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THE PRINCIPLES OF HEALTHCARE SYSTEM FINANCING OPTIMIZATION IN UKRAINE

The article analyzes the mechanisms and highlights the fundamental principles of healthcare system financing optimization. Factors impacting the efficiency of healthcare industry functioning including its financial component are presented.

Keywords: healthcare system; healthcare financing; optimization.

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ПРИНЦИПИ ОПТИМІЗАЦІЇ СИСТЕМИ ФІНАНСУВАННЯ ОХОРОНИ ЗДОРОВ'Я УКРАЇНИ

У статті проаналізовано основні механізми та виявлено фундаментальні принципи оптимізації фінансування системи охорони здоров'я. Наведено чинники впливу на ефективність функціонування медичної галузі, включаючи її фінансову складову.

Ключові слова: система охорони здоров'я; фінансування охорони здоров'я; оптимізація.

Рис. 5. Табл. 1. Літ. 15.

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ПРИНЦИПЫ ОПТИМИЗАЦИИ СИСТЕМЫ ФИНАНСИРОВАНИЯ ЗДРАВООХРАНЕНИЯ УКРАИНЫ

В статье проанализированы основные механизмы та выделены фундаментальные принципы оптимизации финансирования системы здравоохранения. Приведены факторы влияния на эффективность функционирования отрасли здравоохранения, учитывая ее финансовую составляющую.

Ключевые слова: система здравоохранения; финансирование отрасли здравоохранения; оптимизация.

Problem statement. Healthcare is one of the most important areas to ensure effective functioning and development of every country in the world, because population health is an essential component of successful development and prosperity. Therefore, health safely issue will always be an important element in policies of each state.

Today the national healthcare system in Ukraine does not meet the full needs of population, primarily due to inefficient organization of its financing. Therefore, a necessary component of state policy in the healthcare sector is to develop an effective mechanism for healthcare financing, which would take into account the interests and capabilities of patients and also ensure their right to receive high-quality health services.

Recent research and publications analysis. The ways to improve the financial provision of the healthcare system and reforms in this area were studied by such scholars as I. Kondrat and S. Grehorash (2013), S. Lobodina (2010), F. Radysh and N.P. Kryzyna (2003), A. Vinogradov (2006), O.O. Zaglada and N.P. Kryzyna (2012).

The research goal is to analyze the existing funding mechanisms for healthcare and to outline the optimizing principles for the healthcare system in Ukraine.

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Key research findings. According to the Constitution of Ukraine (28.06.1996), life and health of citizens is the highest social value, and the state server the guarantor of rights and freedoms. However, the current trends of the health system’s deterioration in our country complicate the implementation of the declared human rights for qualified medical care.

The Law of Ukraine "Fundamentals of the legislation of Ukraine on Healthcare" as of 15.07.2015 # 2801-12 states that healthcare financing in Ukraine is carried out by the State Budget of Ukraine, Autonomous Republic of Crimea, the budgets of local and regional authorities, health insurance funds, charity funds and any other sources not prohibited by the law. Article 12 of this law mentions that public health policy is ensured by budget appropriations in the amount corresponding to scientifically justified needs, but not less than 10% of the national income.

In national health care, there are many difficulties, including inadequate funding of the system overall, lack of legally defined list of medical services that should be provided in state and municipal healthcare institutions for free, lack of clear links between financing of state and municipal healthcare institutions and the results of their activities, financing of medical institutions from the budgets of different levels.

In the Budget Code of Ukraine in 2016 44.6 bln UAH have been provided on health care. Expenses for the Ministry of Healthcare of Ukraine, within the financing of the whole industry, were up to 12.1 bln UAH. Medical subventions from the state budget to local budgets constituted 44.3 bln UAH.

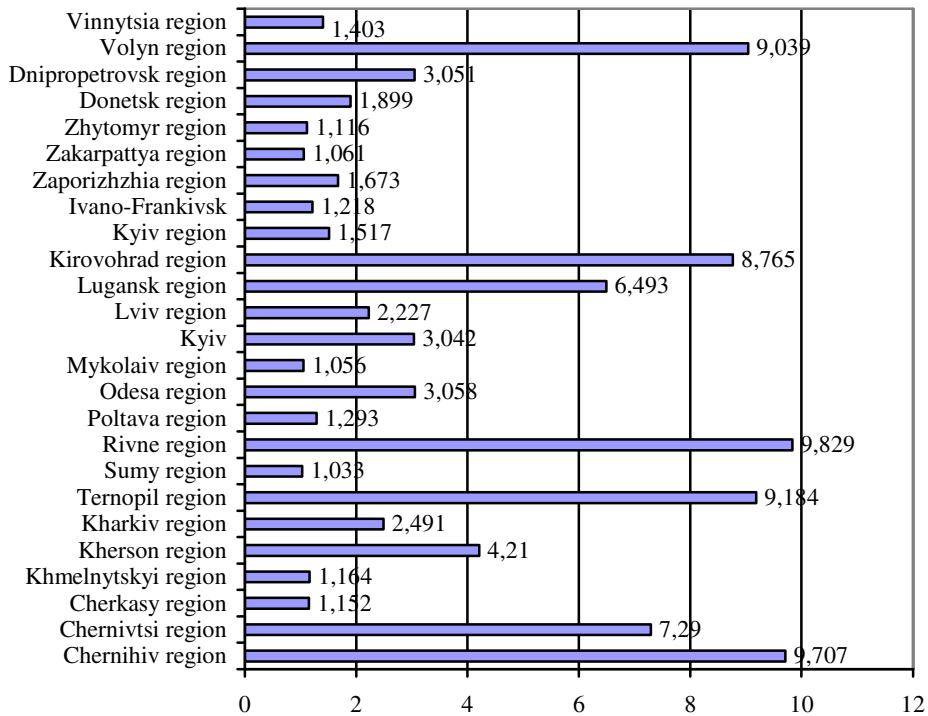


Figure 1. Distribution of medical subventions to local budgets, bln UAH, constructed by the authors on the data from (Law of Ukraine, 15.04.2016, # 928-19)

If the total healthcare spendings split by sources, financing from the state budget cover 53% of the total costs; household spending – up to 44%, private companies expenditures – 3%.

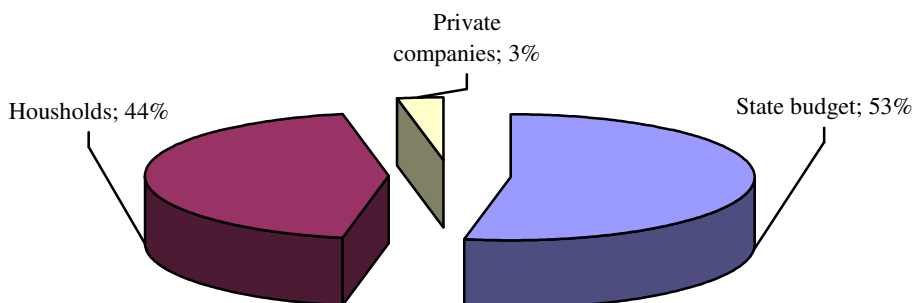


Figure 2. The total spending on healthcare by sources, %, constructed by the authors on the data from (Natsionalna stratehiia reformuvannia systemy okhorony zdorovia v Ukraini na period 2015–2020 rokiv, healthsag.org.ua, 2015)

Within the framework of healthcare reform, the Board of Directors of the International Bank for Reconstruction and Development approved the implementation of the project "Improving healthcare for the service to the people", in which Ukrainian medicine will get 214,730,000 USD for its further development.

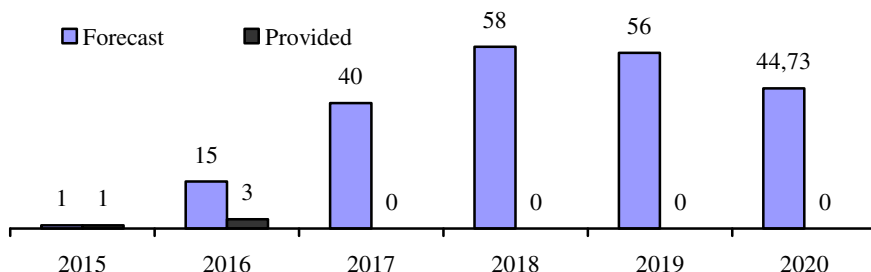


Figure 3. Project financial coverage, mln UAH, constructed by the authors on the data from (Natsionalna stratehiia reformuvannia systemy okhorony zdorovia v Ukraini na period 2015–2020 rokiv, healthsag.org.ua, 2015)

This pilot project is being implemented in 8 regions of Ukraine (Vinnytsia, Volyn, Dnipropetrovsk, Zakarpattia, Zaporizhzhia, Lviv, Odesa, Poltava, Rivne), involving the development of the industry in terms of improvement of medical services at the local level, strengthening the role of the information component of the reforms of the public health sector in general.

Lack of financing of this sector and inefficient distribution of financial resources have their consequences: according to official statistics, the mortality rate in the country is twice higher than the EU average.

One of the factors that affects mortality is primary population morbidity, this indicator remains high in the country for many years already. The largest percentage in the structure of morbidity by main types of diseases (2015 data) belongs to respiratory diseases.

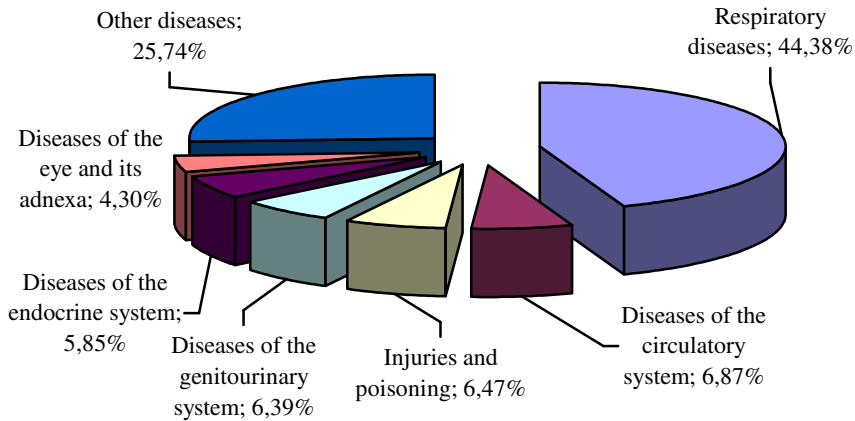


Figure 4. Population morbidity by main causes (2015), constructed by the authors on the basis of (Zaklady okhorony zdorovia ta zakhvoriuvanist naselennia Ukrainy: Statystichniy biuletyn, www.ukrstat.gov.ua, 2015)

In order to improve the level of medical services and the effective functioning of the industry in general it is appropriate to develop and implement a new system of healthcare financing which would take into account the actual possibilities of citizens, their interests and needs. Such system should be based on the following fundamental principles (Table 1).

Table 1. Principles of the healthcare system reform, authors'

Principles	Description
The principle of transparency	ensuring information transparency of the health care system
The principle of effective management	providing autonomy to medical institutions
The principle of healthcare financing optimization	- introduction of partially paid services; - increasing the role of voluntary medical insurance; - transition from article-by-article financing to pay-for-services-rendered; - tax on childlessness
The principle of effective human resources organization	- improving and monitoring proper qualification level of medical staff; - implementation of contracting medical staff; - active cooperation with international organizations under common projects on social healthcare
The principle of targeting	clear allocation of budget funds on specific preventive health programs

1. The principle of transparency. One of the mechanisms to ensure transparency of the health system is to develop an e-health system. E-medicine (e-health) provides formation of a single database of patients, using electronic cards of patients, which store information on all inspections and test results, diagnoses, allergies and vaccinations; electronic prescriptions; doctors' appointments online; rating of doctors and choice of doctor and hospitals according to this rating; interactive evaluation of the medical services quality; electronic data management.

2. The principle of management efficiency. Providing greater autonomy to medical institutions in their administrative activities and funding allocation. This would, inter alia, manifest through diversification of investment sources and establishment of their own bank accounts. Autonomous control at hospitals will provide an opportunity to see the situation as it is and quickly respond to actual needs.

3. The principle of healthcare financing optimization. This principle includes the following components:

3.1. Implementation of the guaranteed by the state package of health services and the system of copayments for services not included in the guaranteed package. Calculation of services costs should be based on treatment protocols by Ukrainian and international experts.

Hospitals will become communal non-profit enterprises that will be able to conclude an agreement for rendering services with future regional funds of payment for medical services that will administer the funds provided from the State Budget.

In these new modeled situations, hospitals will be interested to develop necessary infrastructure to provide best services in order to compete for patients. Accordingly, the quality of all services will get better.

The State guarantees its citizens a clearly defined granted free package of healthcare services and suppliers will compete for that money. For the services not included into this guaranteed package, citizens can pay directly or use voluntary medical insurance. Here, the important issue here is to develop clear tariffs for the services rendered. The system must include a differentiated approach according to different stratas of population. Thus, categories eligible for free services include: children under 18, non-working pensioners, disabled from childhood, combatants, the disabled (I, II and III groups), pensioners.

3.2. Increasing the role of voluntary medical insurance. Analyzing the experience of foreign countries, we can conclude that the budget replenishment with additional revenues from compulsory medical insurance is not able to improve the overall situation and optimize the financing of the industry. Additional contributions under compulsory health insurance will increase the tax burden on working population, and for citizens low wages with this will have a really pernicious effect. Besides, there still remains an open question how to ensure the quality of medical services included in the basic package of mandatory health insurance.

Because of the existing financial and organizational problems implementation of mandatory health insurance in Ukraine seems to be cumbersome, thus giving impetus to the development of voluntary medical insurance instead.

3.3. Shifting from article-by-article financing to pay-for-services-rendered. Speaking about financing of primary healthcare, it is appropriate to transit payments to each primary care doctor under the annual norm for each service assigned to his/her patient. Wages, therefore, would depend on the amount of medical services rendered.

For specialized outpatient care various methods of payment can be used, depending on the type of service: funding per inhabitant, fees, or charges for a treated case etc.

Such practice is used in the most developed countries and already has its positive results.

3.4. *Tax on childlessness.* Families married for 5 years and still having no children are invited to adopt a child, and in case of unwillingness should pay an appropriate tax. Although introduction of this element is of rather ambivalent character, its implementation could become significant step towards optimization of healthcare financing.

4. *The principle of effective human resources organization.* Since the most important element in operations of any system is its human resource, effective organization can essentially influence the outcomes of all activities. Organization of effective human resource aims to:

4.1. Train medical staff.

4.2. Contracting medical personnel. This, in turn, implies changes in the principle of labor remuneration of healthcare facilities staff – from fixed payment for staffing to pay-for-services-provided under a contract. Contracting medical staff is not limited to one institution, and allows medical employees conclude contracts for rendering services with several medical institutions.

4.3. Cooperate with international organizations and participate in various social projects on emergency medical assistance, experience exchange under relevant programs etc.

5. *The principle of targeting.* This principle is aimed to ensure more clear distribution of budget funds on specific preventive health programs. For example, revenues from excise tax on alcohol would be appropriately directed at financing of the programs on prevention and treatment of cardiovascular diseases; revenues from the excise tax on tobacco products – on the programs concerning prevention and treatment of respiratory diseases; funds, which come from the tax on childlessness should be directed to finance programs improving reproductive health of population etc.

Important condition for the implementation of these principles is their certain sequence that involves clearly defined steps on their implementation (Figure 5).

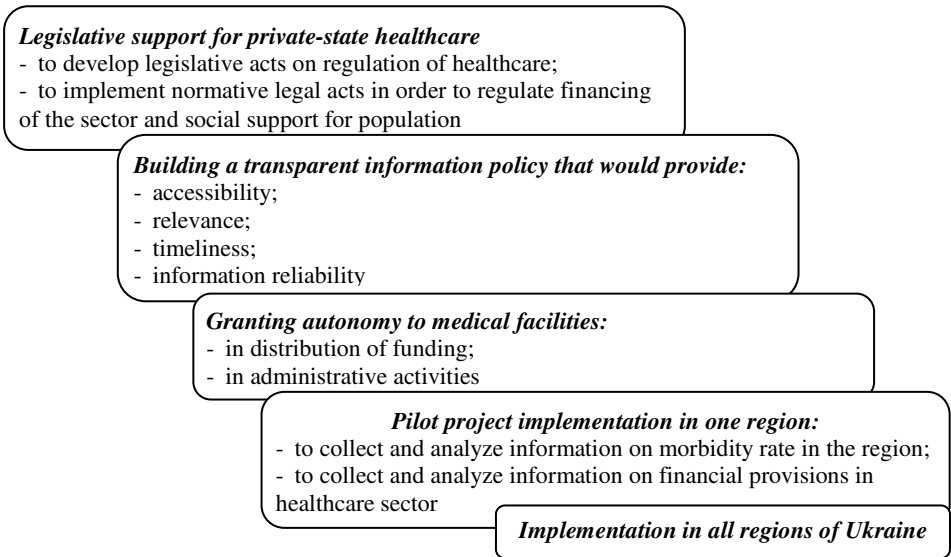


Figure 5. Stages of the described principles' realization, authors'

The key purpose of healthcare system functioning in any country is safe, effective and timely medical help, which would be based on common principles, and would serve as a reliable basis for the implementation of state healthcare policy.

Conclusions. Implementation of new effective principles of healthcare financing optimization requires a large number of changes in the legislative sphere and also a high level of executive discipline, proper analysis of financial support mechanism in healthcare for effective policy implementation and, ultimately, for a positive impact.

Implementation of the abovementioned principles aims at improving efficiency and accessibility of medical services, in order to make more efficient the financing system of industry; more efficient use of financial resources; providing high-quality medical care, enhancing the level of "medical culture" of population, which in turn can lead to creating a new healthcare system in Ukraine, focused on people's needs and able to achieve high indicators of national health overall.

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