

Development of private health care sector in the post-Semashko system

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Backgrounds

- There were no legal private healthcare providers in Russia before transition from a planned economy to a market one
 - First private medical organizations appeared in the early 90s.
- Privatization of public medical facilities was prohibited, but a large number of private facilities were created mainly in outpatient care sector.
- The size of the private health care sector (2012):
 - 15.4% of the total number of outpatient and inpatient facilities;
 - 6.0% of all employees in the health sector;
 - 5.1% of the capacity of all outpatient clinics in the country;
 - 0.5% of the total number of beds in hospitals.

The main questions of the research

- What is the role of the private sector in the post-Semashko health care system?
- Which segments it occupies in the medical services?
- Who are the main consumers of its services?
- How this sector interacts with the public health financing system?
- What are the prospects of its development, and what might be the role of the private health sector in the modernization of the health care system?

Data sources

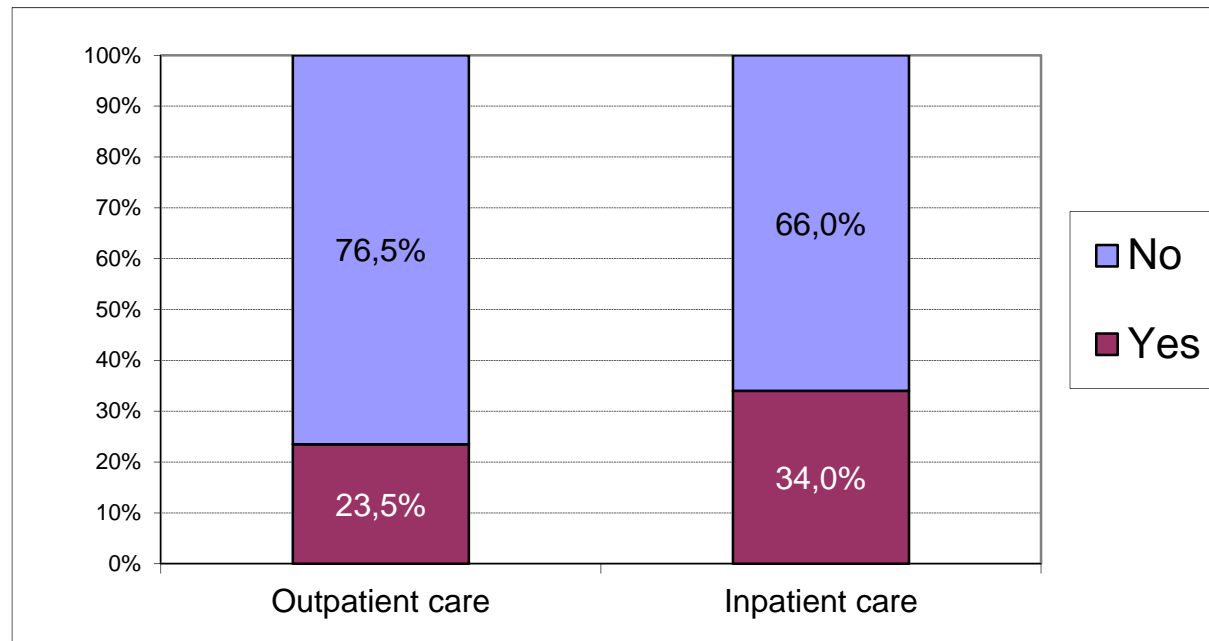
- Data of the Russia Longitudinal Monitoring Survey (RLMS – HSE), in 1994-2012
 - In different years, the RLMS sampling consists of from 3.2 to 6.4 thousands of households and from 8.3 to 17 thousands of respondents.
- Data of the survey of managers of private medical organizations, conducted in September-October 2011 by the research center ANO "Statistics of Russia" commissioned by HSE.
 - The sample of the special survey included 1,063 private health care organizations in 41 regions of Russia:
 - 100 private hospitals (87 % of all private hospitals in Russia in 2010)
 - 960 private outpatient clinics (35 % of all private outpatient clinics in Russia in 2010).
- Data from in-depth interviews with leaders of private health care organizations across the country, conducted in 2009-2012.

Positioning of the private sector in the health care delivery system -1

- The private sector covers a wide spectrum of types of medical care, but, compared with the public medical facilities, it is dominated by providers specializing in a small number of types of care:
 - The median number of profiles of medical care provided in outpatient clinics is 3.
 - Third (32.7%) of private outpatient clinics provide medical care only one profile.
- The most common profiles are:
 - Dentistry - services to these medical specialties are provided in 43.5% private outpatient clinics
 - Gynecology - 41.3%
 - Therapy – 40.2%
 - Neurology – 33.0%

Positioning of the private sector in the health care delivery system -2

“Do the medical services delivered by private providers differ from ones delivered by public facilities?”, %

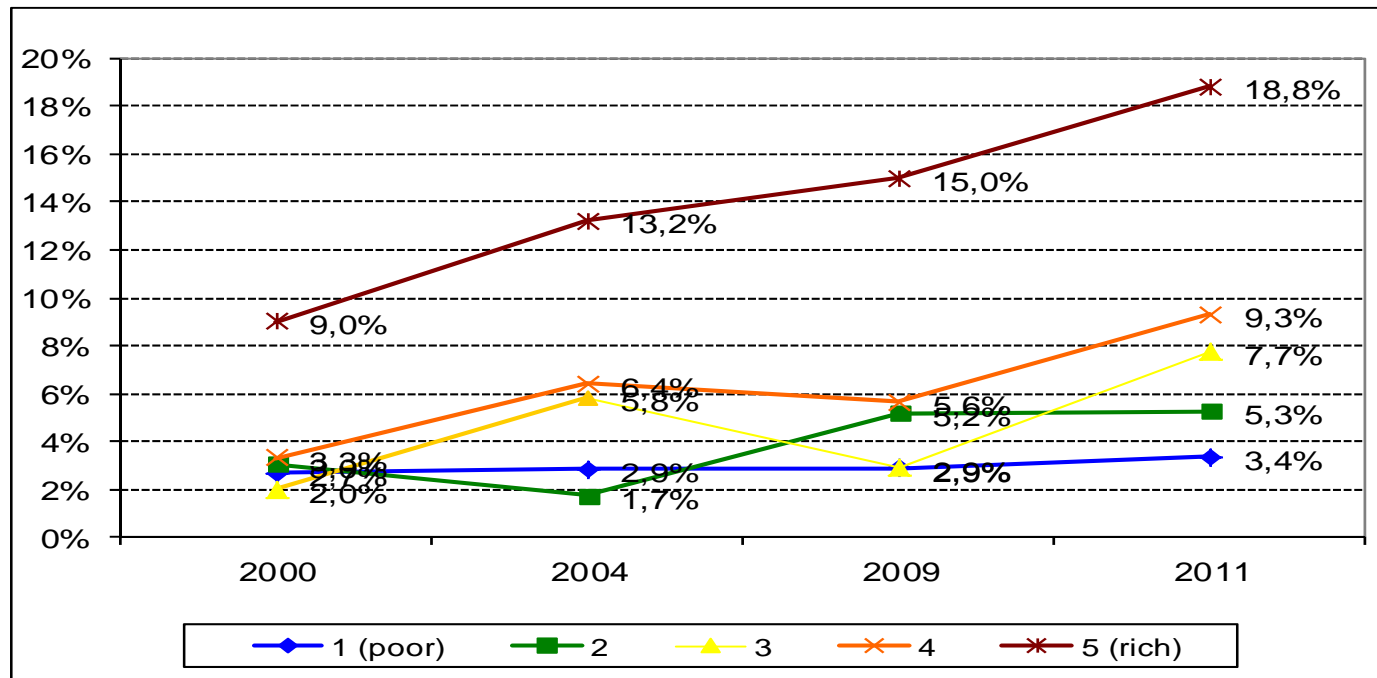


Source: the survey of managers of private medical organizations, 2011

A part of private sector supplements the public one, offering other types of medical services, but the most part of private providers substitute the public ones 6

Who are the main consumers of private medical services?

Share of patients applying to private health care providers among people seeking for medical care, by income groups

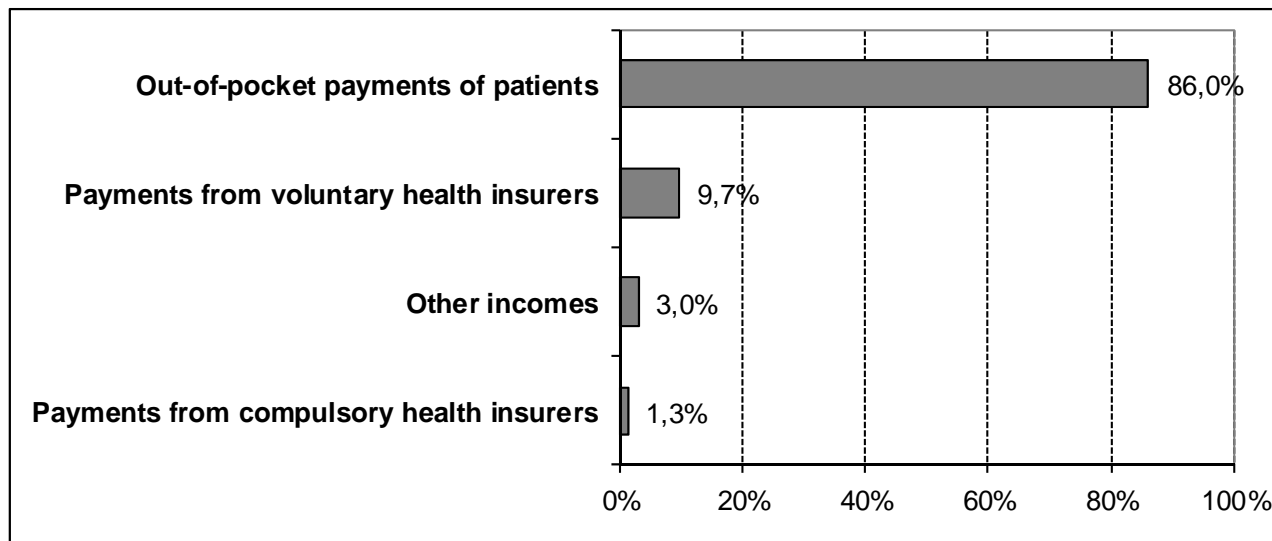


Source: RLMS data.

The main consumer is the middle class

The incomes of private medical organizations

Sources of income of private medical organizations, %



Source: HSE and 'Statistika Rossii' survey of private medical organizations, 2011.

Private sector has developed out of the public health care financing system

In 2013 only 3% of compulsory health insurance funds were allocated to private facilities

Constraints for development of private health sector -1

Administrative barriers to the implementation of health activities:

- Extending a valid license, and licensing to additional services, even minimally differing from ones already provided, require from medical organization to collect a large number of documents, and to spend a lot of time.
- The sanitary norms and rules which were developed and adopted many years ago in relation to another technological base are now often excessive for the use of new medical technologies, and create additional obstacles to the development of private medical activities.

Constraints for development of private health sector - 2

Obstacles in the implementation of public-private partnerships:

- The low pay rate for medical care providers in the CHI system
 - Public facilities get subsidies from state budget, but such subsidies are not available for private providers.
- The restrictive policies of regional authorities:
 - Fears to lose control over the activities of health care providers and to fail in assuring state guarantees of health care provision
 - Usual administrative tools to control public medical facilities activity can not be used towards private medical organizations

Constraints for development of private health sector -2

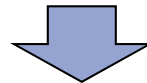
Unequal competition with public facilities providing chargeable medical services by dumping prices:

- Public health care facilities are allowed to provide paid medical services supplementary to free ones.
- There is no clear delineation of services to be provided free of charge to those that can be provided for a fee.
- The private system is not primarily to supplement state one but substitute its services, and therefore competing with it for the price and quality.
- User fee is a main source of income for private health care organizations, meanwhile it is one of the sources of incomes for public facilities. So the latter have the opportunity to engage in dumping economic pricing.

The prospects of the private health sector development

Scenario 1:

- Institutional changes in the organization of health care and its financing are slow and inconsistent
- Strengthening of social differentiation of the post-Semashko health care system can be expected:
 - the middle class will focus on the private sector and get it higher quality services for its own account
 - the rest of the population will receive health care of poorer quality in the public sector

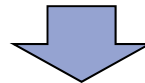


The private sector develops as a substitution to the public one

The prospects of the private health sector development

Scenario 2:

- Public health policy focuses on increase efficiency of health care system, and development new forms of public-private mix in health care financing.
- Consistent application of competition policy opens for private health care organizations opportunities to enlarge their activities.
- Development of institutional opportunities for middle class to invest their own money in obtaining medical services of higher quality compared to state-guaranteed free of charge
 - The introduction of co-payment mechanism by CHI funds and patients for the services of private medical organizations



The private sector becomes an integral part of the integrated and efficient health care system.