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STATE POLICY FOR THE PRIVATE HEALTHCARE SECTOR DEVELOPMENT OF UKRAINE

Abstract. *The need to ensure quality and comprehensive healthcare at the world standard level determines the establishment and importance of private medicine in the healthcare system. It forms the task to reform, develop, and implement targets for private medicine. This article aims to investigate the measures by state policy in promoting private medical services. The methodological basis of this study is the dialectical method of scientific knowledge, system approach, and methods of logistic analysis. The empirical research involved retrospective, structural and comparative analyses. To achieve the study goal, the following tasks were solved: 1) determination of the theoretical basis of the state policy in private healthcare based on scientific background; 2) the analysis of the state policy in Ukrainian healthcare; 3) identification of the role of private medicine in the health care system; 4) the comprehensive analysis of the medical institution activities on the example of a private clinic «L-MED Clinic»; 5) determination of the connection between the effectiveness of activities and the marketing activities in promoting medical services. The study determined the importance of private medicine in the healthcare system of Ukraine. Private treatment and prevention facilities relieve the burden on public hospitals and clinics. The main competitive advantages of private healthcare institutions include availability, sufficient admission time, responsibility and organized attitude to the treatment process, quality diagnosis, full-range medical services, courtesy and attentive staff, comfortable and pleasant interior, etc. Based on the findings, the authors provided practical recommendations for improving the state policy, state regulation of private medical activity, and implementing the best world practices of branching out of the health care sector. The obtained results could be useful to the Ministry of Health of Ukraine, the Ministry of Social Policy of Ukraine, the Cabinet of Ministers of Ukraine, and the Verkhovna Rada of Ukraine in state regulation of healthcare reformation in Ukraine.*

Keywords: state regulation, state policy, private medicine, management, reformation, administration.

Introduction. Society's need for modern and high-quality medical services grows faster than the state budget, even in developed countries. Therefore, in the current context of health care reformation, it is necessary to attach great importance to the problem of state regulation of the private healthcare sector. The main goal of the healthcare reformation is to build a model that ensures equal and fair access of citizens to the necessary high-quality medical services while maintaining the social scope of state guarantees. The international practices show that the most harmonious and efficient is the health care system, where the public and private sectors operate on equal terms. Therefore, it is necessary to reconsider the position of the private medical sector by giving it higher social status and creating opportunities at the state level for integration and unification of generally accepted medical services. Having a developed private sector could ease the burden on the public health system and create expansion and complement the quality of health services.

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Creating a legislative and regulatory framework for private medicine assumes the funds for «legalization». Given the cost of private medical services and the costs of public institutions, it could be argued that the significant figures of savings in the state budget.

Literature Review. The principal direction in medicine is the human being, human rights, health, and interests. The scientific problem of this study comes from the protection of human rights and interests in healthcare. These ideas are based on the principles of the new law doctrine, the basic principles and parameters expressed in the papers by leading Ukrainian scientists, professors Averyanova V. B., Nyzhnyk N. R., Selivanova V. M., Tsvetkova V. V., and others.

In most cases, the patient who needs to contact the health care system feels confused, helpless, and defenseless. Representatives of this structure consider a person as an object of influence, medical and social actions and manipulations, and often as an object of profit, illicit enrichment at the expense of funds received from the patient.

It is happening in our country and in others, including advanced countries in Europe and the world, where the medical industry is part of a stable, legal and mostly private business. According to the literature, half of the laboratory and instrumental studies and a third of surgical interventions are performed without sufficient medical, functional justification to obtain funds from the patient.

Alekseeva T. I., Bykhovets K. V., Saenko A. O. consider human health as a result and an indicator of the degree of development of the socio-economic state of society. The concept of «human health» is not well defined, it is due to the high variability of individual fluctuations in the most important indicators of the human body depending on needs, as well as the variety of factors that affect individual health. It is noted that modern science has not yet established the components that determine the state of health of the individual. This is the reason for unsuccessful, numerous attempts to form the most general definition of «health».

At present, none of the definitions of «human health» can be considered universal, because the biologically stable functioning of the human body is only part of this concept. The definition of human health, specified in the preamble to the Statute of the World Health Organization (WHO), is only relatively universal at the current stage of development of science, comprehension and understanding of the phenomenon of human life. Health is a state of complete physical, spiritual and social well-being and not merely the absence of disease or infirmity.

The new modern concept of the state policy of Ukraine in the field of health care is based on the understanding that human health is a socio-economic value, and the implementation of coordinated actions to improve the health of the nation is a strategic priority of the state.

Methodology and research methods. The methodological basis of this study is the dialectical method of scientific knowledge, system approach, and methods of logistic analysis. The empirical research involved retrospective, structural and comparative analyses. In the course of the research, the empirical and theoretical research methods were used to determine the essence of the theoretical basis of the state policy of private medical activity; the methodology of systematic and structured approach was used methods, particularly methods of formalization of conditions, methods of multicriteria optimization and graphical interpretations - to assess the degree of threat to the company from competitors, built the influence of competitive forces.

Results. A systematic analysis of information materials from the Ministry of Health of Ukraine and scientific works by the industry leaders indicate that nowadays, Ukrainians have unsatisfactory health. Thus, the statistical data showed that the mortality rate in Ukraine increased by over 4% in the last decade, while it decreased by 4% in the EU countries. On the other hand, the average life expectancy in Ukraine is 5-10 years less than in economically developed EU countries. Moreover, in Ukraine, the overall incidence rate increased by 10.6%, and the prevalence of diseases – by 38.9%. In turn, the natural

population increase is negative. It ranges from -5.8 to -7.8 per 1000 people in Ukraine. Therefore, a 7.7% decrease in the total population threatens the national security of Ukraine (Ursol et al., 2014).

The primary cause of the protracted systemic crisis is chronic underfunding of the industry and the highly inefficient, irrational use of allocated budget resources. The state budget cannot meet the population's basic needs in health care. Therefore, the health care system must rest on various forms of organization. First of all, it is necessary to attract funds from outside to make sure that they do not go beyond the system but work on it, using appropriate mechanisms of state regulation.

The experience of EU countries shows that the health care system with harmonious the public and private sectors functions is the most effective (Vezna, 2019). Thus, studying the positive experience of healthcare institutions worldwide has contributed to the development of private healthcare institutions.

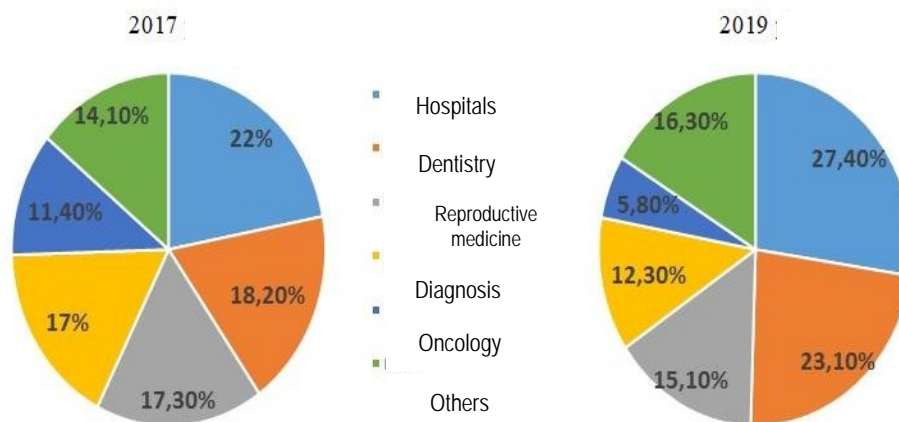


Figure 1. The structure of private medical institutions

Sources: developed by the authors.

Today, there are more than 22000 health care providers. Healthcare institutions are mostly located in highly urbanized areas. In Kyiv, this share is over 50%, and in the cities with a population of up to 100000 – 10%. The number of private universal clinics in Kyiv is about 1000. The largest market share of clinics accounts for: Medicom (Kyiv), Boris (Kyiv, Donetsk), Dobrobut (Kyiv, Donetsk, Yalta), Eurolab (Kyiv), Oberig (Kyiv), Biopharmtech (Kyiv), Into-Sana (Odesa), American Medical Center (Kyiv).

Specialized care is provided in the centers: Isida (Kyiv, Donetsk) – gynecology; Israeli Clinic Lisod (Koncha Zaspas)– oncology; Ukrainian-American Clinic Ailaz (Kyiv) – ophthalmology and cosmetology (Shomnykova, 2009).

It should be noted that private prevention and treatment facilities relieve the burden on public hospitals and clinics. The private health care sector makes a significant contribution to the medical sector financing, provides it with the necessary medicines, goods, and medical devices, annually unloading the state health budget of Ukraine by almost UAH 2 billion (National strategy for reforming the health care system in Ukraine, 2020). Over the past five years, private healthcare sector funding has increased by 19,435 million UAH, with private healthcare spending in Ukraine accounting for more than 42.3% of total spending (Chornorotov, 2010).

Analysis of the medical services market in Ukraine showed that the development of private medicine is hampered by the low purchasing power of the population and the imperfect legal framework governing the industry. The accreditation and legalization of medical institutions are excessively bureaucratic and take a lot of time and effort. Private individuals have high hopes for expanding their client base with the medical reform carried out in Ukraine.

Private clinics could be integrated into the new system along with public ones. This study considers the organizational and managerial system and financial and economic indicators of the private clinic «L-MED Clinic» (Shostka). This institution is a multidisciplinary specialized institution that provides highly specialized medical and diagnostic consulting services.

With a total area of 120 sq.m., L-MED Clinic started in March 2019. In 1.5 years, this medical institution increased its material and technical base (new anoscope, dermatoscopy, vacuum ligators, radio wave device for small surgical interventions, electrocardiographs, video fibrogastroscopy, and colonoscopy devices, etc.). Currently, this private institution is located at four addresses (the area is more than 1500 sq.m.) Besides, construction and preparatory work are underway to launch new premises, attract a wider range of specialists, and provide qualified assistance and surveys to the public. The range of services is constantly expanding, trying to adhere to maximum quality, accessibility, and convenience for patients.

In October 2020, the application to the official institution for registration of the trademark «L-MED Clinic» was accepted. The planned capacity of the outpatient clinic is 98 visits per shift. Admission of patients is carried out in 9 specialties.

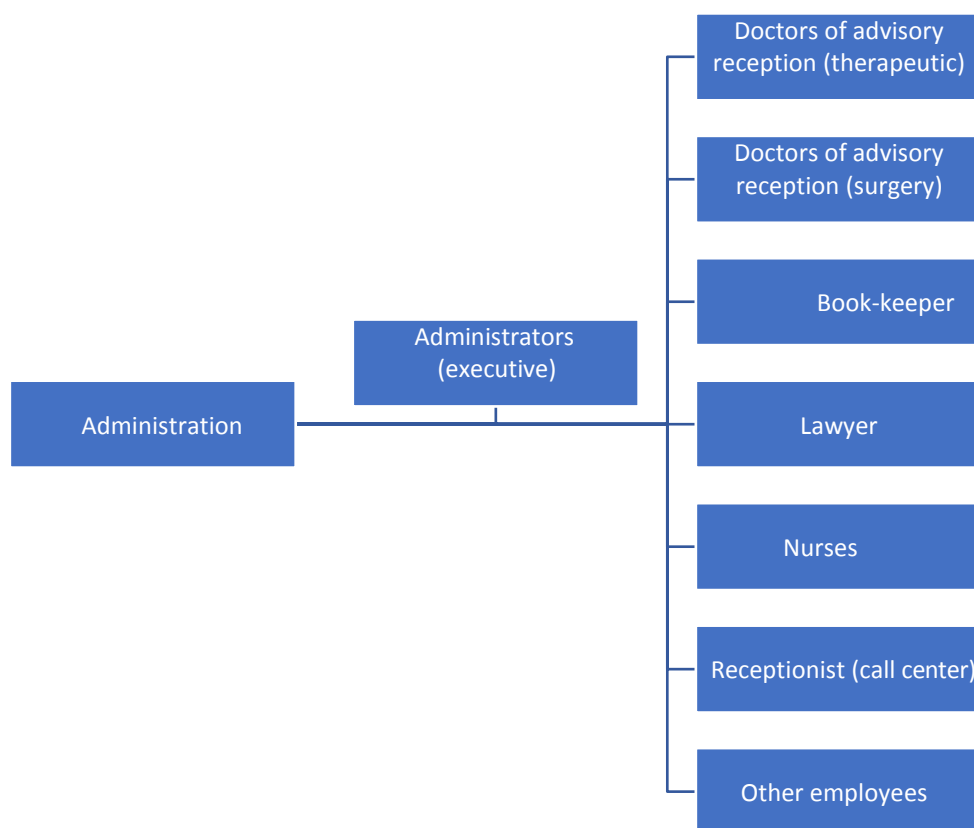


Figure 2. The management structure of the private clinic «L-MED Clinic»

Sources: developed by the authors.

The hospital constantly takes measures to introduce new medical and diagnostic techniques and the latest technologies. Modern diagnostic and therapeutic equipment is purchased annually. A private

healthcare institution uses socially recognized market economy features for rational and efficient use of funds. The above features rest on competition, transparency, and non-discrimination. However, even though these features are in demand, they are insufficiently implemented in public health facilities. Therefore, it requires further development of quality health care.

Table 1. The structure of cash expenditures as of 01.10.2020

Scope of procurement	Amount of money, UAN
Items, materials, equipment and inventory	204000,00
Medicines and bandage	7356,43
Food	-
Payment for services (except utilities)	145000,00
Traveling expenses	24500,00
Services	
Providing water vapor and hot water	-
Water processing and distribution through the pipelines (water supply services)	4210,23
Electric energy	4200,20
Natural gas	-
Other energy sources	6200,00
Separate measures for program implementation	-
Procurement of equipment and long-term use items	435000,00
Capital repair	670000,00
Total	1500466,86

Sources: developed by the authors.

Table 1 shows that as of 1 October 2020, the cash expenditures of the private hospital «L-MED Clinic» amounted to 1500466.86 UAH. Compared to last year, expenditures increased by 70% due to repeated expansion and significant construction work. In 2020, the private clinic «L-MED Clinic» admitted 16232 patients, while almost all patients were «self-referral».

It stands to note that the private clinic has improved and significantly expanded the range of medical services over the last year due to a balanced financial and marketing policy. The obtained results showed that the main form of the patient encounter was self-treatment, which came from self-appeal (31%), the recommendations of acquaintances (28%), advertising (28%), the Internet (12%), others (1%).

In the next stage, this study estimates the degree of competitors' threat to the company (Fig. 3).

Figure 3 shows that the most significant competitive influences on the private clinic have consumers, potential competitors, and suppliers. Therefore, the clinics need to focus on retaining existing patients and attracting new ones, retaining professionals, offering better working conditions, and using the best world marketing practices focused on consumers and medical staff.

The theoretical analysis of the national scientific background indicated the necessity to go through several stages to implement an effective state policy in health care: making political and managerial decisions, their implementation, and evaluation of the reform results. On the other hand, the world scientists emphasize the need to implement three groups of measures to successfully implement public policy in healthcare and obtain a stable system:

- liberalizing the demand for medical services by expanding consumer choice and changing the role of the state, consumers, healthcare institutions, and doctors who interact and become more active partners in health care;
- diversifying offers of medical services by creating a new favorable environment for non-governmental and private activities by improving the legislation, production, and financing of health care;

— enhancing incentives for healthcare institutions and medical workers to save costs and improve the quality of medical services quality in a new competitive market.

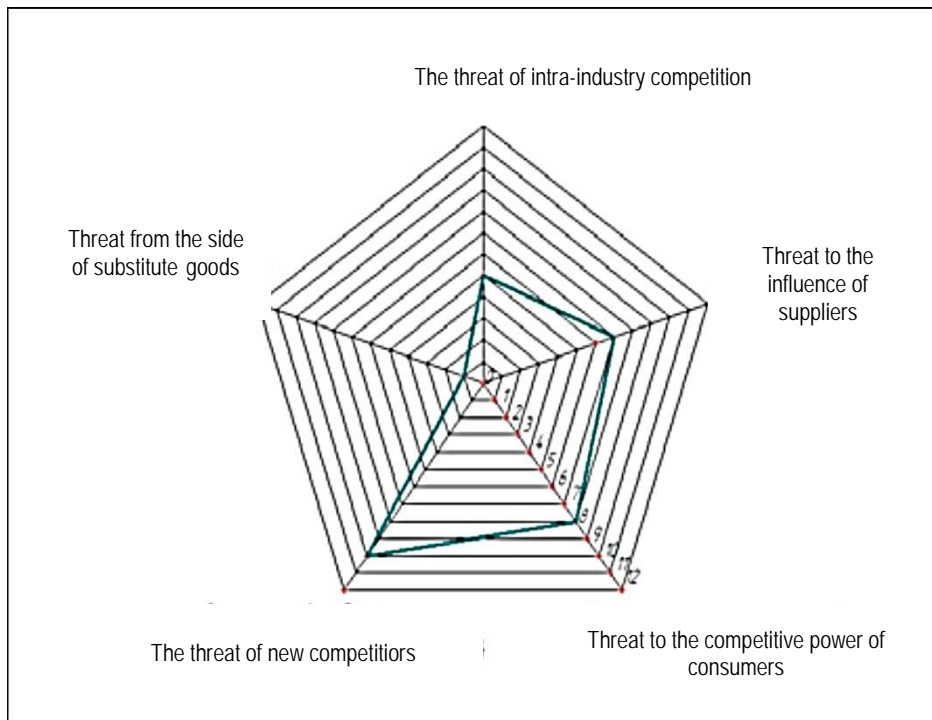


Figure 3. The levels of competitive influences

Sources: developed by the authors.

The scholarly opinion allows understanding better the tasks of forming and implementing the Ukrainian state policy. Thus, consumers could not perform the function of an informed buyer of healthcare services in contrast to the party financing healthcare provision because of the healthcare peculiarities, the information asymmetry, and the lack of unified algorithms. The above factors limit market mechanisms in healthcare (SOTA, 2018).

The state health policy envisages the creation of a new Ukrainian healthcare ideology, the development of ways and means of optimal organization at the national level of healthcare and improvement, the formation of a healthy lifestyle, medical and social disease prevention, and rehabilitation.

Given the above facts and research, it is proposed to divide all marketing tools of the hospital into two parts:

- a) lead-generating – attracting new customers (measurable);
- b) image-building – does not directly attract new customers but affects potential patients in the decision-making process or in recommending to friends and relatives (Ivanova & Vovchanska, 2017; Dorofiyenko, 2012).

Table 2 shows the main promotion tools used to achieve marketing goals.

Table 2. The main promotion tools

Lead-generating	Image-building
Search engine optimization	Facebook activity
Google Adwords contextual advertising	Sponsorship of sports events
Banner Advertising	Work with doctors (informatization, image gifts)
Partnership projects	SMS (congratulations on birthday, state holidays, etc.)
Radio advertising	Internal clinic's work ensuring (branded polygraphy, promotional merchandise, brand guideline manuals, etc.)
Advertising articles in the prominent mass-media	E-mailing with useful content
The image clips for internal use and the TV news stories	Tradename registration (logotype protection)
The articles (for free web-based media, press-release websites, clinic's website, e-mailing, etc.)	

Sources: developed by the authors.

The Internet is one of the main lead-generating channels. On the Internet, the private clinic is recommended to use:

- Google Adwords contextual advertising and banner advertising for the most suitable target audience (per 4 flash banners for each clinic's direction);
- participation in medical forums to generate positive feedback and recommendations about the clinic;
- Facebook communications in the L-MED Clinic group;
- posting videos on the official YouTube channel;
- affiliate exchanges with links to sites.

TV communications are both image and lead-generating tools. Local channels could be used for broader awareness of the possibilities of the clinic and to form a loyal audience.

In the future, it is planned to improve the clinic's material and technical facilities to significantly expand its area and purchase specialized equipment that competes with state-funded institutions in terms of quality and technology. As a result, it would attract new professionals and increase the range of services.

Health budget expenditures accounted for 51% of the total (about 4% of GDP). Private health care expenditures in Ukraine, compared to state expenditures, were among the highest in the EU and Eastern Europe. Households paid the vast majority of these expenditures (95%), and only 5% were accounted for by insurance payments, donor and international assistance (Galkovska, 2018).

Noteworthy here, the budget expenditures consisted mainly of health care expenditures on salaries and utilities (about 75%). Under such circumstances, very few financial opportunities are left to provide services, i.e., treatment of patients, purchase of medicines and expendable materials, renewal of technological funds, etc (National strategy for reforming the health care system in Ukraine, 2020).

Accordingly, most patients cannot afford expensive modern healthcare. They are forced to postpone the start or continuation of medical treatment. That leads to high mortality, disability, and reduced life quality for Ukrainians with chronic disease.

Therefore, state policy should aim to transform the health care system from socially costly to social investment, from a cross-sectoral approach to health care management to the transition from extensive to intensive system development.

Besides, the process of reforming and optimizing the Ukrainian state policy in health care in a globalizing society should include the following strategic areas of regulation:

- harmonizing national health legislation complying with EU law;
- developing and approving the concept of strategic planning for the Ukrainian healthcare sector;
- creating effective state regulation mechanisms of the private healthcare sector, ensuring its quality and efficiency;
 - defining and legislative consolidating the scope of guaranteed state obligations regarding free medical care;
 - transiting to a multi-channel system of healthcare financing;
 - developing the gradual transition concept to the dominant principles of evidence-based healthcare, introducing the formulary system as a qualitatively new approach to solve the problem of rational use of medicines and adequate provision of medication to the population;
 - supporting financial-fundamental and applied research in healthcare;
 - increasing the requirements for the training of scientific personnel, ensuring the rational use of scientific and information resources in healthcare.

The above concludes that the state of public health in Ukraine and the national health sector reflects its economic development and its national policy direction, particularly the attention paid to social issues and human capital. The nation's health state directly determines the labor productivity in society since it acts as a qualitative characteristic of the economically active population. Thus, it significantly affects the prospects of its socio-economic development.

The state healthcare policy aims to improve public health, life quality, and Ukrainian genetic conservation. Its implementation should ensure the availability of qualified medical care to every Ukrainian, promote the introduction of new effective mechanisms for healthcare financing and management, and create conditions for forming a healthy lifestyle.

The state determines the strategy of health care development in Ukraine, dynamics of public health, activities of healthcare institutions, and the socio-economic and political situation in the country, which is determined by changes in state and public life.

Therefore, the private healthcare sector development requires harmonization of the legal documents governing the activities of private institutions. It is essential to solving the problems related to implementing the Law of Ukraine «On Public-Private Partnership». Besides, it is advisable to introduce social orders for private healthcare institutions for diagnostic and therapeutic medical services that state and municipal medical institutions are not yet ready to provide (Horizon 2020: the eu framework program from research and innovation, 2020). Involving businesses in implementing state and local socio-economic development programs within the public-private cooperation framework would help meet the population's healthcare needs. Thus, it is necessary to develop an effective system to promote the development of private medicine as a socially crucial economic sector, which should be based on measures for preferential taxation, credit, utilities, and partnership between public and private healthcare facilities (RDO. (n.d.), 2019).

Furthermore, the essential mechanism for improving the efficiency of the health care system provides competition in health care provision through budget funding, voluntary health insurance, the private sector, and in the future, possibly, compulsory health insurance.

Besides, healthcare development depends on the national economic situation. Therefore, economic prosperity would lead to economic prosperity and real income growth. The above would positively impact the private health sector and its effective functioning.

If the government pursues a policy of active changes in health care organizations, it will promote the development of new public participation forms in payment health care. Moreover, it would increase resource use efficiency in the healthcare sector. Therefore, the private sector could modernize and be an element of an effective health care system.

Conclusions. The analysis of literature sources determined that the Ukrainian state policy in healthcare is a set of national decisions or commitments to preserve and strengthen the population's

physical and mental health and social well-being as the most critical component of its national wealth. It requires implementing political, organizational, economic, legal, social, cultural, scientific, and medical activities. In turn, implementing an effective public healthcare policy requires undergoing the following three stages: making political and managerial decisions, implementing them, and evaluating the results of reforms.

This study determined the importance of private medicine in the healthcare system of Ukraine. Private treatment and prevention facilities relieve the burden on public hospitals and clinics. The main competitive advantages of private healthcare institutions include availability, sufficient admission time, responsibility and organized attitude to the treatment process, quality diagnosis, full-range medical services, courtesy and attentive staff, comfortable and pleasant interior, etc.

The analysis of the L-MED Clinic activity showed that the healthcare institution develops. It has sufficient human, material, and technical resources to provide quality medical care. The funding system indicates the institution's capability enhancement, which operates in a commercial enterprise. Therefore, it is advisable to expand the scope of new medical services to the public through an intensive marketing policy.

Based on the research, practical recommendations for improving the state policy concerning private healthcare are offered. Thus, public policy should transform the healthcare system from socially costly to social investment, from extensive to intensive development. Since the healthcare reform provides performance improvement in using funds, it stimulates growth in patients' availability and quality of medical services. Based on the above, healthcare facilities need to be competitive in the healthcare market to improve the quality and expand the range of medical services to meet the population's demand.

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Державна політика розвитку приватного сектору охорони охорони україни

Необхідність пошуку шляхів забезпечення якісного і повноцінного надання медичної допомоги на рівні світових стандартів, по-перше, визначає встановлення та значення приватної медицини в системі охорони здоров'я, по-друге, формує завдання реформування сфери, розроблення та впровадження таргетів розвитку сектору приватної медицини України. Метою статті є дослідити державну політику заходів просування приватних медичних послуг. Відповідно були вирішені такі задачі: 1) визначено, на основі літературних джерел, теоретичне підґрунтя державної політики приватної медичної діяльності; 2) проведено аналіз державної політики в секторі приватної медицини України; 3) визначено значення приватної медицини в системі охорони здоров'я; 4) проведено комплексний аналіз діяльності медичного закладу на прикладі приватної клініки «L-MED Clinic»; 5) виявлено зв'язок між ефективністю діяльності та рівнем маркетингових заходів просування медичних послуг; 6) на основі проведеного дослідження запропоновано практичні рекомендації щодо вдосконалення державної політики, державного регулювання приватної медичної діяльності та імплементації передового світового досвіду розгалуження сектору охорони здоров'я. Рекомендовано для приватного сектору у сфері охорони здоров'я привести у відповідність нормативно-правові документи, які регламентують діяльність приватних закладів. Запропонувати новий методичний підхід, пов'язаний з реалізацією норм Закону України «Про державно-приватне партнерство». Запровадити державні та місцеві програми соціально-економічного розвитку в межах державно-приватної взаємодії з залученням бізнесу, що задовольнить медичні потреби населення. Розробити дієву систему сприяння розвитку приватної медицини, як соціально значущого сектору економіки, в основі якої має бути відповідний комплекс заходів щодо пільгового оподаткування, кредитування, оплати комунальних послуг, партнерського рівноправ'я державних і приватних закладів охорони здоров'я. Створити умови конкуренції в наданні медичних послуг за рахунок медичного страхування, державних коштів. Результати дослідження можуть бути корисні Міністерству охорони здоров'я України, Міністерству соціальної політики України, Кабінету Міністрів України, Верховній Раді України під час планування подальших кроків реформування сектору державного регулювання приватної медичної діяльності.

Ключові слова: державне регулювання, державна політика, приватна медицина, управління, менеджмент, реформування.