



# Finland: The government's social and healthcare reform is facing problems

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*The Finnish government's proposed largest ever social and healthcare reform (SOTE) is facing problems in Parliament and is being undermined in advance by municipalities outsourcing their services to private providers. The reform proposes 18 new administrative domains (counties) which will be responsible for SOTE-services previously run by the municipalities.*

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## Description

According to the government's SOTE plan (2017a), healthcare and social services (including long-term care) will be transferred to entities that are larger than municipalities: the counties. Social welfare and healthcare services will be combined at all levels to meet these objectives. The aim is to create seamless service chains for the provision of key social welfare and healthcare services. Because of more effective services, the SOTE is also expected to stop cost expansion. After the reform, the public administration in Finland will be organised at three levels: state, counties and municipalities. The counties will be responsible for arranging all public social welfare and healthcare services, and the decisions will be made by elected county councils. The first county elections are foreseen in October 2018.

The SOTE reform has been planned by three successive governments. Up to now, all attempts to pass it have failed and the question is whether and in which form the present coalition government (Centre and Conservative parties) will manage to get it through. The latest bills were proposed on 2 March 2017 and on 9 May 2017; both were returned by the Parliamentary Constitutional Committee for further elaborations.

Because of this delay, there are fears that the timetable is too tight and that it will not be possible to have county elections in 2018. Furthermore, the mayors of Helsinki and Tampere are openly opposing the county reform and asking other large townships to join their protest. The issue is delicate for the government, which has made political deals in the process of constructing the bill, and a political logrolling process has ensued. The Centre party will get 18 counties (which no other party wishes to have) and in exchange the Conservatives will get their extended freedom of choice model (which no other party wishes). The latter means that publicly funded primary healthcare and social services would be provided by public, private and third-sector providers. The principle that "the money follows the patient" would be applied. The clients themselves could choose the provider. The Conservative party (in line with the private healthcare business) insisted on the fact that the freedom of choice should be expanded beyond primary care - i.e., to specialised care. However, due to criticism from healthcare experts, they abandoned their idea and were satisfied with limiting the freedom of choice to primary care.

On 3 November 2017, the government (2017b) circulated the bill to get

comments from various social actors including the research community. The deadline for feedback was 15 December 2017. A new version of the bill, revised on the basis of this feedback, is due in February 2018. The Act is expected to be passed in spring 2018.

## Outlook & commentary

There are many questions surrounding the reform and most of the comments received are critical on a number of points (e.g. Hiilamo 2017):

- *Too small risk pooling:* The number of counties is too high and hence their population base is too small for an effective pooling of the risk (e.g. 12 of the 18 counties would be smaller than Tampere with its 250,000 inhabitants).
- *Freedom of choice model:* This model would benefit big multinational healthcare providers. There is also the danger of “cream skinning”: whereas the private sector would take the “good” (i.e. high value/low cost) clients, the “bad” (high risk/less profitable) cases would be left to the public sector.
- *Government’s priorities:* Instead of focusing on freedom of choice and private production, the first priority should be the coordination of basic social and healthcare services.
- *Dominance in healthcare:* Though it is by name a social (SOsaali) and healthcare (TERveys) reform, the emphasis in the discussions has been almost solely on healthcare, whereas social and long-term care issues have been neglected.
- *Constitutional problems in transferring exercise of public power to private actors:* Plans

to use private and third sector actors to run the SOTE may be problematic. According to the constitution, only the public authority has the right to exercise the legislative, judicial and executive functions of the state.

- *Government’s hope to save €3 billion is unrealistic:* There will be extra costs in establishing a new bureaucracy between the state and municipalities. There are also fears that the competition among medical staff may gradually increase costs.

Finally, the delay of the reform led to a policy drift that the government did not anticipate. The SOTE-plan stipulates closing municipal SOTE-facilities and concentrating them in the established counties. Since municipalities have previously invested substantial funds in the infrastructure that in the wake of SOTE will become obsolete, there is a strong incentive among municipalities either to sell their SOTE-facilities to private providers or to outsource all activities for decades to at least get some return on their investments and to safeguard the provision of services in their own area instead of having them transferred to the new county centres.

In the end, this policy drift may jeopardise the whole county and SOTE-reform. A recent example of this can be found in West Lapland, where the municipalities signed a contract with a private enterprise to organise their SOTE-services for the next 15 years and to prevent their hospital services from being transferred from the township of Kemi to Rovaniemi, some 100 kilometres away. The value of the contract is higher than €3 billion, which corresponds to one third of the planned budget for the Lapland county to which West Lapland is to belong. Here we have a typical collective action problem: what is

rational at the sub-national level can be irrational at the national level. Interestingly enough, at the national level the Centre party is the most eager proponent of counties, but at the local level the Centre party politicians act against their party: of 72 Centre party municipal trustees 65 voted for the contract that in the worst case could ruin the finances of the Lapland county. (Yle 2017)

If the government is unable to control this kind of policy drift there will be severe problems to achieve the goals the government is hoping for.

## Further reading

Government of Finland (2017a). Health, social services and regional government reform to enter into force on 1 January 2020.

[http://alueuudistus.fi/en/artikkeli/-/asset\\_publisher/10616/sote-ja-maakuntauudistus-voimaan-1-1-2020-maakuntavaalit-lokakuussa-2018](http://alueuudistus.fi/en/artikkeli/-/asset_publisher/10616/sote-ja-maakuntauudistus-voimaan-1-1-2020-maakuntavaalit-lokakuussa-2018).

Government of Finland (2017b). *Lausuntopyyntöt ja lausunnot* [Requests for referrals]. <http://alueuudistus.fi/lausuntopyyntot>.

Hiilamo, H. (2017). *Näin SOTEsta tuli sekunda* [In this way SOTE became imperfect]. <https://www.hs.fi/sunnuntai/art-2000005483366.html>.

YLE [Finnish TV] 2017. *Hallitus sai Meri-Lapin sote-pähkinän purtavaksi* [The government has to solve the Meri-Lapland’s SOTE problem] <https://yle.fi/uutiset/3-9930670>.

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