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International Community FOUNDATION

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Health Care and Americans Retiring in Mexico

Executive Summary

With the looming economic pressures on America's baby boom generation brought on by rising healthcare costs and the loss of personal wealth due to the global recession, a growing number of Americans aged 50+ are now actively considering relocating outside the county to retire. Because of its close proximity to the United States and its affordability, Mexico remains the #1 destination for Americans retiring internationally.

According to U.S. State Department estimates, in 1999 an estimated 1 million Americans were living in Mexico on either a part-time or full-time basis, although a 2004 survey estimated that the number of Americans residing in-country at between 500,000 and 600,000. Though no reliable estimate exists for the number of American retirees now residing in Mexico, over the past decade the number of Americans has noticeably increased as measured by the rapid growth of large-scale real estate projects, particularly in Mexico's coastal communities targeted specifically at 50+ U.S. and Canadian second homebuyers and retirees. The International Community Foundation estimates that there are likely at least 200,000 to 300,000 American retirees or second-home owners just in these coastal areas, potentially more.

As the number of retirees increases in the United States and abroad, so too does the pressure to secure adequate and affordable healthcare for them. Already, the majority of Americans residing in Mexico obtain some health care services in Mexico, particularly dental care, lower-cost prescription drugs, and routine medical exams.

For those Americans residing immediately across the border in the states of Baja California and Sonora, at least part of the attraction is the close proximity to U.S.-based health care and Medicare reimbursement. Yet, even for these retirees, long traffic delays and the higher costs of seeking care north of the border are prompting a growing demand for health care services in Mexico as well as a potential opportunity for recognized U.S.-based medical service providers south of the border.

In the United States, the overwhelming majority of retirees over 65 years old are covered by Medicare, but many also purchase supplemental coverage ("Medigap" coverage through private insurance providers) to meet future needs and expenses that are not covered by Medicare.[1] With the Patient Protection and Affordable Care Act signed into law on March 23, 2010, the coverage and benefits under Medicare have been expanded providing further reason for retirees to opt for such coverage.

While this is so, except for rare exceptions, Medicare does not cover expenses that occur outside the United States. That leaves U.S. retirees living in Mexico with few options - travel back to the U.S. for medical visits and follow-up care, or seek other options in Mexico. Research shows that retirees are doing both, plus they are asking the U.S. Congress to consider expanding Medicare coverage to U.S. citizens in Mexico.

Considering the changing panorama of health care policy in the United States and the growing number of U.S. citizens now residing in Mexico, the International Community Foundation has sought to better understand the actions and interests of this target population as it relates to healthcare. To do this, the Foundation surveyed over 840 U.S. retirees in coastal areas of Mexico over 50 years of age, resulting in rich data on their demographics, preferences, environmental inclinations, and sense of civic responsibility. The survey has also provided specific findings related to health care trends and perceptions among U.S. retirees in Mexico. This information is presented below, with other key findings included in subsequent briefings.

This independent research clearly demonstrates that health care access is the number one issue of concern among U.S. retirees residing in Mexico - by nearly a two-to-one margin to the second-ranked issue. Among respondents, 79% would be in favor of a pilot program to provide Medicare reimbursability for medical care provided in Mexico.

Accordingly, there is interest among this growing population to promote changes in public policy that could lead to expanded flexibility on their Medicare coverage beyond U.S. borders. Given that medical costs are between 25-30% of the cost of U.S. healthcare costs, the case for Medicare reimbursement is a compelling one for both U.S. taxpayers and U.S. retirees alike. Any insurance agency providing Medicare insurance would significantly lower its costs for their clients that elect to receive their care in Mexico, while Medicare patients would be able to receive care closer to their homes in Mexico.

Background

Current Status of Health Care in the U.S. for Retirees

Americans face higher out-of-pocket costs for health care than ever before, ranging from

$759 to $7,500 per year, in the toughest economic climate in recent history. In addition, healthcare costs are increasing 8% per year, well above the growth of the Consumer Price Index.[2]

The vast majority of Americans over 65 are covered by Medicare – some 38.3 million individuals in 2009.[3] Medicare coverage consists of four parts: Part A helps to cover inpatient care in hospitals, as well as skilled nursing facilities, hospice and home health care and has no premium if the insured paid Medicare taxes for the appropriate number of quarters during their working years; Part B covers out-patient care and some preventive services with premiums averaging just over $1,000 across the country; Part C covers supplemental insurance (Advantage Plan) with average premiums around $400; Part D covers prescription drugs with an average premium of under $200. Nationally, the average premium that a Medicare recipient (over 65 years old) pays is $1,662 per year.[4]

As Medicare does not cover all medical expenses, the majority of U.S. retirees 65 years or older must incur additional health care costs beyond their Medicare premiums. Medicare, for example, does not cover expenses such as hearing aids, non-emergency ambulance rides, eye glasses, dental care, certain medical supplies and equipment, nursing home care, and most home- and community-based long-term care services. Also, in most cases, Medicare does not provide reimbursement for medical expenses incurred by eligible U.S. citizens or residents that require health care services in a foreign country.[5] It is worth noting that those U.S. citizens that reside more than 180 days outside of the United States are ineligible for Medicare-Part C. Accordingly, those retirees in Mexico seeking to maintain their supplemental Medicare coverage may be motivated to make more frequent trips to the U.S. in order to not lose coverage.[6]

Until the recent passage of Patient Protection and Affordable Care Act, Medicare Part D only provided partial coverage for the cost of prescription drugs. With the Act, however, Medicare beneficiaries who fall into the Medicare Part D coverage gap (known as the donut hole) would at least receive a $250 rebate. After that they will receive a pharmaceutical manufacturers' 50% discount on brand-name drugs in 2011 and 75% coverage for all brand name and generic drugs, phased in to fill the donut hole by 2020. Still, in the meantime, U.S. elders can end up with out-of-pocket costs.

Where there are gaps in Medicare coverage, eligible U.S. retirees may opt for "Medigap" coverage to cover the hole in coverage for Medicare Parts A & B. Such coverage is offered by most leading U.S. insurance providers. Supplemental "Medigap" coverage for Medicare Part D is excluded from plans offered after January 1, 2006. Additional restrictions exist that prohibit a Medicare beneficiary from having both a Medicare Advantage Plan and a "Medigap" Policy.

Even among those retirees for whom additional "Medigap" coverage is available, given the economic hardship of a growing number of U.S. retirees, supplemental coverage is not always a viable option. That, coupled with the rising cost of prescription drugs, leaves many U.S. retirees spending a growing share of their monthly expenditures on health care.

According to the Medical Expenditure Panel Survey, which tracks household medical costs for the nation, median out-of-pocket costs for a U.S. senior in good health in 2006 was $2,639.[7] Yet, nearly 30% of elders spent over $5,000 per year in out-of-pocket health costs and health plan premiums in 2003, and 7.3% of elders spent over $10,000.[8]

Those seniors unable to afford supplemental coverage or additional out-of-pocket health care expenses all too often postpone or decline office visits, obtain fewer tests, have fewer elective surgeries, and are more apt to skip prescription doses.[9]

Beside traditional health care costs, U.S. retirees remain vulnerable to the cost of long-term care that they may require as they age. According to a recent AARP study, "while older Americans with disabilities have long-term care services available to them, such services can be quite costly and can deplete the life savings of older households."[10] As a case in point, the average cost of a private care assisted living facility in the United States was $3,000 per month, roughly 50% of the cost of a nursing facility, although this estimate did not include specialized nursery care or intensive care facilities that had an even higher cost.[11] While nearly two-thirds of Americans residing in nursing care facilities had coverage under Medicaid, the share of assisted living patients receiving coverage was significantly lower.[12]

In Los Angeles County, for example, long-term care costs in 2007 varied between $6,543 for just 6 hours/week to $37,133 a month for full-time care.[13] In California the average cost of licensed Medicare-approved long-term care was $260,832 on an annual basis.[14]

It is clear that there are gaps in older adults' ability to pay for health services. Yet, most federal and state regulations and government programs designed for the low-income elderly population are based on federal poverty thresholds, which are lower for adults over 65 than for younger adults. In 2007, single elders are, for example, not "officially poor" unless they make $10,210 or less. Yet, in California, the average minimum income needed for a single adult renter was $21,011. The result of these outdated formulas is that many older Americans do not have adequate financial resources to meet their basic needs, nor do they not qualify for government aid.[15]

Despite these financial constraints, American seniors consider excellent healthcare options among the most important key considerations in selecting a community to live in during their retirement years. In a recent AARP survey, 96% of respondents considered that good hospitals were essential or very important to them; 91% cited access to in-home medical/personal services; and 94 % wanted high-quality doctors and specialists.[16]

Health Care Choices for U.S. Retirees

According to recent research, Americans are already seeking medical care in countries such as the Gulf States, Thailand, India, Singapore, Costa Rica, Brazil, Mexico, and Panama among other foreign locales, with an estimated 750,000 Americans that traveled abroad for medical care in 2007. [18] Those seeking medical care abroad have various reasons for doing so: [19]

- Care for non-covered procedures or non-FDA approved treatment.
- Increased attention from insurance providers, which encourage employers to seek alternatives to the U.S. system.
- Cosmetic/Leisure medical vacation. Packages often include airfare and resort hotel; hotel groups have begun to act as medical facilitators - arranging care and transportation, as well as financing, for patients and coordinating with medical insurance providers.
- For the global workforce, treatment in their native country.
- Outpatient surgery that has high out-of-pocket costs- 75% of medical tourism procedures fall into this category.
- Increased sophistication of medical tourism operations overseas.
- Increased coverage/demand for dental surgery - as U.S. population ages and dentists retire (According to the American Dental Association, up to 20% of U.S. dentists are expected to retire in the next 20 years.)
- Increased access to low-cost global transportation.

While Mexico has established itself as a destination for elective surgery, more sophisticated procedures are now routinely sought by Americans at a lower cost with reimbursement from their insurance companies. As a case in point, Amerimed-Los Cabos now offers open heart surgery for between $100,000-150,000 as compared to $350,000-500,000 in the United States. Joint replacements in Mexico are $20,000 compared to $60,000 in the United States. For most Americans, such procedures are covered by their insurance with pre-authorization.[20]

The major barriers to seeking medical care abroad are different for those who live abroad than for those that are choosing "medical tourism". First, follow-up care for a short-term visit is almost impossible, leaving the patient vulnerable medically, as well as

"As patients are exposed to greater financial burdens resulting from higher co-payments and price transparency efforts, they are likely to seek low-cost treatment alternatives such as medical tourism."[17]

legally vulnerable if there is malpractice.[21] However, for a U.S. retiree living in Mexico, follow-up visits are not at issue, only the quality of the care that is provided.

Healthcare in Mexico

Mexican health care is extremely cost-effective, estimated at just 25-30% of equivalent U.S. healthcare costs.[22] An office visit to a private doctor in Mexico City may cost $30-40[23], and a house call (which is still common practice in Mexico) may cost as little as $25 in Puerto Vallarta.[24] Still, many U.S. retirees turn to the Mexican Institute of Social Security (IMSS), which provides even more affordable insurance for basic health care needs, regardless of nationality. [25] For under $600 per year, U.S. retirees can access medicine, X-rays, dental work, and even IMSS hospital care if necessary, assuming proper immigration and employment documentation as a non-Mexican resident is provided.[26,27] In retirement tourism destinations like Mazatlán, U.S. retirees are accessing IMSS insurance, as well as eye and dental care.

Mexico already has eight facilities accredited through the Joint Commission International, the health care industry's leading accreditation organization; over 220 facilities are accredited internationally.[28] In addition, its proximity to the U.S. makes Mexico an attractive medical tourism destination. To date, Mexico's medical industry has concentrated on cosmetic and dental surgeries for its international patient base, but as the number of U.S. and other foreign expatriates grows so too will the availability of healthcare services offered.[29] Mexico's health ministry plans to add a bilingual Spanish-English nursing corps and increase the number of accredited facilities over the next two years to respond to this growing need. [30]

Already, some U.S. providers have established affiliations with some of Mexico's leading hospitals. Baylor University Medical Center and the Methodist Hospital of Houston have established affiliations with the American British Cowdray Medical Center (ABC) Hospital in Mexico City; the CIMA Hospital in Monterrey has affiliations with the Mayo Clinic and Children's Hospital Boston. As the demand for medical tourism grows, other U.S. academic institutions and medical institutions are expected to establish footprints in Mexico.

Insurers are beginning pilot programs to explore the practicality of paying for medical procedures abroad. In Mexico, Blue Shield and HealthNet are already covering about 20,000 patients in California that may seek treatment in Mexico using their U.S.-based health benefits plan.[31] United Healthcare and its PacifiCare subsidiary now offer health plans targeted at employers with Hispanic, bilingual or Spanish-preference employees in California and other states. United Healthcare has a joint marketing agreement that allows it to offer its California health plans to employers and have SIMNSA offer their cross-border health plans to that segment of employees who prefer care in Mexico for themselves or their family members. SIMNSA is Sistemas Medicos Nacionales SA de CV, a Mexican health plan operator providing patients with a network of over 200 doctors and dentists in Baja California. The SIMNSA plans are open to Mexican nationals who are legal U.S. residents, American citizens of Mexican ancestry and those with dual citizenship.

Additionally, most major U.S. insurers will provide insurance reimbursement for emergency care and treatment for U.S. travelers in Mexico. As such, AmeriMed, a Mexican medical care network, has established hospital facilities in Cancun, Puerto Vallarta, Los Cabos and a clinic in Los Barriles. Other insurance carriers providing coverage in Mexico include Amedex, a private insurer based in the U.S., which has been operating in Mexico for 15 years[32] ; Morgan White, International Citizens, and Integra Global all target U.S. retirees over 50 years old living in Mexico for health insurance. Additionally, some U.S. retirees have elected to opt for private Mexican insurance coverage. The average annual cost for such a policy is between $1,500-$2,500/year.[33]

All of this is happening at the same time that there is strong support among U.S. retirees for Medicare reimbursement for overseas treatment. Currently, the U.S. government does not allow retired citizens living outside the country to receive Medicare reimbursements for medical care abroad, even if they paid into the system for their entire working lives.[34] Accordingly, grassroots organizations such as Americans for Medicare in Mexico and the Association of American Residents Overseas have emerged to lobby the U.S. Congress for the expansion of Medicare coverage to eligible retirees overseas.[35]

In fact, there is an insurance reimbursement program in Mexico that is available to U.S. military retirees living overseas. "Tricare for Life" is a healthcare policy that provides coverage worldwide, including in Mexico, to U.S. military retirees and their dependents.[36] For over 15 years, the Wisconsin Physicians Service has been servicing medical claims from Mexico under Tricare Standard and Tricare for Life. When these retirees reach 65 years of age, they sign up for Medicare Part B and continue to receive Tricare reimbursements.

Beyond basic medical care, Mexico is becoming a preferred destination for dental care and the purchase of prescription drugs among both U.S. retirees residing in Mexico, as well as those still living in the United States In Los Algodones, a small Mexican border town located across the border from Imperial County, California, thousands of people cross the border each year to receive primary care or homeopathic services, go to a dentist or an optometrist, or purchase prescription drugs from the more than 20 local area pharmacies.[37] Current FDA regulations allow U.S. citizens to purchase and re-import a three-month supply of prescription medications with a valid U.S. prescription. For fixed income retirees, the cost advantage is clear. Prices in discount drug stores in Tijuana can be as low as 40% or even lower than the price for the same medication in San Diego. Yet at the same time, issues remain with the prescription drugs in Mexico. According to the US Food & Drug Administration, in Mexico up to 40% of manufactured pharmaceuticals were believed to be counterfeit.[38]

While the prescription drug market in Baja California is more cost-efficient than in San Diego, the quality of healthcare, and specifically drugs, is less certain. The industry is less regulated in Mexico than in the U.S.; Americans purchasing services and medication have, in some cases, been victims of fraudulent practices. By law, prescription drugs sold in Mexican pharmacies require a prescription from a licensed Mexican doctor. Yet, some Tijuana pharmacies accept prescriptions from the U.S.

There is anecdotal evidence that there are incidents where no such prescription is required. Though many residents on both sides of the border may benefit from affordable medications, without accredited medical consultation, the practice can lead to serious medical consequences. Existing policy leaves it in the hands of the consumers to exercise judgment and to follow the advice of their physician or pharmacist.

For these reasons, many Americans residing in Mexico still obtain their prescriptions from U.S. health providers. These retirees typically use a mail forwarding service (e.g. Mail Boxes, Etc, UPS, FedEx) to forward their prescription drugs to Mexico. However, the Mexican government no longer allows for packages of medicines to be delivered duty-free. For those Americans living full time in Mexico and relying on medication from the United States, the additional taxes may prompt them to consider filling their prescriptions in Mexico for financial reasons.[39]

Yet, there are still gaps in Mexico's approach to medical tourism and health care provision for aging seniors regardless of nationality. To date, there has not been a focus on assisted living, nursing care, or any long-term health care options in Mexico. In fact, should a U.S. retiree living in Mexico need long-term care, the individual would probably have to return to the U.S., possibly incurring penalties for late subscription to Medicare Part B of up to 10% per year.[40]

Key Findings

In order to better understand some of the key trends and drivers for U.S. retirees in Mexico's coastal areas, the International Community Foundation conducted an online survey between June-November 2009, resulting in over 1,000 total responses to date. The Foundation targeted U.S. retirees over 50 years of age that are residing part-time or full-time in Mexican coastal communities. These communities included Puerto Vallarta, the Riviera Maya, Cabo San Lucas, Rosarito, La Paz, Loreto, Puerto Peñasco, and many smaller villages along Mexico's extensive coastline. After filtering out non-target respondents, the Foundation had over 840 survey participants, resulting in a high degree of confidence that results correctly reflect this targeted group (Please see methodology section below). Based on the survey data, the health profile of U.S. retirees over 50 years old residing in coastal communities in Mexico is as follows:

- Retirees are young and well-educated. Over 53% are under 65 years old and almost two-thirds have at least a college degree. For older Americans that require additional or intensive medical treatment, Mexico may not be as attractive.

- The respondents chose Mexico for retirement due to proximity to the United States and affordability, yet almost 55% were concerned about access to health care when making the decision to relocate. Over 78% responded that access to health care was “very important” or “important” to their decision to purchase a home.

- 70% of respondents indicated that health care was affordable and accessible in Mexico. Almost 61% stated that the quality of available health care in Mexico was comparable to the U.S. 25% stated the opposite - that health care quality was not comparable.

- The majority of U.S. retirees in Mexico’s coastal communities would be considered active retirees. Less than 2% reported receiving home care or assisted living services in Mexico although over 25% have considered assisted living options in Mexico.

- 73% of respondents kept their health insurance in the U.S. and 17% of those individuals also had insurance in Mexico. 10.8% of respondents had no health insurance. Only 7% had health insurance only in Mexico.

- It was notable that that those retirees reporting under US$25,000 in income had a much higher rate of “no insurance” response -close to 25% of retirees - and those with under US$50,000 in income were two to three times more likely to state that they had insurance in “Mexico only”.

- 57% of respondents return to the U.S. for health care or medical procedures, but over 32% do not. Routine medical exams (43%), dental care (65%), and prescription drugs (46%) are the most common medical treatments in Mexico, with only 25% accessing specialized medical care.

- Geographic proximity to the U.S. - Mexico border matters on issues of health care.

- Those retirees living closer to the U.S-Mexico border are more apt to access health care services in the United States. Retirees living in Rosarito-Ensenada corridor of Baja California are most likely to procure regular health care services in the United States with over 72% doing so. This compares to those Americans living in Riviera Maya and Puerto

Vallarta/Riviera Nayarit which had lower return rate by comparison, 39.7% and 46.6% respectfully.

- Those living furthest from the border (Puerto Vallarta/Riviera Nayarit and Riviera Maya) were two to three times more likely to go without any health coverage than those living closer to the border. Among those U.S. retirees in Riviera Maya 17.5% of residents indicated that they did not have any health insurance coverage. 13% of U.S. retirees in Riviera Nayarit/Puerto Vallarta were also without coverage. By comparison, among those living in the Ensenada-Rosarito corridor, only 2.9% of U.S. retirees were without any insurance coverage.

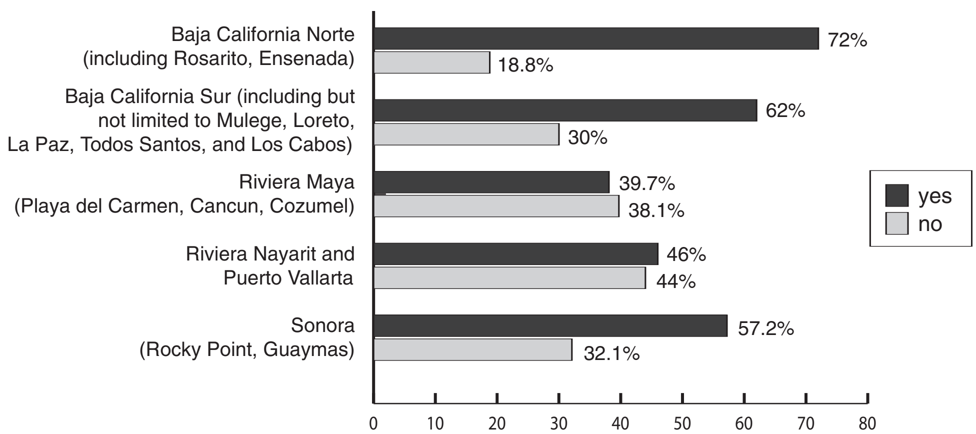
- Those living closest to the border, in the Rosarito-Ensenada region, had the lowest rates of Mexico-only insurance, 2.8% versus Riviera Nayarit/Puerto Vallarta with 10.8%.

Forbes reported that 64% of retired Americans in Mexico return to the U.S. for medical care; the remainder pays out-of-pocket for local treatments in Mexico.[41] Our survey respondents agreed - regardless of how long they have lived in Mexico, 57% of respondents still return to the U.S. for medical care, and 73% still have health insurance there.

Still, in the Foundation's survey, those responses varied as respondents aged. In the over-75 age category, almost 37% access specialized medical treatment in Mexico, as compared to the under-75 age category in which only 24% access that type of care. This may reflect additional medical needs on the part of older U.S. retirees, but the fact that

Do you ever return to the U.S. for health care or medical procedures?

(listed by "adopted" community in Mexico)



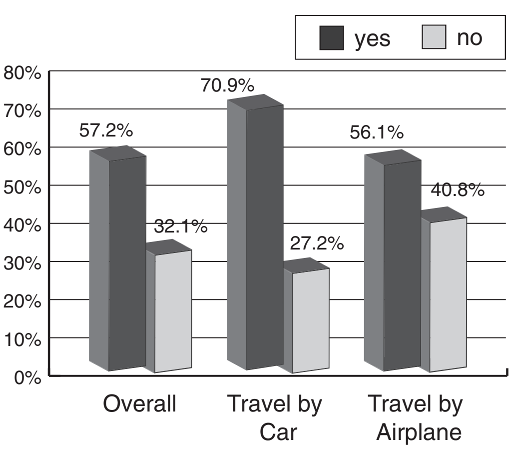
Source: International Community Foundation, 2009.

they are accessing this care in Mexico points to a higher level of comfort with local health care quality as well as the fact that they may no longer have the Medicare coverage they once had for treatments in the U.S.

As noted above, one factor regarding a return to the U.S. for medical services for survey respondents was how close they lived to the border, which can be determined by what mode of transportation they use to travel between the U.S. and Mexico. For those that travel by car, 71% return to the U.S. for treatment, as opposed to those that travel by plane (56% return to the U.S.). This also affected what type of treatment the respondents accessed in Mexico. Those that traveled to the U.S. by car, accessed dental (71%) and prescription drugs (47%) most

Do you ever return to the U.S. for health care or medical procedures?

(listed by mode of transportation)



Source: International Community Foundation, 2009.

frequently, while those that traveled by air accessed dental care (71%) and routine medical exams (55%).

In what country do you have health insurance?

	Under 65	Over 65	Overall
U.S. only	48.2%	63.6%	55.6%
U.S. and Mexico	17.0%	17.4%	17.2%
Mexico only	10.6%	3.4%	7.1%
I do not have health insurance	14.4%	6.2%	10.8%

Source: International Community Foundation, 2009.

Despite their habit of returning to the U.S. for medical services, over 60% responded that the quality of healthcare they received in Mexico was comparable to their care in the U.S., which was echoed in the Foundation's focus groups. This also implies that a portion of U.S. retirees are taking advantage of IMSS or private insurance in Mexico. Responses to this question also varied with age: almost 11% of the 64-and-under age group has Mexican insurance only and 17% had both Mexican and U.S. insurance, compared with those over 65, of which 3.4% had Mexican insurance only, and 17% had both Mexican and U.S. insurance.

This may point to emerging cross-border insurance options that are newly available to those U.S. retirees in Mexico or it could reflect a higher standard of care in the medical facilities that can be verified through independent accreditation.

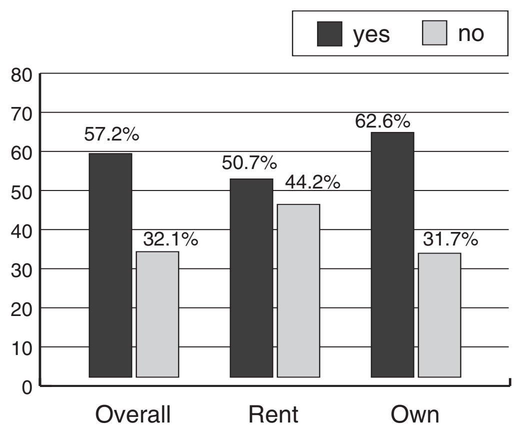
Just 7.1% of respondents indicated that they only had health insurance in Mexico. Yet, focus groups revealed that a growing number of retired Americans have opted out of Medicare and were receiving coverage under Mexico's social security system, IMSS, or through private insurers in Mexico. Here it is worth noting, however, that most private insurers in Mexico sell mostly major medical insurance not primary care insurance.

Almost 11% of respondents, however, indicated that they had no insurance in either the United States or Mexico, preferring to pay out-of-pocket for medical expenses as they occur. Focus groups also indicated that healthcare in Mexico was significantly less expensive than in the U.S., even if they had to pay out-of-pocket for care. In fact, those that lived in Mexico over six years were more likely to have insurance in both countries (19% compared to 17% for all respondents) or only in Mexico (8% compared to 7% for all respondents).

Whether the respondent rented or owned their home in Mexico was also a factor in how they deal with questions about health insurance. Among those respondents who rented, almost 19% had no health insurance, while 70% maintained a health insurance policy in the U.S. For those respondents that owned their home in Mexico, only 10% had no health insurance with a similar number maintaining a U.S. health policy (69%). And, those that owned homes returned to the U.S. for medical procedures much more often (63%) than those that rented (51%).

Do you ever return to the U.S. for health care or medical procedures?

(listed by property ownership status)



Source: International Community Foundation, 2009.

79% of respondents stated they would be in favor of a pilot program to provide Medicare reimbursability to U.S. retirees living in Mexico. Further, 75% cited Medicare reimbursability as their #1 public policy concern over narco-violence, consumer

"... should the proper medical infrastructure and services exist, medical tourists might very likely turn into retirement community residents." [42]

protection issues, and elder abuse.
Most focus group participants supported the concept of Medicare expansion to Mexico.

Interestingly, the survey responses regarding assisted living and long-term care considerations were surprising. Although only 1.5% of respondents currently have home care, including an individualized nurse, many more are considering their long-term options for "aging in place" in their adopted communities in Mexico. Almost 26% of all respondents have considered assisted living in Mexico, but 42.9% of those over 75 years of age have raised the issue, indicating that they are not planning to return to the U.S. for long-term care. In the under-65 age category, 22% are already thinking about assisted living, also indicating that they are planning to stay in Mexico for the long term. Finally, those respondents between 65-75 years of age are definitely considering their options - 31% have considered assisted living in Mexico.

Almost 30% of respondents that were single (divorced, single/never married, or widowed) were considering assisted living, while 24% of couples (married, living with a partner) were looking at their long-term care options. This would be an important consideration for property developers as they design facilities, activities, and staffing needs for the future.

Still, the current options for long-term care in Mexico are extremely limited. There are very few existing facilities throughout the country, and almost none in the retirement destination communities along Mexico's coastline. As noted in one focus group, "We are thinking about doing it [creating a long-term care option] for ourselves down here because Mexico is a tough place to be innovative."

Discussion of Key Findings

Many individual Americans seeking medical care are looking outside the U.S. for affordable, accessible options. The insurance companies and employers are also looking overseas for healthcare facilities that provide similar quality care at a lower price. Industry leaders are following their lead. In fact, the American Medical Association has established nine guidelines for medical tourism that focus on accreditation, data and legal rights transparency, and follow-up care.[44]

The proximity and low-cost medical insurance and care options available in

"Outbound medical tourism is likely to experience explosive growth over the next three to five years, followed by continued slower growth due to capacity constraints. The availability of lower-cost, offshore treatment options could save U.S. patients billions of dollars and reduce spending within the U.S. health care system."[43]

Mexico make that country a natural destination. In addition, Mexican coastal areas are tourist destinations, which allow U.S. consumers the opportunity to consider retirement and evaluate current and proposed services.

The survey data suggests that geographic proximity to the United States is a key factor in whether U.S. retirees have health insurance or not. Those living closest to the U.S.-Mexico border are more likely to continue to receive health care services in the United States. Those furthest from the border are more likely to live without any health insurance coverage.

While there is strong support among the U.S. retirement community in Mexico for Medicare reimbursement for care offered in Mexico, such a policy change will need to overcome several political hurdles in the United States. According to University of Texas Professor David Warner, the option most politically viable is to offer Medicare reimbursement for emergency care in Mexico. Such coverage could be available to those Americans residing in Mexico as well as retirees vacationing there.[45]

Furthermore, given the fact that some local retired military personnel have successfully utilized the Tricare system for care received in Mexico, a case could be made for the U.S. Veterans Administration to consider expanding its services to Mexico as more post-war soldiers cannot afford to live in the United States with the disabilities that have taken them out of the workforce.

Beyond opportunities for care of U.S. Veterans, opportunities also appear to exist for U.S. Hispanics seeking more affordable care. While this so, it is worth noting that less than 5% of U.S. retirees surveyed were identified as Hispanic or Latino. This statistic is closely correlated to the demographic profile of current U.S. retirees. According to the Centers for Disease Control, in 2003 nearly 83% of older adults in the U.S. were non-Hispanic white with only 6% being of Hispanic origin. Nationally, it is estimated that there are some 75,000-100,000 Mexican-born U.S. retirees who are currently eligible for Medicare and Social Security.[46] By 2030, however, the United States is expected to have over 11% of its retired population being of Hispanic origin.[47] These changing demographic trends are important, as according to the UCLA Center for Health Policy, economic insecurity in California was highest among Latino elders who lived alone (75.6%) or with a spouse (47.8%).[48] Because of their familiarity with Mexico's language and culture, America's aging Latino population seem to be among the retirees that could most benefit from moving to Mexico.

The number of U.S. retirees currently accessing nursing care or assisted living in Mexico remains low, less than 2%. While this is so, given the cost advantages in Mexico relative to such care in the United States, Mexico's potential as an ideal location for nursing care and assisted living facilities could be significant if Medicare reimbursements were offered for such care.

Implications for the Future

Among those U.S. retirees surveyed, 57% continue to obtain medical care in the United States, due in large part to those either receiving care under Medicare or those covered by private U.S. insurance policies for medical treatments or procedures received in the United States. If Mexico can improve its alliances with internationally-recognized health care providers and improve the perception among U.S. retirees of its healthcare services, Mexico can certainly capture more of the healthcare industry market share. Our survey respondents already access dental care, prescription drugs, and routine medical exams and prefer the personalized service they receive in Mexico. Adding more specialized medical treatments alongside these existing services might not require significant financial investment.

Furthermore, if patients are entering Mexico as "medical tourists," it is possible that they might return as tourists, and eventually, as retirees. Extending the time allotted on medical visas is one way to encourage U.S. visitors to return; other countries are even publishing medical tourism guidebooks and constructing facilities that appeal to international patients. [49]

The Mexican government is supportive of a multi-year pilot program to provide Medicare coverage in Mexico as one of the potential future additions to the health care reform recently passed by the U.S. Congress. Such a pilot program would allow Mexican health facilities to evaluate quality, secure accreditation from recognized international bodies, and test the Medicare payment system before the "baby boom" generation of retirees overwhelms the existing U.S. system. A combination of a Health Savings Account that could be accessed in Mexico and flexibility on insurance options could go a long way toward satisfying most U.S. retirees' medical needs in Mexico.

A possible opening in Medicare reimbursability in Mexico could also prove to be an opportunity for real estate developers that have been hit hard by the global economic crisis and accompanying real estate crash. Assisted living and senior housing that are co-located with health care hubs could also be a niche market for the aging U.S. population seeking more affordable health care in their "adopted" community in Mexico. In the case of the Tijuana-Ensenada corridor there is an estimated one million square feet of empty residential projects that could be retrofitted to meet the growing needs of senior housing over time.[50]

Assisted living is another of the many areas that Mexico can potentially capitalize on. Of those U.S. retirees that responded to the survey, less than 2% have accessed home care services in Mexico, and nearly two-thirds stated that they had not yet considered assisted living options for themselves or their spouse there. As highlighted by the referenced AARP study, assisted living is one area where Medicare does not provide reimbursement and where Medicaid reimbursement falls short. At the same time, the cost of such assisted living in the United States can average $3,000 a month. Accordingly, so long as Mexican developers and assisted living providers can meet the needs of U.S. retirees regarding their future living arrangements, the opportunities could be substantial.

As two-thirds of Americans now in nursing care facilities receive Medicaid reimbursement, there does not appear to be as much near-term demand for such facilities in Mexico by U.S. retirees. The general tendency is for Americans with ailing health to seek long-term care in the United States where reimbursement is available. However, if the United States were to expand Medicare and Medicaid reimbursement for nursing care, this could result in sizable savings for the U.S. taxpayer. According to the AARP study, Medicare reimbursement for nursing care averaged $305 a day in 2006.

Beyond the cost advantage, the number of presently available nursing facilities in the U.S. has not kept pace with the growing demand for nursing care among those U.S. retirees requiring such care. Currently, there are an estimated 1.4 million Americans living in nursing care facilities which accounts for 85% of the available occupancy.[51] While only 3.3% of Americans over 65 live in nursing facilities, this number rises to 14% among those aged 85 years or older. Between 2002-2007, the number of Americans aged 85 years or older increased by 6.5%. At the same time, however, the number of nursing care facilities only increased by 0.9%.[52]

As U.S. retirees age, many are inclined to move back to the United States to more easily take advantage of Medicare and Medicaid health care services. A change in U.S. policy specific to Medicare could prompt more US. retirees to re-consider Mexico as a country where they could "age in place." Increased attention to medical infrastructure on the part of the Mexican government would also encourage U.S. retirees to stay in Mexico.

While Medicare does cover the cost of skilled nursing facility care, it is limited to medically necessary part-time or intermittent skilled nursing care or physical therapy, nursing home care, and most home- and community-based long-term care services. According to the CDC, as older Americans become a larger proportion of the U.S. population, the number of fall injuries can be expected to increase and more often than not such cases will require significant disability and diminished quality of life.[53] According to a recent study undertaken by the National Council on Aging, a quarter of formerly independent older adults remain in nursing homes for a least one year.[54]

Accordingly, the Mexican Association for Retiree Assistance (AMAR), an association primarily composed of real estate developers and industry leaders, is now actively promoting active living, "aging in place," and assisted living facilities to attract U.S. retirees to real estate investments that are stalling in the current economic climate.[55]

While changes in U.S. policy that could prompt an expansion in Medicare coverage could spur new development of medical facilities (including assisted living and long-term care facilities), if Mexico is going to position itself as an ideal “aging in place” destination, then more must be done to promote land use policies that encourage more usable recreational areas for preventive care and wellness activities, including parks and well lit and secure walking trails targeted at a baby-boom population.

For those Mexican communities serious about attracting older retirees who may at some point need assisted living facilities, state and local planners need to carefully evaluate their land use policies to make them more inviting to the physically challenged. Unfortunately, with exception of a few key Mexican cities such as Mexico City and Guadalajara, accommodations for the physically challenged or disabled across the country are currently quite limited.[56]

Steps should be taken by Mexican local, state and federal policy makers to promote sidewalk safety with a clear priority on older adults, and promoting land use policies that required handicapped bathroom facilities in restaurants and other public place, as well as handicapped parking spaces on city streets and in private parking lots.

Research Methodology

The International Community Foundation’s survey included both quantitative and qualitative methods. First, a thorough literature review of tourism- and retiree-related literature on Mexico was undertaken. The research also included a thorough review of government statistics from multiple sources (U.S. State Department, INEGI, Mexican Migration Institute, and OECD) to assess the size of the population of U.S. citizens in the Republic of Mexico. Based on these data sources, the Foundation estimates that there is a permanent and floating population of U.S. residents in Mexican coastal communities of 200,000-300,000.

In addition, between August 1 and November 15, 2009, the International Community Foundation carried out a survey utilizing purposive sampling (snowball) technique to secure participation and a representative sampling of U.S. citizens and U.S. permanent residents 50 years of age and older residing in Mexico either on a full-time or part-time basis. For the study in question, a total of 1,003 individuals elected to participate, responding either using an online survey tool or printed questionnaires. Survey respondents self-identified their “adopted communities” as Baja California, Baja California Sur, Sonora, Nayarit, Jalisco, and Quintana Roo (among other locations). Once the participants were filtered to include only the targeted profile, a total of 842 surveys were able to be used (76%). If it is assumed that some degree of random participation was achieved amongst the target group, results would reflect a confidence level of 95% +/- 3.4%.

Concurrent with the Foundation's literature review, survey, and subsequent analysis, five focus groups were organized between August-December 2009 in Rosarito, Baja California (BC); La Paz, Baja California Sur (BCS); East Cape, BCS; San José de Cabo, BCS; and Todos Santos, BCS. Each focus group consisted of 10 to 15 participants all of which were self-identified U.S. retirees living in Mexico. The focus group sessions were 2 hours in duration, allowing the Foundation to assess the viewpoints of participants on a wide range of issues impacting the U.S. retiree community in Mexico. For their participation in the focus groups, each participant and their spouse were invited to a lunch hosted by the Foundation. To avoid a possible sample bias, spouses were asked not to participate in the focus group sessions.

A thorough discussion of the research methodology is available at: http://www.icfdn.org/publications/retireeresearch/?page_id=192.

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A full reference list is available at:
http://www.icfdn.org/publications/retireeresearch/?page_id=169).

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About the International Community Foundation

Among U.S.-based community foundations, the International Community Foundation is unique in that unlike other community foundations that serve a defined geographic region in the United States, the Foundation is dedicated to assisting American donors to charitably support their communities of interest internationally. Approximately 22% of the International Community Foundation's donors are immigrants; close to 50% of the International Community Foundation's donors are retirees living abroad either full- or part-time with the majority of these American expatriates residing in coastal communities in Northwest Mexico. For more information regarding the International Community Foundation, visit: www.icfdn.org.

About the Retiring Responsibly in Mexico Initiative

With a growing number of Americans now retiring in Mexico, there is a need to better respond to the needs of this fast-growing expatriate population Through its "Retiring Responsibly in Mexico" initiative, the International Community Foundation seeks to inform, educate, and engage would-be retirees, targeted buyers, real estate developers, nonprofit organizations and policymakers at the local, state and federal levels of governmental in both the United States and Mexico about issues related to environmental sustainability, financial and environmental transparency, and responsibilities for stewardship related to coastal tourism residential developments with an emphasis on the 50+ population from the United States seeking to retire in Mexico. The Foundation's "Retiring Responsibly in Mexico" Initiative has three key objectives:

1) Undertake timely and relevant research on the demographic patterns of U.S. retirees in Mexican coastal communities to better understand the impacts of current north to south migration trends as they relate to emerging issues of economic security, health care and public safety.

2) Understand the impacts of recent coastal development in Mexico fueled by the influx of U.S. retirees, assessing the impacts on surrounding ecosystems, documenting trends in sustainable retirement communities, and recognizing the legal/financial risk for homebuyers.

3) Assess the level of social capital among U.S. retirees residing in Mexico with a focus on volunteerism, charitable giving, and civic engagement in their adopted communities.

About the Co-Authors

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