Pharmaceutical Health Information System

PHIS Hospital Pharma Report 2009

LATVIA

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PHIS

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- The Ministry of Health of Latvia
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- The Centre of Health Economics

Executive Summary

Background

One definition of a hospital in Latvia is: “A hospital is a medical treatment institution where patients receive first aid, diagnostics and treatment. A patient in a hospital is under sustainable and continuous 24-hour care and supervision of medical practitioners until a certain diagnostic or curative stage is achieved.”

There are 4 types of hospitals in Latvia: multiprofile hospitals, university hospitals, specialist hospitals and care hospitals. There are hospitals in all regions of Latvia.

There are 15 hospitals with more than 300 acute care beds, 27 hospitals with 100-300 acute care beds and 28 hospitals with less than 100 acute care beds in Latvia. A reduction in hospital acute care beds is expected in accordance with the Implementation Plan of the Development Programme of Out-patient and In-patient Healthcare Service Providers (2005-2010).

80% of hospitals are public hospitals owned by the State or municipalities, 20% are privately owned.

The information on hospital pricing, reimbursement and monitoring in this Hospital Pharma Report refers to those hospitals that have concluded agreements with the Health Payment Centre (HPC) regarding the provision of health care services financed from the State budget.

The budget of a hospital consists of: (1) payments from the State budget, (2) payments from private health insurers, (3) patient fees and co-payments and (4) payments from regional municipal budgets.

Hospitals are financed from the State budget for health care services using the following types of payment: (1) occasional payments for a particular medical diagnosis or group of medical diagnoses, (2) occasional payments for a particular medical diagnosis or group of medical diagnoses in cases of short-term surgical treatment, (3) payments for diagnoses included in disease profiles, (4) payments for bed days and (5) payments for in-patient forensic medical examinations and treatment in compulsory treatment departments.

Pricing

Hospital medicines are purchased according to the Public Procurement Law of 2006.

Procurement is the sole pricing policy for medicines and medical devices used in hospitals. Procurement is mainly organised by using open tendering procedures. Minor purchases are made after requesting quotes.

Centralised procurement is organised by the Health Payment Centre (HPC) for the purchase of the following medicines and medical devices: (1) peritoneal dialysis, (2) vaccines, standard

tuberculin and syringes and (3) the treatment of phenylketonuria and other genetically- determined diseases. Health care institutions themselves organise the procurement of pharmaceuticals and medical devices that are not purchased centrally.

The main criteria for the purchase of medicines and medical devices are the lowest price and the financially most advantageous proposal.

The Purchasing Committee is responsible for taking decision on the price of medicines and medical devices.

Suppliers of hospital pharmaceuticals are mostly wholesalers and wholesale prices are used as hospital prices. 10% VAT is applied and there is no difference in the VAT rate compared with other pharmaceuticals.

The general wholesale mark-up scheme applied in the out-patientt sector is also used for hospital medicines. There are no mandatory discounts to hospitals. Companies who apply under the procurement procedure specify the price of the product and the estimated contract value in their applications. No information on discounts is included. However it is possible that the price offered can contain the discount but it is not indicated in the procurement documentation.

There is no pattern of differences between medicine prices in the in-patient and out-patient sectors - the prices can be lower, higher or at the same level.

The reimbursement of pharmaceuticals in hospitals

There are two lists of medicines developed for the use in health care institutions:

- The basic hospital pharmaceutical formulary (HPF) is specified by the Centre of Health Economics (CHE) in cooperation with medical practitioners and representatives from the professional associations of doctors,
- additional HPF are detailed by the Pharmaceutical and Therapeutic Committees of hospitals.

A pharmaceutical product is included in the basic HPF if: (1) it belongs to the pharmaco-therapeutic group (ATC classifications at ATC-3 aggregation level), which is relevant to the treatment schemes or guidelines of a disease treated in the health care institution, (2) it has lower treatment costs compared to other medicines that have the same therapeutic effectiveness and side-effects and (3) if the treatment costs are higher then the added therapeutic value for certain patient group needs to be proved compared to standard treatment. Taking into consideration that criteria 2 and 3 are mutually exclusive, the medicine should meet criteria 1 and 2 or 1 and 3. The basic HPF contains 443 International Non-proprietary Names (INN).

A pharmaceutical product is included in the additional HPF if: (1) the medicine belongs to the ATC group relevant to the health care institution profile and has proved added therapeutic value in terms of mortality, disability or frequency of complications and remission of the

disease for a particular patient group, (2) if the treatment costs are higher then the added therapeutic value for a certain patient group needs to be proved compared to the standard treatment, and (3) the expenditure of the pharmaceutical are comparable with the financial resources of the health care institution.

The basic HPF is used in all hospitals financed from the State budget. The additional HPF is detailed in each individual hospital.

Medicines are fully reimbursed for in-patient care. The expenses for medicines are included in the payment rates for health care services. The expenses of certain high-cost medicines are paid separately.

Consumption of pharmaceuticals in hospitals

Pharmaceutical consumption data is provided by hospital pharmacies or by an executive appointed by the head of the hospital and this data is collected by the State Agency of Medicines (SAM). It is then possible to track the patients and define their pharmaceutical consumption, but this information is only available in some hospitals at present. Future plans are to make this possible in all hospitals.

Evaluation

A medical treatment institution must submit data regarding the use of narcotic and psychotropic medicine within fifteen days after the end of each quarter. This information must be submitted to the State Agency of Medicines in electronic form. A hospital must also submit information concerning all medicine used, including samples and gifts, at six-monthly intervals. This information must be sent in electronic form to the Centre of Health Economics (CHE) within one month of the end of each half-year. Data is available for the competent authorities and are included in the annual reports on the total consumption of medicine.

Hospital pharmacists are involved in ensuring the rational use of medicines and consumption monitoring. A hospital pharmacist has the right to: (1) set the patient's pharmacotherapy according to the diagnosis, symptoms and results of examinations, as well as safety, efficacy and economy principles in regard to indications, pharmaceutical doses, frequency and duration of use, (2) supervise the use of pharmaceuticals and, if necessary, initiate changes in the pharmacotherapy, (3) give recommendations on pharmacokinetics, pharmacodynamics and other issues related to the assignment of pharmaceuticals, (4) advise patients on the use of medicines.

Therapeutic value and cost-effectiveness principles are set as criteria for the inclusion of medicines in the basic hospital pharmaceutical formulary (HPF) and additional HPF.

Interface management

Primary health care is defined as a priority because the appropriate out-patient treatment can improve the health of a patient and also reduce the expenditure on in-patient care.

In order to ensure consistency in the treatment of patients, lists of those medicines used for out-patient care and in hospitals are defined by one specific state institution – the Centre of Health Economics (CHE), using the same principles and cost-effectiveness approach.

Hospitals provide treatment recommendations for primary care and general practitioners tend to follow those treatment recommendations.

Developments and outlook

Measures of rationalisation of the number, size (hospital beds) as well as the location of health care providers are stated in The Implementation Plan of the Development Programme of Out-patient and In-patient Healthcare Service Providers for 2005-2010. Recent developments have involved the reduction of the number of in-patient health care providers. Instead of in-patient health care services these health care providers are empowered to provide day care, out-patient health care and home care. The reorganisation of health service providers includes a further reduction in the number of hospitals and hospital beds based on the optimal use of locations and human resources.

The Ministry of Health of Latvia is working on an Action Plan for Out-patient and In-patient Health Care Service Providers for 2010-2017. The main objective of this plan is to improve the efficiency and quality of the health sector; the centralisation of health care providers, the localisation and concentration of expensive and high technology health care services and the development of out-patient health care including home care services and care hospitals.

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List of abbreviations

AIFA	Agenzia Italiana del Farmaco / Italian Medicines Agency
ATC	Anatomic Therapeutic Chemical classification
BMG	Austrian Ministry of Health
DDD	Defined Daily Doses
DG SANCO	Health and Consumer Protection Directorate General
EAHC	Executive Agency for Health and Consumers
EU	European Union
GÖG/ÖBIG	Gesundheit Österreich GmbH, Geschäftsbereich ÖBIG / Austrian Health Institute
HPC	Health Payment Centre / Veselības Norēķinu centrs (VNC)
HE	Health Expenditure
HOSHE	Health expenditure in hospitals
HOSPE	Pharmaceutical expenditure in hospitals
HPF	Hospital Pharmaceutical Formulary
ICD	International Classification of Diseases
IHHII	International Healthcare and Health Insurance Institute
INN	International Nonproprietary Name
LHA	Latvian Hospital Association / Latvijas Slimnīcu biedrība
LVL	The name of the Latvian currency = lats
NCU	National Currency Unit
Mio.	Million
ÖBIG	Österreichisches Bundesinstitut für Gesundheitswesen / Austrian Health Institute
OECD	Organisation for Economic Co-operation and Development
PE	Pharmaceutical Expenditure
PHIS	Pharmaceutical Health Information System
PPRI	Pharmaceutical Pricing and Reimbursement Information Project
SAM	The State Agency of Medicines of Latvia / Zāļu valsts aģentūra (ZVA)
CHE	The Centre of Health Economics / Veselības Ekonomikas centrs (VEC)

SUKL	Statny Ustav pre Kontrlu Lieciv / The State Institute for Drug Control of Slovakia
THE	Total Health Expenditure
TPE	Total Pharmaceutical Expenditure
VAT	Value Added Tax
WHO	World Health Organization
WP	Work Package

Introduction

PHIS research project

PHIS (Pharmaceutical Health Information System) is a research project commissioned under the call for proposals 2007 in the priority area “health information” of the European Commission, DG SANCO. It has been commissioned by the Executive Agency for Health and Consumers (EAHC) and co-funded by the Austrian Ministry of Health (BMG).

The PHIS project aims at increasing knowledge and exchange of information on pharmaceutical policies, in particular on pricing and reimbursement, in the European Union (EU) Member States, covering both the out-patient and the in-patient sector.

This will be done via different work packages (WP) resulting in the following deliverables:

- the PHIS Glossary with key terms related to pharmaceuticals,
- the PHIS Library offering country specific information on out-patientt and in-patient pharmaceutical pricing and reimbursement for the EU Member States,
- the PHIS Indicators and the PHIS Database, containing major data for the developed indicators in the Member States,
- the PHIS Hospital Pharma Report with information on pharmaceutical policies in the in-patient sector in the EU Member States, including a price survey.

The PHIS project management is a consortium of the project leader Gesundheit Österreich GmbH, Geschäftsbereich Österreichisches Bundesinstitut für Gesundheitswesen / Austrian Health Institute (GÖG/ÖBIG), which is a research institute situated in Vienna, Austria, and four associated partners:

- the Italian Medicines Agency (AIFA),
- the International Healthcare and Health Insurance Institute (IHHII), Bulgaria,
- SOGETI Luxembourg SA., which is a services provider, and
- the State Institute for Drug Control (SUKL), Slovakia

SUKL is the WP leader of Hospital Pharma.

Further key stakeholders are the PHIS Advisory Board covering EU Commission services and agencies and other international organisations, and the PHIS network, which comprises national representatives from competent authorities and further relevant institutions from the EU Member States and associated countries.

The PHIS project runs from September 2008 to April 2011 (32 months). Further information and all deliverables are made available at the PHIS project website http://phis.goeg.at.

PHIS Hospital Pharma

The aim of the work package “Hospital Pharma” is an in-depth investigation of the in-patient sector, as systematic knowledge of pharmaceutical policies in this sector has been rather poor.

The survey is divided in two phases:

Phase 1: General survey

Country reports on pharmaceuticals in hospitals (“PHIS Hospital Pharma Reports”), designed to describe specific pharmaceutical policies in the in-patient sector in the EU Member States (spring 2009)

Phase 2: Case studies

A specific survey, including a price survey, provided by means of case studies, in a limited number of hospitals in a few countries (autumn 2009).

The final PHIS Hospital Report, covering information from the general survey (phase 1) and the case studies (phase 2), is scheduled for February 2010.

Methodology of the general survey

The production of the country-specific PHIS Hospital Pharma Reports is based on three steps:

1. Development of a uniform PHIS Hospital Pharma Report Template

The PHIS Hospital Pharma Report Template offers a homogenous, very detailed structure for describing the pharmaceutical pricing and reimbursement system in the in-patient sector of a country. The Template was developed by SUKL, Slovakia (Work Package leader of Hospital Pharma) in coordination with GÖG/ÖBIG (PHIS project leader) and further members of the PHIS project management. It is based on literature and internet reviews as well as interviews with experts in the hospital sector in the EU Member States. Members of the PHIS network received the draft Template for feed-back, and had an opportunity to discuss and provide personal feed-back during a meeting.

2. Collecting information and data and drafting the PHIS Hospital Pharma Report

The country-specific PHIS Hospital Pharma Reports were written by members of the PHIS network. In order to get the needed information and data, hospital experts were contacted and involved in several countries. They provided information and data in written form and during telephone conservations and personal talks. In some countries the reports (or parts of it) were written by hospital experts. In several countries, the preparatory work for drafting the PHIS Hospital Pharma Reports also included study visits of the authors to hospitals and hospital pharmacies. Information on persons and institutions involved can be found in the “Acknowledgements” at the beginning of this PHIS Hospital Pharma Report and in section 8

References and data sources", listing "Literature and documents" (section 8.1) and "Contacts" (section 8.2).

3. Editorial process

The draft PHIS Hospital Pharma Reports were submitted to the project management for review, which was undertaken by SUKL, Slovakia (Work Package leader of Hospital Pharma) in coordination with GÖG/ÖBIG (PHIS project leader). The review focused on checking clarity and consistency in general and with regard to the outline of the Template and terminology (PHIS Glossary). In the course of the editorial process, the reviewers contacted the authors for providing feed-back on language and content, offering suggestions for rephrasing and change and clarified open and/or misunderstanding points.

1 Background

1.1 Definition and Scope

There are two definitions of a hospital in Latvia:

1) Institutions which provide in-patient care where patients are under the 24-hour care of medical practitioners and are provided with secondary and tertiary health care services until the specified goals of the medical treatment are achieved according to the Medical Treatment Law of Latvia enacted in 1997.

2) Alternatively, a hospital can be a medical treatment institution where patients receive first aid, diagnosis and treatment. In a hospital a patient is under sustainable and continuous 24-hour care and supervision of medical practitioners until certain diagnostic or curative stages are achieved according to the Regulations of the Cabinet of Ministers No. 60 on the Mandatory Requirements for Medical Treatment Institutions and their Departments which was adopted on 20 January 2009.

The definitions of a hospital stated above do not correspond to the OECD[1] definition but there are no significant differences between these definitions.

Hospitals are classified according to the Regulations of the Cabinet of Ministers No. 60 on the Mandatory Requirements for Medical Treatment Institutions and their Departments which were adopted on 20 January 2009:

1) **Multiprofile hospitals (general hospitals)** deliver overall secondary and selective tertiary in-patient heath care, secondary out-patient assistance, urgent medical assistance as well as providing specialised assistance of 24-hour secondary health care.

According to the definition in the glossary multiprofile hospitals can be considered as general hospitals. However, there is no definition of a general hospital in the legislation of Latvia

2) **University hospitals** are multiprofile hospitals, where the necessary conditions and infrastructure for studies and research processes are available.

[1] The OECD definition of a hospital is "This item comprises licensed establishments primarily engaged in providing medical, diagnostic, and treatment services that include physician, nursing, and other health services to in-patients and the specialized accommodation services required by in-patients. Hospitals may also provide out-patient services as a secondary activity. Hospitals provide in-patient health services, many of which can only be provided using the specialized facilities and devices that form a significant and integral part of the production process. In some countries, health facilities need in addition a minimum size (such as number of beds) in order to be registered as a hospital." Please be aware that nursing homes, which primarily provide long term care services particularly for the elderly, would not normally be considered as hospital for the purpose of this PHIS Hospital Pharma Report template.

3) **Specialised hospitals** deliver specialised secondary or tertiary health care in one or more profiles and provide secondary out-patient assistance. At least one doctor is on duty 24 hours a day in a specialised hospital.

4) **Care hospitals** are medical treatment institutions where in-patient care is provided to patients with chronic diseases who have recovered from acute conditions and need to be treated until a certain curative stage is achieved.

The information on hospital pricing, reimbursement and monitoring in this Hospital Pharma Report refers to the hospitals that have signed an agreement with the Health Payment Centre (HPC) on the provision of health care services financed from the State budget.

There are no regulations on pharmaceutical pricing and reimbursement in private hospitals when they provide treatment which is paid entirely by the private patient.

1.2 Organisation

Only those medical treatment institutions which comply with the mandatory requirements specified for medical treatment institutions and their structural units can be engaged in medical treatment. Mandatory requirements are confirmed in the Regulations of the Cabinet of Ministers No. 60 on the mandatory requirements for medical treatment institutions and its departments which was adopted 20 January 2009. Medical treatment institutions have to perform self-appraisal procedure and guarantee conformity with mandatory requirements for registration. Regular supervisions regarding the observation of requirements are performed by the Health Inspection.

The organisation of hospital care in Latvia is decentralised. However, the Implementation Plan of the Development Programme for Out-patient and In-patient Healthcare Service Providers (2005-2010) and the Action Plan for Out-patient and In-patient Health Care Service Providers (2010-2017) anticipate a reduction in the numbers and the centralisation of in-patient health care providers and the localisation and concentration of costly and high technology health care services. As table 1.1 shows the number of hospitals has already decreased since the year 2000 which is a politically favoured process (cf. Section 7 of Developments and outlooks).

Table 1.1: Latvia – Key data on in-patient care, 2000 and from 2004–2008

In-patient care	2000	2004	2005	2006	2007	2008
No. of hospitals[1]	142	119	109	106	94	88
Classified according to ownership						
- Public hospitals	133	102	93	89	75	70
- Private hospitals	9	17	16	17	19	18
- Other hospitals	n.app.	n.app.	n.app.	n.app.	n.app.	n.app.
Classified according to subtypes[1]						
- General hospitals	103	81	74	74	70	65
- Mental health and substance abuse hospitals	13	18	15	14	12	11
- Specialist (other than mental health and substance abuse hospitals	26	20	20	18	12	12
No. of acute care beds	14,494	12,726	12,353	12,214	12,073	11,847
- In the public sector	14,011	12,241	11,880	11,769	11,630	11,407
- In the private sector	483	485	473	445	443	440
Average length of stay in hospitals	11.68	10.84	10.24	9.89	9.67	9.68
No. of hospital pharmacies	31	40	40	43	44	41
No. of hospital pharmacies that serve out-patientts[2]	n.app.	n.app.	n.app.	n.app.	n.app.	n.app.

n.app. = not applicable

The data indicated as of 31 December of the respective year

[1] according to OECD definition and its subtypes

[2] Hospital pharmacies serve only in-patients

Source: The Centre of Health Economics. There are 15 hospitals with more than 300 acute care beds, 27 hospitals with 100-300 acute care beds and 28 hospitals with less than 100 acute care beds in Latvia.

A reduction in hospital acute care beds is expected in accordance with The Implementation Plan of the Development Programme for Out-patient and In-patient Healthcare Service Providers (2005-2010).

80% of hospitals are public hospitals owned by the State or municipalities, 20% are privately owned (see table 1.1).

All 4 types of hospitals in Latvia; multiprofile hospitals, university hospitals, specialist hospitals and care hospitals, exist in all regions of Latvia.

The Latvian Hospital Association (LHA) is established as the hospital stakeholder and represents all types of hospitals. The aim of the activities of the LHA is to improve health care organisation and management in medical treatment institutions. The LHA works with the Ministry of Health in drafting legislation in the field of health care.

Table 1.2: Latvia – Pharmaceuticals, 2000 and from 2005–2009

Number of pharmaceuticals	2000	2005	2006	2007	2008	2009
Authorised pharmaceuticals in total[1]	3,739	4,149	4,406	4,405	4,304	4,244
- Hospital-only medicines[1]	23	38	40	40	44	44

The data indicated as of 1 January of the respective year

[1] including different pharmaceutical forms and dosages, excluding different pack sizes.

Source: The State Agency of Medicines of Latvia

Hospital-only medicines (HOM) form approximately 1% of all authorised pharmaceuticals (see Table 1.2).

There is no definition of HOM in the legislation of Latvia, as HOM are considered medicines which are meant to be used only in hospitals according to the summary of the product characteristics.

A multiprofile hospital is one where it has to establish a hospital pharmacy and also other in-patient health care institutions can establish a hospital pharmacy. There is a hospital pharmacy in 47% of all hospitals in Latvia (see Table 1.1).

A hospital with a hospital pharmacy is allowed to purchase medicines from a pharmacy, a wholesaler (also a parallel trader) or from a manufacturer of medicines.

A hospital without a hospital pharmacy is entitled to purchase medicine from a pharmacy or from another hospital pharmacy. It can also purchase medicines from a wholesaler if the Health Inspection issues a permit.

A hospital pharmacy is responsible for ensuring the procedures for the acquisition, storage, use, registration and disposal of medicines and also narcotic drugs and psychotropic medicines, if these are used or are intended to be used in the hospital as instructed under the Regulations of the Cabinet of Ministers No. 220 on Purchasing, Storage, Consumption, Storage and Elimination of Pharmaceuticals in Health Care Institutions and Social Care Institutions which was adopted on 27 March 2007. The staff of the hospital pharmacy varies according to the size of the hospital (5 on average). Private pharmacies do not operate in public hospitals. Hospital pharmacies serve only in-patients.

1.3 Funding

The administration of the public health care budget is executed by the Health Payment Centre (HPC). The HPC makes annual contracts with providers of medical services, and covers the expenses of the service providers related to the medical care of the insured under these contracts, including the reimbursement of medicines for out-patient care and pharmaceutical expenditure in hospitals.

The budget of a hospital consists of the following expenditure:

1) the payments / costs from the state budget to cover the expenses for providing health care services and to cover patient fees for those patient groups who are exempted from patient fees according to the Regulations of the Cabinet of Ministers No. 1046 on Procedures for the Organisation and Financing of Health Care which was adopted on 19 December 2006;
2) payments from private health insurers;
3) patient fees and contributions by patients for health care services covered by the State budget, as well as for paid services which are not included in the volume of State-guaranteed medical help;
4) payments from regional municipal budgets.

Hospitals are financed from the State budget for health care services covering the following expenditure:

1) occasional payments for a particular medical diagnosis or group of medical diagnoses - a fixed payment for a specific diagnosis or a group of diagnoses the treatment costs of which, in performing accounting of treatment costs, are similar;
2) occasional payments for a particular medical diagnosis or group of medical diagnoses in case of short-term surgical treatment which includes additional payment for the performance of surgical operation;
3) payments for diagnoses included in disease profiles - payment for diagnoses that are grouped in medical profile groups according to clinical specialities according to the codes of the International Classification of Diseases (ICD – 10th Rev.);
4) payments for bed days - a payment determined at the average rate in the relevant hospital group;
5) payments for in-patient forensic medical examinations and for treatment in compulsory treatment departments.

All the above mentioned types of payment include the remuneration of medicines.

Table 1.3: Latvia – Health and pharmaceutical expenditure in 2000 and from 2004–2008

Expenditure (in million LVL)	2000	2004	2005	2006	2007	2008
Total health expenditure (THE)	n.a.	485	575	776	n.a.	n.a.
- Public	n.a.	273	327	484	n.a.	n.a.
- Private	n.a.	210	246	291	n.a.	n.a.
- Other sources	n.a.	2	2	1	n.a.	n.a.
THE in hospitals (HOSHE)	n.a.	199	227	304	n.a.	n.a.
- Public HOSHE	n.a.	155	173	223	n.a.	n.a.
- Private HOSHE	n.a.	42	52	81	n.a.	n.a.
- Other sources HOSHE	n.a.	2	2	0	n.a.	n.a.
Total pharmaceutical expenditure (TPE)	77	120	130	150	180	205
- Public TPE (%)	36	49	54	57	n.a.	n.a.
- Private TPE (%)	74	51	46	43	n.a.	n.a.
Pharmaceutical expenditure in hospitals (HOSPE)	18	35	30	31	35	37
- Public HOSPE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
- Private HOSPE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

HOSHE = Health Expenditure in Hospitals, HOSPE = Pharmaceutical Expenditure in Hospitals, LVL = Latvian Lats, PE = Pharmaceutical Expenditure, THE = Total Health Expenditure, TPE = Total Pharmaceutical Expenditure,
The data indicated as of 1 January of the respective year

Sources: The Central Statistical Bureau of Latvia and the State Agency of Medicines of Latvia

For receiving health care services in the in-patient sector, an individual has to pay the following patient fees:

1) LVL 12.- / € 17.08 a day in a hospital,
2) LVL 5.- / € 7.11 a day in care hospitals and care departments of hospitals,
3) LVL 5.- / € 7.11 a day for oncological and oncohematological treatment according to the diagnostic codes C00-C97, D00-D09, D37-D48 in accordance with ICD 10th Rev.,
4) LVL 5.- / € 7.11 a day for treatment in cases of addiction to alcohol, narcotics, psychotropic and toxic substances according to the diagnostic codes F10-F19 in accordance with ICD 10th Rev.

The health care institution can collect patient contributions of up to LVL 30.- / € 42.69 for surgical operations performed within one stay in hospital in addition to patient fees.

The total patient contribution for each stay in a hospital cannot exceed LVL 250,- / € 353.09.

A person who has been defined as “poor” according to the regulations regarding the procedures by which a family or a person living alone is defined as “poor” has to pay only 50% of the amount of normal patient contributions.

There are particular categories of residents who are exempt from patient contributions - for example children up to 18, pregnant women and women up to 42 days following childbirth, tuberculosis patients and those who are mentally ill.

Foreign nationals who have a residence permit and their family members, citizens of the European Union (EU), the European Economic Area (EEA) and Switzerland are entitled to health care services covered by the health care budget of the State of Latvia.

1% of the health care budget is put aside for cross-border payments between the EU and the EEA and Switzerland.

2 Pricing

2.1 Organisation

2.1.1 Framework

Hospital medicines are purchased according to the Public Procurement Law of Latvia of 2006.

The Purchasing Committee is responsible for taking decisions on the price of pharmaceuticals and medical devices (cf. Section 3.1).

Procurement by tendering is the sole pricing policy for medicines and medical devices used in hospitals.

The main criteria for the purchase of pharmaceuticals and medical devices are the lowest price and the best financial proposal.

2.1.2 Hospital prices

Suppliers of hospital medicines are mostly wholesalers and wholesale prices are used as hospital prices.

There is a VAT rate of 10% applied and there is no difference in VAT rates compared to other medicines.

A general wholesale mark-up scheme is used for hospital medicines. There are no mandatory discounts to hospitals. Companies who apply under the procurement policy specify the price of the product and the estimated contract value in their quotes. No information on discounts is included but it is possible that the price contains a discount. It is not indicated in the procurement documentation.

There is no pattern in the differences between pharmaceutical prices in the in-patient and the out-patient sectors - the prices can be lower, higher or the same.

The Regulations of the Cabinet of Ministers No. 220 on Purchasing, Storage, Consumption, Stocktaking and the Elimination of the Pharmaceuticals in Health Care Institutions and Social Care Institutions which was adopted on 27 March 2007 requires that hospitals submit a half-yearly report to the Centre of Health Economics (CHE) on the consumption of pharmaceuticals. This report must be submitted no later than a month after the end of the half-year period. The report is based on the ATC classification and includes the number of units used and the price per unit.

The information on prices (the actual procurement prices) of centrally organised tenders for purchase of medicines and medical devices are available on the Health Payment Centre (HPC) website http://www.vnc.gov.lv.

The prices of pharmaceuticals purchased differ between hospitals. Medical treatment institutions do not publish information on prices of pharmaceuticals purchased.

Some hospitals exchange information on pharmaceutical purchases, usually on unregistered pharmaceuticals and on the accessibility of some products. This exchange of information is organised between heads of hospital pharmacies.

2.2 Pricing policies

2.2.1 Procurement

Procurement by tendering is used in the purchase of pharmaceuticals and medical devices in the in-patient sector is defined by the Public Procurement Law of 2006, the Regulations of the Cabinet of Ministers No. 653 on Forms for Notification of Public Procurement which was adopted on 11 August 2008 and the Regulations of the Cabinet of Ministers No. 364 on Limits for Contract Value of Public Procurements which was adopted on 2 May 2008 and the methodology of the Procurement Monitoring Bureau.

Procurement by tendering is the sole pricing policy for pharmaceuticals and medical devices used in hospitals in Latvia.

The centralised procurement procedure is organised by the Health Payment Centre (HPC) for purchase of the following pharmaceuticals and medical devices as determined by the Regulations of the Cabinet of Ministers No. 1046, entitled the Procedures for the Organisation and Financing of Health Care which was adopted on 19 December 2006:

1) for peritoneal dialysis,

2) vaccines, standard tuberculin and syringes,

3) for the treatment of phenylketonuria and other genetically determined diseases.

Health care institutions can organise the procurement for pharmaceuticals and medical devices that are not purchased centrally. Health care institutions are allowed to purchase medicines and medical devices from a pharmacy, a wholesaler or a manufacturer.

The organiser of the procurement procedure - Health Payment Centre (HPC) or a hospital - forms a Purchasing Committee. It consists of at least 3 people competent in the field in which the procurement procedure is organised; external experts can also be involved. A Purchasing Committee can be formed for the particular procurement procedure, for a fixed period of time or as a permanent committee.

The procurement procedure is mainly organised by using an open tendering procedure according to the above-mentioned laws and regulations. The request for a price quotation is used for small purchases. Price quotations are a tendering procedure which all interested suppliers can apply for and where the applicant with the lowest price is selected as the winner. There are no negotiations used in price quotations.

The requirements for pharmaceuticals or medical devices are determined in technical specifications included in the procurement procedure documentation.

The result of the centrally-organised open tender is the decision of the Purchasing Committee on three applicants who then have the right to conclude a Framework Agreement with the Health Compulsory Payment Centre (HPC) and the supply contracts with the health care institutions afterwards.

The main criterion for the centrally-organised purchase of medicines is the lowest price for medical devices - the lowest price and the most financially advantageous proposal. There can be other selection criteria apart from price, for example, delivery terms, quality of goods, accessibility of spare parts, guarantee of supply and other factors related to the goods procured. The main criterion for purchases that are not organised centrally is the best financially advantageous proposal.

The centrally-organised purchase of medicines and medical devices is carried out based on the annual Procurement Plan of the Health Payment Centre (HPC). There are 4 to 6 tenders in a year but sometimes an additional tender is organised when a previous tender ends without a positive outcome.

The procurement in hospitals is organised annually for each product group and the procurement process generally covers a bundle of products.

The notifications on announcements and results of each centrally-organised tender are published on the website of the Procurement Monitoring Bureau and on the website of the Official Journal of the European Union. The information on centrally-organised tenders for the purchase of pharmaceuticals and medical devices is available on the website of the Health Payment Centre (HPC). According to the Public Procurement Law the suppliers also receive information in written form.

There is no pattern in the differences between pharmaceutical prices in the in-patient and the out-patient sectors - the prices can be lower, higher or the same.

2.2.2 Others

There are no other pricing/purchasing policies for pharmaceuticals used in hospitals.

3 Reimbursement

3.1 The national hospital reimbursement procedure

The Positive List outlined according to the Regulation of the Cabinet of Ministers No. 899 on Procedures for the Reimbursement of Pharmaceuticals and Medical Devices for Out-patient Care enacted on 31 October 2006 is only used for the out-patient sector.

According to the Regulations of the Cabinet of Ministers of the Republic of Latvia No. 220 on Purchasing, Storage, Consumption, Stocktaking and the Elimination of the Pharmaceuticals in Health Care Institutions and Social Care Institutions which was adopted on 27 March 2007, there are two lists of medicines listed for use in the health care institutions, namely

- a basic list of hospital medicines - basic hospital pharmaceutical formulary (HPF);
- an additional list of hospital medicines - additional HPF.

The basic HPF is used in all hospitals financed from the State budget and contains the pharmaceuticals of 443 International Non-proprietary Names (INN). The additional HPF is detailed in each individual hospital.

The responsible institution for the development of the HPF is the Centre of Health Economics (CHE), which:

- lists the basic HPF in consultation with medical practitioners and the professional associations of Latvian doctors;
- evaluates and provides recommendations on the additional HPF;
- updates the basic HPF annually.

A pharmaceutical product is included into the basic HPF if:

- it belongs to the pharmacotherapeutic group according to the ATC classifications at the ATC-3 aggregation level, which is relevant to the treatment schemes or guidelines of those diseases treated in the health care institution;
- it has lower treatment costs compared to other pharmaceuticals that have the same therapeutic effectiveness and side-effects;
- the treatment costs are higher but the added therapeutic value for certain patient groups, compared to the standard treatment can be proved.

The pharmaceutical product is included into the additional HPF if:

- the pharmaceutical belongs to the ATC group which is relevant to the health care institutional profile and has demonstrated added therapeutic value in terms of mortality, disability or the reduction of the frequency of complications and remission of the disease for a particular patient group;

- the treatment costs are higher but the added therapeutic value for certain patient group, compared to the standard treatment can be proved;
- the costs of the pharmaceutical are comparable with the financial resources of the health care institution.

Only those pharmaceuticals relevant to the services provided by the hospital can be acquired by the health care institution. The head of the multi-profile health care institution has to form a Drug Committee (Pharmaceutical and Therapeutic Committee (PTC)). A PTC can also be formed in other health care institutions. A PTC has the following responsibilities: to

- prepare the additional hospital pharmaceutical formulary;
- summarise and analyse information on consumption of pharmaceuticals in the health care institution;
- organise the purchase of pharmaceuticals and medical devices necessary for the health care institution;
- analyse the supply and consumption of pharmaceuticals;
- promote the effective use of pharmaceuticals in the health care institution;
- monitor the side-effects caused by pharmaceuticals;
- ensure opportunities for medical practitioners to receive independent information regarding pharmaceuticals.

A PTC consists of people with medical and pharmaceutical education and training. If there is a clinical pharmacologist in a health care institution, he/she can take part in the activities of the PTC.

If there is no PTC in the health care institution, the head of the health care institution is responsible for ensuring the above-mentioned functions.

The basic HPF by therapeutic groups is published on the website of The Centre of Health Economics (CHE) http://www.vec.gov.lv. The additional HPF is available in health care institutions, they are not publicly available.

Medicines are fully reimbursed for in-patient care. The expenses for medicines are included in the payment rates for health care services, including occasional payments for a particular medical diagnosis or group of medical diagnoses, occasional payments for a particular medical diagnosis or group of medical diagnoses in cases of short-term surgical treatment, payments for diagnoses included in disease profiles, payments for bed days, payments for in-patient forensic medical examination and for treatment in compulsory treatment departments, (cf. section 1.3 Funding).

The expenses of certain high-cost medicines are either covered by hospital budget in case the hospital budget is high enough or state budget. For example, pharmaceuticals for allogeneic and autologous stem cell transplantation, human coagulation factors VII, VIII, IX as well as Desmopressin, Alteplase, Streptokinase, Tirofiban, Reteplase, Tenecteplase, Eptifibatide.

A hospital pharmacy is prohibited to sell medicines to private individuals. If necessary, a medical practitioner of an in-patient health care institution is allowed to give medicines to the patient who is undergoing treatment in the hospital, also medicines that he/she has used ambulatorily for ensuring the treatment process. The medicines are given while the patient is undergoing the treatment in the hospital and not when he/she is discharged. After discharge the patient needs to buy these medicines for him-/herself.

3.2 Hospital pharmaceutical formularies

The information on the basic hospital pharmaceutical formulary (HPF) and additional HPFs - elaboration, inclusion criteria, responsible institutions, financing etc. - is described in section 3.1 National Hospital Reimbursement Procedure.

4 Use of pharmaceuticals

Table 4.1: Latvia – Pharmaceutical consumption, 2000 and from 2004 to 2008

Pharmaceutical use	2000	2004	2005	2006	2007	2008
Annual pharmaceutical use in total						
in packs	n.a.	76,140,648	60,678,250	57,781,961	59,833,013	58,794,094
in DDD/1,000 inhabitants/day	n.a.	454.33	503.86	517.77	577.72	639.88
In other measures units	n.app.	n.app.	n.app.	n.app.	n.app.	n.app.
Annual pharmaceutical use in hospitals						
in packs	n.a.	8,387,445	8,538,607	8,411,575	9,493,218	8,389,109
in DDD	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
In other measured units	n.app.	n.app.	n.app.	n.app.	n.app.	n.app.

DDD = Defined Daily Doses, n.a. = not available, n.app. = not applicable

Source: The State Agency of Medicines of Latvia

Pharmaceutical consumption data is provided by hospital pharmacies or by an executive who is appointed by the head of the hospital. The data is collected by the State Agency of Medicines (SAM). It is possible to trace the patient and record their pharmaceutical consumption but this information is only available in some hospitals at present. It is planned to make this possible in all hospitals.

Table 4.2 Latvia – Top 10 pharmaceuticals by pharmaceutical expenditure and consumption in hospitals, 2008

Position	The most-used pharmaceuticals used in hospitals, indicated by active ingredient and ranked by used	Position	The most-used pharmaceuticals used in hospitals, indicated by active ingredient and ranked by expenditure
1	Natrii chloridum	1	Natrii chloridum
2	Cefazolinum	2	Iopromidum
3	Calcii chloridum dihydricum, sodium chloride, kalii chloridum	3	Iodixanolum
4	Metronidazolum	4	Iohexolum
5	Rifampicinum	5	Clopidogrelum
6	Glocosum	6	Tirofibanum
7	Diclofenacum natricum	7	Sevofluranum
8	Ciprofloxacinum	8	Enoxaparinum natricum
9	Ceftrixonum	9	Meropenemum
10	Vaccinum hepatitidis (ADNr)	10	Glucosum monohydratum, Calcii chloridum, Magnesia chloridum, Natrii chloridum, Natrii lactase, natrii hydrocarbonas

Source: The State Agency of Medicines of Latvia

5 Evaluation

5.1 Monitoring

A medical treatment institution must submit data regarding used narcotic and psychotropic medicines to the State Agency of Medicines in an electronic form within 15 days at the end of each quarter. A hospital must submit data regarding all used medicinal products, including gifts and free samples of medicines, to the Centre of Health Economics (CHE) in an electronic form within one month after the end of each half-year. Data is available for the competent authorities and is included in the annual reports on total medicines consumption.

Hospital pharmacies use computer software to summarise the information on pharmaceutical expenditure. It is possible to quantify the expenditure of pharmaceuticals for some diagnose groups.

All processes of the medicine supply system – the purchase, distribution, utilisation, price, units, etc., are recorded in a computer system.

A hospital pharmacist is involved in ensuring rational use of pharmaceuticals and the monitoring of use. According to the Regulation of the Cabinet of Ministers No. 220 on Purchase, Storage, Consumption, Storage and Elimination of Pharmaceuticals in Health Care Institutions and Social Care Institutions which was adopted on 27 March 2007, a hospital pharmacist has the right to:

- set the pharmacotherapy of the patient according to the diagnosis, symptoms and results of examinations, as well as the safety, efficacy and efficiency principles in regard to indications, pharmaceutical doses, frequency and the duration of use in cooperation with medical practitioners
- organise the distribution of pharmaceuticals to patients
- supervise the use of pharmaceuticals and initiate changes to the pharmacotherapy if necessary
- monitor the side-effects caused by the use of pharmaceuticals
- provide recommendations on the use of pharmacokinetics, pharmacodynamics and other issues related to the assignment of pharmaceuticals
- be available for consultations by the patient on the of pharmaceuticals
- take part in the activities of the Drug Committee
- participate in the organisation and supervision of clinical trials.

5.2 Assessment

Therapeutic value and cost-effective principles are set as criteria for the inclusion of pharmaceuticals in a basic hospital pharmaceutical formulary (HPF) and additional HPF (cf. Section 3.1 National Hospital Reimbursement Procedure).

6 Interface management

Primary health care is defined as a priority because the appropriate out-patient treatment can improve the health of a patient and also reduce the expenditure on in-patient care.

The Centre of Health Economics (CHE) is responsible for ensuring consistency in the administration and use of medicines as well as in the care of out-patients in medical institutions. The Centre applies the principles of a cost-effective approach to this treatment.

Hospitals provide treatment recommendations for primary care and general practitioners usually follow those treatment recommendations.

7 Developments and outlooks

Measures of rationalisation of the number and the size (hospital beds), as well as the location of health care providers are stated in the Implementation Plan for a Development Programme for Out-patient and In-patient Healthcare Service Providers for 2005 to 2010. Recent activities have involved the reduction of the number of in-patient health care providers. Instead of in-patient health care services these health care providers are now empowered to provide day care, out-patient health care and home care.

The work on rationalisation and reorganisation of health service providers includes the further reduction of the number of hospitals and hospital beds according to localisation and human resources.

The Ministry of Health of Latvia is working on an action plan for out-patient and in-patient health care service providers from 2010 to 2017. The main objective of this plan is to improve the efficiency and quality of the health sector, the centralisation of health care providers, the localisation and concentration of costly and high technology health care services, the development of out-patient health care, including home care services, and care hospitals.

8 References and data sources

8.1 Literature and documents

The Action Plan for Out-patient and In-patient Health Care Service Providers 2010-2017

The Medical Treatment Law - 1997

The Public Procurement Law (2006)

The Regulations of the Cabinet of Ministers of the Republic of Latvia No. 207 of 22 May 2001 on the Requirements for Opening and Operating of Pharmacies

The Regulations of the Cabinet of Ministers of the Republic of Latvia No. 899 of 31 October 2006 on Procedures for the Reimbursement of Pharmaceuticals and Medical Devices for Out-patients

The Regulations of the Cabinet of Ministers of the Republic of Latvia No. 1046 of 19 December 2006 on the Procedures for the Organisation and Financing of Health Care

The Regulations of the Cabinet of Ministers No. 220 on Purchase, Storage, Consumption, Storage and the Elimination of Pharmaceuticals in Health Care Institutions and Social Care Institutions

The Regulations of the Cabinet of Ministers of the Republic of Latvia No. 364 of 2 May 2008 on the Limits for Contract Value of Public Procurements

The Regulations of the Cabinet of Ministers of the Republic of Latvia No. 653 of 11 August 2008 on the Forms for Notification of Public Procurement

The Regulations of the Cabinet of Ministers of the Republic of Latvia No. 60 of 20 January 2009 on the Mandatory Requirements for Health Care Institutions and their Units

The Implementation Plan for a Development Programme for Out-patient and In-patient Healthcare Service Providers for 2005 to 2010

8.2 Contacts

Institutions involved:

The Centre of Health Economics: Daiga Behmane, Jānis Innus, Anda Gulbe

The Ministry of Health: Diāna Arājs

The Health Payment Centre: Atis Mārtiņsons,

The State Agency of Medicines: Agnese Zaķe

Web links:

The Central Statistical Bureau http://www.csb.gov.lv

The Health Payment Centre http://www.vnc.gov.lv

The Ministry of Health http://www.vm.gov.lv

The State Agency of Medicines http://www.zva.gov.lv

The Centre of Health Economics http://www.vec.gov.lv