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Global Forum on Competition

Competition in the Healthcare Sector – Contribution from Finland

- Session II -

1 December 2025

This contribution is submitted by Finland under Session II of the Global Forum on Competition to be held to be held on 1-2 December 2025. More documentation related to this discussion can be found at: oe.cd/chthc.

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Finland

1. In Finland, the health care mostly a publicly funded universal healthcare where the public sector. finances around 80% of the healthcare costs. This level of state capitalization is comparable to the other Nordic countries. Of the private health care which amounts to around 5 billion euros only around 10% is financed through private insurance while 90% is financed either directly out-of-pocket or through occupational healthcare. Private health care services consist of among other services dentistry clinics, occupational healthcare, elder care units, rehabilitation services and a select few privately operated hospitals. [1]

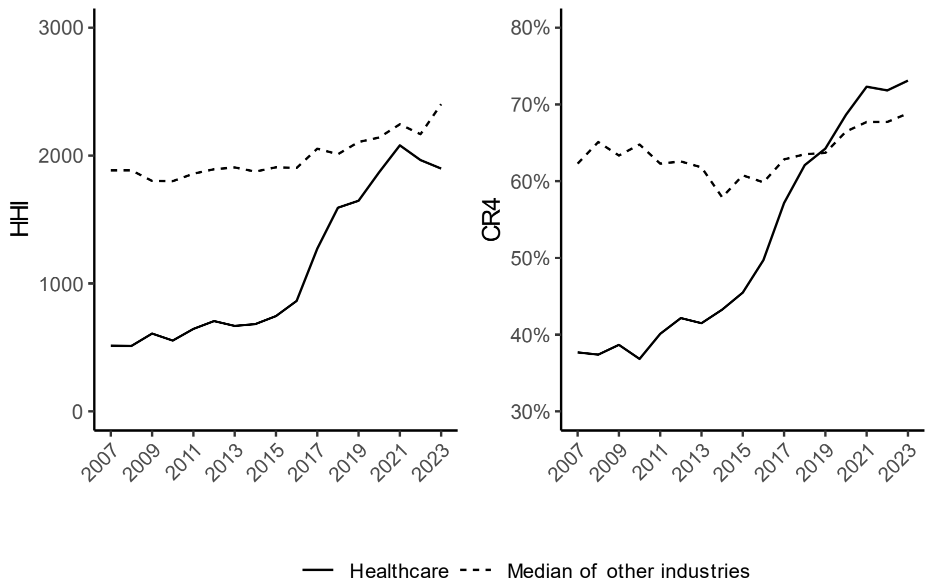
2. Private healthcare is funded through four main channels: Out-of-pocket, employer insurance, voluntary insurance and through state sponsorship. However, as the level of state sponsorship is around 15% of the cost of a physician appointment most of the financing is channeled either out of pocket or through employer insurance. This means that a significant portion of the people using privately funded health care services are either employed or can afford the costs directly out-of-pocket or by paying premiums for voluntary insurance schemes.

3. In general, public and private services providers differ in how they operate in Finland. For instance, for physician services public providers use prioritize based on the need for care and there maybe longer waiting times at the benefit of minimal and capped hospital fees. Meanwhile privately provided physician clinics have almost no waiting times, but this is reflected in higher prices. The outcomes for the quality of care between the providers is ambiguous, as the two providers also differ in the selection of care provided and with the level of care required by patients. It is also important to note that while Finland offers universal health care, this does not mean full coverage of all health-related issues, thus private healthcare may supplement several unmet medical needs.

4. The Finnish healthcare industry has heavily concentrated in the previous decades as seen in figure 1.

[1] Finnish Institute for Health and Welfare (2023). Terveydenhuollon menot ja rahoitus 2020 (in Finnish). Tutkimusraportteja 18/2023

Figure 1. Healthcare and Industry-wide consolidation in Finland using the NACE standard classification at the 2-digit level. Source: The FCCA's own calculations using data provided by Statistics Finland



1. Evaluating accessibility, availability, quality and equity in healthcare markets

1.1. FCCA evaluation in market regulation design

5. A key component of accessibility is how close the service is to the patient or consumer requiring the services. Since distance from home is a major factor influencing consumer choice of providers, the availability and distribution of services also affect how providers can exercise local market power in pricing and how this relates to the quality of care. Consequently, when designing market mechanisms in contexts where strict regulation is being lifted, accessibility and equity are essential factors to consider. In the healthcare sector, such analysis is critical both when markets are deregulated and when services previously provided by the public sector are outsourced.

6. In its' advocacy work, the Finnish Competition and Consumer Authority henceforth the FCCA has conducted geographic market analyses, particularly in connection with market deregulation. Deregulation has been a prominent issue in Finland's pharmacy sector, where debates have recently focused on liberalizing the sale of over-the-counter medicines. Similar discussions have also recurred around loosening ownership and entry regulations, as well as in relation to Finland's alcohol monopoly and the sales restrictions it imposes.

7. The FCCA has undertaken comprehensive analyses of the Finnish pharmacy network. These analyses serve both as tools to evaluate how modifications in taxation and pricing would affect the current pharmacy network under the prevailing stringent entry regulations, and to assess how the network structure might evolve should these entry

restrictions be lifted. In Finland, pharmacy ownership and profitability are subject to regulation, and pharmacies operate under a distinct taxation framework.

8. The initial phase of the FCCA's analysis concentrated on evaluating the existing pharmacy network. The network was mapped in detail, and each pharmacy was ranked according to its significance in ensuring the accessibility of medicines. This evaluation involved estimating each pharmacy's catchment area and calculating how the distance to the nearest alternative pharmacy would change in the event of its closure. Furthermore, the FCCA obtained and examined the financial statements of individual pharmacies to assess how potential policy reforms could influence the network's structure and resilience through pharmacy closures. [2]

9. The analytical tool developed through this work enables the estimation of how changes in taxation, regulatory frameworks, or pharmacy mark-ups would impact those pharmacies that are most essential for maintaining equitable access to medicines, as well as how such changes would affect overall availability. It should be noted, however, that in conducting geospatial network analyses, it remains a matter of methodological discretion whether to define critical pharmacies based on the population they serve or on the increase in travel times consumers would incur should a pharmacy be removed from the network.

10. The second phase of the FCCA's analysis, conducted in collaboration with the VATT Institute for Economic Research, focused on estimating how the Finnish pharmacy network would change if entry restrictions were lifted. The key finding was that market liberalization would lead to a significant increase in the number of pharmacies, predominantly concentrated in densely populated areas. However, approximately two percent of consumers would experience a reduction in welfare due to longer travel distances required to access pharmacy services. In addition, the relaxation of entry restrictions would likely decrease the average size of individual pharmacies, although the overall welfare effects for consumers would be positive. [3]

11. The findings and recommendations arising from these studies are consistent with economic theory, which posits that easing barriers to entry typically results in a substantial increase in the number of firms compared with regulated market conditions. Under deregulation, the counterfactual pharmacies are, on average, smaller and less profitable than those operating under existing rules. This suggests that, when considering the relaxation of pharmacy entry restrictions, particular attention should be given to ensuring that the reduction in average pharmacy size does not compromise the availability of medicines especially if smaller inventory levels could limit the geographic accessibility of essential pharmaceuticals.

12. As part of its broader work in analyzing the Finnish pharmacy market, the FCCA provides expert guidance to health regulators through participation in several intergovernmental working groups tasked with developing regulatory frameworks for the Finnish pharmacy sector.

1.2. FCCA evaluation in merger control

13. The FCCA has assessed several merger cases within the healthcare sector. These have primarily concerned physician services, physiotherapy, and elderly care, among other

[2] Leppälä, S., Sipiläinen, M., Saastamoinen, A., (2025). Apteekkimatkat ja lääkesaatavuus: Uusi menetelmä alueelliseen arviointiin (in Finnish). FCCA Working Papers 3/2025.

[3] Jokelainen, A., Markkanen, J., Leppälä, S., Siikanen, M., Sipiläinen, M., Toivanen, O., (2025) Free Entry and Social Inefficiency in Regulated Pharmacy Markets. VATT Working Papers 172., VATT Institute for Economic Research and the FCCA

areas. The FCCA's evaluations have included analyses of both price effects and non-price competitive factors. It is important to note that changes in price also have indirect effects on non-price dimensions of healthcare, such as equity and accessibility.

14. In 2020, the FCCA reviewed and ultimately recommended the prohibition of a merger between two major healthcare providers: Mehiläinen and Pihlajalinna[4] both of which offered physician services alongside a range of other healthcare activities. The FCCA's assessment included a detailed examination of non-price factors, focusing on geographical availability, customer-switching behavior, and surveys on customer satisfaction.

15. Given that Finland operates a universal healthcare system in which physician services are primarily provided through the public sector rather than private insurance schemes, the welfare effects of such mergers are concentrated among a group of patients that have typically belonged to higher socio-economic groups. Consequently, equity considerations have not been a central concern in merger evaluations within the physician services market, even as market concentration has increased.

16. There has been ongoing discussion regarding how quality evolves in healthcare markets that become increasingly concentrated and corporatized, with a stronger orientation toward profit maximization. The effects of financialization on quality are somewhat ambiguous: on the one hand quality can be impacted through cost-cutting measures that are implemented to increase profits, while proponents suggest that quality is a key competitive advantage, and mergers can enhance overall quality by facilitating the diffusion of best practices from higher-quality firms to those of lower quality. The quality of services provided is closely linked to firms' pricing strategies, which are often determined through chain-wide pricing models.

17. In a recent study, the FCCA examined the effects of corporatization on smaller clinics.[5] The analysis focused on how small physician and dental clinics adjusted their pricing, patient volumes, and quality of services after being acquired by larger healthcare companies. These acquisitions were so-called "stealth acquisitions," meaning that they fell below mandatory notification thresholds and thus were not subject to formal merger control procedures. In its' study, The FCCA utilized extensive register-based data on patient visits to evaluate how the acquired firms' service offerings changed following acquisition.

18. Though there were some findings in these studies that physician clinics being acquired had a reduced amount of patient visits, the FCCA's findings where that this was possible to be explained by demand characters i.e. that a rise in price would also account for reduced use of the service. The acquisitions had no statistically significant effect on treatment variety in the physician market or on the number of regular physicians working in the clinic. The FCCA found that acquisitions had a modest effect on the number of specialties offered in the acquired clinics.

19. A concern when evaluating the harmful effects of concentration in the Finnish healthcare sector has often been that healthcare providers operate as smaller private proprietors that are present in smaller localized markets or smaller geographic regions. As the revenue of such health care units are far below the mandatory notification requirements for mergers in Finland, several markets have consolidated over time without the FCCA

4 KKV/1233/14.00.10/2019

5 Buri, R., Heinonen, M., Pietola, M., (2024). The ones that got away? Stealth Consolidation in the Finnish Private Healthcare Market. FCCA Working Papers 1/2024.

being able to evaluate the welfare effects on local competition, when smaller clinics have been acquired by large multinational chains,

20. The mandatory notification requirements for mergers were significantly lowered in Finland in 2023, partly due to the very fact that healthcare markets have become very consolidated in services such as dentistry, veterinarian clinics and physician markets. Previously, the primary way businesses operated in these industries operated mostly under sole proprietorships or independent clinics, but now it is increasingly common for them to operate under larger entities and corporate umbrellas as smaller clinics have been acquired by larger firms over time.