

Development of voluntary health insurance as an extra-budgetary funding source for healthcare in Ukraine

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In the conditions of political, social and financial crisis, which is typical for Ukraine, the state cannot ensure the stability of social assistance to citizens. The most important aspect of social assistance is ensuring the human right to affordable, qualified and quality medical care, which is provided by the legislation of Ukraine and international standards.

Since independence, the state form of medical financing has prevailed in Ukraine, but it does not objectively justify itself. The lack of financial resources imposes significant constraints on the development of the infrastructure of medical institutions and on the level of quality of medical care. The deterioration of the financial and economic situation in Ukraine has led to a narrowing of the state's financial capacity to provide the population with quality medical services at the expense of budget funds. The contemporary funding system needs urgent reforming. The experience of developed countries shows that insurance medicine is an effective mechanism for social protection of population in market conditions, improving the efficiency and quality of the healthcare system.

Funding for the healthcare system of each country is carried out from various sources: budget funding, compulsory health insurance, voluntary health insurance, direct payments of the population. The level of healthcare expenditure depends on a wide range of economic, demographic and economic factors, as well as on the financing and organizational mechanisms of the health care system. The issue of finding new sources of funding for medicine in Ukraine is currently very relevant for several reasons: medical reform is one of the conditions for Ukraine's European integration into the EU; Ukraine is one of the countries with a high percentage of elderly people in the general population structure; Ukraine is one of the countries with a low level of public health. Insurance-based financing of medicine will reduce the burden on the national economy in the social security sector.

It should be noted that in 2016, healthcare reform began in Ukraine, in the context of which mechanisms are being actively developed to improve the financing of the healthcare system, including those based on the introduction of compulsory health insurance. In the context of the reform, the Law of Ukraine "On the State Financial Guarantees of Medical Care of the Population" 2168-VIII was

adopted, which specifies the program of state guarantees of medical care, which determines the list and scope of medical services (including medical devices) and medicines paid by the state at the expense of the State budget of Ukraine. The amount of funds of the State Budget of Ukraine directed to the implementation of the program of medical guarantees is annually defined in the Law of Ukraine “On the State Budget of Ukraine” as a share of gross domestic product of at least 5% of the GDP (Legislation of Ukraine, 2017). For comparison, on average in developed countries such as the U.S., Canada, Japan domestic government spending on health is 7-9% of GDP, in Eastern and Central Europe the figure varies at 4-6% (Zhuravka et al., 2020).

However, according to Figure 1, we can see that for the entire study period, this indicator in Ukraine had the highest value in 2013 – 3.8%, and in recent years this figure did not exceed 3.3%.

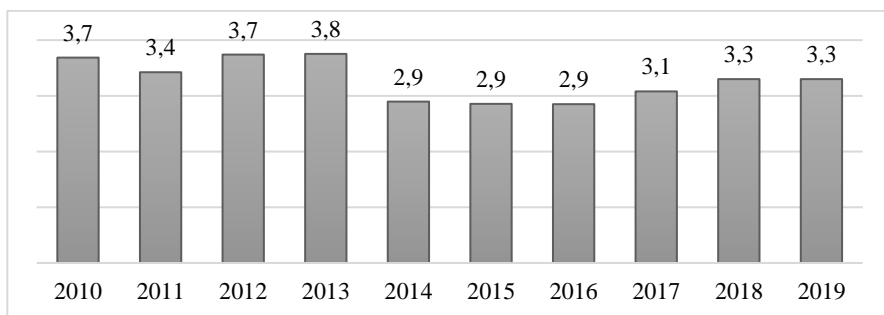


Figure 1 – Domestic general government health expenditure (% of GDP) in Ukraine, 2010-2019

Defining state guarantees of medical care is only the first step towards full-fledged medical reform in Ukraine. The next steps in the reform were to form an optimal model of health insurance through a combination of compulsory and voluntary health insurance. However, it can be stated that today there is no comprehensive approach to reforming the mechanism of financing the domestic healthcare sector on the basis of compulsory health insurance in Ukraine.

The introduction of compulsory health insurance requires the solution of a number of problems at the state level, which depends on the availability of political will, the development of public consciousness, the creation of appropriate financial conditions. The need for compulsory state social health insurance in Ukraine determines the current state and procedure for financing the healthcare sector, the main drawback of which is the use of the only significant source of funding – the budget.

In conditions of insufficient budget funding for healthcare, the importance of extra-budgetary sources of funding is growing, one of which may be voluntary health insurance. In the context of the research topic, we consider the sources and structure of funding for medicine in Ukraine. The World Bank's 2010-2018 Health Financing Report was used for analysis, as no data is available at a later date.

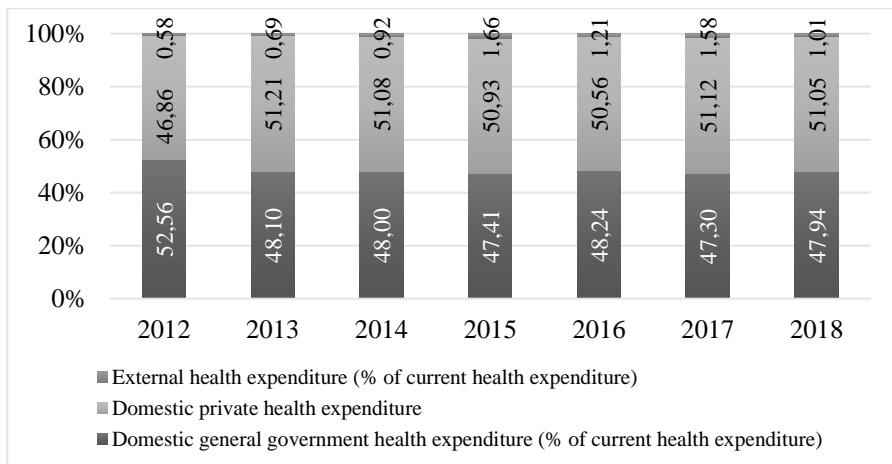


Figure 2 – Structure of current health expenditure by financial resources in Ukraine, 2010-2018 (The World Bank, 2018)

The data in Figure 2 show that in the context of insufficient budget funding for the healthcare system, the share of private and external expenditures is growing every year. Since 2014, extra-budgetary sources of funding for medicine exceed 50%. Therefore, in Ukraine it is important to find effective extra-budgetary sources of medicine funding. Voluntary health insurance can play an important role in financing healthcare, as health insurance payments are a direct cost to households.

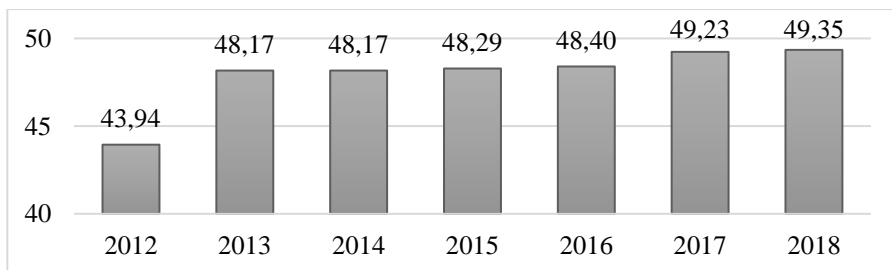


Figure 3 – Change in the share of out-of-pocket expenditure (% of current health expenditure) in Ukraine, 2012-2018 (The World Bank, 2018)

Insurance market data show an increase in demand for voluntary health insurance in Ukraine, the share of which has doubled from 6.1% in 2010 to 12.0% in 2019 (National Commission for State Regulation of Financial Services, 2020). The relevance of the voluntary health insurance spread for the population in Ukraine is connected with the fact that population already pays more than half of their needs for medical care from their own pockets (Fig. 3). In addition, over the past 30 years, the mentality of the average Ukrainian has changed significantly: if previously it was considered that medicine funding is purely a state affair, nowadays the majority agrees to take responsibility for organizing the level of medical services they need by paying for private medical institutions health insurance policies. All the abovementioned determines the presence of significant potential for the insurance medicine development in Ukraine. The development of voluntary health insurance is a crucial need that can raise the level of public health, ensure the flow of funds into the healthcare system.

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