

## FINANCING ISSUES FOR HEALTH CARE OF UKRAINE

## ПРОБЛЕМИ ФІНАНСУВАННЯ ОХОРОНИ ЗДОРОВ'Я УКРАЇНИ

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*The study to analyze the problems of financing health care in Ukraine. An analyses was performed of Ukrainian law for healthcare, original publications on financing this sector, statistical and audit reports of authorized bodies and organizations. The results of the analyses showed current situation for using of the budget funds and problems of financing of the healthcare sector.*  
**Key words:** health care of Ukraine, financing problems, state authorities and health care.

*У статті проведено аналіз проблем фінансування охорони здоров'я України. Виконано аналіз законодавства України в галузі охорони здоров'я, оригінальних досліджень щодо фінансування цієї галузі, статистичної та аудиторської звітності уповноважених органів та організацій. На основі проведеного аналізу визначено стан використання бюджетних коштів і проблеми фінансування*

галузі охорони здоров'я.

**Ключові слова:** охорона здоров'я України, проблеми фінансування, органи державної влади та охорони здоров'я.

*В статье проведен анализ проблем финансирования здравоохранения Украины. Проведен анализ законодательства Украины в области здравоохранения, оригинальных исследований относительно финансирования этой области, статистической и аудиторской отчетности уполномоченных органов и организаций. На основе проведенного анализа определено состояние использования бюджетных средств и проблем финансирования здравоохранения.*

**Ключевые слова:** здравоохранение Украины, проблемы финансирования, органы государственной власти и здравоохранения.

**Problem statement.** The health of the population is an important value of human capital over the world, including Ukraine, and is an economic value for the creation of a national product. According to study of I.V. Zaiukov the impairment of human capital in Ukraine was associated with an economic loss of about 8 billion USD, of which about 3 billion USD made losses as a result of premature mortality of the able to work population of Ukraine. Such a situation is considered as one of the factors leading to inhibition of economic development and poses a threat to economic and national security [1, p. 9]. The State, and in particular state authorities, should take an active part in the development of the health care system, playing a significant role on the country's socio-economic development [2, p. 72].

According to Ukraine law, the definition of health care is a "a system of measures carried out by public authorities and local self-government bodies, by their officials, health care institutions, individuals – entrepreneurs who are registered in the manner prescribed by law and obtained a license for the right to conduct business activities in medical practice, medical and pharmaceutical workers, public associations and citizens for the purpose of preservation and restoration of physiological and psychological functions, optimal capacity for work and social activity of a person at the maximum biologically possible duration of an individual's life" [3, art. 3].

**Analyses of recent studies.** The law and legal regulations are created, implemented and controlled by the state police which is capacity of state power of Ukraine in accordance with the

principles of the Constitution, taking into account the needs of society, the experience of other countries of the world. Effective functioning of health care system is a guarantee of prevention, early diagnosis and management of diseases aiming to reduce the economic loses of the State due to disability or mortality of the able to work population [4, p. 25]. Out of all causes of disability or mortality of the able to work population, the common places of these causes in Ukraine are cancer, and non-communicable diseases of cardiovascular, endocrine, respiratory systems [5, p. 2; 6, p. 64]. The first places of malignancy diseases in Ukraine are women breast cancer, cancer of the uterus, malignant neoplasm of the lungs, prostate; frequency of malignant neoplasms of the skin are similar in both sex [7, p. 158]. It is worth to mention, that prevention and early diagnosis of the cancer was regulated by nationwide programs to fight with cancer before 2016. Among non-communicable diseases in Ukraine the first places are diseases of the circulatory system, chronic obstructive pulmonary diseases, diabetes mellitus [8, p. 5]. To prevent these diseases, the National Plan of Measures for Non-Communicable Diseases was implemented in Ukraine to achieve the global goals of sustainable development of Ukraine, which are envisaged creation of conditions for improving the economic well-being of the population [9].

**Identification of previously unsolved parts of the general problem.** The financing of the health care system is carried out from the special and general funds of the State Budget, which is also regulated by the current legislation. It is worth

to mention that according to the research data, the mechanism of financial provision of health care in Ukraine is not sufficiently effective and needs improvement [10, p. 99]. Ukraine to continue the process of reforming the health care system, which is envisaged decentralization, creation of conditions for a patient-centered system of health care, including opportunities to improve funding from local budgets [11, p. 170; 12, p. 81]. Hence, it is important to ensure the implementation of the reforms, and it is necessary to implement changes in the Ukraine Law, which currently is ongoing.

**Aim of the study** – to investigate and analyze

Ukrainian Law in the field of health care, financing of health care, state of using of State Budget funds and to evaluate problems of financing for health care in Ukraine.

**Presentation of the research results.** The financing of health care system in Ukraine is performed in accordance with the Laws of Ukraine. Of these, the main legal a regulation is Law of Ukraine “Fundamentals of Ukrainian Health Law”. According to that Law the State Health Care Policy is provided by budget allocations to the extent that corresponds to its scientifically justified needs, but not less than 10% of the national

Table 1

**An analysis of the fund of State Budget of Ukraine given to the Ministry of Health of Ukraine**

Year/ Parameters	GNI by Budget of Ukraine, thousands UAH	GNI by World Bank, thousands USD	Expenses by Budget of Ukraine to MHU, thousands UAH (% of GNI)	Expenses MHU from Budget of Ukraine (data of World Bank)
2014	377821587,5	133503,0	8518281,6 (2,25%)	6,139%
2015	516980130,3	91031,0	11411030,3 (2,21%)	6,1345%
2016	607966450,8	93356,0	12123972,1 (1,99%)	n.a.
2017	771266617,6	115174,0	16446488,2 (2,13%)	n.a.
2018	917998866,4	126390,0	26469770,0 (2,88%)	n.a.
2019	1026122251,9	132930,0	39350075,6 (3,83%)	n.a.

GNI – Gross National Income, MHU – Ministry of Health of Ukraine; n.a. – not available. Information sources [13–19; 14, p. 25].

Table 2

**An analysis of the national bills for health care of Ukraine during 2012–2016**

Year/ Parameters	GDP of Ukraine, thousands UAH (thousands USD)	Deficit spending of State Budget of Ukraine thousands UAH (% of GDP)	All expenses for health care, thousands UAH (thousands USD)	Proportion of expenses for health care of GDP, %	Deficit of financing, %
2012	1459096000 (182615300)	38807222,1 (2,66%)	108947100 (13635400)	7,47	2,53
2013	1522657000 (190570300)	69980783 (4,6%)	115757000 (14487700)	7,60	2,4
2014	1586915000 (133466400)	5998582,7 (0,38%)	117754600 (9 903700)	7,42	2,58
2015	1988544000 (91050500)	75955680,3 (3,82%)	155219500 (7107100)	7,81	2,19
2016	2383182000 (93270500)	83694000 (3,51%)	181594900 (7 107100)	7,62	2,38

GDP – Gross domestic product. Information sources [15–20].

income. Although the national income of Ukraine is continuously growing, there is a significant deficit of the budget (table 1), which is determined annually [13–19].

This may be one of the reasons for financing health care not in full (table 2), as defined by the current legal regulation of Ukraine.

The State authorities of Ukraine carry out the process of reforming the health care of Ukraine, which is associated with new Law of Ukraine to be carried out by Verkhovna Rada of Ukraine.

The development of Ukraine is under the specific plan namely Development strategy, stating contains the main vectors of the country. There is a Decree of President № 5/2015 (12.01.2015) “About the Strategy of Sustainable Development “Ukraine – 2020” [21]. One of the major vectors for the Ukraine development is the reform of the health care system, aiming to achieve patient-centered approach thought he changes in the financing of health care system. The above-mentioned strategy of Ukraine’s development includes following statement: “free choice of suppliers of medical services of appropriate quality, provision of targeted assistance to most socially vulnerable groups of the population, creation of business-friendly conditions on the health care market of Ukraine”. The further analyses showed that a sustainable development of Ukraine is not limited to year 2020, because Verkhovna Rada of Ukraine committees to prepare a draft Law on the Strategy of Sustainable Development of Ukraine until 2030. The strategy until 2030 is envisaged Strategic Goal 4 on “ensuring the protection of public health, well-being and quality education in safe and life-sustaining settlements”. This goal is demonstrated a broadly covering of the needs of Ukrainian health care in relation to prevention, treatment of diseases, training of effective medical personnel. Furthermore, the key targets of the draft Strategy are included parameters for the need of increasing Ukraine’s GDP for Health care, as well as the provisions on medicine in terms of increasing the proportion of settlements for the provision of ambulance services. Still, the analyses of the current expenses of the health care budget of Ukraine are aimed to purchase medical products and equipment, maintenance of medical institutions and research funding, including research institutes.

Apart of Verkhovna Rada of Ukraine, Cabinet of Ministers of Ukraine is conducted a specific measures to identify and to solve problems of healthcare of Ukraine, and carried out the Decree of Cabinet of Ministers of Ukraine for the approval of the Concept of Health Care Financing Reform [22]. This Decree of the Cabinet of Ministers of Ukraine is based on the analysis of the problems

of patients, medical personnel, and also on the part of public authorities and local governments in financing the industry. According to the Cabinet of Ministers of Ukraine, such health problems of Ukraine were identified as catastrophic financial insecurity of patients, low quality and efficiency of service provision, inefficient spending of budget funds.

Furthermore, the inefficiency of spending budget funds for the health care of Ukraine is also associated with the problem, that “money goes for infrastructure”, but not the “money follow patients”. However, the problem of inefficient financing is also associated with a permanently existing Deficit spending Of State Budget of Ukraine, which also negatively affects the financing of the health sector. Deficit spending Of State Budget is existed annually according to the Verkhovna Rada of Ukraine Law about State Budget of Ukraine as following: 38807222,1 thousands UAH in 2012, 69980783 thousands UAH in 2013, 5998582,7 thousands UAH in 2014, 75955680,3 thousands UAH in 2015, 83694000 thousands UAH in 2016, 77647000 thousands UAH in 2017, 80649380 thousands UAH in 2018, 89989320 thousands UAH in 2019 [14–19; 23]. Yet, another important problem that may affect the insufficiency of health care funding is the volume for the service of the Governmental debt, which was 385 billions UAH in 2018 [23]. An analysis of financing level of the health care of Ukraine is showed in table 1 and table 2, indicating a level of financing below of 10% of GNI as indicated in the Law of Ukraine “Basis of the legal regulations of Ukraine on health care”.

There are several major sources of health care financing such as: 1) fiscal (general taxation); 2) compulsory health insurance (provides by state social insurance); 3) voluntary health insurance (provided by funds of private insurance companies); 4) direct payments of population for medical services [24 p. 85]. According to the published studies, most of the expenses of the State Budget on health care transferred to the local budgets (53,3% to 57,9%), spending own funds of population (29,9% to 33,3%), the lower proportion of State Budget funds (11,1% to 14,3%), and very low proportion is from health insurance costs (1,1% to 1,3%) [25, p. 762].

Analyses also showed a problem in approving of financing for the national programs in the field of health care and national target programs in the field of health care. The subject of the right of legislative initiative in case of National target programs is mainly the Cabinet of Ministers of Ukraine and Ministry of Health of Ukraine, while the Committee for Health Care of the Verkhovna Rada of Ukraine to evaluate and to determine the ability

to approve the draft of the Law before it is submitted to the Verkhovna Rada of Ukraine session. The lack of readiness of the Law draft for the National health programmes is associated with delaying the start of its funding, and therefore the Program can not be stated. An example of such a dallying is the National Target Program for Tuberculosis prevention and treatment for the period of 2018–2021, which was planned, but demonstrated several issues according to Verkhovna Rada of Ukraine Committee for Health Care.

Another major problem for health care financing is incompleteness of the expenditure plan of the budget financed national programs, the inhibition of the start of budget programs, the low level of use of loans from international donors. For instance, Ministry of Health of Ukraine has not been started yet the National programs for the total amount of 51,7 million UAH, the volume of the expenditures plan at the level of 27,377 million UAH was not been implemented. In 2019 for the training and advanced training of medical and pharmaceutical workers [26, p. 27]. Moreover, according to the data from Accounting Chamber of Ukraine, there is low level of using loans from the International Bank for Reconstruction and Development on the projects of the Ministry of Health of Ukraine and oblast state administrations during 2015–2017 as well as during the January – October of 2018 (24% of the loan). Such low level was associated with additional penalty fee of Ukraine State Budget for 2,9 million USD for unused loan and reservation of loan funds on the bank account [26, p. 45], which is irrational using of Budget funds.

Moreover, a low level for monitoring of the National Program “Accessible Medicines” (i. e. “Доступні ліки”) was detected, according to the results from audit of the Accounting Chamber of Ukraine. In brief, the National Program “Accessible Medicines” is on gong; during 2017–2018 expenditures from State Budget were paid to for patients with cardiovascular diseases, diabetes mellitus type 2 and bronchial asthma with a total amount of 1,7 billion UAH the cost of drugs: a sign of unprofitable use of the state budget funds [27]. The low level for monitoring is associated with limitation to evaluate the utility of above mentioned program of Ministry of Health of Ukraine, which is also can be considered as irrational using of Budget funds. It is worth to mention, that Accounting Chamber of Ukraine performs regular audit of various state authorities in order to identify irrational use of budget funds.

According with the Strategy for the Development of Ukraine, State authorities are responsible to take a specific measures to address the above-mentioned financial problems and

to improve financing of health care. In accordance with the development strategy, significant changes in the functioning of the health care system have been made due to the Law of Ukraine “On State Financial Guarantees for Medical Care for the Population” (Law № 2168) [28].

Primary legislature in Ukraine is Verkhovna Rada of Ukraine, which is responsible for formation of politics in health care. Verkhovna Rada of Ukraine is under interaction with of another legislature institute, which is President of Ukraine. The Law of Ukraine № 2168 was approved by the President of Ukraine, followed by other resolutions and decrees of the Cabinet of Ministers of Ukraine, orders of the Ministry of Health of Ukraine. The latter state institution to emphasizes the change in the funding of health care system, which is significantly promoted by the processes of decentralization in Ukraine. In brief, decentralization in Ukraine to allow local budgets to finance health care and implement the principle of “money follow patient”. Furthermore, Law № 2168 to provide the autonomy of hospitals and polyclinics, which should enhance rational use of State Budget funds [25].

**Conclusions.** State authorities to take measures to optimize the financing and functioning of medical institutions in Ukraine, which will improve the state of health care. There is a tendency in Ukraine for permanent insufficiency of funding health care, which is associated with inadequacy of financing health care in relation to needs of the population. The problem of irrational use of budget funds in financing health care is determined by data from Accounting Chamber of Ukraine.

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