



**eHealth**  
week

11 - 13 MAY 2015  
RIGA, LATVIA

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# GROWTH VITAMINS OF LATVIAN HEALTH IT

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# Latvian Healthcare payments

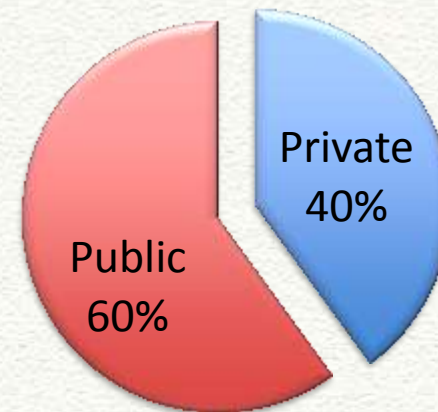
- Similarity with across Europe – a blend of:
  - Fee-for-service
  - Capitation (in primary care)
  - Direct budget funding (e.g. payroll for doctors in hospitals)

*KPMG 2012 (Reforming payment for healthcare in Europe)*

# Who pays for Healthcare in Latvia?

- One of the heaviest private sectors in EU
- High share of Out-of-pocket (OOP) funding
- Private Health Insurance (PHI) closing the gap

**Funding structure**







# State funding in Latvia

- State is funding approximately 60% of total HC
- Among the highest cuts in Health Care spending
- Among lowest % of GDP spent on HC in EU (3.3% 2012)

*<http://www.liaa.gov.lv/invest-latvia/sectors-and-industries/health-care>*

# Private funding

- Out-of-pocket funding by households ~ 30%
  - Copayments for state-funded care
  - Direct payments to care providers (for the care not funded by state and to get faster access)
- Private Health Insurance by employers ~ 10%
  - Coverage of copay obligations
  - Supplementary coverage for faster access
  - The care not covered by the state
  - Additional comfort at care





# Effects of this funding composition

- Rationing of scope and volume of state-funded care
  - Pressures of accessibility and wait times
  - “competition” for insufficient number of funded care possibilities
- Multiple payer situation in most HC situations
- “Experience of both worlds” (public and private)

# Consequences

- **HC market** exists and is regulated by market forces
  - Internal public/private competition
- **Population is involved** in shopping for Health Care
  - Evaluating alternatives, comparing prices
- Radically **reduced Moral Hazard** effect
  - Patients' involvement in HC payments
- Care **providers compete** for customers (patients) by customer service





# Driving force of IT development

Interests of all involved parties:

- Payers
  - State
  - Private insurance
- Providers
- Patients



A decorative banner at the top of the slide shows a panoramic view of the Riga skyline, Latvia, featuring several prominent church spires and buildings along a waterfront with sailboats.

# Sources of Health IT investment

- Direct funding by the State
- Opportunity windows for private businesses



# Opportunity Windows 1

- Market place tools to enable “shopping for care”:
  - Transparent pricing and comparison shopping
  - Transparency of service availability
  - Facilitation of access to care
    - Selecting type of care
    - Convenient scheduling



# Opportunity Windows 2

- Transactions at “retail speed”
  - Point-of-service and time-of-service determination of responsibilities of the parties in multi-payer environment
    - Protects providers from collection problems
    - Provides transparency to the patient
    - Enables coverage tailored to market needs of small segments
  - Real-time adjudication and reimbursement
    - Protects patients from the need to advance the bill until reimbursement decision
    - Prevents fraud



# Uniqueness of the Latvian market

- Very compact
- Very few legacy systems that would limit new technology adoption
- Variety of economic systems in the same marketplace

**= Ideal Trial Market**





# Choices of government for HC development

- Take greater responsibility and fund HC to greater extent
  - influence HC by funding decisions and regulations
- Accept existence of the market and concentrate on shaping it by:
  - Incentives
  - Standards
  - Methodologies

# A wish...

- Appreciate that we are all working for the same goal of providing and improving health and care
  - Including private care providers
  - Insurance payers
  - Patients(!)
- Be a Helpful Partner
  - rather than a “Big Brother”





# THANK YOU

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