“According to UK Trade & Investment report, Russia will spend US$ 15bn in next 2 years to modernize its healthcare system.”

(Source: UK Trade and Investment Report 2010)
Before the 1990s, Soviet Russia had a socialist model of healthcare that provided free healthcare to all citizens. However, the effectiveness of the model declined due to underinvestment.

More recently, the Russian government has taken positive steps to make the health of the population a national priority by launching the National Priority Project (NPP) for health in 2006, with a budget equating to more than $12.85 billion between 2006-2009. This substantial injection of finance to the Russian health system has funded the main activities of the NPP such as increasing the salaries of primary and emergency care physicians, facilitating the purchase of primary care equipment, stressing on vaccination programs, and providing free medical examinations.

New Russian government initiatives to reform the healthcare system and to open up the economy have caused a rapid growth in the Russian healthcare industry. There have been numerous essential changes in legislation, which have transformed Russian healthcare into an insurance-based healthcare system with more emphasis on high technology, greater primary care, measures to combat high mortality rate, and the construction of specialised tertiary care centers. The government has been working on developing international cooperation on healthcare issues by establishing new rules for the medical technology and devices market and enhancing the role of information management in the healthcare system. A law was signed last year for another large scale Russian health care reform, worth up to $15.1 billion from 2011 - 2014. The reform aims to improve spending efficiency and public access to medical services and raise the salaries of medical personnel, providing patients with medicines, food and purchasing diagnostic equipment.

With the growth of consumer spending and an increase in government funding in healthcare, the long-term outlook for Russian healthcare providers and medical manufacturers is very positive in Russia.

Hospital Build & Infrastructure Russia Exhibition and Congress has positioned itself at the forefront of this wave of development and looks forward to offering its clients the best position to capitalize from these new challenges and opportunities within the Russian healthcare infrastructure sector.

“According to a UK Trade & Investment report, the Russian government has declared its intent to spend approx. USD$ 7 billion on upgrading the healthcare system in the Russian regions. The government will also spend a further USD 1.3 billion to fully upgrade seven major medical research institutions by 2014.”

(Source: UK Trade and Investment Report 2010)
The Russian public healthcare system reform is a top priority of the Russian government. The government has made regulatory changes to improve services and access for patients. The government has taken many steps to achieve this and this section of the snapshot report will outline the main points:

A. NATIONAL PROJECT ‘HEALTH’
National Project ‘Health’ was launched in 2006 to improve the country’s healthcare system. This plan, mostly financed by the federal budget, helped to equip hospitals and clinics with advanced, high-end equipment and ambulance systems, build new medical centres, and also to launch nation-wide vaccination programmes and free health check-ups. In 2006 the original budget for this programme was $2.53 billion, while the total budget for 2007-2009 was $11.12 billion.

This project received very positive feedback in the society. The industry benefited from the government’s ‘National Health Program’, which now provides substantial funds to build 15 specialised health centers in the country. This higher purchasing power of hospitals and active government support had also assisted the medical devices market in Russia.

B. HEALTHCARE DEVELOPMENT CONCEPT 2020
This new legislation emphasised the need for high technology, greater primary care, reduction of hospital capacity, improvement of management, introduction of new systems of payment for facilities and individual providers of services, construction of cardiology centers, and a transition to insurance-based healthcare in Russia.

RUSSIAN HEALTH STATISTICS FOR 2010

- Population: 141,914,509 (January 2010 est. Rosstat)
- GDP Per Capita (PPP): $15,100 (2009 est. CIA)
- Population below poverty line: 10.3% (2009 est. Rosstat)
- Life expectancy at birth: 68 years (2008 est. Rosstat)
- Male: 62 years (2008 est. Rosstat)
- Female: 74 years (2008 est. Rosstat)
- Adult mortality rate: 273 per 1000 (2008 WHO)
- Maternal mortality: 24/100,000 live births (2000-2009 WHO)
- Total Health Expenditures Per Capita, PPP int. $797 (2007 in the WHO 2010 Report)
- Health and Social Expenditures: 5.4% of GDP (2007 in the WHO 2010 Report)
- Estimated number of HIV/AIDS cases: 740,000 (revised UNAIDS estimate, 2009)
- Estimated Tuberculosis incidence: 110/100,000 (2007 in the WHO 2010 Report)

The objectives of the concept were to:
- Increase population growth
- Increase life expectancy
- Decrease infant mortality
- Decrease maternal mortality
- Encourage healthy lifestyle
- Improve quality and accessibility of healthcare services.

The goals of the concept were:
- Creation of conditions, possibilities and motivation of the population for a healthy lifestyle
- Development of the healthcare system
- Specification of state guarantees of free medical services provision to the population
- Improvement of pharmaceutical supply at outpatient departments within the framework of the OMS system
- Creation of an effective management model of financial resources of the state guarantee programme

The insurance health model stipulated radical innovations. New entities — private insurance medical agencies - appeared within the framework of the healthcare system.

Since 2009 the insurance premium has been 3.1%. However the government plans to increase the insurance premiums to 5.1%. This will provide extra $14.77 billion to the OMS budget. The government is also planning to give all citizens the possibility to choose an insurance company themselves rather than via an employer.
Historically, hospitals were paid on the basis of bed numbers. These budgets were increased each year on the basis of a centrally agreed figure that covered inflation, growth, etc. There were, therefore, perverse incentives to expand facilities in order to command greater resources.

The shift to a financing system, based in part on insurance mechanisms, was intended to address these issues, and through insurance-based pricing, create incentives for hospitals to reduce the length of stay and to use diagnostic tests and investigations more rationally. The prospective payment method was to fix the price for any particular inpatient case against a schedule of diagnostic classifications. Payments to polyclinics were to be by a variety of methods, providing encouragement to treat patients in the ambulatory setting rather than referring them on to hospitals. In addition, it was expected that hospitals and polyclinics would receive 30% of their finances from the region based on their actual costs. In practice, the operation of the new funding has been more complex and the payment of hospitals has varied from the original proposals.

**HOW ARE HEALTHCARE FACILITIES FINANCED?**

• OMS Fund or insurance organisations for staff salaries
• Regional authorities for a number of services including hi-tech services, investment and facilities management
• Insurance companies according to the tariffs of the Voluntary Medical Insurance programme (DMS)
• From patients for paid services according to the tariffs of the hospital

**THE STRUCTURE OF THE HEALTHCARE INFRASTRUCTURE IN RUSSIA**

**FEDERAL LEVEL**
The Ministry of Healthcare and Social Development is the main healthcare body in the country. It is the central policy-formulating body for the Russian Federation and retains nominal rights to oversee the work and decisions devolved to the regions.

The budget of the Ministry also covers the expenses of research institutes, clinical activity of the Russian Academy of Medical Sciences, research centers and medical training institutions. Federal medical facilities form about 4% of the total bed capacity in Russia.

**REGIONAL LEVEL**
The administrative units at this level govern regional healthcare. Following implementation of mandatory medical insurance, they lost a portion of this control to the newly established territorial mandatory medical insurance funds (OMS Funds). Due to the only partial implementation of the health insurance system, however, regional and local governments currently retain a significant role in its management.

Regional healthcare facilities usually include a hospital of the general profile with approx. 1000 beds, as well as a children’s hospital with about 400 beds with an outpatient department. Regionally there are also specialised healthcare facilities and about a quarter of primary care facilities and over 70% of diagnostic centres are regional.

**MUNICIPAL LEVEL**
Following the 2003 law on General Principles of Organization of Local Self-Government in the Russian Federation, municipal level governments do not have to report to the federal or regional level governments, though they do have to comply with orders from the federal Ministry.

Most primary care facilities, independent polyclinics, and some diagnostic centres are municipal.
Private medical practice is realised in compliance with the Constitution and other regulatory bodies in Russia and it has equal rights with the public healthcare system.

In the beginning of 1990s a system of voluntary medical insurance and private clinics came in as an alternative to public facilities. The main customer of private healthcare is the middle and high income population in Russia. Moscow took the leading position in the number, quality and variation of paid medical services provided.

**A. PRIVATE HEALTHCARE PROVIDERS AND OMS SYSTEM**

According to the federal and regional legislation, healthcare organisations can participate in the OMS system regardless of the form of ownership. In 2008 there were 183 out of 30 000 private healthcare providers in Russia that have obtained a right to participate in the OMS system and receive money from the territorial OMS Funds for providing services to the public via arbitral court.

The main argument of those who are against the legislation, including private clinics in the OMS system, is that the OMS tariffs are much lower than the tariffs of the private sector and a patient will need to pay the difference out of pocket, which is seen by some as unconstitutional as everyone has a right to free medical aid.

Introduction of new tariffs and a single-channel financing model, which was expected in 2010-2011, was a very important step for private actors. At present OMS tariffs cover only approx. 50% of the private costs (as public facilities also have other financing channels). However, the introduction of single-channel financing is not a complete solution as another obstacle for private specialised clinics to participate in the OMS system exists. A patient needs a referral to a private specialist/clinic from his GP, working in a public policlinic, which is almost impossible to obtain as the GP will need to justify why this service can be provided in the same volume and on the same level only in the private institution.

**B. VOLUNTARY MEDICAL INSURANCE (DMS)**

Voluntary Medical Insurance (DMS) was first authorised in Russia in 1991. It is provided to individuals or groups, and it allows the population covered to obtain additional services beyond those included in the basic package. It is offered exclusively by private insurance companies, which operate for profit.

In general, it tends to be purchased mostly by employers for their staff. It offers patients under the contract the right to medical aid in established public or private institutions in the volume that is foreseen in the insurance contract. Private insurance firms have tended to concentrate on the top-end of the market and to offer add-on services to supplement the basic package of free medical care. Their focus has been on providing better conditions, offering ‘patient choice’ and on securing access to more prestigious institutions.

There are plans to revise the laws on voluntary medical insurance, with a view to improving the regulation of the system, extending coverage and encouraging up-take. The Healthcare Development Concept 2020 asserts the need to develop voluntary insurance, but there have been no further initiatives yet.

"Russia’s gross domestic product (GDP) is expected 4.4% annually on average in 2012-2030. Public and private investments in healthcare under this scenario are to grow to 7.1% of Russia’s GDP in 2030, up from 4.6% in 2010."

(Source: http://www.lprime.biz )

---

**THE DEVELOPMENT OF PRIVATE HEALTHCARE NEEDS**

- Further legislation on private healthcare
- Facilitation of self-regulation in healthcare
- Better conditions for investments and preferential crediting of healthcare organisations
- Development of PPPs.