



FINNISH COMPETITION  
AUTHORITY

# COMPETITION IN HEALTH SERVICES

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# HEALTH SERVICES AND THE POTENTIAL FOR COMPETITION

- Health services differ widely from each other as to applying the market mechanism and competition
  - Upstream market and competition
  - Downstream market and competition
  - It is necessary to create a workable market mechanism if competition is to be credibly maintained
    - Product and cost awareness are enhanced
  - Workable competition must be attained in due course

# HEALTH SERVICES AND THE POTENTIAL FOR COMPETITION (2)

- Balanced and unbiased incentives and constraints for relevant actors key to successful competition
  - Not only in certain services but in the whole governance system
- Trend in publicly financed health care:
  - Towards increased application of managed markets with an elaborate governance regime

# HEALTH SERVICES AND THE POTENTIAL FOR COMPETITION (3)

- Basic health care
  - GP services
    - Downstream competition may be applied, implying free choice for patients under certain constraints
    - Upstream competition may be applied, too
    - Requires a compensation system
      - A capitation-type system: a typical solution
  - In Finland: much concern about maintaining sufficient competition on the upstream level
    - There are only a few major firms
    - Substantial foreign ownership

# HEALTH SERVICES AND THE POTENTIAL FOR COMPETITION (4)

- Specialized care
  - Elective care
    - Upstream competition may be applied
    - Downstream competition: recent evidence of successful application if carefully managed
      - Compensation mechanism, information for citizens, competitive incentives and room for strategic decision-making for service providers
  - Urgent services
    - Upstream competition possible
    - Provision must be based on insurance
      - Private or government
    - In Finland, the ramifications of free choice in elective services for urgent care are discussed

# HEALTH SERVICES AND THE POTENTIAL FOR COMPETITION (5)

- Serious and chronic medical conditions
  - E.g. diabetes
  - Conceivably: specialized producers , free choice
    - In Finland, units of this kind are being developed in the public health care system
- Challenge: workable and neutral competition not only between government-owned producers but between government-owned and private producers, too
  - On public health care markets
  - On private health care markets

# COMPETITION AND PUBLIC HEALTH CARE IN FINLAND

- The Finnish health care system is characterized by a large, preponderantly tax-financed and non-market public sector
- Municipalities are obliged to provide their residents with access to medical care services
  - This concerns both primary and specialized health care
  - Heavily subsidized administrative fees
- Basic health care: municipal health care centers
- Specialized care: hospital districts (20)
  - All municipalities are obliged to be a member in one law-designated hospital district

# COMPETITION AND PUBLIC HEALTH CARE IN FINLAND (2)

- Some treatments and operations deemed to constitute highly specialized medical care may be centralized on a national level in specific catchment areas
  - There are currently five catchment areas in each of which the area of several hospital districts is included
  - The catchment areas centralize the most demanding treatments or operations to the university hospitals



# COMPETITION AND PUBLIC HEALTH CARE IN FINLAND (3)

- The idea of free choice was alien to the Finnish public health care system
- The new Health Care Act (1 May 2011)
  - The new Act introduced free choice between
    - municipal health care centers
    - public hospitals
  - In 2014, free choice will concern all municipal health care centers and public hospitals in Finland
  - The institutional set-up necessary to fully implement free choice is not in place

# HEALTH CARE: FCA EXPERIENCE

- Antitrust cases
  - Government-owned producers increasingly active on private health care markets
    - Cross subsidization, competitive neutrality
  - Mergers: private producers
- Important reforms with complicated ramifications are being implemented in many countries, including Finland
  - Competition authorities have much expertise to offer but they have to consider the full governance regime, not only specific services