MEDICAL REFORM UNDER DECENTRALIZATION: CONTEMPORARY PROBLEMS AND PROSPECTS FOR RESOLUTION

Viktor Oharenko¹, Iuliana Kozachenko²

Abstract. The purpose of the paper is to identify the main prerequisites and ways of the medical reform in Ukraine under decentralization, and the emergence of fee-for-service medicine in particular. Methodology. The survey is based on the study of legally enforceable enactments which regulate medical sphere and the process of decentralization of power. Results. The article outlines the main prerequisites and ways to solve the issue of the implementation of medical reform in Ukraine under decentralization, including the emergence of fee-for-service-medicine. The problem related to health care reform in general in order to improve the availability and quality of health care have been identified. Statistical data on the main healthcare indicators in Ukraine have been presented. National healthcare accounts of Ukraine have been presented and healthcare expenditures per capita in other countries of the world has been demonstrated. Practical implications. The main steps that are necessary to undertake for implementing changes in the medical field have been determined in the article. They are the following: involvement of communities, development of social infrastructure, transportation of patients and women in labor to hospitals, involvement of social workers, support of medical institutions, and assistance by the communities in public control. It is determined that the biggest challenge for the medical sector is the reorientation to a new level of medical services. The main directions in medicine under decentralization on the implementation of material, organizational and financial conditions to provide local authorities with own and delegated powers have been emphasized. Value/originality. An approach to implementing medical reform that meets the needs of the community is developed and its essence has been explained. The complex of actions on introduction of medical reform under decentralization of the power, which has been explained as an increase in powers and financial possibilities of territorial communities has been generalized.

Key words: community needs, medical facilities, rural physician, medical reform, national health policy.

JEL Classification: M38, I11

1. Introduction

According to Article 3 of the Constitution of Ukraine, the main priority is a human, his/her life and health, honor and dignity, inviolability and security, which are recognized in Ukraine as the highest social value. A significant shift in the medical system of Ukraine was the implementation of the decentralization reform. Decentralization became the key aspect in the healthcare system reform process in general in order to increase the availability and quality of the medical aid. We should not forget that there are certain imbalances, especially in understanding of the following: “The role of the State in healthcare reform should be moderate and balanced, implementing the needs of the community."

The process of continuing the implementation of changes in medical system of Ukraine faces ambiguous challenges, they are the following – attempts are being made to introduce a fee-for-service medicine at the patients’ expense, thus violating the Constitutional guarantees on the right for healthcare. Ukraine must find means of regulatory influence of the State on the healthcare system, levers of influence on the national healthcare policy under decentralization, revealing the following areas: quality of management (goals, principles, methods, structures, organization); organization of the process of providing medical care and its resource maintenance and provision (material and technical (logistics support), methodical, personnel, financial etc.) implementation of the application of the technology.

As the issue of medical reform requires is of great interest under decentralization, especially fee-for-
service medicine, special attention should be given to
the regulatory influence of the State on the medical
activity under decentralization, so the scientific
works of the following scientists should be of special
attention: A. O. Harkusha, Z. S. Hladun, E. A. Hrekov,
R. A. Maidanyk, A. O. Olefir, I. Ya. Seniuta, S. H. Ste-
tsenko and others. Theoretical and practical aspects of
the problem of financing the medicine are demonstrated
in the scientific papers of domestic and foreign
scientists: R. Bacho, Y. Buzduhan, S. Honcharuka,
V. Demianyshyna, D. Dolbnievoi, N. Karpysyn,
M. Lytvynenko, Ye. Malik, A. Mokrytskyi, S. Onyshko,
H. Rozhkova, M. Savelievoi, Yu. Shevchuk and
others. The following scientists paid attention to the
consideration of theoretical basis of pricing on medical
services under reform: A. Yiakhovchenko, L. Bondareva,
V. Dolot, B. Koretskyi, V. Martyniuk, Ya. Radysz,
M. Yatsiuk and others. However the issues of medical
reform in Ukraine under decentralization, especially the
existence of fee-for-service medicine, require further
research.

2. The current state of healthcare sphere

The current state of healthcare sphere in Ukraine
is unsatisfactory. During the years of independence
the medicine has not undergone significant positive
changes. Only those fee-based medical services have
improved. Thus, at the end of 2018, the number of
doctors of all specialties was 186 thousand people, while
in 2010, this indicator was 225 thousand people (it can
be explained by not taking into account statistical data
on Donetsk and Luhansk Regions and the Republic of
Crimea).

However, with regard to the mid-level medical
professionals (nursing staff), there is a significant
decrease, even compared to 2014 (34 thousand people
less, that is 9% less), which indicates the presence of
other factors of influence besides the mentioned above.

Compared to 2014, the number of hospital beds also
significantly decreased (34 thousand beds less that is
10.1 % less), Table 1. This state of affairs is associated
with the following factors such as general economic
crisis, lack of system analysis of medical problems,
public expectations.

One of the most significant problems, which impede
the development of the medical sphere, is lack of
funding. It should be noted that Ukraine is currently
ranked 89th in the world (out of 184 countries) in
terms of healthcare expenditures per capita, and 108th
in terms of life time (life expectancy). This situation in
healthcare threatens national security (Hnydiuk, 2015).

Studies of the National Accounts of Healthcare of
Ukraine show that despite the fact that total healthcare
expenditures per capita in 2016 in UAH increased
(compared to 2005 – by 3659 UAH, that is 7.04 times
more, however, compared to 2012 there is a significant
decrease of 6528.3 UAH by 91.9 %) (Table 2). In 2016,
total healthcare expenditure per capita in USD was
just 166.9 USD. This indicator is much higher in other
countries of the world (Figure 1).

The lowest level of expenditures is observed in
India – 209 USD, but in the developed countries of
the world this indicator is ten times higher. Thus,
in the USA healthcare expenditures per capita are
10 583 USD (which is 63.4 times more than in Ukraine),
in Switzerland – 7317 USD (which is 43.8 times more
than in Ukraine). As we can see, in the structure of
distribution of total expenditures by source of funding
in 2016 financing from households prevails (52.8 %),
while in 2005 funding by this source was carried out
only by 37.8%, while at the expense of State firms –
59.1%. State firms finance 44.8% in 2016 compared to
2005, which is 14.3% less.

Study of the foreign experience shows that public
funding supports healthcare in Norway (85 %), Great
Britain (79 %), and Canada (68 %), and in the USA
(26 %). Funding is usually provided by compulsory

Table 1

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of doctors of all specialties, thousand people</th>
<th>Number of mid-level health professional (nursing staff), thousand people</th>
<th>Number of hospitals, thousand units</th>
<th>Number of hospital beds, thousand units</th>
<th>Number of outpatient clinics, thousand units</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>226</td>
<td>541</td>
<td>3.3</td>
<td>466</td>
<td>7.4</td>
</tr>
<tr>
<td>2005</td>
<td>224</td>
<td>496</td>
<td>2.9</td>
<td>445</td>
<td>7.8</td>
</tr>
<tr>
<td>2010</td>
<td>223</td>
<td>467</td>
<td>2.8</td>
<td>429</td>
<td>9.0</td>
</tr>
<tr>
<td>2013</td>
<td>217</td>
<td>441</td>
<td>2.2</td>
<td>398</td>
<td>10.8</td>
</tr>
<tr>
<td>2014</td>
<td>186</td>
<td>379</td>
<td>1.8</td>
<td>336</td>
<td>9.8</td>
</tr>
<tr>
<td>2015</td>
<td>186</td>
<td>372</td>
<td>1.8</td>
<td>333</td>
<td>10.0</td>
</tr>
<tr>
<td>2016</td>
<td>187</td>
<td>367</td>
<td>1.7</td>
<td>315</td>
<td>10.2</td>
</tr>
<tr>
<td>2017</td>
<td>186</td>
<td>360</td>
<td>1.7</td>
<td>309</td>
<td>10.4</td>
</tr>
<tr>
<td>2018</td>
<td>186</td>
<td>345</td>
<td>1.7</td>
<td>302</td>
<td>10.5</td>
</tr>
<tr>
<td>Changes (2018/2000)</td>
<td>-40</td>
<td>-196</td>
<td>-1.6</td>
<td>-164</td>
<td>+3.1</td>
</tr>
</tbody>
</table>

Source: (Statistical Yearbook of Ukraine for 2018, for 2019)
insurance of the citizens: the USA (58 %), Japan (75 %), Estonia (64 %), Poland (59 %), and China (39 %) (Figure 2). Ukraine has not yet adopted the Law on Compulsory Medical Insurance.

Some countries provide with funding through voluntary insurance China (36 %), Brazil (27 %).

3. Realization (carrying out) of the medical reform in Ukraine

Concerning the medical field, the decentralization process reflected in changes in the funding system. Thus, a number of regulations were issued on concerning the provision of medical subvention from the State budget to local budgets. One of the first regulations was the Resolution of the Cabinet of Ministers of Ukraine dated January 23, 2015 “Some issues on medical subvention from the State budget to local budgets”, which provided subventions for the payment of current expenditures of the healthcare institutions and programs in this field (Resolution of the Cabinet of Ministers of Ukraine “Some issues on medical subvention from the State budget to local budgets”, 2015).

In August of the same year, the formulas for allocating the amount of medical subvention from the State

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Table 2

National accounts of healthcare of Ukraine

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</tr>
</thead>
<tbody>
<tr>
<td>Total population, million people</td>
<td>46.9</td>
<td>45.8</td>
<td>45.6</td>
<td>42.9</td>
<td>42.6</td>
<td>-4.3</td>
</tr>
<tr>
<td>Exchange rate 1 USD to UAH</td>
<td>5.12</td>
<td>7.94</td>
<td>7.99</td>
<td>11.89</td>
<td>25.55</td>
<td>+20.43</td>
</tr>
<tr>
<td>Total healthcare expenditures, million USD</td>
<td>5545.0</td>
<td>10673.1</td>
<td>13635.4</td>
<td>9903.7</td>
<td>7107.1</td>
<td>+1562.1</td>
</tr>
<tr>
<td>Total healthcare per capita expenditures, UAH.</td>
<td>605.3</td>
<td>1850.3</td>
<td>2391.7</td>
<td>2743.0</td>
<td>4264.3</td>
<td>+3659.0</td>
</tr>
<tr>
<td>Total healthcare expenditures, as % from GDP</td>
<td>118.22</td>
<td>233.04</td>
<td>299.34</td>
<td>230.70</td>
<td>166.90</td>
<td>+48.68</td>
</tr>
<tr>
<td>Distribution of total cost by sources of funding, including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- State firms;</td>
<td>59.1</td>
<td>56.3</td>
<td>57.2</td>
<td>51.7</td>
<td>44.8</td>
<td>-14.3</td>
</tr>
<tr>
<td>- Private firms;</td>
<td>2.8</td>
<td>2.6</td>
<td>2.4</td>
<td>2.1</td>
<td>1.7</td>
<td>-1.1</td>
</tr>
<tr>
<td>- Households;</td>
<td>37.8</td>
<td>40.8</td>
<td>40.2</td>
<td>46.0</td>
<td>52.8</td>
<td>15.0</td>
</tr>
<tr>
<td>- Donors.</td>
<td>0.3</td>
<td>0.3</td>
<td>0.2</td>
<td>0.2</td>
<td>0.7</td>
<td>+0.4</td>
</tr>
</tbody>
</table>


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Figure 1. Health care protection expenditures per capita in 2018, USD

Source: (We count other people's money: where are the cheapest healthcare services and where are the most expensive?, 2019)
The formulas included the following: the financial standard of the budget provision of the medical subvention for the Regional budget; the general indicator of the amount of medical subvention for local budgets for the planned budget period; general indicator of the amount of medical subvention for mountainous populated localities; the coefficient of adjustment of the share of the volume of medical subvention which is applied to determine its volume for emergency medical care (the Resolution of the Cabinet of Ministers of Ukraine “On approval the formula for allocating the amount of medical subvention from the State budget to local budgets”, 2015).

An important financial document, which made significant adjustments to the funding procedure, was the approval of the Concept of the healthcare financing reform. Its objectives were the following: introduction of the State-guaranteed package of medical care; creation of a single national customer of medical services; creation of new opportunities for local authorities to carry out their legal power in the field of healthcare; autonomy of healthcare providers (introduction of the Principle of “money follows the patient”); development of the contemporary system of medical information management. The Concept was supposed to promote: a more effective and fair allocation/distribution of public resources in the healthcare system; the emergence of competition among the suppliers of all types of ownership in the market of medical services; bringing the network of healthcare institutions in line with the population need; improving the quality of medical services (Order of the Cabinet of Ministers of Ukraine “On approval of the Concept of the healthcare financing reform”, 2016).

In order to enable the implementation of modern and efficient procurements of medical products with the framework of the reform of healthcare financing, which is patient-oriented, the Concept of healthcare financing reform for the period up to 2020 was approved. Such procurement should ensure the following: decrease of corruption risks; rational use of budget funds; reduction of bureaucratic burden; carrying out transparent procurement; patient-oriented approach (Order of the Cabinet of Ministers of Ukraine “On approval of the action plan on the implementation of the Concept of healthcare financing reform for the period up to 2020”, 2017).

A very important normative-legal act, which regulates the medical sphere under decentralization and promotes the regulation of financial relations between medical institutions and patients, is the Law of Ukraine “On State financial guarantees of medical care of the population”. This Law defines: the rights and obligations of patients in the sphere of the state financial guarantees; peculiarities of signing agreements on medical care of the population; procedure for obtaining medical services and medicine under this program; procedure of functioning of healthcare electronic system; obtaining access to the data about a patient contained in the healthcare electronic system; prosecution for violation the legislation on the state financial guarantees on medical care (The Law of Ukraine “On State financial guarantees of medical care of the population”, 2017).

In November 2017, a significant attention was paid to the support of the rural residents in improving the access...
and quality of medical care, as adopted by the relevant Law. This Law provided for: promoting development of medical institutions of all types of ownership in rural area; introduction of modern technologies for medical care (performing of appropriate resource allocation for introducing medical care with the use of telemedicine); development and realization of the programs on diagnostics, treatment, rehabilitation and preventive treatment of the population; development of the necessary telecommunication and transport infrastructure; attracting investment into the development of medical care; promoting effective educational work among the population on healthy way of life, active social orientation (The Law of Ukraine “On improving the availability and quality of medical care in rural areas”, 2017).

In January 2020, a lot of attention was paid to the issue of the development of the system of emergency medical assistance (medical care). As a result, the relevant Concept was approved. The following was provided with the framework of the Concept: develop and approve Regulations on volunteer activity organization in the system of emergency medical assistance (medical care); the process of interaction of the centers of emergency medical aid and medicine of catastrophes and healthcare institutions, which provide for primary emergency medical assistance; approve criteria for the effectiveness of the network of emergency medical assistance, requirements for the acquisition, storage, and use of medical kits; approval of a United classifier of provisional diagnosis for emergency medical service team, etc. (Order of the Cabinet of Ministers of Ukraine “On approval of the action plan for the implementation of the Concept of development of the emergency medical assistance system”, 2020).

Besides, within the framework of the reform National Health Service of Ukraine (NHSU) was created using the British National Health Service. A number of positive steps were undertaken during the period of its existence:

1. The management of the institutions was given autonomy to make decisions.
2. Doctors and nurses started to get a decent level of wages.
3. For patients – this means the improvement of service and quality of medical care.
4. Institutions of different types of ownership obtained equal rights and equal conditions of cooperation with the State (Hrubliak, Chopenko, 2019).

It is necessary to understand that while maintaining the budget system of financing and the existing structure of state and local budgets revenues, and under the conditions of absence of the established sectoral interest groups, determining the real impact on the processes of approval of the State budget and interstate transfers is hardly probable. Medical insurance is a certain guarantee which should be determined as a healthcare tax; it is possible to define the amount of contribution by Law (for example, Poland), or it can be defined independently by certain health insurance funds or organizations (for example, Germany). Health insurance funds are much less subject to political bargaining than budget allocations, and therefore a health care system, which is financed by health insurance contributions can be considered more independent of the political situation and more predictable in terms of cash receipts (Aarva, 2020).

4. Directions of medical reform realization in Ukraine

The main direction in medical sphere under decentralization is the implementation of economic, organizational, and what is more important – financial conditions to provide local governments with their own and delegated powers (authorities) (official website of the Cabinet of Ministers of Ukraine). That is why local authorities face new challenges and tasks: regional policy development, realization of the set local programs, and the key issue is provision of services.

It is necessary to undertake the following steps in order to make changes in medical sphere:

1. Involvement of the community population in the promotion of a healthy lifestyle; creating conditions for the consolidation of medical personnel in rural areas.
2. Development of social infrastructure to ensure access to health care services.
3. Ensuring the transportation of patients and women in labor to hospitals (or hospital institutions).
4. Involvement of social workers in providing assistance to certain vulnerable groups.
5. Support the functioning of medical institutions, which are situated on the territory of the Community, through the improvement of adjacent territories, support for the work of supporting services.
6. Assistance in the organization of control by the population of the community over the observance of the rights of citizens in receiving medical services (Danylyshyn, 2014).

The main challenge for medicine in Ukraine became reorientation to a new level of medical services, which lasts from 2017–2020, and as a result, there is a decrease in the number of hospital beds, optimization of existing infrastructure, the new formation of primary care setting.

According the plan of medical reform in 2018 the following was declared: the model of financing according to the principle of “separation of customer and supplier”, selective contracting, and payment for results and autonomy of institutions as well. Medical reform undergoes three stages: creation of the basic level at the level of united territorial communities; creation of the network of the second level, which consists in the formation of hospital districts at the level of future
Figure 3. Approach to implementing medical reform that meets the needs of the community
enlarged districts; creation of a united medical area at the State level, where a patient can receive a service in any city of Ukraine (Decentralization).

The results of financial decentralization such as annual growth of the resources of local budgets, their share in the structure of the consolidated budget of Ukraine, the ability of local authorities to direct and allocate funds to the development and realization of infrastructure projects became one of the important indicators. For example, the growth of own resources of local budgets in 2016 – 146.6 billion UAH, and in 2017 – 170.7 billion UAH, which is 16% more than in 2016 and 65% more than in 2015. Financial resources of local budgets allow citizens in the medical reform sphere to organize medical first aid and to finance secondary care (Zakhidna, Mydlyk, 2017).

It is necessary to note that for each contract the doctor will receive a certain amount per year on his account. But, according to Yamnenko T. M., even the rigid introduction of treatment protocols and regulatory funding based on them can significantly limit the doctor’s ability to make flexible decisions about patient treatment and turn him or her from a logically thinking specialist to a purely technical executor (Yamnenko, 2018).

The approach to medical reform implementation which meets the needs of the community is presented in the format of two composite blocks as following (Figure 3).

The first block contains the current trends in the development of the relation of the authorities to medicine under decentralization which provide modern community needs. Such as: local authorities fulfill the following obligations – support of auxiliary services work, improvement of adjacent territories, attraction of social workers, transportation of patients, social infrastructure, conditions for medical staff, promotion of healthy lifestyle, control over the observance of the rights of citizens for medical services; national policy – promotion of healthy lifestyle, improvement of territories, transportation of patients, social infrastructure, medical staff in rural area, support of auxiliary services.

The other block is presented as directions for medicine improvement: regulation and standardization of services (co-payment by patients, queue for hospitalization or an appointment with a specialist, guaranteed package), methods of payment for services (payment for the treatment of a certain episode of the disease, payment for certain medical and diagnostic procedures, and financing per capita, budget transfer), integrated service delivery system (outpatient treatment, availability of an effective communication system, adequacy of the prescribed treatment, timely appointment of treatment, referral for consultation to specialists, auxiliary diagnostic tests, treatment at the primary level, initial examination, registration of symptoms and complaints of patients according to the resources available).

5. Conclusions
Thus, the study of the statistical data on the main healthcare indicators in Ukraine is presented, which indicates a significant decrease of 6528.3 UAH, 91.9 % of total healthcare expenditures per capita in recent years. In the structure of distribution of total expenditures by sources of financing, the advantage of financing at the expense of households (52.8%) has been established.

The main steps that are necessary to undertake to implement changes in the medical field are the following: involvement of communities, development of social infrastructure, transportation of patients and women in labor to hospitals, involvement of social workers, support of medical institutions, and assistance by the communities in public control. It is determined that the biggest challenge for the medical sector is the reorientation to a new level of medical services.

The main directions in medicine under decentralization on the implementation of material, organizational and financial conditions to provide local authorities with own and delegated powers are emphasized. An approach to implementing medical reform that meets the needs of the community is developed and its essence is explained. The complex of actions on introduction of medical reform under decentralization of the power, which is explained as an increase in powers and financial possibilities of territorial communities, is generalized.

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