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K.M. Vergeles, L.V. Horokhova<sup>1</sup>, M.A. Kozlovets<sup>1</sup>, I.A. Holovanova<sup>2</sup>, O.L. Sokolovsky<sup>1</sup>,  
A.O. Gavrilyuk, R.G. Zharlinska, T. M. Vergeles  
National Pirogov Memorial Medical University, Vinnytsia, <sup>1</sup>Zhytomyr Ivan Franko State  
University, Zhytomyr, <sup>2</sup>Ukrainian Medical Stomatological Academy, Poltava

## HEALTHCARE SYSTEM REFORMING IN UKRAINE IN THE CONTEXT OF PRIVATE HEALTH CARE SYSTEM EXPANSION

e-mail: allahavryliuk25@gmail.com

The analysis and assessment of the peculiarities of practical implementation of the health care system reform in the context of private health care system expansion in the political decentralization processes and the local self-government reform in Ukraine was performed in the article. The conditions and features of the implementation of the National Health Reform Strategy for Ukraine 2015-2025 in terms of ensuring the effective organization of the health care system, in particular in the context of private health care system expansion have been studied. Prospects for further research on the conditions and ways to improve the system of medical care in Ukraine were proposed.

**Key words:** political decentralization, medical reform, health care system, private health care system, health expenditures.

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Ukrainian society has once again found itself at the epicenter of modern reforms in various fields. The relevance of the studied problem is that every citizen, as well as the state as a whole, became participants in reforms at different levels. In August 2014, the processes of political decentralization led to the initiation by the Ministry of Health to develop the National Health Reform Strategy for Ukraine 2015-2025 [9]. The strategy outlined the main directions of reform in the field of health care and service provision, financing of the health care system, management and pharmaceuticals. Decentralization and grassroots initiatives, according to strategic plans, should become a new reality in the branch, and the Ministry of Health of Ukraine should not solve all the problems of the medical sphere alone [8]. In addition, public and professional medical organizations must be aware of their responsibility for the future of the field in which they are engaged or where they have experience. The importance of the study is evidenced by its relevance, which confirms the significant number of available publications [1, 4, 5, 9, 11], as well as the hope of Ukrainian citizens that we have every chance to become a country without broken roads, abandoned villages and destroyed houses. It is possible to achieve these results, but to do this, not only communities need to believe in reform, gain power, resources and join responsible self-government, and the state must not only "de jure" prescribe all the processes, but also try to implement them "de facto" as much as possible.

**The purpose** of the study was to study and analyze the specifics of the health care system reforming and its implementation in the context of private health care system expansion under the conditions of political decentralization in Ukraine.

**Materials and methods.** In the course of the study, the authors used the materials and methodology of the World Bank to determine the advantages and disadvantages in the public services provision, adapted to the conditions of the Ukrainian health care system, which is based on a survey on health issues in different regions of Ukraine. In addition, on the basis of statistical data of decentralization monitoring in

the health care field, the analysis and comparison of the health care budget of Ukraine was carried out, and the implementation of the National Health Reform Strategy for Ukraine at the present stage was studied.

**Results of the study and their discussion.** In the current context of local self-government reform, the state is increasingly delegating powers to local authorities, including the issue of improving the efficiency of health care and public health. The National Health Reform Strategy for Ukraine 2015-2025 was a component of the Decree of the President of Ukraine of January 12, 2015 No. 5/2015 "Sustainable Development Strategy for Ukraine – 2020" and the Government of Ukraine (program of activities of the Cabinet of Ministers of Ukraine, approved by the resolution of the Verkhovna Rada of Ukraine of December 11, 2014 No. 26-VIII) National Action Plan of Reforms [2]. As practical experience showed, the reform of secondary medical institutions without the successful implementation of changes at the primary level is impossible, and sometimes hinders it. In our opinion, the researchers are right that the problem of medical infrastructure optimizing is important in the process of the health care system reforming in Ukraine, since in accordance with the reform of budget decentralization, the maintenance of medical institutions is now directly subordinate to local authorities [1, p. 33]. As a result, local self-government bodies (LSGB) will have the funds and the opportunity to independently determine the priorities for the health care facilities development, to create competitive conditions for their optimization, maintenance and development, and improve the quality of medical services. Accordingly, the capacity and quality of such services will again depend to a greater extent on funding. However, if we compare that the largest hospital in London (England) has an annual budget of about 1.5 billion pounds (45 billion UAH), and the budget of specialized medical care in Ukraine in 2019 – 55.5 billion UAH [7], then we can draw the appropriate conclusions and fully agree with the opinion of Ye. Meshko, coordinator for support of health care reform that it will not be easier for us, but we will hope for positive changes.

The strategy is a document that defines the priorities and main steps for reforming the Ukrainian healthcare system. The real obstacles to its implementation are the inefficient work and shortcomings of the domestic health care system, accumulated due to the lack of modernization, ignoring current global

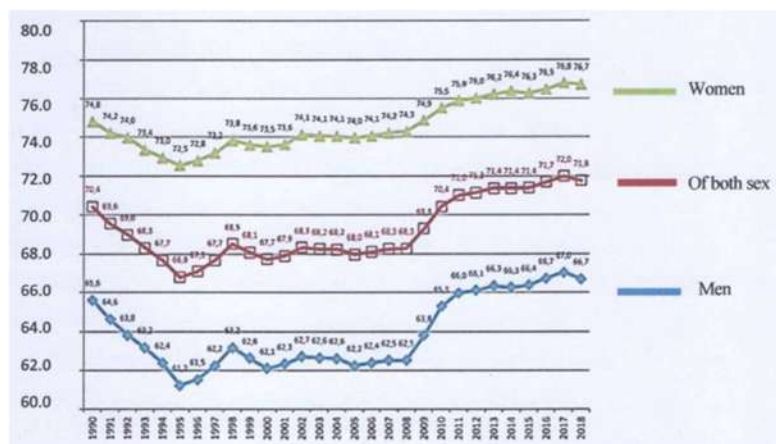


Fig. 1. Average life expectancy at birth in Ukraine in 1990-2018

Singapore and Japan it was even lower, and among the countries of the former USSR, the highest birth rate – 26, had the poorest country Tajikistan. In the world as a whole, according to the World Bank [10], the birth rate increased from 36 in 1963 to 19 in 2017.

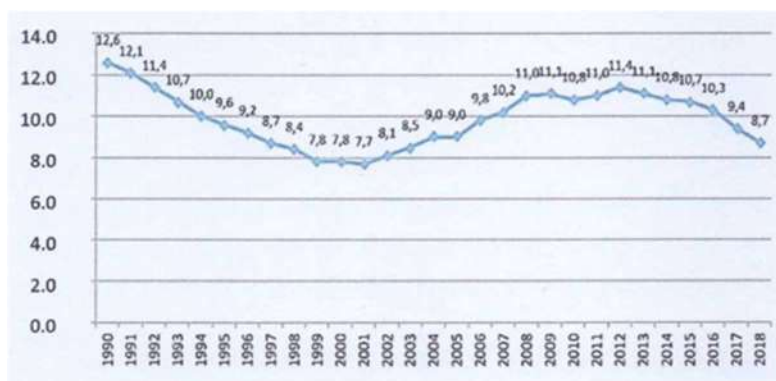


Fig. 2. Birth rate in Ukraine in 1990-2018

At the same time, as a result of the introduction of financial fertility incentive programs, the total birth rate has not changed in a few years, only children have been born a few years earlier.

trends and needs of the population and high levels of corruption. In addition, according to statistics, Ukraine differs radically from European countries in terms of fertility, life expectancy and mortality, which factors are insufficient physical activity, overweight and alcohol and tobacco abuse, as well as the spread of infectious diseases and a high level of injuries (fig. 1, 2) [10, 12].

In 2018, the birth rate in Ukraine was 8.7, but in Germany,

However, it should be noted that the birth rate depends on many social factors, and its reduction is an inevitable consequence of economic and social progress, and the birth rate is not an indicator of public health or the health care system effectiveness.

As early as the 19th century, J. Bertillon, studying the birth rate in Vienna, Berlin, and Paris, found that "the lowest birth rates were observed in the wealthiest families" [3].

Analysis of World Bank statistics [12] also revealed that despite the fact that in Ukraine a significant part of GDP (about 7%) is committed to health services, the level of GDP per capita is lower than in most European countries (fig. 3). In terms of absolute health care costs per capita, Ukraine lags behind, so insufficient funding is usually considered to be the cause of health problems. For example, in 2015, there were 5 times more tuberculosis cases in Ukraine than in Poland and Turkey, and 14 times more than in Slovakia, but these figures are lower than ten years ago.

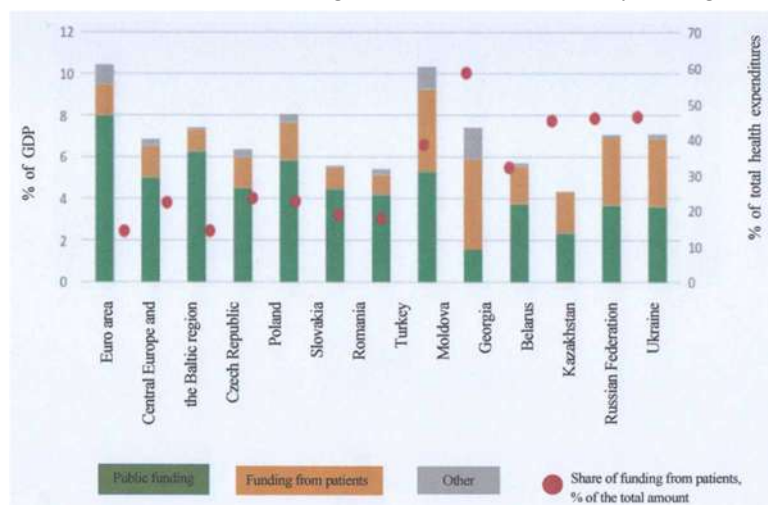


Fig. 3. Structure of health care expenditures by source and share of patient funding (in %)

of the private health care system expansion in the political decentralization processes and the local self-government reform.

It should be noted that to date, the domestic medical industry has an excessive number of highly specialized doctors (about 100 medical specialties). In addition, there are a significant number of city and regional medical institutions that accept citizens (more than 8,300 clinics, hospitals and specialized early treatment centers for one disease) (HIV/AIDS, tuberculosis, oncology, etc.). A serious problem is the limited services in primary care facilities, as a result of which patients try to seek medical help directly from specialists, who usually provide care for a semi-formal or informal fee. The analysis of the situation shows that the state of the domestic health care system is complicated not only by the reduction in the number of doctors, nurses and other qualified medical staff, but also by other factors, such as: rapid aging of the population of Ukraine, low wages, regardless of the volume and quality of work, low living standards, etc. Despite the fact that as of January 1, 2020, in the process of the primary level reforming, more than 29 million citizens chose their doctor, and 1,464 medical institutions and private individuals signed an agreement with the National Health Service of Ukraine and switched to a new funding model, the issues and problems are not fully resolved.

International experience allows us to see that effective health care based on solidarity, justice and public participation can be provided by a system that is able to use available resources in a socially responsible manner, promptly respond to the needs and expectations of the population and guarantee them transparency and responsibility for the measures taken or not taken. An important point in this process is to ensure a close link between the health of the population and the development of the national economy and the well-being of citizens. According to the survey, two thirds of citizens are satisfied with their choice, and the rest do not want to use services that do not meet their needs and aspirations for health care. Deteriorating health of the population can also lead to problems of increasing inequality for certain groups in access to health care, inefficient use of financial resources and further dissatisfaction of people with public policy in general and health care in particular. Regardless of age, social status or place of actual residence, people understand that they are entitled to significantly better health care. Society is extremely dissatisfied with excessive bureaucratization and corruption in the system, which hinders the timely satisfaction of needs, does not take into account health risks and does not use all possible resources for sustainable financing of the industry.

It is also interesting to note that the predictions and views on the prospects of private health care system in the context of health care reform are not unambiguous, nor are the reasons why private entities sign cooperation agreements with the NHSU. There are various assumptions about private health care system: some explain this cooperation by the desire to increase the influx of potential customers for more expensive services, others – believe that the concept of private medical institutions contradicts the recommended solution, mainly in the family doctor's office. At the same time, the tariff set for the year

Although insignificant, but positive dynamics, we have in other indices: "in 2016, the total health care expenditures in Ukraine amounted to 7.8% of gross domestic product, while the share of total expenditures in nominal GDP in the world as a whole is 8.6%, and in the European region – 8.9%, which is almost at the level or above the EU member states after 2004 (on average about 7.0%)" [1, p. 31].

Therefore, we can talk about certain changes in the domestic health care system, which we will consider in more detail in the context

according to the existing prices will be able to cover the costs of individual consultations, not including transport costs for home examinations, necessary laboratory diagnostics, operation and depreciation of medical equipment, maintenance and care of premises, wages, staff training. In addition, health care reform defines as a "chargeable unit" in both public and private institutions the medical service provided to a particular patient, regardless of which doctor or institution the patient sought help from. Accordingly, this has led to serious competition in regions and cities with a large number of private health care institutions for public service agreements with the state. At the same time, patients were given the opportunity to choose a family doctor in both private and public facilities, which also led to competition in the modern market of medical services.

After analyzing these facts, we can note that the initiated reform aims not only to improve the competitive environment of the health care system, but also to attract significant investment in the health sector. A study of statistical data from sociological surveys carried out by the Razumkov Centre on the reform situation in Ukraine, revealed that 65.2% of respondents expressed a negative attitude to health care reform, while only 18.6% expressed positive views on the situation, noting that they support radical changes in the health care system and believe that private health care system can become a model for the state (municipal) in the process of implementing reforms [11]. At the same time, representatives of the medical sector note that private medical institutions should be not only a "driving force" in the process of the health care system reforming, but also a partner of the state in raising the standards of medical services. Today, the share of private medical institutions in Ukraine is more than 20%, they are specialized in dentistry, ultrasound diagnostics, obstetrics and gynecology, neurology, therapy, etc.

Joint events, in particular the All-Ukrainian Medical Summit held in February 2020 in Kyiv, confirm the cooperation between the private and public medical sectors. The reason for such an event was that the National Health Service of Ukraine published not entirely positive statistics that only 21% of medical institutions are ready for the second stage of medical reform [2]. The relevance of the summit was confirmed not only by its scale and "famous" speakers (the leadership of the Ministry of Education and Science, heads of health care institutions, business representatives, doctors, lawyers, etc.), but also the opportunity to learn about the latest medical developments.

An important component of the processes of political decentralization and the medical sector reforming is the division of functions between buyers and service providers. Given that the state will retire from direct management of the financing of health care facilities, which will provide services on a contractual basis and agreed reimbursement schemes in the short term, this will increase the efficiency of the use of funds. In Ukraine, corruption is a painful issue during tenders, which affects the reputation of the health care system and the government as a whole. In practice, one of the best-known and fastest ways to address corruption in the procurement of medicines is to outsource international organizations that perform such tasks on behalf of the government.

An important task in the near future is to focus on reforming the principles and mechanisms of resource allocation and payments without significantly changing the sources of funding and the calculation of service packages that can be financed by the state. Analysis and comparison of statistical data on monitoring the process of political decentralization and local self-government reforming revealed that improving the availability and quality of health care, especially in rural areas, is one of the tasks of political decentralization. This is confirmed by real figures, including state financial support for local and regional development in Ukraine in comparison with 2014 increased 41.5 times and amounted to 20.75 billion UAH, of which – 5 billion UAH is a subvention for the development of medicine in rural areas. A certain disadvantage of this achievement can be considered only that UAH 4 billion out of 5 is a transitional balance from 2018. However, there are more positive changes – as of January 2020, 2,023 cars were purchased, of which 190 – in January (with funding of 0.99 billion UAH) and 3,969 medical kits, of which 122 – in January (with funding of 0.413 billion UAH). In addition, in January 2020, 1 new outpatient clinic was opened and 67 existing outpatient clinics were overhauled or reconstructed [8]. The development of partnerships with the private sector in the field of high-tech services is also envisaged. According to the Strategy, the development of public and private partnership involves a pragmatic approach based on evidence-based medicine, without confrontation between the public and private sectors.

As the experience of developed countries shows, the responsibility for spending public money should remain with hospitals and medical professionals, who will have the administrative and fiscal authority to reinvest in infrastructural or technological change. In most countries, the financing and income of service providers depend on their volume and quality, not on bureaucratic preferences, but on the free choice of the consumer. It is also important to be able to diversify sources of income in addition to

government benefits, in particular through new medical services such as plastic surgery or through the involvement of private insurance companies.

The reform also provides for the introduction of the autonomy of health care facilities, in particular in such key areas as financial management, delegation of management powers and service development planning, which has been taking place since 2020. Successful implementation of planned activities requires a team approach involving all possible partners and beneficiaries. It is also necessary to determine the degree of delegated authority, develop legislation, improve the financial management system, create a system of contracting and evaluation of results, determine personnel policy, and so on.

In our opinion, domestic experts and participants in the reform process should use foreign experience, at least in order to avoid mistakes and achieve positive results. For their part, the state and the government, taking into account the European aspirations of the country, maintain the current regulatory requirements and recognize the requirements of all EU member states for health care facilities. Accordingly, domestic and European standards must be equally recognized for the authorization of medical practice. Reforming the branch will help restructure the health care system on the basis of three fundamental principles:

- people-centered, which means that the health care system takes into account the needs (both of patients and employees) and ensures the safety of services;
- result-oriented approach, which requires the effectiveness of care and/or prevention programs, financial protection of patients and efficient use of funds, based on the wishes of patients;
- focus on implementation, which promotes great ideas and new models to open access to relevant services (including funding for health services, which should be effective, reduce financial risks, etc.) [9, p. 6].

Notwithstanding a number of adopted regulations aimed at implementing the second stage of medical reform from April 1, 2020, the issue of structural changes in primary and emergency medical care, which provided for the creation of new financing mechanisms (including the conclusion of contracts with health care providers), stimulation and implementation of the referral mechanism to secondary and tertiary institutions still need to be finalized. In particular, for more than two years, in accordance with the innovations of the reform, money "goes" for primary care patients, and the reform of secondary and tertiary care has only been announced. It is not clear how the COVID-19 pandemic and its consequences in the world in general and in Ukraine in particular will affect its beginning and implementation. Therefore, in our opinion, it is too early to draw conclusions about the results of the implementation of the medical system reform, introduced with the adoption of the Law of Ukraine "On State Financial Guarantees for Medical Care of the Population" [3]. The reform process began after the adoption of regulations, and the initial moment was a revolutionary change in the organization and financing of the primary health care system. According to the law, budgetary institutions were subject to reorganization, which provided for the creation of municipal non-profit enterprises, the founders of which were local self-government bodies. Therefore, the provision of medical care to citizens and the responsibility for its organization and the quality of services provided is assigned to LSGBs and united territorial communities. Given the significant changes in the forecasts of Ukraine's economic development in the near future due to the pandemic and the challenges facing domestic medicine, we will hope that health care will become a priority area of funding in the country. The results of these processes will be the tasks of our further research.

It should be noted that both in the scientific discourse and among the public, there is still a discussion about the expediency and effectiveness of the planned reforms, including medical ones [1, 2, 3, 6, 11]. The study found that not only society but also the authorities are not always ready for challenges and force majeure, as was the case with the COVID-19 pandemic. Our results indicate that it was not possible to implement and execute all the steps planned by the government to decentralize power within the framework of reforming the medical system in a timely manner. Therefore, it is hoped that at least partially (at the level of united territorial communities and LSGBs, as well as private health facilities), the planned stages of reform will be implemented. However, it should be emphasized that an important point in the process of local self-government reforming is the material side of the issue and as evidenced by statistics [6, 8, 11] the issue of medical financing remains open. This is confirmed by real figures, which showed that despite the fact that the amount of total health expenditures in the draft budget for 2020 increased by 9.8 billion UAH, compared to 2019, and amounted to 108 billion UAH, and the revised draft amendments to the state budget for 2020 provided for an increase in funding from the Ministry of Health by 16.7%, or from 16.367 billion to 114.55 billion UAH, there is still no final decision. In addition, despite the fact that state financial support for local and regional development in Ukraine in 2019 increased

compared to 2014 and amounted to 20.75 billion UAH, of which – from the 5 billion UAH subvention for the development of medicine in rural areas, 4 billion UAH was the transitional balance of the previous year [8]. The urgency of the issue is also confirmed by events and discussions, which seek opportunities for the implementation of the National Strategy [2, 3, 4, 7, 9], so we believe that some issues raised in our study will open new opportunities for implementation.

### Conclusion

The current decentralization reform is not fully operational, as health facilities in some regions, districts/cities are better funded, as they receive additional allocations from local budgets. At the same time, this creates unequal access to medical services for residents of different regions, and the medical subventions are sometimes even lacking for the payment of salaries, coverage of utilities and the purchase of essential medicines. Capital expenditures (repair and purchase of equipment) are financed from local budgets or by donor companies or international organizations. A significant change in the reform process was the separation of primary care. The state has introduced programs to reimburse the cost of certain drugs, but their practical implementation is not perfect. One of the important stages of the reform was the autonomy and transformation of institutions into communal non-profit enterprises. In addition, public health facilities have been able to provide paid services and compete in this market with private clinics. However, a certain obstacle to this is the outdated material and technical base in most institutions, in particular, the lack of necessary modernized equipment and facilities. The reformatting of hospitals at the enterprises allowed them to be financed by receiving payments from the NHSU, which will help to speed up logistic processes and improve the quality of medical services.

*Prospects for further research are as follows. The authors plan to study the practical execution and implementation of specific plans for the health care system reform in the context of private health care system expansion in the political decentralization processes and the local self-government reform in Ukraine at the present stage. It is also planned to cover current problems and issues of analysis and comparison not only of domestic and world experience, but also to study the situations of specific regions or united territorial communities, which will be reflected in further scientific research.*

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### Реферати

#### РЕФОРМУВАННЯ СИСТЕМИ ОХОРОНИ ЗДОРОВ'Я В УКРАЇНІ В КОНТЕКСТІ РОЗШИРЕННЯ ПРИВАТНОЇ МЕДИЦИНИ

Вергелес К.М., Горохова Л.В., Козловець М.А., Голованова І.А., Соколовський О.Л., Гаврилюк А.О., Жарлінська Р.Г., Вергелес Т.М.

У статті здійснено аналіз та оцінку особливостей практичної реалізації реформи системи медичного обслуговування в контексті розширення приватної медицини в умовах процесів децентралізації влади та реформування місцевого самоврядування в Україні.

#### РЕФОРМИРОВАНИЕ СИСТЕМЫ ЗДРАВООХРАНЕНИЯ В УКРАИНЕ В КОНТЕКСТЕ РАСШИРЕНИЯ ЧАСТНОЙ МЕДИЦИНЫ

Вергелес К.Н., Горохова Л.В., Козловец Н.А., Голованова И.А., Соколовский О.Л., Гаврилюк А.А., Жарлинская Р.Г., Вергелес Т.Н.

В статье осуществлен анализ и оценка особенностей практической реализации реформы системы медицинского обслуживания в контексте расширения частной медицины в условиях децентрализации власти и реформирования местного самоуправления в Украине. Исследованы условия

Досліджено умови та особливості реалізації Національної стратегії реформи системи охорони здоров'я України на 2015–2025 роки з точки зору забезпечення ефективної організації системи охорони здоров'я, зокрема в контексті розширення приватної медицини. Запропоновано перспективи подальших досліджень умов та шляхів удосконалення системи надання медичної допомоги в Україні.

**Ключові слова:** децентралізація влади, медична реформа, система медичного обслуговування, приватна медицина, видатки на охорону здоров'я.

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и особенности реализации Национальной стратегии реформы системы здравоохранения Украины на 2015-2025 годы с точки зрения обеспечения эффективной организации системы здравоохранения, в частности в контексте расширения частной медицины. Предложено перспективы дальнейших исследований условий и путей совершенствования системы оказания медицинской помощи в Украине.

**Ключевые слова:** децентрализация власти, медицинская реформа, система медицинского обслуживания, частная медицина, расходы на здравоохранение.

Рецензент Шепітько В.І.