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Mexico is one of the largest countries in the Latin American and Caribbean region with a population of 113 million. GDP per capita is high by regional standards at over US\$10,000.<sup>1</sup>

Poverty and socioeconomic inequality remain an issue. This is mirrored in health disparities between states and regions. For example, in 2012, infant mortality in the state of Nuevo Leon was approximately 9.4 per 1,000 live births while this same figure was 18.6 in the poorer state of Guerrero.<sup>1</sup> These differences in health outcomes between states can in part be linked to the distribution of health resources across states with poorer states lagging behind in infrastructure and human resources.

In light of these disparities and challenges, the Mexican government introduced a comprehensive and ambitious package of reforms to the General Health Law in 2003. The reforms strive to operationalize the right to health of all citizens as enshrined in the 1983 Constitution.

The primary focus of the General Health Law has been to expand health insurance coverage to previously-excluded groups (those not eligible for Social Security through formal-sector employment), protecting them from catastrophic health expenditures and improving healthcare access and utilization.

Changes in how federal health funds are distributed to states in order to reduce entrenched disparities have also been a top priority with promising results to date.

## Health Finance Snapshot

Total Health Expenditure (THE) as a share of gross domestic product (GDP) rose from 5% to 6% between 1995 and 2012.

General Government Expenditure on Health (GGHE) as a percentage of THE is increasing and has recently exceeded 50%.

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Table 1. Health Finance Indicators: Mexico

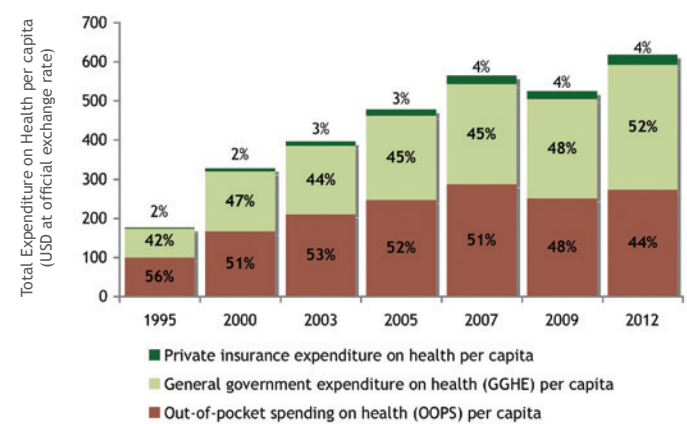
	1995	2000	2003	2005	2007	2009	2012
Population (thousands)	91,165	98,295	101,884	103,831	105,677	107,443	114,793
Total health expenditure (THE, in million current US\$)	16,156	32,288	40,494	49,677	59,696	56,485	72,370
THE as % of GDP	5	5	6	6	6	6	6
THE per capita at exchange rate	177	328	397	478	565	526	618
General government expenditure on health (GGHE) as % of THE	42	47	44	45	45	48	52
Out of pocket spending as % of THE	56	51	53	52	51	48	44
Private insurance as % of THE	2	2	3	3	4	4	4

Source: WHO, Global Health Expenditure Database; National Health Accounts, Mexico

► Out of pocket spending (OOPS) makes up a considerable portion of total health spending (Table 1, Figure 1), though it has remained below 50% of THE since 2008.

- OOP costs are point-of-service fees (i.e.: for consultations, medications, etc.) and do not include private insurance premiums.
- OOPS in Mexico is just slightly below the LAC region average of 48% (2011).<sup>2</sup>
- Approximately 3% of the Mexican population has private insurance coverage. These are typically high-income earners with employer-sponsored health insurance that supplements Social Security coverage.<sup>3</sup>

Figure 1. Total Expenditure on Health per capita, Mexico



Source: WHO, Global Health Expenditure Database; National Health Accounts, Mexico

## Health Status and the Demographic Transition

Non-communicable diseases have far surpassed communicable diseases as contributors to morbidity and mortality in Mexico. In poor and often rural areas, however, the burden of communicable diseases as well as maternal and child mortality remains high, often an order of magnitude higher than in more affluent urban areas. This dual burden of disease taxes the health system, presenting financial and logistical challenges.

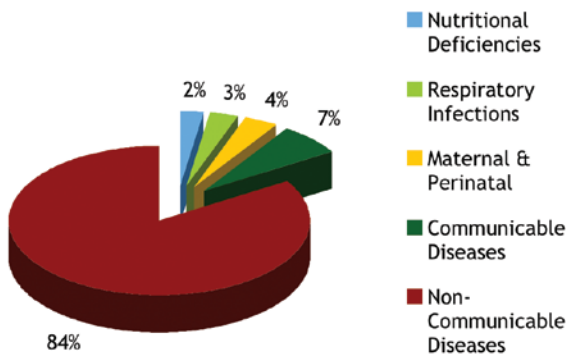
### Demographic Transition

- ▶ Birth rates are declining (Figure 2).
- ▶ Life expectancy is increasing.
- ▶ The 'bulge' in the population pyramid is moving markedly upward (Figure 3).
- ▶ The total fertility rate (TFR) has fallen from 3.4 in 1990 to 2.2 in 2011.

### Epidemiological transition

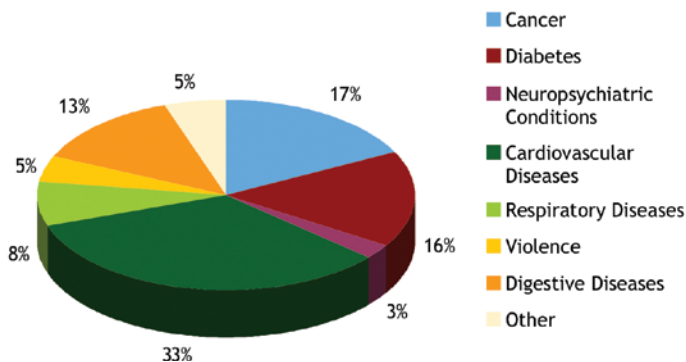
- ▶ Non-communicable disease mortality on average has eclipsed mortality from communicable diseases, nutritional deficiencies and maternal/perinatal causes (Figures 4 and 5).

Figure 4. Mortality by Cause, 2008, Mexico



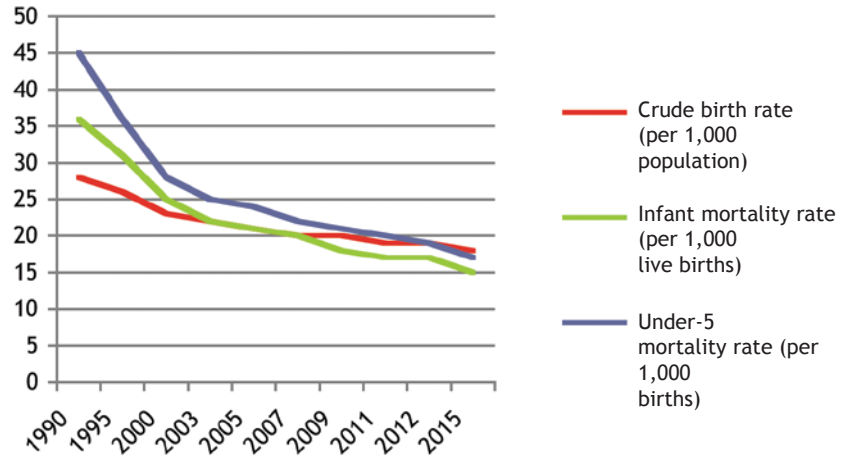
Source: WHO, Global Burden of Disease Death Estimates (2011)

Figure 5. Non-Communicable Disease Mortality, 2008, Mexico



Source: WHO, Global Burden of Disease Death Estimates (2011)

Figure 2. Demographic Indicators, Mexico



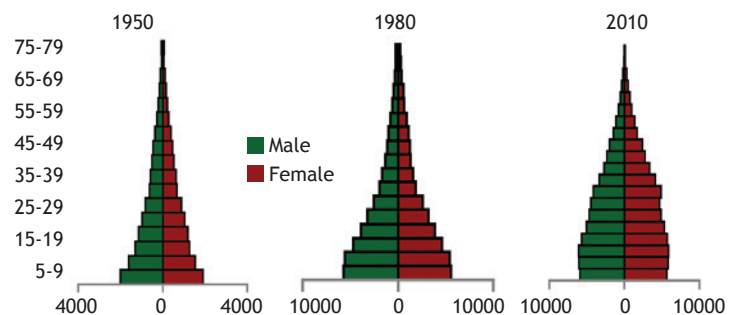
Source: United Nations Statistics Division and the Instituto Nacional de Estadística, Geografía e Informática, Mexico.

Table 2. International Comparisons: Health Indicators.

	Mexico	Upper Middle Income Country Average	% Difference
GNI per capita (year 2000 US\$)	5,666.4	1,899.0	198.4%
Prenatal service coverage	95.8	93.8	-0.8%
Contraceptive coverage	72.9	80.5	-9.5%
Skilled birth coverage	95.3	98.0	-2.7%
Sanitation	85.0	73.0	16.4%
TB Success	86.0	86.0	--
Infant Mortality Rate	14.1	16.5	-14.6%
<5 Mortality Rate	16.7	19.6	-15%
Maternal Mortality Rate	50.0	53.2	5.1%
Life expectancy	76.7	72.8	14.2%
THE % of GDP	6.5	6.1	5.9%
GGHE as % of THE	35.3	54.3	-35%
Physician Density	2.0	1.7	15.9%
Hospital Bed Density	1.6	3.7	-56.4%

Source: The World Bank, World Development Indicators database

Figure 3. Population Pyramids of Mexico



Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2010 Revision.

## Health System Financing and Coverage

Article 4 of the Mexican Constitution (1983) guarantees access to universal healthcare to all Mexicans. However, Social Security (SS), which includes health benefits, remains linked to formal employment so that much of the population was excluded from SS benefits and did not have access to SS-run health facilities. Until recently, their healthcare access was limited to underfinanced public (non-SS) facilities. The Ministry of Health (MOH) created a pilot program called Seguro Popular de Salud (SPS) in 2002. The SPS was targeted

to those not working in the formal sector and therefore not eligible for SS benefits. The General Health Law (LGS) reform was implemented in 2004, extending the program nationwide and giving rise to the System of Social Protection in Health (SPSS). The SPSS is meant to offer a comprehensive package of medical interventions and medications to those who do not qualify for SS and regardless of the beneficiary's ability to pay. Mexico has achieved near-universal health insurance coverage as of 2012.<sup>2</sup>

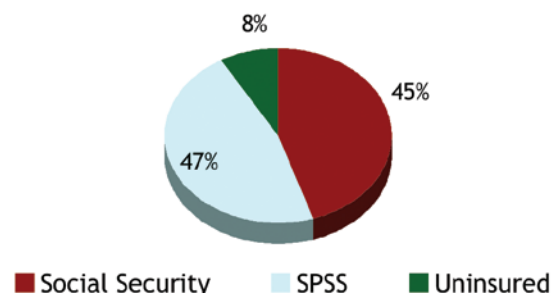
Figure 6. Timeline of Mexico's Public Health System<sup>2</sup>



### Public sector:

- ▶ **Social Security (SS)**
  - ▶ Provides health insurance (and pensions) for formal-sector workers and their dependents.
  - ▶ Two main schemes exist: The ISSSTE covers most government employees while the Mexican Institute for Social Security (IMSS) covers the remainder of SS beneficiaries.
  - ▶ Funded through employee and employer payroll contributions combined with federal government contributions.
  - ▶ Covers primary, secondary and tertiary services and medications.
  - ▶ Services are provided at facilities owned and run by the individual SS schemes.
- ▶ **Social Protection System in Health (SPSS)**
  - ▶ Voluntary government-subsidized regime open to anyone not covered by Social Security schemes. Enrollment required.
    - **Popular Health Insurance (PHI):** Covers close to 300 primary and secondary services and medications.
    - **Fund for Protection against Catastrophic Health Expenditures (FPGC):** Covers a package of high-complexity, high-cost services.

Figure 7. Population Health Coverage, 2012



Source: <http://www.imss.gob.mx> and Knaut et al., "The quest for universal health coverage: achieving social protection for all in Mexico". The Lancet, 2012

- **Medical Insurance XXI Century (MI XXI) - Previously "Health Insurance for a New Generation" (SMNG):** Covers a comprehensive package of services for children under 5.

Table 3. Coverage and Financing in Mexico's Social Health Insurance

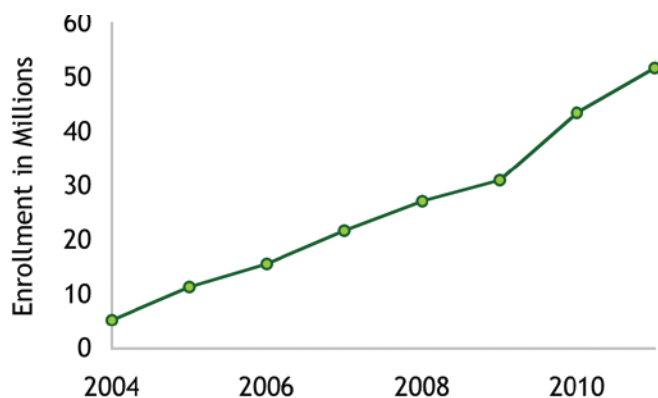
	Financing and Contributions	Purchasing and Provision
<b>Social Security</b>	<p><b>Employers &amp; Employees:</b> Contributions are mandatory for those employed in the formal sector. The size of each party's contribution is based on the level of the employee's earnings.</p> <p><b>Independent Workers:</b> Fixed annual fee for individual sickness and maternity insurance. Additional payments apply for family members.</p>	<ul style="list-style-type: none"> <li>- The Social Security schemes own and run their own networks of providers, creating full vertical integration.</li> <li>- Each SS scheme has its own network (no crossover).</li> <li>- These schemes perform both the purchasing and health service provision functions for beneficiaries.</li> </ul>
<b>Social Protection in Health (SPSS)</b>	<ul style="list-style-type: none"> <li>- Co-financed through federal and state level general government revenues.</li> <li>- Non-indigent beneficiaries are supposed to pay contributions (in the form of premiums) but rarely do.</li> <li>- No contributions required from most beneficiaries.</li> <li>- No point-of-service fees (i.e.: co-payments) for beneficiaries in public or approved private facilities.</li> </ul>	<ul style="list-style-type: none"> <li>- PHI premiums are actuarially calculated and indexed to minimum income and inflation.</li> <li>- The premiums are co-financed by Federal transfers to each State for all enrolled (89% of the total), with State funds making up the rest (11%).</li> <li>- State payments to providers are still based on historical budgets.</li> <li>- Federal MI XXI funds for primary and secondary services are transferred to states on a capitation basis (fixed amount per person).</li> <li>- State payments to providers are still based on historical budgets.</li> <li>- MI XXI funds for tertiary services are paid directly to health facilities by the federal-level CNPSS (an agency of the Ministry of Health), on a fee-for-service basis.</li> <li>- FPGC funds are paid directly to health facilities by the CNPSS, on a fee-for-service basis.</li> </ul>

Source: OECD 2013 ([http://www.oecd.org/ctp/tax-policy/Explanatory%20Annex\\_2013\\_Social%20Security%20Contributions.docx](http://www.oecd.org/ctp/tax-policy/Explanatory%20Annex_2013_Social%20Security%20Contributions.docx)), Bonilla-Chacin, M.E. and Aguilera, N., "The Mexican Social Protection System in Health", The World Bank UNICO Studies Series, No. 1, 2013.

## Health Sector Financing<sup>1</sup>

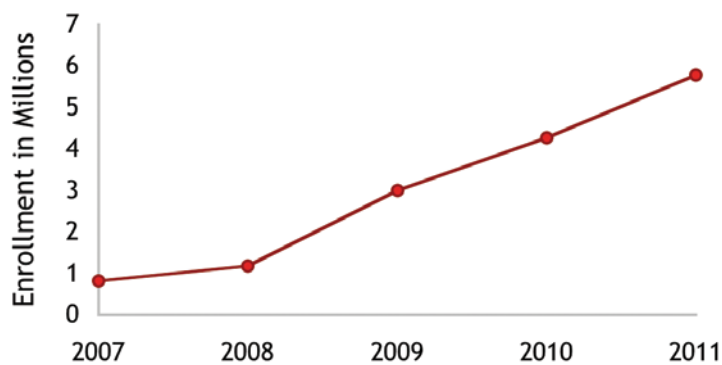
- ▶ Federal funding before the General Health Law reforms of 2003 perpetuated health disparities and inequalities between states by determining funding levels based on existing state infrastructure, rather than population needs.
- ▶ Federal transfers to states for the PHI are now based upon actuarially-calculated premiums to better address population needs and decrease these disparities.
- ▶ State payments to health service providers continue to be based on historical health facility budgets rather than being predicated on services provided or patient volume.
- ▶ Public expenditures on health grew from 2.4% to 3.1% of GDP between 2000 and 2009.
- ▶ During that same period, the gap between public spending levels for those employed in the formal sector and for the previously uninsured shrank, and disparities between states in Federal transfers per person decreased.

Figure 8. Popular Health Insurance (PHI)



Source: Bonilla-Chacin, M.E. and Aguilera, N., "The Mexican Social Protection System in Health", The World Bank UNICO Studies Series, No. 1, 2013.

Figure 9. Medical Insurance XXI Century (MI XXI)



Source: Bonilla-Chacin, M.E. and Aguilera, N., "The Mexican Social Protection System in Health", The World Bank UNICO Studies Series, No. 1, 2013.

## Financial Protection and Service Utilization

- ▶ A 2012 study showed that utilization of needed health services for those enrolled in SPSS programs is 1.8% higher than that of the uninsured. However, it remains 2.6% lower than health service utilization by Social Security beneficiaries.<sup>1</sup>
- ▶ The same study, which controlled for household characteristics associated with scheme affiliation, found that the SPSS households surveyed had significantly lower levels of OOPS and catastrophic health expenditures than uninsured households. The SPSS households also had similar levels for these measures as Social Security households.<sup>1</sup>

## Challenges and Pending Agenda<sup>1</sup>

- ▶ Large socioeconomic differences between states continue to contribute to wide health disparities. The SPSS has decreased these disparities, however, continued dedication to scaling-up human resources and infrastructure in poorer states and regions will be required.
- ▶ Mexico's health system is fragmented with little communication or coordination between public, Social Security and private providers and networks. This leads to inefficiencies marked by small risk pools, duplicative administrative structures and, ultimately, high administrative and insurance costs.
- ▶ Discussions continue about how to address this fragmentation through functional integration of networks and systems, including the possibility of a single risk and financial pool for the SPSS and Social Security with unification of their provider networks.
  - ▶ Though decreasing after the introduction of the SPSS, levels of OOPS and catastrophic health expenditures remain high in Mexico relative to other upper-middle-income countries.
  - ▶ In the SPSS, only tertiary level services (of the FPGC and MI XXI) are now paid on a fee-for-service basis following the reforms. Payments to health facilities for primary and secondary care (through the PHI and MI XXI) continue to be based on health facilities' historical budgets and are not linked to output or performance. The introduction of accountability mechanisms through incentive structures at the health facility level could increase the volume and quality of health services provided.

## References

- 1 Bonilla-Chacin, M.E. and Aguilera, N., "The Mexican Social Protection System in Health", The World Bank UNICO Studies Series, No. 1, 2013.
- 2 Pan American Health Organization (PAHO) Health Economics and Financing (HEF): Health Care Expenditure and Financing in Latin America and the Caribbean [Fact sheet]. 2012.
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- 4 Knaul, F.M, González-Pier, E., et al., "The quest for universal health coverage: achieving social protection for all in Mexico". The Lancet, 2012. Retrieved from [http://dx.doi.org/10.1016/S0140-6736\(12\)61068-X](http://dx.doi.org/10.1016/S0140-6736(12)61068-X)

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