



December 2008

Health Insurance in the US-Mexico Border

International Competition and the Demand for Health Insurance in the US: Evidence from the Texas–Mexico Border Region

Conventional economic explanations for uninsurance should apply to all geographic regions in the United States. However, the border states of California, Arizona, New Mexico and Texas have the highest rates of uninsurance in the US, accounting for over 30% of the total US uninsured population.

Areas with high levels of charity care are also places with high levels of uninsurance. This is because the benefits of having insurance are lower when there are free or less expensive alternative sources of health care. Similarly, access to the private health care market in Mexico to residents in the US may negatively affect health insurance demand in the US.

Nationally, immigrants are far more likely to be uninsured than non-immigrants. Over ten million immigrants in the US are uninsured and a large proportion of uninsured immigrants are of Hispanic origin. Alternative explanations for the high uninsurance rates among immigrants include language and cultural barriers, preferences for alternative medicine, and the fact that immigrants tend to work with employers which typically do not offer health insurance coverage.

A recent study by H. Shelton Brown III, José A. Pagán and Elena Bastida used survey data from the fourth wave of the Border Epidemiologic Study on Aging

(BESA), a survey from a predominantly Mexican American region of South Texas from 2005 to 2006, to analyze how health insurance coverage in the US is related to the use of health care services in Mexico. Probit models were estimated to investigate the association between having insurance coverage in the US and having a regular doctor in Mexico, the independent variable of interest. The authors dealt with the endogeneity, due to reverse causality, of having a regular doctor in Mexico by using instrumental variables in a bivariate probit model. The instruments were dental care utilization in Mexico and a variable measuring frequently visiting Mexico.

The results showed that competition from Mexico lowers the demand for health insurance coverage in the US side of the border. Further, the direction of the causation is that access to private health care markets in Mexico lowers the demand for health insurance in the US side of the border. Having a regular doctor in Mexico was negatively related to having any government or private insurance, having Medicare Part B, and having private health insurance. In the cases of having any type of health insurance coverage and having Medicare Part B and public insurance, ignoring endogeneity due to reverse causality biased estimates downward.

New restrictions on migration between the US and Mexico could affect health



insurance purchase rates. Those who are undocumented residents in the US would not have access to private medical care in Mexico. Time costs would increase for people who can legally cross the border. In the limit, if it were not possible to access physicians in Mexico, the likelihood of having private insurance would rise by 16% points and the likelihood of having 'any public insurance' would rise by approximately 76% points.

The increasing costliness of the US system may affect the competitiveness of the US system. This would, in turn, lower the demand for health insurance in the US. But unlike health care goods like pharmaceuticals, health care services are generally considered to be less immune from international competition.

Access to health care markets in Mexico means that many policies aimed at increasing health insurance coverage in US/Mexico border states (the US region with the highest uninsurance rates) will have to be tailored to border communities. Additionally, the results highlight that relative health care costs and health insurance rates are not independent. If health care costs were controlled relative to Mexico, border health insurance rates would rise with no policy changes.

Although alternatives may make border regions the best place to not have health insurance coverage, border regions also may be the worst place to have insurance. Recent research has shown that insured people living in areas with low levels of health insurance coverage also receive lower quality health care.

The authors' results show that health care markets in Mexico reduce the demand for health insurance coverage in a way similar to how local area charity care reduce the demand for health insurance coverage in that area. Years in the US and being born in Mexico are not as important as access to physicians in Mexico in determining the demand for private health insurance.

IPHP Research Brief 08-12 is based on excerpts/summary from the article H. Shelton Brown III, José A. Pagán, and Elena Bastida. 2009. "International Competition and the Demand for Health Insurance in the US: Evidence from the Texas-Mexico Border Region" International Journal of Health Care Finance and Economics, forthcoming.