



In April 2003, Dr. Julio Frenk, Mexico's Minister of Health, prepared for a historic Senate debate on his health reform bill. As Mexico's health leader, Frenk had spent years championing reforms to address deep-rooted inequalities in the healthcare system. His work was inspired by his appointment in 2000 under President Vicente Fox, who aimed to challenge the political status quo and modernize Mexico's institutions. Frenk's vision was to create a universal healthcare system that would ensure access for all Mexicans, particularly those who were uninsured. It was an ambitious goal, especially given the significant structural, financial, and political obstacles involved.

In the early 2000s, Mexico's healthcare system was fragmented and inequitable, with access primarily tied to employment status. The largest institution, IMSS (Mexican Social Security Institute), provided healthcare for salaried workers and retirees. Another program, ISSSTE, offered insurance for government employees. Combined, these programs covered roughly 50% of the population, leaving another 50 million people, largely those in the informal economy, uninsured. These uninsured Mexicans had limited options, typically relying on public clinics and hospitals run by the Ministry of Health (MoH) or paying out-of-pocket for private healthcare services. However, these MoH facilities were chronically underfunded, and many Mexicans who used them still faced high out-of-pocket costs, leading millions into financial hardship each year. As a result, about 52% of Mexico's total health expenditures in 2000 came from private spending, a major barrier to accessible healthcare.

Initially, Frenk sought to integrate the uninsured into the IMSS system to create a unified healthcare structure. However, IMSS was financially burdened, as it not only provided healthcare but also handled pensions for salaried workers. Integrating the uninsured raised concerns about overwhelming the system and straining resources without added financial support. IMSS employees and their powerful union resisted, fearing that the reform would increase their workload without additional resources or compensation. Employers also worried that opening IMSS to all workers would undermine its value as an employment benefit, which helped attract formal employees.

Facing strong opposition from IMSS, Frenk pivoted and developed an alternative plan with the help of economists and analysts he recruited to the MoH. His new proposal, known as "Seguro Popular" (Popular Health Insurance), sought to establish a separate insurance program specifically designed for non-salaried workers. Seguro Popular aimed to extend healthcare access through a publicly funded insurance system rather than relying on the existing IMSS structure. Unlike previous models that required individuals to pay directly for services, Seguro Popular would provide government subsidized health insurance. The goal was to reduce the financial burden on families by offering a reliable insurance alternative that did not rely solely on direct payments at the time of service and

would remain financially sustainable. Seguro Popular also contracted with public and private healthcare providers to deliver services, fostering competition and incentivizing quality improvements.

The proposal divided federal financing into one fund for personal healthcare services and created a separate fund for public health services. The separation of funds ensured that acute medical needs of individuals would not deplete funds for population-based prevention. The funds for personal services were further divided in two: one stream for primary and secondary level intervention and a second stream for catastrophic expenditures. This catastrophic fund, called the Fund for Protection against Catastrophic Expenditures, was partially financed through a tobacco tax and aimed to cover high-cost illnesses like HIV/AIDS and certain cancers.

To build support for Seguro Popular, Frenk launched pilot programs in five states soon after Fox's inauguration. These pilot programs allowed the federal government to test the system while generating data to demonstrate its potential benefits. Initially, Frenk aimed to enroll 60,000 families, but the program quickly grew, enrolling nearly 300,000 families, or around 1.5 million individuals, by the end of 2001. The success of these pilot programs helped build credibility for Seguro Popular and demonstrated its potential to address Mexico's healthcare inequities.

Despite this success, Frenk faced strong opposition from multiple fronts as the legislation neared debate. Santiago Levy, the director of IMSS, was one of the primary critics. Levy, an economist with a PhD and extensive experience in finance, was concerned about the financial sustainability of expanding healthcare coverage. He argued that a voluntary system would likely lead to adverse selection, where only the sickest individuals would join, leading to unsustainable costs. Levy suggested that Seguro Popular would create perverse incentives for people to remain in the informal sector, avoiding taxes and the responsibilities tied to formal employment. He proposed alternative funding sources, such as revenue from PEMEX, Mexico's state-owned oil company, or a value-added tax (VAT) on certain goods, but these ideas faced intense political resistance and were ultimately dismissed.

Another powerful figure, Francisco Gil, the Minister of Finance, also opposed the reform. Gil's influence in the government stemmed from his control over budget allocations, and he was deeply skeptical of the financial burden Seguro Popular might impose. Although Frenk attempted to build rapport with Gil by aligning with some of his fiscal proposals, Gil viewed Seguro Popular as an added demand on an already strained budget. He was particularly concerned about the long-term sustainability of the program, given the existing financial commitments Mexico had made in other social programs.

Outside the federal government, Andrés Manuel López Obrador (AMLO), then-Mayor of Mexico City and a leading figure in the Democratic Revolutionary Party (PRD), also voiced opposition. Although AMLO's political philosophy aligned with some of the reform's principles, he argued that Seguro Popular failed to address the underlying inequalities in the system. He believed that universal health coverage should provide the same level of care for all citizens, not a two-tiered system that offered more benefits to salaried workers. AMLO introduced his own healthcare program in Mexico City, offering free services to low-income residents, and viewed Seguro Popular as a threat to his initiative. This tension highlighted the challenge of balancing local and national healthcare priorities.

Despite these obstacles, Frenk continued to gather support. He met with governors, legislators, and other influential figures to advocate for Seguro Popular. Recognizing that states were critical to the program's success, he promised flexibility in how governors could allocate the new funds, allowing them to address local health priorities. Frenk's persistence eventually paid off, and Congress passed the reform, marking a significant milestone in Mexican healthcare history.

The passage of Seguro Popular was a testament to Frenk's strategic approach and his ability to navigate Mexico's complex political landscape. The reform extended healthcare access to millions of uninsured Mexicans, addressing a significant gap in coverage and creating a more equitable system. Seguro Popular also represented a shift in the MoH's role, transforming it from a service provider to a healthcare financier, which allowed for greater flexibility and innovation in meeting public health needs.

Seguro Popular's success was rooted in its commitment to social equity. By covering essential health services and creating a safety net for catastrophic illnesses, the program reduced the financial strain on low-income families and brought Mexico closer to universal healthcare coverage. However, the program also faced ongoing challenges, including securing sustainable funding and managing the tensions between federal and state control over healthcare resources. As Frenk noted, the reform aimed to establish healthcare as a right, much like the right to vote—a fundamental shift in how Mexico viewed and provided healthcare.

In conclusion, Dr. Julio Frenk's efforts to reform Mexico's healthcare system through Seguro Popular reflected a bold vision for addressing systemic inequalities and expanding access to care. Through meticulous planning, data-driven pilot programs, and strategic political engagement, Frenk succeeded in creating a new model of healthcare that would shape Mexico's health landscape for years to come. His work underscored the importance of aligning healthcare policy with principles of social justice and demonstrated the potential for impactful reform even in the face of formidable opposition.

Resources:

Harvard T.H. Chan School of Public Health Case-Based Teaching & Learning Initiative
<https://caseresources.hsph.harvard.edu/>

Full case is available here:

<https://caseresources.hsph.harvard.edu/publications/mexico-negotiating-health-reform>