

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 eyes view on the healthcare economy, indicating, in general terms, the role of the government (public healthcare) and private actors (private healthcare).

Turkey's healthcare economy is administered through a centralised model involving a combination of public and private sector actors. There is a distinctive healthcare financing and service model, which is centrally administered.

Although the Constitution guarantees the right of all individuals to reside in a healthy environment, the Fundamental Law on Health Services No 3359 (Health Services Law) and relevant Presidency Order No 1 grants the Ministry of Health (MoH) the authority to provide, supervise, and plan health services. In other words, the MoH determines which healthcare products and services will be accessible and under what conditions. It is the supervisory authority for health services and product importers, manufacturers, and suppliers. The Turkish Medicines and Medical Devices Agency (TMMDA) regulates pharmaceuticals and medical devices (along with cosmetics and other related products), overseeing marketing authorisation, licensing, and retail pricing processes.

Municipalities and special provincial administrations play a supportive role by providing social services and environmental health services, while the Ministry establishes health policies and exercises oversight authority.

The Social Security Institution (SSI) is the primary organisation responsible for the government health insurance system, with the details of its operation provided below. The Social Insurance and General Health Insurance Law No 5510 (General Health Insurance Law) governs the operation and funding of the SSI, while the Health Implementation Communiqué (HIC) establishes reimbursement principles.

Private health insurance offers access to services that are not covered by the SSI, while compulsory general health insurance offers a comprehensive array of coverage, including primary healthcare services and advanced treatments. In areas such as rare diseases and orphan medicines, foundations and associations also provide support and implement social responsibility initiatives.

Conversely, there are instances where individuals can directly pay for services that are not covered by compulsory or private insurance. This structure is indicative of a multi-actor system in which the public, private sector and individuals collaborate to finance and plan

health services.

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

The financing and reimbursement of healthcare services are governed by various laws and regulations, with General Health Insurance Law serving as the primary structure. This legislation establishes the framework for general health insurance, specifying beneficiaries, entitlements, and financial mechanisms. The document delineates the services encompassed by compulsory general health insurance, detailing both the scope and duration of these services.

The secondary legislation of General Health Insurance Law, the Regulation on General Health Insurance Practices, delineates specific guidelines for beneficiaries, employers, and healthcare providers, addressing financial arrangements, including co-payments, surcharges, and additional regulations pertinent to health service financing. HIC is a crucial document for health service pricing and reimbursement. HIC delineates the pricing for services encompassed by the SSI, outlining patient admission and referral protocols, co-payments, supplementary fees, and costs related to diagnosis and treatment. The HIC is consistently updated to align with advancements in the healthcare system. HIC is a highly complex regulation that defines the types of health services and products reimbursed by the SSI. It defines the conditions of prescription and treatment for financing the related service. HIC has various annexes showing the products or services subject to reimbursement. Annex 4A and Annex 4C are relevant to pharmaceutical products supplied locally or imported from abroad.

There are two methods for including a pharmaceutical product in HIC's reimbursement Annex 4A or 4C: (1) standard reimbursement application filed by the marketing authorisation or permission holder under the Regulation on Reimbursement of Pharmaceuticals; (2) alternative contract method, detailed under the Regulation on Alternative Reimbursement of Pharmaceutical Products.

Both regulations define the application and review procedures. Within the system, the Pharmaceuticals Reimbursement Commission (PRC) and Medical and Economic Evaluation Commission (MEEC) have crucial roles in evaluating applications and setting prices. While the PRC prioritises treatments essential for public health, the MEEC evaluates clinical and economic data to inform reimbursement decisions. This regulation encompasses guidelines for medicine prescriptions, co-payment exemptions, and the assessment of pharmaceutical applications.

Private hospitals are subject to the Regulation on Private Hospitals, which outlines their operational boundaries and requirements. Each private hospital signs a separate contract with the SSI to participate in the provision of government health services reimbursed by the SSI.

The Private Insurance Law No 5684 (Private Insurance Law) further regulates private health insurance, offering coverage for health services.

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

Various authorities have an active role in healthcare financing and reimbursement including the MoH, SSI and the Ministry of Finance.

The MoH is responsible for the development, implementation, and supervision of health policies. The Health Service Law regulates the duties and authorities relevant to the organisation of health services, recruitment of personnel, financial affairs, diagnosis, and treatment processes. In addition, the MoH oversees the production, import and consumption of medicines and pharmaceutical products.

Financing and reimbursement of health services are carried out by SSI. The General Health Insurance Law covers the SSI's authorities to regulate, price and supervise healthcare expenditures. The SSI determines practices related to health service providers and oversees the financial processes related to health services.

The TMMDA is a regulatory body specialised in the field of pharmaceuticals and medical devices. It manages licensing, pricing and reimbursement procedures. It is also in charge of establishing product safety, scientific collaborations, and quality management systems.

Pursuant to the Directive on the Working Principles and Procedures of the Price Evaluation Commission (Directive), the Price Evaluation Commission (Commission) is coordinated by the MoH, with five full members consisting of representatives from the Ministry of Finance, Ministry of Development, the Undersecretariat of Treasury and the Social Security Institution. The Commission makes pricing decisions by considering reference prices, competition, market balances, and availability of products. Its duties include the evaluation of sub-reference prices, determination of products with special conditions, pricing of critically important products, and ensuring their availability in the market. It is also responsible for evaluating requests for price increases, determining the value of the Euro each year and regulating the prices of products that are mandatory for public health reasons.

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

The Covid-19 epidemic has greatly affected SSI healthcare financing and reimbursement. Demand for healthcare services increased throughout the pandemic, straining infrastructure and finances. The SSI quickly changed its reimbursement procedures to meet patients' urgent requirements, transforming healthcare financing. The SSI enhanced pandemic-specific reimbursement to combat Covid-19 and sustain the healthcare system. Covid-19 testing, treatment, and hospitalisation were immediately added to SSI reimbursement. At the start of the epidemic, the government accelerated funding for these services and adapted the healthcare system to meet patient demands.

Covid-19 healthcare expenditures increased, straining the SSI's finances. Disease-related spending increased, putting additional pressure on the national health budget. In response, the SSI's reimbursement criteria were limited, delaying regular healthcare services including elective surgery.

The pandemic affected private health insurance firms. Many insurers revised their reimbursement rules to cover Covid-19-related procedures. Private insurers had to decide on Covid-19-specific coverage and patient inclusion.

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?

Access to health services and medicines is governed by specific laws to ensure equitable healthcare. According to the General Health Insurance Law, access to health services is a right for insured individuals. Eligible groups include employees, voluntary insured individuals, those earning below one-third of the minimum wage, individuals under 18, and others such as applicants for international protection and foreigners with a residence permit. Turkish citizens are covered by the general health insurance system, while foreign nationals benefit from services based on reciprocity agreements. Foreign students and military personnel are also entitled to these services under specific conditions. Regarding pharmaceutical reimbursement, the SSI includes eligible medications in the HIC reimbursement list, and patients must cover the cost of medicines not included. Emergency services for foreign nationals are provided free of charge in emergencies or epidemics, as per Public Sanitation Law No 1593. Patients visiting for health tourism pay for services at private institutions.

Healthcare providers, including hospitals providing the service and pharmacies delivering the products to patients, engage with the SSI through service contracts. Those who participate in the provision of the public health services have access to the MEDULA Health Information System, an electronic health claims and billing system that manages SSI transactions. Hospitals, clinics, pharmacies, and other healthcare providers use Medula to submit treatment and prescription data for SSI reimbursement, to check patient eligibility for social security-funded healthcare as defined under the HIC. Doctors enter prescriptions into the system, which pharmacies can access online. Medula data is used by the government to measure healthcare service use nationwide.

HEALTH INSURANCE FINANCING AND COVERAGE

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

As explained above, the health insurance system operates through both public and private sectors, with financing primarily based on premium contributions.

By law the source for SSI is the payroll-based contributions from self-employed, employees and employers, with rates calculated according to income level and employment category, while civil servants have part of their contributions subsidised by the government. Additionally, low-income individuals eligible for the General Health Insurance (GSS) scheme receive government-funded coverage, while others above the income threshold pay a fixed monthly premium.

The SSI's healthcare services funding is secured through the global budget which is a predetermined annual financial cap allocated to public healthcare services. The global budget was introduced in 2010. Accordingly, the government supports the public system by allocating budget resources, supplementing certain contributions, and creating additional funding mechanisms beyond standard taxation to maintain the system's financial stability. Currently, global budget application is criticised as the global budget does not reflect the value collected from health insurance premiums and is not meeting the today's costs.

Private health insurance companies, on the other hand, derive income from premiums paid by individuals or corporate clients, and also benefit from investment income, financial market returns, government incentives, policyholder premiums and loan-based financing. Premium rates in the private sector are determined through actuarial assessments, considering personal risk factors such as age, gender, health status, coverage level, occupation, policy duration, and geographic healthcare costs. These assessments help insurers balance profitability with risk.

In summary, the dual health insurance model is primarily financed through premiums, with public insurance based on income and private insurance based on individual risk. The system's sustainability depends on the balanced sharing of contributions, strong government support, and sound financial management in both sectors.

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

In public general health insurance, the state determines coverage and provides standardised services. Insurance coverage is regulated by the state. State regulation specifies the types, extent, and reimbursement criteria for general health insurance services. The state covers necessary health treatments for general health insurance holders under General Health Insurance Law. The HIC lists SSI-covered medical devices, medicines, and health services and that are eligible for payment. SSI covers in-person medical visits and telemedicine.

Insurance companies are free to determine coverage. But they must comply with state health requirements and not conflict with them. Private Insurance Law allows insurance businesses to set coverage and operations.

Telemedicine services are available both for private healthcare service providers and public healthcare service providers. Telemedicine, which is growing in popularity, is sometimes covered by SSI, although private health insurance policies vary. Telemedicine reimbursement under the HIC is limited to emergencies and certain medical treatments and requires meeting certain requirements.

HOSPITAL SECTOR

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

Hospitals and healthcare organisations are funded and reimbursed for their services using fixed-price and per-service pricing models.

For public healthcare, the HIC determines the tariff for each hospital service as well as the reimbursement price for items. These tariffs are attached to HIC (Annexes 4/A, and 4/C for pharmaceutical reimbursement costs). These expenses may differ depending on the therapy category, indication, and service type (eg, surgery). In this context, the fixed pricing per treatment/indication system reimburses hospitals at a set price for specific therapy categories and indications. This system establishes a single payment scope for all treatment procedures. For this reason, the HIC establishes the guidelines for treatment-based fixed pricing and specifies which therapies are included. This approach ensures cost control in public hospitals and allows for more precise implementation of budget policies. There may be a patient contribution charge, the value of which is similarly determined by the HIC.

Private health institutes and hospitals are subject to the free-market economy unless they provide services to publicly insured patients under SSI contracts. In this context, private hospitals provide various services within the area of reimbursement in accordance with the agreements they have signed with the SSI, based on its established prices. A fee-for-service model may be used for services that are not included in the agreement. However, this fee-for-service paradigm may result in exorbitant expenditures and promote superfluous service provision by private health institutions.

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

Public hospitals provide health services under the SSI framework, whereas private hospitals can offer services at agreed pricing under SSI contracts. While private health insurance firms and hospitals can determine their own pricing, the government plays an important role in establishing price ceilings and ensuring fair competition. Private hospitals and health institutes frequently include reimbursements into their prices as part of their SSI agreements. The SSI determines the pricing for services offered to publicly insured patients at public hospitals, as specified in the HIC. The SSI in determining the service and product fees takes into account the limits of the global budget, government budgeting decisions, social health targets, and the patient need.

Private insurance firms negotiate payment rates with hospitals and healthcare providers, influencing cost and patient access to services. These negotiations are critical in determining the pricing structure of healthcare. Private insurance firms have a big involvement in the pricing process. Their agreements with hospitals and the SSI have an impact on payment rates and reimbursement limits, which in turn affect the market. Hospitals also influence prices through contracts with the SSI and private insurance. The HIC tariff schedules, which define payment amounts for health services, are critical in ensuring that pricing is consistent with the SSI's reimbursement principles. The SSI supervises hospital budgets and expenditure to ensure economic efficiency while balancing access to treatment and cost management. In addition, to maintain fair practices, the Insurance Union of Turkey (IU) oversees insurance businesses and ensures that their operations meet market requirements. Private Insurance Law governs the discussions between insurance companies and healthcare providers.

HEALTHCARE PROVIDERS IN PRIVATE PRACTICE

10. How are services provided by physicians, therapists, laboratories, and other service providers financed and reimbursed?

Primarily fixed pricing systems allow the SSI to subject certain categories of health services and treatments to a set number of payments. Under this system, the entire treatment process offered to the patient, from the examination stage to the treatment, medication, and examination stages, is priced collectively and collected as a single payment to the health service provider. Although the procedures and principles regarding the operation of this model are included in the HIC, the amount resulting within the scope of reimbursement is determined according to the above principles and the General Health Insurance Law.

In public hospitals, the state assumes the role of financing in addition to its regulatory and supervisory role through the SSI. Therefore, public hospitals can provide free or low-cost health services to patients under SSI due to the budgets they receive from the state.

Accordingly, the final amount to be paid to the health service provider is reached according to whether the services charged include health services that are reimbursed by the SSI in accordance with their agreements with the hospital, covered by the private health insurance policy, or paid directly by the patients.

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

Negotiations between the state, insurance companies, and healthcare providers are central to determining health service pricing. While the SSI establishes a standardised pricing framework, private insurance companies can negotiate more flexible pricing arrangements with healthcare providers. These negotiations influence reimbursement rates and payment schemes, shaping the cost structure for both public and private providers.

Additionally, the scope of insurance policies and the terms of coverage affect pricing strategies. The TIU supervises insurance companies, ensuring fairness and standardisation of practices. The TIU promotes healthy competition among insurers and helps set industry standards.

Professional associations, such as the Turkish Hospitals Association (THA) and the TMA, also contribute to regulating the sector, advocating for fair pricing, and guiding providers in establishing appropriate rates. In summary, health service pricing is influenced by both state regulations and negotiations with the private sector, ensuring that pricing remains fair, accessible, and economically sustainable.

If the provided health service is fully private and patient pays directly. Free market economy rules are applied.

PHARMACEUTICALS AND MEDICAL DEVICES

12. How are pharmaceuticals and medical devices financed and reimbursed?

As explained below, pharmaceutical retail prices are subject to reference pricing regime which determines the ceiling retail price. Medical devices are priced by free market economy principles.

The SSI reimburses costs for medicines and medical devices under the HIC with the reimbursement prices listed in the tariffs. The HIC and the General Health Insurance Law which medicines, medical devices that are eligible for reimbursement and set the corresponding reimbursement rates. For products, the SSI reimburses only those approved by the MoH and included in the Medicines List. According to the HIC, reimbursement is granted based on the patient's health condition and treatment process. However, not all medicines available in the market are covered, and only those specified in the HIC are eligible for reimbursement at designated rates.

Private health insurance may cover some medicines and medical devices not reimbursed by the SSI. However, reimbursement rates and coverage vary depending on the insurance policy, provider, and the insured's needs.

Medicines and devices not covered by either the SSI or private insurance must be paid out-of-pocket by patients.

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

A reference-based pricing system is applied to determine prices. A reference price is the lowest price of the product available on the market, respectively, in the reference countries and the countries of batch release and import. If this is not available, it refers to the lowest price of the product available in EU countries: France, Greece, Italy, Portugal, and Spain. The reference Euro price is converted to Turkish Lira by applying a fixed Euro currency exchanged rate which is determined by the MoH. This exchange rate is lower than the actual Euro/TRL exchange rate which means Turkey will become one of the cheapest pharmaceutical markets in the world. In principle, pharmaceutical prices are determined as ceiling prices. Therefore, the importers or manufacturers may apply commercial discounts to pharmacy warehouses to be reflected at pharmacies.

Medical devices are priced according to free market economy.

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.

One of the most significant issues in healthcare litigation is patients' limited access to novel therapies, particularly those which are not on the SSI's payment lists. Because of the comparatively low reimbursement fees, some pharmaceutical companies choose not to register or promote their sophisticated drugs in Turkey, effectively limiting patient access to therapies accessible elsewhere. As a result, in order to access these treatments or recover their expenditure, patients are frequently forced to file lawsuits against the SSI and, in some cases, the MoH. This subject is widely disputed, as seen by several prominent Court of Cassation

decisions. In one case (*Yargıtay HGK, E 2022/1216*), a lung cancer patient's lawsuit for accessing an essential but unreimbursed drug was initially upheld by lower courts but later reversed by the Court of Cassation due to insufficient evaluation. This highlights the importance of comprehensive medical reports from university oncology departments. In a case involving the immunotherapy drug for skin cancer (*Yargıtay HGK, E 2023/968*), courts initially ruled in favour of the patient, but the decision was overturned on appeal. This highlights the importance of a medical board's thorough assessment to justify such treatments. In contrast, another case (*Yargıtay 10 HD, E 2019/7011*) addressed the financial consequences of ended disability benefits. The claimant was compelled to reimburse considerable sums for pension and healthcare bills after being declared ineligible owing to reassessment disability rate. These instances highlight the complexities and shifting jurisprudence governing healthcare access and reimbursement. Within this framework, courts play a critical role in balancing patients' medical needs with the sustainable use of public resources, interpreting these disputes through the lens of the social state principle enshrined in the Constitution, aiming to uphold both the individual's right to health and the fair management of the national healthcare budget.

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.

As healthcare expenses rise and digital health technologies become more prevalent, considerable regulatory changes are envisaged. Telemedicine and digital services, which gained traction during the pandemic, are becoming more incorporated into reimbursement schemes, with plans for further expansion. However, constraints in obligatory health insurance coverage may restrict access, resulting in an increasing number of legal challenges to reimbursement rules. Judicial decisions are likely to influence how equal healthcare access is maintained under the current system. Simultaneously, both public and commercial insurers are facing financial challenges, necessitating the development of more efficient and long-term reimbursement strategies. Alternative reimbursement arrangements may allow new medicines to enter the system more frequently than standard paths. Meanwhile, health tourism is emerging as a strategic growth area, resulting in increased investment in healthcare services.