

Слайд 1 (заставка)

Interaction between State and Private healthcare in Russia

F. KADYROV

(Federal Research Institute for Health Organization and Informatics of Ministry of Health and Social Development of the Russian Federation)

Слайд 2.

The Constitution of Russia grants equal rights of state and private healthcare. Unfortunately in reality this equality of rights is not achieved in everything.

Слайд 3.

In spite of the rapid growth of private healthcare in Russia for 20 years (private clinics provide 10-15% of volumes of medical care) it still remains poorly developed. It is primarily represented by small dental clinics. The number of large diversified private clinics remains small.

Слайд 4.

The main reasons of poor development of private healthcare in Russia are the following:

1. Low starting position: there was practically no private healthcare in the USSR – one had to start from scratch.
2. Unlike private industrial enterprises – private medical clinics rarely appeared in the process of privatizing state clinics.
3. Relatively low paying capacity of the population (especially elderly population), which caters mainly for the state system of free medical care – first of all for the system of obligatory medical insurance (OMI).
4. Insufficient development of Voluntary medical insurance, especially individual.
5. Limited possibilities of participation of private clinics in the system of OMI.
6. Only some kinds of medical care are financed from the budget (phthisiology, psychiatry, ambulance etc.) and private clinics don't have access to budgetary funds.
7. Competition on the market of paid services provided by state clinics which offer paid services at dumping prices.
8. Bureaucracy and corruption in state bodies controlling the activity of private clinics.

Let's have a detailed look at some of these reasons.

Слайд 5.

Insufficient development of Voluntary medical insurance (VMI) is explained by the weakness of economy and by the low level of solvent demand of the population. At the same time there are large formal guarantees of free medical care.

There are legislative reasons. Formally VMI couldn't include some kinds of medical care included in the program of OMI.

Слайд 6.

This limitation was lifted last year. Besides, amounts of costs on VMI free of tax were increased.

One of the recent tendencies in the system of VMI – the formation of their own or subsidiary clinics by insurance companies. However the main advantage of this is not connected with a better quality or a higher economic efficiency of the activity of these clinics but with the

possibility to control the treatment costs of the insured (primarily the volumes of medical care). It is not entirely a market approach. This tendency seems to be declining in Russia.

Слайд 7.

Limited possibilities of participation of private clinics in the system of OMI are connected with the following. State authorities don't always admit private clinics in the system of OMI in the regional level. They give preference to state and municipal clinics (later referred as state clinics). State bodies don't want to lose control over the providers of medical services. All these things are the remnants of socialism. There are also fears of social conflicts in case there is a need to close state clinics due to a large presence and participation of private clinics in the system of OMI.

There are fears of a different kind. The constitution of Russia grants free medical care only in state clinics. A part of the population has concerns that the reductions of the number of state clinics in connection with the inclusion of private clinics in the system of OMI will reduce guarantees of free medical care.

Слайд 8.

Nevertheless, the main reasons of poor participation of private clinics in the system of OMI should be found in the economic area. It is unprofitable for private clinics to participate in the system of OMI. It is connected with the following reasons:

Слайд 9.

- multi-channel financing: state clinics working in the system of OMI are partly financed from the funds of OMI through insurance companies (salaries, charges on salaries, medications, food, linen), other expenses of state clinics are reimbursed directly at the expense of the state or municipal budget. Accordingly, private clinics don't get these funds. The adoption of the new law concerning OMI supposes a transition to a rate including the majority of expenditure items by 2013. This will make the rates in the system of OMI more profitable for private clinics.

Слайд 10.

- the rates of financing from OMI don't cover the full level of costs. There is partial reimbursement of expenditure items financed from OMI (underfinancing). This doesn't allow private clinics to fully reimburse their expenses in the work in OMI. Private clinics often use high quality and more expensive medications, pay higher salaries than in state clinics. That's why the rates set for state clinics are too low for private ones.

The situation is changing. The amount of payments into the system of OMI has been sharply increased this year.

Слайд 11.

On the whole, the policy of the Government of the RF is aimed at a larger attraction of private clinics into the system of OMI. There can be a mutual interest of the state and private business in this. The government is interested in the development of private healthcare not only from the point of view of justice and equality of state and private healthcare. It is profitable for the state if the majority of the population used private clinics reducing the workload on the budget and the system of OMI.

A year ago a new law was adopted dedicated to OMI. Although it didn't solve the problem completely, it simplified the entry of private clinics in the system of OMI.

Слайд 12.

One more reason of poor development of private healthcare - the presence of competition in the market of paid services from state clinics, which often provide paid services at lower dumping prices.

It is difficult for private clinics to carry out price competition with state clinics, providing paid medical services. It is connected with unequal economic conditions in which they are situated. Dumping is possible because of the fact that state clinics don't include all costs into their prices (don't include depreciation of buildings and equipment) As a matter of fact the state gives benefits to their clinics. This leads to deformation of normal market relations and deters the growth of private healthcare.

Слайд 13.

Although the present economic situation is not very fortunate for cutting down paid services in state clinics, the Government hopes on the strategy of substituting paid medical services by cash in state clinics for the system of voluntary medical insurance. In perspective it is necessary to remove paid services from state clinics (at least paid services made in cash).

Слайд 14.

As for bureaucracy and corruption in state bodies controlling the activity of private clinics, the situation is improving here as well. The Government has declared a serious fight with corruption. Legislative limitations of the possibilities of groundless checks in private clinics contribute to improving the situation. For example, in order to check a private clinic, state authorities have to coordinate this check with the public prosecutor's office. It is a bureaucratic procedure, but it serves the interests of private clinics.

Слайд 15.

Despite the contradictions of interests of private and state healthcare, their close interaction is typical for Russia. Although private clinics often suffer from the preferences given to state clinics, they have learnt to find benefits in state healthcare.

Слайд 16.

For example, like in many European countries many doctors try to combine work in private clinics with prestigious positions in universities and state clinics for the sake of social status. Besides status, the position in state clinics helps to form the flows of paid patients from state clinics into private. Sometimes doctors persuade patients to reject free medical care for the sake of a higher quality and address a private clinic. Simply speaking, combining work in state clinics, doctors of private clinics are enticing patients into their private clinics.

Besides, state clinics are a good opportunity to choose a good specialist for a private clinic. That's why private clinics save money on training their own specialists.

Although private clinics often entice good specialists we can't say that the level of quality of medical care provision in private clinics is higher. Firstly, heads of departments (they are, as a rule, the most qualified specialists) unlike ordinary doctors seldom go into private clinics. Secondly, in large federal state clinics carrying out the most complicated kinds of medical care (for example, cardiosurgical operations) the salary of regular doctors can be higher than the salary in private clinics.

Private clinics make another benefit from the presence of state clinics. In case of complications or detection of other accompanying diseases which go beyond the specialization of private clinics they refer patients to state clinics for free treatment thus reducing the financial risks and the risks of unfavorable outcomes of treatment. So, the situation is ambiguous. In the number of cases private clinics are limited in the possibility of development by the presence of state clinics. In other cases private clinics make benefits from coexistence of private and state healthcare.

Слайд 17.

Private healthcare not always provide better quality. That's why the most prosperous Russian people in case of serious diseases prefer to get medical care in the leading state clinics or abroad (primarily in Germany and Israel) and not in private clinics. What is really better in private clinics is the level of service.

Слайд 18.

Sometimes state clinics get benefits from such coexistence. The possibility for doctors to work in private clinics allows to keep employees in state clinics.

State clinics often use cooperation with private clinics to provide paid services (for example, transferring some services to private clinics on terms of outsourcing, giving them offices to rent etc.). **It could be considered as a positive tendency.** But the transparency of such relationships is low and is often accompanied by corruption schemes.

Слайд 19.

The ideas of Public-Private Partnership (PPP) are becoming more and more popular in Russia. But the traditional patterns of PPP typical for many countries are difficult to implement in Russia. The reason is the same as the one that makes work of private clinics in OMI unprofitable. The fact is that not all expenditure items are included in the rates of OMI. Since 2013 when the rates of OMI will include all expenditure items, the perspectives of PPP will improve.

Слайд 20.

On the whole, new laws in the field of healthcare (adopted or being elaborated) are aimed at supporting private healthcare.

Слайд 21.

The recent tendencies in the field of private healthcare are characterized by the following:

- the whole range of diversified large clinics is being built;
- increasing investments into private healthcare from foreign European capital
- the Government is trying to solve the problem of healthcare development not only by means of increased financing of healthcare. New benefits of income taxation for the population and enterprises are being introduced on condition of voluntary medical insurance and of getting medical care subject to payment. In a number of cases there is a zero rate of income tax for private clinics.

- the adopted regional programs of healthcare modernization suppose the restructuring of the network of healthcare institutions with consideration of private clinics on their territory.

Слайд 22.

In conclusion I can say that the tendencies of developing private healthcare in Russia are optimistic. But there are many problems. Certain things are necessary to stimulate the development of private healthcare:

- improving legislation and adopting special laws dedicated to private healthcare and voluntary medical insurance (there are no such laws now)

- including all expenditure items in the rates on medical services in the system of OMI, including depreciation.

- continuation of the started reform of the network of state institutions with the elimination of inefficiently functioning ones

- elimination of dumping from state clinics and formation of equal market conditions for all providers of medical services

- greater focus on market purchasing of medical services from any producers

- more active implementation of SPP projects

Слайд 23.
Thank you for your attention!