

# HEALTHCARE:

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## The Future of Health in Estonia – Multi-Sector Collaboration to Ensure Proper Business Climate, Healthy Workforce, and Attractiveness for Current & Future Investment

### INTRODUCTION

The Estonian Healthcare System is one of the key factors of a strong and favorable business climate in the country, sustainable labor market, and Estonia's attractiveness as an investment destination.

Recently, the Government has agreed on the state budget strategy and healthcare has been marked as one of the priorities, as the State starts paying the health insurance tax for the retired, which will bring additional resources to the healthcare financing. Amcham welcomes this development as part of the ongoing strategy to enhance the current Healthcare system.

In this regard, AmCham member-companies have outlined a few concerns and corresponding recommendations to help Estonia maintain a competitive position in the region and attract more foreign direct investment into the country. As part of the healthcare system we stand ready to participate and contribute to an open discussion with the aim of finding constructive and sustainable solutions that will benefit the business climate and Estonian society as a whole.

### MAIN ISSUES IDENTIFIED BY THE COMMITTEE:

#### **1. Insufficient financing of the Estonian healthcare system reduces the GDP and life quality**

- Estonia needs healthy workforce to maintain its competitiveness as a market. Several authors point to the positive link between health and wealth. McKee and Suhrcke for example find that "[t]he evidence . . . provides compelling confirmation that judicious investment in better health in the high income countries of Europe can be expected to increase productivity and increase labour supply." [McKee M, Suhrcke M (2010), 'Investing in Health: A Contribution to the Achievement of the Lisbon Agenda', European Review, 18:1, 17] On the other end, health problems

reduce the number and quality of employed people. 6-7% of Estonian workforce are inactive due to illness, special needs or injuries. It has been estimated that the health problems reduce Estonian GDP by 6-15%.

- The increase in life expectancy and the proportion of elderly and overweight in the population will increase the number of chronic diseases. As a result the disease burden is going to change too: for example, cancer could become disease burden number one<sup>1</sup> and the share of cancer deaths of all deaths is highest in the economically active age groups.<sup>2</sup> Chronic disease cases have increased by 30% in the past 20 years.<sup>3</sup> And although most cases occur in the 65+ population, they are expensive for society. According to National Institute for Health Development 58% of male and 52% of female population is overweight in Estonia<sup>4</sup>, a WHO fact sheet attributes 44% of the global diabetes burden, 23% of the coronary heart disease burden and between 7% and 41% of certain cancer burdens to overweight and obesity<sup>5</sup>. The OECD estimates that obesity is responsible for 1-3% of total health expenditure in most countries. Data from the UK National Health Service (NHS) show that a BMI of 30-35 reduces life expectancy by an average of three years, while a BMI in excess of 40 cuts longevity by 8-10 years.<sup>6</sup>
- The health expenditure as part of the GDP is below the OECD average (6.0% vs OECD average 8.9%). The current aim of the health care system has been to increase efficiency, however, expectations need to be realistic with what can be achieved with the current budget. Further attempts at efficiency are likely to have negative effects through unmet therapeutic needs of patients. This in turn reduces the possible number of employed further reducing the finances available to the Estonian Health Insurance Fund in the future.
- Estonian health care system is financed primarily through public sector spending. Since 1992 the primary source of financing has been health insurance part of the social tax and there have been no major reforms in the financing of health care system since then. Need for the change in the financing has been noted by various working groups, incl. WHO, National Audit Office of Estonia, Ministry of Social Affairs, Union of Doctors, Praxis.

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<sup>1</sup> Jönsson B et al. (2016), The cost and burden of cancer in the European Union 1995-2014; Eur J Cancer, p. 164

<sup>2</sup> Jönsson B et al. (2016), The cost and burden of cancer in the European Union 1995-2014; Eur J Cancer, p. 164

<sup>3</sup> Jönsson B et al. (2016), Access to Cancer Medicines in Europe; p. 16

<sup>4</sup> <http://pxweb.tai.ee/esf/pxweb2008/Database/Uuringud/01ETeU/07KehalineAktiivsus/07KehalineAktiivsus.asp>

<sup>5</sup> <http://www.who.int/mediacentre/factsheets/fs311/en/>

<sup>6</sup> <https://www.eiuperspectives.economist.com/sites/default/files/ConfrontingobesityinEurope.pdf>

## **2. Insufficient E-health solutions necessary to advance Estonian Healthcare system**

Estonia has been on a forefront of e-governance solutions earning the country the sterling reputation of being the leader of new technologies. E-health solutions have been an important building block of Estonian health care system and advancement of IT is ever more needed because increase in life expectancy will change the nature of diseases adding to complexity and cost. IT can promote to better accessibility and lower cost of health care services.

Based on National Audit Office of Estonia, the aims of e-health solutions have not been reached. The current e-health system is a databank that does not yet offer sufficient services that could increase the efficiency of health care service providers and promote a better use of health care funds. Currently the collected data cannot be used for treatment, health care statistics, surveillance, financing decisions or design of healthcare policy. This is mainly due to missing data and low quality of the existing data.

## **3. Accessibility of medicines and medical devices in Estonia is low**

Health inequalities are of great concern from a European perspective. Inequalities also exist with regard to access to medicines. According to statistics, 74% of centrally authorized products (1540) were not sold in Estonia in the past three years. Between January 2013 and May 2015, out of 140 medicines that obtained EU marketing authorization, 40 were the subject of applications for reimbursement in Estonia. Furthermore, for a large number of medicines that have obtained EU marketing authorization, no attempt to enter the market was made (66 out of 140). Thus, the drugs with market authorization are not accessible in Estonia.

The WHO report outlines that the reimbursement process is mainly based on budget impact, rather than treatment outcomes. This can potentially deter innovative medicines from entering the market, since without reimbursement, the medicine or services are not accessible. Lack of innovative medicines in turn reduces the number of accessible generic medicines, since generics enter the markets, where the road has been paved by the innovative medicines.

Onboarding innovative medical solutions and devices is challenging when only 10-15% of medical devices tenders are based on the most economically advantageous offer<sup>7</sup>, sole focus on lowest price leads to compromises in product quality, hence patient safety and quality of life and increases overall costs to society throughout patient lifespan. Furthermore, demanding legal requirements make it costly for companies to enter market and introduce new technologies as return on investment is limited by market size.

As a result of the lack of accessible medicines, many serious illnesses are increasingly financed privately through various campaigns (such as “Kingitud Elu” or “Pardiralli”). Same trend can be observed also for medical devices, where privately financed initiatives such as “Meie Panus”, “Naerata ometi”, “Kooos on kergem” or “Lastefond” are called to life to provide continuation of medical care, improve quality of life by providing

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<sup>7</sup> [https://riigihanked.riik.ee/tr1/c/document\\_library/get\\_file?p\\_l\\_id=216043&folderId=518320&name=DLE-36902.pdf](https://riigihanked.riik.ee/tr1/c/document_library/get_file?p_l_id=216043&folderId=518320&name=DLE-36902.pdf)

certain medical supplies or collecting funds for specific medical treatment or medical equipment.

#### **4. Insufficient dialogue between the healthcare sector and the policy-makers**

It is encouraging that sustainability of the healthcare system has been included as one of the priorities in the action plan of the current government. Such ambitious goal can only be achieved through a multi-stakeholder policy dialogue.

## **HOW WE CAN COLLABORATE:**

We have to recognize that neither of the health challenges can be tackled by a single stakeholder nor be resolved by simple solutions. Dialogue is critical to understanding the priorities and needs of each partner in the equation – patients, healthcare professionals, government and payers –, in order to support and drive the rapidly advancing science and deliver access to innovative medicines across Europe. As part of the healthcare system, AmCham Estonia stands ready to participate and contribute to an open discussion with the aim of finding constructive and sustainable solutions that will benefit the business climate and Estonian society as a whole.

1. To start the dialogue the Healthcare Committee of AmCham Estonia suggests a 3-step approach:
  - A. A multi-stakeholder dialogue, including the private sector, should be kicked off to discuss healthcare financing. Current spending is low and exploring best-practices of countries with a similar environment has not been undertaken. Possible new sources of financing can be directing excise income towards Healthcare, adding VAT on health-related services, discharging employers from fringe benefit tax in case of investments into the health of their employees, promotion of private insurance. AmCham members are happy to facilitate this discussion and to identify examples from other regions.
  - B. Despite the leading role of Estonia in e-government the value of e-health has not fully been exploited. AmCham Estonia suggests that additional resources are invested into the e-health system and that all stakeholders are involved in the development of the e-health system.
  - C. Access to innovative medicines and devices remains a big issue for patients in Estonia. AmCham Estonia recommends an exchange of expertise on how the recommendations could be implemented which have been made by the WHO to increase the accessibility of medicines in Estonia.
2. Future healthcare is a multi-stakeholder challenge which requires a broad engagement, beyond the Ministry of Social Affairs. Managing future health challenges requires political will and a public health strategy, close collaboration between healthcare professionals and evidence-based treatment pathways, based on data. To progress on the above mentioned points AmCham Estonia recommends to resume the national multi-stakeholder policy dialogue and set up working groups to take specific issues forward.

Such a dialogue should include:

- Ministry of Social Affairs
- Health Insurance Fund
- State Agency of Medicines
- Association of Pharmaceutical Manufacturers in Estonia
- Biotechnology and HealthTech cluster
- National Institute for Health Development
- Estonian Health Board
- Association of MedTech Companies
- and other relevant stakeholders such as the private sector

to define areas of work to ensure sustainability and the effect of the Estonian Healthcare system on the labor market in the long run.