



# Changing the funding of the Latvian compulsory healthcare system: for better or for worse?

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*After the unsuccessful attempts of previous governments to reform the healthcare funding mechanism, in June 2017 the Latvian Government decided to increase the state social insurance compulsory contribution rate by 1% as of 2018, as the solution for improving healthcare funding and access to healthcare services.*

*The Parliament approved these changes in July 2017, together with the tax reform package.*

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## Description

Underfinancing of healthcare in Latvia has resulted in a high share of the population with unmet needs for medical care due to costs, distance or waiting lists (8.4% in 2015 as opposed to 3.2% for the EU as a whole), and high levels of out-of-pocket payments (38.9% in 2014). This has been among the issues on the political agenda for more than 5 years. The ratio of public funding for healthcare in Latvia is among the lowest in EU countries, i.e. 59.86% of the total expenditure on healthcare.

To resolve these problems, in June 2017 the government decided to change the healthcare state funding scheme by introducing a healthcare insurance component. Thus, as of January 2018, the state social insurance compulsory contribution rate will be increased by 1%; this increase will be used to better fund the healthcare system. The Parliament approved this decision in July 2017, together with the tax reform package.

In September 2017, the Law on Funding of Healthcare (hereafter the "Draft Law") was approved by the government and submitted to the Parliament. It links the payment of taxes to accessibility of healthcare services and prescribes baskets of healthcare services for various categories of state social insurance contribution payers. It also

establishes a minimum health insurance payment for uninsured persons and stipulates a significant pay-rise for employees in the healthcare sector.

The Draft Law divides the healthcare basket into two parts – the so-called "full basket" and "minimum basket". 2018 will be a transition period. Starting on 1 January 2019, two categories of persons will receive the "full basket" of healthcare services: persons who make social contribution payments (for them, payments will be increased by 1%, 0.5% paid by employers and 0.5% by employees) and groups of the population for whom health insurance contributions will be made by the state (as currently proposed, such groups include children, pensioners, the unemployed registered with the State Employment Agency, certain categories of persons with disabilities, etc.). People who are not paying social contribution payments (e.g. certain groups of micro-enterprise workers, seasonal workers...) will have the possibility to join, on a voluntary basis, the health insurance scheme and thus to receive the "full basket" by making additional health insurance payments. The draft law for these people proposes a tied amount of health insurance payment that corresponds to a fixed percentage of the minimum monthly wage. If no health insurance payment is made, these

people will only have access to the "minimum basket" of healthcare services.

Until the end of September, the elaboration of the Draft Law and related discussions took place in a closed circle of social partners and specialists. Moreover, the constant change of position and uncertainty expressed by different stakeholders concerning the principles to be followed in the new healthcare funding model, even after submission of the Draft Law to the Parliament, gives rise to doubts as to whether there has been a well-thought through and in-depth impact assessment of the draft law.

## Outlook & commentary

In order to address problems related to accessibility of healthcare, the government has supported the allocation of additional funding to the healthcare sector in 2018. According to the Ministry of Health, the increase in the healthcare sector budget for 2018 by EUR 194 million (i.e. from EUR 820 million in 2017 to EUR 1,014 million in 2018) will be the largest increase in the healthcare sector since the restoration of the independent statehood of Latvia in 1991. The additional available funding will be invested in improving the accessibility and quality of healthcare services as well as increasing the remuneration of the medical staff.

Although the Ministry of Health points out positive developments

starting in 2018, many problems and unclear issues concerning the new healthcare financing model still remain.

The Draft Law will not resolve the issue of the high ratio of out-of-pocket payments made by the population, that already amounts to 38.9%. Likewise, more attention should be paid to the identification of those groups of individuals who might "fall out" of the spectrum of healthcare recipients. Moreover, concern has been expressed that the Draft Law might make healthcare services much more inaccessible for 300 000 individuals who currently do not pay social insurance contributions. There is a risk that the new approach (with a multitude of issues that are still not clear and have not been discussed in their entirety) may aggravate the health condition of a considerable part of the population and jeopardize the accessibility of healthcare, as inhabitants will not be informed about the exact terms for receiving services, and the one year given for transition to the new healthcare funding model may prove to be insufficient.

The significant additional allocations for healthcare bear witness to the efforts of the government, after long years of expectation, to finally address problems that have accumulated in healthcare. Nevertheless, in practice, the accessibility of healthcare services still remains a problem, in particular in the context of the change in the healthcare funding model.

## Further reading

Eurostat, data on unmet needs for healthcare and on healthcare expenditure. Available at: <http://ec.europa.eu/eurostat/web/health/health-care/data/database>

Eurostat, data on out-of-pocket expenditure on healthcare. Available at: [http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tepsr\\_sp310&plugin=1](http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tepsr_sp310&plugin=1)

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Veselības aprūpes finansēšanas likums (2017) (The Law on Funding of Healthcare - draft). Available at: <http://titania.saeima.lv/LIVS12/saeimalivs12.nsf/0/1E3F42B5DAF8F5ACC22581A900438DBB?OpenDocument>

Ministry of Health, press release of 10.10.2017, "Priorities of the Health Sector in 2018: Improvement of Accessibility of Medical Services and Recruitment of Human Resources". Available at: [http://www.vm.gov.lv/lv/aktualitates/preses\\_relizes/5529\\_2018gada\\_prioritates\\_veselibas\\_nozare\\_medicinas\\_pakalpojumu/](http://www.vm.gov.lv/lv/aktualitates/preses_relizes/5529_2018gada_prioritates_veselibas_nozare_medicinas_pakalpojumu/)

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