

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).

In Finland, public authorities have a constitutional duty to provide sufficient health and social services, and to generally promote the health of the population. Therefore, the role of the government and public healthcare is significant in Finland and private healthcare can be considered complementary to it. Citizens may use private healthcare when public healthcare does not cover a procedure as medically necessary or as an additional paid service. Public entities also procure services from private healthcare companies as part of fulfilling their statutory obligations.

The responsibility for organising healthcare is assigned by law to 21 wellbeing services counties and the city of Helsinki. Demanding specialised healthcare in the region of Uusimaa is the responsibility of HUS Group, which consists of the four wellbeing services counties in Uusimaa and the city of Helsinki. Wellbeing services counties, Helsinki and HUS Group (hereafter, all together, 'wellbeing services counties') get their funding for healthcare from the state government because they do not have the right to levy taxes, except for Helsinki, where healthcare funding is separated in the city's budget and comes from the government as well. The state government is also in charge of regulation as it has legislative powers. The Health Care Act (1326/2010) governs the details of the healthcare services that the counties are obliged to provide.

According to the Health Insurance Act (1224/2004), every person permanently living in Finland is insured against sickness. The financing of the scheme comes from employers, employees and the state, as well as a small portion from social security funds. Coverage may be complemented by private healthcare insurance and occupational healthcare insurance. Occupational health insurance must cover preventive healthcare, but employers may extend it to medical care.

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

The financing of public healthcare comes from the state and is ultimately funded by taxation. State funding to wellbeing services counties is governed by the Act on the Funding of Wellbeing Services Counties (617/2021). It covers the costs arising from the responsibilities imposed on wellbeing services counties to provide healthcare. According to the Act, the counties may also collect client charges for their services and decide on how to use this revenue. The Act on Client Charges in Social and Healthcare Services (734/1992) defines the

caps on these fees. Client charges are not significant and can be charged according to the client's financial standing. Apart from these fees, public healthcare comes at no cost to the user, so reimbursement is not applicable.

In private and occupational healthcare, the costs can partly be covered by the Finnish Social Insurance Institution (Kansaneläkelaitos or 'Kela') pursuant to the Health Insurance Act. For example, reimbursement for an appointment at a physician is €30. The covered cost for healthcare services can be deducted directly from the price by the patient showing his/her social security card or applying for reimbursement. Kela confirms the reimbursement tariffs annually on its website. In addition, according to the said Act, medicines prescribed by doctors pursuant to the Medicines Act (395/1987) and bought in pharmacies are reimbursed after an initial deductible. There is also an additional annual cap: if an insured person's annual non-reimbursed costs for medicines exceed a set cap (€633.17 in 2025), further medicine costs are capped at €2.50 per purchase.

The financing of medical care reimbursement from Kela is governed by the Health Insurance Act. As defined in the Act, financing comes from tax-like deductions from employees' salaries and ancillary salary expenses from employers. The state also contributes to financing health insurance. Part of the funding goes to the health insurance fund and the returns are used to finance expenses that Kela pays according to the Health Insurance Act. In addition to medical care, these payments finance daily sickness allowances paid by Kela for loss of income caused by incapacity for work due to sickness.

Students in higher education must pay an annual fee (€71.20 in 2025) to the Finnish Student Health Service, which provides healthcare for students in Finland. The government pays 77 per cent of the service's funding.

In private healthcare, prices are market-based and paid by users or their insurance carriers. However, clients may seek partial reimbursements from Kela for private healthcare services. When wellbeing services counties purchase services from private healthcare companies, they may charge user fees in the amounts defined in the Act on Client Charges in Social and Healthcare Services.

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

Ultimately, the state government regulates healthcare financing and reimbursement, with the Ministry of Social Affairs and Health responsible for legislative initiatives. Kela is in charge of executing the national health insurance, and also supervises compliance with the decrees and orders pursuant to the Health Insurance Act. Patients apply to Kela for reimbursement for private healthcare visits.

The Pharmaceuticals Pricing Board approves the reimbursability of medicines according to the Health Insurance Act. It also approves the reasonable wholesale price of medicine, as well as any subsequent price increases. The board is governed by the said Act and the Decree on the Pharmaceuticals Pricing Board (196/2009).

The Finnish Medical Agency ('Fimea') supervises medicinal products. Selling a medicine to the public requires authorisation from Fimea, unless the product has been granted a marketing authorisation by an institution of the European Union. In any case, Fimea must be notified when a medicinal product is introduced to or permanently withdrawn from the market.

The National Supervisory Authority for Welfare and Health ('Valvira') supervises the appropriateness of social and healthcare and grants licences for social and healthcare professionals. Valvira and, under its coordination, the Regional State Administrative Agencies (Aluehallintovirasto or 'AVI') handle registrations in the national medical service provider database ('Soteri'). The database is maintained by Valvira. Registration in it is a prerequisite for providing healthcare services and therefore for having access to applying for reimbursements from Kela, for example.

In principle, all administrative decisions can be appealed against in the applicable Administrative Court. For example, decisions of the Pharmaceuticals Pricing Board can be appealed to the Helsinki Administrative Court. Concerning some decision types given by Fimea, the interested party must first make a claim for rectification to Fimea and the decision to this claim can be appealed to the Administrative Court. Decisions from Administrative Courts may be appealed to the Supreme Administrative Court. A leave to appeal may be required in some cases.

Disputes concerning reimbursement from private health insurance can be filed in the District Courts, with the right to appeal to the Court of Appeal and ultimately to the Supreme Court if it grants the leave to appeal. A specialised body in insurance disputes is the Insurance Complaints Board. A complaint can also be filed in the Consumer Disputes Board, both of which can give non-binding decisions.

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

During the first years of Covid-19 from 2020 to 2022, the state supported the municipalities, who were, at the time, responsible for the provision of healthcare, with over €5bn. The funding covered general increased costs to municipalities, immediate costs related to Covid-19 in public healthcare (eg, testing, tracing and vaccination) and other aid allocated to certain operations. There has been no Covid-19-related increased spending of similar level as of 2023, when wellbeing services counties started operations.

The Ministry of Social Affairs and Health has provided grants to wellbeing services counties for 2022–2025 as part of the Sustainable Growth Programme for Finland, which aims to clear the backlog in treatment, rehabilitation and services in healthcare and social welfare that was caused by the Covid-19 pandemic. For 2025, the state budget includes €30m of funding for this purpose.

Until 2023, temporary changes to the Health Insurance Act covered expenses from using private healthcare in connection with the pandemic. Users were able to seek reimbursements from Kela for Covid-19 tests and getting the vaccine but not for the price of vaccines because they were free for the service provider and the user.

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?

Every person who legally resides in Finland is insured and has access to the healthcare system. According to the Health Insurance Act, residents are defined as people who have employment or entrepreneurship in Finland or people in situations defined in the Act on Residence-Based Social Security in Cross-Border Situations (16/2019). According to the law,

people who are insured and have access to healthcare include people who are legally residing in Finland and have a residence permit, if required, people permanently living in Finland with a permanent residence, people temporarily abroad with a permanent residence in Finland, employees in Finland earning an income that meets a minimum threshold and entrepreneurs insured under pension laws. In addition, there are some specific cases where a resident working abroad is insured, as well as their family members.

Medically necessary treatment for residents temporarily abroad is covered in the European Economic Area (EEA), Switzerland and the United Kingdom for the price of the local client charge by the patient showing his/her European Health Insurance Card or applying for reimbursement from Kela. In Australia, the same applies by the patient showing his/her social security card and passport. Outside these areas, a patient cannot receive reimbursement from Kela and private insurance is recommended.

In Finland, medically necessary treatment for citizens from the aforementioned areas is covered by the patient showing his/her social security card from the state responsible for his/her medical care costs. For people from outside these areas, only urgent care can be provided and an invoice can be sent afterwards.

Medical service providers must be registered on the service provider register Soteri through Valvira or AVI in order to be able to provide healthcare services, after which the services are eligible for reimbursements from Kela and providers are able to sell services to wellbeing services counties. Registration is also required to obtain reimbursement from private insurance companies. According to the Act on Supervising Health and Social Services, the general conditions for registration are reliability, solvency, competency of responsible persons and having insurance as defined in the Patient Insurance Act (948/2019). The provider must also have proper facilities, tools and qualified personnel, and the services must be of high quality, client-orientated and safe. The Act on Health Care Professionals (559/1994) governs the criteria for persons allowed to work in healthcare and use certain titles.

Access to the system as a supplier of medical goods is governed by the Medicines Act. Under the said Act, the operation of a pharmacy business requires a licence issued by Fimea. The licence can only be granted to a licensed pharmacist. A pharmacy licence is therefore a prerequisite to provide medicine that is reimbursed by Kela. Providing wholesale medicine also requires a licence from Fimea. The licence requirements include appropriate facilities, equipment and personnel.

Under the Medicines Act, a hospital or health centre may establish a hospital pharmacy with a licence granted by Fimea. The hospital pharmacy must have a manager who is a licensed pharmacist. For users of public medical care, the medicine provided is included in the client charge, so it is mostly funded by the wellbeing services county. Medicine provided in private healthcare is covered by national health insurance.

HEALTH INSURANCE FINANCING AND COVERAGE

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

Private health insurance is optional because every resident is insured against sickness according to the Health Insurance Act. The state pays a significant portion of health

insurance costs, while the remaining part is funded by tax-like deductions from employees and employers' health insurance payments.

Private health insurance carriers are financed by premiums paid by the insured and investments. Premiums are determined according to, for example, the age, residence and pre-existing conditions of the insured, the coverage and deductibles of the insurance, yearly indices and payment instalments, as well as the number of insurances taken out from the same company. The prices of premiums are market-based and there is no governmental involvement.

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?

Health insurance carriers are mostly free to define the coverage of their health insurance. According to the Insurance Contracts Act (543/1994), pre-existing conditions can only be left out of coverage if such a limitation is based on information that the insurer acquired on the health of the insured prior to issuing the insurance or if such a limitation is due to the nature of the insurance or another particular circumstance.

Insurance carriers generally also cover telemedicine appointments as they are usually less expensive than in-person appointments. Many insurance carriers even have their own apps or online services, where the user is connected with healthcare providers and the invoice goes directly to the insurer. Kela reimbursements for appointments in private healthcare are lower for video appointments and the lowest for telephone or chat appointments.

Kela reimbursements for medicine may not cover the whole reimbursable price if the consumer refuses substitution to a generic, less expensive, medicine. In the reference price system, a reference price has been set for some medicines that have alternatives. If the medicine is sold at a higher price than the reference price, the reimbursement cannot be higher than the reference price. In this case, a medicine may be substituted with a generic one, but if substitution is refused, the remaining cost above the reference price is not reimbursed.

HOSPITAL SECTOR

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

Wellbeing services counties are responsible for organising hospital services, both inpatient and outpatient. Counties that have a medical university in their area must have a university hospital. University hospitals are responsible for the most demanding specialised healthcare for the entire population. Public hospital services are covered by universal healthcare and financed the same way as other public healthcare services, through wellbeing services counties' budgets and client charges. Counties that have a university hospital get additional funding for it based on the county's population. The difference between maximum inpatient and outpatient client charges is not significant, for example, the maximum outpatient charge and a day in inpatient care differs by only 20 cents in 2025 according to the Decree on Client charges in Social and Healthcare services (912/1992).

Procedures in private hospitals may be covered by private insurance, depending on the coverage taken. Reimbursements for procedures in private hospitals are reimbursable by Kela

<p>only to a limited extent. Services procured by public entities are an exception, as for such services the client's costs are covered in the same way as in public healthcare. The client only pays the client charge and receives the care at no additional cost, and therefore does not receive reimbursements.</p>
<p>9. How are the prices of such services determined? How is economic efficiency controlled?</p>
<p>Client charges are decided by the government issuing a decree. The total cost to the user consists of these charges. Wellbeing services counties are incentivised to be efficient by having a set budget, with limited possibility to receive additional funding and the threat of being placed under review by the Ministry of Finance if they stay in deficit for a certain period and other consequences.</p> <p>Prices and funding of private hospitals may be affected indirectly through wellbeing services counties' purchases of services from them.</p>
<p>HEALTHCARE PROVIDERS IN PRIVATE PRACTICE</p>
<p>10. How are services provided by physicians, therapists, laboratories and other service providers financed and reimbursed?</p>
<p>Reimbursement under public health insurance for a physician's or specialist's appointment in private healthcare is currently €30. Reimbursements for laboratories are a few euros per test (mostly €1–€10). Depending on the length of the session, therapy can be reimbursed from €30 to €40. Reimbursements for dental care can also be claimed from Kela.</p> <p>Therapy can also partly be covered by universal healthcare when someone's ability to work or study is threatened by a mental health disorder. In that case, the patient can apply to Kela for support, which can cover therapy for up to three years. Care can still be received from private practitioners. The amount of support for individual therapy is higher than from standard public health insurance: €57.60 per visit.</p>
<p>11. How are the prices of such services determined? How is economic efficiency controlled?</p>
<p>Prices in private healthcare are market-based. However, prices may be indirectly affected by changes to the reimbursement of services. Another way prices might indirectly be affected is through wellbeing services counties buying services from private healthcare providers. Otherwise, there is generally no government involvement and service providers are free to set prices. Economic efficiency is achieved through a competitive process between service providers.</p>
<p>PHARMACEUTICALS AND MEDICAL DEVICES</p>
<p>12. How are pharmaceuticals and medical devices financed and reimbursed?</p>
<p>Purchases of pharmaceuticals can be reimbursed according to the Health Insurance Act under public health insurance. Kela is responsible for executing coverage. After an annual spending of €70 (applicable from the beginning of 2025), basic reimbursability for medicines for which the Pharmaceuticals Pricing Board has set a price is 40 per cent of the price of the medicine. Some pharmaceuticals have been given special reimbursability, which can be 65 or</p>

even 100 per cent. Reimbursability can also be granted for orphan drugs. After an annual limit of €633 in 2025, the client generally only pays €2.50 per medicine purchase.

Medical devices are not covered by public health insurance. However, the fitting, adjustment and maintenance of a hearing device, for example, are covered as healthcare, which is financed as explained above, with the client buying the device and paying client charges. The laws governing medical devices are the Medical Devices Act and Act on Certain Medical Devices in the EU Directive, which are mostly an implementation of EU legislation.

13. How are the prices of pharmaceuticals and medical devices determined? How is economic efficiency controlled?

Reimbursement of medicines is approved by the Pharmaceuticals Pricing Board. It also confirms the reasonable wholesale price of the medicine, as well as subsequent price increases. In its decisions, the board takes into account the prices of equivalent medicinal products used to treat the same illness in Finland, prices of the medicinal product in other EEA countries, treatment costs and benefits of the medicinal product, benefits and costs of other available treatment options, and available funds for reimbursement.

The retail prices of medicines charged by pharmacies are determined under the Decree on Prices of Pharmaceuticals. For prescription medicines, retail prices are fixed by the Decree. For example, the price of the cheapest non-prescription medicines is 1.42 times the wholesale price, and for medicines priced €40.00–€99.90, the price is 1.24 times the wholesale price with €4.92 added. For the most expensive medicines, the price is the wholesale price with €183.92 added.

For medicines not requiring prescription, the Decree sets a minimum price equal to the wholesale price and the maximum price is set by a formula, ranging from 1.5 times the wholesale price with €0.50 added for the cheapest category to 1.125 times the wholesale price with €47.68 added for the most expensive medicines. VAT is added to the prices set by the Decree.

The prices of medical devices are market-based because they are not generally financed or reimbursed through universal healthcare. Some wellbeing services counties and the city of Helsinki offer birth control at no cost to youths under 25 years old.

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.

Litigation regarding healthcare financing and reimbursement mostly consists of appeals against the decisions of the Pharmaceuticals Pricing Board. There have been cases in the Supreme Administrative Court where a pharmaceutical company appealed a decision by which the board did not approve the basic reimbursability or the reasonable wholesale price of its medicine. Typically, the Court has sent the decision back to the Board to be redecided. An example from the last few years is a case in the Supreme Administrative Court in 2020 (KHO 25.9.2020/3789), where the decision of the Pharmaceuticals Pricing Board to reject the reimbursability of a basic cream was appealed. The appellant demanded the issue to be sent back to the Board to be redecided, but the claim was dismissed.

In public healthcare, there have been cases in the Market Court on the public procurement of healthcare services. They concern situations where a wellbeing services county (or before 2023, a municipality) purchased healthcare services to fulfil their legal obligations, but failed to organise a public tender for the procurement.

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 government is planning changes to Kela reimbursement, which would increase reimbursement for visits to the gynaecologist, dental hygienist and therapy. Reimbursement for physiotherapy would be added as well as for fertility treatment. In addition, changes to the funding of medicines are expected in 2025 to save €90m in government spending. First, the annual initial deductible for medicine reimbursement was increased from €50 to €70 in 2025. The reasonable wholesale prices set by the Pharmaceutical Pricing Board were lowered 1.5 per cent from the beginning of March 2025, and pharmacies will be obligated to offer the cheapest substitution of medicines to clients and keep cheaper medicines in stock.

There are also a few trials planned in the near future. One of them is for people over 65 to allow the use of private healthcare services only for a price that is equivalent to client charges in public healthcare. Second, the testing of a model for every citizen to have a designated doctor in a health centre has been considered. Third, a trial is planned for low-income clients, who do not receive social allowance for medication, to use a line of credit from Kela for medicine in certain situations.

There is a long-term reform ongoing in the pharmacy sector. It aims to improve efficiency, safety and the sustainability of government finances through structural reforms and regulation. The goal is to save €30m in government spending annually without having to increase costs to clients.

The healthcare reform that transferred the obligation to provide healthcare from municipalities to wellbeing services counties came into force at the beginning of 2023. Overall, recent trends are cutting costs and the rise of expenses, which are difficult to fit together. Time will tell whether the government will be forced to provide wellbeing services counties with more funding or, for example, put some of the counties under review and possibly join some of them together.