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Health Reform in Russia: Current Policy and Management

All types of medical services existent by that time were created in Russia in the second half of the 19th century: medical care provided by local authorities – "zemstvo" – medical care in rural areas, urban medical services, private health care services and health care for factory workers. There was no Ministry of Health in pre-revolutionary Russia thus medical services management and maintenance was of specific departmental or in-plant nature.

Two models of organization of health care are of special interest out of the entire list, because they give us examples of the specifics of Russia.

In 1864 medical services for the poor were organized, managed by zemstvos (local elected bodies). By the end of the 19th century, every sixth doctor in Russia was hired by the Zemstvos system, and within this scheme medical assistance was provided to patients free of charge.

In 1866 a law was passed "On the abduction of premises for hospitals in the plants and factories of the Moscow region", which initiated the medicine factory development in the Russian Empire. The term "factory medicine" included provision of medical assistance in kind by employers, i.e. free for the patients. This law became a legal framework for the employers to invest in their workers' health care.

Factory medicine developed evolved slowly, and many employers, especially owners of small factories, by every possible ways tried to ignore this law. On the eve of World War I, in 1912, less than 20% permanently employed workers and about 30% of temporary workers received medical assistance in their enterprises[1].

It should be noted that the system of factory health care was a central theme in the endless discussion of the time around the improvement of medical care in the country. It included considering the establishment of the National Health Service under the authority of Zemstvo (local rural elected bodies) or the city authorities. Employers were expected to pay fees to these services instead of providing services in kind.

It is important for us to trace historical experience, to show the characteristic trends in Russia: for example the dependence between scale of medical services provided and the size of the factory and the number of workers. The role of so to say internal self-regulation of business was performed by the Industrial statute; its provisions forbade the

[1] Papers of the III State Duma (Parliament) of Russia, 1912.

levy from the workers pay for health care (for enterprises with more than 100 workers). And this ethical component can serve as an example for modern business.

Factory medicine can be considered as a special form of compulsory medical insurance in Russia, relating only to health care for workers that were finally enshrined in the Act of 1912 on health insurance and accidents. The document was discussed in the State Duma for 8 years and was adopted after long discussions. It covered only the working population and only in the European part of Russia. It was assumed that this law will increase the responsibility of employers for the health of their employees. But in reality, the conditions for granting aid for workers have deteriorated[2].

After the revolution of 1917 the country faced the choice: either develop further insurance medicine (separated from the local authorities) or to organize special procedures for provision of medical care for workers within some unified system.

The fact is that the Bolsheviks actively promoted the principles of insurance (there exists correspondence on this issue between G. Plekhanov, V. Lenin, and I. Armand). They controlled the specialized journal "Social Insurance", published since 1913 which for a long time remained the only legal means of information for the Bolsheviks. The party program of social insurance was comprehensive and included coverage of all workers in all industries, providing protection against all risks, full compensation for lost income, the inclusion of dependents. The system was based on the principle of self-organization, all expenses were expected to be covered by entrepreneurs.

In compliance with the decree "On social insurance in the case of sickness" (December 1921) a part of a unified social insurance fund formed a trust fund that was supposed to be spent on social services exclusively for those insured (the so-called social health insurance fund – Fund G). State-owned industrial enterprises contributed 4.5% from their wages fund, government agencies – 3%, all other businesses and organizations – from 5,5 to 7%. Social Security Administration was empowered to introduce incentive and penalty rates, depending on the efforts of enterprises to improve working conditions. Employment was the main criterion for access to free health care. However, a system did not reach its main objective – to provide clients with the best treatment available. In addition, it could not combat a major problem in Russia of that period – infectious diseases. And then another vital political decision was made: to establish the National

[2] For example, previously there were no limitations in provision of free medical aid. After the Law was adopted in 1912, only those workers who were the sick fund members were eligible to free medical aid.

Health System, which would be financed from the state budget and would be regulated by government authorities.

The Soviet period of development of the Health Care System. Medical Section which provided services to insured workers (Rambedy) was closed in 1927. Social Insurance Fund was included in the budget. The essence of the Soviet model of health care, known as the ”Semashko model”, was to provide free medical services for the population by government health agencies. The policy objective – to ensure equal access to health services for all categories of citizens. Certain basic principles of Soviet public health are as follows:

1. **State nature**: This included: the centralization of management, state planning of funding, providing free and accessible medical services for all throughout the country. Yet in 1918the People's Commissariat of Health Commissariat of the RSFSR was established to perform this task. In fact this was the first organ of the Governmental health care in the world, which was in charge of all health facilities that had previously belonged to different departments, organizations and individuals. In 1936 the national managerial board in the sector of health was established – People's Commissariat of Health (since 1946 renamed and became the Ministry of Health of the USSR). In all Soviet and autonomous republics national Ministries of Health were established and accordingly in the regions and cities there appeared health departments. Thus, a model of a health care system was created Health, which had all the systemic symptoms, which allowed us to further consider it as a health care system.

2. **Preventive approach**. The main slogan was – “improvement of working conditions”. It envisaged not only health care, but up-grading of production itself, changing life style of the working population and living conditions, better nutrition, etc. The main provisions of regular medical health check of the population and types of new clinics have been developed during that period. The following should be mentioned: specialized clinics for daily and over-night stay, canteens with special diets, in-plant medical services for workers and mother and child clinics. All-Union State Sanitary Inspection (1935) was created. Dangerous infections were eliminated within a short period of time: cholera (1923), smallpox and plague (1936). This system has historically proven itself: there were no epidemics, not only in years of peaceful development, but also during the Great Patriotic War – a fact unprecedented in military history. Achievements of the USSR in this regard have been recognized in the world. In 1978, the decisions that have been recorded in Alma-Ata Declaration led to a shift in the concepts and views on health

care – conference in Alma-Ata gave rise to the movement in support of primary health care. Thirty years later The World Health Report 2008 stressed that in order to get progress in achieving social justice and the right to better health for all, participation and solidarity, the international community's efforts should focus on primary health care.

3. **Unity between medical science and public health practice.** In the USSR, scientific medical institutions were included into the structure of the public health agencies and centrally funded from the national budget. In 1922 the National Mother and Child Institute was established, it was reorganized in 1945 into the Institute of Pediatrics. At the same time the Institute of Obstetrics and Gynecology was founded.

The Academy of Medical Sciences of the USSR (now the Russian Academy of Medical Sciences) was established in 1944, one of its functions was planning, research in the field of medicine in general and coordination of all academic medical institutions across the country through sectoral boards and commissions.

4. **Employees' participation in the activities of agencies and health institutions.** The rights of citizens were enshrined in "Basic Laws of the USSR and Union Republics on public health", and later in the Constitution of the USSR, 1977 (Article 42). The scheme of public participation changed at different stages of development. Standing Committees on Public Health were formed under the Supreme Council of the USSR and Soviet republics, as well as local committees under the local councils of deputies. That period may be characterized by such forms of public initiatives as association of citizens in support of health improvement at work and in residence areas, clean yards and sanitary culture. We still remember mandatory daily gymnastics at the working place starting at 11 a.m. (for the European part of the USSR) and many other activities that made life conditions more favorable and facilitated health and human welfare. Health development data published in mid 70's demonstrates success of the public health sector. That was time when the country was celebrating 60 years of socialist revolution. Here are just some of the facts: total mortality in the USSR during the years of Soviet power has decreased by more than 3 times (9.3 to 1000 in 1975, compared with 29.1 in 1913), infant mortality – almost 10 times (27.9 per 1 000 live births in 1974 compared with 268.6 in 1913). As a result of reduced mortality in the Soviet Union, life expectancy has increased significantly compared with pre-revolutionary period (70 years in 1971–72 compared to 32 years in 1896–97).

Pre-revolutionary Russia was on top of the list in Europe due to prevalence of infectious diseases among the population, such as smallpox, cholera, plague, intestinal

infections, typhus and relapsing fever, malaria and other diseases). Only in 1912 there were about 13 million infectious disease cases registered. The situation changed radically in the early decades of the Soviet era: the incidence of recurrent fever crummy by 1938 was considerably reduced and practically eliminated by mid-1930. Smallpox in the USSR was completely eliminated. As a result the nature of morbidity changed. In addition, great attention was paid to quality drinking water supply for the population, creating a system to protect water sources and soil.

Protection of public health was recognized as top priority of all state bodies and public organizations. Its main features are:

- Coverage of the entire population;
- Provision of a complete set of medical services;
- Lack of financial constraints for public access to health services;
- Availability of health care, continuity of care;
- High-quality medical education – a high level of skills;
- Positive changes in health status;
- Maternal and child health – a priority policy. Pediatrics;
- The system of ambulance.

From the second half of the twentieth century, the structure of morbidity and mortality in the USSR was typical of that for economically developed countries. Successes were evident and acknowledged. Even those researchers, who are not inclined to give high marks to the Soviet period, have to admit that "the Soviet health care despite all its faults had indisputable advantages. It managed to combat the infectious diseases, provided a huge population (even in remote and hard-to-reach areas) with universally accessible health care, provided a basis for public health, including immunization systems and regular medical checks; educated generations of faithful professionals and health care workers. In 1950 the principles of Soviet public health were adopted by Eastern European countries and many independent states in Africa, Asia, Middle East and Latin America. Later, they influenced the development of organizational principles of primary health care at an international conference in Alma-Ata. However, the next phrase used to be: "but at the same time".

The 70's became a turning point in these seemingly positive developments. This was for the first time when stagnation of life expectancy level was registered, and indicators for some years even declined. Still nothing has been done to change the situation. Another alarming trend was noticed with growth of the number of people with

disabilities. In 1970 – 1985 double growth of these indicators was recorded. This period was followed by more difficult one – the 80's, characterized by the following:

– several health indicators came down;

– macro level problems become more and more evident, i.e. budget cuts (1965 – 6,6%, 1986 – 4,3% of GDP). The need for major reconstruction of capital facilities, low wages in the sector (1985 – 70% of the average monthly salary in the country), etc.

– micro-level problems also exist: the structure of the sector is not balanced (main emphasis is made on the development of hospital care). Development of the system is extensive.

– health sector reforms were developed during this period of time. They envisaged new scheme of resource distribution in the health sector (pilot projects: 1982 – in 5 hospitals of Russia: study of economic efficiency of use of existing number of beds by improvement of diagnostics and treatment processes; an economic project in 3 regions: Kemerovo, Kuibyshev and Leningrad; in 1987 – introduction and application of collective forms of organization of medical workers' labor; etc.).

"Peak" of implementation of the latter was in the early 90's, however, it was never completed. Nevertheless, even preliminary results showed that the public health system has a considerable potential for reforms and could be significantly improved.

20 years later, in different territories of the Russian Federation on the initiative of regional or local health authorities this experiment, one might say, was revitalized – polyclinics became stock holders. For example, such experiments are on-going in the Perm region (with full fund holding), in one district of the Kaluga region (with the partial fund holding). Term of experiments is not long so far, however it lasts for a longer period in the Kemerovo region – about 6 years old, in the Perm region – for 2 years, and in the Kaluga region it has started in 2010. Not so long ago Samara has joined the experiment (former Kuibyshev region). However, it remains an open question about the prospects of development of fund holding and its possible replication in other regions of the country. One thing is certain – the results need a theoretical interpretation and understanding already today within existing legislative and regulatory basis and with regard to protection of the rights of patients.

Health care reform of early 90-ies of the twentieth century: a political choice. Reform is crucial, it was obvious. There may be two ways:

1. Transformation of the existing Soviet system while preserving the basic elements;

2. Overall reconstruction of the existing system and creation of a new one based on different principles.

However, the situation was aggravated by the fact that the forthcoming reform has not been developed in detail. Mainly it was the confrontation between the union and republican authorities. In March 1991 the Parliament of the Russian Federation adopts the Law "On Compulsory Medical Insurance" (OMS). At this time, the republic still remains an entity of the USSR. It is obvious that the health insurance system of the Russian Federation was created to counterbalance the Soviet Budgetary System. Health care (and more) became a kind of hostage in the struggle for power. In other words, the "priority" of health care reform was impacted by political and ideological considerations. Besides that the reform was initiated by representatives of the political movement "Democratic Russia", according to them the market based economy was the main mechanism of reforming the entire social sphere. Their major argument was that medical insurance will provide additional funds. The main landmark – successful practice of health insurance in some developed countries (primarily Germany, France). Insurance was seen as a panacea for all ills, and virtually the only source of additional funding of the health sector, which proved to be methodologically wrong.

Although the health reform started in the 90's, only in 1997 there appeared "The concept of development of health care and medical science in the Russian Federation", which remains today the basic framework for major changes. The concept identified four main components of the national health care system: health promotion, disease prevention and healthy lifestyles, development of primary health care based on family doctors' practice and reducing the role of specialized medical care by improvement of the quality of care. But practically nothing has been done to implement the above objectives.

On the positive side, it should be noted that the reforms of the early 90's, probably remain the only period when all changes were openly and actively discussed with representatives of civil society. Ad hoc committees were established under the auspice of various programs of the Ministry of Health not just on paper but operational to discuss various options of insurance to cover health care expenses. Civil society and non-governmental organizations were actively involved into the process of decision-making and formulating new approaches together with the public bodies and institutions. Times changed by the second half of 90's, these activities faded and at present they are far from the initial standard.

Situation in Russian health sector of the end of the 19th and beginning of the 20th century was classified as critical. Many problems became evident, which, unfortunately, remain unsolved till now. The following seem to be the main:

– Absence of a unified national health care system – it is divided into three autonomous systems and various types of institutions.

– Imbalance between guarantees of the government and financial resources for their execution, as a consequence – growth of paid services.

– Inadequate application of modern principles of funding: today, as before, priority is given awarded to patient care.

– There is no tax incentive which might attract investments to the health care sector. There is no legal framework to legalize the payments both for individuals and legal entities.

– Low motivation of managers and employees to improve the quality of health care and insurance sector – to ensure, first and foremost, the interests of citizens.

– Significant differences in access and quality of health services among the subjects of the Russian Federation, municipalities, urban and rural areas for the rich and low income (or, frankly speaking, poor) citizens.

– Lack of a common information space (including the registry of facilities, patients, insured persons, drugs, telemedicine, etc.).

– Low public awareness and underdevelopment of institutions of public control over the changes on-going in health sector.

– Minimal personal involvement of citizens in sustaining their own health status, there is no effective system of advocacy of healthy lifestyles.

We regret to note that during this period we would not find any in-depth, large-scale studies that would provide an answer to a seemingly simple however eternal question: what is wrong and what should be done to improve the situation. There are separate studies of some sectors or subjects, but we cannot see them as a systematic research. The first comprehensive national report "On enhancing the accessibility and quality of health care" has been prepared for the session of the Presidium of RF State Council only in 2005.

Policy of current reforms: what type of a public health system does Russia need? In order to change the situation four national projects were proposed in autumn 2006, one of which is a National Project "Health", the objective was to change the situation in health and health systems in Russia for better by 2008.

The "Health" National Project included three main blocks. The first one covered primary health care system, the second – development of obstetrics and pediatrics. And the third component of the national project is targeted to develop high-tech medical care. Maternal health and childhood protection – the top priority among other components – is presented in the NP "Health" as a complex of measures to provide mothers' birth certificates and surveys the health of newborns. Since 2006 pregnant women are provided with a birth certificate – this is a document which in any case does not replace mandatory health insurance or other instruments to cover medical care during pregnancy.

Only in 2009 Ministry of Health and Social Development of the Russian Federation held the first comprehensive assessment of the level of implementation and effectiveness of regional programs. This assessment analyzed accessibility and quality of care based on evaluation of the dynamics of basic indicators of health status and a poll about satisfaction with quality of medical health services. According to the results of the comprehensive expert assessment of the level of implementation and effectiveness of regional programs in 2009, all entities of the RF may be divided into 4 groups. The first group – with a high level of implementation of regional programs, includes 9 entities of the Russian Federation, which accounted for 10.8% of the total number of regions (Republic of Bashkortostan and Tatarstan, Krasnodar Krai, Khanty-Mansi Autonomous District, Belgorod, Voronezh, Moscow, Sverdlovsk and Tyumen region).

The areas of a low level of implementation of territorial programs cover 20 regions (24.1%) (Komi Republic, Dagestan, Ingushetia, Kabardino-Balkaria, Kalmykia, Karachay-Cherkessia, North Ossetia-Alania, Chechnya and Tuva, Kamchatka region, Chukotka Autonomous District ; Jewish Autonomous Region, Smolensk, Tver, Kaliningrad, Pskov, Volgograd, Amur, Magadan and Sakhalin regions).

According to the Health Ministry, the main problems of the Program in 2009 were as follows:

- A significant lack of financial support for the programs, which amounted in 75 subjects of the Russian Federation to 384.6 billion rubles, and, as a result, under-funding the all components of the program in all types of medical care in most regions of the Russian Federation;
- Inconsistency of actually executed volume of ambulatory care in the regions of the Russian Federation and the needs of the population;

– A significant shortfall of medical staff needed to provide outpatient and ambulance services within the regional programs, as well as disparities in the provision of hospital beds on the main profiles of hospital departments.

In addition, according to independent research commercial sector of medicine has grown considerably in Russia. During the period from 2000 to 2008 it increased from 85 to 458 billion rubles and will grow in the future.

In July 2008, the company Business Start conducted another survey of the medical services market in Russia. According to the survey, seven-fold increase of payments in 2010 will complete the formation stage of the market and the volume of commercial medicine in Russia is stabilizing. Dramatic rise in the market may be caused by the price shift and growth of the number of patients. Inflation spurred rise of prices, while the number of potential patients is limited by demographic decline.

Commercial medicine includes three sectors: cash payments to medical institutions, AMI (additional medical insurance) and shady payments to doctors. AMI sector demonstrated the highest growth of figures. Volume of AMI in Russia has increased over the period 2000–2008 from 11 to 68 billion rubles. Cash payments to hospitals occupy the second place in terms of growth. Volume of cash payments increased from 48 to 283 billion rubles for the period from 2000 to 2008. The informal sector of the market of medical services in the period from 2000 to 2008 increased from 25 to 107 billion rubles[3].

During the years 2008–2010 the Government of the Russian Federation started discussion of several new public health legislative initiatives. Some of them were accepted. This is, above all, "The National Security Strategy of the Russian Federation until 2020" (approved in May 2009.). It contains the section "Health" and the Draft Concept of Health Development 2020. These documents initiated public discussion of the key areas of public health (the concept was actively discussed during 2008 – 2009, but still not accepted). The following documents were adopted: The Law on modernization of health sectors in the entities of the Russian Federation, developed by the Health Ministry, the Law "On circulation of drugs" (2010), the Law on Compulsory Medical Insurance" (2010) and others.

Procedure and recurrence of decision-making in health sector in Russia has been violated since early 90's, when first the law on legal framework for public health care was adopted (1991), and only then – the Concept of Health (1997). This largely explains the

[3] Resource: http: www. rodmedstrah.ru/news.

number of discrepancies and inconsistencies which occurred later on during the implementation phase and affected the quality of decisions regulating this sphere. Strictly speaking, the same situation is repeated now.

The main watershed for the future of reform lies in the following areas:

- budget or insurance medicine in its pure form or a combination thereof;
- the introduction of user fees, co-payments or medicine, free of charge "at source";
- forms and principles of management of medical institutions.

Budget and insurance are two basic mechanisms for the formation of health care costs. Russia's experience is important, because it provides an opportunity to compare the advantages and disadvantages of budgetary and insurance system. In this case, the advantage of Russia today is that on the one hand, the country has a long experience of forming and developing the public health system and on the other hand – has the opportunity to assess the outcome of health insurance system. However, the priority of health care reform is the development of the AMI.

There is a paradoxical situation. Almost 20 years of using CMI (OMS) did not give visible results, both for public health, and for the most of the CMI (OMS) system. Nevertheless – health care reform still gives priority to the development of CMI (OMS) that's really true: "The CMI (OMS) has many problems, so let's develop it further".

Initially, contributions to MMI were collected by MMI funds and comprised 3,6% of payroll. In 2001, a unified social tax was introduced, which included charges for MMI, with a regressive scale. From 1 January, 2011 the procedure for calculating the mandatory social insurance, including medical, changed. UST will be replaced by insurance contributions for mandatory pension insurance, compulsory health insurance and compulsory social insurance in the event of temporary disability and maternity. The aggregate amount of insurance rates reach 34%, including FFOMS – 2,1%; TFOMS – 3%. Regression rates are replaced by provision, under which the amounts in excess of 415,000 rubles cumulative since the beginning of the billing period, the premiums will not be charged. However, only eight Russian regions are able to support health programs without the national budget support, others demonstrated deficit amounted to 384.6 billion rubles in 2009, while in some areas it is over 50% of needs for their financial security.

The major question remains the same – how this situation will affect the health status of the population of Russia? For example, there exists DALY index (disability-adjusted life year), used by WHO to measure the burden of disease to humans, and thus for the state. One DALY is equivalent to the loss of one year of healthy life. In Russia this

figure is 210 years old per 1000 people. According to DALY index, we lag behind Western countries almost twice (France – 137 Germany – 100). This suggests that health care sector in Russia does not need cosmetic repair, but overhaul of the entire system. Even if all the innovations proposed today will be successfully implemented, we will not get significant changes in the end. We are constantly trying to change some components, while the essential changes are on the whole.

Medical insurance contributes nothing for the restructuring of health sector in Russia, as it provides funding for only the current medical care. It is its role both by nature and by law. All other tasks must somehow be resolved through government funding.

Conclusion. "Russia needs an effective model of health care, which would guarantee patients' rights and ensure equal access to health care in all regions", – said Russian President Dmitry Medvedev in late 2010 in his traditional Presidential appeal to the Federal Assembly of the country. It is really necessary. The question is – what it should be?

The situation is compounded by the fact that until now no country in the world had no experience of transition from centrally planned and controlled society to management based on market mechanisms, even simpler – from socialism to capitalism. With regard to health – no country in the world experienced transition from state-organized health care to insurance (or other) model. Nobody can with hundred percent certainty predict the possible risks of such process. And this is the main problem of Russian health care. There may be an argument – it is a similar process for all the countries of Central and Eastern Europe – former republics of the Soviet Union. Yes it is. But who said that they are successful in their current reform?

We can say that today all priorities relating to health and health care sector development in the Russian Federation are defined and formulated. Still, it remains an open question: whether the steps taken will lead to qualitative changes in the health status of the population, and whether an effectively-managed health care system will be created as a result. Equally important issue – the social impact of reforms, public response, the way they are perceived by the population: as a social benefit or as a burden.

It is repeated as a spell: there is no alternative for CMI (OMS). But it is incorrect. Somehow, the word alternative often causes fear or irritation, although its meaning is absolutely harmless. Alternative means another solution to the problem, a different vision of the situation and proposal of some different mechanisms to complete the task. Unfortunately, the entire health care reform in Russia has been reduced to the CMI (OMS). Other options are not considered or discussed. In this regard, I would like to draw attention

to another aspect. Our path in the CMI (OMS).is a variant of overtaking traffic. But, moving along the path trodden by world leaders to catch up with them is impossible; we are doomed to lag behind. A time limit is very hard. There is a need to look for other solutions much more efficient. There is always an alternative, especially when it seems that there is not.

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