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THE RUSSIAN COMPULSORY MEDICAL INSURANCE SYSTEM

Kate Schecter

Abstract

In 1991 the Russian government announced that it could no longer shoulder the burden of guaranteeing free health care to all citizens, and that by 1993 it planned to transfer the responsibility of medical insurance to a nation-wide compulsory medical insurance system (CMI). This paper examines the goals of the new insurance system, and how it is being implemented. The application of the law has been erratic, and the funding system has encountered numerous roadblocks. The government's allocation is supposed to be placed in an extra budgetary fund, but this fund is associated with corrupt practices and remains highly controversial. A 3.6 percent payroll tax is supposed to provide a large part of the funds, but here too, billions of rubles have not been collected toward the mandatory tax.

The early results of the efforts to nationalize health insurance in Russia are not promising. One of the primary goals of the new system is to improve financing of health care, and so far the financial situation has only worsened, leading to further debt. Physical plants are crumbling, morale is low among all medical workers, wage arrears remain a chronic problem, and the health crisis continues to worsen. The initial goals of encouraging competition and weeding out defunct medical facilities were positive, but the shifting of the financial burden onto a society that could not bear this weight, has led to further degeneration.

Introduction:

In 1991 the Russian government announced that it could no longer shoulder the burden of guaranteeing free health care to all citizens, and that by 1993 it planned to transfer the responsibility of medical insurance to a nation-wide compulsory medical insurance system (CMI). The law affects all Russian citizens, and aims to garner financial support from all employers and workers to help bolster the lack of funding in this sector. All organizations, institutions, enterprises, and employees of these establishments have to pay a tax of 3.6 percent of wages to the medical insurance fund. Each enterprise signs a contract with an insurance company and agrees on set fees for their workers. The enterprises also have the option of providing a higher level of service by adding voluntary insurance to their contract. The unemployed, children, and the elderly are supposed to be insured by local authorities who in turn, are funded by the state. The governmental budgetary allocation for medical insurance is part of an extra budgetary fund. Although the new insurance system has not been fully implemented yet, and much about it remains unclear and confusing for medical personnel and their patients, there is evidence to suggest that the general public accepts the necessity of nationalized health insurance. Two types of insurance are delineated in the new law, social or compulsory and private or voluntary. The law stipulates that patients will have the right to free medical care, free choice of provider and medical facility and access to care all over Russia, not just in their place of residence. Under the Soviet system, patients were restricted to using medical
facilities and doctors only within their area of residence. The system is to be based on the concept that "money follows people." In addition, risk selection for insurance registration or rates is prohibited. All these stipulations aim to create competition and to improve medical care for individuals.3

The Soviet System:

The organization of health care was completely centralized in the Soviet period, and state-funded or insured health care in Russia remains within the same hierarchical structure. The highest state organ is the Russian Ministry of Health, followed by the Ministry of Health at the regional or republic level, and these ministries are divided by territorial distinctions down to the health section of a district within a town. The centralized system is supported by a rigid hierarchy in which initiative for change and innovation must emanate from the top down. This bureaucratic structure creates bottlenecks, inefficiency, redundancy, and lack of innovation because all changes must be approved at the highest level. The Russian Health Ministry acknowledges the ineffectiveness of a centralized medical system, and the health insurance law intends to encourage the decentralization of power.

Initially, the Soviet health care system made rapid gains. Starting with a country devastated by war, famine, and disease, the government quickly set into motion wide scale relief programs. This early development of a nation-wide health care system was an essential factor in the rapid industrialization and strengthening of the Soviet Union. The development of polyclinics, hospitals, health stations at factories, and the dispersal of doctors helped to draw Soviet Russia out of the chaos of the immediate post-revolutionary period. Once these initial medical establishments were instituted, little was done to maintain them. This problem, of course, is not peculiar to medicine, and occurred in many other economic spheres as well. Soviet economic planning called for an emphasis on quantity over quality, and the medical system is a prime example of the outcome of this early policy. One of the reasons that the state never provided large budgetary allocations to health care involved the division of the Soviet economy into productive and nonproductive sectors. Health care was considered a nonproductive sector (unlike engineering and industrialization) and therefore always remained a low priority.

By the 1950’s, World War II had taken an enormous toll on the entire population and the economy, but health care was not an area that was targeted for repair and reinvigoration. On the contrary, the Soviet government boasted of high numbers of hospitals, beds, and doctors, and scant attention was paid to the quality of care these doctors and facilities provided. Over the next thirty years the Soviet health care system stagnated and declined in quality and capability. While western medicine advanced rapidly during this thirty year period, Soviet medicine was handicapped by isolation, low funding, and a lack of professionalism among medical cadre.
During the Khrushchev era and the early years of Brezhnev’s leadership, the Soviet economy continued to grow extensively, but the problem of quantity at the expense of quality persisted. Statistics for the 1960’s and early 1970’s indicate a growing medical field, both in the number of hospital beds and doctors, but underlying these numbers, the problems of a decaying and inadequate system were already festering.

For many years the health care system provided minimal levels of care and the Soviet system strictly controlled the movement of the population, helping to prevent the spread of serious infections or epidemics. With the fall of the Soviet Union, mass migrations, civil wars, and the breakdown of the old health care system have all contributed to the rapid spreading of epidemics of nearly eradicated diseases such as dyptheria, polio, cholera, and tuberculosis. According to one estimate, every year more than 40 million Russian adults fall ill from contagious diseases and 25,000 die from them. The United Nations Committee on Children’s Rights estimates that up to 20 percent of all Russian children suffer from chronic illness.4

The Soviet health care system never provided full coverage to all its constituents. Although there were pockets of high level work in medicine, (such as a well-known eye clinic and bone surgeon) the government funded these exceptions to bring in hard currency. Medical care for the majority, however, remained unevenly distributed and of low quality. Despite the official ideology of egalitarianism in health care, a multi-tiered system of health care emerged with the elite of the Soviet Union maintaining access to special hospitals. These hospitals were better equipped, doctors were usually of a higher caliber, and more advanced medicine and technology were available, just as the elite generally had access to better stores, goods, and other higher quality services. Members of the Politburo or the Central Committee, leading academicians, or star athletes and dancers had access to special hospitals and polyclinics that were attached to their place of work. In the republics local elites had their own hierarchy of medical care.

In addition to the elite medical establishments, tipping and illegal payments to doctors to receive better care were (and remain) common practice in both elite and common hospitals. Despite the official avowal of no rationing of medicine and care, every sick or hospitalized person found that in order to receive good or even adequate care, he or she had to pay, either in money or goods. The more a person could afford to pay, the better the care would be. Thus, despite the official claim that health care was free, there is much evidence that status and funds played a large part in what kind of health care a person received.

The Post-Soviet Period:

Despite the massive political changes that have taken place in Russia over the last six years, the same cannot be said for the health care system. The health insurance law is supposed to improve
the situation, but from all accounts, much remains the same, except in many cases conditions have deteriorated.

After the collapse of communism the ramifications of the lack of funding in health care began to reach crisis proportions. Government neglect of this sector and the subsequent fragmentation of the entire health care system in the immediate aftermath of the collapse led to the closing of hospitals, a decrease in the production of pharmaceuticals, and layoffs of medical personnel. The nation-wide decree to create mandatory health insurance has been implemented in stages through the regions, but by 1994 it was supposed to become uniform throughout the country. The law, however, did not directly redress the problem of lack of funding, it simply shifted the burden onto extremely inexperienced insurance companies and a severely under-employed populace. Every few months the government decrees that a uniform health insurance policy is being implemented, and a few months later news reports "discover" that the insurance fund is unable to provide wages because of a shortfall of funding. In May of this year, Viktor Chernomyrdin announced that the Russian government would be trying again to implement a uniform health package. At that time the President's audit department announced that since 1994 the nation's health structures failed to receive about 500 billion rubles in mandatory insurance premiums.

The government's allocation is supposed to be placed in an extra budgetary fund, but this too has been associated with numerous corrupt practices and it remains highly controversial. The extra budgetary fund is not part of the government's main budget, it is "soft money" that is supposed to fund areas that the central budget cannot cover. One respondent, who asked not to be identified, explained, "The extra budgetary fund covers three areas in Russia which never receive funding: Health care, pensions, and roads. Until the government sees that these are desperately in need of funding, all three areas will remain neglected." This kind of cynicism prevails among those who have to depend on the fund for their wages. Money that is supposed to be allocated by the central government repeatedly disappears from the fund (if it is ever even deposited). This allocation is only supposed to be deposited in the Central Bank, but this rule is often violated and the money is put in commercial banks so that operators can make profits.

In interviews with doctors, a financial officer of a large hospital complex, the manager of the largest pediatric hospital in Moscow, lawyers, and patients, the general attitude towards the insurance system was cynical. Repeatedly people spoke of the system as if it was a smoke screen for the central government to abdicate responsibility for the problem of health care finance. A number of doctors told me that nothing had changed for them because all their patients were children, elderly, or unemployed and therefore they were automatically covered. Dr. Olga Dukalova, a neurologist at the one hundred year old Pirogov City Hospital in downtown Moscow told me, "Very little has changed for us. We always treated the indigent, and now there are just more of them. We get a lot of homeless people and emergency accidents where we have trouble determining the patient's
identity--this is a big change from the past. But in terms of finances, these people are all covered by the state. The insurance system doesn't enter into our work." Doctors are not reimbursed on a per capita basis or according to which procedures they prescribe. Their salaries are not affected by their workload, thus the main change has been a negative one: wage arrears, and this of course lowers morale.

In order to decentralize the financing system and to try to encourage the collection of insurance premiums, each region is responsible for developing and managing their own funds. The Russian state budget provides a portion, the republics contribute a share, and the insurance premiums are supposed to be the primary source of income for the funds. A number of problems prevent the funds from ever obtaining the needed funding, and thus, doctors repeatedly are not paid or are paid only partial salaries. One problem is the hierarchy of access to the local governments. A city women's clinic in a suburb of Moscow that has direct funding from the Moscow city government can provide the most up-to-date birth control and gynecological care because the local government is making sure that funding is not cut. On the other hand, the largest pediatric hospital in Moscow, The Republican Children's Clinical Hospital, has wage arrears of six months because it is at the bottom of the funding pyramid. When I asked how the women's clinic was so well funded, the director responded, "Our Mayor Luzhkov has been very good to us." The director of the republican hospital explained that they are the furthest away from the sources of funding, and therefore they may collapse from lack of money and ill repair. Indeed, for a building that is only ten years old, this hospital is crumbling. The floors are not cleaned, a strong smell of garbage pervades the hallways, and the walls and stairs are disintegrating.

A strange irony in the republican hospital is that despite the dismal conditions of the physical plant, there are a few highly trained physicians working there. A few years ago the hospital developed an exchange program with the city of Berlin. Young doctors go to Berlin for a year and come back with knowledge of the latest technology, but little means to utilize their new found skills. One young doctor took me on a tour of the hospital. In the dirty basement, with cats running freely, he showed me his laptop computer, acquired in Germany, and which had access to the internet. We were able to access a medical library in the United States and even find an article that he was reading. This story is typical of Russia in the 1990's: Many extremely educated people without the means to utilize their skills. In this case, the added hindrance is the old Soviet hierarchy which prevents this hospital, located in the center of Moscow, from being considered as important and worthy of funding as a hospital that is nominally closer to the funding source.

The problems described above are common to several post-socialist countries that are trying to move from a completely socialized health care system to nationalized health insurance. The Czech Republic, Hungary, and Poland are all experiencing similar conflicts, corruption, and inefficiency in their attempts to reform their systems. In the Czech Republic, insurance companies are strictly
limited in the amounts they can receive from payroll contributions and they in turn cannot reimburse physicians sufficiently. In Hungary the director-general of the Health Insurance Fund was accused recently of causing billions of forints in losses. The Polish government has sealed a bill which will introduce mandatory health insurance by 1999. In all three cases, the hope is that health insurance will encourage competition and improve health care, but just as in the Russian case, insufficient funds and corruption are thwarting these efforts even before they are fully enacted.

Conclusion

The early results of the effort to nationalize health insurance in Russia are not promising. One of the primary goals of the new system is to improve financing of health care, and so far the financial situation has only worsened, leading to further debt and wage arrears. The insurance system is supposed to function through various contributions, but at this juncture the two main contributors—payroll taxes and the central government— are not meeting their responsibilities. Health care remains a low priority for the government, as is indicated by allocation of funds through the extra budgetary fund. In addition, even if the money is set aside in the extra budgetary fund, it often disappears through corrupt practices in the banking system. The end result is a further deterioration of the medical system.

When money is collected through the insurance system, it is used first to pay back wages to doctors who have been waiting for months. Physical plants are crumbling because they are the lowest priority in a system that cannot even pay minimal salaries to its workers, let alone spare money for overhead costs. Morale is low among all medical workers, and they are waging periodic strikes to express their frustration at a system which clearly does not value them. Wage arrears remain a chronic problem, with many doctors working for little or no pay. And while the health insurance system has done little to alleviate the funding problem, the health crisis continues to worsen. The initial goals of encouraging competition and weeding out defunct medical facilities were positive, but the shifting of the financial burden onto a society that could not bear this weight, has led to further degeneration.
ENDNOTES


2. V. Grishin and V. Sokolov, "Public Acceptance of Compulsory Medical Insurance Growing," Trud, 30 March, 1995, pp.1-2. This article cites a poll taken in 78 regions of Russia where almost 90% of regional administrators indicated a positive attitude towards insurance. The article is biased, however, by the fact that the first author is the executive director of the federal CMI fund and the second author is also indirectly employed by the fund.

   In my interviews I found that there is a grudging acceptance of insurance. Understandably, those who have been paid their wages on time are far more supportive than those who are working with outstanding wage arrears.


