World Health Organization

European Region

Good practice brief:
redesigning coverage policy

Automating and increasing protection from user charges for outpatient medicines: the Estonian experience

Summary

The way in which user charges are designed and implemented affects financial protection – affordable access to health care. Simple changes can make a big difference. The Estonian health system aims to protect people from user charges by reducing co-payments for people who spend more than a certain amount per year on outpatient prescribed medicines. Historically, only a few people benefited from this protection mechanism because the eligibility threshold was high and the process was administratively cumbersome. In 2018 the threshold was lowered, allowing more people to benefit from reduced co-payments. The mechanism was also automated, using a centralized e-prescription system, so that all eligible people benefit and the benefit is felt immediately. Strengthening an existing protection mechanism and automating it removed administrative barriers, increased uptake and reduced out-of-pocket payments for outpatient prescribed medicines.

The problem

Studies have shown that co-payments for outpatient prescribed medicines are a source of financial hardship and unmet need in Estonia, undermining financial protection (Võrk et al., 2014; Võrk & Habicht, 2018). In 2016 out-of-pocket payments accounted for 24% of current spending on health in Estonia and 8% of households experienced catastrophic health spending, rising to 23% in the poorest fifth of households (Võrk & Habicht, 2018; WHO, 2023). Catastrophic health spending was mainly driven by out-of-pocket payments for outpatient medicines, particularly among the poorest households. A national survey carried out in the same year found that 7% of people with a prescription did not fill it for financial reasons (Kantar Emor, 2016).

Estonia has a complex system of heavy co-payments for outpatient prescribed medicines. In 2017, for each prescription a fixed co-payment was required, along with a percentage co-payment (a share of the medicine's reference price) (Table 1). Both types of co-payment varied depending on the type of medicine being prescribed. In addition, if the retail price of the prescribed medicine was above the reference price, people were required to pay the difference between the reference and the retail prices (known as internal reference pricing).

Although protection mechanisms were available, their effectiveness was limited. The two main protection mechanisms used were an exemption from percentage co-payments for some treatments and for children aged under four years and, since 2002, an annual spending threshold (known in Estonia as the additional medicines benefit), which reduced co-payments for people who spent over a defined amount on co-payments per year (Table 1).

Very few people benefited from the annual spending threshold protection mechanism, for several reasons: (i) it was set at a high level, (ii) many people were either unaware that the mechanism existed, or that they were eligible to benefit from it, and (iii) the process was administratively cumbersome, impeding its use – the threshold was applied retrospectively and people were required to keep their prescriptions and pharmacy receipts and submit them to the Estonian Health Insurance Fund (EHIF). The retrospective process may also have posed a financial threat to people with low incomes, leading to unmet need or financial hardship (or both). As a result of all these factors, uptake was low.

It was evident that to strengthen financial protection in Estonia, the user charges policy would need to be redesigned.

The policy change

In 2018 the Ministry of Social Affairs made several changes to user charges for outpatient prescribed medicines in order to simplify and strengthen financial protection (Table 1). The fixed co-payment per prescription was harmonized to €2.50 for all medicines. The annual threshold to be eligible for reduced co-payments was lowered from €300 to €100 and applied to the fixed co-payment as well, not just the percentage co-payment.

At the same time, the EHIF developed a digital solution to increase uptake of the mechanism of reduced co-payments. The centralized e-prescription IT system now tracks how much a person spends on co-payments, determines whether they are eligible for reduced co-payments and automatically applies the benefit, in real time. People no longer need to be aware of the benefit or to keep and submit prescriptions and pharmacy receipts.

Impact

The reform had an immediate and substantial impact (see Table 2). The lowering of the annual spending threshold increased the number of people entitled to benefit from the protection mechanism from 8000 to 134 000. Digitalizing the system meant everyone who was eligible benefited, representing a significant increase from only 37.5% before the reform. Thanks to this combination of changes, the share of people filling a prescription who benefited from reduced co-payments rose from 0.4% to 15.6% (Fig. 1) and the number of people spending more than €250 on outpatient prescribed medicines a year fell from 24 000 to 1000.

Overall, out-of-pocket payments for outpatient prescribed medicines covered by the EHIF were 8% lower in 2018 than in 2017 and have remained below the 2017 level since then.

Harmonizing the fixed co-payment at €2.50 gave the EHIF additional budgetary space to implement the reform.

Lived experience

Tiiu and Viktor are a retired couple living in southern Estonia. Tiiu cares for Viktor, who needs medications to treat cardiovascular disease, diabetes and psoriasis. Before 2018 they did not know they were eligible for reduced co-payments. Tiiu was pleasantly surprised when she visited the pharmacy in 2018 to fill prescriptions for herself and for Viktor. The pharmacist told her that because she had already paid €100 in co-payments that year, she would now have to pay much less than before. Tiiu found the new process to be straightforward and it reduced her annual household spending on co-payments for outpatient prescribed medicines from €700 to €370. Fig. 2 summarizes Tiiu and Viktor's co-payments before and after the policy change.

Table 1. User charges for covered outpatient prescribed medicines before and after the policy change

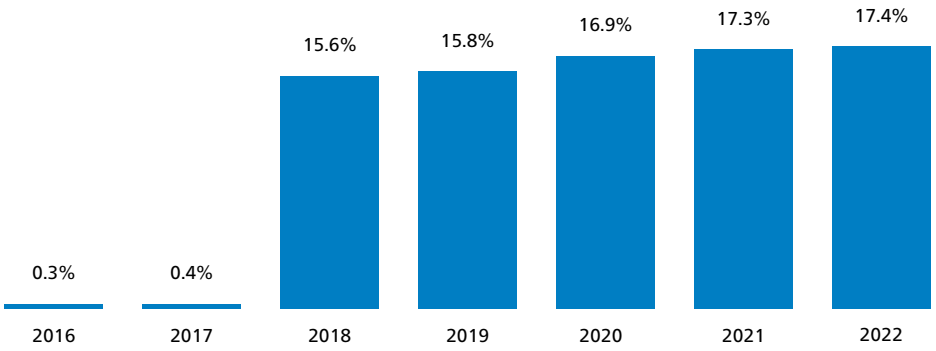
	Before (2017)	After (2018)
Percentage co-payments	**25%** or **50%**, depending on the medicine's classification	No change
	25% reduced to **10%** for children aged 4–16 years, people receiving a state pension, people aged over 63 years or people with partial or no capacity to work	
Fixed co-payment per prescription	**€3.19** for medicines with a percentage co-payment of 50% and **€1.27** for all other medicines	**€2.50** for all medicines
Internal reference pricing	User pays the difference between the reference and retail price	No change
Exemption from co-payments	Exemption from percentage co-payments for children aged under 4 years and for medicines prescribed for severe or life-threatening conditions, very painful conditions and epidemics	No change
Annual spending thresholds for reduced co-payments	After spending > **€300 a year**, users pay 50% of the co-payment amount; after spending > **€500 a year**, users pay 10% of the co-payment amount	After spending > **€100 a year**, users pay 50% of the co-payment amount; after spending > **€300 a year**, users pay 10% of the co-payment amount
	Applied retrospectively; eligible people must submit prescriptions and pharmacy receipts	**Automatically applied** at the point of purchase
	Applied to **percentage co-payments**	Applied to **fixed** and **percentage co-payments**

Table 2. Impact of the policy change

Indicator	Before (2017)	After (2018)
Impact of lowering the annual spending threshold from €300 to €100		
Number of people eligible for reduced co-payments	8000	134 000
Impact of automating protection from user charges		
Share of eligible people benefiting from reduced co-payments	37.5%	100%
Combined impact		
Share of people filling a prescription benefiting from reduced co-payments	0.4%	15.6%
Number of people spending more than €250 a year on outpatient prescribed medicines	24 000	1000
Out-of-pocket payments per person for covered outpatient prescribed medicines	€6.80	€6.30

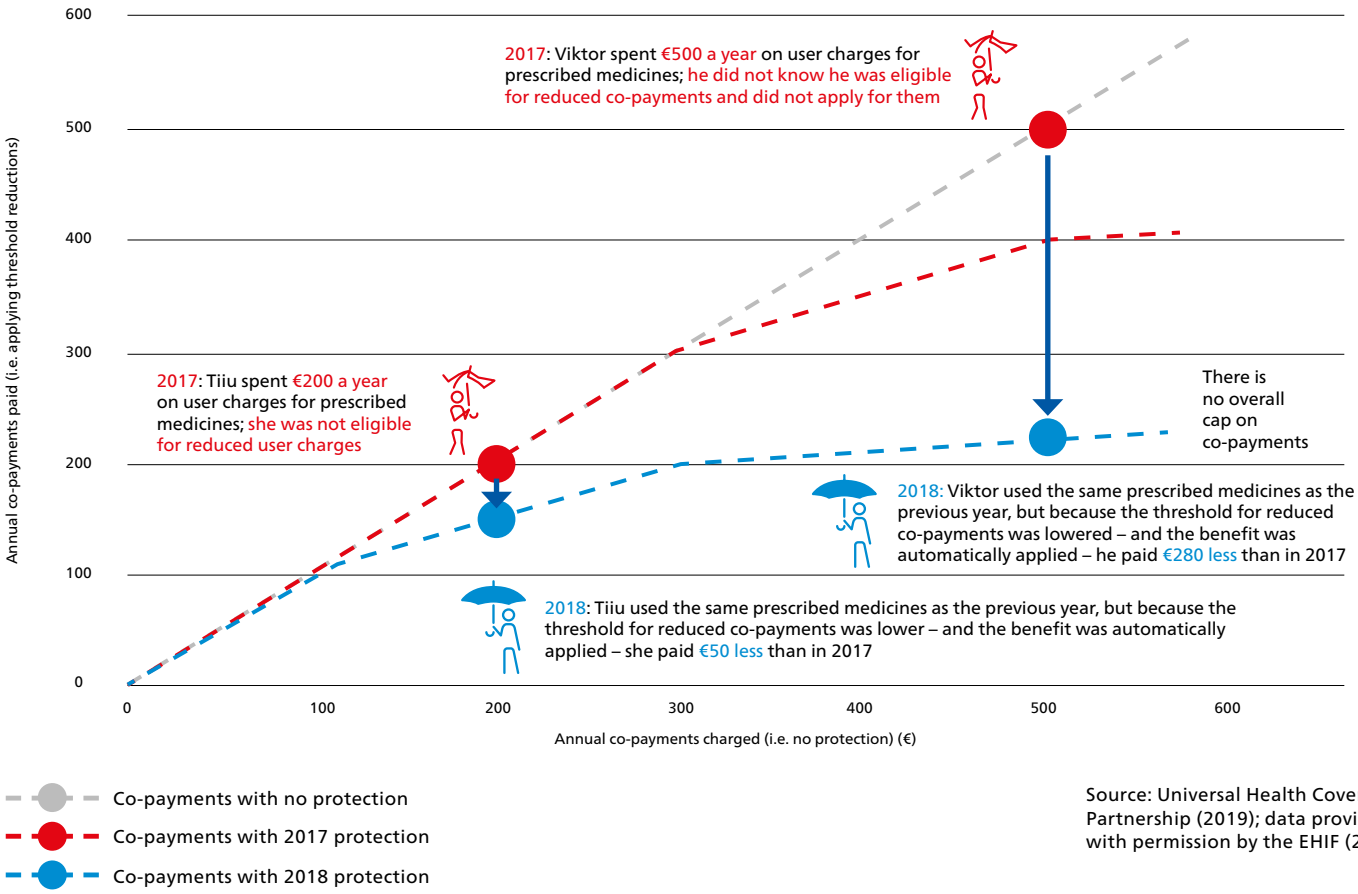
Source: EHIF (2018), and data provided with permission by the EHIF (2022).

Fig. 1. Share of people filling a prescription who benefit from reduced co-payments



Source: data provided with permission by the EHIF (2022).

Fig. 2. Annual co-payments before and after the policy change



Source: Universal Health Coverage Partnership (2019); data provided with permission by the EHIF (2022).

Enabling factors

Monitoring financial hardship and unmet need – as Estonia has done since the early 2000s – helps to identify gaps in health coverage and develop ways of re-designing coverage policy to close those gaps. Monitoring the uptake of protection mechanisms allows countries to see if mechanisms are sufficiently effective.

Digital solutions can overcome financial hardship and unmet need caused by lack of awareness about eligibility for protection from co-payments, retrospective application processes and administratively cumbersome procedures.

The policy change in Estonia required strong commitment from a range of stakeholders. Following policy guidance from the health ministry (Ministry of Social Affairs), the EHIF developed the digital solution and worked closely with pharmacies to adopt it.

Estonia's existing centralized e-prescription system enabled the policy change. Other policies already in place contributed to the effectiveness of the change – for example, strong enforcement of international nonproprietary names prescribing and dispensing, along with the use of web portals (Riigiportaal and Patsiendiportaal) to ensure easy access to information on health benefits.

Next steps

Strengthening an existing protection mechanism (lowering the annual spending threshold so that more people were eligible for reduced co-payments) and automating it (using the centralized IT system) removed administrative barriers, reduced out-of-pocket payments for outpatient prescribed medicines, and increased uptake of the benefit.

Despite the policy change's positive impact on out-of-pocket payments, rates of catastrophic health spending remain high in Estonia, affecting 7.2% of households in 2020.[1] This indicates the need for further changes to user charges policy. The system can be strengthened by replacing percentage co-payments with fixed co-payments, exempting people with low incomes and people with multiple chronic conditions from co-payments, and introducing a cap on co-payments – ideally, a cap that offers more protection for people with lower incomes. Close monitoring of the impact on financial protection will help to ensure that any changes are effective.

1. Updated evidence for the years 2015–2020 from a forthcoming WHO report on financial protection in Estonia.

References

EHIF (2018). Annual reports of EHIF. 2018 [website]. Tallinn: Estonian Health Insurance Fund (https://www.tervisekassa.ee/en/organisation/annual-reports-0).

EHIF (2022). Data provided by Estonian Health Insurance Fund.

Kantar Emor (2016). Eesti elanike hinnangud tervisele ja arstiabile [Assessments of the health and medical care of Estonian residents] (in Estonian). Tallinn: Kantar Emor (https://www.sm.ee/sites/default/files/content-editors/Ministeerium_kontaktid/Uuringu_ja_analuusid/Tervisevaldkond/arstiabi_uuringu_aruanne_2016_kantar_emor.pdf).

Universal Health Coverage Partnership (2019). Making medicines affordable and accessible for all. Story from the field. Estonia [website]. Geneva: World Health Organization (https://extranet.who.int/countryplanningcycles/sites/default/files/planning_cycle_repository/estonia/jwt_stories_from_the_field_estonia_2019.pdf).

Võrk A, Saluse J, Reinap M, Habicht T (2014). Out-of-pocket payments and health care utilization in Estonia, 2000–2012. Copenhagen: WHO Regional Office for Europe (https://apps.who.int/iris/handle/10665/145699).

Võrk A, Habicht T (2018). Can people afford to pay for health care? New evidence on financial protection in Estonia. Copenhagen: WHO Regional Office for Europe (https://apps.who.int/iris/handle/10665/329442).

WHO (2023). Global Health Expenditure Database [online database]. Geneva: World Health Organization (https://apps.who.int/nha/database/Select/Indicators/en).

Corrigendum: the year in last paragraph in first page was corrected from "2011" to "2002" (change implemented on 31 October 2023).

Co-funded by the European Union

This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of the WHO Regional Office for Europe and do not necessarily reflect the views of the European Union.