

FICIL Position Paper No. 2

# **Foreign Investors' Council in Latvia on Improving Healthcare System**

**10 September 2020**

# Introduction



Healthcare indicators - life expectancy, avoidable death rate, and healthy life years being the most visible, demonstrate the consequences of long-term problems in Latvian healthcare system:

- Life expectancy is six years lower than the EU average; the second lowest in the EU
- 4,2 healthy life years after the age of 65 vs. 10 years of the EU average
- Preventable mortality rates are the second highest in the EU
- Treatable mortality rates are the third highest in the EU.<sup>1</sup>

Although the Ministry of Health has achieved progress in some reforms aimed at healthcare system efficiency, reforms alone without political commitment and proper funding, cannot resolve long-pending problems. Health expenditure per capita remains very low, with only 57,3% of expenditure coming from public funding sources, the third lowest proportion in the EU.

The current global and national COVID-19 situation calls for the review of the under-financed healthcare system, including the critically underpaid healthcare sector professionals. With ageing and decreasing population, increased investments from the state are required, which, if planned and managed efficiently and sustainably, contributes to a higher economic output through fewer disabilities, sicknesses, and accessible workforce due to longer healthy life years.

Healthcare accessibility - economic, physical, and information access gaps are other factors leading to poor health outcomes. According to the World Bank, Latvia should pursue a dual strategy of concentrating highly specialised services, while improving the accessibility of basic services to the population. Information access serves as a basis for evidence-based decision making, budget planning, and empowering individuals to be involved in prevention and treatment. Predictability and sustainability of funding and proper governance are the critical building-blocks for an efficient healthcare system that facilitates access to healthcare for all social and age groups and a move towards universal health coverage.



# Content

## Introduction

pp. 2



## Recommendations

pp. 4-5



## Rationale for recommendations

pp. 6-10



# Recommendations

## Predictability and Sustainability of Financing

FICIL invites the Government to convene a political debate and take decisions on financing sources for healthcare.

- Mindset change from health costs to health investments for healthier and economically active population;
- Political commitment for mid- and long-term budget;
- Define sources of funding for NAP 2021-2027 initiatives;
- FICIL supports equal contributions for healthcare from all taxpayers, regardless of selected tax-regimen;
- Maximise outcomes from the available EU funds for the next period;
- Define the state-financed service standards and deliver accordingly.

Latvia's health systems weaknesses, related to the limited financial and human resources, are impacting life expectancy and overall population wellbeing negatively; thus, it should be recognised beyond the Ministry of Health.

## Access to Healthcare

Improve access to healthcare to reduce the severity and cost of treatment and maintain the number of people who are economically active.

### Economic access:

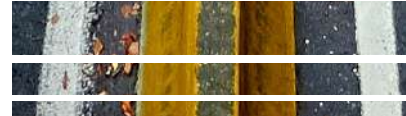
- a. Reduce waiting time for consultations and testing in the state sector;
- b. Lower out-of-pocket payments for services and medicines;
- c. Improve social security packages for vulnerable groups.

### Information access:

- a. Keep pace with technological advancements and continually develop and improve the healthcare e-systems.
- b. Empower individuals to increase self-awareness and self-responsibility for preventive health measures and treatment implementation.

### Physical access:

- a. Strengthen primary care teams – doctors, nurses, and support coordination with other institutions (social care, physiotherapists, other specialists, hospitals, pharmacies and local municipalities);
- b. Define municipality and state responsibilities on a required level and range of services;
- c. Improve state-funded services for long-term and palliative care;
- d. Consider legal and financial basis for the continuation of remote consultations.



# Recommendations

## Improving Efficiency

Continue reforms towards efficiency, including the centralisation of highly specialised services, and strengthen the administrative capacity of the Ministry of Health to ensure good governance principles.

- Pursue an evidence-based strategy of concentration in highly specialised care to enable efficiency and service quality while improving the accessibility of basic services and chronic care to local populations;
- Improve supervision of service availability, coverage, and network planning, especially, once hospitals implement more systematic cooperation;
- Rethink the overall governance and ownership structure of healthcare institutions and ensure alignment of incentives, coordinated planning and delivery of services, eliminating duplication and compromises on service quality;
- Ensure instruments for quality system proper functioning – healthcare guidelines and algorithms, outcome-based pricing, personalised medicine, and other modern management principles.

## Health Data Strategy

Develop Health Data Strategy to overcome the fragmentation of health information and move towards evidence-based, data-driven planning, outcome evaluation, and reach cost and time efficiencies.

- Ensure Health data strategy is an integral part of overall digital strategy and is supervised by Chief Information Officer;
- Promote the culture of cooperation across sectors and facilitate data-driven intersectional budget planning and decision making;
- Clarify and promote legal requirements and financing mechanisms for digital health solutions. Establish governance and clear communication of data privacy-related issues;
- Prioritise infrastructure and connectivity in the state sector, followed by private sector connection. Set common data standards to streamline requirements and allow integrated information systems functioning;
- Establish data registries with connectivity to EU hubs to facilitate treatment and research advancements. Raise awareness about the benefits of appropriate health data sharing, including for scientific research and innovation.

# Rationale for Recommendations

## Predictability and Sustainability of Financing

FICIL members believe that OECD Latvia Country Health Profile 2019 and 2020 European Semester Country Specific Recommendations Latvia (May 2020) demonstrate that the HC sector is underfunded, particularly amplified in the light of COVID-19, which outlined the structural weaknesses in Latvia's health system related to the limited financial and human resources.

Emergency budget injection during the COVID-19 period is not sustainable healthcare sector financing, and the overall base budget for the State's healthcare system should be increased, not only capital investments in the infrastructure.

We support the Prime Minister and ask for further efficiency improvements. Still, the critically under-financed healthcare sector and underpaid healthcare workers are the indicators of the upcoming crisis and cannot be solved without proper planning and adequate remuneration. The urgent steps need to be taken as almost 1/3 of healthcare workers are around the retirement age.

Foreign investors strongly support equal contributions for healthcare from all taxpayers, regardless of selected tax-regimen. Although at the current tax rate, it solves a minor part of the existing funding gap, we stand for equality. Thus, in designing the upcoming tax reform, healthcare sustainability should be considered as one of the core elements.

We do understand budget limitations and national economic priorities; however, we call for a mindset change by the government and all politicians to consider the healthcare budget as an investment instead of spending. With life expectancy six years below the EU average, with preventable and treatable causes of mortality being at the bottom second and third position accordingly, number of healthy life years 11 years below EU average, and after the age of 65, just 4.2 life-years without disability vs. 10 years for the EU average speak by themselves. Improved health outcomes are impossible without HC prioritisation, including proper and sustainable investments.

In the circumstances where health expenditure per capita remains the second-lowest<sup>3</sup> in the EU, at EUR 1 213 vs. nearly EUR 3 000 for EU average, FICIL members understand that reaching OECD recommendations is not the realistic short-term goal. Therefore, predictability and budget sustainability are even more important. This includes but is not limited to the HC budget as a percentage of GDP in the long term; split between primary, secondary, and tertiary care; financing for education and prevention. The clarity on services which will, and which will not be funded by the state, is crucial from sustainability and access perspective.





# Rationale for Recommendations

## Access to Healthcare

World Health Organisation (WHO) has identified three important components regarding the accessibility of healthcare:

### 1. Economic Access

Unproportionally high number of the population reported problems to access the care they need, according to OECD Health Statistics 2019. 6% of the population and 12% of the lower-income group reported unmet medical needs, well above the EU average of 1,7%. Out-of-pocket (OOP) spend estimated at 41.8% of total health expenditure - almost three times the EU average of 15.8%.

More than 12% of households reported catastrophic spending on health, which is defined as 40% or more from total household subsistence needs. Furthermore, World Health Organisation indicates a strong correlation between OOP and the indicators of a health system performance in terms of financial protection.<sup>4</sup>

### 2. Information Access

Information is critically important in providing access to healthcare and evidence-based decisions. Proper use of health information improves the quality of healthcare services and lower costs.

Health information should work for the benefit of patients empowering them to access accurate, reliable, and timely information about their own health and facilitate a healthy lifestyle, preventive measures, and better treatment implementation.

Currently, the collected data in the e-health system cannot be used for treatment, statistics, financing decisions, or setting healthcare policy. Access to a persons own health data would empower patients to take responsibility for their own health and ask for the best possible care. It will ultimately improve the overall health outcomes.

Healthcare professionals need to keep abreast of technological innovations and digital solutions to be able to ensure the most effective and efficient treatment, care, and continuous learning.



# Rationale for Recommendations



## Access to Healthcare

World Health Organisation (WHO) has identified three important components regarding the accessibility of healthcare:

### 3. Physical Access

Physical accessibility is defined as the availability of good health services within reasonable reach of those who need them and of opening hours, appointment systems and other aspects of service organisation and delivery that allow people to obtain the services when they need them.<sup>5</sup>

In Latvia, with around 1/3 of healthcare workers at the retirement age; the critically low number of nurses – the ratio of nurses per 100 000 inhabitants is by 42% lower than on average in the EU, and the low number of doctors per capita decrease access and service quality. Moreover, there is an unequal distribution of doctors throughout Latvia, with 62% of them working in the capital city of Riga, 9% working in Riga region and the rest spread out in the other four regions, thus further limiting access to quality healthcare in regions.

FICIL supports concentration of high-investment, high-complexity services while access to primary care services, including rehabilitation, long-term care and social support that can be ensured through well-functioning primary care units. Clearly defined municipality and state responsibilities on a required level and range of services, and the concentration of main outpatient care within hospital districts in the regions. FICIL believes in improved public transport planning or transport cost compensation to support access to specialists and hospitals.

Long-term care services, including but not limited to palliative care, help meet both the medical and non-medical needs of people with a chronic illness or disability. The availability of long-term care state paid services will save costs due to frequent emergency hospitalisations and will provide possibility for relatives of chronically ill patients to remain economically active.

The practice of providing remote consultations to patients during the Covid-19 related emergency situation was considered effective and should be established more permanently. FICIL members ask for clarifying legal requirements and financing mechanisms to continue and improve remote access; subject of specialist decision on a length and frequency.



# Rationale for Recommendations

## Improving Efficiency

FICIL supports ongoing healthcare reforms and voices for long-term strategy and further efficiency improvement. One area where quality and cost improvements can be achieved is related to evidence-based consolidation of secondary and tertiary care.

The current hospital ownership in Latvia is fragmented: most hospitals in Latvia (regional and local) are for-profit organisations owned by different municipalities, thus, to satisfy shareholders, each hospital is interested in providing a wide range of healthcare services despite national-level healthcare system efficiency, funding, and resource considerations. We, therefore, recommend the government to rethink the overall ownership and governance structure of healthcare institutions and ensure alignment of hospital incentives, coordinated planning, and delivery of healthcare services in Latvia, eliminating duplication and compromises on services quality.

The role of municipalities in healthcare (ensuring access) is not interpreted in the same way across Latvia and needs to be clarified. Moreover, considering that autonomous functions of local governments include both access to healthcare and provision of social care, municipalities must ensure a certain level of cooperation between these areas. However, in practice municipalities tend to limit their involvement in healthcare only to hospital and physical accessibility of services. Such an approach does not promote cooperation between healthcare and social care segments; therefore, we think that the meaning of “ensuring access” and the obligation of municipalities to promote coordination of healthcare and social care work, must be defined more precisely in the Law on Municipalities.

Nowadays, the efficient healthcare system cannot be sustained without a systemic approach, guidelines, outcome-based financing methods, and other modern management principles. To ensure transparent, evidence-based service and financial planning, according to defined quality standards, FICIL believes in the need to strengthen the capacity of the Ministry of Health. While some tools, like treatment algorithms and guidelines, can easily be adapted from other EU countries, strategic reform impact, pace, and cross-sectoral alignments highly depend on the administrative resource capacity and capability, which, in return, will allow asking for improved governance.



# Rationale for Recommendations

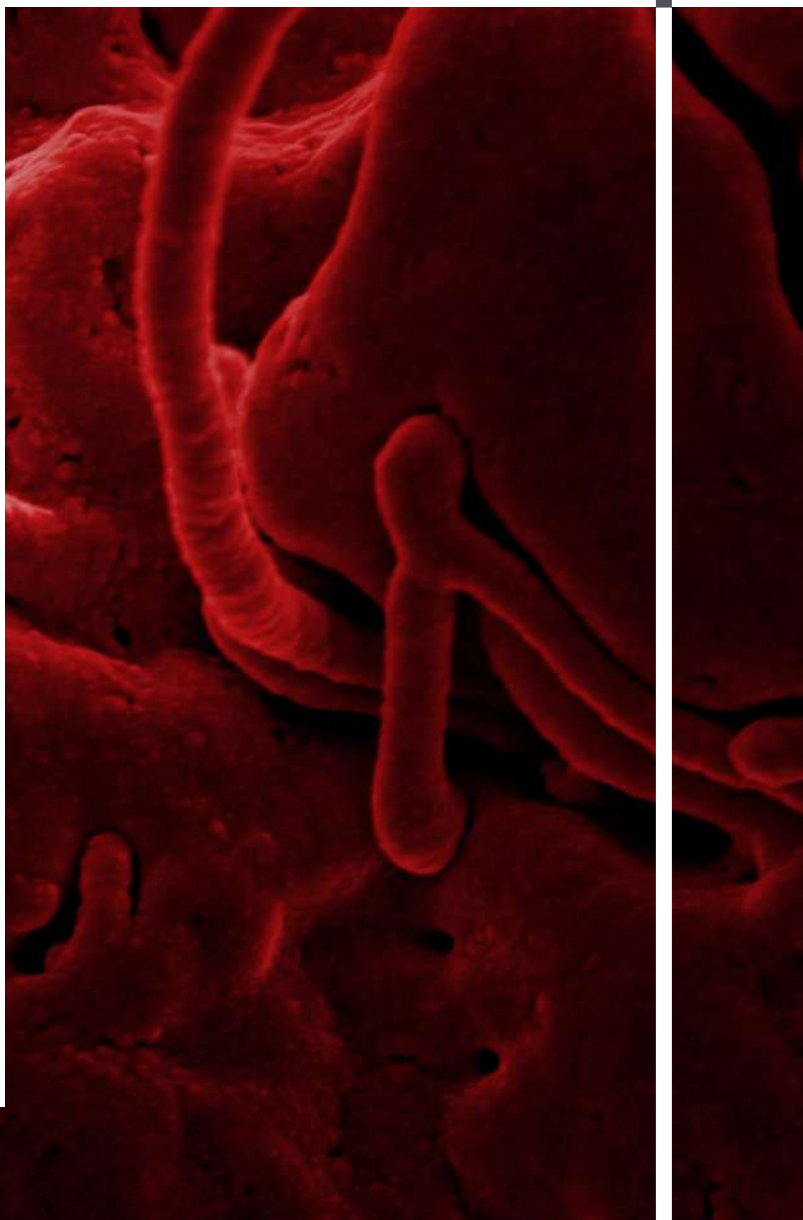
## Health Data Strategy

Although no doubt in the value of healthcare digitalisation and data importance, currently, FICIL members do not see a strategy on how to cope with existing challenges and catch-up for the future.

Our recommendation to ensure patient-centric Health Data Strategy, which is an integral part of the overall digital strategy is based on the observed challenges:

- 1) Inadequate data infrastructure and connectivity. Various information platforms are not interconnected (e-health, telemedicine), and there are no common data standards.
- 2) Fragmentation of health information - health data is insufficiently exchanged not only between the public and private sectors but also within different state institutions.
- 3) Missing data and low-quality data. There is a lack of patient registries providing epidemiological, disease, treatment, and health outcomes data for informed decision-making. Although there are state registries, health care professionals do not fully comply with filling necessary data due to time constraints. Furthermore, University hospitals have their own data registries that are not interconnected with the national registry.
- 4) Unclear health data governance.
- 5) Frequent e-health system malfunctioning, leading to poor output and dissatisfaction among medics
- 6) No real-world evidence to support decision-making neither for healthcare professionals nor state institutions.

Health data and privacy-related issues are perceived with caution and high sensitivity; therefore, the communication strategy should be included in the overall Health Data Strategy to ensure understanding and acceptance among the population and organisations.



# References

- 1 State of Health in the EU · Latvia · Country Health Profile 2019, p.14  
[https://ec.europa.eu/health/sites/health/files/state/docs/2019\\_chp\\_lv\\_english.pdf](https://ec.europa.eu/health/sites/health/files/state/docs/2019_chp_lv_english.pdf)
- 2 State of Health in the EU · Latvia · Country Health Profile 2019, p.9  
[https://ec.europa.eu/health/sites/health/files/state/docs/2019\\_chp\\_lv\\_english.pdf](https://ec.europa.eu/health/sites/health/files/state/docs/2019_chp_lv_english.pdf)
- 3 According to the 2018 OECD data, Latvia spends 3,4% of GDP from the State budget to healthcare. In comparison, Estonia allocates 4,9%, Lithuania 4,5%, Luxembourg, and Poland, also 4,5%. From the European OECD countries, no other country spends less than 4,5% of GDP on healthcare.
- 4 Universal health coverage and universal access, Bulletin of the World Health Organisation 2013; 91:546-546A
- 5 [https://www.who.int/health\\_financing/topics/financial-protection/out-of-pocket-payments/en/](https://www.who.int/health_financing/topics/financial-protection/out-of-pocket-payments/en/)





FICIL Position Paper No. 2

# Foreign Investors' Council in Latvia on Improving Healthcare System

FICIL is a non-governmental organisation that unites 37 largest foreign capital companies from various industries, 10 foreign chambers of commerce in Latvia, French Foreign Trade Advisers and Stockholm School of Economics in Riga. The goal of FICIL is to improve Latvia's business environment and overall competitiveness in attracting foreign investment, using the experience and knowledge of its members to provide recommendations to Government and state institutions.