

# Conclusions and recommendations of the National Audit Office

## Funding and steering of the digitalization of healthcare and social welfare

The responsibility for organizing health and social services and rescue services was transferred from municipalities and joint municipal authorities to the wellbeing services counties, the City of Helsinki and the Joint Authority HUS at the beginning of 2023. The establishment of wellbeing services counties and the transfer of the responsibility for organizing the services meant extensive regional changes to the information and communication technology (ICT) infrastructure and information systems. In addition to the necessary ICT changes resulting from the health and social services reform, funding was also allocated simultaneously to the development of digitalization in healthcare and social welfare from the Sustainable Growth Programme for Finland. The change and development work of ICT and digitalization in healthcare and social welfare will continue in the coming years.

The audit examined the appropriateness of the funding package for the ICT change and digitalization in healthcare and social welfare. In addition, the audit examined the effectiveness of steering in the transition phase and the clarity of the future ICT steering model. The audit also assessed the development of common digital health and social services and how well they meet the needs of the wellbeing services counties. The aim has been to provide information on the digitalization of healthcare and social welfare as a whole to Parliament and public administration.

## The digitalization of healthcare and social welfare can mitigate the increase in costs only in the long term

The wellbeing services counties managed to make the necessary changes to their systems so that the transfer of the responsibility for organizing the services could be carried out in a secure manner, but ICT change work in the counties continues. The ICT costs of healthcare and social welfare will increase in almost all wellbeing services counties in the coming years.

In the next few years, many counties plan to reform their client and patient information systems. It is important to invest in the systems because they make it possible to increase the efficiency of services in the counties and thereby to reduce upward cost pressures. The systems reform is estimated to cost EUR 2–3 billion over a ten-year period. Few counties have included the costs of client and patient information systems on a large scale in their investment plans.

In the government proposal related to the health and social services reform, digitalization and e-services were identified as a key mechanism to mitigate the

increase in healthcare and social welfare costs. Digitalization will improve the efficiency of healthcare and social welfare and, particularly in the longer term, it may reduce the upward cost pressures as the population's need for services grows. However, in addition to digitalization and e-services, cost control requires the service network to be reformed.

## Fragmented funding has not supported long-term work in the counties

In 2021 and 2022, government grants were allocated to the ICT change and the development of digitalization in healthcare and social welfare under three different budget items. The government grant awarded to the ICT change under item 28.70.05 amounted to almost EUR 340 million. Of the general grant awarded under item 28.89.30 for the preparation of the wellbeing services counties, approximately almost EUR 67 million was allocated for the necessary ICT costs. In addition, the counties were granted over EUR 289 million of funding from the Sustainable Growth Programme of Finland under item 33.60.61, and this funding could be partly used for developing the digitalization of healthcare and social welfare. The general grant was originally not intended to cover ICT costs. However, this was allowed later by a regulatory amendment in March 2022, when it was found that the ICT change funding alone was not sufficient to meet the needs of the counties. The government grant package was built gradually and partly in response to revised information on the counties' needs for changes and their costs. The counties found the funding package unclear.

According to the audit, the project-type funding model based on applications for different government grants did not support the counties in the best possible manner in the implementation of a long-term ICT change and in the development of digitalization. The risk with a project-type funding model is that instead of making a comprehensive change, the ICT change is made point by point. From the counties' perspective, the activities should not be steered by individual government grants but through a single funding channel, which would allow the counties to implement their own roadmaps on a more long-term basis towards the national target state. The use of individual government grants did not contribute to long-term implementation of the ICT change and development in the best possible manner, especially as the grants had different periods and conditions of use. On the other hand, it should be recognized that the preparation of the establishment of the wellbeing services counties and the health and social services reform started without a coherent picture of the ICT situation, and it was justified to increase government grants only when the situational picture and information became more precise.

On the basis of the audit, the decisions to allocate the special grant for the necessary ICT changes should have been concentrated from the outset in the hands of the Ministry of Finance. The government grant authority was at first the Ministry of Social Affairs and Health, as it was considered the most sensible option during the preparation process due to its substance knowledge. From the counties' perspective, the special grant allocated for the necessary ICT changes

was available to them too late. This was due to, for example, the requirements concerning the scope of the applications and a change in the evaluation criteria. The delay caused difficulties for the counties as it delayed launching the ICT change work. The counties had no other funding available for ICT changes, nor was the total funding for ICT changes known to them yet. After the first round of applications, the responsibility was transferred to the Ministry of Finance, which was considered to be better placed to make funding available to the counties more quickly. The counties supported the change of government grant authorities widely.

## The steering of the ICT change did not take the counties' special characteristics sufficiently into account

The wellbeing services counties started to implement the ICT change from very different starting points. Some of them had been formed on the basis of old joint municipal authorities, and their information systems had been harmonized even before the reform. Some of them, in turn, started the harmonization only as a result of the reform, and there were several incompatible information systems in them.

The timetable for the health and social services reform and the objective of a secure transfer of the responsibility for organizing the services were defined in the Implementation Act (616/2021, Section 1) and the Organizing Act (612/2021, Section 8), and there was no flexibility in it. Due to the tight timetable and the fact that the ICT change work and development of digitalization took place simultaneously in the different counties, there was a shortage of IT experts and competence. As a result of this, the market became overheated and the prices increased. The impact of the shortage of experts varied from county to county, depending on the extent of the changes and the starting point. The counties made extensive use of their inhouse companies, from which they could procure without competitive tendering. In some wellbeing services counties, inhouse companies were in practice the only way to transfer the responsibility for organizing the services in a secure manner, as it was impossible to carry out competitive tendering within the timeframe set by legislation.

Based on the audit, most counties found the steering by the Ministry of Social Affairs and Health and the Ministry of Finance in the transition phase sufficient. However, they felt that the steering did not take the counties' different starting points and needs related to ICT sufficiently into account.

## The Ministry of Social Affairs and Health should define a common target state for the digitalization of healthcare and social welfare and encourage the counties to cooperate

Based on the audit, the wellbeing services counties have different hopes for the steering of ICT and digitalization in healthcare and social welfare. In general, the

counties find that the digitalization of healthcare and social welfare calls for a uniform target state. The preparation of a common roadmap for 2030 and an action plan is laid out in the national objectives for 2023–2026 published by the Ministry of Social Affairs and Health under the Act on Organizing Healthcare and Social Welfare Services (612/2021, section 22). According to the audit, the roadmap and action plan are necessary and should be implemented in cooperation with the counties, taking into account the counties' special characteristics. In addition, uniform indicators are needed for monitoring the objectives.

The audit found that there were differences in the different counties' cooperation with each other. The national ICT steering did not encourage the counties sufficiently to cooperate with each other during the transition phase. According to the national objectives published by the Ministry of Social Affairs and Health, cooperation between the counties should be increased. The aim is that significant information systems should be implemented in the long term at the level of collaborative areas and that cooperation should be carried out especially in the case of client and patient information systems. According to the audit findings, some counties regard cooperation within the collaborative as very natural, whereas others find it partly artificial and consider that it does not promote ICT and digitalization in healthcare and social welfare in the best possible manner.

The national objectives of healthcare and social welfare highlight the utilization of services developed in collaboration. Based on the audit conducted, the counties see potential in common digital services but emphasize that they should meet the different needs of the counties. The counties have no obligation to use the services provided by DigiFinland Oy, which they consider a good thing. However, if common solutions are developed according to need, they should be introduced on as broad a front as possible to avoid duplication of development work. In addition, the development and funding models of common services should have a sustainable basis.

The new steering model of healthcare and social welfare is based not only on traditional regulatory, resource and information steering but also on dialogue. The counties criticized the steering in the transition phase partly for the lack of dialogue and for ignoring the special characteristics of the counties. It would therefore be important to build the steering in the new steering model so that it takes into account the counties' different degrees of progress in the ICT change and the development of digitalization so that all counties can move towards the common national target state within the timeframe laid down.

## Recommendations of the National Audit Office

The National Audit Office recommends that the Ministry of Social Affairs and Health

1. in cooperation with the wellbeing services counties, develop concrete national objectives and indicators for the digitalization of healthcare and social welfare and sharpen the steering of ICT and digitalization while taking into account the special characteristics of the counties.

2. steer the counties to cooperate with other wellbeing services counties and within the collaborative areas in the ICT change and in the development of digitalization.
3. and the Ministry of Finance ensure that the national digital health and social services are coordinated with each other and that they meet the needs of the wellbeing services counties.
4. and the Ministry of Finance develop the digitalization of healthcare and social welfare and the national digital health and social services in a systematic and long-term manner.