Eesti Haigekassa
Estonian Health Insurance Fund

Estonian Health Insurance Fund Annual Report 2003

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Beginning of the financial year	1 January 2003
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Main activity	National health insurance
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Auditor	KPMG Estonia

Annexed documents:	auditor's report net surplus distribution proposal

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Annual Report 2003

This report is composed of three subdivisions:

- The Estonian Health Insurance Fund management report on the implementation of the 2003 to 2005 development plan and the 2003 scorecard of the Fund, according to their set objectives;
- An analysis of the use of health insurance benefits and notes to the implementation of the budget;
- The annual accounts as of 31 December 2003.

Summary

In 2003, the Management Board of the Estonian Health Insurance Fund proceeded in the management of the organisation and implementation of the strategy from two documents approved by the Supervisory Board of the Fund: the Health Insurance Fund development plan for 2003 to 2005 and the Health Insurance Fund scorecard for 2003.
The development and implementation of the strategy with the help of the balanced scorecard was fully justified. This allowed the setting and interpretation of the strategic goals of the organisation in a clear and measurable manner both for its structural units and levels of management. As an organisation, the Estonian Health Insurance Fund has achieved significant success in concentrating on long-term and sustainable solutions, following consistently the strategic options and developments approved by its Supervisory Board.
A summary assessment of the Management Board to the implementation of the development plan and the balanced scorecard in 2003 is presented below.
The structure of the Estonian Health Insurance Fund balanced scorecard covered all the strategic development trends specified in the development plan and was based on measurable objectives. The Health Insurance Fund has been able to attain the main objectives of the scorecard; however, some individual goals of success criteria were not attained or were attained partially. Altogether the Health Insurance Fund attained 86% of the objectives set on the scorecard.

The main results of the Estonian Health Insurance Fund for the year 2003 were the following:

1. Awareness of the insured persons of their rights and obligations – attained to the extent of 93%. Attainment of the objective was assessed by the marketing research and consulting company EMOR.

2. **Availability and quality of health services – attained 100%.** All important aspects of this objective, which were related to the availability of family medical care and specialised medical care, the development of treatment instructions, the supervision of health care institutions and treatment cases, and the performance of medical audits were attained.

3. **Balance between the health insurance benefit (hereinafter HIB) resources and the purposeful use of the benefits – attained to the extent of 80%.** All the objectives were attained, except for the "quality of the use requirements analysis." The problem here was not the lack of increase in the quality of the analysis but rather the poorly defined methods of assessing the success criterion. The Health Insurance Fund has developed a qualitatively new planning system and a way of analysing health insurance benefits. This allows better planning of treatment cases in 2004 and the introduction of continuous plan covering 7 quarters implemented as of 2004. A new model of health care services price formation and related procedure was created and launched. The final implementation of the model will be completed in 2004.

4. **Customer service quality of the Estonian Health Insurance Fund (hereinafter EHIF) – attained 100%.** The objectives of customer and partner relations development were fully attained. In the field of customer relations development, a new service for the employers was introduced, consisting of various electronic services and computerised task management, while electronic information communication was established with several new agencies.

5. **EHIF management and operating effectiveness – attained to the extent of 47%.** In the organisational development, the following step was taken: the former seven regional departments of the Heath Insurance Fund were reorganised into four. The change was made with the aim of better planning and management of health insurance benefits, the enhancement of work processes and more effective resource use. With regard to operating expenses, the EHIF attained the objective of the development plan to control the increase of expenses, keeping the increase of its operating costs at the level of 50% of the consumer price index. The success criteria objectives of "personnel satisfaction" and "transactions via electronic channels" were not attained. In the case of the former, the temporal coincidence of the organisational changes with the satisfaction survey might have impacted the results. In the case of the latter, the task proved more complicated than planned. However, the preparatory work is completed and the electronic channel will be activated in quarter I of 2004.

The Management Board rates the implementation of the development plan of the Health Insurance Fund for 2003 and the scorecard as "good." We completed all the major development tasks planned for the health insurance scheme and the organisation of the Health Insurance Fund.

Approved by
the Supervisory Board of the Estonian Health Insurance Fund
Decision No 2
of 17 January 2003

Management report 2003

Estonian Health Insurance Fund scorecard of the year 2003

Objective	Success Criterion	Unit	Explanation	2002 attainment	2003	Weight	2003 attainment	Weight of attainment
1. Satisfaction and awareness of the insured persons of their rights and obligations						**15%**	**93%**	**14%**
	Satisfaction of the insured	%	Satisfaction of the insured as established by a survey	78	70		58	6
	Awareness of the insured of their rights	%	Percentage of insured persons polled whose awareness of their rights for receiving health insurance benefits in the following fields is at least at the level "good": general medical care, specialised medical care, benefits for incapacity for work, medicinal products subject to discount, extent of insurance cover	Basis not defined	Level is being defined		61	8
2. Availability and quality of health care services						**30%**	**100%**	**30%**
	Approved treatment instructions	piece	Treatment instructions coordinated and approved by the Health Insurance Fund	0	6		6	4.3
	Family practices and health care institutions inspected	%	Health care institutions inspected	100	100		100	4.3
	Family practices and health care institutions inspected	%	Family practices and dental offices inspected	30	30		30	4.3
	Family practices and health care institutions inspected	piece	Treatment cases in health care institutions inspected	5,966	13,300		14,186	4.3
	Number of medical audits	piece	Number of medical audits performed	2	4		4	4.3
	Insured persons received by a family physician in due time	%	Insured persons received by a family physician in due time	99	96		100	4.3
	Insured persons received by a specialist doctor in due time	%	Insured persons received by a specialist doctor within the scheduled appointment time	98.5	96		98	4.3

3. Balance between the HIB resources and their purposeful use					**25%**	**80%**	**20%**
HIB budget/budget implementation	rating	Implementation of the budget according to HIB types and in total amount with the aim of ensuring a balanced budget and purposeful use of funds	"good"	"good"		"good"	5
Report of the State Audit Office/auditor		Report of the State Audit Office/auditor on the purposefulness of the Health Insurance Fund activities and use of funds	No admonitions	No significant admonitions		No significant admonitions	5
Percentage of inpatient health care services financed by diagnosis related group (DRG) prices	%		496	DRG-prices in the list of health care services		Prices are listed	5
Health insurance benefits purchased by way of a competition	%	Percentage of specialised medical care, nursing care and dental care budget in which the contractual partners have been chosen by way of a competition	Not measurable	Terms of competition established		Terms of competition established, 20% purchased by way of a competition	5
Quality of the use requirements analysis	rating	Assessment of the quality of the analysis of the specialised medical care and medicinal products use requirements	100	"good"		0	0
4. EHIF customer service quality					**15%**	**100%**	**15%**
Satisfaction of the insured with EHIF customer service	%	Percentage of insured persons polled whose rating of EHIF customer service is at least "good"	79	80		82	5
Satisfaction of employers with EHIF customer service	%	Percentage of personnel polled whose rating of EHIF customer service is at least "good"	90	85		95	5
Satisfaction of partners with EHIF customer service	%	Percentage of partners polled whose rating of EHIF customer service is at least "good"	x	80		78.2	5
5. EHIF management and effectiveness of work processes					**15%**	**47%**	**7%**
Personnel competence	%	The level of personnel skills and qualifications in all professional competence profiles is at least "2"	Basis defined	100		91.9	3.4
Personnel satisfaction	rating	Aggregated satisfaction index with the operating arrangement of EHIF established by personnel survey	56%	4		(48%) 2.5	0
Change of main processes cost	%	Increase of operating costs not more than...of the consumer price index	Basis defined	50		50	4
Transactions via electronic channels	%	Amount of health insurance benefit transactions (medical bills, prescriptions for discount medicinal products, registry entries) of the year's volume	Environment created	35		0	0
TOTAL	**%**				**100%**		**86%**

X – success criterion was not in use in 2002

Management Board performance assessment:

	Very good	Good	Fair	Unsatis-factory
1. Satisfaction and awareness of the insured persons of their rights and obligations	95 to 100	80 to 95	60 to 80	<60
2. Availability and quality of health care services	95 to 100	90 to 95	80 to 90	<80
3. Balance between the HIB resources and their purposeful use	95 to 100	90 to 95	80 to 90	<80
4. EHIF customer service quality	95 to 100	90 to 95	80 to 90	<80
5. EHIF management and effectiveness of work processes	95 to 100	90 to 95	80 to 90	<80

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The Estonian Health Insurance Fund scorecards of 2002 and 2003 are comparable in their objectives and success criteria. The nature and assessment methods of some success criteria have developed in the course of the year in accordance with certain requirements. Where appropriate, the explanations below point to such individual differences.

Objective 1.

Satisfaction and awareness of the insured persons of their rights and obligations

Satisfaction of the insured

The objective set for 2003 was to achieve the 70% satisfaction of the insured, the actual result was 58%. The noticeable difference of the result was caused by the change in the polling methods. In 2003, 1,004 Estonian inhabitants aged 15–74 were polled by EMOR.

The aim of the survey was:

- to determine the satisfaction level of people with the availability and quality of health care services in general medical care, outpatient specialised medical care and inpatient specialised medical care.
- to get an overview of people's attitudes towards the healthy lifestyle.
- to assess people's awareness of their rights and obligations in receiving health care services
- to get information on the inhabitants' satisfaction with the health insurance scheme and the work of the Health Insurance Fund.

The satisfaction of the insured persons with the health insurance as a whole was 57% (70%) in 2002 and 58% in 2003.

The average general satisfaction of the insured with four different satisfaction parameters (satisfaction with the availability, quality and choice of health care services, and with the general medical care) is 58%, which is 1% higher than the result of 2002. The noticeable difference of the result of the success criterion compared to the scorecard result of 2002 (70%) is related to the change in polling methods. In 2002, the satisfaction with the health insurance was assessed by polling only those insured persons who had had a personal contact or experience with different parties of the health care system. In 2003 the satisfaction of all people polled was assessed.

Table 1. Satisfaction of the insured with different spheres of health insurance (the assessments "very satisfied" and "generally satisfied" have been integrated)

Spheres	2001	2002	2003
General medical care	79%	87%	88%
Specialised medical care	87%	86%	91%
Availability of services	56%	50%	52%
Quality of services	70%	62%	56%
Choice of services		43%	44%

Awareness of the insured of their rights – the objective of 2003 was to determine the level of awareness of the insured with their rights and obligations within the framework of the Health Insurance Act. The result of the survey revealed that 60,5% of the insured persons are very well aware of their rights.

The poll was conducted in the following spheres:

General medical care	73.6%
Specialised medical care	35.6%
Extent of insurance cover	71.0%,
Monetary benefits	52.7%
Medicinal products subject to discount	69.5%
Total awareness level :	**60.5%**

To raise the awareness of the insured of their rights, obligations and possibilities within the health insurance scheme, the following information materials were compiled by EHIF in 2003:

- information flyer about the main rights and obligations of the insured persons within the health insurance scheme;
- an English language information flyer about health insurance in Estonia for the foreigners;
- the Health Insurance Fund Newsletter with the circulation of 50 000 as a supplement to the daily Eesti Päevaleht;
- an information flyer for self-employed persons, which due to a great demand went into three additional prints during the year;
- the Russian language information flyers for the insured and self-employed persons;
- materials for health care institutions with a view of informing the insured about their health care rights, obligations and possibilities. The latter were developed and the information campaign was conducted in due time.

The amendments to the Health Insurance Act and other legislation were announced regularly though various media channels: county newspapers, central press, specialised publications and also special channels that reach particular target groups.

Objective 2.
Availability and quality of health care services

Treatment instructions approved

The objective for 2003 was to coordinate and approve six treatment instructions. The memorandum of approval of these treatment instructions has been signed with professional medical societies. The Health Insurance Fund arranges the preparation of treatment instructions by professional medical societies in order to promote the most cost effective practices.

In 2003 the Health Insurance Fund signed the memorandums of approval for the following treatment instructions:

- "Glaucoma Treatment Instruction" with the Estonian Society of Ophthalmologists,
- "Helicobacter pylori Infection Treatment Instruction" with Estonian Society of Gastroenterologists,
- "Gallstone Treatment Instruction" with Estonian Association of Surgeons,
- "Treatment Instruction of Male Urinogenital Tract Infections" with Estonian Society of Urologists,
- "Peptic Ulcer Treatment Instruction" with Estonian Society of Gastroenterologists, and
- "Cancer Pain Treatment Instruction" with Estonian Pain Management Society.

Health care institutions inspected

The aim for 2003 was to inspect all hospitals covered by the of hospital network development plan (HNDP). The medical advisers of the Health Insurance Fund inspected all HNDP hospitals with regard to abidance by the waiting lists, procedure of complaint resolution, implementation of consultation and bed day fees, and processing of referrals. The aim of the inspection was to ensure transparency of waiting lists and servicing the insured persons in accordance with current legislation.

Family practices and dental offices inspected

The aim for 2003 was to inspect 30% of family practices and dental offices with regard to fulfilling various aspects of the terms of contracts for financing medical treatment. The Health Insurance Fund inspected the availability of treatment and work arrangements of family physicians with more than 2,300 patients. The total number of inspected family practices and dental offices was 518, which is 45% of the practices and offices of the Health Insurance Fund contractual partners.

Treatment cases in health care institutions inspected

The aim for 2003 was to inspect a total of 13,300 treatment cases in health care institutions. In 2003, a total of 14,186 treatment cases was inspected, that is 7% more than the set aim. The aim of inspecting medical documentation was to ensure the correct and justified use of health insurance benefits.

Table 2. The results of inspecting the documents certifying the provision of health care services

Document inspected	Number of inspected providers of health care services	Number of inspected documents	Medical bills presented for the composition of claims	Amount presented for the composition of claims
Personal record of general medical care	459	1,725	33	24,516 (including 1 penal fine)
Personal record of specialised medical care	84	3,776	240	161,427
Personal record of dental care	21	268	19	3,494
Case history	44	1,063	52	128,417 (including 1 penal fine)
TOTAL	**608**	**6,832**	**344**	**317,854**

Number of medical audits

The aim for 2003 was to conduct four medical audits. The Health Insurance Fund arranges clinical audits with the view of checking the quality and justification of services partially or fully paid for by the Health Insurance Fund, and based on relevant feedback, motivate the service providers to render higher quality services.

The auditors submitted the results of the following four audits:

- "The justification of the apoplectic stroke treatment tactics in Estonian hospitals" (auditor professor emeritus Ain-Elmar Kaasik);
- "Assessment of the quality of delivery management in the maternity wards of Estonian hospitals on the basis of the hospitalisation of the new-borns" (auditor Dr. Virve Kask, Ph.D.),
- "The justification of providing haemodialysis and/or peritoneal dialysis to patients with chronic kidney failure as opposed to kidney transplant perspective" (auditors assistant prof. Mai Ots, Dr. Asta Auerbach, Dr. Ljubov Piel and Dr. Peeter Dmitriev);
- "Comparative assessment of the treatment of caries, the endodontal and paradontal care and the respective treatment costs in milk and permanent teeth of the ensured persons under 19 years of age" (auditor Dr. Silvia Russak).

The audits were completed in due time and have been approved by the Health Insurance Fund. The coordinated feedback, an analysis of problems revealed by the audit, and involving the Ministry of Social Affairs and the audited health care institutions, is planned for 2004.

Insured persons received by a family physician in due time

The aim for 2003 was that 96% of the insured persons are received by a family physician in due time. The availability of the service corresponded to the terms provided by the contracts with regard to the insured persons with acute and chronic conditions who consulted their family physician. In other words, the average percentage of the insured received by a family physician was 100%.

According to the terms of contracts between family physicians and the Health Insurance Fund a family physician should be available to a patient with an acute condition within one working day and to a patient with a chronic condition within three working days. The Health Insurance Fund inspected the availability of family physicians in every quarter of 2003. The inspected lists contained a total of 463,757 persons. The Health Insurance Fund inspected the availability of family physicians by way of an open survey.

Table 3. Availability of general medical care. Percentage of the insured received in due time

	Acute condition				Chronic condition			
Department	Quarter I	Quarter II	Quarter III	Quarter IV	Quarter I	Quarter II	Quarter III	Quarter IV
Harju	100%	100%	100%	100%	100%	100%	100%	100%
Viru	100%	100%	100%	100%	100%	100%	100%	100%
Pärnu	100%	100%	100%	100%	100%	100%	100%	100%
Tartu	100%	100%	100%	100%	97%	100%	100%	100%
TOTAL	100%	100%	100%	100%	99%	100%	100%	100%

Insured persons received by a specialist doctor in due time

The aim for 2003 was that 96% of the insured are received by a specialist doctor within the scheduled appointment time. In 2003, 98% of the insured were received by a specialist doctor within the scheduled appointment time.

According to the regulation of the Minister of Social Affairs, all health care institutions must maintain waiting lists. As of the quarter II of the year waiting list information must contain a note on the reason of putting a person on the waiting list. The inspection of compliance with the terms of contracts carried out on the spot by the Health Insurance Fund in the quarter IV of 2003 revealed that waiting lists were not maintained the in the proper manner by all contractual partners. The waiting lists in the hospitals of Läänemaa, Hiiumaa, Kuressaare, Jõgeva and Põlva did not contain all the information listed in the regulation. In two hospitals (Tartu University Hospital ophthalmology and outpatient rehabilitation speciality and Narva Hospital outpatient gynaecology speciality) patients were not put on the waiting lists on all workdays. All the deficiencies were recorded in statements of the Health Insurance Fund. Among other things, the right of the insured to receive health care services was restored in the Jõgeva Hospital, based on a statement of the Health Insurance Fund. In that hospital separate lists were kept containing the names of the patients who owed consultation or bed day fees and whom the hospital had refused to provide the outpatient or inpatient medical care.

Table 4. Availability of specialised medical care. Patients on waiting lists for financial reasons per 1000 inhabitants

	Outpatient				Inpatient			
Department	Quarter I	Quarter II	Quarter III	Quarter IV	Quarter I	Quarter II	Quarter III	Quarter IV
Harju	49.9	32.5	49.9	28.3	11.8	5.9	16.7	7.5
Viru	55.5	28.6	46.7	0.6	11.7	9.7	8.6	0.8
Pärnu	50.7	9.2	15.9	1.6	8.0	4.6	4.5	0.0
Tartu	79.4	26.4	30.3	15.3	20.3	18.5	6.4	1.0
Total	**55.8**	**26.7**	**39.2**	**15.4**	**13.4**	**9.7**	**10.6**	**3.4**

The Estonian Health Insurance Fund has analysed the data of waiting lists presented by the providers of health care services and compared them to the implementation of the contracts for financing medical treatment. The analysis revealed that in certain specialities there are waiting lists due to financial reasons while the budgets and contracts of these specialities have not been implemented. The Health Insurance Fund has focused on the preventive monitoring of contracts in order to minimise the waiting lists due to financial reasons. In addition, under the terms of new treatment financing contracts the presentation of the waiting list information is more user-friendly, facilitating all providers of health care services to present their waiting list information data as accurately as possible.

Table 5. Availability of specialised medical care. Percentage of the insured received in due time

	Outpatient				Inpatient			
Department	Quarter I	Quarter II	Quarter III	Quarter IV	Quarter I	Quarter II	Quarter III	Quarter IV
Harju	95%	97%	95%	97%	99%	99%	98%	99%
Viru	94%	97%	95%	100%	99%	99%	99%	100%
Pärnu	95%	99%	98%	100%	99%	100%	100%	100%
Tartu	92%	97%	97%	98%	98%	98%	99%	100%
Total	**94%**	**97%**	**96%**	**98%**	**99%**	**99%**	**99%**	**100%**

Objective 3.

Balance between HIB resources and their purposeful use

The health insurance benefits budget/implementation

The aim for 2003 was to implement the budget by the health insurance benefit types and with regard to general amount in order to ensure the balanced budget and purposeful use of resources at least at the level "good".

- With regard to the expenditure, the budget of health care services for 2003 was implemented to the extent 96%. With regard to the expenditure of specialised medical care, the budget was implemented to the extent 99%. According to the assessment of the Health Insurance Fund the availability of medical treatment in 2003, despite the 2% decrease of the number of treatment cases, has remained at the level of 2002. The numbers of treatment cases in most specialities have increased (various specialities do have waiting lists, but at the same time their budgets have not been fully implemented);
- the share of the users of specialised medical care in the total number of the insured in 2003 was the same as that of 2002;
- in 2003 the total number of surgical operations (including the cataract, endoprostheses and cardiac operations) and the number of outpatient consultations per 1000 insured have increased;
- the number of the insured has fallen by ca 1%.

Report of the State Audit Office/auditor

The aim was to get a rating of "no significant admonitions" for the management of the Health Insurance Fund and the purposeful use of resources. The auditing company KPMG of the EHIF audited the annual report if 2002 and conducted a preliminary audit of the annual report of 2003 in the autumn of that year. The themes of audit of the State Audit Office were "Monitoring of the demand for outpatient specialised medical care" and "The activities of the Estonian Health Insurance Fund internal audit in the verification of the disbursement of benefits for temporary incapacity for work." In 2003, the audits of KPMG and the State Audit Office were without significant admonitions.

The percentage of inpatient health care services financed by diagnosis related group (DRG) prices

The aim for 2003 was to enter diagnosis related group (DRG) prices into the list of health care services.

In grouping the diagnosis-related (DRG) prices, the logic of NordDRG was employed, which was brought into alignment with the lists and data used in Estonia. The prices calculated for the DRG-s are based on currently used reference prices for health care services. DRG related financing will be used as of 1 April 2004 in the extent of 10%. This means that 90% of the cost of a treatment case will consist of the service related price and 10% of the DRG reference price.

Health insurance benefits purchased by way of a competition

The aim for 2003 was to establish the terms for selecting contractual partners by way of a competition in outpatient specialised medical care, nursing care and dental care. The goal was to promote competition in choosing health care providers with the best correlation of price and quality.

The Health Insurance Fund has prepared and forwarded to the Ministry of Social Affairs the proposals amending the Health Insurance Act, which will detail the terms for selection of contractual partners. For the selection of contractual partners in 2004 the Supervisory Board of the Health Insurance Fund approved "The bases of assessment of circumstances in the conclusion of contracts for financing of medical treatment and selection of contractual partners," and changed the principles of selecting contractual partners. The Health Insurance Fund expects that in 2004 the contractual partners of 20% of the treatment cases of outpatient specialised medical care will be selected by way of a competition.

Quality of the use requirements analysis

The aim for 2002 was to adopt the requirements based assessment method and the aim for 2003 to raise the quality of the analysis of the use requirements for specialised medical care and medicinal products in order to achieve a more precise assessment of the health care requirements of the insured. As the assessment criterion for estimating the quality of the use requirements analysis was not developed, the goal was not attained. In 2003 the following was done with regard to the procedure of improving the quality of assessing the requirements for health care services:

- the structure of the requirements for non-monetary health insurance benefits in 2004 and the requirements assessment guidelines were developed in order to establish common assessment grounds and the procedure for drawing up the Health Insurance Fund budget for 2004;
- a procedure entitled "Assessment of health insurance benefit requirements and planning of Health Insurance Fund budget" was developed, which provides for HIB requirements assessment and the planning of HIB budget, and also for the assessment of the Health Insurance Fund management expenditure resource requirements and the common basis and procedure for the planning of the management expenditure budget;
- in 2003, the requirements of the insured for health care services were assessed by regions using the method of comparative analysis.

In order to raise the substantive quality of health care services requirements assessment the Health Insurance Fund took recourse to a corporate method. Meetings were held with the representatives of professions in the key positions of the requirement for health care services (high morbidity and/or death rate, the highest expenses). The Health Insurance Fund conferred with the Society of Cardiologists in order to obtain an assessment of the requirement for medical care of the insured persons in the speciality of cardiology for the years 2004 to 2006.

The results of the talks have been taken into account in setting the priorities in the planning of the budget for specialised medical care.

In the course of processing the requests for new medicinal products benefits the Health Insurance Fund analyses the requirements for certain medicinal products within three years.

Objective 4.

The quality of EHIF customer service

Satisfaction of the insured persons with the service of EHIF

The aim for 2003 was to achieve that 80% of the insured persons polled would rate the EHIF service level as "good". As the result of the survey conducted by EMOR, 82% of the those polled rated the level of the Health Insurance Fund service as "good."

Too long a period of disbursement of the benefits for incapacity for work was named as the most significant factor of dissatisfaction.

At present the Health Insurance Fund pays the benefits for incapacity for work on the average within 10 calendar days instead of the former 30 calendar days. Speedier payment has become possible due to the launching of electronic data communication between the Health Insurance Fund and the Tax Board. This allows the Health Insurance Fund to obtain the electronic data of the Tax Board on a person's income taxed with social tax.

The data of the income taxed with social tax is the basis for the payment the benefits for incapacity for work.

In order to raise the quality of customer service, the Health Insurance Fund continuously develops the electronic data communication, so that people requesting the insurance cover could be registered as insured without the need to visit the Health Insurance Fund. In December if 2003, 35% of insurance entries were made electronically (electronic data communication with employers, population register, Pension Board, the Ministry of Education and Research, Labour Market Board, Customs and Tax Board, and the Unemployed Assistance Fund).

A pilot project of operating an information phone for the insured persons was launched in October 2003 in order to advise the clients and ensure a more customer-friendly service. A general information phone will be put into operation as of 1 May 2004.

Satisfaction of the employers with EHIF service

The aim for 2003 was to achieve that 85% of employers polled would rate the EHIF service level at least as "good." The survey conducted among the employers revealed that 95% of those polled rated the level of the Health Insurance Fund service as "good."

In order to ensure the employers' satisfaction the EHIF develops the use of comfortable electronic channels and actively promotes the electronic communication of the data required for the establishment, termination and suspension of the insurance cover.

By the end of 2003 contracts of electronic data communication were concluded with 13% of the employers registered with the Health Insurance Fund. 33.2% of the employers' insurance entries are made electronically. The rest of the insurance entries are made manually by the employees of the Health Insurance Fund on the basis of documents on paper carrier.

Satisfaction of the partners with EHIF service

The aim for 2003 was to achieve that 80% of partners polled would rate the EHIF service level at least as "good."

At the end of February and the beginning of March the company Transcom Eesti OÜ conducted a survey among the contractual partners of the Health Insurance Fund in order to determine the level of satisfaction with regard to cooperation with the Health Insurance Fund. A total of 511 contractual partners were polled: 213 family physicians, 179 dental care service providers, 87 outpatient medical service providers and 32 inpatient medical service providers. The main reasons for communication (70%) between partners are settling of accounts for medical services and conclusion or monitoring of contracts. Among the partners, 78.2% of those polled were satisfied with the work of the Health Insurance Fund. According to the 5-grade scale the work of the Health Insurance Fund was rated 3.91.

Objective 5.

The EHIF management and effectiveness of its work processes

Personnel competence

In the quarter IV of 2003, the of the system of personnel competences management was reorganised and raised to a qualitatively new level. The aim of the system is the consistent development of the personnel competences for more effective fulfilment of their work related tasks, better implementation of the strategy and attainment of the set objectives of the Health Insurance Fund. During the reorganisation of the system the focus was on the definition of the main competences of the personnel groups and precise description of the corresponding profiles. The assessment according to new profiles will be carried out at the beginning of 2004.

In 2003 the development of the personnel competences was carried out according to the training plan based on the training requirements, and was fully implemented.

Personnel satisfaction

The satisfaction survey of the personnel of the Health Insurance Fund was carried out at the end of the year. The participation percentage of the employees was 47%. The result of the survey revealed that 48% of those polled rated various circumstances of the organisation of work, information, motivation, technologies, innovations, etc. to be at least "good" or with the grade "4". Compared to the result of 2002 (the rating "good" from 56% of those polled) an increase of dissatisfaction can be noted. This may be attributed to the fact that the survey was carried out at the time of joining the departments and laying off of part of the personnel.

Change of main processes cost

The actual operating costs comprised 97% of the planned budget, with which the objective to control the increase of operating costs keeping it at the level of 50% of the yearly increase of consumer price index was attained.

Registry entries in electronic channels

The aim was to execute 35% of the volume of medical bills and insurance entries of the year via electronic channels. Although as of the quarter IV of 2003 33.2% of the employers made the insurance entries concerning their insured persons electronically, the general aim was not attained because the electronic transmission of medical bills remained to be implemented in 2004.

In 2003 the electronic environment for the partners allowing the transmission of medical bills was developed. This enables the health care institutions to load medical bills directly into the Health Insurance Fund information system, making the process more effective and less resources-consuming. All medical bills of 2004 are transmitted directly into the EHIF information system.

Organisation

The enhancement of the Health Insurance Fund structure continued. As the result of this, the number of regional departments was decreased from seven to four. The main aim of the change was to increase the effectiveness of work processes and improve the availability of health insurance through the better requirements analysis and planning. In the course of the change various main and supporting processes were reorganised, systems of analysis and planning were developed and 43 redundant jobs were reduced, which comprises 17% of the staff. As of 1 January 2004 the number of positions in the Health Insurance Fund is 256.5.

Notes to the implementation of the budget and analysis of the use of health insurance benefits in 2003

Introduction

Notes to the implementation of the budget reflect the implementation of the Estonian Health Insurance Fund 2002 budget and the analysis of the use of health insurance benefits.

The insured

As of 31 December 2003, the number of persons insured in the Health Insurance Fund was 1,272,051. Compared to the end of December of 2002 the number has decreased by 12,025 persons and compared to the end of December of 2001 by a further 6,035 persons.

Table 1. Number of the insured

Persons	31.12.2001	31.12.2002	31.12.2003	Change (%) 2003/2002
Insured persons	574,284	578,673	584,885	1.07%
Persons insured by the state	40,140	48,469	49,119	1.34%
Persons having equal status to the insured	663,204	656,926	631,830	-3.82%
Persons insured under international agreements	458	8	6,217	77612.50%
Total	**1,278,086**	**1,284,076**	**1,272,051**	**-0,94%**

Consolidated report of the implementation of the budget

EHIF REVENUE (thousand EEK)	2001 actual	2002 actual	2003 budget	2003 actual	2003 actual/ 2003 budget %
Social tax	4,542,090	5,059,996	5,547,276	5,629,127	101%
Revenue under contracts with persons having equal status to the insured			22,500	17,109	76%
Claims collected from other persons	8,154	14,938	10,000	16,917	169%
Financial revenue	6,843	20,652	22,500	25,531	113%
Other revenue	6,952	3,738	1,500	1,453	97%
TOTAL BUDGET REVENUE	**4 564 039**	**5,099,324**	**5,603,776**	**5 690 137**	**102%**
EXPENDITURE OF HIF HEALTH INSURANCE BENEFITS					
Health care service benefits	**2,823,684**	**3,025,728**	**3,813,166**	**3,649,317**	**96%**
Disease prevention	44,628	42,400	50,000	45,547	91%
General medical care services	335,824	400,225	467,683	454,694	97%
Total specialised medical care	2,170,073	2,310,635	2,870,005	2,840,898	99%
Specialised medical care	2,170,073	2,231,562	2,715,106	2,709,969	100%
Rehabilitation		34,888	45,149	46,097	102%
Centrally purchased services		44,185	109,750	84,832	77%
Long-term nursing care	48,001	49,006	80,060	75,019	94%
Dental care benefits	225,158	223,462	345,418	233,159	68%
Health promotion expenditure	**12,958**	**13,218**	**14,000**	**13,800**	**99%**
Medicinal products benefit expenditure	**666,123**	**772,368**	**758,778**	**685,059**	**90%**
Medicinal products compensated for to the insured	627,897	731,359	758,778	685,059	90%
Centrally purchased medicinal products	38,226	41,009			
Expenditure on benefits for temporary incapacity for work	**754,228**	**819,257**	**877,200**	**923,929**	**105%**
Expenditure on other health insurance benefits	**6,621**	**17,368**	**19,600**	**20,089**	**102%**
Health care service benefits arising from international agreements	1,235	1,364	1,400	1,420	101%
Benefit for medical devices	5,386	16,004	18,200	18,669	103%
Total health insurance benefits expenditure	**4,263,614**	**4,647,939**	**5,482,744**	**5,292,194**	**97%**
HEALTH INSURANCE FUND OPERATING COSTS (thousands EEK)					
Personnel and administration expenses	**34,486**	**42,796**	**46,983**	**43,960**	**94%**
remuneration	25,872	32,058	35,193	32,940	94%
incl. remuneration of the members of the Management Board	1,483	1,829	1,930	1,719	89%
incl. remuneration of the members of the Supervisory Board		3	5	3	60%
Unemployment insurance premium		158	176	149	85%
Social tax	8,614	10,580	11,614	10,871	94%
Management costs	**15,427**	**14,047**	**17,539**	**15,705**	**90%**
IT costs	**12,471**	**14,561**	**13,395**	**12,428**	**93%**
Health insurance benefits disbursement related costs	**1,529**	**1,284**	**1,200**		**0%**
Development costs	**554**	**2,465**	**4,407**	**3,103**	**70%**
Training		1,668	2,000	1,748	87%
Consultation		797	2,407	1,355	56%
Financial expenditure	**537**	**514**	**244**	**601**	**246%**
Other operating costs	**11,916**	**7,287**	**5,464**	**10,828**	**198%**
Pre-printed forms and publications	7,443	476	1,800	1,057	59%
Health insurance system monitoring	454	527	1,743	1,066	61%
Public relations/provision of information		1,185	1,000	752	75%
Other expenditure	4,019	5,099	921	7,953	864%
Health Insurance Fund reformation costs	**2,141**				
Health Insurance Fund total operating costs	**79,061**	**82,954**	**89,232**	**86,625**	**97%**
TOTAL BUDGETARY EXPENDITURE	**4,342,675**	**4,730,893**	**5,571,976**	**5,378,819**	**97%**
Reserve	**221,364**	**368,431**	**31,800**	**311,318**	**979%**
Appropriation to legal reserve	189,810	225,597	33,695	77,956	231%
Appropriation to risk reserve	31,554	142,834	-1,895	0	
Unappropriated revenue				233,362	
TOTAL	**4,564,039**	**5,099,324**	**5,603,776**	**5,690,137**	**102%**

Revenue

Table 3. Revenue

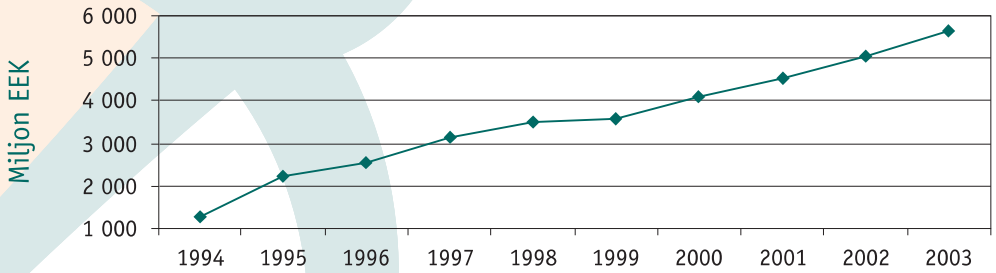
Revenue (thousand EEK)	2001 actual	2002 actual	2003 budget	2003 actual	2003 actual/ 2003 budget %
Social tax	4,542,090	5,059,996	5,547,276	5,629,127	101 %
Revenue under contracts with persons having equal status to the insured	0	0	22,500	17,109	76 %
Claims collected from other persons	8,154	14,938	10,000	16,917	169 %
Financial revenue		20,652	22,500	25,531	113 %
Other revenue		3,738	1,500	1,453	97 %
Total	**4,564,039**	**5,099,324**	**5,603,776**	**5,690,137**	**102 %**

Social tax

The Estonian Health Insurance Fund 2003 budget provided for EEK 5 billion 547 million of health insurance income from social tax. A total of EEK 5 billion 639 million was received. The amount received in excess constituted 1.5 % of the 2003 budget or EEK81 million 851 thousand .

Social tax comprises almost 99 % of the total revenue basis of the Health Insurance Fund. Compared to 2002 the inflow of social tax has increased by 11 %. In the four last years the increase of the social tax inflow has exceeded 10 %. During the last 10 years the health insurance revenue has grown 6-fold. The increase of revenue has been caused by the rise in real wages and consumer price index, and also by the improvement of the economic environment and more effective tax collection.

Figure 1. Inflow of social tax by years (million EEK)



Revenue under contracts with persons

Revenue under contracts with persons having equal status to the insured was implemented to the extent of 76 % of the budget. As of 2003, persons not covered by the insurance can become insured by effecting a policy with Health Insurance Fund and paying a monthly insurance premium. In the revenue prognosis for 2003, the number of people wishing to effect a policy was expected to be 1,000 but in reality the opportunity of becoming insured on a voluntary basis was used by 230 persons.

In addition, as of May 2003 the proceeds from the non-working retired persons of the Russian Federation armed forces living in Estonia are received locally. The contract between the Estonian Ministry of Social Affairs and the Ministry of Defence of the Russian Federation concerning the setting of medical services to non-working retired persons of the Russian Federation armed forces living in Estonia on the insurance principle entered into force as of May 2003.

Revenue claimed from other persons

Revenue claimed from other persons constituted EEK 16 million 917 thousand in the year 2003. The excess revenue resulted from additional measures implemented the monitoring system.

Financial revenue

The interest income in 2003 was EEK 4 million 245 thousand and revenue from the revaluation of bonds to their true value constituted EEK 21 million 286 thousand.
The available financial resources of the Health Insurance Fund are divided into two sections: liquidity portfolio and legal reserve investments.

Table 4.

	Volume	Average period of investments	Earnings 2003
Liquidity portfolio	The average of EEK 600 to 700 million	0.5 years	2.92 %
Legal reserve investments	EEK 415.4 million	1 year	2.10 %

The aims of the liquidity portfolio and the legal reserve are somewhat different. While the aim of the liquidity portfolio is to ensure the everyday smooth cash flow management, the longer-term legal reserve investments are subject to explicit rules and are made with the view of minimising the risks arising from macroeconomic changes.

That is why the average duration of either investment portfolio is very different: 0.5 years with the liquidity portfolio and 1.3 years with the legal reserve. The composition of instruments in the portfolios is also different: the liquidity portfolio contains local deposits and commercial papers while 95 % of the legal reserve investments consist bonds of very high investment ratings by European issuers with the rest of investments made into the commercial papers of Estonian banks. The earnings of the two portfolios are therefore not strictly comparable. Because of the great fluctuation of interest rates and the decrease of the bonds' prices in July, October and November, the earnings of the liquidity portfolio are higher than those of the legal reserve at present. In the long run the legal reserve investments should be more profitable due to the longer duration of the portfolio.

In order to compare the earnings of investment portfolios, the standard portfolios and other similar investment portfolios – the National Treasury reserve, stabilisation reserve and their standard portfolios – are set as the calculations basis.

Figure 2. The liquidity reserve of the Health Insurance Fund, the treasury reserve of the state and its cumulative earnings throughout the year as of the beginning of 2003.

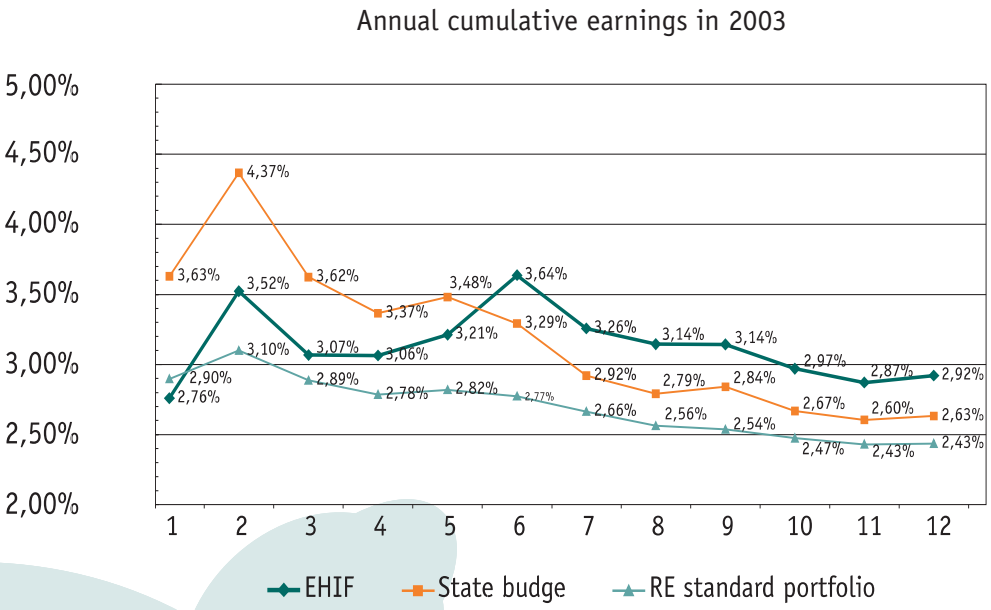
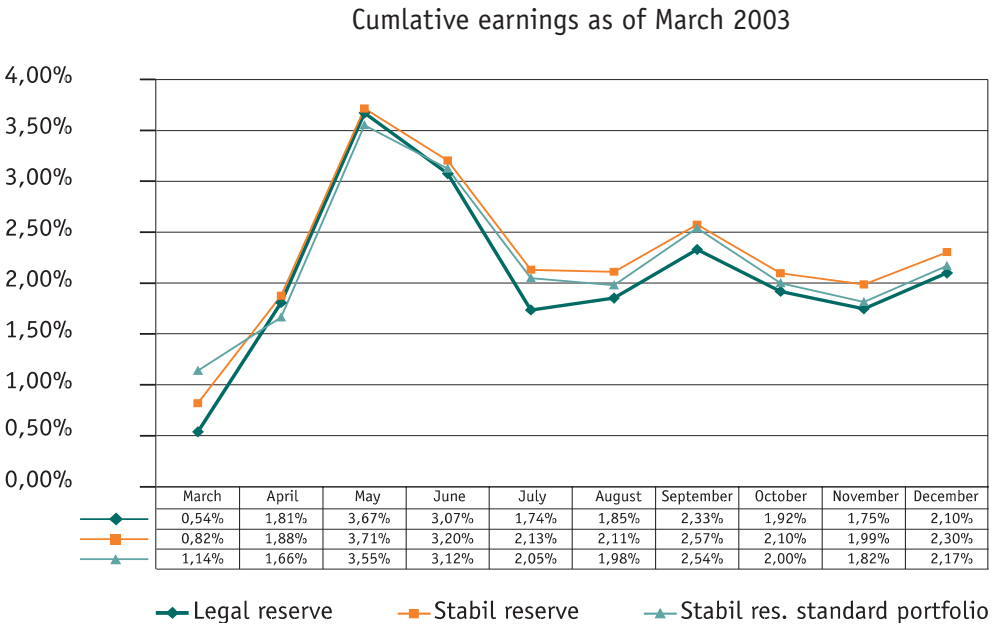


Figure 3. The legal reserve of the Health Insurance Fund, the stabilisation reserve and its cumulative earnings throughout the year as of March 2003.



Other revenue

The amount of other revenue planned for 2003 was EEK 1 million 500 thousand. The actual accrual was EEK 1 million 453 thousand. The largest revenue sources are the sales of pre-printed prescription forms (EEK 643 thousand) and the service of processing the medical bills of uninsured persons provided for the Ministry of Social Affairs (EEK 317 thousand).

Expenditure

The expenditure of the Estonian Health Insurance Fund divides into:

- Expenditure on health insurance benefits
- Health insurance administration or Health Insurance Fund operating costs

Of the total volume of the 2003 implemented budget, the expenditure on health insurance benefits constitutes 93.0 %, the system administration costs constitute 1.5 %, and the reserve funds constitute 5.5%.

Table 5. Percentage distribution of the expenditure of Health Insurance Fund by years

	2001 actual	2002 actual	2003 actual	Change 2003/2002
Expenditure on health insurance benefits	93.4%	91.1%	93.0%	1.9%
Health Insurance Fund operating costs	1.7%	1.6%	1.5%	-0.2%
Reserves	4.9%	7.2%	5.5%	-1.8%

I Expenditure on health insurance benefits

In 2003, significant changes were made in the expenditure on health insurance benefits for the following reasons:

Health care services expenditure

- In the middle of 2003 the budget of health insurance services was increased by EEK 258 million because:

1) according to subsection 4 of §30 of the Health Insurance Act the reference price noted in the list of health care services covers all expenses necessary for the provision of a health care service, including capital spending. For this reason the capital spending on bed days, outpatient consultations and surgical operations, and surgery and consultation related complex services in specialised medical care and long-term nursing care were counted into the corresponding reference prices;

2) the reference prices for outpatient consultations, bed days and for a part of tests and treatments were raised as of 1 July 2003 in connection with the conclusion of an agreement between health care professionals and the Union of Hospitals.

- The underspending on the benefits for dental care services was over EEK 100 million because:

1) as of 2003, a new monetary benefit was added to the health insurance benefits, the use of which was smaller than expected.

Medicinal products

- The total amount of compensation for medicinal products compensated to the insured constituted 90% of the budget of 2003. The underspending on medicinal products can mainly be attributed to the following:

1) the measures of expenditure management which entered into force together with the new the new Health Insurance Act (the "positive" list of medicinal products, reference prices, partial decrease of the rates of compensation etc.) caused the so-called primary shock, as the result of which the decrease of expenditure on medicinal products at the beginning of the year was larger than expected.

2) the entry into force of reference prices at the beginning of 2003 brought about the decline of prices of medicinal products which was larger than expected.

- as of 2003, a new monetary benefit – an additional medicinal products benefit – was added to the health insurance benefits.

Benefits for incapacity for work

- The expenditure on benefits for incapacity for work exceeds the amount provided by the budget by nearly EEK 47 million. Compared to 2002, this expenditure has increased by 13%. The increased expenditure on the benefits for incapacity for work is mainly caused by the increase in wages, the larger number of the insured and the amendments of legislation.
- The amendments to the Health Insurance Act which entered into force in 2003 and had the largest impact were the following:

1) the change in the principles of calculating the average income of a calendar day. As of 1 April the calculation of benefits for incapacity for work is based on the income paid or calculated to a person and taxed with the social tax for the entire past calendar year. The income a person received from the membership of a management or supervisory organ of a legal person and the provision of services on the basis of the Law of obligations Act was added to the incomes taken as the basis for calculating the benefits for incapacity for work;

2) the rate of benefit in the case of provision of an inpatient health care service and nursing of a hospitalised child under 12 years of age was raised from 60% to 80%.

1. Health care services benefits

Table 6. Comparison of 2003 health care services benefits with the 2003 budget and the actual implementation of the 2002 budget

Health care services benefits (thousand EEK)	2001 actual	2002 actual	2003 budget	2003 a ctual	2003 actual/ 2003 budget %
Disease prevention	44,628	42,400	50,000	45,547	91%
General medical care services	335,824	400,225	467,683	454,694	97%
Total specialised medical care	2,170,073	2,310,635	2,870,005	2,840,898	99%
Specialised medical care	2,170,073	2,231,562	2,715,106	2,709,969	100%
Rehabilitation		34,888	45,149	46,097	102%
Centrally purchased medical services		44,185	109,750	84,832	77%
Long-term nursing care	48,001	49,006	80,060	75,019	94%
Total dental care services benefits	225,158	223,462	345,418	233,159	68%
Dental care services	225,158	223,462	161,905	167,805	104%
Dental care monetary benefits			183,513	65,354	36%
Total	**2,823,684**	**3,025,728**	**3,813,166**	**3,649,317**	**96%**

Disease prevention

The aim of disease prevention activities is the early discovery of conditions preceding the diseases and measures of avoiding the diseased conditions. The cause and effect connections of preventive activities must diminish the expenditure the Health Insurance Fund on the treatment of particular health problems. Of the EEK 50 million planned for disease prevention, EEK 45 million 547 thousand were spent, which constitutes 91% of the implementation of the budget.

Table 7. The implementation of the budget of disease prevention projects and other prevention activities in 2003

Prevention activity (thousand EEK)	2002 actual	2003 budget	2003 actual	Budget implementation %
School health care	18,236	18,695	17,083	91.4%
Early detection of breast cancer	5,466	6,241	6,658	106.7%
Early detection of cervical cancer	1,955	1,472	645	43.8%
Hepatitis-B vaccination	9,143	7,343	6,868	93.5%
Project for reproductive health promotion in young people	3,293	4,129	4,243	102.8 %
Project for the prevention of cardio-vascular diseases	1,511	3,341	2,295	68.7%
Early detection of osteoporosis	381	1,305	735	56.3%
Phenylketonuria and hypothyroidism screening	771	896	771	86.1%
Personnel regular and preliminary health check	1,644	0	0	0
Prenatal diagnostics of hereditary diseases	0	6,578	5,780	87.9%
Family physician counselling phone	0	0	469	-
Total	**42,400**	**50,000**	**45,547**	**91.1 %**

Overspending of the planned budget for the project for **early detection of breast cancer** was caused by the change in the prices of health care services.

Underspending of the planned budget for the project for **early detection of cervical cancer** can be attributed to the circumstance that the tests were carried outside the consultation time on the basis of invitations, while the participation was less active than expected due to insufficient information.

Overspending of the planned budget for the **project for reproductive health counselling and STD prevention in young people** was caused by the change in the prices of health care services.

In the framework of the **cardio-vascular diseases prevention project** only 121 family practices were active instead of the planned 180, as the result of which the target group encompassed only 73% of the one planned.

The coverage of the project's target group was the smallest in the project for the early detection of osteoporosis. This was the result of a very narrowly defined target group and the availability of bone density tests only in Tallinn, Tartu and Pärnu. Physiotherapy exercising as part of the project has been launched only in the Harju region.

Table 8. Results of disease prevention projects in 2003

Prevention activity	Planned target group	Covered target group	% of planned target group	Results
School health care	207,612	207,612	100%	
Early detection of breast cancer	17,500	17,457	100%	98 cases of breast cancer were detected, 71 % of them in an early stage.
Early detection of cervical cancer	8,000	3,822	48%	Pathological finds in 7.3% of cases (187), incl. 7 cases of cervical cancer.
Hepatitis-B vaccination half-year I/ half-year II	42,600/18,170	38,894/17,072	91%/93%	
Project for reproductive health counselling and STD prevention in young people	23,000	22,676, incl. 30% STD tests and 70% counselling	99%, plus 6,230 instances of phone-counselling	16% share of primary consultations, 4% – male patients. 914 STD cases discovered (14%).
Project for the prevention of cardio-vascular diseases	15,000	10,986	73%	An ECG pathology discovered in 5.3% of the tested, non-medicinal influencing of risk-factors started in 22.7%, medicinal treatment started in 7.5% of the tested. General cardiovascular risk diminished in 3.9% of the participants.
Early detection of osteoporosis	2,500	1,334	53%	Osteoporosis discovered in nearly one third of the participants.
Phenylketonuria and hypothyroidism screening	13,000	13,206	102%	1 hypothyroidism case discovered.
Prenatal diagnostics of hereditary diseases	1,250	1,135	91%	40 cases of fetal chromosome anomaly discovered.

General medical care services

Table 9. General medical care budget implementation in 2003

General medical care services budget (thousands EEK)	2002 actual	2003 budget	2003 actual	2003 actual/ 2003 budget %
Base fee	48,274	57,234	56,284	98%
Additional fee for distance	1974	2,041	2,007	98%
Additional fee for certificate	7,131	9,552	8,656	91%
Capitation fee (up to 2 years)	6,862	8,143	7,823	96%
Capitation fee (2 -70 years)	249,693	277,982	279,373	101%
Capitation fee (above 70 years)	37,541	43,384	44,429	102%
Total capitation fee	294,096	329,509	331,625	101%
Medical tests fund	48,750	60,629	56,122	93%
General medical care reserve		8,718		0%
Total	**400,225**	**467,683**	**454,694**	**97%**

The expenditure of 2003 on general medical care was EEK 454 million 694 thousand, which constituted 97% of the budget of 2003. The increase in the expenditure compared to 2002 was EEK 54 million 469 thousand or nearly 14%.

The actual implementation of the budget planned for capitation fee is 101%, the budget of medical tests fund was implemented to the extent of 93%. The tests fund increased subject to the legislation as of 1 July 2003 to 20.5% of the capitation fee, which was the reason why 16.9% of the capitation fee expenditure was used on medical tests (16.6 in 2002).

The inclusion of capital spending into the base fee resulted in the increase of the budget for general medical care by EEK 5 million 307 thousand. Capital spending raised the base fee reference price by EEK 1,111, resulting in the base fee reference price of EEK 6,401.

In 2003 some 877,287 insured persons consulted a family physician which is 0.2% more than in 2002 (875,444 insured persons in 2002 and 862,581 insured persons in 2001). On the average there were 4.5 consultations per one insured person who consulted a family physician. In 2003 there were no problems with the availability of family physicians because during the year an average of 100% of the people were received by a family physician in due time.

Table 10. General medical care consultations

	2000	2001	2002	2003
Total consultations	2,572,076	4,338,268	3,987,121	3,935,504
Consultations per practice a year	5,336	6,494	4,904	4,799
Consultations per practice a month	430	546	413	400

Outpatient and inpatient specialised medical care
(excl. rehabilitation and centrally purchased health care services)

In 2003 the Health Insurance Fund paid EEK 2 billion 709 million 969 thousand (71% inpatient and 29% outpatient) for inpatient and outpatient specialised medical care (excl. rehabilitation and centrally purchased health care services), which means that the obligation of payment was assumed in the case of 2,571,270 treatment cases (10% inpatient and 90% outpatient cases).

Table 11. Outpatient and inpatient specialised medical care expenditure (excl. rehabilitation and centrally purchased health care services) in 2003, comparison with 2003

	2002 actual		2003 actual		Comparison 2003/2002	
Outpatient and inpatient specialised medical care	**Treatment expenses (thousand EEK)**	**Treatment cases**	**Treatment expenses (thousand EEK)**	**Treatment cases**	**Treatment expenses**	**Treatment cases**
Dermatovenerology	30,427	171,076	32,978	151,211	108%	88%
outpatient	23,576	169,154	25,243	149,397	107%	88%
inpatient	6,851	1,922	7,735	1,814	113%	94%
Surgery	505,218	315,645	602,904	343,959	119%	109%
outpatient	71,762	263,861	96,223	293,318	134%	111%
inpatient	433,456	51,784	506,681	50,641	117%	98%
Unclassified specialities	35,561	133,203	5,931	16,854	17%	13%
outpatient	26,682	132,599	5,405	16,807	20%	13%
inpatient	8,879	604	526	47	6%	8%
Infectious diseases	24,628	18,321	31,619	20,517	128%	112%
outpatient	5,644	8,973	6,477	11,395	115%	127%
inpatient	18,984	9,348	25,142	9,122	132%	98%
Neurology	84,882	130,356	104,458	132,778	123%	102%
outpatient	27,290	119,401	34,095	121,969	125%	102%
inpatient	57,592	10,955	70,363	10,809	122%	99%
Ophthalmology	83,120	259,715	111,160	264,164	134%	102%
outpatient	64,329	256,326	96,738	261,703	150%	102%
inpatient	18,791	3,389	14,422	2,461	77%	73%
Oncology	145,562	80,086	169,248	73,797	116%	92%
outpatient	47,857	71,243	54,142	64,751	113%	91%
inpatient	97,705	8,843	115,106	9,046	118%	102%
Otorhino-laryngology	74,232	183,351	91,774	191,005	124%	104%
outpatient	42,868	173,533	44,457	178,427	104%	103%
inpatient	31,364	9,818	47,317	12,578	151%	128%
Paediatrics	109,906	106,696	140,417	124,158	128%	116%
outpatient	23,209	79,334	30,809	94,434	133%	119%
inpatient	86,697	27,362	109,608	29,724	126%	109%
Psychiatry	107,165	163,240	132,976	172,640	124%	106%
outpatient	21,716	151,059	27,462	161,201	126%	107%
inpatient	85,449	12,181	105,514	11,439	123%	94%
Pulmonology	62,512	63,304	71,468	55,849	114%	88%
outpatient	22,508	59,057	24,635	52,024	109%	88%
inpatient	40,004	4,247	46,833	3,825	117%	90%
Obstetrics and gynaecology	258,591	480,692	300,283	470,874	116%	98%
outpatient	113,934	438,886	136,014	431,125	119%	98%
inpatient	144,656	41,806	164,269	39,749	114%	95%
Internal diseases	483,943	326,739	632,175	334,130	131%	102%
outpatient	114,656	272,914	150,690	279,307	131%	102%
inpatient	369,287	53,825	481,485	54,823	130%	102%
Orthopaedics	213,698	201,417	275,141	217,937	129%	108%
outpatient	48,907	188,391	62,137	204,004	127%	108%
inpatient	164,791	13,026	213,004	13,933	129%	107%
Primary post acute care	12,116	2,576	7,437	1,320	61%	51%
inpatient	12,116	2,576	7,437	1,320	61%	51%
Total	**2,231,562**	**2,636,417**	**2,709,969**	**2,571,193**	**121%**	**98%**
outpatient	654,939	2 384,731	794,527	2,319,862	121%	97%
inpatient	1 576,623	251,686	1,915,442	251,331	121%	100%

Table 12. Outpatient and inpatient specialised medical care (excl. rehabilitation and centrally purchase health care services) 2003 budget implementation

	2003 budget		2003 actual		2003 actual/2003 budget %	
Outpatient and inpatient specialised medical care	**Treatment expenses (thousand EEK)**	**Treatment cases**	**Treatment expenses (thousand EEK)**	**Treatment cases**	**Treatment expenses**	**Treatment cases**
Dermatovenerology	37,143	175,748	32,978	151,211	89%	86%
outpatient	27,854	173,764	25,243	149,397	91%	86%
inpatient	9,289	1,984	7,735	1,814	83%	91%
Surgery	631,578	348,091	602,904	343,959	95%	99%
outpatient	89,824	298,902	96,223	293,318	107%	98%
inpatient	541,754	49,189	506,681	50,641	94%	103%
Unclassified specialities	27,090	81,166	5,931	16,854	22%	21%
outpatient	22,608	80,876	5,405	16,807	24%	21%
inpatient	4,482	290	526	47	12%	16%
Infectious diseases	32,021	18,433	31,619	20,517	99%	111%
outpatient	6,320	8,766	6,477	11,395	102%	130%
inpatient	25,701	9,667	25,142	9,122	98%	94%
Neurology	94,846	134,952	104,457	132,778	110%	98%
outpatient	30,566	124,024	34,095	121,969	112%	98%
inpatient	64,280	10,928	70,363	10,809	109%	99%
Ophthalmology	109,842	262,869	111,160	264,164	101%	100%
outpatient	82,726	259,172	96,738	261,703	117%	101%
inpatient	27,116	3,697	14,422	2,461	53%	67%
Oncology	170,054	81,262	169,248	73,797	100%	91%
outpatient	54,630	72,336	54,142	64,751	99%	90%
inpatient	115,424	8,926	115,106	9,046	100%	101%
Otorhino-laryngology	88,107	207,496	91,774	191,005	104%	92%
outpatient	53,897	198,429	44,457	178,427	82%	90%
inpatient	34,210	9,067	47,317	12,578	138%	139%
Paediatrics	133,189	107,436	140,417	124,158	105%	116%
outpatient	26,053	79,402	30,809	94,434	118%	119%
inpatient	107,136	28,034	109,608	29,724	102%	106%
Psychiatry	153,185	169,430	132,976	172,640	87%	102%
outpatient	31,132	157,289	27,462	161,201	88%	102%
inpatient	122,053	12,41	105,514	11,439	86%	94%
Pulmonology	72,806	65,558	71,468	55,849	98%	85%
outpatient	26,490	61,233	24,635	52,024	93%	85%
inpatient	46,316	4,325	46,833	3,825	101%	88%
Obstetrics and gynaecology	303,896	505,183	300,283	470,874	99%	93%
outpatient	138,719	465,990	136,014	431,125	98%	93%
inpatient	165,177	39,193	164,269	39,749	99%	101%
Internal diseases	555,583	352,071	632,175	334,130	114%	95%
outpatient	131,967	299,398	150,690	279,307	114%	93%
inpatient	423,616	52,673	481,485	54,823	114%	104%
Orthopaedics	291,617	207,018	275,140	217,937	94%	105%
outpatient	55,536	193,443	62,137	204,004	112%	105%
inpatient	236,081	13,575	213,004	13,933	90%	103%
Primary post acute care	14,150	2,119	7,437	1,320	53%	62%
inpatient	14,150	2,119	7,437	1,320	53%	62%
Total	**2,715,106**	**2 718,832**	**2,709,969**	**2,571,193**	**100%**	**95%**
outpatient	778,322	2 473,024	794,527	2,19,862	102%	94%
inpatient	1,936,784	245,808	1,915,442	251,331	99%	102%

Compared to 2002, the 2003 expenditure on outpatient and inpatient specialised medical care increased by 21%. At the same time, the number of treatment cases decreased by 2%. In 2003, as compared to 2002:

- the total number of treatment cases has grown in most specialities, except dermatology, oncology, pulmonology, obstetrics and gynaecology, and in unclassified specialities and primary post acute care;
- treatment expenses have risen in all specialities, except unclassified specialities and primary post acute care;
- expenses in inpatient ophthalmology have decreased in comparison with 2002. This can be attributed to the fact that cataract surgery, initially planned as inpatient service, was more often performed in day surgery conditions.

In some specialities (dermatovenerology, otorhino-laryngology, neurology, internal diseases) one reason of the decline in the number of inpatient treatment cases may be the finishing of the reform of the primary level medical care and the fact that simple specialised medical services are also provided by family physicians. This frees the specialist doctors for the provision of more complicated and expensive services.

The analysis of the implementation of the budget of 2003 indicates that with the 100% implementation of the expenditure there is still a 5% underspending with regard to treatment cases provided by the budget. This can not be explained only with the drop in the number of the insured (compared to 2002, the number of the insured fell by 0,94% in 2003). The surveys concerning the availability of specialised medical care in 2003 indicated that the waiting lists due to financial reasons do exist in a number of specialities, while the budgets of these specialities are not fully implemented (see table 13). 23% of the patients are on waiting lists due to financial reasons.

Table 13. Implementation of treatment cases as compared to the data of waiting lists in 2003

Number of cases in inpatient and outpatient specialised medical care	2003 budget	2003 actual	Budget implementation %	General waiting list as of 1.01.04	Waiting list for financial reasons as of 1.01.04
Dermatovenerology	175,748	151,211	86%	3,484	1,444
Surgery	348,091	343,959	99%	11,810	2,472
Unclassified specialities	81,166	16,854	21%	620	53
Infectious diseases	18,433	20,517	111%	92	0
Neurology	134,952	132,778	98%	3,940	736
Ophthalmology	262,869	264,164	100%	21,547	4,945
Oncology	81,262	73,797	91%	875	111
Otorhino-laryngology	207,496	191,005	92%	12,857	2,619
Paediatrics	107,436	124,158	116%	2,759	240
Psychiatry	169,430	172,640	102%	3,935	327
Pulmonology	65,558	55,849	85%	1,043	25
Obstetrics and gynaecology	505,183	470,874	93%	16,265	2,104
Rehabilitation	29,912	30,968	104%	2,252	460
Internal diseases	352,071	334,130	95%	14,566	5,323
Orthopaedics	207,018	217,937	105%	7,348	3,044
Primary post acute care	2,119	1,320	62%	13	0
Total treatment cases	**2,748 744**	**2,602,161**	**95%**	**103,406**	**23,903**

In 2003, a certain amount of financial resources were allocated for specific purposes through treatment financing agreements in order to ensure the availability of important and expensive health care services (endoprostheses, deliveries, cardiac and cataract operations and pregnancy monitoring) for the insured persons.

Table 14. In 2003, the Health Insurance Fund has paid the following amounts for services under agreements:

Special cases	2002 actual		2003 actual		2002/2003	
	Treatment expenses (thousand EEK)	**Treatment cases** (piece)	**Treatment expenses** (thousand EEK)	**Treatment cases** (piece)	**Treatment expenses** %	**Treatment cases** %
Endoprostheses	79,233	2,151	110,572	2,684	140%	125%
Cataract operations	41,029	5,785	60,568	7,992	148%	138%
Cardiac operations	63,869	741	74,106	809	116%	109%
Deliveries	69,455	12,711	78,180	12,730	113%	100%
Pregnancy monitoring	16,944	31,833	11,818	21,683	70%	68%

The 2003 supplementary budget increased the outpatient and inpatient specialised medical care budget by EEK 232 million 113 thousand, which was due to the following changes:

- in order to ensure the availability of health care services and manage the waiting lists, EEK 49 million 475 thousand were added to the budget with the aim of staying within the limits of the maximum length of waiting lists approved by the Health Insurance Fund Supervisory Board;
- with the division of capital spending, the budget increased by EEK 98 million 268 thousand;
- as the result of the salary agreement between health care professionals and the Union of Hospitals the ratio of the salary expenditure of health care professionals was increased within the reference prices of health care services and EEK 84 million 370 thousand were added to the budget of specialised medical care.

The resources of the supplementary budget that were planned for the improvement of the availability of health care services were targeted through the treatment financing agreements for the curbing of waiting lists and allocated for specific purposes for additional financing of endoprostheses, and cataract and cardiac operations.

Table 15. Comparison of major indicators of the use of inpatient and outpatient specialised medical care services (excl. rehabilitation) in 2003 to that of 2002

	2002 actual		2003 actual		Change %	
	Outpatient	**Inpatient.**	**Outpatient**	**Inpatient**	**Outpatient**	**Inpatient**
The insured who used specialised medical care (persons)	744,367	175,103	740,153	174,458	-0.6%	-0.4%
Average cost of treatment case (EEK)	275	6,264	343	7,655	25%	22%
Share of emergency care in treatment expenses (%)	14.4	56.4	14.2	57.5	-1.4%	2.0%
Average duration of treatment (days)		7.2		6.7		-7%
Inpatient treatment days		1,785,818		1,680,210		-6%
Outpatient consultations (piece)	3,223,441		3,217,422		-0.2%	
Surgeries	37,871	90,200	41,871	93,078	11%	3%

In 2003, the share of persons who used **outpatient medical care** services was 58.2% of all the insured, which is equal to the their share in 2002. The corresponding indicator of 2001 was 58.7%.

In 2003, the share of persons who used **inpatient medical care** services was 13,7% of all the insured. The same indicators for previous years were: 2002 – 13.7% and 2001 – 14.2%.

It may therefore be stated that in two last years the share of persons who used outpatient or inpatient specialised medical care has stayed at the same level.

The increase in the **average treatment expenses** of outpatient and inpatient treatment cases was mainly caused by the rise of the reference prices of health care services as of 1 July 2003 due to the inclusion of capital spending and the increase of the salary ratio of health care professionals. The larger number of day surgeries and the increase of their average cost also played a significant part in the increase of the average cost of a treatment case.

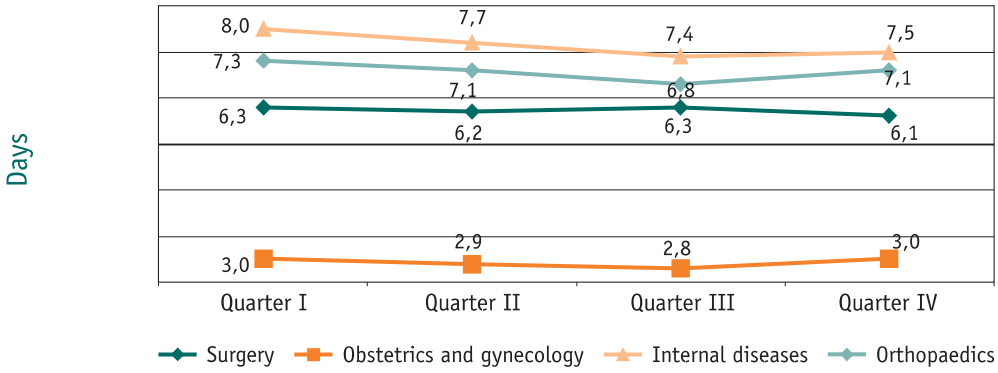
The share of emergency care in the outpatient treatment expenses has remained fairly stable in the last three years – 12 to 14%.

The treatment expenses of inpatient emergency care have been going up from 2001. (The share of 2001 was 49.5%.)

The average inpatient treatment duration (average treatment case duration) in all specialities taken together has shortened by 7% in comparison with 2002. The number of days of inpatient treatment has diminished accordingly.

The diagram below shows the change of the average treatment case duration during the four quarters of 2003 in the four main specialties requiring large resources. It is characteristic that as of the quarter III the average treatment case duration is showing the upward tendency (except the surgery). One of the reasons behind this is the rise of profile-specific bed day reference prices by 38–40% as of 1 July 2003, which made health care providers more motivated to render inpatient services.

Figure 4. Change in the average treatment case duration (in days) in quarters I to IV of 2003



The reasons behind the 0.2% fall of the total outpatient consultation figure are the smaller number of outpatient treatment cases as well as that of the insured. However, in 2003 the figure of outpatient consultations per 1,000 insured persons nation-wide has gone up by 0.4%. The largest increase has occurred in the provision of consultations to the insured persons of the Viru region (1.9%).

Table 16. Change in the number of consultations and surgeries in the years 2001 to 2003 by the departments of EHIF (data per 1,000 insured)

Regional department	2002	2003	2002	2003	2002	2003
	Consultations		Total surgeries		Inpatient surgeries	
Harju	2,882	2,875	96	101	69	70
Pärnu	2,147	2,151	101	105	72	74
Tartu	2,101	2,108	106	117	65	74
Viru	2,613	2,662	98	103	78	78
EHIF total	**2,519**	**2,529**	**100**	**106**	**70**	**73**

In 2003, the total number of surgical operations per 1,000 insured has risen by 6% as compared to 2002 (the largest increase – 11% – occurred in the Tartu region). This increase is mainly due to day surgery operations.

In 2003, a total number of 134,949 outpatient and inpatient operations were performed. This is 5,4% more than in 2002. 31% of the operations were performed as outpatient surgeries or day surgeries and 69% as inpatient surgeries. In 2002, a total of 128,071 operations were performed, 30% as outpatient (day surgeries) and 70 % as inpatient surgeries. The corresponding data for 2001 were 123,146 operations (27,2% outpatient and 72,8% inpatient).

The increased share of outpatient surgeries is an indication of the enhanced effectiveness of the health care providers' work and the development of treatment opportunities.

Rehabilitation

In 2003, a total of EEK 46 million 97 thousand were paid for rehabilitation services (32 % increase compared to 2002), which distributed on 30,968 outpatient and inpatient treatment cases.

Table 17. Rehabilitation budget implementation in 2003

	2002 actual		2003 budget		2003 actual		2003 actual/ 2003 budget %	
	Treatment expenses (thousand EEK)	Treatment cases	Treatment expenses (thousand EEK)	Treatment cases	Treatment expenses (thousand EEK)	Treatment cases	Treatment expenses (thousand EEK)	Treat-ment cases
Outpatient	13,355	27,819	19,011	24,444	17,205	25,302	90%	104%
Inpatient	21,533	4,981	26,138	5,468	28,892	5,666	111%	104%
Total	**34,888**	**32,800**	**45,149**	**29,912**	**46,097**	**30,968**	**102%**	**104%**

With the amendment of the budget of 2003 the Supervisory Board of the Health Insurance Fund made a decision to increase the rehabilitation budget by EEK 4 million 965 thousand. This was necessary because of the rise in reference prices, the increase of the health care professionals' salary ratio and the inclusion of capital spending into the reference prices.

Centrally purchased health care services

Table 18. Implementation of the budget for centrally purchased health care services in 2003

Centrally purchased health care services (thousand EEK)	2002 actual	2003 budget	2003 actual	2003 actual/ 2003 budget %
Bone marrow transplantation	3,057	3,360	2,521	75%
Regular treatment in a foreign state	1,527	5,000	2,015	40%
Peritoneal dialysis	18,584	21,780	21,220	97%
Emergency transport of the insured (aeroplane, helicopter)	1,548	2,500	1,301	52%
Collection of fractionated plasma**	11,340	11,435	0	0%
Risk mitigation*	0	15,000	0	0%
Young athlete health check	2,001	2,300	2,436	106%
Courses of oncological treatments	-	10,700	13,406	125%
Courses of haematological treatments	-	10,460	5,722	55%
Antidotes, treatment serums	-	200	200	100%
Payment of preparedness fee	-	27,015	36,011	133%
Expensive medical equipment depreciation costs	5,679	0	0	0%
Reserve	449	0	0	0%
Total	**44,185**	**109,750**	**84,832**	**77%**

*Provided under centrally purchased health care services for the mitigation of the insurance risk of regional departments. The resources were used for the correction of specialised medical care budget. Actual implementation (EEK 13 million 558 thousand) is recorded under specialised medical care.

** Due to the fact that the international fractionation agreement was not concluded, the released resources were used for the payment of the preparedness fee.

In 2003, the Health Insurance Fund paid EEK 84 million 832 thousand for the centrally purchased health care services (77% of the amount planned for the year).

The underspending of the budget in the centrally purchased health care services was caused by smaller expenses than were planned for bone marrow transplantation, regular treatment provided in foreign states, peritoneal dialysis, emergency transportation airplane of the insured and courses of haematological treatments. The resources released form the regular centrally purchased health care services were used to cover the greater needs for young athletes' medical checks and courses of oncological treatments.

Compared to 2002, the average expenditure on the centrally purchased health care services has grown, which is mainly the result of the introduction of new services (courses of oncological and haematological treatments, and payment of the preparedness fees) in 2003.

Of the EEK 15 million of the budget planned for risk mitigation, EEK 13 million 558 thousand was used, that is 90% for the expensive treatment cases in Harju and Tartu regions, which is recorded in the specialised medical care expenditure of the present report. In 2002, 58.4% of the resources meant for risk mitigation were used to cover expensive medical cases in the Harju, Tartu and Lääne regions.

Estonian Health Insurance Fund assumed the payment obligations for the insured in the foreign states in the extent of EEK 2 million 15 thousand (40% of the budget).

In 2003, 16 persons were transferred for treatment to foreign states, 11 of them were children. In 2002, EEK 1 million 527 thousand was paid for the regular treatment of the insured persons in foreign states. 18 insured persons were transferred for treatment to foreign states, 13 of them were children.

In relation with the entry into force of the 17 June 2003 regulation No 177 of the Government of the Republic "The list of health care services of the Health Insurance Fund," the Health Insurance Fund concluded an agreement with the hospitals listed in the development plan of the hospital network for around-the-clock preparedness fee payments for the total of 83 specialities. In reality, the Health Insurance Fund made the payments according to results of the inspection of the compliance with the terms of the agreements and invoices submitted by the hospitals. During the period of the report the preparedness fee was paid to a total of 77 specialities.

Long-term nursing care

Table 19. Implementation of outpatient and inpatient long-term nursing care budget in 2003

Outpatient and inpatient long-term nursing care budget (thousand EEK)	2002 actual	2003 budget	2003 actual	2003 actual/ 2003 budget %
Inpatient long-term nursing care	48,064	73,028	68,567	94%
Outpatient long-term nursing care, incl.	942	7,032	6,452	92%
Home care	0	4,467	4,742	106%
Cancer patient palliative home care	942	1,575	1,710	109%
Geriatric assessment	0	990	0	0%
Total	**49,006**	**80,060**	**75,019**	**94%**

In 2003, a total of EEK 75 million 19 thousand were paid for long-term nursing care, that is 94% of the planned budget. Compared to 2002, the long-term nursing care expenses increased by 53%. The implementation of the inpatient long-term nursing care was 94%, while the budget for the home accident service, a new health care service added to the list of services as of the beginning of 2003, was implemented to the extent of 106%.

Geriatric assessment was not launched in 2003 because it was added to the list as a new service as of 2004.

Long-term nursing care was provided to a total of 9,706 persons, which is 5% fewer than in 2002 (in 2002, 10,177 persons used the service of long-term nursing care).

In 2003, the insured spent a total of 255,128 days in long-term nursing care. This is 7% more than in 2002. The average treatment length was extended accordingly from 21 days in 2002 to 25 days in 2003.

The average cost of inpatient treatment case in 2003 was EEK 6,685, which is 57% or EEK 2,413 more expensive than in 2002.

Dental care service benefits

Dental care service benefits divide as follows:

- dental care non-monetary benefits
- dental care monetary benefits

Dental care non-monetary benefits

Pursuant to the Health Insurance Act entered into force as of 1 October 2002, the Health Insurance Fund assumes the payment obligation for dental care services only for persons under 19 years of age and in case of adult emergency dental care.

Table 20. Dental care budget implementation in 2003

Dental care (thousand EEK)	2003 budget	2003 actual	2003 actual/ 2003 budget %
Child dental care	115,985	130,539	113%
Orthodontics	27,715	19,781	71%
Dental condition prevention	18,205	12,512	69%
Adult emergency dental care		4,973	
Total	**161,905**	**167,805**	**104%**

In 2003, the Health Insurance Fund paid EEK 167 million 806 thousand for the dental care services to the insured under 19 years of age, including adult emergency dental care, which constitutes 104% of the dental care services budget planned for 2003. This amount includes the EEK 4 million 973 thousand paid for adult emergency dental care (tooth extraction, opening of abscesses).

In the summer of 2003, EEK 11 million 432 thousand from the dental care monetary benefits budget was allocated to the dental care services budget in order to improve the availability of services, and EEK 1 million 627 thousand to cover the capital spending.

Table 21. Expenditure on dental care services provided to persons under 19 years of age in 2003 compared to 2002

Treatment service type		2002	2003
Orthodontics	amount (EEK)	18,312,905	19,780,966
	persons treated	53,098	41,514
	cost per 1 person (EEK)	345	476
Prevention	amount (EEK)	9,918,136	12,512,499
	persons treated	107,058	103,894
	cost per 1 person (EEK)	93	120
Dental care	amount	89,313,919	130,538,534
	persons treated	234,413	253,004
	cost per 1 person (EEK)	381	516
Total	**amount (EEK)**	**117,544,960**	**162,831,999**
	persons treated	394,569	398,412
	cost per 1 person (EEK)	298	409

Dental care services monetary benefits

In 2003, the Health Insurance Fund paid a total of EEK 65 million 354 thousand for monetary dental care benefits.

As of 1 January 2003 the Health Insurance Fund compensates dental care services to the insured in one year to the following extent:

- to a person of at least 19 years of age in the amount of EEK 150;
- to the pregnant – EEK 450;
- to persons with enlarged need for dental care – EEK 300;
- to mothers of children under 1 year of age – EEK 300;
- the dentures benefit for insured persons of at lest 63 years of age – EEK 2,000 within 3 years.

Table 22. The implementation of dental care services benefits budget in 2003

dental care services benefits (thousand EEK)	2003 planned number of cases	2003 a planned average cost	2003 budget	2003 actual number of cases	2003 actual average cost	2003 actual	2003 actual/ 2003 budget %
Denture benefit	47,320	2,000	94,640	23,992	1,645	39,464	42%
Dental care benefit	592,484	150	88,873	161,917	160	25,890	29%
Total	**639,804**	**2,150**	**183,513**	**185,909**	**1,805**	**65,354**	**36%**

The 2003 dental care budget provided for the monetary benefits for the first time. It was expected that 65% of the entitled persons would apply for this benefit.

On the basis of actual data, the dental care benefit was applied for by 17% and the denture benefit by 10% of the entitled persons.

The small number of applications may be attributed to the poor level of awareness about the new monetary benefit. In the first half-year of 2003 the Health Insurance Fund conducted a related survey. The survey revealed that only 43% of the insured were aware of the dental care benefit.

Dental care benefit applicants were :

- persons of at least 19 years of age – 94%,
- pregnant persons – 4%,
- persons with enlarged need for dental care, incl. Mothers of children under 1 year of age – 2%.

2. Health promotion expenses

The aim of health promotion is to shape the behaviour and life style of people who value and encourage good health and to purposefully develop a wholesome environment supportive of good health.
Of the 86 projects subject to financing in 2003, 84 projects or 98% were carried out. Of the EEK 14 million planned for health promotion, EEK 13 million 800 thousand were used accordingly (99%).

Table 23. Health promotion expenses implementation in 2003

Health promotion field (thousands EEK)	2002 actual	2003 budget	2003 actual	2003 actual/ 2003 budget %
Cardio-vascular disease prevention	1,893	1,588	1,588	100%
Prevention of home and leisure time injuries and intoxication	2,178	2,567	2,474	96%
Malignant tumour prevention	1,283	1,700	1,700	100%
Mental problems prevention	2,193	1,848	1,844	100%
Infectious diseases, incl. STD prevention	1,161	1,531	1,430	93%
Projects focusing on various priority areas	4,511	4,766	4764	100%
Total	**13,218**	**14,000**	**13,800**	**99%**

More than 67,000 people participated at the training courses, sports and other events planned for the public in the framework of the 2003 health promotion projects. Individual counselling has been provided to more than 11,100 children and adults. Seminars involved the training of more than 1,200 health care professionals and 2,100 teachers. Additional training has been provided to 3,200 other inclusive group members (social workers, leaders, working groups). 10 posters, 16 information bulletins, 14 flyers, and 14 brochures and 8 books have been issued. The total circulation of the publications was more than 273,000 copies. The public has been informed by 95 health-related radio programmes and 31 TV programmes/ clips. The financial verification (20% of the financed projects) and substantive assessment (10% of the financed projects) as well as the analysis of the effectiveness of the 2003 health promotion will be carried out in 2004.

3. Expenditure on medicinal products benefits

Medicinal products

The total amount of the medicinal products compensated for to the insured in 2003 was EEK 685 million 059 thousand, that is 90% of the budget. Compared to 2002, the expenses decreased by 6,3% or EEK 46 million 300 thousand. The underspending of medicinal products expenditure was caused by the following circumstances:

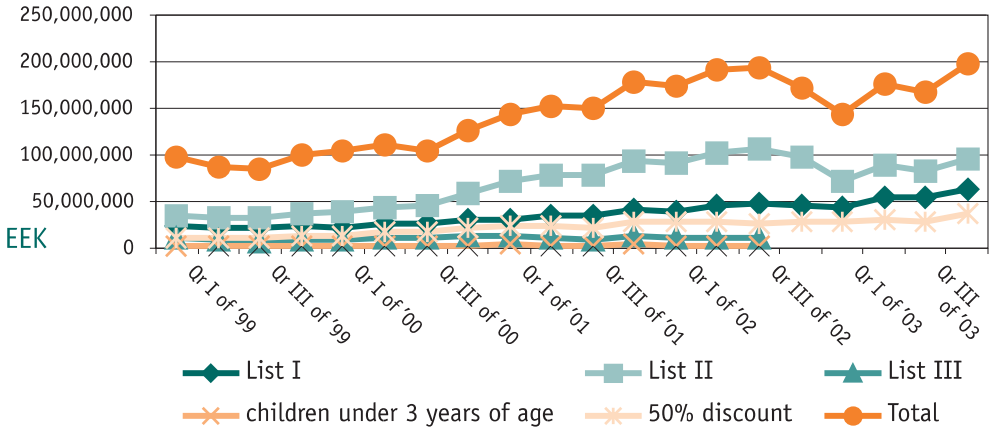
- the entry into force of the expenditure management measures pursuant to the new Health Insurance Act (the "positive" list of medicinal products, reference prices, partial decline of discount rates, etc.) caused the so-called primary shock, as the result of which the expenditure on medicinal products fell at the beginning of the year more than was expected.
- the entry into force of reference prices at the beginning of 2003 brought about a greater than expected fall of medicinal products prices.

Amounts by the quarters of the prices of medicinal products compensated to the insured:

quarter I –	EEK 142,991 thousand,
quarter II –	EEK 177,059 thousand,
quarter III –	EEK 167,117 thousand,
quarter IV –	EEK 197,892 thousand.

Compared to the previous years, the sales of medicinal products in 2003 deviated from the regular seasonal pattern. This was caused by extensive reforms. The reforms launched the significant expenditure management measures: the positive list of medicinal products subject to discount, adjustment of discount rates, conclusion of price agreements, active ingredient based prescriptions, reduction of cost-plus pricing of medicinal products, implementation of reference prices. As of 1 January 2003 the reference prices had the greatest impact on the compensation of medicinal products. As the result of all these measures the expenditure on medicinal products fell dramatically in January and February (compared to the same period in 2002). The expenditure on medicinal products in March 2003 was comparable to the same in March 2002. The decrease of expenditure caused by seasonal patterns set in only in June. In the earlier years the use of medicinal products has decreased for seasonal reasons already in April or May. At the end of the year the expenditure on medicinal products returned to its regular pattern.

Figure 5. Expenditure of the Health Insurance Fund on medicinal products subject to discount by the quarters in the years 1999 to 2003



In 2003, both the number of prescriptions and the average prescription cost decreased. However, the decline in the number of prescriptions was minimal (2002 – 4.05 million prescriptions; 2003 – 4 million prescriptions) but remarkable, if the general upward tendency of last years is taken into account. The fall of the total number of prescriptions was due to the very small number of them in January and February. It was partially caused by the preceding purchasing panic at the end of 2002 but also the rapid carrying out of reforms and modest explanatory campaign among the physicians. The experience of other countries shows that the increase of self-participation in the purchasing of medicinal products brings about the general fall in the use of medicines.

In 2003, a prescription cost about EEK 171.2 for the Health Insurance Fund. This is 5.2% less than in 2002. The drop in the average prescription cost is caused by the combination of two factors: reference prices and partial changing of the 90% discount rate to that of 75%. Compared to 2002, the highest increase has been in the average cost of the prescription of medicinal products compensated for 100 % – 21.8% or EEK 120.84. The main reason behind this rise was the fact that reference prices influenced the price ratio of the medicinal products compensated for 100% just barely, the conclusion of price agreements has dragged out and new expensive medicinal products have been added to the corresponding list.

In the course of the year (October 2002 to October 2003) the part paid out of the consumers' pocket for the medicinal products subject to discount has grown from 28% to 34,5%. Consequently, the part paid by the Health Insurance Fund has decreased from 72% to 65,5%. At the beginning of 2003, people were using more medicines which were more expensive than the reference prices and therefore paid for the difference of the actual prices and reference prices of medicinal products. After a couple of months it appeared that the use of medicines below the reference prices had enlivened and thus the self-participation of consumers had fallen.

Figure 6. The average prescription cost paid for by the Health insurance Fund by the quarters in the years 1999 to 2003

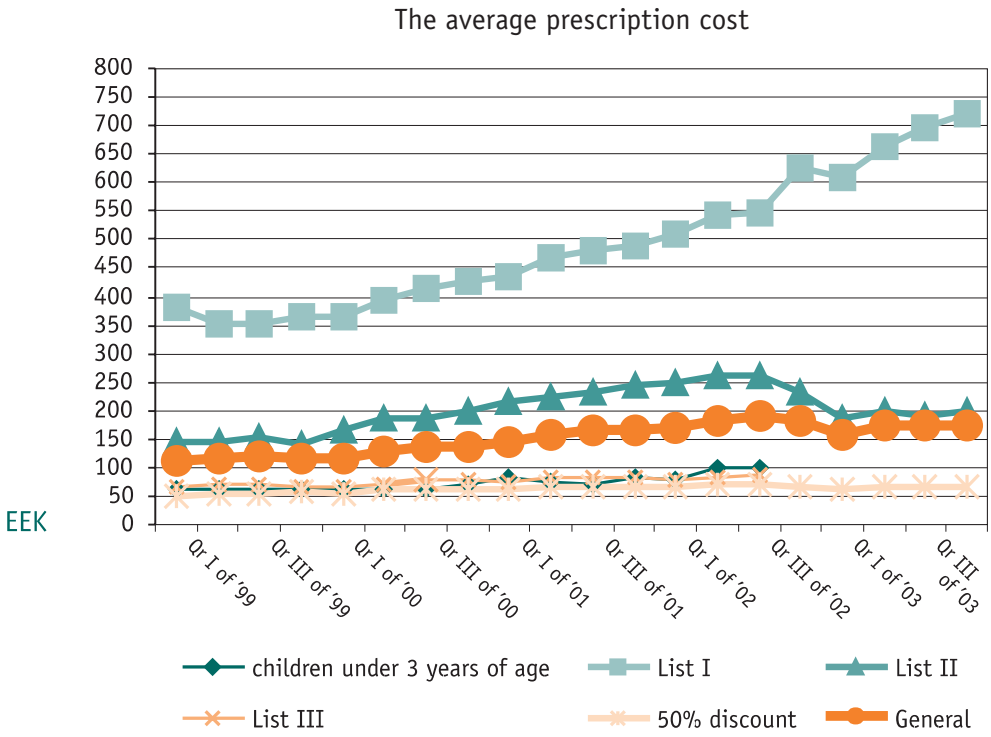


Figure 7. The number of prescriptions paid for by the Health Insurance Fund by the quarters in the years 1999 to 2003

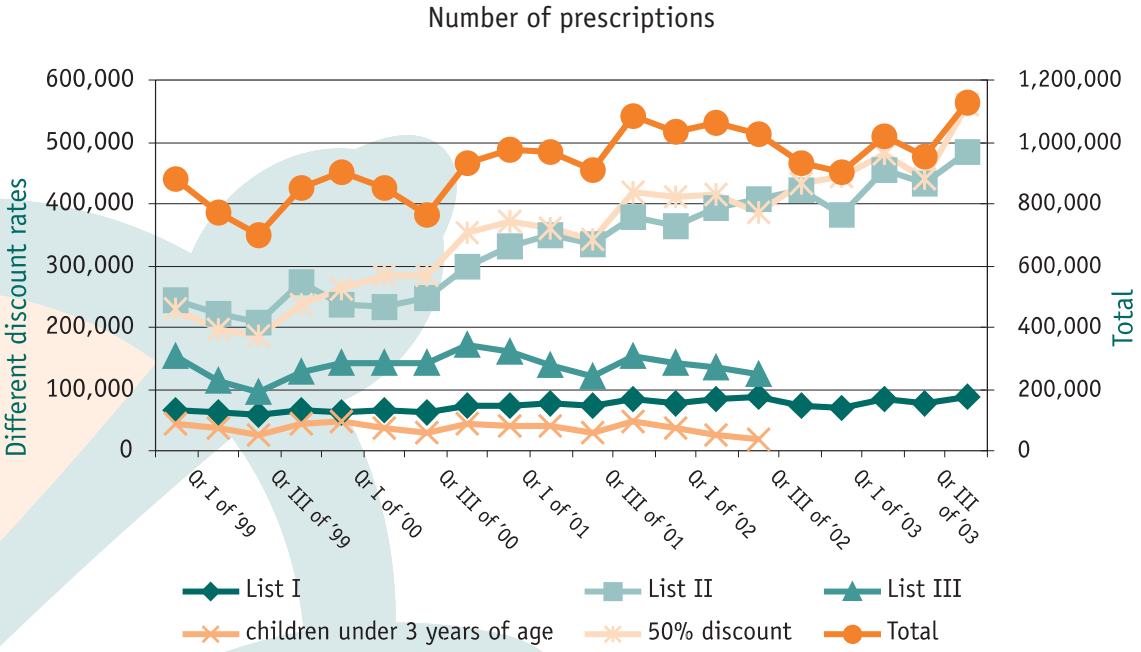
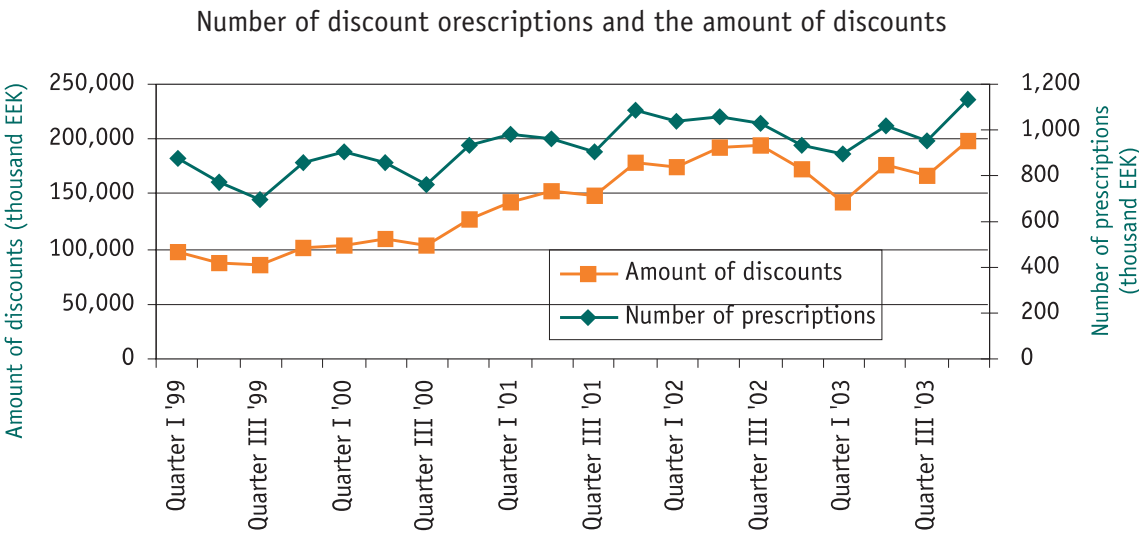


Figure 8. The number of prescriptions subject to discount and discount amounts paid by the Health Insurance Fund by the quarters of the years 1999 to 2003



As an exception, the Health Insurance Fund compensated for the medicinal products to 446 people in the amount of EEK 5 million 187 thousand in 2003.

As of 1 January 2003, a new medicinal products benefit entered into force – supplementary medicinal products benefit. This is a monetary benefit and its payment is supplementary to the previous benefits paid for by the Health Insurance Fund if a person has spent more than EEK 6,000 for medicinal products within a year. In 2003 the Health Insurance Fund paid supplementary medicinal products benefit to 532 people in the amount of EEK 2 million 122 thousand.

4. Expenditure on benefits for temporary incapacity for work

In the 2003 budget, EEK 877 million 200 thousand were planned for the benefits for temporary incapacity for work. The actual expenditure in 2003 exceeded the planned amount by 5 % or EEK 46 million 728 thousand.

Table 24. Expenditure on benefits for temporary incapacity for work in 2003

Expenditure on benefits for temporary incapacity for work (thousand EEK)	2002 actual	2003 budget	2003 actual	2003 actual/ 2003 budget %
Sickness benefits	529,829	536,500	604,217	113%
Care allowances	82,229	76,700	91,877	120%
Maternal benefits	182,022	240,400	204,727	85%
Benefits for accidents at work	25,177	23,600	23,108	98%
Total	**819,257**	**877,200**	**923,929**	**105%**

Compared to 2002, the 2003 expenditure on benefits for temporary incaparity for work has grown by 13%. Sickness benefits expenditure has increased the most compared to 2002.

The general growth in the expenditure on the benefits for incapacity for work was caused by:

- the growth of days of incapacity for work by 5%, which in turn is brought about by the 1% increase of the number of working insured persons, the increase of instances of (virus)illnesses and amendments to legislation;
- the 8% growth of the cost of the first benefit day, which was brought about by the 12% increase of gross salaries in 2002.

Amendments to the Health Insurance Act entered into force in 2003 had their impact on the growth of the expenditure on the benefits for incapacity for work:

- the benefit rate for inpatient health care provision and nursing of a hospitalised child under 12 years of age was raised from 60% to 80%;
- the change in the principles of calculating the average income of a calendar day. As of 1 April the calculation of benefits for incapacity for work is based on the income calculated or paid to a person and taxed with the social tax for the entire past calendar year. In the previous years the calculation of benefits was based on the remuneration data of 6 calendar months presented by the employer.
- The income a person received from the membership of a management or supervisory organ of a legal person and the provision of services on the basis of the Law of obligations Act was added to the incomes taken as the basis for calculating the benefits for incapacity for work.

Table 25. Comparison of 2003 incapacity for work days to the data of 2002

Benefits for incapacity for work	Days of incapacity for work compensated in 2002	Days of incapacity for work compensated in 2003	Change
Sickness benefits	4,503,983	4,732,748	5%
Care allowances	557,545	585,269	5%
Maternity benefits	1,177,729	1,252,850	6%
Benefits for accidents at work	171,850	146,411	-15%
Total	**6,411,107**	**6,717,278**	**5%**

Table 26. Comparison of the 2003 cost of 1-day benefit (in EEK) to the 2002 data

Benefits for incapacity for work	Cost of 1-day benefit in 2002	Cost of 1-day benefit in 2003	Change
Sickness benefits	118	128	8%
Care allowances	148	157	6%
Maternity benefits	155	163	5%
Benefits for accidents at work	147	158	7%
Total	**128**	**138**	**8%**

Sickness benefits

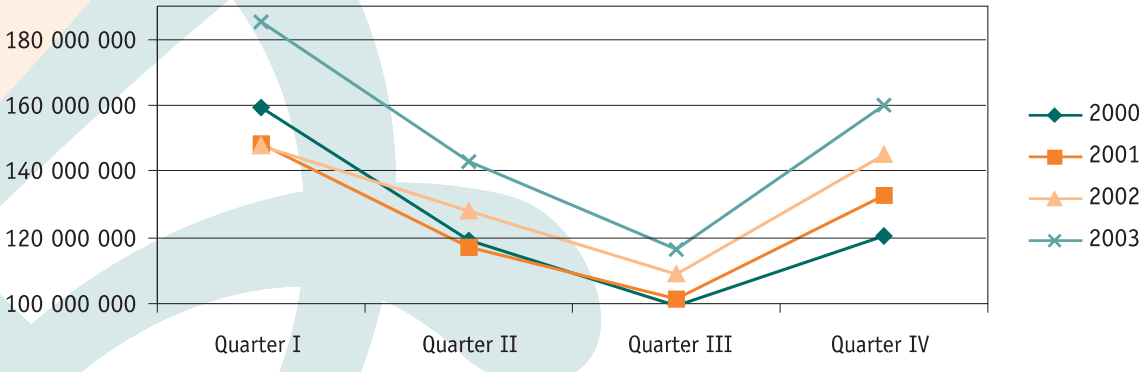
The expenditure on sickness benefits has grown 14% in 2003 compared to 2002. The reason for this rise is the 5% increase in the number of days of incapacity for work and the 8% increase in the average cost of a 1-day benefit.

Arising from the amendments of legislation, a significant influence on the increase of expenditure on sickness benefits was the 20% rise in the incapacity for work benefit rate, which accompanies the provision of inpatient health care service, as compared to the previous years.

The expenditure on sickness benefits is seasonal by nature. In its essence this means smaller number of sickness cases during the summer months, which brings about the decrease of sickness benefits expenditure.

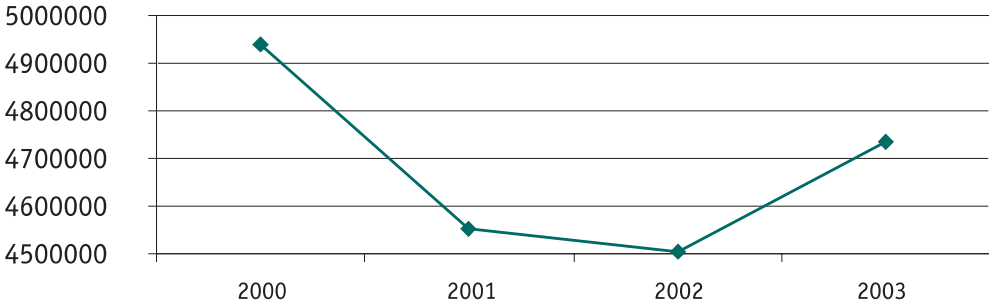
The decrease of the expenditure on the benefits of temporary incapacity for work in quarters II to III is reflected in the following figure.

Figure 9. Expenditure on sickness benefits by years



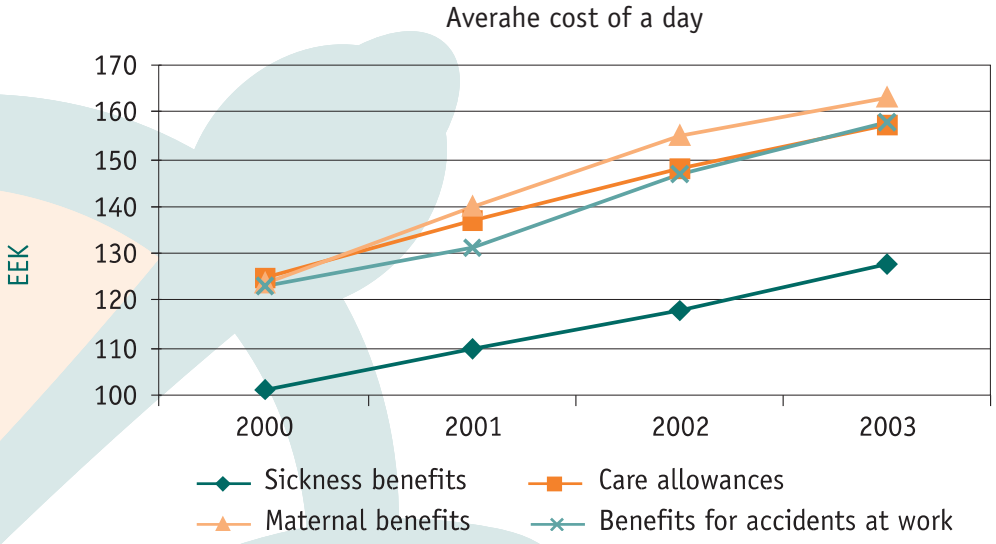
In the years 2000 to 2002 the number of sickness benefit days decreased. One of the reasons behind this was the drop of the number of the working insured persons and a smaller number of sickness cases related to release form work. In 2003, the number of working insured persons increased by 1% and also the number of sickness cases, which in turn reflects in the rise of the number of days of incapacity for work.

Figure 10. The number of days of incapacity for work covered by sickness benefits by years



The average 1-day benefit cost has been steadily going up in the preceding years (an average of 8% a year). This was primarily caused by the growth of average salaries and amendments to legislation.

Figure 11. The average cost of a day of incapacity for work by years



Care allowances

The expenditure on care allowances has gone up 12% in 2003 in comparison with 2002.

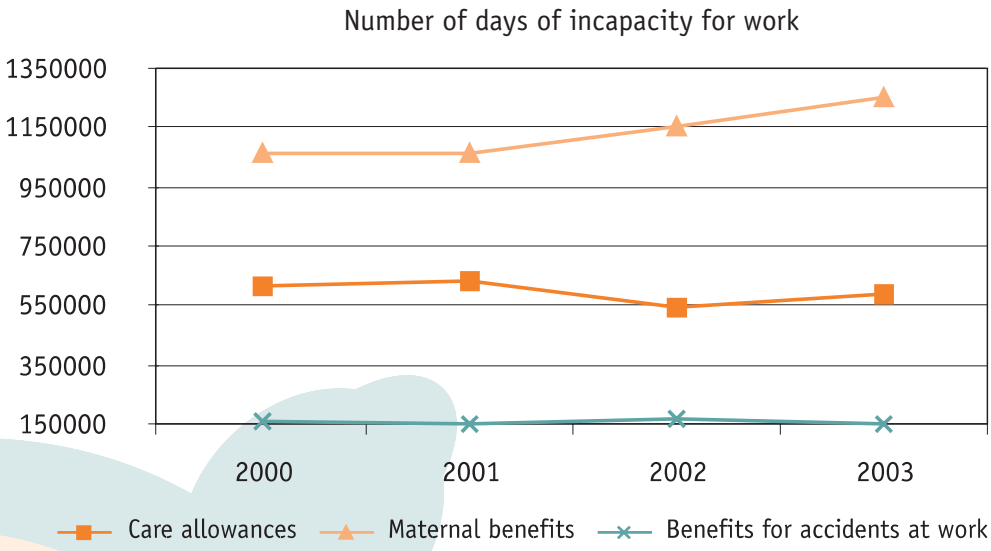
The increase in the expenditure for care allowances reflects the 5% rise of the number of days of incapacity for work and the 6% rise of the average 1-day benefit cost.

The expenditure on care allowances is also being raised by the gradual increase of the number of persons receiving care allowances arising from the growth of the number of births since 1998.

In 2000, the rate of birth in Estonia increased by 7% compared to 1998. Children born within this period fell into the group of 3 to 5-year-olds in 2003.

The number of persons who received care allowances in 2003 has grown by 5% in 2003 compared to 2002. In 2003 the number of children in need on care also grew due to the periodical growth of the number of (virus)illness cases.

Figure 12. Days of incapacity for work in relation with care-giving, accidents at work and maternity benefits by years



Changes in the number of days of incapacity for work reflected in the figure are partly due to the changes in the demographic indicators of the society, the changes in the number of illness cases and amendments to legislation in the payment of the benefits for incapacity for work.

Maternity benefits

The expenditure on maternity benefits has grown by 12% in 2003 compared to 2002.

The increase of the expenditure on maternity benefits was brought about by the 6% increase of the number of days of incapacity for work related to maternity benefits and the 5% increase of the average 1-day benefit cost.

The increase of the number of days of incapacity for work related to maternity benefits was influenced by the Health Insurance Act entered into force on 1 October 2002, pursuant to which the period of maternal benefit was extended from 126 days to 140 days and as an exception, to 154 days.

According to the health insurance principles the health insurance benefits are paid only to the women who are employed. In 2003 the share of working women among those who have given birth has grown but more slowly than in the years 2002 and 2001.

Table 27. Comparison of data concerning persons who received the maternity benefit

	2001	2002	2003	2003/ 2002 %
Women who have given birth	12,157	12,597	12,719	101%
Women who have received the maternity benefit	8,527	9,211	9,361	102%
Ratio of persons who have received the maternity benefit to those who have given birth (%)	**70%**	**73%**	**74%**	

Benefits for accidents at work

The expenditure on the benefits for accidents at work has fallen by 8% in 2003 compared to 2002.

One reason for the decrease of the expenditure on the benefits related to accidents at work is the 12% decrease of the number of persons who received the certificate of incapacity for work as the result of a work accident and the 15% decrease of the number of days of incapacity for work. One reason behind the decrease of the days of incapacity for work is an amendment to legislation enacted as of 1 July 2003, according to which the accidents which happen on the way to work are no longer considered to be work related accidents.

5. Other expenditure on health insurance benefits

Expenditure on health care services arising from international agreements

Estonia has concluded agreements in the sphere of social security (incl. health insurance) with Lithuania, Latvia and Finland. An agreement for the provision of medical care only has been concluded with Sweden. Under the agreements, the insured from these countries receive emergency medical care upon their stay in Estonia, financed out of the funds of the Estonian Health Insurance Fund.

In 2003, the Estonian health care institutions were paid for emergency medical care provided to the insured of the countries covered by international agreements a total amount of EEK 1 million 420 thousand – EEK 696 thousand for the emergency care provided to the Finnish citizens, EEK 319 thousand to Swedish citizens, EEK 288 thousand to Latvian citizens and EEK 117 thousand to Lithuanian citizens.

Medical device benefits

Table 28. Medical device benefit budget implementation in 2003

Medical device benefits (thousand EEK)	2002 actual	2003 budget	2003 actual	2003 actual/ 2003 budget %
First early prostheses and orthoses	5,976	6,200	6,201	100%
Diabetes test strips	5,134	6,000	6,139	102%
Stoma maintenance devices	4,409	5,000	5,904	118%
Other medical devices	485	1000	425	43%
Total	**16,004**	**18,200**	**18,669**	**103%**

In 2003, the Health Insurance Fund compensated for the medical devices in the amount of EEK 18 million 669 thousand (103% of the amount planned for the year).

The overspending of the budget of medical device benefits can mainly be attributed to the larger expenditure on stoma maintenance devices. While in 2002 the Health Insurance Fund compensated the stoma maintenance devices to 700 insured persons, then due to the improved availability of the devices and better awareness of the insured the number of the users of stoma maintenance devices went up to 1,110 insured persons in 2003. This is as much as 140% of the expected users of the device for 2003.

Another item of larger cost are the diabetes test strips of the glycometers used by the diabetics. Here too the increase of the expenditure was caused by the rise of the number of people suffering from diabetes. While in 2002 and in the first half-year of 2003 the number of test strip users was around 3,500, then by the end of 2003 the number had gone up to 3,960 insured persons.

The Health Insurance Fund used the funds planned for other devices to compensate for pressure garments of burn patients, medical contact lenses, breathing device rental and aerochambers for the inhalators used by children suffering from asthma. The underspending of the budget of other medical devices (43% of the amount planned for the year) is caused by fewer cases of the use of medical contact lenses and aerochambers than expected.

First early prostheses and orthoses were compensated to EEK 6 million 201 thousand to a total of 739 insured persons, early prostheses to 269 and post trauma or surgery orthoses to 470 insured persons, 147 of whom were children. In 2002 prostheses and orthoses were compensated to a total of 670 insured persons.

II Health Insurance Fund operating costs

In 2003, the Health Insurance Fund health insurance benefit administration operating costs were EEK 86 million 625 thousand. The operating costs budget is implemented to the extent of 97%.

6. Personnel and administration costs

Table 29. Personnel and administration costs budget implementation in 2003

Personnel costs (thousand EEK)	2001 actual	2002 actual	2003 budget	2003 actual	2003 actual/ 2003 budget %
Total remuneration	25,872	32,058	35,193	32,940	94%
Basic remuneration	24,389	26,066	28,358	27,159	96%
Performance-related remuneration	0	4,159	4,900	4,059	83%
Management Board basic and performance-related remuneration	1,483	1,829	1,930	1,719	89%
Supervisory Board remuneration	0	3	5	3	60%
Unemployment insurance premium	0	158	176	149	85%
Social tax	8,614	10,580	11,614	10,871	94%
Total	**34,486**	**42,796**	**46,983**	**43,960**	**94%**

Remuneration constitutes 94% of the annual budget. The underspending can be attributed to lower performance-related remuneration and the tax calculated thereupon, and the reduction in work force due to the joining of regional departments.

Performance-related remuneration was planned for according to the maximum limit values, but the performance management procedure specifies performance-related remuneration criteria which tie the performance-related remuneration directly to the actual performance.

In 2003, the approved staff decreased by 42 positions and the actual number of employees by 51 persons. As of 1 January 2004 the Health Insurance Fund has 256.5 approved positions, of which 12.5 remain unfilled.

A structural change was made in 2003. This diminished the number of regional departments of the Health Insurance Fund from seven to four (Harju, Tartu, Pärnu, Viru). The change was called for by the need to raise the quality of the analysis of health insurance benefits, planning and management, and improve the competences of the staff and the effectiveness of organisational processes.

Table 30 shows that by the end of 2003. the resources necessary for executing the processes of Health Insurance Fund have diminished by 42 persons. The decrease mainly arises from the change in the resource requirements for such functions as the processing of the requirements for health insurance benefits (–19), monitoring of health insurance benefits (–8) and communication with partners (–4). The reason for the aforementioned change is the automatic processing of medical bills and the introduction of technical monitoring. The resource requirement for the administration of treatment services agreements (–5) and processes of internal management (–8) have likewise gone down. The reason for this is the introduction of the complex business software, the standardisation of the process and the joining of the departments.

However, the resource requirement for the health insurance actuarial administration has grown (5), which is caused by the fulfilment of tasks arising from amendments to legislation (e. g. processing of the dental care monetary benefits, issuing of medical devices certificates, etc.)

Another process requiring a larger resource is the development of health care benefits. This contains the development of services price list, the development of treatment instructions, preparation for the accession to the EU, development of DRG prices, etc. The development of the health insurance benefits supports the fulfilment of the strategic goal of the Health Insurance Fund, which is to raise the quality of health care services.

Table 30. Resource requirement for the Health Insurance Fund processes/ functions in the years 2003 and 2004

Work process and its resource requirement	2002 (end)	2003 (end)	Change 2004-2003 (human labour years)
Health insurance actuarial administration	37	42	5
Communication with partners and insured persons	43	39	-4
Internal and external communication arrangement	4	4	0
Analysis of health insurance benefits	8	9	1
Planning of health insurance benefits	3	4	1
Administration of treatment services agreements	12	7	-5
Total processing of health insurance benefits	62	43	-19
Processing of medicinal products subject to discount	10	3	-7
Processing of treatment services	15	6	-9
Processing of incapacity for work benefits	24	23	-1
Processing of monetary benefits	10	10	0
Processing of other treatment services benefits	3	1	-2
Monitoring of health insurance benefits	49	41	-8
Development of health insurance benefits	6	11	5
Personnel administration and development	2	2	0
IT development arrangement	3	4	1
Ensuring of technological availability	12	8	-4
Internal management tasks	15	7	-8
Arrangement of economic activities	22	16	-6
General management	16	15	-1
Internal audit	4	4	0
Total resource requirement	**298**	**256**	**-42**

Below are some examples of the volume of public services performed by the Estonian Health Insurance Fund

(piece)	2002	2003	2003/2002 %
Medical bills processed	6,512,890	6,112,820	94%
Discount prescriptions processed	4,118,000	4,026,790	98%
Certificates of incapacity for work processed	444,364	479,989	108%
Treatment records checked	5,966	14,186	238%
Agreement annexes administered	1,321	1,320	100%

7. Management costs

Management costs divide into office expenditure, equipment purchase costs, rooms maintenance costs, travel expenses, vehicle maintenance costs and other expenditure.

Table 31. Management costs budget implementation in 2003

Management costs (thousand EEK)	2001 actual	2002 actual	2003 budget	2003 actual	2003 actual/ 2003 budget %
Management costs	5,057	3,604	4,677	3,626	78%
Office expenses	4,451	5,980	8,094	7,614	94%
Rooms maintenance costs	2,614	1413	978	1,458	149%
Equipment	1,743	1,872	2,157	1,846	86%
Vehicle maintenance costs	191	280	992	461	46%
Travel	341	898	641	700	109%
Total	**14,397**	**14,047**	**17,539**	**15,705**	**90%**

The management costs of EEK 15 million 750 thousand constitute 94% of the annual budget. The implementation of the budget differs by expenditure items. Funds were underspent as to the travel and office expenses, and vehicle maintenance costs.

The Health Insurance Fund structural change in the autumn of 2003 – the transition from seven to four departments – brought about the diminishing of some costs, which is the reason for the underspending of the budget.

Office expenses – EEK 3 million 626 thousand – include stationery, postage and communications expenses and newspaper and publication costs. Postage and communications expenses are underspent.

Rooms maintenance costs were EEK 7 million 614 thousand. Compared to the 2002 implementation the expenses have risen because the rental costs have increased.

EEK 1 million 458 thousand were spent on **equipment**. This includes furniture, technical office equipment and the maintenance and repairs thereof. The implementation of the budget is at the same level as that of 2002, but the 2003 budget is overspent by 49%.

EEK 1 million 846 thousand were spend on **vehicle maintenance**. The expenses remained at the same level as implemented in 2002.

Travel costs were EEK 461 thousand. These include the reimbursement of expenses related to business trips, and also compensating for the use of private cars. Travel costs were twice as high as those of 2002, but did not reach the planned amount, constituting 46% of the corresponding budget. The reason for underspending is lower expenditure in relation to the accession to the EU.

Other expenses in the amount of EEK 700 thousand constitute 109% of the budget. These include personnel recruitment expenses, treatment and heath care costs and other outsourced services (incl. translation services), representation and fringe benefit costs.

8. Information technology costs

Table 32. Information technology budget implementation in 2003

Information technology (thousand EEK)	2002 actual	2003 budget	2003 actual	2003 actual/ 2003 budget %
Personal hardware and software	921	1,357	1,776	131%
Information systems development	4,163	4,600	3,596	78%
Information systems maintenance	9,008	6,357	6,688	105%
Other IT expenses	469	1,081	368	34%
Total	**14,561**	**13,395**	**12,428**	**93%**

Information technology expenses were EEK 12 million 428 thousand and the budget was implemented to the extent of 93%. The main reason for the underspending of the information systems development budget was the slowness of finding a partner for the development of SAP governance and business solutions software. As the result of this, the development was less extensive than planned.

The main development activities of 2003 were the following:

- The continuous powerful development of e-services related to the insured. Due to this work the insured persons and the employers can view and amend their data via X-Road, electronic secure channels of the banks and the Citizen Portal. Data communication with most partners (Tax Board, Social Insurance Board) is executed via the R-Road.
- The e-environment for the partners was completed. This allows the health care institutions to load medical bills directly into the Health Insurance Fund information system and make the process more effective and less resource-consuming.
- The fundamental reorganisation of the infrastructure was completed. This makes the administration simpler and cheaper and ensures central monitoring of the infrastructure.
- The preparation for the transition to the system of case-related payment for medical services (DRG) was initiated.

9. Health insurance benefits disbursement related expenditure

The health insurance benefits disbursement related expenditure is the cost of mailing the income tax slips certifying the taxation of benefits for incapacity for work disbursed to the insured. Due to the amendment to legislation the Health Insurance Fund no longer has the obligation of sending the income tax slips to the insured and therefore has no health insurance benefits disbursement related expenditure.

10. Development costs

Table 33. Development costs budget implementation in 2003

Development costs (thousand EEK)	2001 actual	2002 actual	2003 budget	2003 actual	2003 actual/ 2003 budget %
Training	1,030	1,668	2,000	1,748	87%
Consultations	554	797	2,407	1,355	56%
Business consultations	554	341	1,907	1,022	54%
Legal consultations		456	500	333	67%
Total	**1,584**	**2,465**	**4,407**	**3,103**	**70%**

The development costs expenditure – EEK 3 million 103 thousand – constitutes 70% of the budget. All expenditure items of 2003 were underspent.

Training costs constitute 87% of the annual development budget. The underspending of the budget was influenced by the assessment of competencies and postponing of training programmes related to the implementation of IT development programmes until 2004.

The training courses carried out in 2003 were based on the fields supporting the achievement of strategic goals – the development of the health insurance benefits analysis and planning system, the raising of awareness of the insured of their rights and obligations, automation of works processes. The following are some examples of training courses carried out:

- training courses for the raising of the qualification of medical advisers and specialist doctors, with a view of achieving better control over the justification granting health insurance benefits;
- training courses related to the raising of the servicing quality and knowledge of relevant legislation for customer service assistants;
- training courses related to the accession to the EU for the central and departmental staff.

Business consultation expenses are related to the outsourcing of consultation services (mostly committees, expert assessments, advisory body and working groups). The 2003 development budget entailed several projects which were not implemented in full capacity.

The budget of price list was drafted for 250 expert analyses of various requests. According to the regulation of the Government of the Republic, expert opinions have to be ordered for the processing of new services and price changes. In 2003, 129 requests were received. Because many of these were granted as exceptions in connection with the increase in capital spending and ratio of the physicians' salary, there was no need to outsource as many expert opinions as was planned.

The budget of DRG prices contained the fee to the Classification Centres of Scandinavian countries for the use of the DRG logic, the help of a foreign expert for DRG price formation and the use of experts of various specialities. As the consultation services of foreign experts were not used, the budget remained underspent.

The professional societies could not prepare as many treatment instructions as was planned for 2003. The Health Insurance Fund pays for the development of treatment instructions to the professional societies.

Table 34. Business consultation budget lines and implementation in 2003

Business consultation (thousand EEK)	2002 actual	2003 budget	2003 actual
Price list	55	810	492
Health services DRG prices	0	455	195
Treatment instructions	0	460	137
Medicinal products reference prices	20		0
List of medicinal products subject to discounts	33	80	68
Treatment service		48	48
Other	233	54	82
Total	**341**	**1,907**	**1,022**

The expenditure planned under **legal consultations** is related to the deafting of new legislation, agreements and lists of doscount medicines (drafts, expert opinions) The legal consultation funds are undespent, comprising 67% of the budget.

11. Financial expenditure

Table 35. Financial expenditure budget implementation in 2003

Financial expenditure (thousand EEK)	2001 actual	2002 actual	2003 budget	2003 actual	2003 actual/ 2003 budget %
Bank service charge	537	435	160	495	309%
National treasury maintenance costs		50	72	77	107%
Other financial expenditure		29	12	29	242%
Total	**537**	**514**	**244**	**601**	**246%**

Financial expenditure (bank service charge, legal reserve maintenance cost and other financial costs) budget is overspent by EEK 357 thousand.

Bank service charge constituted EEK 495 thousand in 2003, and is three times higher than planned. The reason is the increase of bank transfer charges.

Other financial expenditure mainly consists of the realised currency rates loss.

12. Other operating costs

Table 36. Other operating costs budget implementation in 2003

Other operating costs (thousand EEK)	2001 actual	2002 actual	2003 budget	2003 actual	2003 actual/ 2003 budget %
Pre-printed forms and publications	7,443	476	1,800	1,057	59%
Supervision	454	527	1,743	1,066	61%
Public relations / provision of information		1,185	1,000	752	75%
Other expenditure	4,019	5,099	921	7,953	864%
Total	**11,916**	**7,287**	**5,464**	**10,828**	**198%**

Other operating costs in the amount of EEK 10 million 828 thousand constitute 198 % of the budget. Out of the other operating costs, EEK 1 million 800 thousand was planned for the 2003 health insurance pre-printed forms and publications. The budget remained underspent, because due to an amendment to legislation the certificates of incapacity for work were no longer printed. According to the new system, the doctors do not print certificates for incapacity for work on special forms. The new form of prescriptions allowed the Health Insurance Fund to effect a considerably less costly agreement for their printing in 2003. The cost of printing is nearly two times cheaper than that of the old agreement.

As to the supervision expenses, the 2003 expenditure consisted of the financial audit, internal audit, the health insurance clinical audits and information technology audit. The information technology audit was not carried out in 2003 and in the internal audit only one project was completed – the assessment of risks of the Estonian Health Insurance Fund.

The expenditure of health insurance audit also provided for funds to be used for promotion projects audits, but auditors were not found and the funds remained intact. Performance-related audits were successfully completed.

Table 37. Supervision expenses distribution in 2003

Supervision (thousand EEK)	2003 budget	2003 actual
Internal audit	320	89
Information technology	60	0
Health insurance	1,043	586
Financial audit	320	391
Total	**1,743**	**1,066**

Public relations and provision of information expenses include flyers informing about the health insurance, the Estonian Health Insurance Newsletter and other information sheets, informing about the Health Insurance Act and its implementation and organisation of information days. Expenditure for a new design for the Health Insurance Fund web site was planned, but this project was postponed until 2004.

Other expenses. The overspending was caused by the claims deemed irrecoverable or declared as unlikely to be recovered reordered under other operating costs, in the amounts of EEK 2 million 863 thousand and 4 million 370 thousand, respectively. Proceeding from the conservative principle, the Health Insurance Fund declares claims older than a year as unlikely to be recovered. The irrevocable claims are written off the balance sheet.

13. Legal reserve

The legal reserve formation is governed by § 38 of the Estonian Health Insurance Fund Act as follows:

- The legal reserve of the Health Insurance Fund means the reserve formed of the budget funds of the Health Insurance Fund for the reduction of the risk which macro-economic changes may cause to the health insurance system.
- The legal reserve shall amount to 8% of the budget. Each year, at least one-fiftieth of the total budget of the Health Insurance Fund and revenue from the social tax revenue prescribed for the payment of health insurance benefits which is higher than prescribed in the state budget shall be transferred to the legal reserve, until the amount of the legal reserve provided by this Act is reached or restored.
- The legal reserve may only be used as an exception by an order of the Government of the Republic on the proposal of the Minister of Social Affairs. Prior to submitting a proposal to the Government of the Republic, the Minister of Social Affairs shall hear the opinion of the Supervisory Board of the Health Insurance Fund.

The amount transferred to the legal reserve shall be specified with the decision of the Supervisory Board after the approval of the audited annual report.

As of 31 December 2003 the amount of the Health Insurance Fund legal reserve is EEK 415 million 407 thousand.

The amount of legal reserve for 2004 provided by law is EEK 493 million 363 thousand (8% of the 2004 budget). The 2003 net surplus distribution proposal by the Management Board provides the transfer of the EEK 33 million 695 thousand planned in the 2003 budget and the health insurance share of the excessively collected social tax in the amount of EEK 44 million 261 thousand to the legal reserve. The total amount transferred to the legal reserve on the proposal of the Management Board in 2003 is EEK 44 million 956 thousand.

Figure 13. Estonian Health Insurance Fund legal reserve in the years 2001 to 2003 (thousand EEK)

14. Risk reserve

The risk reserve formation is governed by § 39¹ of the Estonian Health Insurance Fund Act as follows:

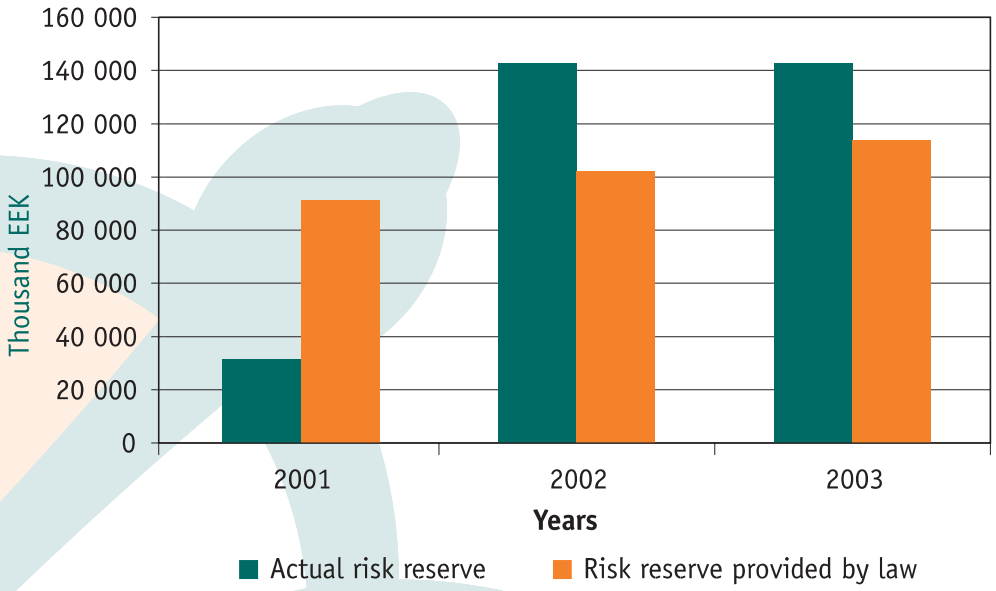
- The risk reserve of the Health Insurance Fund is the reserve formed from the budgetary funds of the Health Insurance Fund in order to minimise the risks arising for the health insurance system from the obligations assumed.
- The size of the risk reserve shall be 2% of the health insurance budget of the Health Insurance Fund.
- The funds of the risk reserve may be used upon a decision of the Supervisory Board of the Health Insurance Fund.

The Health Insurance Fund has the obligation to establish a risk reserve as of 1 October 2002 with regard to the entry into force of the new Health Insurance Act. The said act amended the Estonian Health Insurance Act by adding § 39¹ to it.

The amount transferred to the risk reserve shall be specified with the decision of the Supervisory Board after the approval of the audited annual report.

As of 31 December 2003 the amount of the Estonian Health Insurance Risk reserve was EEK 142 million 834 thousand.

Figure 14. Estonian Health Insurance risk reserves in the years 2001 to 2003 (thousand EEK)



Annual accounts 2003

Statement by the Management Board

The Management Board declares its responsibility for the accuracy of the Estonian Health Insurance Fund's annual accounts for 2003 as set out on pages 65 to 83 and confirms, to the best of its knowledge, that:

- The accounting principles used in preparing the annual accounts are in compliance with the generally accepted accounting principles;
- The annual accounts present a true and fair view of the financial situation and the revenue and expenditure of the Estonian Health Insurance Fund;
- All relevant circumstances, which have occurred before the completion of the report, i.e., 31.03.2003, have been duly recognised and reflected in the annual accounts;
- The Estonian Health Insurance Fund is a going concern.

		Date	Signature
Chairman of the Management Board	**Hannes Danilov**	.....	.....
Member of the Management Board	**Arvi Vask**	.....	.....
Member of the Management Board	**Andres Rannamäe**	.....	.....
Member of the Management Board	**Rein Parelo**	.....	.....

Balance sheet

EEK	Balance sheet 31.12.2002	Balance sheet 31.12.2003	Note
ASSETS			
Current assets			
Cash and bank accounts	309,026,470	212,300,600	2
Shares and other securities	327,975,972	753,997,276	3
Customer receivables			
Accounts receivable	14,546,593	7,847,431	
Allowance for doubtful receivables	- 4,839,180	- 4,358,753	
Total	**9,707,413**	**3,488,678**	
Other receivables			
Other short-term receivables	36,325,153	34,114,253	4
Accrued income			
Interest receivable	10,985,207	357,369	
Other accrued income	82,955,228	90,538,859	
Total	**93,940,435**	**90,896,228**	**5**
Prepaid expenses			
Other prepaid expenses	490,399	858,910	
Inventories			
Goods for resale	445,955	153,602	6
Total current assets	**777,911,797**	**1,095,809,548**	
Fixed assets			
Long-term financial assets			
Other shares and securities	180,000	180,000	3
Miscellaneous long-term receivables	156,018,399	212,830,395	3;9
Total	**156,198,399**	**213,010,395**	
Tangible fixed assets			
Land and buildings (at cost)	3,106,240	3,178,768	
Machinery and equipment (at cost)	7,971,250	8,474,822	
Other inventories (at cost)	18,277,871	16,123,017	
Accumulated depreciation	- 20,675,400	- 21,073,112	
Total	**8,679,961**	**6,703,495**	**8**
Intangible fixed assets			
Purchased licences	3,201,853	1,896,948	
Total fixed assets	**168,080,213**	**221,610,838**	
TOTAL ASSETS	**945,992,010**	**1,317,420,386**	

Balance sheet

EEK	Balance sheet 31.12.2002	Balance sheet 31.12.2003	Note
LIABILITIES AND EQUITY CAPITAL			
Liabilities			
Current liabilities			
Debts			
Unsecured debt obligations	1,623,893	1,772,225	10
Supplier payables			
Accounts payable for medical care services	252,237,724	317,867,387	
Accounts payable for medicinal products subject to discount	65,919,973	50,626,212	
Supplier payables for health insurance benefits	31,569,659	39,598,933	
Other supplier payables	2,436,917	2,081,276	
Total	**352,164,273**	**410,173,807**	
Taxes payable	21,539,752	24,429,271	7
Accrued expenses			
Employee-related liabilities	4,857,058	5,728,728	
Other accrued expenses	170,988	29,983	
Total	**5,028,046**	**6,021,711**	
Short-term provisions	405,757	64,443	14
Total current liabilities	**380,761,722**	**442,461,457**	
Long-term liabilities	**3,674,761**	**2,085,284**	10
Other debts	3,674,761	2,085,284	
Total liabilities	**384,436,483**	**444,546,741**	
Equity capital			
Reserve			
Reserves	189,810,061	561,555,528	
Net surplus/deficit			
Net surplus/deficit for previous periods	3,315,300	-	
Net surplus/deficit for financial year	368,430,167	311,318,117	
Total equity capital	**561,555,528**	**872,873,645**	
TOTAL LIABILITIES AND EQUITY CAPITAL	**945,992,010**	**1,317,420,386**	

Statement of revenue and expenditure

	2002	2003	Note
Revenue from the health insurance part of social tax and claims collected from other persons	5,074,934,231	5,646,042,950	11
Revenue from grant financing	244,242	432,042	14
Expenditure on health insurance	-4,647,939,687	-5,292,194,090	12
Gross surplus/deficit	**427,238,786**	**354,280,901**	
General administration expenses	-75,153,204	-75,195,385	13
Grant financed operating expenses	-244,242	-432,042	14
Other operating revenue	3,738,500	18,562,438	
Other operating expenses	-7,286,963	-10,827,869	
Operating surplus/deficit	**348,292,877**	**286,388,043**	
Financial revenue	20,651,426	25,531,079	
Financial expenses	-514,136	-601,005	
Net deficit/surplus for financial year	368,430,167	311,318,117	

Cash flow statement

	2002	2003
Cash flow from operating activities		
Social tax received	5,028,908,106	5,621,542,667
Payments to suppliers	- 4,602,092,838	-5,266,730,858
Personnel expenses paid	- 28,721,038	-32,043,420
Taxes paid on personnel expenses	- 10,646,364	-11,104,025
Other revenue received	27,253,464	68,348,307
Other expenses paid	- 347,826	-44,108
Total cash from operating activities	**414,353,503**	**379,968,562**
Cash flow from investing activities		
Purchase of fixed assets	- 5,973,634	-852,247
Proceeds from disposals of foxed assets	369,595	15,543
Proceeds form disposals of short-term financial assets	787,078,106	1,598,848,301
Purchase of short term financial assets	- 1,023,346,416	-2,016,720,691
Proceeds from long-term financial assets		309 226 737
Purchase of long-term financial assets	- 132,338,231	-367,212,075
Total cash flow from investing activities	**- 374,210,580**	**- 476,694,432**
Total cash flow	**40,142,923**	**-96,725,870**
Cash and cash equivalents at the beginning of period	268,883,547	309,026,470
Change in cash and cash equivalents	40,142,923	- 96,725,870
Cash and cash equivalents at the end of period	309,026,470	212,300,600
incl. short-term deposits	291,000,000	180,000,000

Statement of changes in equity

	2002	2003
Legal reserve		
Legal reserve at the beginning of the year	**0**	**189,810,061**
Formation	189,810,061	371,745,467
Reserves at the end of the year	**189,810,061**	**561,555,528**
Net surplus-deficit		
At the beginning of the year	**193,329,476**	**371,745,467**
Transfer of apartment ownership (Põlva) to the Ministry of Social Affairs for no consideration	- 204,115	0
Payment to form legal reserve	- 189,810,061	- 371,745,467
Net surplus/deficit for financial year	368,430,167	311,318,117
At the end of the year	**371,745,467**	**311,318,117**
Equity at the beginning of the year	193,329,476	561,555,528
Equity at the end of the year	561,555,528	872,873,645

Notes to the Annual Accounts

Note 1. Accounting methods and assessment criteria used for preparing the annual accounts

General principles

The annual accounts of the EHIF have been drawn up in accordance with the Accounting Act of Estonia and the generally accepted accounting principles based on internationally recognised accounting and reporting policies.

The financial year began on January 1, 2003 and ended on December 31, 2003. The figures in the annual accounts have been given in Estonian kroons.

Economic transactions are recorded at actual value according to the historical cost principle at the time of effecting. Financial statements are prepared on the basis of the accrual method.

Layouts used for reporting purposes

The balance sheet layout specified in the Accounting Act is used for the purpose of drawing up the annual accounts. For the purpose of the revenue and expenditure account, layout no. 2 of the profit and loss account set out in the Accounting Act is used with the structure of its entries adjusted to accommodate the specific features of the activities of the EHIF.

Foreign exchange accounts

Transactions in foreign currency are recorded in Estonian kroons on the basis of the exchange rate published by the Bank of Estonia applicable on the transaction day. Assets and liabilities established in foreign currency are re-valued on the basis of the exchange rate valid on the balance sheet date and the currency translation reserve is shown in the revenue and expenditure account.

Revenue and expenditure accounts

Revenue and expenditure have been recorded in accordance with the accrual method. Interest income is recorded as accrued and dividends are recorded when the entitlement to dividends is established.

Financial investment accounts

Short-term financial investments relate to securities, which have been acquired for the purpose of subsequent resale during the financial year following the balance sheet date or which have a redemption time limit of one year or less, calculated from the balance sheet date.

Accounts for securities acquired for short-term holding

Securities and bonds acquired for short-term holding are recorded on the balance sheet proceeding from their just value. The assessment of the just value is based on the market value of the financial investment of the day of drawing up the balance sheet. In the cases where reliable assessment of the just value is not possible, the short-term financial investments are assessed on the balance sheet at their adjusted acquisition cost.

Long-term financial investment accounts

Long-term financial investments are recorded on the balance sheet according to the just value method. Profits and losses arising from the changes in value are recorded in the statement of the revenue and expenditure for the financial year.

Receivable and loan accounts

Receivables and granted loans are assessed individually and reflected on the balance sheet on conservative basis in view of the amounts collectible. Receivables and granted loans, which are uncollectible, are expensed for the period and shown on the balance sheet with a minus.

Receivables and loans, which do not justify any recovery measures for practical or economical reasons, are deemed irrecoverable and written off.

Stock accounts

Stocks are recognised at acquisition cost and expensed using the FIFO method. The stocks are appraised on the balance sheet on the basis of either their acquisition cost or the net realisable value, whichever is the lower.

Tangible fixed asset accounts

Tangible fixed assets are assets having an expected useful life of more than one year and an acquisition cost of more than 10,000 EEK. Assets, which have a shorter expected useful life and a smaller acquisition cost, are expensed at the time of acquisition.

Tangible fixed assets are recognised at their acquisition cost and depreciated on a straight-line basis in accordance with their expected useful life. Land is not subject to depreciation. The following depreciation time limits (in years) are applied:

- buildings 10 to 20
- inventories 2 to 4
- cars and other vehicles 3 to 5
- equipment 3 to 5
- intangible fixed assets 2 to 4

Intangible fixed assets

Intangible fixed assets are identifiable non-monetary assets, which have no physical substance, have an expected useful life of more than one year, are used for own activities and have an acquisition cost of more than EEK 10,000.

Intangible fixed assets are recognised at their acquisition cost and depreciated on a straight-line basis in accordance with their expected useful life within 3 to 5 years.

Expenditure on tangible and intangible assets incurred after acquisition are, as a rule, expensed for the period. Additional expenditure are added to the cost of intangible fixed assets, if it is likely that this expenditure allows the asset to generate more economic benefits in the future than expected and if this expenditure can be reliably assessed and related to the asset.

Operating and financial lease accounts

A lease is deemed to be financial lease, if all the main risks and benefits related to the ownership of the assets are transferred to the lessee. In the opposite case the lease is deemed to be an operating lease. The classification of a lease under financial or operating lease depends on the substance of the transaction, not the legal form of the contract. Building leases are recorded as operating lease. In the case of operating lease the leased asset is not recorded in the accounts of the business.

Risk reserve

The risk reserve of the EHIF budget is a reserve governed by § 39¹ of the Estonian Health Insurance Fund Act as follows:

- The risk reserve of the Health Insurance Fund is the reserve formed from the budgetary funds of the Health Insurance Fund in order to minimise the risks arising for the health insurance system from the obligations assumed.
- The size of the risk reserve shall be 2% of the health insurance budget of the Health Insurance Fund.
- The funds of the risk reserve may be used upon a decision of the supervisory board of the Health Insurance Fund.

The health insurance fund has the obligation to establish a risk reserve as of 1 October 2002 with regard to the entry into force of the new Health Insurance Act. The said Act amended the Estonian Health Insurance Act by adding § 39¹ to it.

The amount transferred to the risk reserve shall be specified with the decision of the supervisory board after the approval of the audited annual report.

Legal reserve

The legal reserve formation is governed by § 38 of the Estonian Health Insurance Fund Act as follows:

- The legal reserve of the health insurance fund means the reserve formed of the budget funds of the health insurance fund for the reduction of the risk which macro-economic changes may cause to the health insurance system.
- The legal reserve shall amount to 8% of the budget. Each year, at least one-fiftieth of the total budget of the health insurance fund and revenue from the social tax revenue prescribed for the payment of health insurance benefits which is higher than prescribed in the state budget shall be transferred to the legal reserve, until the amount of the legal reserve provided by this Act is reached or restored.
- The legal reserve may only be used as an exception by an order of the Government of the Republic on the proposal of the Minister of Social Affairs. Prior to submitting a proposal to the Government of the Republic, the Minister of Social Affairs shall hear the opinion of the Supervisory Board of the Health Insurance Fund.

The amount transferred to the legal reserve shall be specified with the decision of the supervisory board after the approval of the audited annual report.

Note 2. Cash and bank accounts

	31.12.2002	31.12.2003
Deposits at call	18,026,470	32,300,600
Fixed term deposits	291,000,000	180,000,000
Total cash and bank accounts	**309,026,470**	**212,300,600**
Fixed term deposits:		
due within 1 month	166,000,000	180,000,000
due within 1 to 3 months	125,000,000	
Total	**291,000,000**	**180,000,000**

Note 3. Shares and other securities

Short-term investments

Bond	Date of acquisition	Maturity date	Acquisition value (at cost)	Just value	Rate of return
Bond of the Government of Belgium	17.09.2003	15.01.2004	55,946,536,	56,284,518	2.06%
Sampo Panga KP	18.09.2003	22.01.2004	23,401,610	23,557,824	2.30%
Bond of the Republic of Finland	27.08.2003	10.02.2004	15,499,249	15,612,039	2.05%
Hansapanga KP	01.12.2003	01.03.2004	9,944,696	9,962,272	2.20%
European Investment Bank KP	30.09.2003	15.04.2004	50,474,476	50,727,267	2.08%
Bond of the Government of the Netherlands	28.11.2003	29.04.2004	62,039,450	62,164,875	2.08%
Bond of the Republic of Finland	20.11.2003	11.05.2004	61,967,164	62,108,778	2.08%
Sampo Panga KP	20.05.2003	20.05.2004	24,260,075	24,762,384	3.00%
Bond of the Government of Germany	12.09.2003	15.07.2004	39,366,489	39,596,545	2.15%
Bond of the Government of the Netherlands	12.11.2003	30.09.2004	76,658,52	76,908,532	2.29%
AB Spintab	16.06.2003	06.12.2004	46,925,369	47,260,415	2.19%
Bond of the Republic of Finland	26.08.2003	13.01.2004	46,568,664	46,916,371	2.05%
European Investment Bank KP	12.09.2003	15.04.2004	16,259,010	16,370,867	2.14%
Bond of the Government of Germany	12.09.2003	19.05.2004	42,995,816	43,276,252	2.09%
General Electric KP	19.05.2003	21.06.2004	18,796,622	18,801,302	2.34%
Bond of the Government of Germany	30.10.2003	15.07.2004	103,629,054	104,038,203	2.14%
Bond of the Government of the Netherlands	07.11.2003	30.09.2004	18,398,793	18,481,279	2.25%
Bond of the Government of Austria	25.09.2003	20.10.2004	15,842,489	15,906,105	2.17%
General Electric KP	20.01.2003	19.11.2004	21,161,619	21,261,448	2.37%
Total			**750,135,333**	**753,997,276**	

Interest as of 31.12.2003 is also reflected in the just value of the securities. The revenue and expenditure of the revaluation are reflected in the statement of revenue and expenditure.

Long-term investments

1. The Estonian Health Insurance Fund has acquired shares with the following nominal values:

	Shares of AS Viimsi Haigla (at cost)		Shares of AS Pärnu Mudaravila (at cost)	
	2002	2003	2002	2003
Balance at the beginning of year	90,000	90,000	90,000	90,000
Balance at the end of year	90,000	90,000	90,000	90,000

The Estonian Health Insurance Fund owns less than 20% of the shares of mentioned companies.

2. The Estonian Health Insurance Fund has acquired long maturity bonds as follows:

Bond	Date of acquisition	Maturity date	Acquisition value	Just value	Rate of return
Eesti Ühispanga KP	26.03.2002	01.04.2005	10,000,000	10,674,516	5.15%
Eesti Ühispanga KP	21.11.2002	01.04.2005	20,593,740	21,349,033	3.80%
Eesti Ühispanga KP	13.02.2003	01.04.2005	10, 331,870	10,674,516	3.50%
Bond of the Government of Austria	17.07.2003	20.10.2007	34,524,311	34,109,771	2.89%
Bond of the Government of Austria	30.10.2003	15.07.2006	34,127,686	34,423,501	3.01%
Bond of the Government of Italy	17.09.2003	15.09.2008	15,613,316	15,785,353	1.70%
IKB Industrial Bank of Germany KP	23.12.2003	12.11.2008	40,752,186	40,763,749	2.31%
Bond of the Government of Germany	25.06.2003	04.07.2011	17,325,524	17,001,210	3.45%
Bond of the Government of France	17.07.2003	25.04.2019	7,775,911	7,703,329	4.39%
Total			**191,044,544**	**192,484,978**	

The coupon payments of long-term investments are reflected in the just value of the securities, which also reflects the interest as of 31.12.2003.
The revenue and expenditure of the revaluation are reflected in the statement of revenue and expenditure.

3. The Estonian Health Insurance Fund has granted loans to medical care institutions, the remaining loan of the long-term part of which as of 31.12.2003 is EEK 20,345,417 (Note 9).

Note 4. Other short-term receivables

Essence	31.12.2002	31.12.2003	Note
Claim to the Russian Federation	18,585,202	17,018,111	
Claim to Tallinn Social Welfare and Health Care Department (Tallinn Diagnostic Centre)	9,541,194	9,541,194	
Short-term part of loans granted	9,600,000	6,870,483	9
Claims for reimbursement of maintenance costs	84,966	53,243	
Contractual claims against insured persons	75,456	84,807	
Allowance for doubtful receivables	- 1,561,665	-	
Treatment of the conscripts and re-vindication of medicinal products from the army units according to the agreement	0	546,415	
Total	**36,325,153**	**34,114,253**	

The social department at the Embassy of the Russian Federation shall pay the debt in accordance with the prior agreement within 15 months as of January 2004.

Note 5. Other accrued income

Interests as of 31.12.2002

1. Interest receivable from bank deposits in the amount of EEK 175.
2. Interest from deposit accounts in the amount of EEK 166,861.
3. Interest from loans granted by the Health Insurance Fund in the amount of EEK 190,333.

Other accrued income

1. Other accrued income include health insurance income from social tax paid by tax-payers for the year 2003, but not transferred by the National Treasury in the amount of EEK 90,538,859.

Note 6. Inventories

As of 31.12.2002, the Estonian Health Insurance Fund has purchased pre-printed prescription forms costing EEK 153,602.

No inventory discounts have been made in 2003.

Note 7. Taxes payable

	31.12.2002	31.12.2003
Tax	Taxes payable	Taxes payable
Income tax	18,775,485	20,969,517
Social tax	2,611,352	3,273,648
Turnover tax	0	5370
Income tax from fringe benefits	54,597	52,920
Unemployment insurance premium	78,882	83,917
Mandatory funded pension premiums	19,435	43,899
Total	**21,539,751**	**24,429,271**

The individual income tax arrears include individual income tax in the amount of EEK 19,745,366 deducted from the benefits for incapacity for work paid by the Health Insurance Fund to the insured.

The social tax arrears include social tax in the amount of EEK 528,769 calculated from the holiday pay not disbursed to the employees

Note 8. Fixed assets

Tangible fixed assets

Fixed assets group	Land and buildings	Machinery and equipment	Other inventories	Total
Acquisition cost				
31.12.2002	3,106,240	7,971,250	18,277,871	29,355,361
Purchase of fixed assets	87,265	693,662	276,640	1,057,567
Transferred free of charge/ written off	- 14,737	- 190,090	- 2,431,494	- 2,636,321
31.12.2003	3,178,768	8,474,822	16,123,017	27,776,607
Accumulated depreciation				
31.12.2002	1,858,071	6,295,902	12,521,427	20,675,400
Calculated depreciation	160,324	645,474	2,180,850	2,986,647
Fixed assets sold /written off/ transferred	- 7,480	- 154,064	- 2,427,392	- 2,588,935
31.12.2003	2,010,916	6,787,312	12,274,884	21,073,112
Residual value				
31.12.2002	1,248,169	1,675,348	5,756,444	8,679,961
31.12.2003	1,167,852	1,687,510	3,848,133	6,703,495

Intangible fixed assets

Fixed assets group	Purchased licences
Acquisition cost	
31.12.2002	7,949,651
31.12.2003	7,949,651
Accumulated depreciation	
31.12.2002	4,747,799
Calculated depreciation	1,304,904
31.12.2003	6,052,703
Residual value	
31.12.2002	3,201,852
31.12.2003	1,896,948

Note 9. Loans granted by the Estonian Health Insurance Fund

As of 31.12.2002

Health care instution	Loan balance as of 31.12.2002	incl. the short-term part of the loan	incl. the long-term part of the loan	Balance of unpaid interest as of 31.12.2002
SA Põhja-Eesti Regionaalhaigla	29,080,168	5,400,000	23,680,168	0
incl. under previous contracts				
Mustamäe Hospital	16,633,500	3,600,000	13,033,500	0
Estonian Oncological Centre	12,446 668	1,800,000	10,646,668	0
AS Ida-Tallinna Keskhaigla	4,200 000	4,200 000	0	169,901
Total	**33,280 168**	**9,600 000**	**23,680,168**	**169,901**

As of 31.12.2003

Health care institution	Loan balance as of 31.12.2003	incl. the short-term part of the loan	incl. the long-term part of the loan	Balance of unpaid interest as of 31.12.2003
SA Põhja-Eesti Regionaalhaigla	23,680,168	5,400,000	18,280,168	0
incl. under previous contracts				
Mustamäe Hospital	13,033,500	3,600,000	9,433,500	0
Estonian Oncological Centre	10,646,668	1,800,000	8,846,668	0
AS Ida-Tallinna Keskhaigla	3,535,732	1,470,483	2,065,249	190,333
Total	**27,215,900**	**6,870,483**	**20,345,417**	**190,333**

Note 10. Leased assets

Financial lease

The following table contains information on the current financial lease contracts (servers have been leased)

Type of fixed asset	Other inventories	Other inventories
Final date of the contract period	01.01.2006	15.07.2006
Average interest rate	5.35%	5.30%
Acquisition cost of assets	6,849,960	205,320
Accumulated depreciation	3,567,688	22,813
Depreciation calculated for the accounting year	1,712,490	22,813
Paid during the accounting year, incl.	1,623,893	22,572
repayments	1,623,893	22,572
Interest calculated for the accounting year	235,752	3,955
Balance of liability as of 31.12.2003, incl.	**3,674,761**	**182,748**
repayments during the next accounting year (without interest)	1,712,934	59,291

Operating lease

The revenue and expenditure account includes operating lease payments in the total amount of EEK 6,510,916, whereof EEK 566,027 were paid for the lease of means of transport and EEK 1,211,258 for the operating lease of computer equipment; EEK 4,733,631 were paid for leased rooms.

Note 11. Revenue from principal activity (thousand EEK)

EEK

Revenue from principal activity	2002	2003
Health insurance part of social tax	5,059,996,199	5,629,126,298
Claims collected from other persons	14,938,032	16,916,652
Total	**5,074,934,231**	**5,646,042,950**

Note 12. Health insurance benefits expenditure

EEK

Health insurance benefits expenditure	2002	2003
Health care services benefits	3,025,728,580	3,649,317,436
Disease prevention	42,400,166	45,547,99
General medical care	400,225,212	454,694,606
Specialised medical care	2,310,634,793	2,840,896,937
Long-term nursing care	49,006,040	75,019,050
Dental care	223,462,369	233 159 643
Health promotion expenditure	13,218,341	13,800,037
Medicinal products benefit expenditure	772 368 529	685,058,629
Medicinal products compensated for to the insured	731,359,316	685,058,629
Centrally purchased medicinal products	41,009,213	
Expenditure on the benefit for temporary incapacity for work	819,257,174	923,928,846
Other health insurance benefit expenditure	17,367,062	20,089,143
Health care services benefits arising from international agreements	1,363,593	1,419,827
Benefit for medical devices	16,003,469	18,669,316
Total expenditure on health insurance benefits	**4,647,939,686**	**5,292,194,090**

Note 13. General administrative expenditure

Thousand EEK

General administrative expenditure	2002	2003
Personnel and administrative expenditure	**42 796**	**43 960**
remuneration	32 058	32 940
incl. remuneration of the members of the Management Board	1 829	1 719
incl. remuneration of the members of the Supervisory Board	3	3
unemployment insurance premium	158	149
social tax	10 580	10 871
Management costs	14 291	15 705
Information technology costs	14 561	12 428
Health insurance benefit payment related cost	1 284	
Development costs	2 465	3 103
Total general administrative expenditure	**75 397**	**75 196**

Note 14. Grant financing in 2003

Grant financing support was received from:

1. Estonian Ministry of Social Affairs in the framework of the Estonian Health Care Project 2015	352,044
2. Participants of Pharmaeconomic Management conference	79,997

Operating costs:

Grant financing of DRG services classification application and the state project of e-medicines (EEK)	352,044
Grant financing of Pharmaeconomic Management conference (EEK)	79,997

Grant financing of operating costs is reflected according to the principle of the correspondence of revenue and expenditure. The unused grant financing residue is recorded on the balance sheet under short-term allocations in the amount of EEK 64,443.

Signatures to the Annual Report

The Management Board of the Estonian Health Insurance Fund has prepared the annual report for the financial year 2003. The annual report, which comprises the management report, notes to the implementation of the budget and the annual accounts, and to which the auditor's report and the net surplus distribution proposal are annexed, has been examined and approved by the Supervisory Board of the Estonian Health Insurance Fund.

		Date	Signature
Management Board:			
Chairman of the Management Board	**Hannes Danilov**	.....	.....
Member of the Management Board	**Arvi Vask**	.....	.....
Member of the Management Board	**Andres Rannamäe**	.....	.....
Member of the Management Board	**Rein Parelo**	.....	.....

Supervisory Board:

Chairman of the Supervisori Board	**Marko Pomerants**	.....	.....
Member of the Supervisori Board	**Taavi Veskimägi**	.....	.....
Member of the Supervisori Board	**Mai Treial**	.....	.....
Member of the Supervisori Board	**Toomas Tein**	.....	.....
Member of the Supervisori Board	**Katrin Saluvere**	.....	.....
Member of the Supervisori Board	**Endel Eero**	.....	.....
Member of the Supervisori Board	**Helve Luik**	.....	.....
Member of the Supervisori Board	**Kadi Pärnits**	.....	.....
Member of the Supervisori Board	**Ene Tomberg**	.....	.....
Member of the Supervisori Board	**Peeter Ross**	.....	.....
Member of the Supervisori Board	**Toomas Annus**	.....	.....
Member of the Supervisori Board	**Sandor Liive**	.....	.....
Member of the Supervisori Board	**Meelis Virkebau**	.....	.....
Member of the Supervisori Board	**Kaido Kotkas**	.....	.....
Member of the Supervisori Board	**Enn Veskimägi**	.....	.....