

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

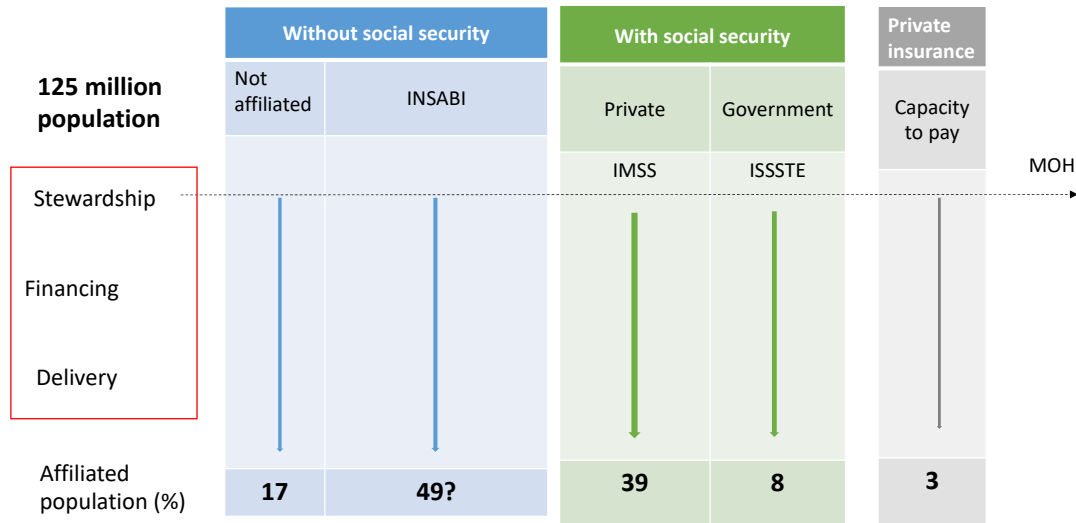
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# Background: Mexico in a snapshot

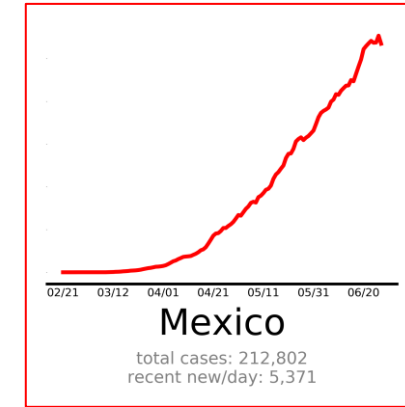
## Fragmented and underfunded health care system



### 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%

## COVID-19 pandemic



- 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

# Current pro-health taxes implemented: three examples

\*IEPS: Special tax for production and services

Product	IEPS* (Special Consumption Tax)	Expected revenues (US\$ billions)	Effects on consumption	Earmarked for health	Annual consumption rates (<15 years of age)
Beverage with alcohol 14% - more than 20%	25-50% of retail price	NA	NA	General government health spending	4.4 liters per capita
Cigarettes, cigars and other tobacco (2010)	69% of retail price	2.5	-4.66%	General government health spending	7.7 cigarettes (daily)
Sugar-sweetened beverages (2014)	10% of retail price	1.3	-0.89%	Revenue generating purposes rather than for health	163 liters per capita

# 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