



2016 Top Markets Report **Health IT** Country Case Study

Mexico

Mexico continues to represent a good Health IT market opportunity for U.S. companies, with a sizable market, the absence of regulations inhibiting innovation and market expansion, and two recent Commerce Department-organized trade missions demonstrating interest in U.S. products and services by Mexican public and private sector stakeholders. The market, however, does have challenges: no Health IT roadmap or work plan in place, incomplete availability of 3G and 4G mobile technologies, and several agencies playing a potential role in overseeing the sector, meaning policy coordination may become an issue as regulations and procedures are promulgated. Engagement with Mexican public and private sector officials on their Health IT plans and offering to assist as appropriate can go a long way to create strong market opportunities for U.S. Health IT companies in the future.

Overall Rank
57

Description of Rank and Sub-score Measurements

The Mexican Health IT market is currently estimated at more than \$200 million, not as large as some markets included in this Report (such as Brazil, Korea and Japan), but it is one with significant potential for U.S. companies. Mexico’s standing in the middle of the countries ranked is influenced by low healthcare expenditure, a relatively low percentage of aging population and modest levels of mobile phone and Internet subscriptions. It should be noted, however, that by 2030, the percentage of Mexico’s population at least 60 years of age is expected to increase 18 percent compared to 2015 levels.

Opportunities for U.S. Companies

The Mexican government has instituted policies and programs to get citizens online. For instance, the government's e-Mexico plan aims to get 98 percent of all Mexicans online. According to surveys, however, cost is the main barrier for households not owning a personal computer, with 60 percent saying that they were unable to afford one. Survey data from 2014 shows that 44.4 percent of the population six years old and above had an Internet-connected device, and 34 percent of households had an Internet connection.ⁱ

Mexico's 6.4 percent rate of healthcare spending as a percentage of GDP in 2014 (see Figure 19) is among the lowest found in Organisation for Economic Cooperation and Development (OECD) countries, lower than the regional average of 7.3 percent and that of Latin American countries Brazil (9.2 percent) and Chile (7.7 percent). It is

to increase efficiency while the public sector wants to develop infrastructure and raise health sector standards. The domestic healthcare software market is estimated to be in the region of \$20 million and is expected to grow rapidly.^{iv}

The disease profile of Mexicans is another driver for

Figure 19: Low Percentage of GDP
Mexico: Healthcare Expenditure Forecast



f = BMI forecast. Source: BMI/World Health Organization (WHO)¹

anticipated, however, that the oil sector's liberalization will lead to an increase in absolute health sector spending over the medium to long-term.ⁱⁱ

Mexican government spending at all levels on IT stands at about 20 percent of total expenditure, a relatively low figure. In addition, only about a third of this expenditure occurs at the regional and local government levels. Increasing central and regional/local government spending on IT systems (incorporating Health IT as appropriate) could play a sizable role in spurring Health IT expenditures in Mexico.ⁱⁱⁱ Software sales in Mexico are expected to continue rising at mid-single digit levels throughout the remainder of the decade, as the public and private sectors are expected to continue modernizing their computer systems. The estimated \$4.6 billion Mexican software market in 2014 is expected to reach \$6.3 billion by 2019. Healthcare and ICT are expected to be two of the primary sectors seeing software investment during this period, with private sector health providers seeking

introduction of mobile health and telehealth services. Over 90 percent of private healthcare expenditure in Mexico occurs out-of-pocket, making some long-term conditions financially catastrophic for households. Non-communicable diseases, such as diabetes, cancer, and cardiovascular conditions, are prevalent (and expected to become more so over time), and mobile health and telehealth services can help out in important ways. For example, the Mexican government has stated that the country's inability to control diabetes represents a major economic burden to the country and could bankrupt the entire healthcare system. In 2012, the financial requirements for treating diabetes increased by a third.

According to the International Diabetes Federation (IDF), approximately 12 percent of Mexico's population (9 million) has diabetes. The IDF also estimates that 2.2 million Mexicans are living with undiagnosed diabetes, and that nearly 69,000 people died from diabetes-related diseases in 2014. The number of diabetics in Mexico is expected to

Figure 20: Five Digital Strategy Pillars	
Pillar	Description
Connectivity	Developed network and increased deployment of better infrastructure in the country, expanding capacity of the existing networks and the development of competition in the Information and Communication Technologies (ICT) sector to encourage lower prices.
Inclusion and digital skills	Equitable development of skills to operate technologies and gender equality.
Interoperability	Share information across different technical and organizational platforms.
Legal framework	Harmonization of the legal framework with the ability to foster a favorable environment for the adoption and promotion of ICT.
Open data	Availability of useful government information to foster civic entrepreneurship and promote transparency, therefore improving public services and creating more accountability.
Source: BMI, President's Office[i]	

grow from 9 million in 2014 to 16 million in 2035.^v Other reports show these figures to be much higher, with as many as 22 million Mexican citizens over the age of 20 already suffering from diabetes.^{vi}

In 2012 and 2013, the International Trade Administration (ITA) organized two healthcare and medical trade missions to Mexico, with Health IT as a featured sector in both missions. Comments by companies and ITA specialists from both missions indicated a significant opportunity for the Health IT exports to Mexico. Most of this interest centered around using software to simplify administrative activities and for electronic health records. At least two companies reported success in market entry and/or increased exports due to the two trade missions. Greater progress on policies to promote Health IT, mobile health and telehealth will certainly be welcomed by U.S. companies seeking to enter or increase their presence in Mexico.

Challenges in the Market

Few barriers to entry currently exist for U.S. Health IT companies; however, firms will have to carefully consider several factors when considering market entry into Mexico.

One consideration is the still-evolving regulatory landscape. There are several governmental institutions involved in developing a legal framework for Health IT in Mexico, including the Secretariats of Health and Economy, the Secretariat of Communications and Transportation, social security institutions and private organizations, such as industry chambers and academic institutions.

Representatives from each of these stakeholder groups are working in committees to develop the legal framework and to coordinate their activities, but policy jurisdiction and coordination could become issues as this process continues. In addition, the Instituto Federal de Telecomunicaciones (IFETEL) replaced the Comisión Federal de Telecomunicaciones as Mexico's telecoms regulator in September 2013.

In a separate but related initiative, President Enrique Peña Nieto announced Mexico's National Digital Strategy ("Strategy," see Figure 20) in November 2013 with the intention of improving the level of digital inclusion. The Strategy rests on improvements in five key areas: connectivity, inclusion and digital skills, interoperability, legal framework, and open data. By developing these aspects of the ICT sector, it is hoped that the Strategy will promote Mexico's move into the digital age, increasing the interaction between government and citizens, as well as contributions to the overall economy. The Office of National Digital Strategy (in the Office of the Presidency) is coordinating all efforts related to the implementation of the Strategy, which includes development of the Health IT legal framework. The Strategy provides some ideas and intent as to the future direction of ICT and digital inclusion for Mexico but has largely not been translated into policies or implementation plans to date.

Local competition is presently not a major concern for U.S. companies, although Peña Nieto issued a national ICT strategy in 2014 (Prosoft 3.0) that would take several policy steps to increase local ICT competition over the next 10 years. About \$133

million has been budgeted for this initiative. Some of the provisions in the Prosoft 3.0 plan that might impact U.S. Health IT companies by 2024 include:

- Increase IT market value from \$14.4 billion (2013) to \$58 billion;
- Move from third to second in export of IT services;
- Double the number of IT companies to more than 8,000;
- Develop five additional IT hubs (existing hubs are in Mexico City, Monterey and Guadalajara);
- Move from the fifth to third largest IT market in Latin America;
- More than double the IT workforce from 625,000 to 1.6 million, with 90 percent of the skilled workforce (up from 50 percent in 2014) coming from Mexico; and
- Increase SME broadband coverage to 85 percent, reaching the OECD average.^{vii}

The Mexican market has fairly widespread coverage of 2G and 3G ICT service, along with mobile broadband, so a readily available market exists for basic and moderately advanced mobile health and telehealth services. 4G service, however, can only be presently found in large cities. In January 2016, a tender was issued for a national broadband 4G Long-Term Evolution (LTE) network that is expected to cover 98 percent of the Mexican population once installed, which should expand the range of possible mobile health and telehealth services available.

Mobile phone subscriptions are at a moderate level and have increased in recent years. Mexico, however, has low penetration in relation to other countries, meaning that not all Mexicans are currently able to access to mobile health and telehealth services, and affordability issues (see above in relation to personal computers) may also occur with mobile phones.

ⁱ Information reported by U.S. Embassy, Mexico City.

ⁱⁱ "Mexico - Healthcare Reform Required To Unleash Pharmaceutical Market Growth Potential," BMI Daily Alert – Pharmaceuticals and Healthcare, March 29, 2016.

ⁱⁱⁱ Mexico IT/Computer Market Overview, Q1 2016—BMI, November 4, 2015.

^{iv} Ibid.

^v Burden Of Disease Will Continue To Grow; BMI, January 15, 2015.

^{vi} National Survey of Access and Use of Technologies in Mexican Homes 2015, National Institute of Statistics and Geography (INEGI).

^{vii} Mexico ICT Regulatory Developments, Q1 2016; BMI: November 10, 2015.