COVID-19: An opportunity for implementing pro-health taxes in Mexico?

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JLN DRM collaborative webinar

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# Background: Mexico in a snapshot

## Fragmented and underfunded health care system

<table>
<thead>
<tr>
<th></th>
<th>Without social security</th>
<th>With social security</th>
<th>Private insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not affiliated</td>
<td>17</td>
<td>39</td>
<td>3</td>
</tr>
<tr>
<td>INSABI</td>
<td>497</td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>

### Key indicators

- **Life expectancy**: 72.2 years
- **Overweight and obesity**: 72%
- **Spending**: 1,138 US$
- **Public as % of GDP**: 2.5
- **Out-of-pocket**: 43%

### Tax revenue collection rate is 14.6% GDP on average in the last decade

### Economic effects will lead to deep recession in 2020

### Nearly 21,000 US $ income per capita

### Nearly half of population living in poverty will increase

### Government's delay in introducing social distancing & reluctance to provide fiscal stimulus will worsen the economic situation
<table>
<thead>
<tr>
<th>Product</th>
<th>IEPS* (Special Consumption Tax)</th>
<th>Expected revenues (US$ billions)</th>
<th>Effects on consumption</th>
<th>Earmarked for health</th>
<th>Annual consumption rates (&lt;15 years of age)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverage with alcohol 14% - more than 20%</td>
<td>25-50% of retail price</td>
<td>NA</td>
<td>NA</td>
<td>General government health spending</td>
<td>4.4 liters per capita</td>
</tr>
<tr>
<td>Cigarettes, cigars and other tobacco (2010)</td>
<td>69% of retail price</td>
<td>2.5</td>
<td>-4.66%</td>
<td>General government health spending</td>
<td>7.7 cigarettes (daily)</td>
</tr>
<tr>
<td>Sugar-sweetened beverages (2014)</td>
<td>10% of retail price</td>
<td>1.3</td>
<td>-0.89%</td>
<td>Revenue generating purposes rather than for health</td>
<td>163 liters per capita</td>
</tr>
</tbody>
</table>

*IEPS: Special tax for production and services
COVID-19: a window of opportunity?

Favor

• There is political will to allocate more resources for health through this type of taxes

• Other sources of revenues are not feasible after the COVID-19 impact on the economy

• Congress is currently discussing options, including higher earmarked taxes

Against

• Although COVID-19 has risen the need to allocate more resources for an underfunded health system, the federal government has not reverted the downward trend in its two years in office

• Moreover, the federal government has other priorities