

HEALTHCARE FINANCING AND REIMBURSEMENT: A GLOBAL REVIEW OF MAJOR TOPICS AND TRENDS

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LAWS AND REGULATIONS ON HEALTHCARE FINANCING AND REIMBURSEMENT

1. Please provide a bird's eye view on the healthcare economy, indicating, in general terms, the role of the government (public healthcare) and private actors (private healthcare).

The management and supervision of the healthcare system and the development of health policy is mainly under the scope of the Ministry of Social Affairs and its agencies, such as the public independent institution the Estonian Health Insurance Fund (EHIF), the Health Board (HB) and the State Agency of Medicines (SAM).

Estonia's healthcare system is based on compulsory solidarity-based insurance (administered by the EHIF) and the general availability of services provided by private healthcare providers. Private health insurance is used in addition, to some extent; however, this is not widespread.

Healthcare is mainly financed from Estonia's state budget (social tax), but also from municipalities' budgets, by patients and from other sources as direct appropriation. Patients must pay a part of their treatment costs (apart from the premiums they pay for obligatory and private health insurances). Treatments, medicines, medical devices and so on outside insurance schemes are fully self-paid. Foundations and patient organisations contribute to the funding of certain institutions or certain treatments, but generally do not play a prominent role in the financing of healthcare.

2. Please provide a high-level overview of the legal framework regarding healthcare financing and reimbursement.

The financing and reimbursement of healthcare is regulated at the state level, mainly by the Health Services Organisation Act (HSOA) and Health Insurance Act (HIA), and regulations thereof. The HSOA established the general principles of healthcare financing. It regulates the financing of emergency medical care. The HIA regulates solidarity-based health insurance and specifies which persons are insured; specifies which healthcare services, medicines and other products and pecuniary benefits are covered by the insurance; defines the conditions and levels of their reimbursement; and regulates the contract for financing medical treatment (between the EHIF and healthcare provider).

Private health insurance is mainly governed by the general Insurance Activities Act (IAA) and Law of Obligations Act (LOA).

In respect of the healthcare financing and reimbursement, industry codes and other private norms do not have a significant role in Estonia.

Healthcare services and prices of healthcare services reimbursed by the EHIF are established by a regulation by the government based on input by the EHIF. Professional associations

and healthcare providers are involved in the preparatory process in the EHIF. For example, professional associations collaborate in describing the services (to identify components and specifics of the service), healthcare institutions are asked for the acquisition costs of all resources and so on.

3. What are the key regulators and supervisory bodies regarding healthcare financing and reimbursement?

Compulsory solidarity-based insurance is managed and administered by the EHIF. The EHIF is responsible for ensuring the payment of health insurance benefits, payment for the provision of health services, compensation for vaccination damages and performance of other functions relating to the organisation of health services pursuant to the HIA, MPA and HSOA. Emergency medical care is within the competence of the HB; however, it is also financed from the EHIF's budget.

The Financial Supervision Authority (FSA) is the supervisory authority in the area of private health insurance.

National courts play a role mainly in matters where patients or service providers dispute decisions by insurers or competent authorities. Regarding reimbursement decisions by the EHIF or a private health insurer, courts can assess the legality of coverage denials. As healthcare providers, with whom a contract for financing medical treatment is concluded, are selected by the EHIF, decisions of the EHIF are occasionally challenged in the courts by healthcare providers that were not selected.

4. Has there been a change to healthcare financing and reimbursement as a consequence of the Covid-19 pandemic?

The general system of healthcare financing and reimbursement has not changed because of the Covid-19 pandemic. During the pandemic, the government allocated a supplementary budget in total of €213.2m to the EHIF for covering emergency healthcare costs. During the state of emergency and 60 days after the emergency, a total of €92.7m was spent from the allocated support funds. The pandemic accelerated the adoption of telehealth services. In this respect, funding and reimbursement were adjusted to accommodate and promote certain remote consultations and treatments.

5. Who has access to the healthcare system as a patient on the one side and as a medical service provider/supplier of medical goods on the other side? What are the conditions of admission?

All individuals living in or visiting Estonia are guaranteed emergency medical care in the case of a serious or life-threatening health condition, including emergency dental care.

The following groups of people are covered with obligatory health insurance:

- persons for whom social tax is paid: employees, self-employed persons, state or municipality officials, members of the management or controlling bodies of legal persons and other persons for whom social tax is paid (unemployed individuals are insured as long as social tax is paid for them by the Estonian Unemployment Insurance Fund); and
- persons for whom social tax is not paid: pregnant women, persons under 19 years of age, persons who receive a state pension granted in Estonia, persons

who have been found to have partial work ability or no work ability under the Work Ability Allowance Act, persons acquiring basic or general secondary education, persons acquiring formal vocational education and higher education students who are permanent residents of Estonia, and monks or nuns who are a member of a cloister registered in the register of religious associations.

In a solidarity-based system, everyone receives health insurance benefits on an equal basis, irrespective of their contribution. Health insurance contributions and access to necessary treatment are not dependent on income, age or health risks.

Persons not covered by obligatory health insurance must pay for treatment or find another source of funding: private health insurance, charity and so on.

Obligatory health insurance is generally territorial, which means that the insured person has the right to receive health insurance benefits (reimbursement for planned treatment) only in Estonia. Planned treatments abroad are not excluded. They are generally limited to treatments that cannot be rendered in Estonia and must be agreed with the EHIF in advance.

Services provided to patients by healthcare providers are reimbursed by the EHIF only in the case in which the healthcare provider has a contract for financing medical treatment with the EHIF. The EHIF is not required to conclude a contract for financing medical treatment with all healthcare providers. Essentially, the selection of the EHIF's contract partners takes place through a competitive process, in accordance with the conditions and criteria established by legal acts and based on legal acts.

HEALTH INSURANCE FINANCING AND COVERAGE

6. How are health insurance carriers financed? How are premiums determined?

The obligatory healthcare insurance carrier, the EHIF, is mainly financed from Estonia's state budget (social tax). Essentially, healthcare costs are mainly paid from social tax paid by current workers.

The social tax rate in Estonia is 33 per cent and of that, 13 per cent goes to health insurance. The assets of the EHIF are formed of social tax, state budget allocations, compulsory insurance premium of vaccination damages paid under the MPA, income received from transactions and other legal acts performed pursuant to law and the statutes of the EHIF, donations, sums collected from other persons, interest, and similar financial income and other income.

As the financing of the Estonian healthcare system is strongly linked to revenue from social tax, it is dependent on economic cycles. The revenue of the state-funded healthcare system is decreasing due to the current economic decline. In Estonia, the situation is further aggravated by an aging population and changing forms of work, which also affect revenue from social tax.

7. How is the coverage of medical services by health insurance carriers regulated? Are there differences in coverage for in-person medical appointments and telemedicine appointments?

Coverage of obligatory health insurance is regulated by legal acts. The list of healthcare services compensated by the EHIF is established by a regulation of the government. The list of medicinal products and medical devices reimbursed by the EHIF is established by the

Minister of Social Affairs and Minister of Health and Labour, respectively. The named regulations specify the services or products, under what conditions and in what amount are compensated by the EHIF. Obligatory health insurance may not pay for any additional services or products. Additional services and products are usually paid by the patient.

When a healthcare service is added to the EHIF's list, the following criteria are taken into account: proven medical effectiveness, cost-effectiveness, necessity of the healthcare service for society and alignment with the state's health policy, and compliance with the EHIF's financial capabilities. Services that do not meet these criteria are not included on the list and services that do not meet these criteria anymore are excluded from coverage.

Telemedicine services are only covered if the specific service is listed on the EHIF's list of healthcare services. For example, the EHIF provides reimbursement for remote consultation with a psychiatrist, midwife, nurse and so on.

HOSPITAL SECTOR

8. How are services provided by hospitals in the stationary (inpatient) and ambulatory (outpatient) settings financed and reimbursed?

Although main hospitals are established by the state and/or municipality, all hospitals are autonomous companies or foundations governed by private law. Hospitals are financed by the EHIF based on the contract for financing medical treatment.

The government may allocate additional funds directly from the state budget to cover specific situations, such as investment in infrastructure, equipment and specialised healthcare programmes. Hospitals also generate income through private services, donations and grants, although these represent a smaller portion of their overall financing.

The funding of treatment is largely based on the fee-for-service model, which may not always ensure the best experience for the patient and may not be cost effective. The EHIF has initiated pilot projects to experiment with integrated payment models, which incorporate outcome-based performance pay linked to patient health and experience indicators. However, such models are not yet widely used.

9. How are the prices of such services determined? How is economic efficiency controlled?

Healthcare services and reference prices of healthcare services reimbursed by the EHIF were established by a regulation by the government based on input by the EHIF. Within the EHIF, there is a separate advisory committee for this: the healthcare services list committee.

Economic efficiency is ensured in the preparatory process, during which a detailed service description is compiled (to identify the cost components and specifics of the service), acquisition costs of all resources are identified and so on. A reference price set out in the list of the EHIF's healthcare services must cover all expenses necessary for the provision of the health service, except for expenses on research, organisation practical training and the training of students. When considering an amendment to the reference price of a specific service, the following criteria are taken into account: cost-effectiveness, necessity of the healthcare service to society and alignment with the state's health policy, and compliance with the EHIF's financial capabilities.

A reference price is the price that serves as the basis for the assumption of the payment

<p>obligation. Methods for the calculation of payments to healthcare providers and the procedure for the assumption of a payment obligation of an insured person is further specified by a regulation of the Minister of Social Affairs.</p>
HEALTHCARE PROVIDERS IN PRIVATE PRACTICE
10. How are services provided by physicians, therapists, laboratories and other service providers financed and reimbursed?
<p>Healthcare services provided by other healthcare providers are financed and reimbursed in the same way as for hospitals in the ambulatory/outpatient setting (see the answers to questions 8 and 9). Services provided to patients by such healthcare providers are reimbursed by the EHIF only in the case in which the healthcare provider has a contract for financing medical treatment with the EHIF, based on the EHIF's healthcare services list.</p> <p>If the patient is not insured or if the healthcare service is not compensated by the EHIF, the patient has the obligation to pay for it.</p>
11. How are the prices of such services determined? How is economic efficiency controlled?
<p>The prices of such services are determined, and their economic efficiency are being controlled in the same way, as for hospitals in the ambulatory/outpatient setting (see the answers to questions 8 and 9).</p> <p>The prices of treatments not covered by the EHIF are typically determined by market conditions, meaning prices are influenced by factors like supply, demand, competition and other economic factors. Healthcare providers set prices based on what consumers are willing to pay, production or service costs, and the overall competitive landscape.</p>
PHARMACEUTICALS AND MEDICAL DEVICES
12. How are pharmaceuticals and medical devices financed and reimbursed?
<p>If the patient is insured by the EHIF and the pharmaceutical or medical device is included in the list of medicinal products/medical equipment of the EHIF, the EHIF pays for it to the extent enacted by the applicable legislation. Reimbursement rates for medicinal products are 50 per cent, 75 per cent, 90 per cent and 100 per cent. Reimbursement rates for medical devices are 50 per cent and 90 per cent. The rest of the price is paid by the patient.</p> <p>If the patient is not insured, or if the pharmaceutical or medical device is not compensated by the EHIF, the patient has the obligation to pay for it.</p>
13. How are the prices of pharmaceuticals and medical devices determined? How is economic efficiency controlled?
<p>The pricing of medicines is regulated by the MPA and its regulations, under which, the government has enacted threshold values for mark-ups in the wholesale and retail trade of medicinal products, and the procedure for their implementation. The pricing of medical devices is not regulated.</p> <p>Pharmaceuticals and medical devices are only reimbursed if included on the respective EHIF's list (established by regulations of the Minister of Social Affairs/Minister of Health</p>

and Labour, respectively). The named regulations specify the products, under what conditions and to what extent are compensated by the EHIF.

Reimbursement of a medicine is based on the reference price (in the case of several products with the same active substance and route of administration) or price agreement between the EHIF and manufacturer or representative thereof (in the case that only one medicinal product with a given active substance and route of administration has valid marketing authorisation in Estonia). Medicinal products are included on the EHIF's list based on the following criteria: the need for the product, proven medical efficacy, economic justification of the use of the medicinal product, alternative treatment options and conformity with the financial resources of the EHIF. The reference price is calculated based on the wholesale purchase price of a pharmaceutical to which the maximum valid gross margins for wholesale and retail trade, and VAT are added. Reference prices of pharmaceuticals are established by a regulation of the Minister of Social Affairs. In case of a price agreement, the price is negotiated; however, it must be based on the international price-comparison and the cost of alternative treatments. Price agreements are confidential.

Reimbursement of a medical device is based on the price agreement between the Health Insurance Fund and the manufacturer or representative thereof.

LITIGATION INVOLVING HEALTHCARE FINANCING AND REIMBURSEMENT

14. Please provide a high-level overview of major litigation topics and landmark cases regarding healthcare financing and reimbursement.

Court disputes regarding healthcare financing and reimbursement are rather rare in Estonia. There have been cases where healthcare providers have disputed the EHIF's decision not to select them as its contractual partner. There also have been cases where patients have been denied reimbursement for treatment (treatment abroad, treatment with pharmaceuticals not reimbursed by the EHIF etc). However, there is no authoritative case law that could be considered as groundbreaking or having a wider impact on the system.

Supreme Court (Administrative Law Chamber) decision in case No 3-3-1-29-12

The EHIF is not obligated to enter into a treatment funding agreement with all healthcare service providers. When concluding a treatment funding agreement and deciding on the duration of the contract, the EHIF assesses the circumstances set out in the HSOA. One of the assessable circumstances when concluding a treatment funding agreement and deciding on the duration of the contract is the availability of the service. One of the principles of health insurance is the regional equal availability of treatment, which allows for regional preferences. The legal acts do not specify the exact geographical conditions for regional preferences; therefore, the location of service provision can also include smaller areas within the service territory of the regional department of the EHIF, if it is justified in the interest of regional availability of treatment.

Supreme Court (Constitutional Review Chamber) decision in case No 3-4-1-55-14

The Estonian Government has established mark-up limits based on a regressive mark-up model. This means that the higher the price of a medicine package, the lower the allowed percentage mark-up. With this mark-up model, the Government of the Republic has sought to equalise the income derived from the handling of medicines and thereby create equal

incentives for both retail and wholesale sellers to market medicines in both lower and higher price categories. It does not follow from the MPA that medicine vendors must receive a mark-up of at least seven per cent for wholesale and at least 21 per cent for retail on all medicines. Based on the above, the chamber is of the opinion that, in a situation where it is not possible to unequivocally identify that the contested provisions of the regulation of the Estonian Government do not allow for the achievement of one of the objectives of the underlying authorisation norm, that is, to ensure the profitability of medicine vendors, there is no basis for declaring the contested provisions unconstitutional.

RECENT DEVELOPMENTS AND TRENDS

15. What are the recent developments and trends for the next few years? Please outline any unresolved issues, proposed changes or trends for healthcare financing and reimbursement, and briefly indicate how these may foreseeably affect the medical sector in the near future.

The sustainability of funding Estonian healthcare for the long term is a general concern.

Estonia's healthcare system is still largely based on the fee-for-service model, which may not always ensure the best experience for patients and may not be cost effective. The EHIF is in process of testing integrated payment models, which combine technological components with healthcare providers' time and incorporate outcome-based performance pay linked to patient health and experience indicators. The aim is to find ways to prioritise patient outcomes over the volume of procedures performed.

In recent years, Estonia has also been focusing on enhancing primary healthcare by promoting multidisciplinary primary healthcare centres over single-provider practices. Financial incentives and European Union structural funds have been utilised to support these reforms.

Traditionally, the focus of the healthcare system, including funding, has been more on reactive treatment. However, due to rising costs, the importance of prevention has been recognised.

For the next few years, no radical changes to the current funding and reimbursement system are anticipated.