

PERFORMANCE AND REFORM IN THE MEXICAN HEALTH SYSTEM*

The OECD has reviewed the Mexican health system in a report released on April 6. What are the key messages?

How does the health system perform?

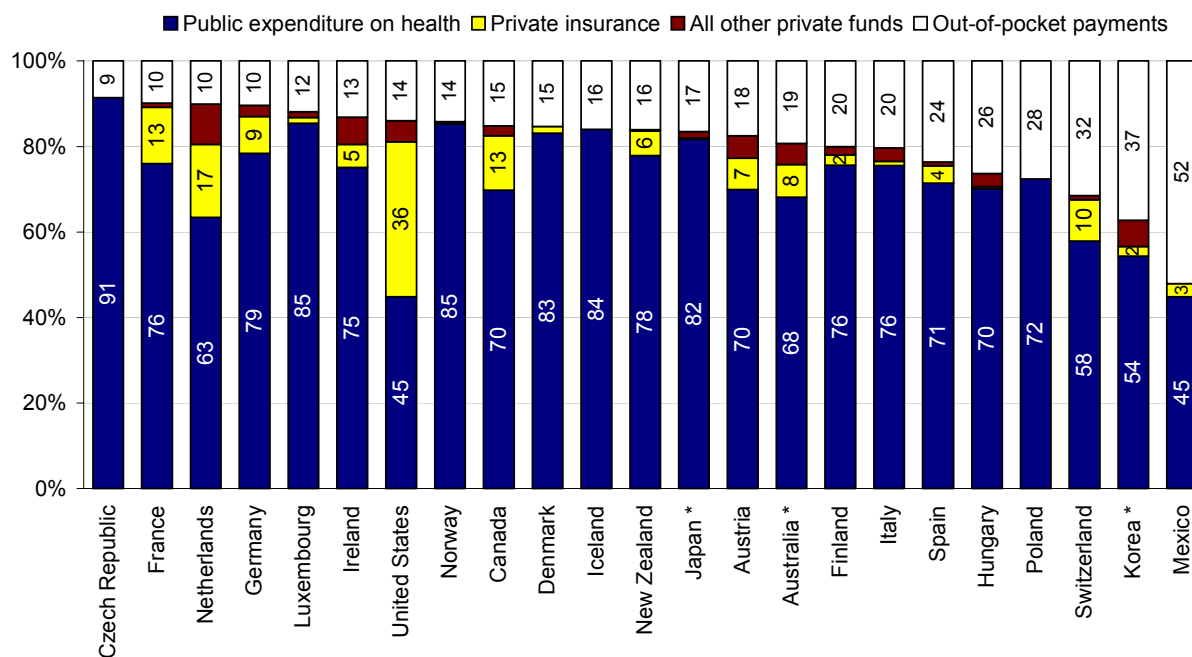
The health status of the Mexican population has improved significantly over the past few decades. A number of important reforms have also been made to enhance the performance of the health system. However, important performance challenges remain.

First of all, there are large inequalities in access. Only half of the population is covered by social security and roughly half of total health spending is paid for out of individual's pockets, in contrast with most other OECD countries where insurance coverage is universal or nearly universal and the share of out-of-pocket spending is less than 20 per cent (Figure 1). Large disparities in health finance exist across the country, with the northern states and the Federal District receiving the largest share of public spending on health, even though the needs – as measured by available indicators of health status such as infant and child mortality – are much greater elsewhere. The social security system is more generously resourced than the State Health Services that serve the uninsured, who continue to face serious problems of access to health care services.

The efficiency of health care provision also shows shortfalls. Significant variability across institutions and states in the intensity of input use suggests that there is scope for improving the performance of the weaker states and institutions. Meanwhile, administrative costs, at 9.5 per cent of total health spending, are the highest in the OECD area. This may arise from the segmentation of the social security and State Health Services institutions and the difficulty of coordinating policy in a decentralised environment. But it suggests that there is a significant potential for savings which could be devoted to higher-priority health care needs.

Quality of care is also of concern. Inadequate supplies of doctors and nurses in poorer areas and a generalised lack of pharmaceuticals have reduced the capacity to provide quality care in the State Health Services in many areas. Wide differences in quality across institutions and individual providers are also reported, which government policies are now beginning to address.

Finally, and partly underpinning these problems, health policy makers face important fiscal constraints. Along with weak efficiency, these have led to a generalised rationing throughout the public system and demand spilling over into the private sector. As a result, a significant share of the population faces catastrophic health care spending each year, with an even larger share among the poor.

Figure 1. Health expenditure by source of funding, 2002 ⁽¹⁾

⁽¹⁾ Countries are ranked by increasing share of out-of-pocket payments
 Source: OECD Health Data 2004, 1st edition. * 2001

New reform offers new opportunities

The Fox administration's response to these challenges is largely contained in the System of Social Protection in Health. This law aims to improve financial protection for those without social security coverage, inject new resources into the system, and re-balance the financial transfers from the Federal government to the States. As a key complement of the reform, the new "Seguro Popular" (or SP) provides families with a package of essential interventions and selected catastrophic treatments. Enrolment is voluntary. The financing of the new system includes a combination of existing and new financial resources. The Federal and State governments each pay contributions on a per family basis, which are topped up by a small income-tested premium paid by the insurees. By introducing a mechanism that would allocate more resources to poorer states, the current inequitable allocations of federal finance across the States will be narrowed.

The system has built-in incentives which should encourage success. With new federal resources allocated on the basis of the number of affiliated families, states have an incentive to sign up as many families as possible to the SP. Furthermore, as money is intended to follow the patient, improved quality and efficiency of provision should be encouraged. Finally, as any provider can potentially supply health services to SP enrollees, the new system can be seen as a first step towards breaking down the segmentation between social security institutions and State Health Services in the provision of services.

But successful reform requires successful implementation

Despite the well-devised design of the new reform, important challenges remain for its successful implementation, which may require additional measures.

- First, fresh resources to finance the expansion of the system are needed early in the programme's existence to ensure that the introduction of the new system is accompanied by real improvements

in health services. For example, an adequate supply of drugs is needed to ensure that the SP remains attractive. Part of these additional resources could come from cutting down the too-high administrative costs.

- Second, effective implementation of the reform requires ensuring that all states have adequate administrative and management capacity to implement the reforms. Failure to do so may raise the risk of waste and poor services, leading enrollees to opt out of the SP system.
- Third, better incentives for providers need to be put in place. The role of the State Health Services as purchasers of health care should be clearly established and institutions should be financed on the basis of services provided. Linking staff remuneration to performance goals should be encouraged.
- And, last but not least, the longer-term success of the System of Social Protection in Health will hinge upon, first, breaking down the current barriers between institutions and, second, extending the health insurance package for the SP to similar levels as in the social insurance system.

** A Spanish version of this article, authored by Francesca Colombo and Howard Oxley from the OECD Health Division, appeared on April 6 in the Mexican newspaper **El Economista**.*

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