

## 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).

Latvia has a central government that oversees the healthcare economy. The Ministry of Health defines national health policies and regulations as well as organises the functioning of the health system. Municipalities have a limited role but are responsible for ensuring access to healthcare services to their populations, implementing health promotion and prevention activities and organising and providing long-term care services.

Latvia has a mandatory national health service (NHS) system with universal population coverage, general tax-financed healthcare provision, a purchaser-provider split and a mix of public and private providers. Despite near-universal population coverage, the benefits package is rather limited in scope and co-payments are required for a number of services as well as for reimbursable medicines. Most hospitals are publicly owned.

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

Healthcare financing is regulated by the Health Care Financing Law. The law regulates the sources of health financing, patient co-payments, state paid medical assistance minimums, etc. There are several cabinet regulations that regulate the payment system of public health insurance (payments, reimbursements, databases, etc.).

Insurance and reinsurance law regulates general insurance questions, including private health insurance (private health insurance is usually provided by the employer as a benefit to the employee or purchased by any natural person).

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

Ministry of Health develops healthcare financing policy and policy for organising the state paid healthcare services, as well as controls the implementation of these policies. The NHS administers the state budget funds allocated for healthcare, supervises the use of the state budget funds in medical treatment institutions and pharmacies.

Private insurance companies are supervised by the Latvian Bank. The Latvian Insurers Association participates in the development of legislation regulating the insurance industry, represents the common interests of Latvian insurers in state authorities and administrative institutions, public and international organisations, informs the public about the current

affairs of the Latvian insurance market, and organises the improvement of professional qualification of employees of insurance companies.

Disputes regarding public healthcare financing (eg, reimbursement of medicinal products, inclusion in the database) are reviewed by administrative courts.

Private insurance disputes are reviewed in general jurisdiction courts.

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

Government spending has increased, but it remains underfunded. The Covid-19 pandemic is not the top reason for the budget increase. The increase can be attributed to the fact that state-funded healthcare services are almost not available (long waiting lists, lack of specialists, etc.) and patients have to pay the full service fee or receive the service in private medical institutions. In addition to that, the Ministry of Health recently received a lot of criticism regarding the lack of funding for the individual compensation of reimbursable medicinal products and was forced to increase spending.

**HEALTH INSURANCE FINANCING AND COVERAGE**

**5. How are health insurance carriers financed? How are premiums determined?**

The state NHS is financed by fixed state budget funds. The NHS administers the state budget funds allocated for healthcare, supervises the use of the state budget funds in medical treatment institutions and pharmacies. The NHS allocates fixed state funds, ie, hospitals receive a certain amount from the whole budget and, depending on the fund received, plans the state paid health services accordingly.

Private insurance is paid by natural or legal persons – employers may offer health insurance to employees as a benefit, or natural persons may purchase it on their own initiative. Premiums are determined by the insurance agreement and supplementing documentation (the insurance provider determines the premium based on certain risk factors, internal policies and guidelines). Premiums are usually reviewed annually and depend on the services received in the last period – the more health services received, the more likely the premium will rise. Courts may review disputes in relation to insurance agreements; however, premiums as such are not reviewed by courts, as the principle of party autonomy prevails.

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

Private insurance usually covers both in-person medical appointments as well as telemedicine appointments. The coverage may depend on each individual insurer.

The state NHS is rather limited; however, it is possible for general practitioners to prescribe medicinal products to their patients, in cases when the general practitioner has sufficient information on the patient, diagnosis, etc.

**HOSPITAL SECTOR**

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

Cabinet Regulations No 555, 'Procedures for the Organisation of and Payment for Health Care Services' determines the healthcare services financed by the state (fully or partially). State-paid healthcare services may be received by contacting a medical institution that has a contractual relationship with the state (this means that the medical institution has concluded a contract with the NHS for the provision of certain state-paid medical services). Patients may be required to pay a co-payment.

Private insurance works similarly: the covered healthcare services are determined by the insurance agreement, as well as specific medical institutions where the healthcare services may be received.

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

State paid healthcare – as regards to the patient co-payments – has been determined by the law.

### Visit to the general practitioner

- 1) Persons up to 65 years of age – €2;
- 2) Persons over 65 years of age – €1;
- 3) Consultation with a healthcare professional (a specialist in a field) – €4;
- 4) Home visit (for persons over 80 years of age, persons with flu, persons with mental health disorders (F01, F20 and F73), persons who have received emergency medical assistance) – €2,85.

### Inpatient care

- 1) One day at an inpatient care – €7;
- 2) Operations at inpatient/outpatient institutions – €4;
- 3) Invasive cardiology, radiology, surgery services in inpatient care institution – €7;

### Diagnostic services

- 1) Starting from €2 – €35.

### Hospital care

- 1) One day at a hospital, starting from the second day – €10;
- 2) Rehabilitation – €5;
- 3) Chronic patients – €7;
- 4) Oncologic patients – €7.

### Diagnostic services at a hospital

- 1) Starting from €14–35 EUR.

However, there are groups of persons exempted from the patient co-payment: children, women (pregnancy care and postnatal care), politically repressed persons, persons undergoing treatment for tuberculosis, persons undergoing treatment for mental illnesses, persons receiving emergency medical care (in an ambulance), organ donors, disabled persons (Groups I and II), needy persons, refugees, etc.

<b>HEALTHCARE PROVIDERS IN PRIVATE PRACTICE</b>
<b>9. How are services provided by physicians, therapists, laboratories and other service providers financed and reimbursed?</b>
The patient applies to receive a state paid healthcare service and only pays patient co-payment (if applicable). As regards private insurance, the patient presents insurance to the medical institution and the service is paid automatically (patient does not have to pay anything) or the patient pays for the service, collects all receipts and medical documentation, sends it to the insurer and insurer reimburses the amount paid by the patient.
<b>10. How are the prices of such services determined? How is economic efficiency controlled?</b>
Private insurance agreements establish specific limits for the coverage of the healthcare service (both for a single service and total value). The prices are determined by the average prices in the medicinal institutions with which the insurer has contractual relationship (basically, the coverage is determined by the prices in the market). There are no national laws, regulations or guidelines that would establish how to set the prices or control the economic efficiency.
<b>PHARMACEUTICALS AND MEDICAL DEVICES</b>
<b>11. How are pharmaceuticals and medical devices financed and reimbursed?</b>
<p>The reimbursement system for the purchase of medicines provides patients with the opportunity to receive medicines necessary for the treatment of certain diseases, which are fully or partially paid for by the state and which are included in the state List of Reimbursable Medicines.</p> <p>Medicines and medical devices that are included in the state List of Reimbursable Medicines are reimbursed in the following amounts, depending on the patient's diagnosis:</p> <ol style="list-style-type: none"><li>1. medicines: 75 per cent or 100 per cent;</li><li>2. medical devices: 50 per cent, 75 per cent or 100 per cent;</li><li>3. medicines included in List M: children (up to 24 months of age) 50 per cent; women (pregnancy and postnatal care) 25 per cent.</li></ol> <p>The List of Reimbursable Medicines consists of:</p> <ol style="list-style-type: none"><li>1. List A: medicines of equivalent efficacy;</li><li>2. List B: medicines with no equivalent efficacy;</li><li>3. List C: medicines whose costs for the treatment of one patient per year exceed €4268.62 and the manufacturer undertakes to cover the reimbursement expenses of the medicine for a certain number of patients;</li><li>4. List R: medicines and medical devices intended for the treatment of rare diseases;</li><li>5. List M: medicines for pregnant women, women in the postnatal period up to 70 days and children up to 24 months of age.</li></ol>
<b>12. How are the prices of pharmaceuticals and medical devices determined? How is economic efficiency controlled?</b>

The manufacturer is free to set a price; however, it may be required to negotiate the price with the NHS in order to be included in the List of Reimbursable Medicines. These negotiations are confidential and considered commercial secret.

## **LITIGATION INVOLVING HEALTHCARE FINANCING AND REIMBURSEMENT**

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

### **Constitutional Court Case No. 2012-26-03**

The state must ensure the availability of medicines, but the state is not obliged to ensure the purchase of every medicine that a person indicates the need for. The state, on the other hand, is obliged to ensure that as many people as possible benefit from the resources available in the field of healthcare.

### **Constitutional Court Case No. 2008-37-03**

With regard to the mechanism for reimbursement of medicines, the state has the obligation to ensure efficient use of resources and to achieve a fair balance in the distribution of financial resources allocated to healthcare, taking into account the need of individual patients to receive expensive healthcare services and the general need to ensure access to healthcare for the largest possible part of society. The state cannot assume full responsibility for the individual's ability to achieve the highest level of health. The right to health corresponds to the state's obligation to take care of the existence and accessibility of healthcare institutions, services, equipment and medicines, as well as other conditions that affect the ability to achieve the highest level of health.

## **RECENT DEVELOPMENTS AND TRENDS**

**14. 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.**

There are plans to adopt a new law for the financing of the healthcare system. It is envisaged that the draft project may be available in March 2025. Some of the planned changes include the restriction of the provision of public health insurance to Latvian nationals with a declared place of residence outside of Latvia.