

ICPS newsletter

Healthcare: unrealised potential

A national healthcare system is vital for ensuring public welfare. Despite its great potential, Ukraine's national healthcare system does not satisfy today's needs of consumers of medical services; it remains one of the country's least reformed sectors. The experience of other countries has shown that a priority reform objective should be to secure top quality and accessibility of medical services to all citizens. ICPS carried out research on this problem while preparing a special section for its publication *Quarterly Predictions*. In this Newsletter issue, we summarise the results of the analysis

Potential

The Soviet Union handed down to Ukraine an extensive infrastructure of medical centres (including educational institutions). Ukraine is ahead of most countries by the number of medical institutions per 100,000 population. Higher and vocational medical educational institutions function in virtually every region.

In addition, Ukraine has a great number of medical workers—227,000 (or 45.5 doctors per 10,000 population). Most doctors have wide-ranging work experience and are highly qualified specialists.

Ukraine allocates fewer resources for healthcare compared to Western European countries, yet among the CIS countries it tops the list. Generally speaking, Ukraine finances its healthcare

system according to its actual capabilities. In our opinion, an upswing of Ukraine's economy would lead to increased funding of the healthcare system.

Difficulties

The huge potential of the national healthcare system is poorly employed by the state; thus, reforms are urgently needed in the sector. We single out the following most immediate problems in the national healthcare system:

- Poor quality of medical services. Both the World Health Organisation (WHO) assessment and a public opinion poll held this year testify that the public is generally dissatisfied by the quality of health care in Ukraine. 60% of Ukrainians say that the quality of medical services has become lower;

- Inaccessibility of medical services of a satisfactory level for certain groups of society.

Geographically, the distribution of healthcare establishments in Ukraine is more or less even, so the problem of inaccessibility does not exist in a geographical sense. The inaccessibility is explained by the fact that despite

being free of charge by law, medical services today need to be paid for, at least partially. According to WHO calculations, approximately one-quarter of all contributions to healthcare in Ukraine is made unofficially or semi-officially by citizens. According to an opinion poll, one-quarter of households which were in need of medical help, and more than one-third of households which were in need of medicine, failed to obtain them, because their cost was too high;

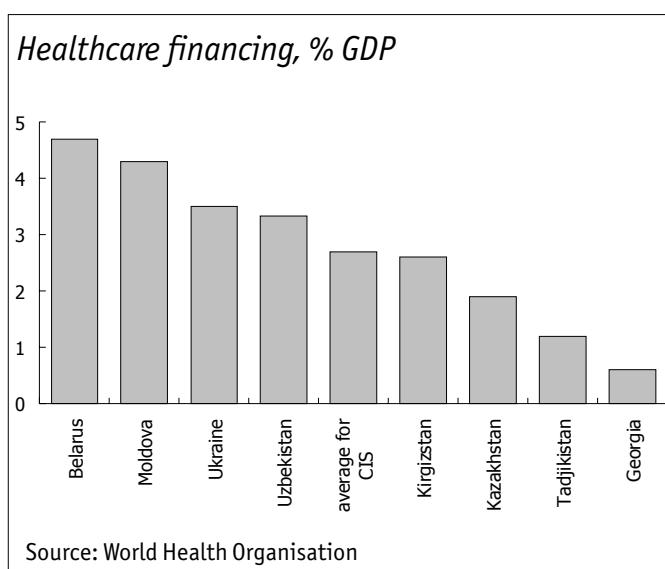
- Constantly increasing level of morbidity. In 1990–1998, the number of registered new incidents of disease per 100,000 population increased by 2.5%. Moreover, the number of people suffering from tuberculosis and diseases of the circulatory system is on the rise. According to an opinion poll, 28% of Ukrainians consider their health to be poor or extremely poor (to compare, in Holland and England this indicator stands at 4.1% and 6.6%, respectively). The number of patients is constantly growing, and the limited amount of resources has to be distributed among a greater number of individuals.

Causes

Financing principles do not correspond to market economy principles

The Ukrainian government finances medical facilities by the number of patient beds and staff norms. Thus, funds are allocated based not on indicators that characterise hospital activity or loading, but on figures indicating the size of the facilities.

The system of wages for doctors offers no incentives and does not depend on their performance. Moreover, extremely low wage rates of doctors fail to create any significant competition in the corresponding labour market. Thus, those involved in the system have no



incentives to rationally use the available resources or to work effectively.

Legal mechanisms of attracting resources from alternative (non-government) sources have not been developed properly yet. Specifically, state medical centres have no legal rights to charge for services.

Healthcare system manages available resources ineffectively

The healthcare system in Ukraine, set in place during Soviet times, still has not been optimised according to the needs of the population. Therefore, not infrequently medical establishments have turned out to be too large for the number of patients undergoing treatment in them, and some parts of premises stand idle. Consequently, extra expenditures for the maintenance and renovation of too-large buildings are required.

The system of work under outdated staff norms discourages the effective utilisation of resources in medical establishments. Regardless of the loading of a particular healthcare facility, at present it must be fully staffed with personnel of all specialisations, according to fixed requirements as to the number of doctors and supporting (non-medical) personnel. Such inflexibility regarding the number and specialisation of personnel often leads to excessive expenditures on labour.

Inefficient resource utilisation also shows itself in ineffective treatment processes. Specifically, in Ukraine patients stay in hospitals unreasonably long, given that this kind of treatment is more expensive compared with others. Ukraine has such a high indicator of average stay in hospital due to the usage of outdated equipment, the lack of proper equipment, and the ineffectiveness of primary medical aid. The application of extremely old equipment and the shortage of resources for its upgrading make it impossible to introduce up-to-date technologies of treatment.

The inefficient system of primary care (ambulatory, the cheapest) leads to expensive and lengthy medical treatment. The majority of patients have to get treatment either by narrow specialists or in hospitals. "Routine pathology", which is the responsibility of primary care, makes up 80–90% of all diseases. General practitioners (family doctors) are not widespread yet.

Lack of consistent policy and effective sector management

In Ukraine, where the majority of healthcare establishments are state institutions, the management of the health sector is still implemented according to the Soviet framework. The health system consists of a strict hierarchy, and local government bodies possess limited authority as to regional health care policy. The state budget is the main source of healthcare funding.

Despite the fact that healthcare establishments are divided into three levels (national, regional, and local), all the resources are allocated by the Ministry of Healthcare. The ministry finances the establishments at all levels. Such a mechanism of allocation of resources ignores individual regional needs in healthcare services. The citizenry at the local level has no opportunity to influence the financing and management of local healthcare establishments.

Ukraine has no uniform strategy for healthcare system reform. The decisions that have already been made have proved themselves to be inconsistent, merely an attempt to adjust to new social and economic conditions. For example, the government tried to solve the problem of insufficient financing by adopting a list of services that can be delivered by the state healthcare establishments for pay. This decision was revoked in 1999 as unconstitutional.

Reform strategy

The main prerequisite of successful healthcare system reform is the design and adoption of a single strategy for

sector development. Inconsistent and uncoordinated decisions can only worsen the situation. Among the key components of a successful strategy are the establishment of new financing mechanisms and enhancing the effectiveness of the healthcare system.

The lack of budget resources creates additional difficulties for the development of the healthcare sector. One of the suggested ways to obtain additional resources is to establish obligatory medical insurance. This will, however, increase taxes for enterprises and/or citizens, thus cutting their incomes. Moreover, before establishing the system of obligatory insurance, the government has to create a developed market of insurance services and to work out effective regulation procedures. The implementation of innovations that have no proper financial and legal basis leads to no positive changes, and can only make things worse.

Another possible source of financial resources is a new list of paid services rendered by healthcare establishments, e.g., additional services per client's request that are not in the disease treatment or prevention plan, services aimed at making the hospital stay more comfortable, etc.

Effective management of the sector's resources depends on the following principles:

- Financing of healthcare establishments, as well as doctors' wages, depending on the results of their work and actual loading;
- Financing and managing of national, regional, and local healthcare establishments carried out by local authorities, local administration, and the Ministry of Healthcare;
- The state promoting the development of the primary medical care system (family healthcare). ■

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