



27 May 2016

Progress report of FICIL's recommendations on Health System

1. Assessment of the current situation and review of the progress achieved.

Unsatisfactory health outcomes reduce further the dwindling workforce of Latvia. Poor health statistics compared to the EU average are estimated to account for 4% reduction of labour force in Latvia¹. Measurement of *Healthy Life Years* (HLY) converts health into a productive or economic factor^a. According to the latest HLY comparison, the Latvian population ranks 31st, the last, among EU/EEA countries^b. A considerable gap of 10 HLY (*time lived in good health and without disabilities*) behind the EU average indicates a substantial period of productivity loss for Latvian population.

FICIL's 2013 macroeconomic position paper alerted about negative effect of poor health on labour productivity and economic growth². In 2014 FICIL highlighted the high cost of poor health for both investors and the Latvian economy. We proposed four essential dimensions for the immediate restructuring of the health system³. FICIL contributed to the Prime Minister's/Ministry of Health's workgroup on sustainable financing model⁴, though recommendations⁵⁻³ were left unimplemented.

In 2015 FICIL pointed to the lack of progress in reforming the health system. We raised concerns about the mid/long term sustainability of healthcare and welfare systems if no immediate actions are taken⁶. FICIL has accented the burden of increasing health related work absenteeism⁷. 2015 data report all time highest absolute number of sick days and significant increase of sickness cost-burden for both the State and employers^c. FICIL's Sentiment Index (2015) of investors vividly illustrated huge dissatisfaction with the performance of the health system⁸. Since then Latvian health system issues and reforming-needs have been pointed out and their importance emphasised by multiple local and international stakeholders. The European Commission emphasises Latvia's limited progress towards accessibility and efficiency of healthcare along with a lack of vision on appropriate financing¹.

The Bank of Latvia claims that '*crisis in health system is not over*' as current funding of healthcare at comparable prices is by 18% lower when compared with 2007⁹. The Bank prompts for reforms to ensure sufficient and sustainable financing as well as to improve the efficiency of resource use. Nevertheless the Fiscal Council of Latvia points to a lack of strategic vision for development and additional investment allocation to health system¹⁰.

The World Bank has reinforced earlier conclusions of the State Audit Office¹¹ thus calling for reforms and better transparency on current resource allocation and future investment decisions¹². The OECD indicates a divergence between planned public

funding and committed improvements of health indicators of the Latvian population¹³ and also calls for comprehensive reforms in healthcare¹⁴.

The above-mentioned facts demonstrate the limited progress to date, amplify the urgency for reforms proposed by FICIL earlier and create burning platform requiring immediate action.

2. Matters that need immediate attention

- I. Poor health indicators undermining economic growth and sustainability of health and welfare systems.
- II. Critically low public funding and absence of mid/long term clarity concerning:
 - i. Adequate and sustainable financing model
 - ii. Deployment of provided health services
 - iii. Health Workforce strategy
- III. Implicit and unrealistic health benefit package (HBP) limiting the access and increasing unmet medical needs
- IV. Limited transparency, inefficiencies and waste arising from the current operating model

3. Recommendations

FICIL continues to support the four recommendations provided in its previous position paper².

I. **Establish strong inter-sectorial cooperation to improve health indicators of workforce and ensure sustainability of health and welfare systems.**

Genuine government priority for health system reforms and inter-ministerial cooperation are crucial to ensure sustainability of healthcare, welfare and financial systems. The Ministry of Health should work *hand in hand* with the Ministry of Welfare and the Cabinet of Ministers to ensure that outputs of health system serve as valuable inputs for higher workforce productivity, accelerated economic growth, lower sick-leave or long-term care bill and sustainability of finances in healthcare and welfare system.

II. **Announce a clear and transparent mid/long strategy on sustainable financing, deployment of healthcare services and health workforce.**

Increasing public funding for health is critical though conditional to a more comprehensive reform agenda. Low public funding of healthcare and high out-of-pocket fees limit access to services while the unmet medical need of Latvian population is the highest in EU¹. Any delays to introduce sustainable health system funding strategy exacerbate permanent issues of Latvian health system. Pragmatic and professional choice of long-term health financing model is much awaited, though is only instrumental for attainment of broader health system objectives.

Health needs assessment along mapping of current resource allocation should provide the scope for future healthcare investments avoiding technological ‘arms-race’ and wasteful duplications. Capital investment allocation should no longer be separable from declared goals of health system concerning health outcomes, financial protection of population and responsiveness to legitimate expectations of population^{12,15}.

Health workforce strategy should address permanent shortage of specialists and nurses as well as threatening aging of health care practitioner population. Health workforce and healthcare service deployment strategy should respect current and future settlement patterns in the planning regions of Latvia¹⁶.

III. Define explicit Health Benefit Package (breadth, depth and quality of state guaranteed health services)

Clarity of State guaranteed services is much awaited not only by every taxpayer, but also by employers, as most of FICIL member-companies provide additional voluntary health insurance to ensure their employees avoid delays in access to health services.

Definition of realistic Health Benefit Package (HBP) should comprise provider payment review to actualize the costs of covered services, define feasible current 'basket' and model the HBP expansion perspectives.

FICIL believes that quality standards are an essential element of HBP definition and more focus should be oriented towards measurable outcomes of care as well as to quality of organizational and clinical operations. FICIL recommends speeding-up introduction of comprehensive quality assurance system across healthcare providers and services.

IV. Initiate reforms to maximize efficiency of current resources (e.g. hospital management, state/municipal synergies, use of information technologies) and strategic allocation of future investments.

Hospitals still account for more than half of public health expenditure¹⁷. FICIL believes in strategic management of hospital network (including municipal hospitals) and other infrastructure. We insist on added value of good corporate governance of largest hospitals – e.g. establishment of independent professional supervisory boards in the largest hospitals.

FICIL is concerned about State Audit Office findings on ineffective implementation of *eHealth* Project¹⁸, which delays improvements in transparency of resource allocation reported earlier^{11, 12}.

To re-establish Government and public 'enthusiasm' for future funding increase in health sector, lessons need to be absorbed in order to prevent a recurrence of wasteful investments and to eliminate poor governance.

FICIL also recommends strategic purchasing of health services by payers and improving synergy between state and municipal health spends towards attainment of health system objectives and measurable health outcomes.

We are pleased that most of FICIL's recommendations have recently been listed in Government Action Plan¹⁹, but we are nevertheless waiting impatiently for progress in enforcement of the aforementioned reforms.

Glossary:

- a. 'Healthy life years' also monitor health as a productive or economic factor. An increase in healthy life years is one of the main goals for EU health policy, given that this would not only improve the situation of individuals (as good health and a long life are fundamental objectives of human activity) but would also lead to lower public healthcare expenditure and would likely increase the possibility that people continue to work later in life. If healthy life years increase more rapidly than life expectancy, then not only are people living longer, but they are also living a greater proportion of their lives free from health problems.'

European Commission, DG Health and Food Safety. *Healthy Life Years*. Available at:

http://ec.europa.eu/health/indicators/healthy_life_years/hly_en.htm (Accessed: 17/05/2016)

- b. Time lived in good health and without disabilities (Healthy Life Years) is the shortest of all Member States/EEA

	Healthy Life Years in males (2014)	Healthy Life Years in females (2014)
Latvia	51.5	55.3
EU28	61.4	61.8

European Commission. *European Core Health Indicators data tool, Healthy Life Years*. Available at:

<http://ec.europa.eu/health/dyna/echi/datatool/index.cfm?indlist=40a> (Accessed: 17/05/2016)

- c. Significant increase in number of reported/paid sickness/disability days and absolute social benefit costs

	2013	2014	2015
Sickness Benefit - number of paid disability days (000')	6,291.4	6,229.0	6,984.0
Sickness Benefit - EUR paid per day	10.66	11.25	13.77

Central Statistical Bureau of Latvia (2016) *Social Security – Key Indicators. State social benefits and allowances*. Available at: <http://www.csb.gov.lv/en/statistikas-temas/social-security-key-indicators-30686.html> (Accessed: 17/05/2016)

References:

1. European Commission (2016) *COMMISSION STAFF WORKING DOCUMENT Country Report Latvia*. Available at: http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm (Accessed: 17/05/2016)
2. FICIL (2013) *Position Paper on Tax and Macroeconomic Policy*. Available at: http://www.ficil.lv/f/13%2005%2026_Tax%20and%20Macro_ENG.pdf (Accessed: 17/05/2016)
3. FICIL (2014) *Position Paper on the Development of the Health Care System in Latvia*. Available at: http://www.ficil.lv/f/3_14%2005%2030%20Health%20Care%20System%20Development.pdf (Accessed: 17/05/2016)
4. Ministry of Health of Latvia (2014) *Rīkojums par darba grupas izveidošanu veselības aprūpes sistēmas pilnveidošanai*. Available at: http://www.vm.gov.lv/images/userfiles/vmrik_290714.pdf (Accessed: 17/05/2016)
5. Ministry of Health of Latvia (2014) *Iepazīstina ar modeli veselības aprūpes nozares finansēšanai*. Available at: http://www.vm.gov.lv/lv/aktualitates/sabiedribas_lidzdaliba/darba_grupa_veselibas_aprupes_sistemas_pilnveidosanai/ (Accessed: 17/05/2016)
6. FICIL (2015) *Position Paper on Sustainable Economic Development*. Available at: <http://www.ficil.lv/f/15%2009%20124%20Sustainable%20Economic%20Development.pdf> (Accessed: 17/05/2016)
7. FICIL (2015) *Public discussion "Return to Reform Agenda"*. Available at: <http://www.ficil.lv/ficil-public-discussion-video/22/> (Accessed: 17/05/2016)
8. Stockholm School of Economics & FICIL (2015) *THE INVESTMENT CLIMATE IN LATVIA: THE VIEWPOINTS OF FOREIGN INVESTORS. FICIL Sentiment Index 2015*. Available at: <http://www.ficil.lv/f/FICIL%20Sentiment%20Index%20Report%202015.pdf> (Accessed: 17/05/2016)
9. Vilerts, K. & Krasnopjorovs, O. (2016) *Veselības aprūpes sistēma Latvijā: arī Romu neuzcēla vienā dienā*. Bak of Latvia, Riga. Available at: <https://www.makroekonomika.lv/veselibas-aprupes-sistema-latvija-ari-romu-neuzcela-viena-diena> (Accessed: 17/05/2016)
10. Fiscal Council of Latvia (2015), *Fiscal discipline monitoring report (No 1-02/692). HEALTH CARE SYSTEM REFORM*. Available at: http://fdp.gov.lv/files/uploaded/FDP_1_01_691_20150925_Uzraudzibas_zinojums_Piel2.pdf (Accessed: 17/05/2016)
11. State Audit Office (2011), *Valsts budžeta līdzekļu izlietojuma likumība un ekonomiskums, apmaksājot ārstniecības pakalpojumus pēc noteiktā tarifa*. Available at: <http://www.lrvk.gov.lv/revizija/valsts-budzeta-lidzeklu-izlietojuma-likumiba-un-ekonomiskums-apmaksajot-arstniecibas-pakalpojumas-pec-noteikta-tarifa/> (Accessed: 17/05/2016)
12. World Bank (2016) *World Bank Reimbursable Advisory Services: Support to Develop a Health System Strategy for Priority Disease Areas in Latvia. Capital investment panning. Washington, US*
13. OECD (2015), *OECD Economic Surveys: Latvia 2015*, OECD Publishing, Paris. Available at: http://www.oecd-ilibrary.org/economics/oecd-economic-surveys-latvia-2015_9789264228467-en (Accessed: 17/05/2016)
14. LETA (2016), *OECD expects from Latvia active anti-corruption efforts, reforms in healthcare*. Available at: <http://www.leta.lv/eng/home/important/133A0005-95AF-7C0A-5B20-D8F3D52E3BCF/> (Accessed: 17/05/2016)

15. Murray, C.J.L. & Frank, J (ND), *A WHO Framework for Health System Performance Assessment*. WHO: Copenhagen. Available at: <http://www.who.int/healthinfo/paper06.pdf> (Accessed: 17/05/2016)
16. VARAM (2015) *Veselības pakalpojumu teritoriālā izvietojuma analīze atbilstoši apdzīvotumam un priekšlikumi to pieejamības uzlabojumiem*. Available at: http://www.varam.gov.lv/lat/aktual/preses_relizes/?doc=19982 (Accessed: 17/05/2016)
17. Mitenbergs, U. et al (2012) *Latvia Health System Review. Health Systems in transition*. Vol.14 (8). Available at: http://www.euro.who.int/_data/assets/pdf_file/0006/186072/e96822.pdf (Accessed: 17/05/2016)
18. State Audit Office (2015), *Vai projekts „E-veselība Latvijā” ir solis pareizajā virzienā?* Available at: http://www.lrvk.gov.lv/uploads/reviziju-zinojumi/2014/2.4.1-7_2014/e-veseliba_publicesanai1.pdf (Accessed: 17/05/2016)
19. Valsts Kanceleja (2016), *Rīkojuma projekts "Par Valdības rīcības plānu Deklarācijas par Māra Kučinska vadītā Ministru kabineta iecerēto darbību īstenošanai"* Available at: http://tap.mk.gov.lv/doc/2016_05/260416_PKCpielik1_VRP_precize.825.xlsx (Accessed: 17/05/2016)