

Finland finalises its largest-ever social and healthcare reform

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The Finnish government is finalising its largest-ever social and healthcare reform (Sote). The reform transfers responsibilities for health, social and rescue services from 309 municipalities to 22 larger organisers (21 welfare counties and the city of Helsinki). The overarching goals of this reform are to strengthen the financial basis of service delivery, to guarantee equal access to health and social services, and to reduce inequalities in health and well-being.

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Description

At present, municipalities are responsible for providing social and healthcare services. The median size of the Finnish municipalities is 6,000 inhabitants. Small municipalities are inadequate risk pools to cover expanding costs. Therefore, it was deemed necessary to enlarge the risk and financial pools.

On 23 June 2021, the Finnish parliament approved the Bill on the establishment of welfare counties responsible for social and healthcare services as well as rescue services referred to as the "Sote" reform. On 28 June 2022, the parliament approved the legislation on the financial model of the reform. The reform will become fully effective on 1 January 2023.

The public administration will be organised at three levels: state, counties and municipalities. Municipalities and counties will be jointly responsible for promoting public health. Rescue services will be organised alongside healthcare and social welfare services. The aim is to homogenise the delivery of services within the country and create seamless service chains and well-functioning collaboration between different sectors and service providers within the sectors. The reform will improve the availability and quality of basic public services throughout Finland. The public sector will remain the organiser and primary provider of services. Private sector actors and the third sector will supplement public health and social services. (Government of Finland, 2022a).

The welfare county will be led by a county council elected by direct popular vote. The first county elections were held on 23 January 2022. The Ministry of Social Affairs and Health will be responsible for monitoring social and healthcare services, whereas the rescue services will be under the Ministry of the Interior. The Ministry of Finance will supervise and monitor the finances of the counties. Funding of the activities of the counties will be based mainly on revenues from the central government and to a smaller extent on fees collected from the service users. The amount transferred from the central government to the individual county will depend on simulated costs of service needs, the circumstances of the welfare areas, and on the tasks of the rescue services. The simulations are based on the demographic and health characteristics of the population residing in the county, such as the size of the population, needs for health and social services, language composition of the population, as well as the health and well-being performance of the county. (Government of Finland, 2021)

Simulations of costs predict that the average municipal tax level would decrease from 20.0% to 7.6% (Yle, 2022a). However, a reduction in the municipal tax rate does not mean a reduction in the total tax burden, as state taxation will be increased correspondingly.

All healthcare, social welfare and rescue staff previously employed by municipalities will be transferred to the counties. In principle, the around 175,000 employees transferred will retain their employment rights and duties (Government of Finland 2022b).



Outlook and commentary

The Sote reform is the largest ever social policy reform in Finland. The planning of the reform started already in 2005, and five consecutive governments have attempted to complete the reform. All of them failed. There have been political debates and disagreements on the proper number of counties, financing of the counties and the role of private sector service providers.

One of the main goals of the reform was to transfer responsibilities from municipalities, which were regarded as overly small risk pools, to bigger self-sustaining entities. However, the majority of the counties are smaller than the town of Tampere (250,000 inhabitants), Finland's third largest city. Therefore, there are debates on whether there are too many counties, whether the county division is a viable solution, what level of subsidies will be needed from the central government and what the final costs of the reform will be (Yle, 2022).

In a report published on 13 April 2022, the government (2022c) estimated that in 2023 the total operating costs of the new system will be €22.3 billion. This represents an increase of €1.1 billion compared with the year 2022. For example, harmonising

salaries and wages between counties will increase costs by at least €500 million (Yle, 2022b). Furthermore, building up ICT systems will generate significant extra costs.

The opposition parties are criticising Sanna Marin's centre-left government for not being able to tell by how much the costs will increase. In addition, they blame the government for excessive reliance on public sector service providers and for neglecting possibilities offered by private health and social care providers.

Richer municipalities in the Southern part of the country have criticised the financial model. They fear that they will have to support poorer welfare counties in Northern and Eastern Finland, so they will not be able to sufficiently fund their own services and maintain the present level of social and healthcare services. Finally, due to the three-level administration, there are fears of increased bureaucracy.

In summer 2022, the Ministry of Finance will update its financial calculations on the costs of the reform. For the time being, it is impossible to anticipate the total costs and various impacts of the reform and to estimate whether, in addition to state and municipal taxes, the county tax will be needed to cover all the costs of the new system.

Further reading

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