



# Sote-uudistus

## Health and social services reform

Reform of the organisation of health, social and rescue services



VALTIONEUVOSTO  
STATSRÅDET

# Establishment of wellbeing services counties and reform of the organisation of health, social and rescue services

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# Government Programme – Inclusive and Competent Finland

Finland as a sustainable economy

Carbon neutral Finland that protects biodiversity

Globally influential Finland

Safe and secure Finland built on the rule of law

Dynamic and thriving Finland

Finland built on trust and labour market equality

Fair, equal and inclusive Finland

Finland that promotes competence, education, culture and innovation

Finland to be a socially,  
ecologically and economically  
sustainable society by 2030

Health and social services reform

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- Reducing inequalities in health and wellbeing
- Safeguarding equal and quality health, social and rescue services for all
- Improving the availability and accessibility of services, especially primary services
- Ensuring the availability of skilled labour
- Responding to the challenges of changes in society
- Curbing the growth of costs
- Improving security

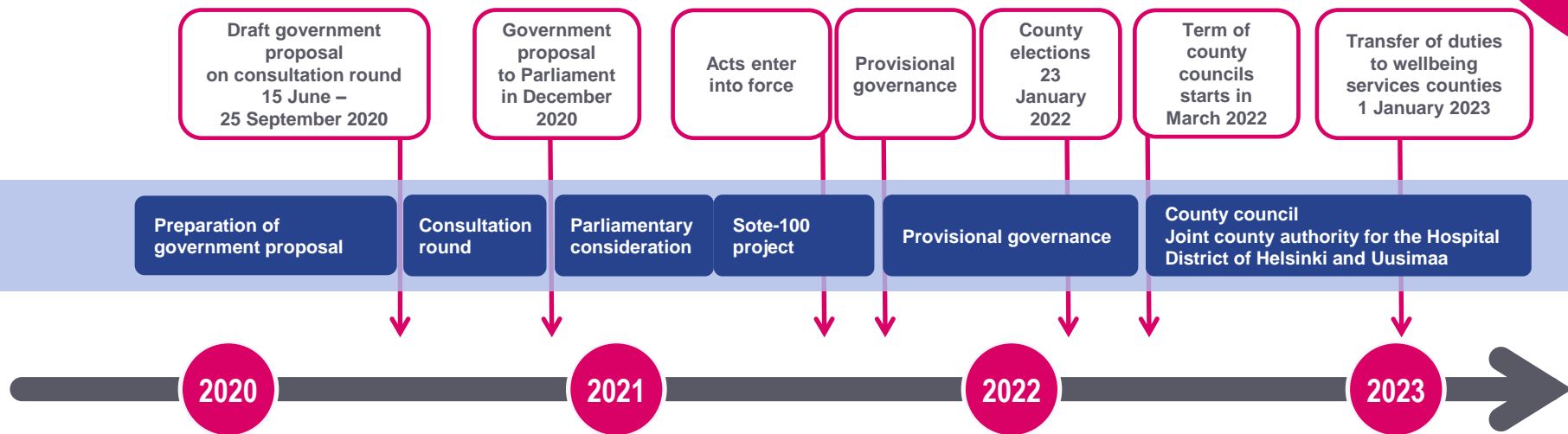


# Status of the health and social services reform

- The legislation on establishing wellbeing services counties and reforming the organisation of healthcare, social welfare and rescue services was adopted by Parliament in June 2021.
- The new 22 wellbeing service counties responsible for all healthcare, social welfare and rescue services will start in January 2023.



# Timetable for the health and social services reform 2020–2022



## Development of services

Future Health and Social Services Centres programme, development projects 2020–2022

Structural reform, development projects 2020–2021

Other development projects 2020–2022

# Vision



The aim of the rescue services reform is to improve the security and safety of people and communities and security in society.

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# Priorities of the health and social services reform



## People-centred services

Services are developed so that one contact give access to the relevant service

## Effective and integrated services



## Services equally to all



## Focus on preventive and proactive work



## Participation

Decision-making stays close to you. Services are reformed in cooperation with residents

## Better quality and effectiveness



## Curbing the growth of costs



## Wellbeing services county

## Wellbeing services counties have responsibility for services

One operator is responsible for ensuring that you receive the health, social and rescue services you need.

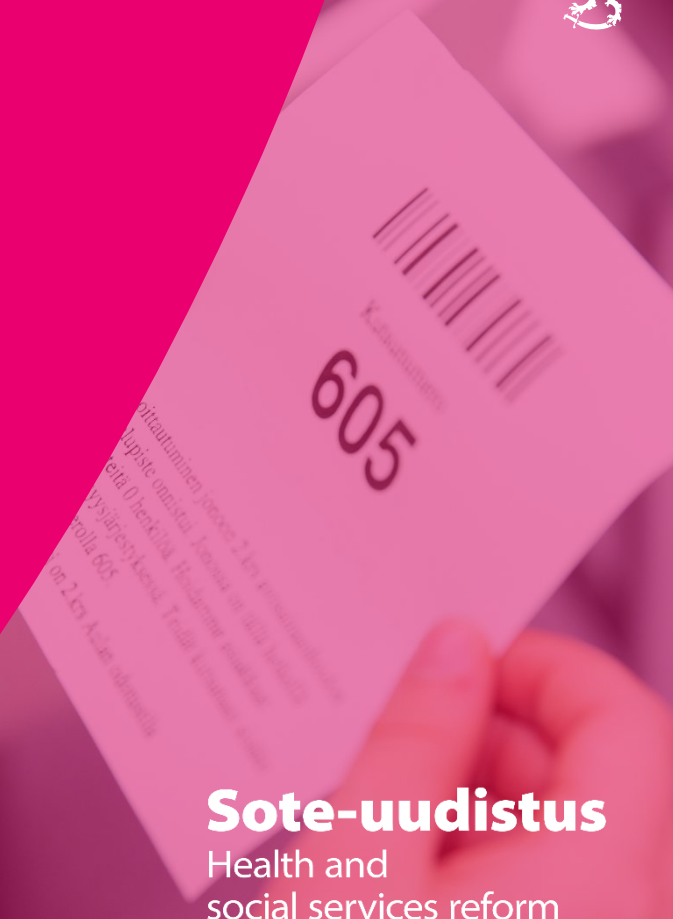
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# Why is this reform needed?



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# Well-functioning structure will safeguard services for all

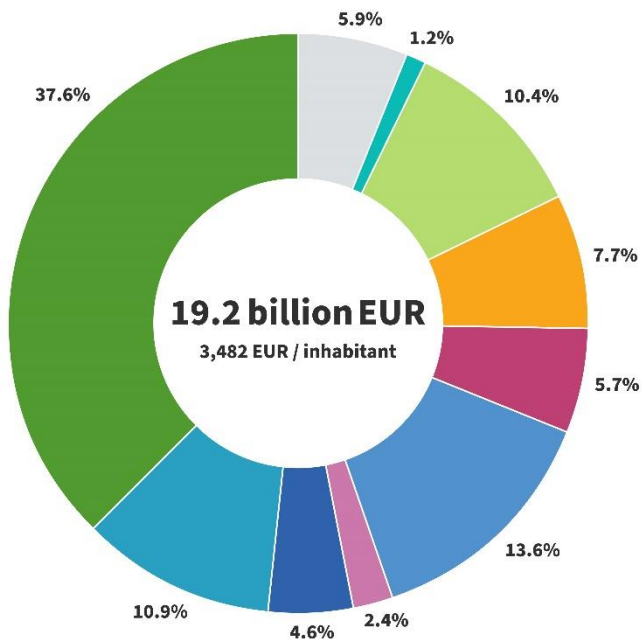
- Health, social and rescue services will be restructured to ensure the equal availability of services throughout Finland.
- Finland's population is ageing at a rapid pace and will need more services than previously. The decline in the birth rate will lead to a smaller number of working-age people and a reduction in tax revenue.
- Restructuring is necessary in order to curb the increase in costs and ensure equal health and social services for future generations.



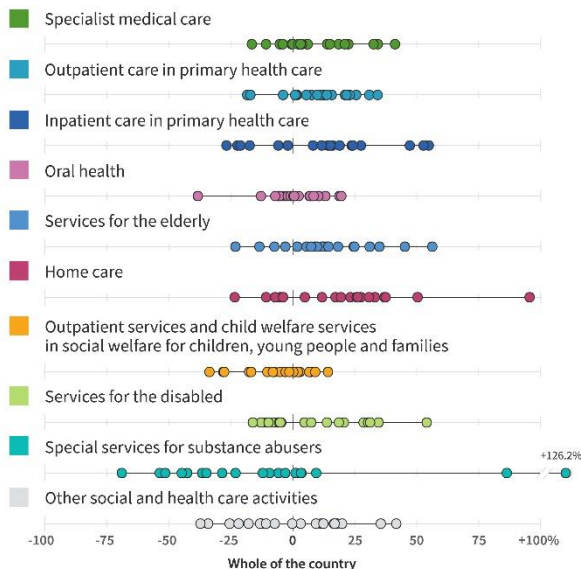
# Health and social services reform to involve integration

The health and social services reform aims to create better integration of primary and specialised healthcare and stronger primary services.

**Distribution of the net operating costs of social welfare and health care services in the whole of Finland in 2019, broken down by function**



**Difference in net operating costs per inhabitant in the regions (%) compared with the national average in 2019**



# New structure



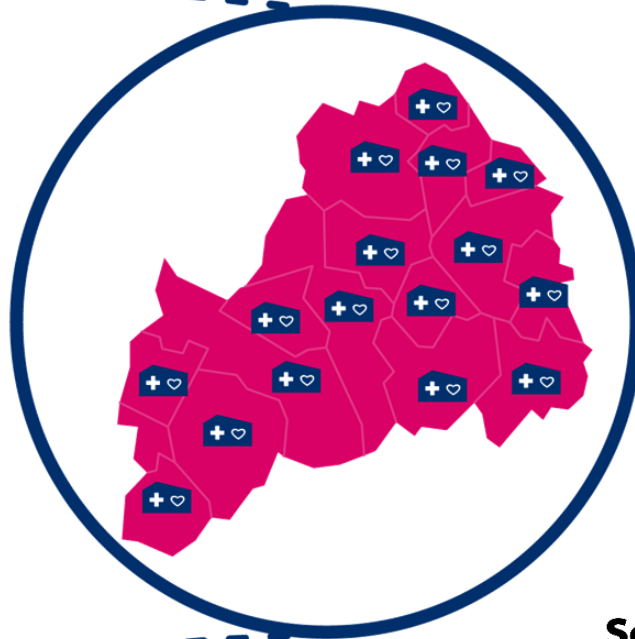
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# Health and social services county: one decision making, management and funding



## Health and social services county

- Single organiser with the responsibility for organising and providing primary and specialised services
- Having a single organiser allows operational integration and reforms
- Possibility to allocate resources evenly
- Rescue services a separate sector working in parallel with health and social services



# New wellbeing services county structure

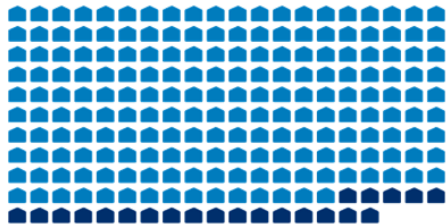
## 1 January 2023

### Structure now

195

22

195 health and social services  
organisations  
+ 22 rescue departments



### New structure

22+1

22 health, social and rescue  
services organisations  
+ Hospital District of  
Helsinki and Uusimaa



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# Division of duties under the reform, as of 1 January 2023

## State

- guidance and direction
- funding

## 22+1

health, social and rescue services organisations  
+ Hospital District of Helsinki and Uusimaa

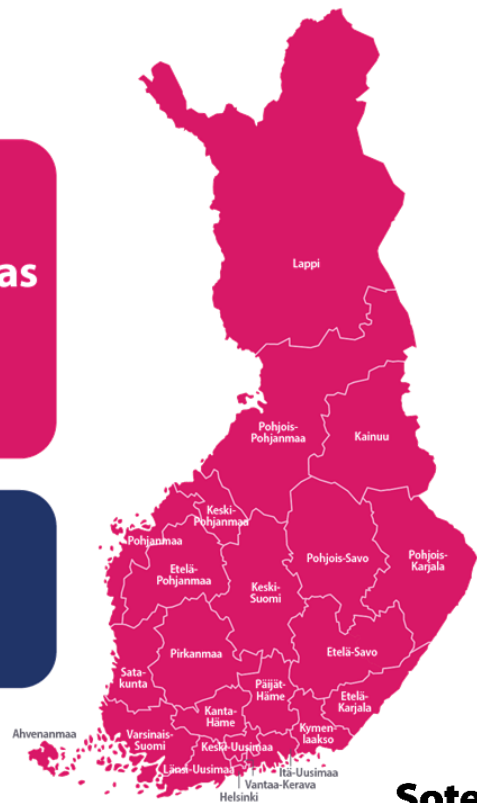
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## collaborative areas

division of responsibilities in specialised services

## Strong role for the public sector

Private and third sectors complement public services





# 22 health, social and rescue services organisations



- Wellbeing services county of South Karelia
  - Wellbeing services county of South Ostrobothnia
  - Wellbeing services county of South Savo
  - City of Helsinki
  - Wellbeing services county of East Uusimaa
  - Wellbeing services county of Kainuu
  - Wellbeing services county of Kanta-Häme
  - Wellbeing services county of Central Finland
  - Wellbeing services county of Central Ostrobothnia
  - Wellbeing services county of Central Uusimaa
  - Wellbeing services county of Kymenlaakso
  - Wellbeing services county of Lapland
  - Wellbeing services county of West Uusimaa
  - Wellbeing services county of Satakunta
  - Wellbeing services county of Pirkanmaa
  - Wellbeing services county of Ostrobothnia
  - Wellbeing services county of North Karelia
  - Wellbeing services county of North Ostrobothnia
  - Wellbeing services county of North Savo
  - Wellbeing services county of Päijät-Häme
  - Wellbeing services county of Vantaa and Kerava
  - Wellbeing services county of Southwest Finland
- The joint county authority for the Hospital District of Helsinki and Uusimaa would be responsible for organising demanding specialised medical care separately laid down by law or agreed on in an agreement on the organisation of services in the Hospital District of Helsinki and Uusimaa.
  - The name would be simply 'county' rather than 'wellbeing services county' if, for example, regional development duties were transferred to them.
  - The new structure would define the division into counties and serve as the basis for other authorities, with the exception of Uusimaa.





# Administration of the wellbeing services counties

- The task of the wellbeing services counties will be to organise health, social and rescue services.
- The wellbeing services counties will be bodies governed by public law that exercise autonomy within their own areas.
- The highest decision-making body in each wellbeing services county will be a county council elected by popular vote. The county council will decide on a more detailed organisational structure.
- The other statutory bodies will be the county executive, the audit committee, the national language board and the Saami language board.



# Administration of the wellbeing services counties

- The Act on Wellbeing Services Counties will lay down provisions on the management and auditing of the administration and finances of the wellbeing services counties and on the means of participation and influence of residents.
- The provisions will be very similar to those laid down in the Local Government Act. Exceptions will include limited competence, investment guidance, the procedure for granting budget authority for borrowing, the centre of expertise for premises and property management, and the right of audit of the National Audit Office of Finland.

# Wellbeing services counties' responsibility for organising services



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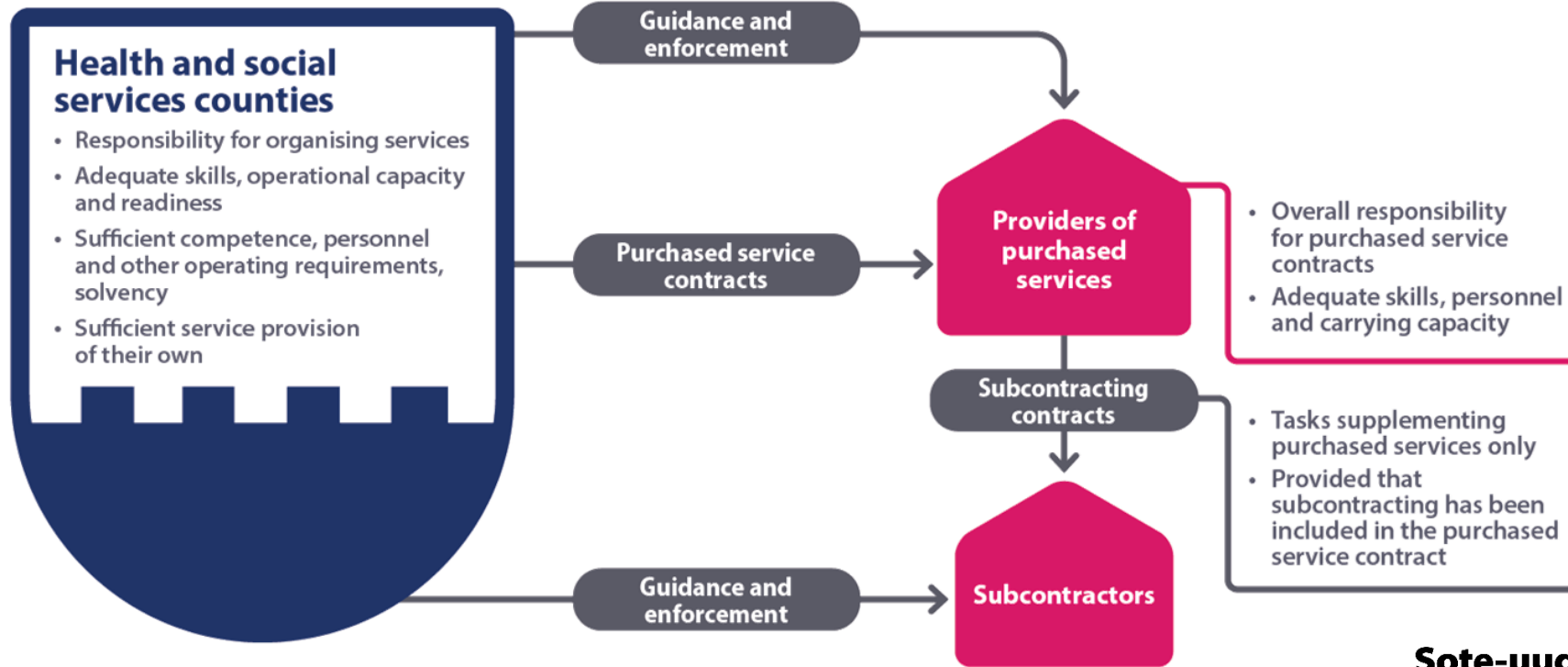
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# Basic principles

- The responsibility for organising health, social and rescue services will be transferred from municipalities and joint municipal authorities to wellbeing services counties
  - Hospital districts and special care districts (including Kårkulla) will be dismantled
  - The responsibility for organising the services of school social workers and school psychologists will be transferred to the wellbeing services counties
  - Environmental healthcare will remain the responsibility of municipalities, but those areas where the environmental healthcare duties have been or will be transferred as part of the health and social services reform can continue to perform these duties on the basis of an agreement made with the wellbeing services counties.
  - Promoting health and wellbeing will be the responsibility of both the wellbeing services counties and municipalities
- The Act on Organising Healthcare and Social Welfare Services will be applied to the wellbeing services counties along with the City of Helsinki and, in part, to the joint county authority for the Hospital District of Helsinki and Uusimaa
  - The Act on Organising Healthcare and Social Welfare Services will lay down provisions on the structure of the counties and their responsibility for organising services, while other acts will lay down provisions on the different services

# Health and social services counties and providers of purchased services



# Health and social services counties' responsibility for organising services

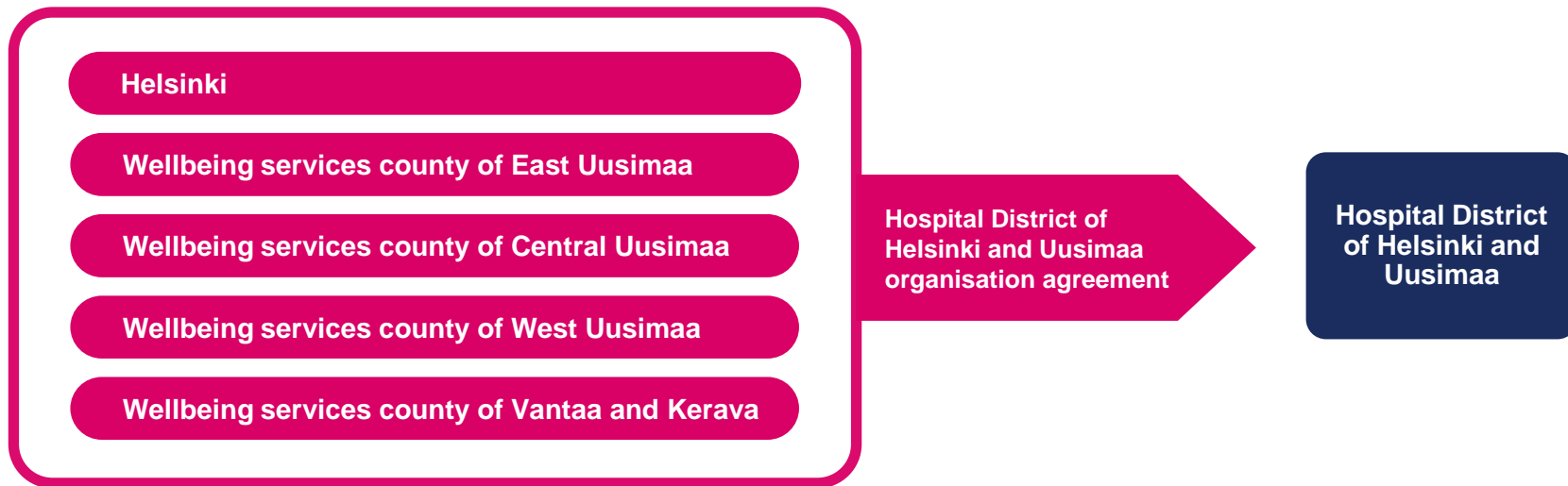
## Responsibility for organising services:

- Having responsibility for their statutory duties
- Deciding on the equal availability of health and social services, defining the need, quantity and quality of services, and determining the way services are provided
- Supervising the provision of services
- Exercising the powers assigned to them as public authorities
- Assuming responsibility also for preventive healthcare and social welfare, training and research, preparedness for incidents and emergencies, security of supply, duties related to the prevention of communicable diseases, etc.

## Health and social services counties must

- have sufficient competence, capacity and readiness to take responsible for organising health and social services and their must ensure the availability of health and social services according to their residents' service needs in all situations
- employ all the necessary health and social services professionals and other personnel
- have appropriate facilities, equipment and other necessary operating conditions
- have in place a sufficient service provision system of their own to fulfil their responsibility for organising services

# Responsibility for organising services in Uusimaa



- Primary responsibility for the provision of services with the exception of the statutory tasks of the Hospital District of Helsinki and Uusimaa

- Statutory tasks
- Tasks delegated under agreement on organising services in the Hospital District of Helsinki and Uusimaa



# Wellbeing services counties' responsibility for organising services

- The wellbeing services county will not be required to maintain overcapacity for the production of its own services.
- Wellbeing services counties will need to secure the provision of services during incidents and emergencies by drawing up preparedness plans for their own production and by collaborating with other wellbeing services counties and service providers.
- Wellbeing services counties can organise and produce services in the area of another county, provided that they cooperate with that county.
- In the Act on Organising Healthcare and Social Welfare Services, companies owned by the wellbeing services counties will be comparable to private service providers when they produce services for the counties.



# Purchased services and use of temporary agency labour



- The provision of services by multiple operators will still be possible within the limits imposed by legislation.
- Health and social services can be purchased from private service providers if this is necessary for counties to perform their tasks appropriately.
  - The content, scope and quantity of the services to be purchased must be such that the wellbeing services counties can, in all situations, fulfil their responsibility for organising services in an appropriate manner.
  - All services can be purchased from private service providers, unless specifically prohibited by law.
  - All medical or dental support services and the related expertise can be purchased from private service providers.
- Service vouchers will continue to be used. The aim is to reform the existing Service Voucher Act in due course.
- Wellbeing services counties can use temporary agency workers and employees leased from private service providers for the purpose of providing health and social services.
  - Leased personnel and temporary agency workers will be under the direct management of the wellbeing services county.
  - Temporary agency workers can be used in 24-hour emergency services to assist the counties' own health and social services professionals. A more extensive use of leased personnel or temporary agency workers will be permitted on a temporary basis or when short-handed.

# Assessment of the need for services

- When purchasing services, the wellbeing services county will always be responsible for assessing the need for social welfare services and, in principle, for assessing the need for care in specialised healthcare.
- Assessments of clients' need for services and care-related decisions can be made in the context of purchased primary healthcare services as well as specialised healthcare services.
- A physician or dentist who is leased or working as a temporary agency worker can also carry out assessments and make care-related decisions when providing 24-hour emergency services or treating patients admitted to specialised healthcare.
- A physician or dentist in a public-service or contractual employment relationship will decide on the admission of a referred patient to specialised healthcare.
  - After assessing the client's need for services and admitting the client into hospital or drawing up an initial care plan for each medical or dental specialties, the wellbeing services county can entrust a private service provider with the task of carrying out a more careful assessment of the client's need for care in the said specialty and making care-related decisions and a more detailed care plan.
  - A physician or dentist who is leased or working as a temporary agency worker can decide on the admission of patients to specialised healthcare, but the wellbeing services county can reassess this decision.

# Requirements for private service providers

- The Act on Public Procurement and Concession Contracts, which will be complemented by the Act on Organising Healthcare and Social Welfare Services, applies to the service procurement procedure.
- The requirements for private service providers will be proportionate to the content and scope of services purchased by the wellbeing services counties.
- If any deficiencies endangering client or patient safety or any requirements based on a financial standing are detected in the possible earlier activities of private service providers, they will be taken into account as far as the last three years are concerned.
- Subcontracting by private service providers:
  - The Constitution sets the framework conditions for subcontracting (further transfer of public administrative duties, i.e. subdelegation)
    - private service providers must have their own expertise and sufficient resources; they cannot rely on outsourcing alone
    - possibility to purchase services supplementing their own production from a subcontractor
    - no further subcontracting chains will be permitted.
- Provisions on criminal liability of general administrative acts will apply to private service providers and their subcontractors.
- Wellbeing services counties will supervise private service providers and their subcontractors, and private service providers will also supervise their own subcontractors.

# Invalidation and termination of contracts already awarded

- The invalidity of outsourcing contracts will apply to contracts/conditions under which:
  - the duties laid down by law, such as the exercise of public authority and 24-hour social services, cannot be outsourced
  - the responsibility for organising services is realised in such a way that it is apparent that wellbeing services counties are not in fact responsible for organising services (preparation of decisions, guidance and supervision) and that the service agreements account for a considerable share of the wellbeing services county's operating costs and the contracts for purchased services concern duties that are important in organising health and social services
- The possibility to terminate or renegotiate will apply to contracts under which:
  - matters related to the responsibility for organising services are decided illegally in a way that is not apparent or where the sufficiency of wellbeing services counties' own service provision is not ensured
  - the right to terminate a contract is restricted, in respect of the requirement for the wellbeing services counties to have a sufficient service provision system of their own, to such contracts for purchased services that concern an operationally or financially significant area of duties or extensive set of duties.
  - the principles of proportionality and equality are followed if the contract is terminated
- The contracts can be applied for three years. Wellbeing services counties can extend the term of contracts subject to termination by two years if the availability of services is at risk.
- Obligation to negotiate and obligation to declare a contract invalid or decide on its termination.
- Request for review as a matter of administrative litigation.





# Bodies for exerting influence in wellbeing services counties

- County councils will need to ensure that there are diverse and effective opportunities and methods for participation.
- The following councils will be established in wellbeing services counties:
  - youth council or a similar group to ensure opportunities for young people to participate and exert influence
  - older people's council
  - disability council
- The county executive will need to ensure the operating conditions for these councils
  - The possibility to influence the planning, preparation, implementation and monitoring of the activities of the wellbeing services county, which are or which the council deems to be relevant for the services
  - These councils must be involved in developing participation and consultation in the wellbeing services county

# Opportunities for participation and influence

- Residents and service users will have the right to participate in and influence the activities of the wellbeing services county.
- Participation and influence can be promoted by:
  - arranging discussion and consultation events and setting up resident panels
  - learning the opinions of residents and service users before making decisions
  - selecting representatives of service users to the county's decision-making bodies
  - developing services together with service users
  - organising opportunities to participate in the county's financial planning
  - supporting independent planning and preparation of matters by residents, organisations and other corporations.

# Promoting health and wellbeing

- Tasks related to the promotion of health and wellbeing in municipalities, wellbeing services counties and the joint county authority for the Hospital District of Helsinki and Uusimaa:
  - Primary responsibility for promoting health and wellbeing in their own activities.
  - Setting objectives and defining measures in strategic planning.
  - Carrying out an ex-ante impact assessment of the decisions on people's health and wellbeing by population group.
  - Designating parties responsible for promoting health and wellbeing.
  - Monitoring the living conditions, health and wellbeing of residents and the factors affecting these by area and population group.
  - Reporting annually to its council and preparing a wellbeing report and wellbeing plan once during its term.
- In the promotion of health and wellbeing, municipalities, wellbeing services counties and the joint county authority for the Hospital District of Helsinki and Uusimaa will cooperate:
  - with each other and support each other with their expertise
  - with other public entities, private companies and non-profit organisations operating in the area.
- Municipalities and wellbeing services counties will promote the viability of organisations and their opportunities to exert influence.
- Wellbeing services counties will organise annual regional negotiations on objectives, implementation and monitoring.

# Status of personnel, transfers of assets and liabilities



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# Personnel will transfer along with their duties

- Under the reform, the healthcare and social welfare personnel and rescue services personnel employed by municipalities and joint municipal authorities will be transferred along with their duties to the wellbeing services counties and joint county authorities for wellbeing services.
- School social workers and school psychologists, too, will be transferred to the wellbeing services counties and joint county authorities.
- Persons employed by municipalities in healthcare and social welfare support services will be transferred to the wellbeing services counties and joint county authorities if at least half of their duties are municipal healthcare and social welfare support tasks.
  - E.g. centralised catering, cleaning, equipment maintenance, office and administrative services, payroll, financial and human resources services, ICT services, real estate services, laboratories and imaging services

# Transferring as part of a transfer of business

- When personnel are transferred to wellbeing services counties and joint county authorities for wellbeing services and the employer changes, this will be seen under the legislative proposal as a transfer of business
- The regulation on a transfer of business also applies to cases of invalidation and termination regulation if some of the personnel have already been transferred.
- The personnel will transfer on their existing terms, retaining the rights and obligations related to the employment or public service relationship in force at the time of the transfer
- The arrangements for the reform will be prepared in cooperation with representatives of the wellbeing services counties, municipalities and municipal personnel

# Employment legislation

- The scope of legislation on municipal employment will be broadened to include the personnel of wellbeing services counties and joint county authorities for wellbeing services
  - Amendments will be made to the Act on Public Officials in Local Government, the Act on Collective Agreements on Local Government Employees, the Act on Collective Agreements for Local Government Officials and the Act on Cooperation between the Employer and Employees in Municipalities
- The retention of any supplementary pension benefits and lower retirement ages of transferring personnel will be ensured by adding wellbeing services counties and joint county authorities for wellbeing services to the statutory members of Keva.

# Status of personnel

## Personnel employed by municipalities and joint municipal authorities

- health and social services
- rescue services
- support services (if 50% of duties transferable)
- school social workers and school psychologists

Transfer of business

Wellbeing services counties and joint county authorities for wellbeing services

- The scope of legislation on municipal employment will be broadened to include the personnel of wellbeing services counties and joint county authorities for wellbeing services.
  - terms of employment relationship will not be affected by the change in employer
- A new employer organisation will be established for municipalities and wellbeing services counties.

## City of Helsinki & Hospital District of Helsinki and Uusimaa

No change of employer for personnel working for the HUS Joint Municipal Authority (future joint county authority for the Hospital District of Helsinki and Uusimaa) and for the City of Helsinki

# Transfers of assets and liabilities

- The joint municipal authorities for hospital districts and for special care districts and their assets and liabilities will be transferred to the new wellbeing services counties.
- The wellbeing services counties will acquire, without compensation, the movable assets and contracts of the municipalities and joint municipal authorities relating to healthcare, social welfare and rescue services as well as the holiday pay liabilities of the transferring personnel.
  - The transfers will be used to adjust basic capital, which means that they will not be entered as profit or loss.
- The wellbeing services counties will lease municipality-owned healthcare, social welfare and rescue services premises for a transitional period (three years with a one-year option).
- Debts transferred from hospital districts and special care districts to the wellbeing services counties will be granted a government guarantee to safeguard the status of creditors and keep the loans in the zero-risk category.
- The transfers will be carried out based on reports drawn up by the municipalities and joint municipal authorities.

# Compensation rules

- Provisions on a compensatory system safeguarding the financial autonomy of municipalities will be laid down by law. Municipalities will be entitled to receive, upon application, compensation from the State for direct costs caused by asset arrangements when they have been unable to influence these costs.
  - The municipality will be entitled to compensation in respect of the amount by which the imputed need to increase the local income tax exceeds 0.5 percentage points (entitlement threshold).
  - If, in the year the compensation is applied for, the entitlement threshold is exceeded and the municipality's local income tax rate is at least 2.0 percentage points higher than the weighted average local income tax rate of all municipalities, the municipality can, additionally, be compensated for three quarters of the portion that is below the entitlement threshold.
- If the right of municipalities to decide on their own finances is compromised, municipalities will be entitled to receive compensation for direct costs incurred as a result of asset transfers, even when the entitlement threshold is not exceeded.

# Central government guidance and direction



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# Strategic guidance and direction

- Central government guidance and direction will be strategic in nature, focusing on the duties of the wellbeing services counties to organise services.
- It will not address the duties and service provision of the counties in detail or impose obligations in this respect.
- Guidance and direction will cover, among other things, annual negotiations with wellbeing services counties, a collaborative area agreement and a guidance procedure for investments.
- Negotiations with wellbeing services counties to provide guidance and direction
  - The negotiations will focus on the duties of wellbeing services counties to organise services.
  - Ministries can issue wellbeing services counties with recommendations for measures.
- Collaborative area agreement
  - The Government can decide on the agreement and its content insofar as the wellbeing services counties cannot reach agreement themselves or if the agreement will not secure the fulfilment or cost-effectiveness of statutory healthcare and social welfare duties in the wellbeing services counties.



# Guidance and direction on investment

- Investment will be part of the activities and overall finances of the wellbeing services counties, and central government will provide guidance and direction for this (based on central government funding).
- Property management will rest with the wellbeing services counties, and a joint premises data system will be maintained by a national centre of expertise.
- Each wellbeing services county will prepare an annual proposal for an investment plan for the following four financial years (adjusted annually).
  - Including investments, the related financing and e.g. agreements on investments.
- For each wellbeing services county, the Government will confirm the annual budget authority for long-term loans to finance investments.
  - The imputed budget authority for borrowing will be based on the debt servicing capacity of each wellbeing services county.
  - Can be used for several financial years if the investment takes place over several years.
- Exceptional budget authority for borrowing will be granted if the investment is necessary for securing the services laid down in the Act (basis for the assessment procedure).
- The investment plans in accordance with the budget authority for borrowing will require the approval of the Ministry of Social Affairs and Health and the Ministry of the Interior.

# National languages – language rights and language of services



- The current basic principles of language rights will remain:
  - In monolingual wellbeing services counties, services will be provided in the language of the county, and in a bilingual wellbeing services county in both national languages
  - Right to use the Saami languages in health and social services in the Saami homeland and in certain health and social services in the wellbeing services county of Lapland
- In the case of services requiring special competence in Swedish, competence will be secured through legal provisions on the obligation of bilingual wellbeing services counties to cooperate.
- A national language board will serve as an official body of a wellbeing services county and will have statutory duties.
- The wellbeing services county of Southwest Finland will be responsible for coordination of collaborative area agreements between bilingual counties, and the wellbeing services county of West Uusimaa will be responsible for supporting the development of Swedish-language services.
- The national language board and Saami language board chairpersons will have the right to attend the county executive meetings and to speak at them.
- Composition of the Saami language board
  - The Sámi Parliament and the Skolt Saami Village Assembly will have the right to nominate at least 40 per cent of the members. The Skolt Saami Village Assembly will have one representative.

# Funding of wellbeing services counties and municipalities, and changes to taxation



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# Municipalities' costs and revenue transferred in equal measure at the national level

## Transfer of health, social and rescue services costs, EUR 20.63 billion

### Transfer of central government transfers, EUR 7.16 billion

- Health and social services' share of the imputed costs and supplementary transfers, EUR 5.34 billion
- Also 70% of compensation for reduced tax revenue, EUR 1.84 billion

### Transfer of tax revenue, EUR 13.5 billion

- Approx. EUR 0.63 billion of corporation tax transferred
- Local income tax revenue reduced by EUR 12.8 billion; local income tax percentages lowered for all municipalities by 12.39 percentage points

### PRINCIPLE:

The range of local income tax rates and municipal residents' tax burden will be unchanged after the transfer of 12.39 percentage points (estimate).

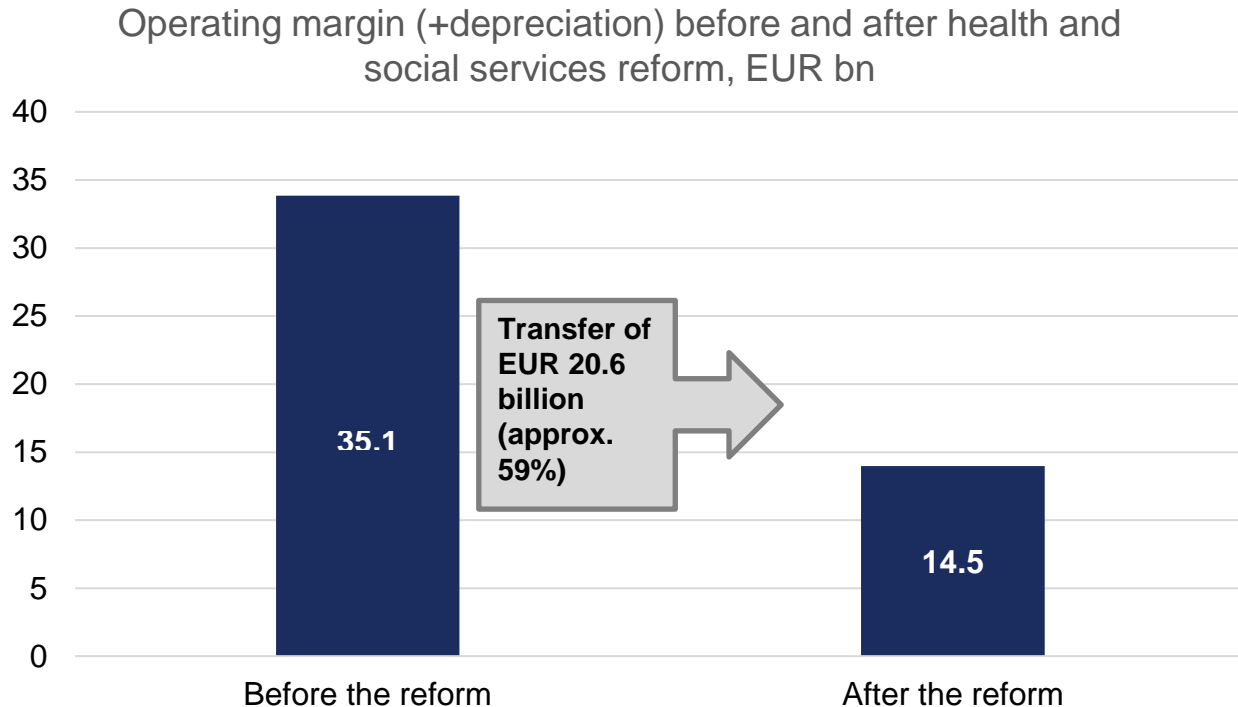
# Cut in local income tax rate

Transfer of costs	EUR 20.63 billion
Cut in central government transfers (health and social services' share)	EUR -5.32 billion
Cut in compensation for reduced tax revenue (70%)	EUR -1.84 billion
Cut in corporation tax (-1/3)	EUR -0.67 billion
<b>Remaining amount to be cut from local income tax (approx. 12.39 percentage points)</b>	<b>EUR -12.8 billion</b>

The remaining amount to be cut from local income tax will always be determined as the final result of the calculation and will change if there are changes in the costs transferred, central government transfers, compensation for reduced tax revenue, and corporation tax.

Estimate at 2022 level. More accurate calculations will be available later.

# Operating margin (net costs) before and after health and social services reform, EUR bn, estimate at 2022 level



- Cost pressures associated with health and social services will be removed from municipalities.
- But the means for balancing finances will be more limited than at present.

# Equalisation of funding for municipalities

- Costs and revenues will be transferred from municipalities in equal measure when examined for the country as a whole, but there **can be great differences among municipalities** → **equalisation arrangements required**.
- In the year of the reform's entry into force, the change in the balance of operational finances for the municipalities will be **restricted to zero** in relation to the preceding year.
- Changes for individual municipalities will be limited by a five-year stepped (+/- EUR 15/resident/year) transitional equalisation and **by a continuous (until further notice) per capita change limiter of +/- EUR 60**
  - **Imputed upward pressure on local income tax rate beyond a level of about 0.6 percentage points**
- Changes will be made more equitable by introducing a transition limiter, which will be +/- 60% of the difference between the transferred costs and the revenues.
- Changes proposed to the equalisation system for tax revenue will even out changes in individual municipalities.

# New system of central government transfers to local government



- Same structure as at present (equalisation of needs differences and revenue)
- Health and social services components removed from the need-based section (e.g. morbidity, adult and elderly population and certain other criteria)
- The criteria are unchanged apart from the following **new criteria**:
  - **Supplementary transfer for promotion of health and wellbeing**
    - a supplement based on **increased number of residents**, to respond to increase in need for services caused by increase in the population
- The method of calculating some of the current criteria will be slightly revised and some previous equalisation arrangements harmonised and eliminated.
- Biggest changes to **revenue equalisation system**:
  - **equalisation supplement % will be raised from 80% to 90% and**
  - **equalisation deduction % will be lowered from at least 30% to a fixed 10%.**
  - In addition, **real estate tax** will be included as a 50% share in the tax revenue taken into account in the equalisation.
  - For power plants, equalisation will only take nuclear power plants into account, and their tax rate used in the equalisation calculation will be the general (average) real estate tax rate.





# Review of municipalities' duties and the funding of municipalities

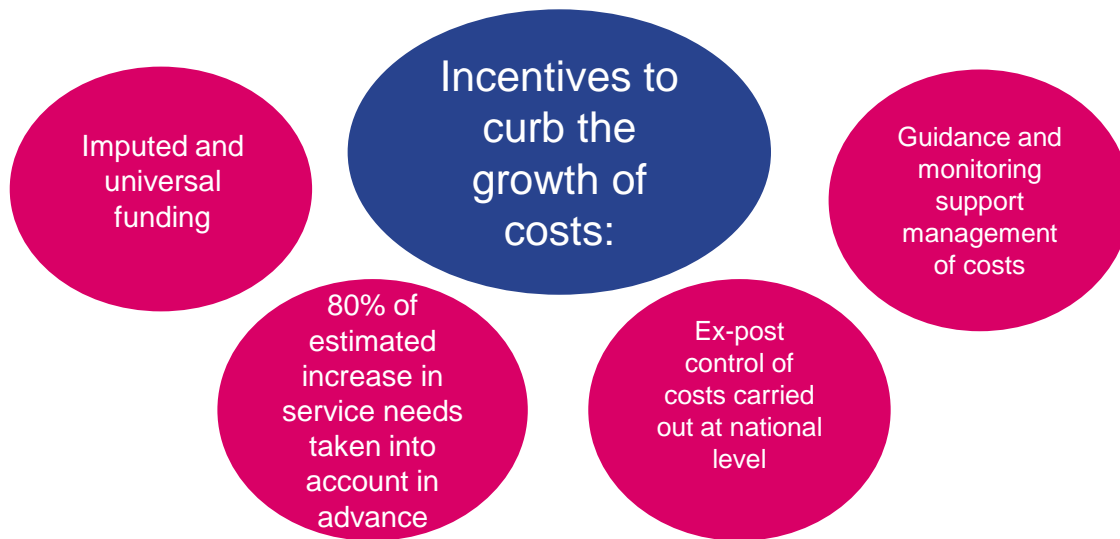
## – minutes of budget talks, autumn 2020

- In establishing wellbeing services counties the principle has been to treat taxpayers equally and to avoid tax increases when the reform enters into force.
- The reform proposes that only essential changes be made to the system of central government transfers to local government.
- After the reform, **the future development needs of the system of central government transfers will be assessed** in relation to the remaining duties of municipalities and changes in the operating environment.
- In the autumn 2020 budget session, the Government agreed to launch a **review of the funding of municipalities**, to be conducted by government officials and to include:
  - the system of central government transfers to local government
  - duties of municipalities and
  - inter-municipal cooperation and the future roles of municipalities of different sizes.
- The Government will carry out a review of the funding of municipalities, and the system will be developed to ensure the sustainability and stability of local government finances, and the investment capacity of e.g. municipalities that are growing will be secured.
- The Ministry of Finance has appointed a working group to identify options for future local government policy and its sub-committees for the term of 9 December 2020 to 31 December 2021.
  - The aim is to make proposals for measures concerning the local government policy as a whole for political decision-makers.
  - The matters to be addressed include balance and sustainability in the financing base and duties of the municipalities, the role and self-governing status of municipalities, municipal practices, cooperation, the municipal structure and different forms of central government guidance and direction for local government.

# Funding of wellbeing services counties

- In the first phase, the counties will not have the right to levy taxes.
- The funding of the wellbeing services counties will be based on imputed universal central government funding and revenue from fees and sales.
- In 2023, the national level of central government transfers for wellbeing services counties will be based on the 2022 health, social and rescue services costs transferred from municipalities.
- The level of funding for the whole country will take into account the following factors in advance each year:
  1. estimated increase in service needs + increase of 0.2 percentage points for years 2023–2029,
  2. change in cost level, and
  3. change in duties.
- Advance adjustment of the funding level will not be enough to curb the growth of costs in the third year and beyond.
- The funding will be adjusted retrospectively to correspond to the actual costs at national level.

# Curbing the growth of costs

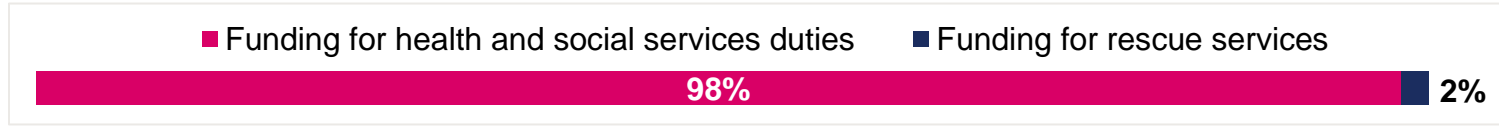


- The health and social services reform aims to curb the growth of costs, with due consideration for the preconditions set earlier by the Constitutional Law Committee for the sufficient funding of services.
- The Government will confirm the national and fiscal policy strategic objectives for health, social and rescue services for a four-year period. The counties' activities and funding will be assessed annually in negotiations to provide guidance and direction.

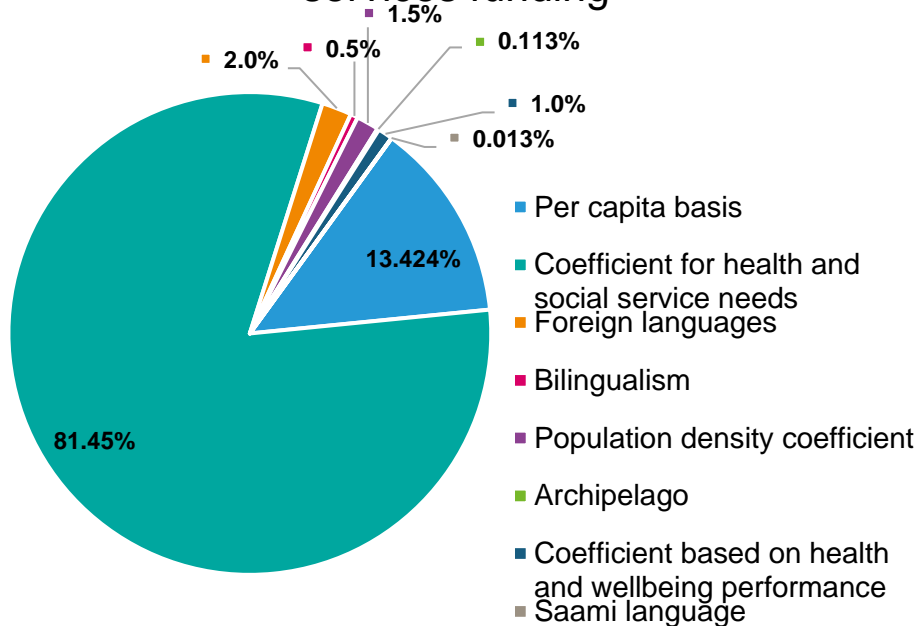
# Funding of individual wellbeing services county

- Determination of funding for individual wellbeing services county:
  - On the basis of factors indicating the need for health, social and rescue services (approx. 80%) and circumstances (approx. 4%).
  - In addition, funding will be allocated on a per capita basis (approx. 15%) and according to the coefficient for promoting wellbeing and health (1%).
- The wellbeing services county will be entitled to **additional funding** if the level of funding allocated to it jeopardised the ability to organise of health, social and rescue services.
- The transition of wellbeing services counties to the imputed funding model will be eased with a seven-year transition period, after which any change outside the range of EUR -100 to EUR +200 per capita between imputed funding and transferred funding will be balanced by a continuous transitional equalisation that will be in use for the time being.

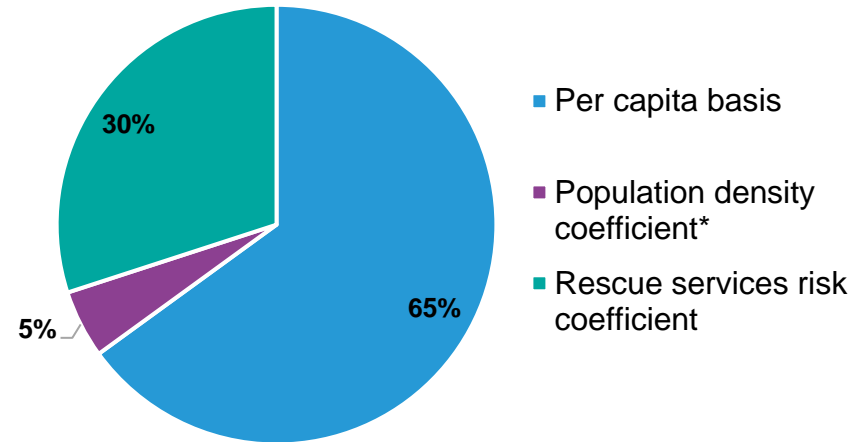
# Imputed funding model for wellbeing services counties



## Factors determining health and social services funding



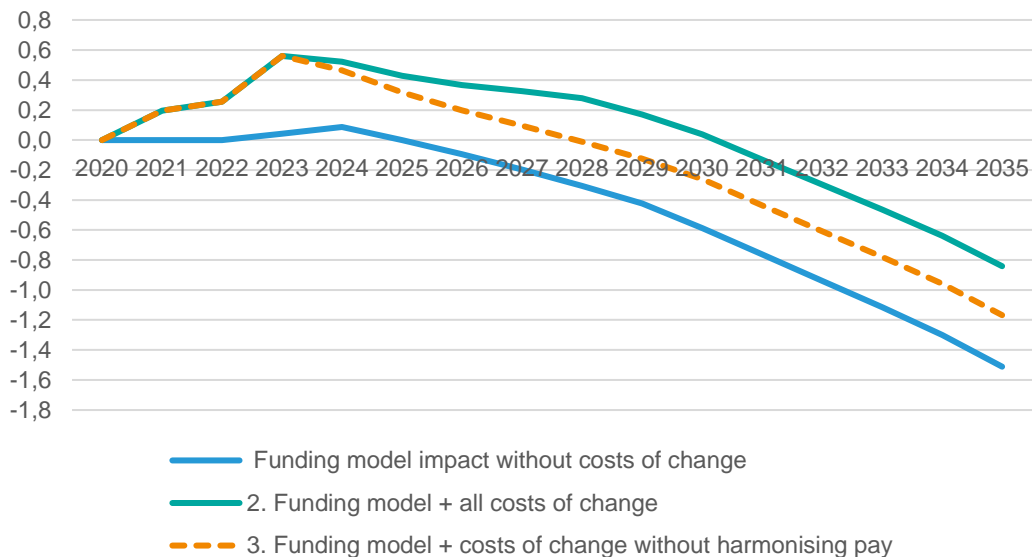
## Factors determining rescue services funding



\*Total area of wellbeing services county is used in determining population density coefficient for rescue services.

# Impact of health and social services reform on general government finances, on annual basis

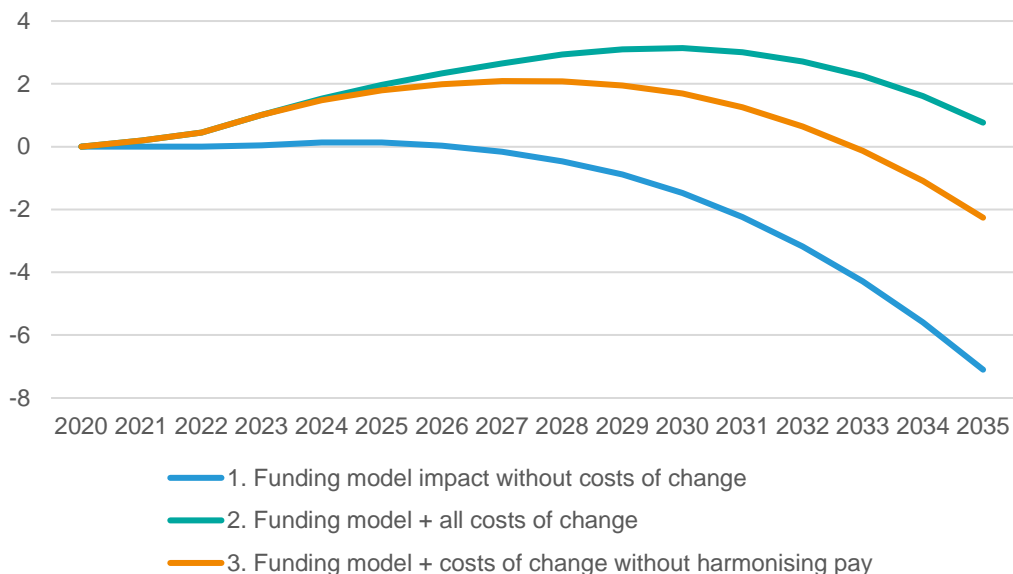
Impact of health and social services reform on general government finances at annual level (compared to baseline), EUR bn at 2020 level



- The diagram illustrates the impact of the funding for the health and social services reform on the balance of general government finances in relation to the baseline scenario (under the sustainability gap calculation of the Ministry of Finance), on an annual basis
- Calculation 1: Funding model impact without costs of change
- Calculation 2: Funding model and all known costs of change (full additional funding)
- Calculation 3: Assumption that pay harmonisation is financed through the funding model (full additional funding for other costs of change)

# Impact of health and social services reform on general government finances, on cumulative basis

Cumulative impact of health and social services reform on general government finances (compared to baseline), EUR bn at 2020 level



- The diagram illustrates the impact of the funding for the health and social services reform on the balance of general government finances in relation to the baseline scenario (under the sustainability gap calculation of the Ministry of Finance), on a *cumulative* basis
- The assumptions in the calculations are the same as in the diagram on the previous page.

# Taxation of earned income and corporate taxation

- Changes in earned income taxation will be carried out within the current tax system by changing tax allowances, deductions and credits, and the central government and municipal income tax rates.
- The tax base for income taxation at central government and at municipal level will be merged.
- Municipal income tax rates will be lowered by equal percentage points (current estimate 12.39 percentage points, to be determined later) across the board, while taxation at central government level will be increased accordingly.
- The aim is not to reduce or raise anyone's taxes
  - Any changes to the taxation of earned income will be implemented in ways that have as little impact as possible on the level of taxes paid by taxpayers.
  - Current estimates indicate that earned income taxation will have to be cut by around EUR 210 million to prevent it rising. More accurate estimate will be available later.
- The municipalities' share of corporate income tax revenue will be reduced by one third, while central government's share will be raised correspondingly.



# Value-added taxation

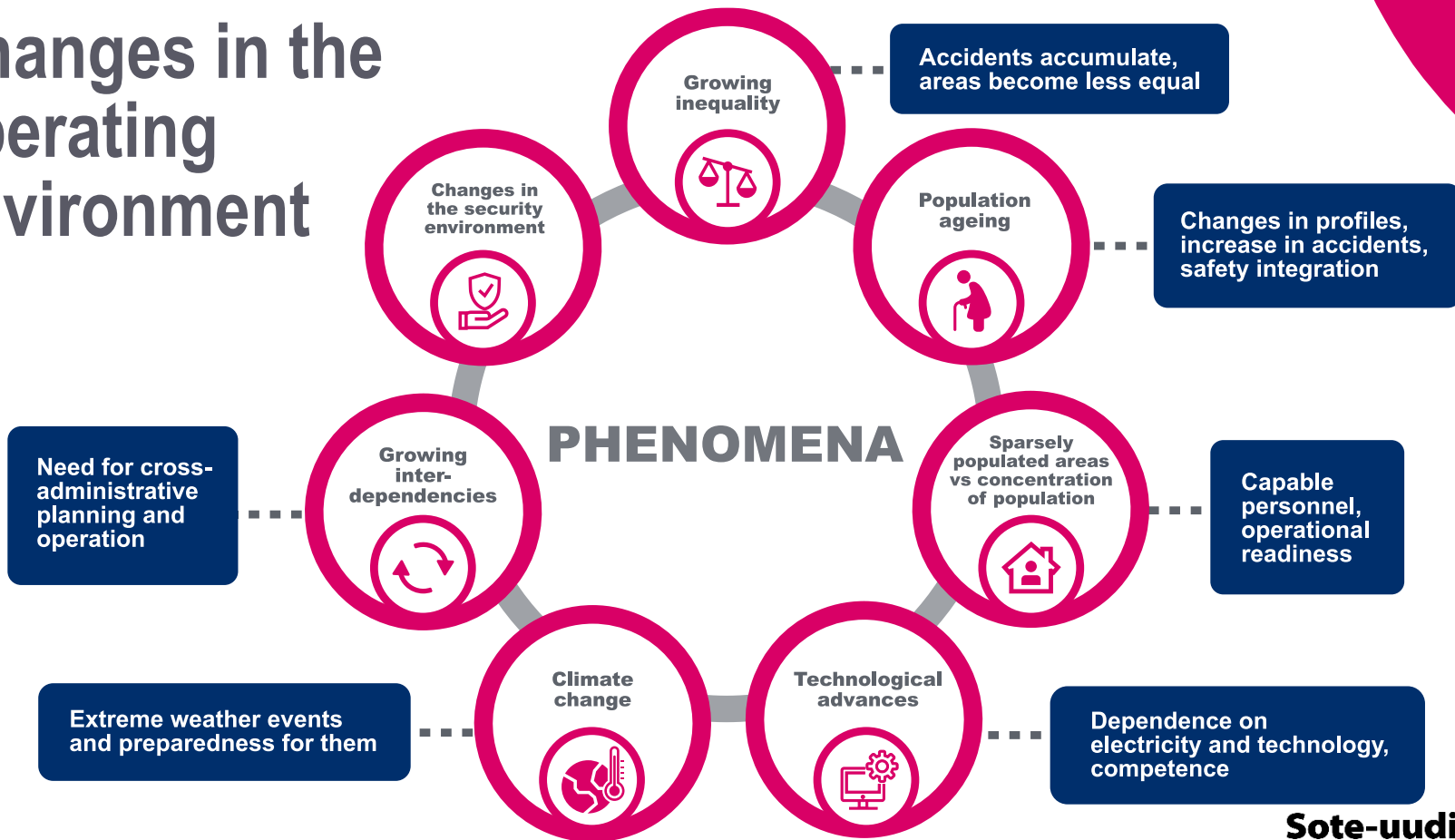
- To improve acquisition neutrality, the wellbeing services counties will have the right to get a refund for VAT included in taxable acquisitions and for the hidden tax included in exempted acquisitions in healthcare and social welfare.
- In value-added taxation, the planned tax status of the wellbeing services counties will correspond to that of other public sector entities.
- Other public sector entities responsible for organising health, social and rescue services and joint county authorities for wellbeing services will be considered comparable to the wellbeing services counties.

# Organisation of rescue services



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# Changes in the operating environment



# Objectives of the rescue services reform

**To improve the security and safety of people and communities  
and security in society**



**Nationally  
uniform  
and reliable  
system**



**Equal,  
high-quality and  
cost-effective  
services**



**Harmonised  
services**



**Services  
in sparsely  
populated  
areas and  
growth centres**



**Emergency  
medical  
services  
throughout  
the country**

**Management, guidance and oversight are based on  
systematic research, development and evaluation**



# Wellbeing services counties responsible for organising rescue services

- The responsibility for organising rescue services will be transferred to the **wellbeing services counties** and the **City of Helsinki**, all of which will organise rescue services in their areas.
- Rescue services will be a **separate sector working in parallel with health and social services**.
- Rescue services can provide **emergency medical services**
- This will allow
  - allocation of **resources** and **funding** in accordance with identified national, regional and local risks
  - implementation of major **functional reforms**
  - **curbing the growth of costs** in the long term

# Key changes concerning rescue services

- The **responsibility for organising rescue services** will be transferred to **wellbeing services counties**, and **funding** will be received from the **Budget**
- **Regional changes** will be made in Uusimaa and Ostrobothnia
- **Rescue services will be improved** by strengthening strategic guidance and direction at the national level
- **The consistency of the service system will be improved** by harmonising services



# Personnel, assets and contracts



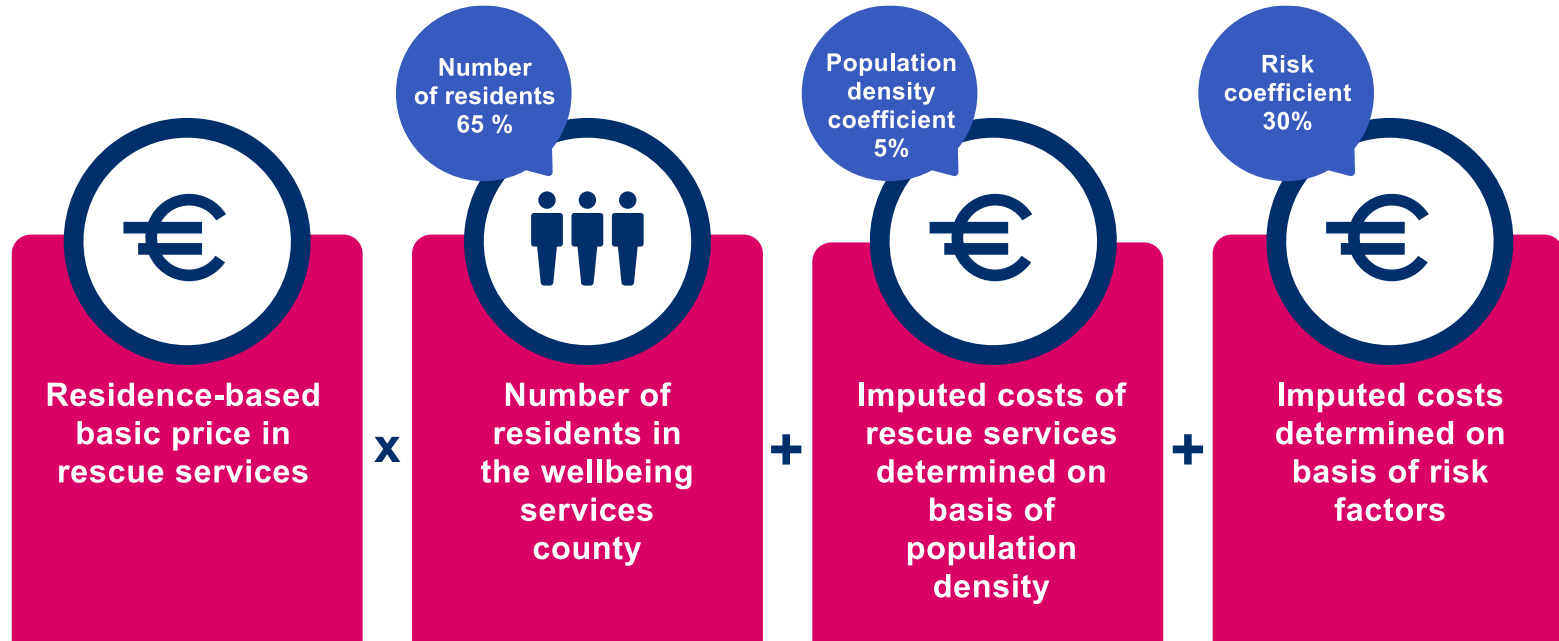


# Proposals for the funding of rescue services

- In future, rescue services will be **funded from the Budget**.
- The funding will ensure:
  - **capacity** and **resources** of rescue services and emergency response centres
  - ability to respond to **national, regional** and **local** risks and needs
- The **funding** for rescue services will be **determined** by:
  - **number of residents**
  - **population density** and
  - **risk classes**
- The funding for rescue services will be taken into account in the **transitional equalisation** concerning the funding for counties (7 years)



# Funding of rescue services



= Imputed costs of the rescue services of the wellbeing services county

# Implementation of the reform



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# Implementation of the reform to begin immediately

- The actual implementation of the reform will begin straight after the relevant Acts' entry into force. Voluntary preparations have already been made in the areas of the future wellbeing services counties.
- The aim of the implementation process is to ensure that, from the standpoint of clients and personnel, all key functions and services of the future wellbeing services counties work as smoothly as possible when the reform enters into force.
- The implementation process will ensure that:
  - necessary administrative structures are established so that the wellbeing services counties can start their work
  - necessary management systems are built and the competence, knowhow and sense of security of personnel are ensured in this transition
  - information systems and digital services are ensured in respect of the current and new systems
  - the standard of services is maintained during and beyond the transition phase
  - both effective forms of cooperation and interfaces are created between the wellbeing services counties and municipalities
  - areas are supported in developing and disseminating scalable solutions
  - residents and other stakeholders are involved.



# Supporting the future counties in implementing the reform



- The reform will be implemented in close cooperation with all future counties.
- The roadmap for implementation in the future counties will support the counties in their preparatory work.
- Networks have been created to make it possible for the future counties to participate extensively in the implementation process.
- An overall picture of the situation in the future counties will help identify the risks related to implementation and any need for support.
- The future counties will be awarded discretionary government grants for performing the duties laid down in the Act Implementing the Reform of Health, Social and Rescue Services and Related Legislation. The reform will also cause costs of change, which are reimbursed to different operators.
- The [soteuudistus.fi](https://soteuudistus.fi) website contains an extensive package of information on the implementation of the reform and answers to some of the most frequently asked questions.



# Interim preparatory body (Vate)

- The municipalities, local government co-management areas for primary healthcare and social welfare, hospital districts, special care districts and rescue services in each wellbeing services county will together decide the composition and the appointing authority of an interim preparatory body.
- Each member of the interim body must be in a public-service employment relationship with one of the parties. The preparatory work led by the interim body will be funded by central government.
- Each interim preparatory body must be appointed as agreed as soon as possible, but no later than two months after the entry into force of the Act. If the interim preparatory bodies have not been appointed within two months, the Government will appoint them.
- Provisions on the duties of the interim body will be laid down by law. Each interim preparatory body will lead the preparations for launching the activities and administration of its wellbeing services county and exercise the decision-making power associated with this. As part of its duties, it will also exercise the right to be heard until the start of the county council's term of office.
- The interim preparatory body will prepare matters for the consideration of the county council. It can make agreements and hire personnel until 31 December 2023 at the latest.

# Organisation of implementation



**Ministerial Working Group on Health and Social Services**

**Steering group for reorganising health and social services**

**Group coordinating the implementation of the reform**  
Government-level group coordinating implementation at the relevant ministries

Joint preparatory work by the relevant ministries

Implementation at the Ministry of Social Affairs and Health

Implementation at the Ministry of Finance

Implementation at the Ministry of the Interior

**Sub-committee on preparations in the future counties**

**Preparations in the future counties:**

- Preparations in the future counties regarding administration, finances and support services
- Preparations in the future counties regarding management and competence
- Preparations in the future counties regarding the organisation of services
- Preparations in the future counties regarding interfaces
- Preparatory work putting together ICT solutions

Network of persons responsible for preparations in the future counties

Network of persons responsible for preparations in the future counties regarding rescue services

Other networks and preparatory groups (e.g. communications network, personnel forum)

# Thank you!



[Soteuudistus.fi](https://soteuudistus.fi) website

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