

<b>HEALTHCARE FINANCING AND REIMBURSEMENT: A GLOBAL REVIEW OF MAJOR TOPICS AND TRENDS</b>
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<b>LAWS AND REGULATIONS ON HEALTHCARE FINANCING AND REIMBURSEMENT</b>
<p><b>1. Please provide a bird’s-eye view on the healthcare economy, indicating, in general terms, the role of the government (public healthcare) and private actors (private healthcare).</b></p>
<p>Mexico’s healthcare system is divided into public and private sectors operating under a mixed model to address the health needs of its population. The government oversees the formation and implementation of healthcare policies through the Ministry of Health (SSA), and renders health services through 26 different institutions referred to as the ‘National Health System’, the most important being the Mexican Social Security Institute (IMSS) and the Institute for Social Security and Services for State Workers (ISSSTE). These social security institutes are responsible for providing almost all-encompassing coverage to formal workers in both the private sector and for government workers, covering about 60 per cent of the Mexican population.</p> <p>In addition, the private sector fills in the governmental gaps by providing specialised care and services that are not easily available through the public system. Private healthcare is mostly limited to urban areas and covers about 7 per cent of the population, mostly through private health insurance plans.</p> <p>Uninsured individuals may access healthcare through programmes like the Institute of Health for Wellbeing (IMSS Bienestar). Furthermore, non-government organisations and patient advocacy groups assist patients with particular medical needs or patients who are part of the healthcare system gap.</p> <p>This interaction between public and private players in the healthcare sector results in a reasonable trade-off between universal coverage and access to complex care.</p>
<p><b>2. Please provide a high-level overview of the legal framework regarding healthcare financing and reimbursement.</b></p>
<p>Mexico’s healthcare financing framework consists in a comprehensive set of laws and regulations designed to address the needs of the population across the public and private sectors.</p> <p>The General Health Law (<i>Ley General de Salud</i>) serves as the cornerstone, establishing the government’s responsibility to ensure access to healthcare for all citizens, while providing the legal framework for key institutions like IMSS, ISSSTE, and IMSS Bienestar, which manage public healthcare financing and service delivery.</p>

As to more specific legislation, the Social Security Law, the ISSSTE Law, the Fiscal Coordination Law and the Federal Law for Fiscal Budgeting and Responsibility outline the financing mechanisms for employed workers and government employees, setting forth contribution structures and reimbursement models. These laws interact with state-level health regulations, which address regional implementation strategies and funding needs. Together, these regulations create a multilayered system that balances national priorities with local realities.

Financing of these institutes is achieved through federal and state governmental spending, contributions of the employers and employees, and out-of-pocket expenses of the beneficiaries of the services. Other public health institutions are funded exclusively through federal and state governmental spending, such as IMSS-Bienestar.

In order to prevent catastrophic spending in health services by governmental institutions, the General Health Council, operating under the Ministry of Health, issues and updates the *National Compendium of Health Supplies*, which serves as a reference for standardised medical supplies approved for their use within the national health system. This compendium includes medical supplies such as medicines, medical devices, vaccines and biological products, amongst others. This compendium is a critical tool for healthcare providers, administrators and policymakers to ensure the availability of essential medical products and services while promoting equitable access to quality healthcare throughout Mexico.

The Ministry of Economy of Mexico also influences healthcare financing and reimbursement through policies such as the Programme to Support the Commercialisation and Distribution of Medicines and Health Supplies, a mechanism implemented to ensure competitive and fair prices for the patent medicines in the market.

### **3. What are the key regulators and supervisory bodies regarding healthcare financing and reimbursement?**

Mexico's public healthcare financing system is supervised by different governmental entities throughout all stages. Funds for healthcare services are assigned annually by Congress via the Expenditure Act. The execution of these public funds is then audited by the Supreme Audit of the Federation, a governmental office focused on auditing public expenditure.

All governmental health institutions also have an internal control organ, which depends on and reports to the Anti-Corruption and Good Governance Ministry, who may carry out administrative and criminal proceedings against public officers for the misuse of public funds. IMSS and ISSSTE manage internal oversight mechanisms to regulate their extensive healthcare networks.

Insurance companies are supervised by the National Insurance and Bonding Commission (CNSF) which oversees private health insurance operations, ensuring financial solvency and compliance with consumer protection laws; the Federal Commission for Economic Competition (COFECE) monitors market practices, preventing anti-competitive behaviour in pharmaceuticals and healthcare services. These entities work together to maintain a balance between accessibility, quality, and financial discipline, though overlapping jurisdictions can sometimes complicate efficient oversight.

**4. Has there been a change with healthcare financing and reimbursement as a consequence of the Covid-19 pandemic?**

The Covid-19 pandemic led to modifications in healthcare financing methods in Mexico, since it required the use of emergency funds on an unprecedented scale, due to the increase in the acquisition of protective equipment and massive hiring of medical personnel. State-level funding was also significantly reformulated to have new distribution formulas based on the infection rates and particular population vulnerabilities. The states with most cases of the disease, such as Mexico City, Nuevo León, and Jalisco, got the most funding.

The public healthcare providers IMSS and ISSSTE offered to cover Covid-19 treatment without any charge to the patients. They also offered workforce-related benefits to those whose work was affected by the pandemic. Said benefits were not previously contemplated in their annual funding and represented a significant increase in their costs.

The private sector also saw a change, with an increase in the use of previously unexplored areas such as telemedicine. Public entities like IMSS also implemented a private reimbursement scheme to provide telemedicine services supplied in the private sector for governmental use, and consequently the government had to cut other non-Covid-19-related public healthcare expenses, leaving many other treatments and patients unattended.

Healthcare financing and reimbursement has returned to ‘normal’ after the pandemic.

**5. Who has access to the healthcare system as a patient on the one side and as a medical service provider/supplier of medical goods on the other side? What are the conditions of admission?**

Access to healthcare in Mexico is structured around a multi-tiered system encompassing public and private sectors, with varying degrees of coverage depending on institutional affiliation, socioeconomic status and geographic location. While the legal framework ensures universal access to healthcare as a constitutional right, disparities in funding, infrastructure, and resource allocation create significant gaps in practice.

For beneficiaries of public systems like IMSS and ISSSTE, access is tied to formal employment. These institutions provide comprehensive services, including preventive care, diagnostics, hospitalisations and chronic disease management. Dependents of insured individuals also benefit from these services. However, long wait times and limited availability of specialists often prompt patients to seek care in private facilities, especially in urban areas.

For uninsured individuals, the IMSS Bienestar programme provides free or heavily subsidised access to basic healthcare services. IMSS Bienestar covers a range of treatments and medications, though it has faced criticism for inconsistent implementation and inadequate funding at the state level.

Regional disparities are particularly pronounced, with rural and marginalised communities often lacking the infrastructure, medical personnel, and supplies needed to deliver consistent care. While emergency care is guaranteed to all under the General Health Law, follow-up treatments often depend on affiliation with a public institution or the ability to pay out of pocket.

The private sector plays a complementary role, particularly in urban centres where specialised services, shorter wait times, and access to advanced technology attract very few patients who can afford the associated costs. Private insurance coverage, which is voluntary and serves about 7 per cent of the population, helps offset these costs, but out-of-pocket expenses remain significant for most patients. For uninsured patients, accessing private care can result in catastrophic health expenditures, deepening existing inequalities.

The shortage of trained medical personnel, particularly in remote regions, exacerbates disparities. Incentives to attract doctors and specialists to rural areas have had limited success, and reliance on overburdened public facilities often forces patients to travel long distances for care. Additionally, the uneven distribution of healthcare resources – concentrated in urban areas – continues to hinder equitable access.

## HEALTH INSURANCE FINANCING AND COVERAGE

### 6. How are health insurance carriers financed? How are premiums determined?

In Mexico, public health and public insurance is financed through federal and state governmental spending, employer contributions and employee contributions. IMSS Bienestar is funded entirely by federal and state budget allocations, with no fees charged to beneficiaries. This is useful in achieving the goal of covering the uninsured population, but it has the problem of limited and uncertain sources of funding.

As to insurance, the private health insurance companies work independently, and their models are based on commercial terms under which premiums are determined by actuarial risk. These premiums are sent to the CNSF for approval to ensure that they meet the regulatory standards, and that the consumer is protected.

Intervention of the government in insurance sector is limited; courts are generally not involved in the setting of insurance prices, unless there is an issue with the price affecting a person's fundamental rights or the price fixing is against consumer policy law.

### 7. How is coverage of medical services by health insurance carriers regulated? Are there differences in coverage for in-person medical appointments and telemedicine appointments?

The coverage regulation in Mexico is different for public and private institutions. Public institutions (such as the aforementioned IMSS Bienestar and ISSSTE) are limited to their legal attributions. Healthcare regulations will also determine the institution's list of services. IMSS Bienestar has a more limited bundle of services, and it is centred on primary care and basic interventions, although the extent of coverage will also depend on the region and resources available at said location.

Government supervision is quite different depending on the sector; public institutions are operated within the coverage parameters that are strictly regulated by the federal legislative acts and the institutional rules. On the other hand, private insurers have more freedom in shaping the coverage, obliged only to meet the requirements of the CNSF. This regulatory framework guarantees basic standards and allows market-driven innovation in coverage options.

As for telemedicine, the Covid-19 pandemic accelerated this regulatory development. Now, most public institutions reimburse for telemedicine visits on the same basis as in-person visits because they are seen as fundamental to healthcare delivery, especially in remote areas.

Private insurers adopted different measures; some adopted incentives such as reduced rates for virtual consultations to increase the usage of virtual care. There are special authorisation processes for certain telemedicine consultations depending on the complexity of the consult.

## HOSPITAL SECTOR

### 8. How are services provided by hospitals in the stationary (inpatient) and ambulatory (outpatient) settings financed and reimbursed?

The funding and reimbursement of hospital services in Mexico are determined by whether the care is inpatient or outpatient, and if the services are rendered through the public or private sector.

Most of the funding comes from the public sector, as previously stated – from federal and state funds, and from employee and employer contributions to social security programmes like IMSS Bienestar and ISSSTE. Certain public models also require that patients participate with low out of pocket fees in order to finance some of the costs of the institutions.

Outpatient care includes consultations, diagnostic tests, and minor interventions. It is less resource-demanding, therefore has a simpler cost structure. These services are heavily subsidised or provided for free to the public, while patients without insurance must pay a nominal mix of direct payments and government policy and patient payments. The current models of billing for inpatient care include pricing ‘a la carte’ for procedures and surgeries. Each private reimbursement service has its own separate price logic for inpatient care, the rates for care packages are based on the patient’s policy terms, which are a function of actuarial estimates and policy limits.

The logistical challenges for inpatient and outpatient care are different. Regardless of the sector, inpatient care requires a significant amount of resources, including personnel, physical space, medications and post-operative care, all of which are costly to fund and reimburse. Public hospitals work within annual budgets that must cover these needs, but the constant underfunding leads to shortages of personnel, equipment, and services. Meanwhile, private hospitals are well appointed and reflect these costs in their charges for any service.

On the other hand, outpatient care has a relatively simple reimbursement mechanism, with new systems that help reduce costs – such as the application of technology, allowing for virtual consultations which can be time- and cost-effective. The public sector, through its sector centralized funding, enables the government to provide health services through subsidies, but this is limited by the availability of the annual budget, resources and the uneven development of healthcare facilities across the regions.

### 9. How are the prices of such services determined? How is economic efficiency controlled?

The prices of drugs and healthcare services in Mexico are controlled by the public sector, market forces and regulatory authorities to ensure affordability, availability and sustainability of the mixed healthcare system.

The public sector, which covers the majority of healthcare, is centralised in the IMSS, IMSS Bienestar and ISSSTE mechanisms of medication pricing. These mainly consist of bulk purchasing of medicines through consolidated tenders, often coordinated at federal level by Birmex, a specific government agency stemming from the Ministry of Health. This model

allows cost reduction, especially for generic drugs since Mexico has a generic-driven market due to the price convenience.

As to prices in medicines of the public sector, a pharmacoeconomic assessment is required to include innovative or high-cost therapies as part of the *National Compendium of Health Supplies*. New treatments must be approved by the Inter-Institutional Commission of the National Compendium of Health Inputs to assess the therapeutic value and cost-effectiveness of a treatment. The government also employs international reference pricing for patent drugs, which compares the national prices of a drug with those in other countries, to set reference prices. Nevertheless, public hospitals still face budgetary restraints that prevent them from providing access to new and expensive treatments.

In the private sector, drug prices are determined by the market but are also regulated by the government. Patent drug manufacturers must report to the Ministry of Economy the maximum retail prices of their products, considering the economic environment in Mexico and six other international markets as reference. Prices of generic medications, which compose the majority of pharmaceutical sales, are determined by the market forces of competition. Most hospital and clinical services, including consultations, diagnostics and treatments, are priced by private hospitals and clinics based on operating costs, market demand for their services, and the availability of advanced medical technologies.

Both sectors encounter difficulties in resolving the inequality of prices between urban and rural areas; public facilities based in rural areas have limited access to drugs and services, while private providers in urban areas serve high-income populations and offer premium services at higher prices. To reduce these inequalities, the government has introduced measures such as targeted subsidies and mobile health services, but the impact of these measures has not been uniform.

The efficiency and cost control mechanisms are vital in the Mexican healthcare system. Public institutions have made improvements in quality assurance and compliance controls, including bioequivalence testing for generic drugs and confidential rebates for high-cost treatments.

All pharmaceutical products sold in the market need to meet safety and efficacy standards to obtain a marketing authorisation.

## **HEALTHCARE PROVIDERS IN PRIVATE PRACTICE**

### **10. How are services provided by physicians, therapists, laboratories, and other service providers financed and reimbursed?**

Costs in the Mexican healthcare system average, from economical strategies such as from the tax perspective; having a zero-tax appliance for certain medical services and products.

When providing medical care on a day-to-day basis, physicians and hospitals follow treatment protocols that ensure care is consistently delivered in a cost-conscious manner. Specifically, as to the public sector, they may only prescribe health inputs previously included in the *National Compendium of Health Inputs*, in order to maintain cost control. This allows a cost-smart system and allows for patients to receive the care they require. For this system of prescription to function, public hospitals have a specialised teams of people who regularly audit these guidelines to suit the needs of the patients.

The public system advocates for the use of generic medicines and other locally produced medical supplies as opposed to their expensive counterparts whenever they are as effective, as a way of keeping costs down without compromising on the care that people need.

In the private sector, insurance companies usually establish capped fees for health service providers. These caps may vary based on the annual premiums paid by clients, in which more expensive insurance products contemplate higher caps than more accessible insurance products. Insurance products may also require that the client pays a premium and/or co-pay when using the services.

#### **11. How are the prices of such services determined? How is economic efficiency controlled?**

The pricing of healthcare services in the private practice is an outcome of market forces, patient demand, insurance reimbursements and loss pricing, with controls implemented through the market, insurer supervision and cost controlling measures on operational efficiency. However, equity in access and cost across regions has remained an issue over time.

In the private sector, setting prices for services is influenced by billing, practitioner rates and cost of providers. The CNSF plays a relevant role in controlling these rates by supervising, actuarial control, intervening when needed and its transparency policies.

Other sectors, such as insurance, also take part in the determination of prices, considering the type of procedure, operation, treatment, clinical history of the patient and geographical location.

To enhance cost efficiency practices, the private sector also pursues internal measures, including the use of digital record systems, telemedicine and optimised scheduling. These practices do not only reduce operational costs but also assist patients who want convenience and cost-efficient care. However, the problems of price and health access differentials continue to be a challenge, especially in poorly covered regions with few private practitioners – leading to scarce competition and soaring prices.

### **PHARMACEUTICALS AND MEDICAL DEVICES**

#### **12. How are pharmaceuticals and medical devices financed and reimbursed?**

The financing and reimbursement of pharmaceuticals and medical devices in Mexico are funded through a multi-tiered system that distinguishes between the public and private sectors.

As previously mentioned, prices in medicines of the public sector require a pharmacoeconomic assessment to include innovative or high-cost therapies as part of the *National Compendium of Health Supplies*. New treatments must be approved the Inter-Institutional Commission of the National Compendium of Health Inputs to assess the therapeutic value and cost-effectiveness of a treatment.

Furthermore, the government employs international reference pricing for patent drugs, which compares the national prices of a drug with those in other countries to set reference prices. Nevertheless, public hospitals still face budgetary restraints that prevent them from providing access to new and expensive treatments.

The public sector purchases medical supplies in bulk through consolidated tenders, often coordinated at federal level by Birmex, a specific governmental agency operating under the

Ministry of Health. This model allows cost reduction, especially for generic drugs – Mexico has a generic-driven market due to the price convenience.

Pharmaceuticals and medical devices in the private sector are financed and reimbursed based on market forces. Patients pay out of pocket or through private insurance that covers the expenses based on their insurance policy.

Patent drugs have a more limited supply and are more expensive, while generics are readily available and more affordable. Retailers and pharmacies engage in price negotiations with manufacturers and wholesalers, and insurers establish reimbursement levels based on actuarial risk.

**13. How are the prices of pharmaceuticals and medical devices determined? How is economic efficiency controlled?**

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**LITIGATION INVOLVING HEALTHCARE FINANCING AND REIMBURSEMENT**

**14. Please provide a high-level overview of major litigation topics and landmark cases regarding healthcare financing and reimbursement.**

Litigation is instrumental in the evolution of healthcare financing and reimbursement in Mexico, generally as a way of identifying problems in the system and ensuring the implementation of constitutional defences. The 2019 Supreme Court ruling (AR 251/2016) was revolutionary, as it required public institutions to provide off-formulary medications when medically necessary, prioritising patient need over budget constraints. This expanded the constitutional right to health, but revealed operational difficulties including delays and financial stress on poorly funded public institutions.

*Amparo* proceedings are a common legal remedy for patients in pursuit of coverage for expensive or complex treatments, like orphan drugs or gene therapies. The courts have been generally positive in their rulings regarding access to healthcare, but such rulings are costly to public institutions, thus are not always implemented in a timely manner or at all.

In the private sector, litigation frequently involves disputes over insurance reimbursement and coverage denials. Courts have clarified insurers' obligations, particularly for experimental treatments, reinforcing consumer protections while prompting insurers to re-evaluate policy terms.

Public hospital funding also remains a key area of judicial intervention, with courts mandating emergency funding to maintain essential services, particularly during crises like the Covid-19 pandemic. Unresolved cases involving cutting-edge treatments, such as personalised medicine, could reinterpret public healthcare responsibilities and raise concerns about striking a balance between innovation access and long-term financial viability. All things considered, litigation keeps extending patient rights while posing difficulties for healthcare organisations in balancing legal requirements with realistic financial realities.

## RECENT DEVELOPMENTS AND TRENDS

**15. What are the recent developments and trends for the next few years? Please outline any unresolved issues, proposed changes, or trends for healthcare financing and reimbursement and briefly indicate how these may foreseeably affect the medical sector in the near future.**

The healthcare system in Mexico is currently undergoing many reforms to improve the financing, reimbursement and delivery of health services. The current Digital Health Integration Law, currently under review, aims to standardise the electronic health record systems used by public and private healthcare providers. This law would resolve the previous inefficiencies of the loss of patient information (thus improving care transitions), reduce the duplication of services, and enhance cost containment. It is expected that it will assist in simplifying payment processes by providing a means of tracking of care delivery in a centralised system.

COFEPRIS is still being reformulated with follow-up mechanisms that would enable it to make faster decisions on the licensing of pharmaceuticals and medical devices. These efforts involve collaboration with other international regulatory authorities which may significantly reduce the time taken to approve a product while ensuring that the product is safe. This modernisation is particularly important as Mexico seeks to acquire these new modalities of treatment such as gene therapy and customised medicine.

In terms of financing, IMSS Bienestar is conducting a pilot study on value-based payment in three Mexican states, seeking to shift from the fee-for-service model towards one that rewards positive outcomes for the patients. The findings of the first few months show that there were fewer procedures and higher quality of care, being potentially beneficial to the public system. If this model is adopted nationwide, then the providers of healthcare stand to be rewarded in a different way that is more sustainable and more patient-focused.

BIRMEX's first pharmacy is located in an underserved area called Huehuetoca, which represents a significant step in increasing access to medication in unattended areas in Mexico.

These facilities provide access to thousands of medicines and medical supplies, designed to be affordable and accessible, focusing to aid areas with limited pharmacy availability. This initiative aligns with ongoing efforts to enhance IMSS Bienestar and integrate medication management with broader health interventions.

The future of the system is also being influenced by judicial trends. Pending Supreme Court decisions on matters such as costly gene therapies may set new parameters of what the public sector should cover.

Furthermore, the government is developing its first-ever long-term care financing strategy by developing new insurance models to meet the needs of Mexico's increasing elderly population, reflecting initiatives in response to demographic and social changes.