patients with

complications are referred out to specialists and to hospitals.

Clinicas offers four all-inclusive packages (management of prediabetes (US\$150), diabetes (US\$250), hypertension (US\$250), as well as diabetes and hypertension (US\$300) at different price points ranging from about US\$150 annually to US\$300. Packages include all the necessary lab tests, as well as screenings for diabetes-related complications in the eyes, kidneys, and feet. It provides patient education and unlimited coaching in diet and exercise strategies with a nutritionist, and emotional support visits with a psychologist. Clinicas does not include medications in the packages because each patient has different needs.

³ The calculation for visits outside of Clinicas is arrived at by multiplying transportation, wait time and consultation for 21 visits per individual, which results in a time savings of 77 percent.

Patients can pay for memberships up-front or in monthly installments. For the lowest-income patients, such as street vendors selling tacos, Clinicas provides discounts to help them stay in the program. If patients are experiencing financial difficulty, it will work with patients so that they do not miss treatment. Clinicas does not want patients to abandon treatment and risk developing complications, even if this means the company's delinquent accounts may rise.

The membership model is not only important for patients, but it is also essential to the financial sustainability of the company because it brings in a significant share of revenues and it provides Clinicas with a steady stream of reliable monthly income. On average, one clinic can serve about 1,000 patients per year.

Growth

Since Clinicas started with one clinic in 2011, it has grown to 15 clinics in 4 states in Coahuila, Jalisco, Nuevo León, and Tamaulipas, and it will soon be opening in San Luis Potosí. By 2024, it plans to open 100 new and larger clinics. With a view toward rapid scale-up, it hired a former Director of Expansion of a very large convenience store chain in Mexico to advise on the company's growth. Growth is also being driven by standardization, technology, cost controls, and a dedicated expansion team.

Clinicas has a well-conceived plan to scale up quickly, generate volumes, and to position clinics in locations with significant footfall potential. To date, the expansion team has been very effective at targeting strategic locations. They are incentivized by the ability to keep costs low, meet launch targets, deliver quality new hires on time, and generate positive financial performance.



Clinicas offers four all-inclusive packages at prices ranging from about US\$150 annually for prediabetes care to US\$300 for the diabetes and hypertension bundle.



About 80 percent of Clinicas patients made positive changes. It is working to reach the other 20 percent with technology that incorporates behavioral science and artificial intelligence.

THE DIABETES NUDGE LAB: USING BEHAVIORAL SCIENCE TO DRIVE CHANGE

Innovating Without Increasing Costs

As Clinicas was designing its services, it decided that to keep costs down, improve health outcomes, and increase its social impact it should increase patient engagement by integrating technology. The first step was to develop a robust patient Electronic Medical Record platform, which integrates socio-economic demographics, medical information, patient behavior patterns, and psychological profiles. The platform collects over 2,000 variables per patient over the course of the annual membership.

After five years, the company had a solid database to conduct big data analytics, which yielded valuable insights on treatment results. “Based on years of data, we knew that the more time the patient stayed in our programs, the lower the patient’s HbA1c (blood sugar level) we could achieve,” Javier explains. “To date, about 80 percent of our clients have made positive changes, but we wanted to reach the other 20 percent. Since many of our patients are low income, we had to innovate without increasing their costs. We also wanted to avoid medications where possible, because that adds to overall expenses that a patient must bear, so we turned to technology,” he said.

“The Diabetes Nudge Lab”

In the quest to find innovative solutions, in 2018, Clinicas partnered with a large consulting firm. “With our unique database, we set out to create a new research platform or 'living lab' to develop and test interventions,” Javier explains. “We named it 'The Diabetes Nudge Lab'.”

The Diabetes Nudge Lab uses behavioral analytics and Artificial Intelligence to segment patients by behavioral archetypes. It then designs a strategy customized to patient personalities and educational levels. This leads to a more personalized treatment approach that is also explained in a way that resonates better with patients. “The Diabetes Nudge Lab helps us tailor our treatment strategies to different personality profiles and to actively predict patient behaviors,” Javier said.

For example, Clinicas compares two diabetic patients who are the same age, gender, HbA1c levels, and who have had the disease for 10 years, but who have different personality traits. Patient A has a more competitive personality, while patient B has a more collaborative personality. Traditional medicine will treat those two patients the same way, but patients respond to recommendations differently.

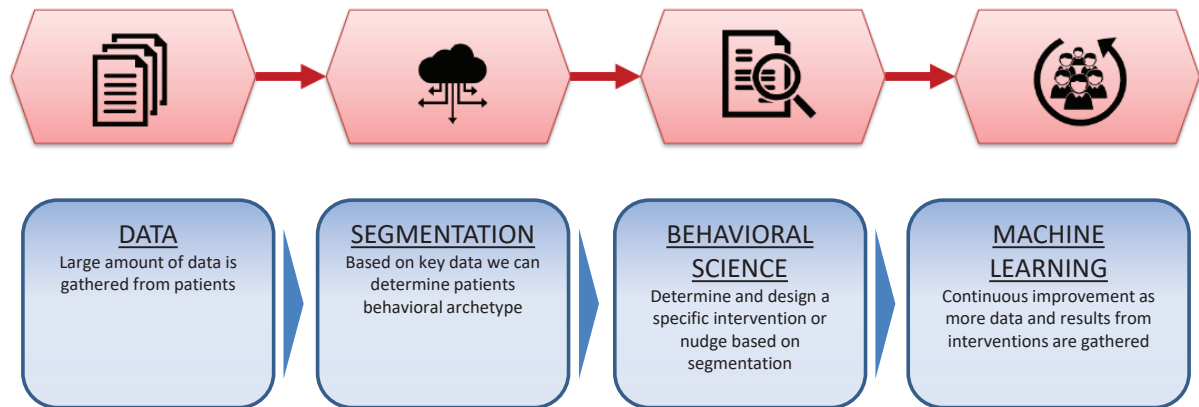


“Big corporations like Coca Cola and PepsiCo are applying behavioral analytics to convince the public that their product buys happiness. The health care industry has a lot of catching up to do and needs to find ways to market the happy feeling that patients get from eating well and taking care of their body.”

Miguel Garza
Chief Operating Officer

By customizing the treatment strategy to different personality types, it can increase receptivity and adherence to treatment. Over time, as the database continues to grow, Clinicas will apply machine learning to make continuous refinements to treatment approaches and interventions. (See diagram below)

Diabetes Nudge Lab in Action



Mobile App

For the next phase of the Diabetes Nudge Lab, Clinicas will soon launch a new mobile app where patients will receive “nudges” (digital prompts) to provide patients with gentle reminders. Patients will be able to see how well they are meeting their objectives and help them modify their behavior as needed. The platform will facilitate contact between patients and clinics and will have video visit capabilities. This approach is expected to help the patient make necessary lifestyle changes, improve compliance with the treatment program, and get even better health outcomes.

Selling Happiness

Miguel Garza, the Chief Operating Officer believes that the medical industry needs to find a way to apply behavioral insights to lure customers into good health. Miguel adds, “Big corporations like Coca Cola and PepsiCo are applying behavioral analytics. For instance, Coca Cola does not sell a sugary drink—it sells happiness. The health care industry has a lot of catching up to do and needs to find ways to market the happy feeling that patients get from eating well and taking care of their body. We need to market the excitement that Guadalupe achieved when she lost 35 pounds and lowered her glucose levels to that of a non-diabetic. She feels great inside and out.” Clinicas plans to use the Diabetes Nudge Lab to convince patients that good health is important and brings happiness.

Third Parties Can Access the Lab

To further expand its reach and impact, Clinicas has made the Diabetes Nudge Lab available to third parties who want to further study and learn about eliminating barriers to the treatment of diabetes or hypertension. Through the Lab, it can test interventions for other companies, clinics, pharmaceuticals, and hospitals anywhere in the world.

Model for Future Growth

Given the magnitude of the diabetes epidemic, Clinicas has developed a comprehensive blueprint for future expansion that is based on efficient management of current operations and scaling up quickly. Clinicas believes that with a strong focus on its core mission and investments in technology, standardization, and by recruiting talented staff, the company will be on track to open 100 clinics and serve more than 2 million patients in the next five years.

Clinicas expects to continue to build on an asset light approach by leasing retail locations. Its positive brand reputation is growing and will enable it to reach breakeven points more rapidly. By investing in its people, Clinicas will continue to attract the best medical staff that will have a positive impact on its health outcomes, and this is expected to continue to increase patient retention to levels greater than 80 percent.

Javier reflects, “We don’t want to grow simply to be bigger or more profitable. We want to grow because we know that as soon as we reach a new city, we can save many people from devastating complications or death. We are working to enter new markets as quickly as possible and bring thousands more people hope that they can live normal lives and reduce the effects of chronic diseases.”

He added, “When I look at the amazing team we have, the passion of our doctors, nurses, nutritionists, lab technicians, and the processes and the quality services we have designed, I look at the future with great optimism. We can reach our goal to bring specialized diabetes care to millions of people with diabetes in Mexico.”



With a strong focus on its core mission and investments in technology, standardization, and talented staff, the company is working to open 100 clinics and serve more than 2 million patients in the next five years.



IFC was interested in Clínicas because it was creating a new market with its commercial and scalable business model that could disrupt how diabetes care is delivered in Mexico and rapidly improve health outcomes.

THE ROLE OF IFC

In 2015, Javier met Monique Mrazek, an IFC Senior Investment Officer, at Duke University’s “Innovations in Health” Conference. Two years later, Clinicas was ready for expansion and needed to raise capital. Clinicas was interested in working with IFC because it was looking for a strategic partner to scale. Javier explains, “We want to be in every city because we want to help people prevent suicides, blindness, and amputations by getting them treatment. We have a sense of urgency to get to them as soon as possible, so we need to scale up to 100 clinics quickly. IFC is a good partner for us because it could help us with this transaction and follow on transactions. IFC could also help us by sharing its global expertise and experiences with other companies with us.”

IFC was interested in Clinicas because it was creating a new market with its commercial and scalable business model that could disrupt how diabetes care is delivered in Mexico and rapidly improve health outcomes. Each clinic showed good traction to break even quickly, positioning it to scale multiple centers. It had an integrated solution with a retail concept that was asset light and had a focus on delivering services to lower- and middle-tier patients. It was clearly addressing a big need and had high development impact. It was also a model that IFC could learn from and help others to replicate in similar emerging markets.

In addition, Clinicas was appealing to IFC because of its preventive approach to diabetes. Charles Dalton, a Senior Health Specialist at IFC explains, “Clinicas is making sure that people are taking care of themselves properly so that patients don’t end up in the hospital. More broadly, we need to treat people with diabetes, hypertension, and other chronic conditions more effectively to prevent hospitalizations. We need more providers delivering effective preventive care at greater value because this benefits patients and their families and lowers the overall cost to the health system.”

More broadly, Clinicas is helping to address the U.N. Sustainable Development Goals to reduce, by one-third by 2030, premature mortality from non-communicable diseases, including diabetes, through prevention and treatment. It is also reducing the suicide mortality rate by promoting mental health and well-being.

Given all these important factors, in 2018, IFC made a US\$4 million equity investment in Clinicas to help it expand and launch clinics in new cities across Mexico, and to help it develop its digital strategy, which will enhance the reach of its service offering. Further, since there is a shortage of financing for mid-stage companies in Mexico, IFC could provide follow on transactions and help bring other financiers to the table.



From IFC’s perspective, we need more providers delivering effective preventive care at greater value because this benefits patients and lowers the overall cost to the health system.

Charles Dalton
IFC Senior Health Specialist



Clinicas saw an opportunity to address the choke points in the market and borrowed proven strategies from the retail sector to rewrite the rules of effective diabetes and hypertension care in Mexico.

CONCLUSION

Since Clinicas del Azucar opened eight years ago, thousands of patients like Guadalupe have learned how to effectively control two key chronic diseases that have already shortened the lifespan or killed millions in Mexico. Clinicas has cleverly designed a successful business model that targets the very lifestyle behaviors that cause these chronic diseases in the first place and it is teaching patients to control and manage these chronic diseases.

When it started, the Clinicas team saw an opportunity to address the choke points in the market and borrowed proven strategies from the retail sector to rewrite the rules of effective diabetes and hypertension care in Mexico. By specializing in chronic disease management, integrating multi-disciplinary care under one roof, and positioning clinics in prime locations, it is transforming the medical experience while saving patients time. Clinicas' lean cost structure, economies of scale, and bundled subscription pricing helps keep prices low, while specialization and standardization form the base for high-quality care. It will be interesting to watch how its latest innovation, the Diabetes Nudge Lab, will help more patients embrace lifestyle changes by leveraging behavioral science and data analytics.

Clinicas successfully developed a financially sustainable business model that effectively targets low- and middle-income patients who are paying out of pocket, and this could have a considerable demonstration effect for emerging markets. Clinicas is proving that with affordable prices and high volumes, it is possible to service all members of society, even those that were deemed too poor. Dr. Julio Frenk believes that Clinicas' innovative model will revolutionize the way we treat diabetes in low- and middle-income countries.

Clinicas disruptive innovations show that treating diabetes does not need to be complicated and that a McDonald's approach—a value-based, retail-chain approach—to chronic disease management works because it is improving health outcomes at rates better than the national average. It is already reducing hospitalizations and is saving the government of Mexico money on health care costs. Most importantly, it is giving thousands of Mexicans hope with a second chance on life by effectively managing the diseases.



Clinicas' innovative model will revolutionize the way we treat diabetes in low- and middle-income countries.

Dr. Julio Frenk
President of the
University of Miami, and
former Mexican Secretary
of Health and Dean of the
Harvard Medical School

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