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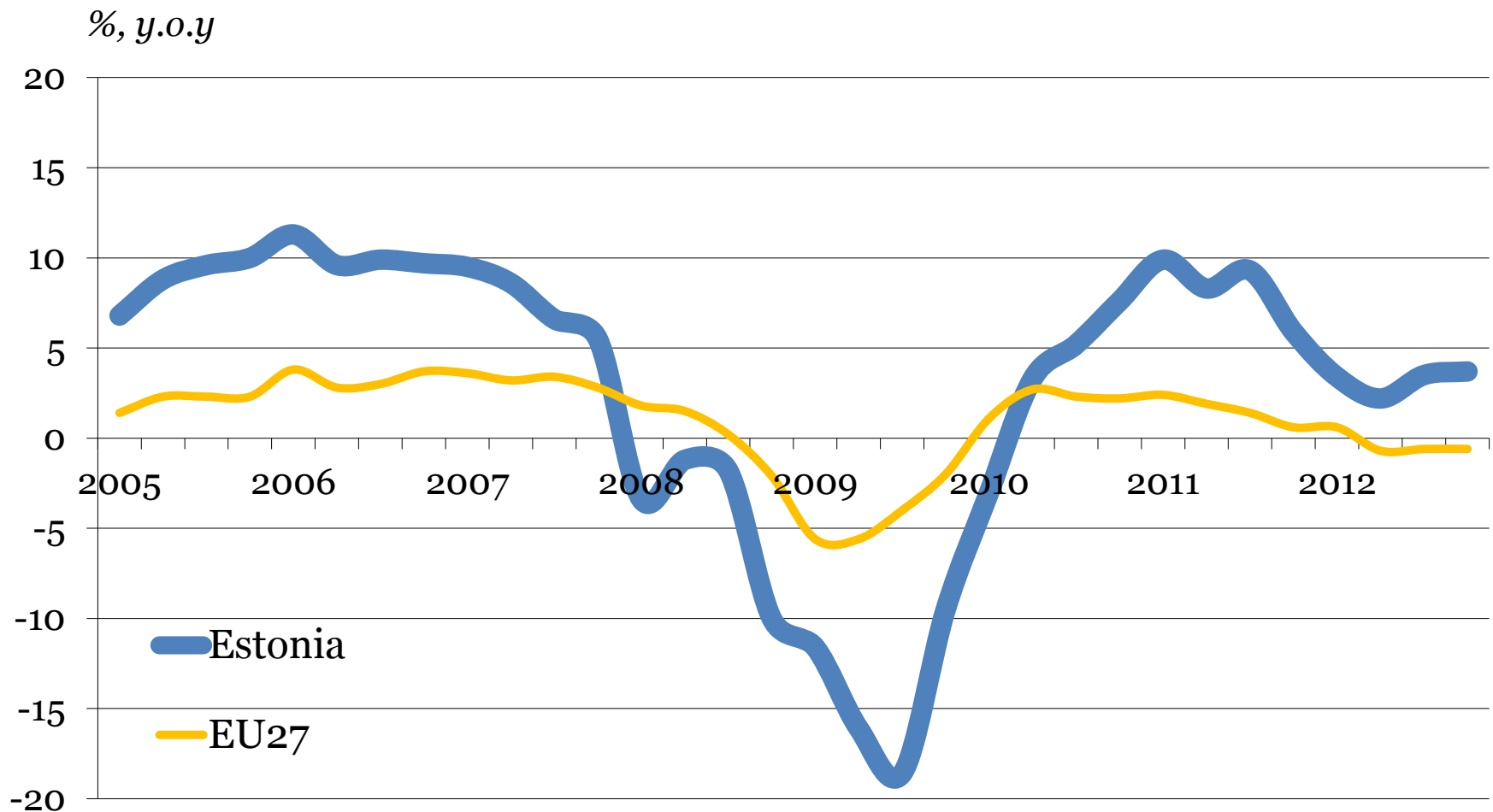
Estonian experience on using health expenditure reserve funds

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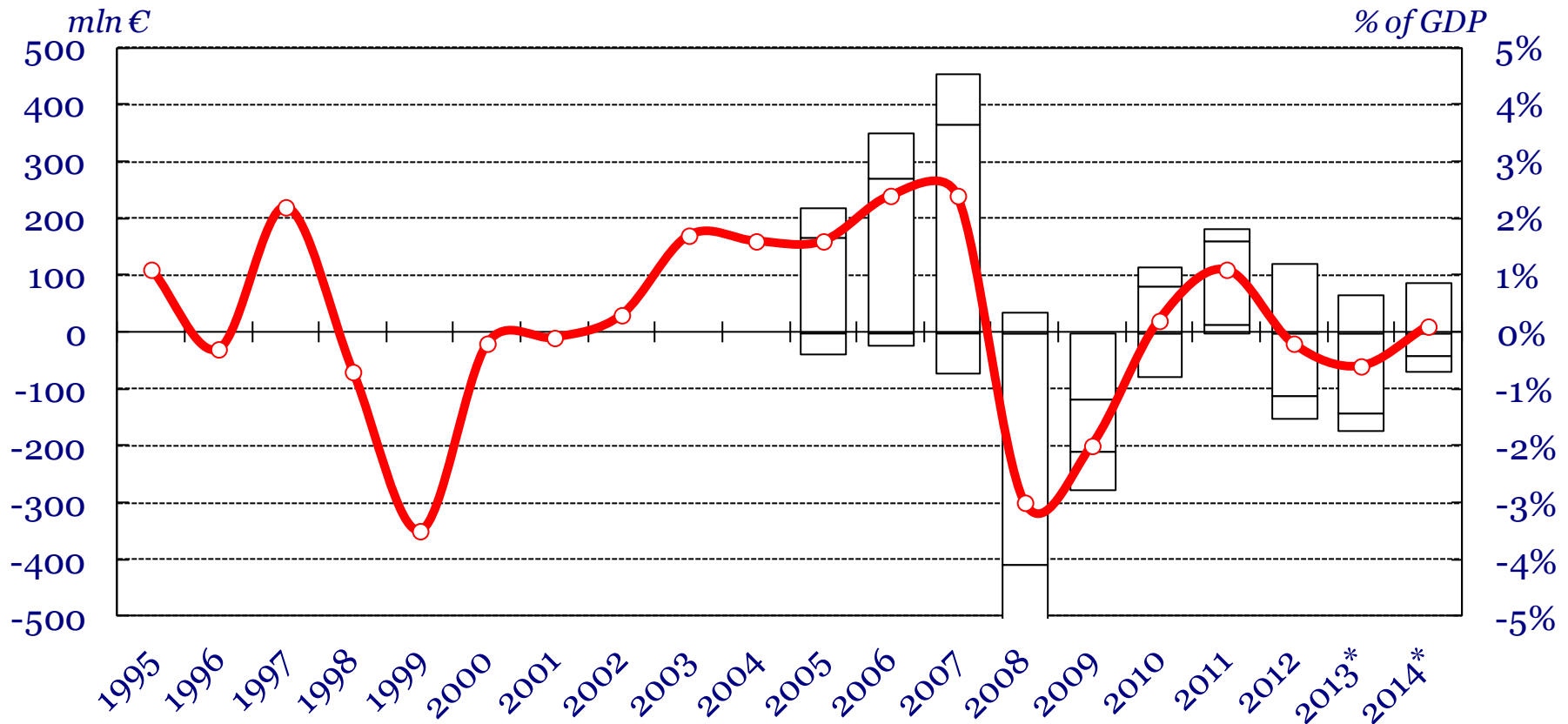
Deputy Secretary General for Fiscal Policy

25.03.2013

Economic growth dynamics

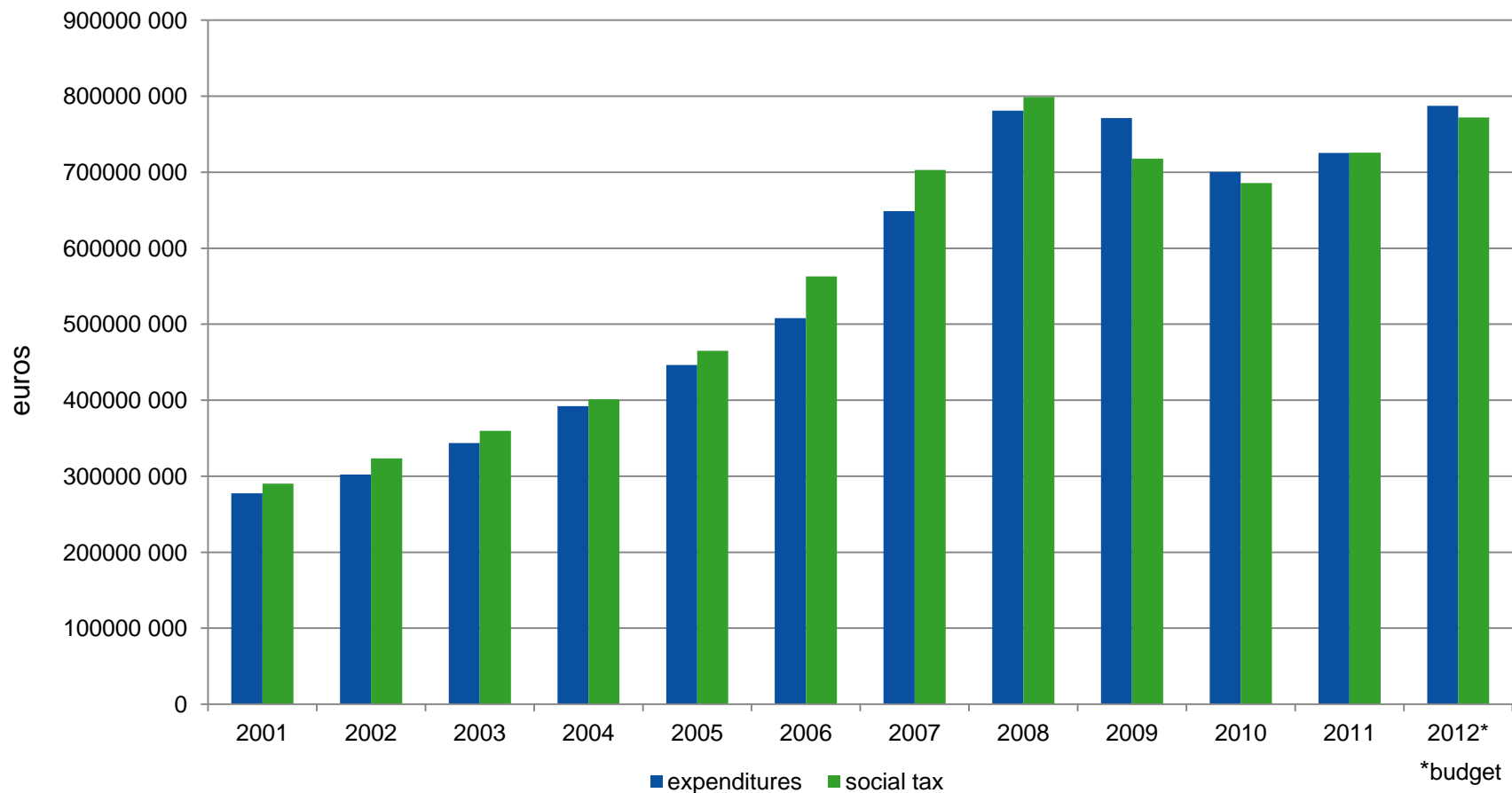


General Government Budget position



Central government
 Social Security Funds
 Local government
 Budget position (% of GDP)

Social tax and EHIF expenditures, 2001 – 2012



Actual need to use health expenditure reserves was during economic crisis in 2009 when tax revenues fell down (1)

- Health care revenues decreased 10%-15% until recovery in 2011.
- Possible measures that were considered to reattain budget balance:
 - Spending reserves and earnings brought forward from previous years;
 - Reducing access to health care services;
 - Reducing health services prices;
 - Reducing patients cash benefits.

Actual need to use health expenditure reserves was during economic crisis in 2009 when tax revenues fell down (2)

- Hospitals forced to use reserves.
- Governments position was that spending reserves for financing deficit is not sustainable in long-term and solved the situation by budget cutting. Health Insurance Fund reduced expenditure by:
 - Reducing health services prices 6%;
 - Allowing longer waiting list for specialised health care;
 - Reducing temporary sick leave benefits and dental care benefits.

Estonian Health Insurance Fund has three types of reserves (1):

Legal reserve

- Objective is reduction of risks which might arise from potential macroeconomic changes.
- Constitutes 6% of health insurance fund`s budget, (created by transferring at least 2% of the budget every year).
- Can be used only in exceptional circumstances, requires government`s permission.

Estonian Health Insurance Fund has three types of reserves (2):

Risk reserve

- The objective is reducing the risks arising from the obligations assumed for the health insurance system.
- Formed of health insurance fund`s budget, constitutes 2% of health care budget.
- Can be used after approval of the supervisory board of health insurance fund.

Estonian Health Insurance Fund has three types of reserves (3):

Cash reserve

- Constitutes of revenues brought forward from previous years (surplus from larger tax revenues than forecasted in budget).
- The use of revenues brought forward shall be decided by the supervisory board and prescribed in annual budget. Minister of Finance (as a member of supervisory board) follows that healthcare expenditure plan and use of reserves are in line with state budget strategy.

Current situation:

- ✓ Health services prices are recovered to pre crisis level.
- ✓ Estonian health insurance fund has remained reserve funds which form approximately 25% of annual expenditures.

Lessons learned

- Consolidation pays off even in a relatively short term, at least in a small, open and flexible economy
- Assess your risks and be ready for crisis situations before the crisis
- Crisis time - introduce reasoned actions and try to avoid delays
- Buffers are needed for the future: that gave a breathing space when it was most needed and the market conditions for lending were in the heights
- When you need to make cuts, try to retain balance of burden on providers and insured persons
- Retain sustainability of health system

Future developments (plan):

- ✓ Implementing EU minimum fiscal requirements from 2014.
- ✓ In order to fulfil budget balance aim, fiscal rules are set for each institution of general government.
- ✓ Budget position of Health Insurance Fund must be in line with state budget strategy and will be stipulated in State Budget Law.
- ✓ Fund reserves are managed by State Treasury who guarantees Funds primary activity related payments in any time.

Thank you for your attention!