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Inflation And Health Care¹

Introduction

The increase in inflation in Mexico in recent years can be explained by external factors: scarcity of raw materials, limitations in global input chains, and the economic recovery. The increase in prices in the health sector is to a great extent the result of the Covid-19 pandemic and maintained the lowest levels of the general inflation rate from 2021 until the first quarter of 2022. However, by September 2022, the two converged, and in October, health sector inflation surpassed the general rate.

This article will analyze the change in health care spending from 2018 to 2020 due to characteristics of Mexican households.² The sources for the data are the National Survey of Household Income and Spending (ENIGH) carried out by the National Institute for Statistics and Geography (INEGI) and the behavior of the National Consumer Price Index (INPC) over the last two years, particularly in the areas of health and personal care.

Health Care Spending in 2018 and 2020

According to ENIGH data, from 2018 to 2020, households that spent in this area went from 53.8 to 67.9 percent. It should be noted that the proportion of those who spent on health is larger in the higher-income deciles. In 2018,

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among the three lowest income deciles, fewer than half of households spent money on health care; by contrast more than 65.0 percent of those in the tenth decile did so. By 2020, the proportion of households in all income deciles had increased spending on health care since about 60 percent in the first deciles used part of their resources for this and, starting with the seventh decile, more than 70 percent did the same.³

These differences show the inequalities generated by the social determinants of health. These data also jibe with research by Sáenz-Vela and Guzmán-Giraldo, who estimate Tobit models about out-of-pocket spending to show that higher household income levels correspond to increased proportional spending on health. They note that people in the highest income quintile increased their spending 60 percent more than those in the first quintile. They also find that the probability of incurring catastrophic health spending drops as the level of income rises.⁴

According to the ENIGH, health care costs break down as follows:

1. *Primary or out-patient care.* This includes dental and medical appointments (both with general physicians and specialists), clinical tests, and medical studies;
2. *Hospital care.* This includes fees for professional services, hospitalization, clinical tests and medical studies, prescribed medications, medical supplies, and other services;⁵ and
3. *Over-the-counter medications not prescribed by a doctor:* Practically 70 percent of health care expenses in Mexico were for primary or out-patient care in both 2018 and 2020. At the same time, in 2020, over-the-counter medications represented almost one-fifth of health care costs (see table).

<i>Health Care Costs by Type (2018 y 2020) (%)</i>				
<i>Year</i>	<i>Primary or Out-patient Care</i>	<i>Hospital Care</i>	<i>Over-the-counter Medications</i>	<i>Total Health Care</i>
2018	70.4	13.6	16.0	100.0
2020	68.7	12.2	19.1	100.0

Source: Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH) 2018 and 2020; *Índices de Precios al Consumidor*, 1969 to 2018.

These data show the composition of health care expenses, which seem to stay constant from 2018 to 2020, although with a certain preference for over-the-counter medications not prescribed by a doctor. The following section focuses on the changes in inflation in recent years in health and personal care.

Inflation and Health and Personal Care

The INPC classification includes eight categories: food, beverages, and tobacco; clothing, shoes, and accessories; housing; furniture and domestic devices and accessories; health and personal care; transportation; education and leisure; and other services.

Inflation in Mexico has increased significantly since April 2021, when it reached an annual 6.08 percent more than the same month in 2020. Starting in April, the general rate stopped being less than the average for health and personal care. At the same time, it kept growing until it reached 8.70 percent in September 2022.⁶ This has brought about a convergence of general inflation and health and personal care inflation by that month, and in

Higher inflation in the health and personal care sector mainly affects households with greater economic and social limitations, those in rural areas, and among senior citizens and others with health problems.

October 2022, the inflation in the health and personal care category was higher than the general rate (see graph). This represents a risk for Mexican households since health is fundamental. With higher prices, health care becomes more complicated, especially for households with economic limitations.

In 2020, the effect of the Covid-19 pandemic is reflected in the prices of health and personal care, since they exceed the general rate up until March 2021, when they recover somewhat. However, by October 2022, they are again higher than overall inflation (see graph).

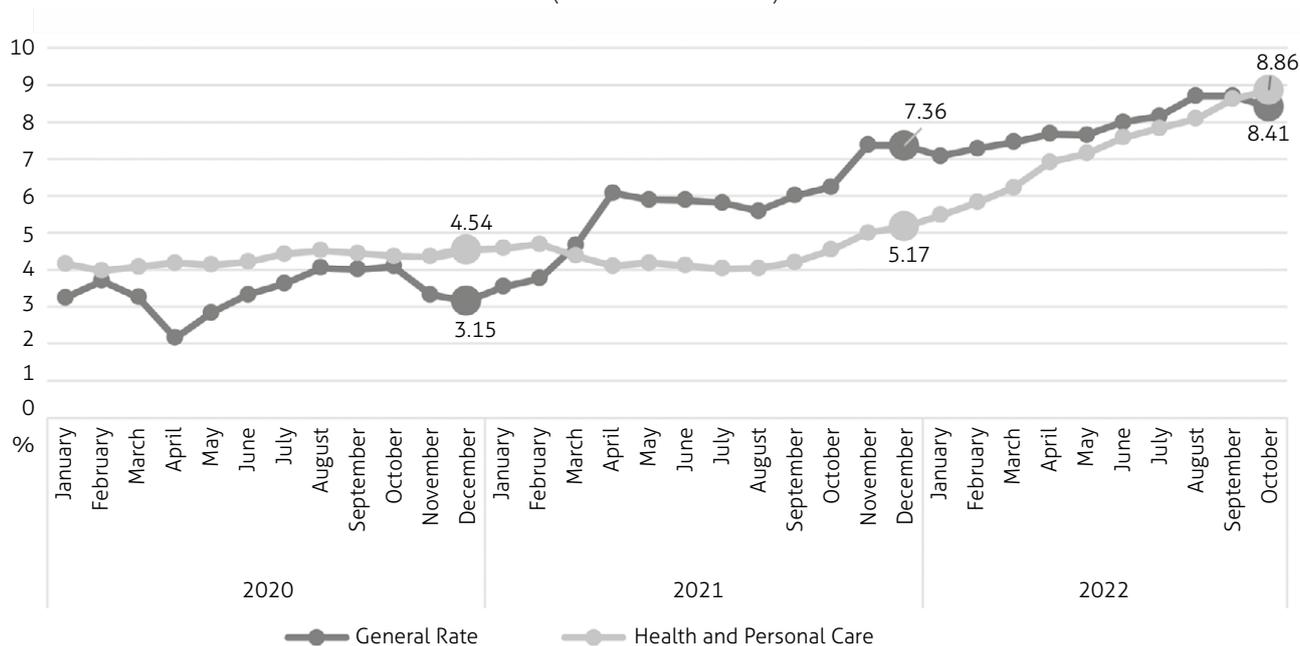
These conditions can be explained by the health and economic crisis due to increased demand for medical services, which seemed to be alleviated before October 2022.

Final Considerations

The sustained rise in health and personal care prices represents a risk of facing catastrophic, impoverishing expenses in health, particularly for households with lower incomes. In addition, according to the National Council for the Evaluation of Social Development Policy (Coneval), the shortfall in access to health services increased from 2018 to 2020, from 16.2 to 28.2 percent.⁷ This is a serious risk that sharpened with the pandemic since the country's health services were overwhelmed by it; it also becomes more difficult to stay healthy when medical services are not available.

In addition, higher inflation in the health and personal care sector mainly affects households with greater economic and social limitations, those in rural areas, and among senior citizens and others with health problems. This is why it is important to implement actions in favor of the more vulnerable population through public policies and improvements in the health sector, such as ensuring effective access to health services for all, with comprehensive, quality, speedy care. ■■■

GRAPH I
Monthly Consumer Price Index, Health and Personal Care
 (2020–October 2022)



Source: INEGI and INPC.

Further Reading

García, Ana Karen, “La inflación también golpea el acceso de los mexicanos a la salud,” *El Economista*, May 5, 2022, <https://www.eleconomista.com.mx/economia/La-Inflacion-tambien-golpea-el-acceso-de-los-mexicanos-a-la-salud-20220505-0030.html>.

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Keckley, P., “Inflation’s Impact on Healthcare: 5 Takeaways,” *Health Facilities Management Magazine*, April 26, 2022, pp. 12–15, <https://www.hfma.org/finance-and-business-strategy/healthcare-business-trends/paul-keckley-inflation-s-impact-on-healthcare-5-takeaways/>.

Sandoval, Brenda, “Inflación médica, 4 veces mayor a la inflación general: el costo de atender tu salud,” *Forbes México*, September 3, 2021, <https://www.forbes.com.mx/inflacion-medica-4-veces-mayor-a-la-inflacion-general-del-pais-el-costo-de-atender-tu-salud/>.

Notes

1 Research for this article was carried out in the framework of the PAPIIT ia301922 program titled “Discrimination and Vulnerability in Health in the Post-Covid-19 Era. Public Policies for Gender Equality and Territorial Equity.”

2 ENIGH data from 2018 and 2020 are used because they are the most recent available, and they can register the impact of the Covid-19 pandemic on health care spending.

3 See Instituto Nacional de Estadística y Geografía (INEGI), “Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH)” 2018, <https://www.inegi.org.mx/programas/enigh/nc/2018/>; and Encuesta Nacional de Ingresos y Gastos de los Hogares (ENIGH) 2020. The data base is described at <https://www.inegi.org.mx/programas/enigh/nc/2020/>.

4 Catastrophic health costs exist when health expenses represent 30 percent or more of a household’s payment capabilities. See H. M. Sáenz-Vela and A. M. Guzmán-Giraldo, “Determinantes del gasto de los hogares en salud en México,” *Problemas del Desarrollo. Revista Latinoamericana de Economía*, vol. 52, no. 205, 2021, pp. 3–25.

5 “Other services” refers to ambulances, oxygen, saline solution, catheters, dialysis and urine bags, commodes, and nebulization, among other things.

6 The category “health and personal care” expenses is divided into “health products” (medication, apparatuses, and medical care) and “personal care” (personal care services and articles for personal hygiene and care).

7 Consejo Nacional de Evaluación de la Política de Desarrollo Social (Coneval), “Nota informativa. Primer informe,” July 2022, https://www.coneval.org.mx/Evaluacion/IEPSM/Documents/Evaluacion_Estrategica_Salud_Primer_Informe.pdf.