Reforming the Russian health-care system

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Across Russia, pensioners are protesting about reforms that will remove many of the benefits they currently enjoy, such as free transport and subsidised accommodation and fuel, replacing them with cash allowances that they consider inadequate compensation for what they will lose. This protest is the most visible manifestation of a wide-ranging programme of reform being undertaken by President Vladimir Putin as he seeks to tackle the deep-seated problems facing the country. These reforms have implications for all areas of government activity, including the health sector.

There is little argument that something must be done to reform the Russian health system. Life expectancy is continuing to decline, with many of the premature deaths from causes that should be preventable with timely and effective health care. Yet the existing structure of government makes change very difficult, a situation that is now being addressed by the wider process of reform.

One element of the reforms is the re-imposition of centralised control. Even before he became president of an independent Russia, Boris Yeltsin had urged the regions of Russia to “gobble up as much autonomy as you can handle”, a view enshrined in the 1993 Russian Constitution, which made the regions (the 89 so-called subjects of the Russian Federation, including various entities with differing degrees of autonomy) “equal subjects”, led by elected governments, within a federal structure. This process was encouraged by western advisers, who saw the strengthened regions as a counterweight to the sclerotic federal government.

The 89 regions, which since 1993 had shared responsibility for health policy with the federal government, formed nine supraregional economic groupings with no political or administrative power. In May, 2000, Putin issued a decree replacing these groupings with seven federal regions. He appointed his own representatives to lead them, giving them wide-ranging but poorly defined authority. Although formally the new regions had no responsibility for the health sector, the President’s representatives soon appointed deputies to fill a perceived vacuum in relation to health and other policy areas. As a consequence, an unforeseen process of interregional coordination is now taking place in the health sector.

Mikhail Fradkov, the Prime Minister of the Russian Federation, described the second element thus: “separation of policy development, policy implementation and control functions is needed at the regional and local, not only on federal level” This restructuring has already led to important changes at the federal level. The model inherited from the former USSR involved powerful ministries that combined policy-making with regulation and service delivery. The 13 former ministries, as well as various other central bodies, were abolished, being replaced by five ministries that focus solely on policy development, with 17 regulatory bodies and 20 agencies responsible for the delivery of services. Thus the Ministries of Health, Social Affairs, and Labour have been merged to create a new Ministry of Health and Social Development. The new Ministry has been given an enhanced policy-making role, while losing many of its traditional functions, such as epidemiological surveillance and control and management of federal
bodies, such as research institutes and tertiary referral facilities. Its role in relation to medical schools is not yet resolved.\(^5\)

The health ministry's former regulatory functions have been devolved to a new body responsible for consumer protection and human well-being, based in part on the existing network of sanitary-epidemiological facilities that were concerned traditionally with monitoring of food, water, and occupational safety. Their role is being extended to include prevention of HIV/AIDS and other communicable diseases. A new agency for health care and social development assumes responsibility for funding and management of the federal bodies doing research and clinical care. The new agency may also assume responsibility for medical education.\(^6\) A third new body will provide oversight of the delivery of health care by all health-care providers in Russia.

The general direction that will be taken by the new ministry is expected to follow the leads set out in its recent draft strategy paper, *On improvement of structural efficiency of health care in Russia*, which is currently awaiting approval by the State Duma. This draft paper envisages a reduction of hospital capacity, strengthening of primary health-care, improvement of management, and introduction of new systems of payment for facilities and individual providers of services. However, it is less clear how this will be co-ordinated with two other pieces of legislation that are also under consideration by the Duma: a law on the reform of the health insurance system and one on the legal basis of health sector organisations. The latter envisages the creation of new legal entities: autonomous, non-for-profit specialised (medical) organisation. The legislation on health-sector organisations is anticipated to offer hospitals and primary-care organisations the scope to assume greater autonomy and, presumably, give them greater powers that will strengthen their capacity to impede any future efforts by regional and municipal governments to rationalise facilities.

There are several reasons why it is desirable to give more autonomy to health facilities. First, much of their core funding is allocated according to inflexible budgets tied to specific items, giving them minimum scope to reallocate these resources. Second, they cannot alter existing salary scales, although in practice this inflexibility is overcome in part by individuals occupying more than one position within the organisation, thereby drawing additional salaries. Third, health facilities do not have their own bank accounts, instead drawing on subaccounts in the federal treasury. To make a payment it is necessary to show necessity and value for money through competitive tender, as promoted by the Russian Government and by the international financial organisations (such as the World Bank and International Monetary Fund). However, these regulations have attracted great resistance from chief physicians who claim the regulations are inefficient and impossible to work. Especially when small quantities of medications are needed urgently, the system is seen as time-consuming and cumbersome. A change of legal status will give facilities control over their own funds.

Although many of the new ideas address well-recognised problems with the existing system, there is inevitably some concern about the challenge of implementation. In the light of previous experience in Russia with the denationalisation of state-owned assets, there are concerns that what is envisaged as autonomisation will actually become privatisation. In addition, the centrally planned Soviet health-care system avoided duplication of facilities, so there is little scope for competition, except in a few large cities. There is thus a risk of creating private monopolies, with the potential for jeopardising access and damaging quality of care. A further problem is that the article in the Russian Constitution that guarantees free health care to its citizens specifies the legal status of organisations that can provide these services. There are some concerns that any attempt to revise this article might undermine state guarantees of free care. Consequently, several Russian commentators have argued that the formally stated goals could have been achieved with relatively minor changes to budgetary law and that
the current reforms reflect lobbying by the chief physicians in facilities who have vested interests in supporting privatisation. In addition, the process is the subject of extensive lobbying from many constituencies, such as pharmaceutical companies that seek to have relatively ineffective medications included in approved drug lists and groups in the population seeking enhanced benefits.

There is a major question about the role of the new ministry. Although the new ministry is now formally responsible for policy development, the policy agenda is being driven largely by outside interests. Thus the new legislation goes beyond the traditional focus on health-care delivery to include a concern about population health, setting out the goals of reducing mortality in working ages, especially by lowering rates of injuries and alcohol poisoning, as well as reducing infant and maternal mortality. The new legislation also highlights the need for effective action against “socially determined conditions” such as drug addictions, smoking, hazardous drinking, sexually transmitted diseases, tuberculosis, and AIDS. Whilst entirely laudable, these concerns seem to reflect the agenda of the presidential administration, where there is anxiety about the implications of Russia’s high mortality for national security, in particular because of fear about depopulation of some border areas. There is little evidence that the content of the new legislation reflects the concerns of the health ministry, which is therefore unlikely to feel any sense of ownership of it.

In summary, perhaps the only thing about which there is consensus is that the Russian health system is in need of reform. There is, however, much less agreement about what should be done and there is considerable uncertainty about whether the diverse proposals currently on the table will achieve what they set out to do.