

# PROJECT POLICY BRIEF

**Project No.: 217431** Assessment of patient payment policies and projection of their efficiency, equity and quality effects:  
The case of Central and Eastern Europe

**BRIEF NO. PB-4/2013**

**Title:** Patient payments in Ukraine

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## Patient payments in Ukraine

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### SUMMARY

Ukraine inherited Soviet Semashko health care system that has almost no undergone formal legal changes for 20 years of independence. Against the background of chronic underfunding of the system, variety of quasi-official and informal payments for health care appeared and established to compensate the lack of health state fund. However, larger part of existing patient payments contradicts the Constitution and does not consider the basic principles of health care provision – equity and efficiency.

Under the project ASSPRO CEE 2007, funded by the European Commission, nationally representative survey has been conducted aimed to examine Ukrainians' experience and attitudes to different types of payments for health care. Data are collected in the summer of 2010 in Bulgaria, Hungary, Lithuania, Poland, Romania and Ukraine. The second wave of data collection has taken a place in summer 2011 in Bulgaria, Hungary and Ukraine. The same research methodology was applied in all countries and in all waves.

Coexistence of quasi-official and informal patient payments has been confirmed by majority of respondents. Low level of health care consumption, delay of visits to physician due to dearness and excessive expenditures in case of illness can be seen as results of such chaotic unregulated payments. Although gift given to medical staff can help to ensure a better attention and quality of the service, yet the majority of respondents have a negative attitude towards informal patient payments. Described situation of health care sector "resistance" to formal reforms and confusion in health care provision in reality is extremely unfavorable to the health and welfare of the population.

The study confirms the extreme need to implement policies that do not affect the constitutional norms, but also have to reduce the financial burden on the population and improve the health care system organization and financing.

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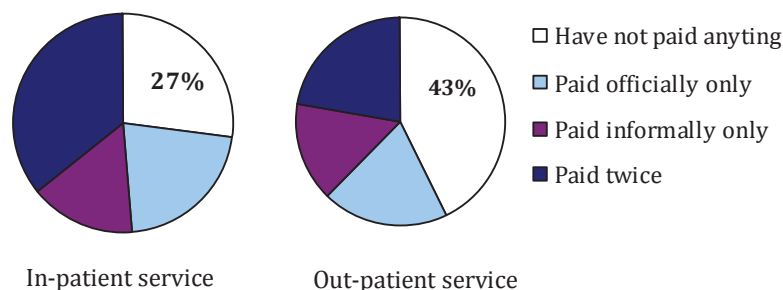
<b>Key features</b>	<p>Ukraine inherited Soviet model of health care (so-called Semashko model). This system has undergone almost no formal legal changes embodied since independence. In 1996, Article 49 of the Constitution of Ukraine is proclaimed the right of everyone for free-of-charge health care. However, the real practice does not have very much in common with written legal law. In spite of underfunding of health care sector, a variety of patient payments appeared in the field: from "charitable donations" (or so-called quasi-official payments that are not voluntary by the nature) established by health care facilities to informal payments. It seems that all mentioned payments are designed to compensate the lack of state funds. According to World Bank data (2009), the share of public funding in total health care expenditure in Ukraine is one of the lowest among the European post-Soviet countries (54% of total expenditure, while in Lithuania - 68%, in Russia - 64%, Belarus - 71%).</p> <p>The possibility of introducing social health insurance as an effective mechanism for financing health care system in Ukraine has been discussed for a long time. However, with the decision of Constitutional Court of 29.05.2002 (social insurance introduction contradicts the Constitution) the insurance discussions are over. However, some of the health care services are identified by Resolution 1138 of the Cabinet of Ministers of Ukraine of 17.09.1996 as officially paid by respondents.</p> <p>Ukrainian health care system is in the process of decay due to external factors (high level of corruption, lack of transparency of government actions, lack of effective initiatives, lack of financing socio-humanitarian sphere) as well as internal organizational problems, inefficient use of available resources (abundance of highly specialized medical staff, lack of nurses and general specialists, a significant number of hospitals and hospital beds in the cities, poor provision of care in rural areas explained by the modest capabilities of local budgets).</p>
<b>Research aim</b>	<p>Under the project ASSPRO CEE 2007 research, we aim to examine Ukrainian out-of-pocket payments experience and attitude towards informal payments for health care. In addition, we study willingness to pay for health care services.</p>
<b>Research approach and methodology</b>	<p>The results are based on the nationally representative survey data collected in the summer of 2010 in Bulgaria, Hungary, Lithuania, Poland, Romania and Ukraine under the identical methodology. The second wave of data collection has taken a place in summer 2011 in Bulgaria, Hungary and Ukraine. The household representatives selected by "last birthday approach" are personally asked about their expenditures for both out- and in-patient services health care services in a year prior the study, their attitudes and perceptions of informal patient payments as well as stated preferences and willingness to pay are in the focus of the standardized questionnaire. Socio-demographic questions are also included in the questionnaire. 1000 effective personal interviews have been conducted in each country within the first wave of data collection in 2010 and 800 interviews – within the second wave.</p>

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### What kind of the payments do patient pay for health care service in Ukraine?

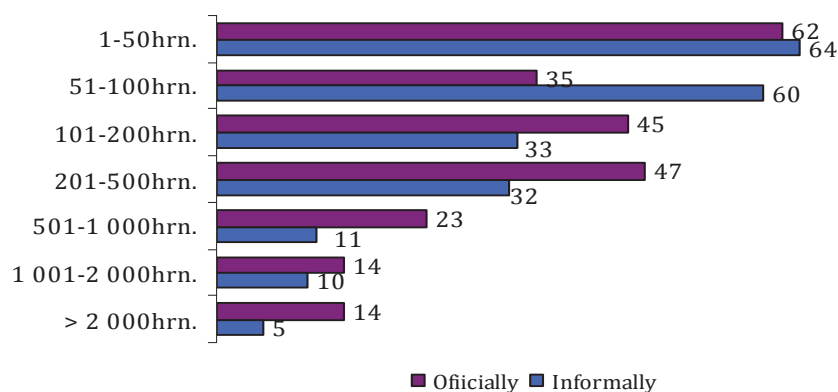
More than half of respondents are experienced in giving informal payments to medical staff for health care services. About 55% of respondents report ever giving in-kind gifts or cash to physicians or other staff.

The majority of patients, namely 57% (328 respondents) who visited out-patient health care facility during July 2009 - June 2010, paid for health care, while out-of-pocket payments for hospitalization occurred in 73% (130) cases during the same period. Moreover, a significant proportion of patients have to pay twice – formally (quasi-formally) and informally. The second wave data shows similar results.



### How much do patients pay for out-patient health care?

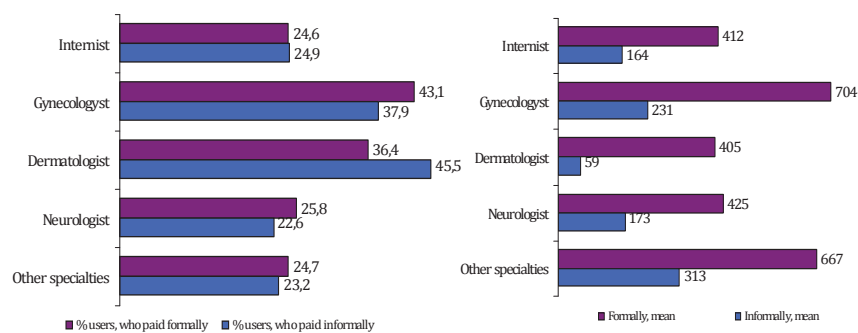
During July 2009 - June 2010, 57% of respondents reported that they have consumed out-patient health care services. This is one of the lowest rates among other Central and Eastern European that participated in the study. Despite the absence of legal out-of-pocket payments for health care services in Ukraine (only for few luxury services), patients believe that they have paid for health care officially. The mean of the formal payment for out-patient health care services in 2010 is 554 UAH, and informal payment is 335 UAH\* (the distribution is presented on the graph below). In 2011 patients on average pay 1090 UAH and 510 UAH formally and informally respectively.



Quite often patients do not know the official prices of the services used: 55% of respondents state that they have never known how much they need to pay for out-patient service, and only 10% of Ukrainians always know the price of the out-patient service in advance.

\* 10 Ukrainian hryvnias  $\approx$  1 euro

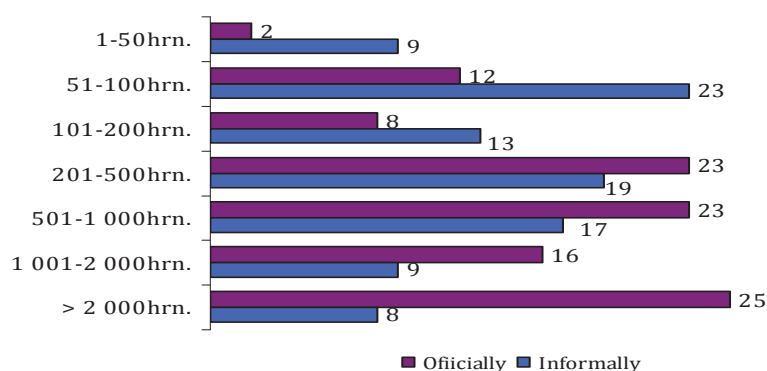
The 2011 data allow also estimating the expenditures on out-patient health care service with regard to the type of specialist visited last time during last 2.5 years (the analysis included the time period of 2.5 years). About 40% of respondents make out-of-pocket payments for gynecologist and dermatologist care, and the most expensive for patients' pocket are patients given to gynecologists, and to some other specialists.



The main purpose of informal patient payment for physician service is seen in "better attention" for 45.3% informal payers, in better care - 25.2%, and in some other purposes such as quicker access - 29.5%. Moreover, about 41% of payers have reported that informal payment has been solicited by health care service provider.

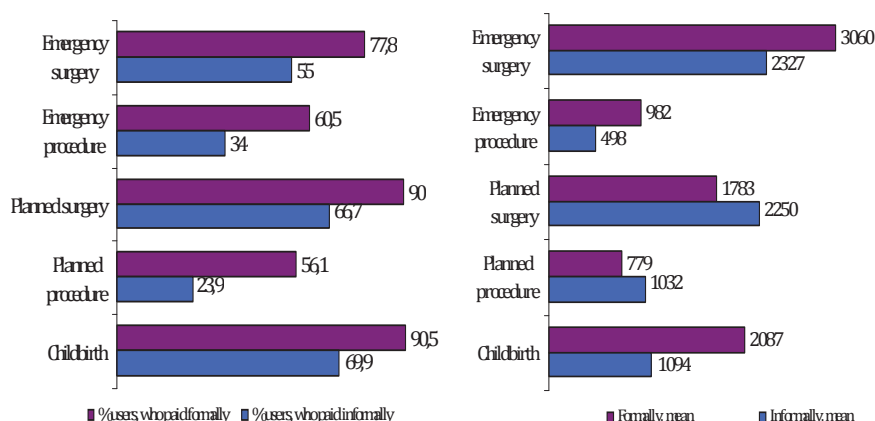
### How much do patients pay for hospitalization?

During July 2009 - June 2010 as well as during July 2010 - June 2011, 18% of respondents reported being hospitalized. The mean of the formal payment for in-patient health care services in 2010 is 1809 UAH, and informal payment is 847 UAH\* (the distribution is presented on the graph below). In 2011 patients on average pay 1960 UAH and 1400 UAH formally and informally respectively.



Moreover, Ukrainian in-patients stay in hospitals longer compared to other countries - on average 13 nights. Ukrainian patients make significant expenditures for hospitalizations which are not only related to health care personnel care but also spend funds from the pocket for pharmaceuticals (77.8%), medical supplies (57.7%) and also more often than Bulgarians and Hungarians bring linen, food to the hospital (50.5%). Moreover, the expenditures of Ukrainian in-patients for pharmaceuticals are much higher than in Hungary and Bulgaria.

Additionally, 2011 data provide more detailed expenditure results with regard to the type of in-patient care. For surgeries in-patient pay the biggest amounts, also the share of payers is significant - about 90% respondents pay for their surgeries or deliveries and pregnancies.



The main purpose of informal payments for hospital care is also seen in having “better attention” (44.6%), in receiving better care (31.4%) and in other purposes, such as quicker access (23.3%). Similarly to out-patient care, about 43% informal payers report making the payment on provider’s request.

### Are health care services easy to access in Ukraine?

Ukrainians as well as Romanians experience significant financial burden when paying for health care services.

According to the first wave study findings, 51% households’ representatives confirm their inability to access out-patient services and about 18% to access in-patient care as they could not afford it.

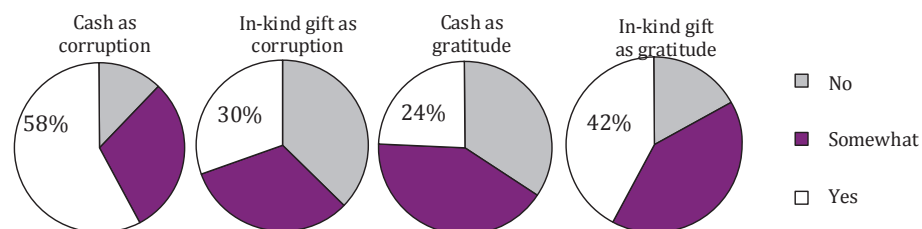
19% (60 of 324) respondents, who paid for out-patient health care services, indicate that they had to borrow money from friends or relatives (from 10 UAH to 8000 UAH, a mean is 1 127 UAH) or they had to sell assets to cover the out-patient health care services expenditures.

Also, some respondent could not afford hospitalization, in details, 43% (58 out of 134 inpatient payers) confirm lack of funds for hospitalization, so they had to borrow money (from 10 UAH to 10 500 UAH, a mean is equal to 2 263 UAH).

### What is the Ukrainians’ attitude towards informal payments for health care?

Negative attitude towards informal cash patient payments prevails among the Ukrainians (only 11% have a positive attitude towards the payments). Attitude towards giving in-kind gifts to medical staff is quite positive (29% respondents have a positive attitude), however, half of the respondents state negative attitude (52%) Indeed, in-kind gifts are rarely associated with requested payments and usually the patient initiates such a gift. In addition, for patients sometimes it is cheaper to bring an in-kind gift to provider than to offer cash payment. About two thirds of respondents perceive informal cash payment for health care services as corruption, while gift given in-kind is perceived as corruption by one third respondents.

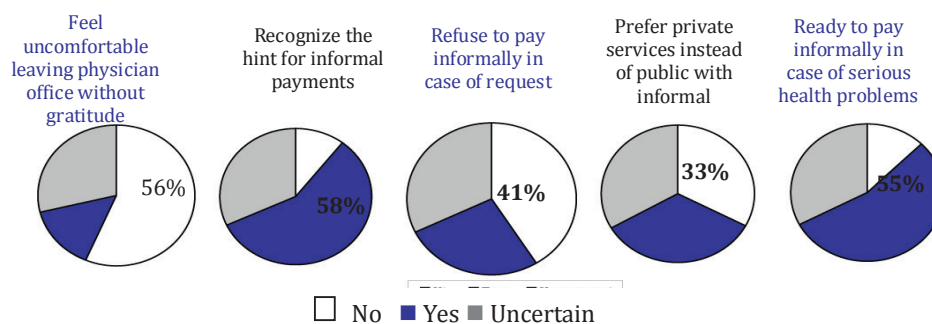
Furthermore, informal patient payment can be also seen as gratitude – less than one third of the respondents label cash payments as gratitude, whereas gift given in-kind is more often treated as real gratitude.



Researchers and scientists have multiple explanations of the existence of informal payments for health care. By and large, three main levels of informal payments phenomenon could be defined: The level of the health care system (e.g., lack of funding, poor quality or difficult accessed health care services, low salaries of medical personnel, absence of formal payment for health care services, lack of ethics and well-developed and well-functioning system of complaints as well as undeveloped private sector).

- The national level (e.g., unsatisfactory functioning of state institutions, lack of transparency and accountability, widespread corruption in all sectors tolerated by policy-makers, lack of trust to authorities).

- The individual level (e.g., tradition of giving gifts expressed by patients as “everybody does this”; patients’ dispositions towards informal payments). The latter issue has been examined in our study. In 2010, all respondents were asked the question on their perception making informal patient payment behavior.



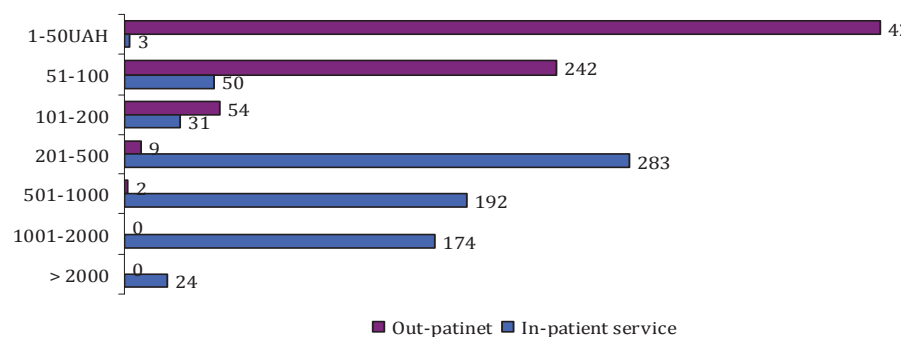
### Are patients willing to pay officially for health care services?

Respondents are generally willing to pay for health care services provided by physicians.

75% of respondents are willing to pay for out-patient health care services and

77% - for adequate quality in-patient health care services, while others do not have either ability or willingness to pay for health care services.

The mean amount respondents are willing to pay for the out-patient visit is about 52 UAH, for 5-day hospitalization is about 733 UAH (for high quality and quick access services). These amounts are lower compared to actual expenditures.



Who and for what is willing to pay?

Results on consumer choice modeling suggest that higher impact on the willingness to pay for health care services is attributed to age, income and health status, and also characteristics of health care services. Citizens of 65+ years are willing to pay for out-patient care much less than other age groups; while for hospitalization, the threshold of the age is lower: citizens of 55+ years are willing to pay less than others. When the income is increasing or health status is improving, the willingness to pay for both types of the services is higher as well.

Among the qualitative characteristics, the main selection criterion is seen in the clinical quality (reputation and skills). However, the second most important factor for out-patient services is the interpersonal aspects of care (attitude of the medical personnel), while state of equipment and office as well as time dimension are less important. For hospital services the most important characteristics are clinical safety (state of equipment), and also interpersonal aspects are important in hospital choice when compared to time dimension.

#### What are patients willing to pay for?

Priority	Physician services	Hospitalization
1	Reputation and skills	Reputation and skills
2	Attitude of the medical staff	State of the equipment
3	State of the equipment	Attitude of the medical staff
	Maintenance of the office	
4	Travel time (-45min.)	Travel time (-2h.)
	Waiting time (-35min.)	Waiting time (-3months.)
No sign.	Specialization of the provider	Maintenance of the office
	Payment type	

Only 8% of respondents disagree with the statement about need of informal patient payments eradication.

#### Conclusions and health care sector recommendations

State's failure to provide sufficient free-of charge health care has led to chaotic self-organization of the patient payments for health care services provision. Nowadays, system has to hold universalistic approach in addition to the need of raising additional funds for the survival of the sector by means of the introduction of quasi-formal and informal payments for health services, high prevalence of which evidenced by this study.



Not any political party is ready so far to take responsibility to change the norm of Constitution and overall legislative base so that they become compatible with real practice comparability. We consider few steps and approaches that do not affect the constitutional norms, but also may reduce the financial burden on the population and improve the health care system.

1. The legal concept of "medical aid (*medyczna pomoc*)", "health care services (*medyczne posługi*)" ("medical services" as well as "hotel services", "transportation services", etc., that requires separation) should be defined.
2. Given the fact that the State has introduced official patient payments for some health care services and that patients have to pay quasi-official contributions to health care facilities, it is reasonable to define "basic package of health services" that are provided free-of-charge to every citizen. For other services that are not included in this package official charges should be established (with Government defined exemption approach).
3. A reasonable planning approach based on demand model for health care services and their real tariffs should be considered rather than line-item budget. The demand modeling apart from retrospective medical statistics should account for potential consumer response to introduction of official payments, the impact of informal payments, the behavior of health care providers and consumers' preferences.
4. Thoroughly designed exemption and deduction mechanisms should be designed and implemented simultaneously to former reforms. Groups that are fully or partially exempted, official payments mechanisms (direct or indirect, their types) can be derived from the demand model that accounts for socio-demographic differences in willingness, ability to pay, and consumption. Still, this should be preceded by organizational changes, including autonomous status of health care institutions.
5. In the existing network of health care facilities, the services provided should be revised so that the volume of inpatient care is reduced and increased volume of out-patient services. More up to date prevention programs should be implemented.
6. To protect patients' rights for medical care and for service characteristics improvements, some elements must be introduced in health care system:
  - The system of patients' complaints and suggestions;
  - A body responsible for ensuring the rights of patients, supervising the observance of professional ethics of the medical staff should be created;
  - Public health care effective information policy should be considered, particularly information regarding their rights and obligations associated with the health has to be in the focus;
  - A system of social control (development of patients' councils, etc.) has to supplement existing state bodies.
  - To emphasize medical personnel attitude while providing services to patients (providing information, involvement in decision making)

7. The official income of health care personnel provided by the State should be held on the appropriate level with using motivational mechanisms. This will facilitate shift of patient-physician relationships in the legal field with clearly defined rights and obligations of each party. Moreover, given the high level of requested informal payments, it is necessary to improve the system of informing medical staff about ethical behavior through medical university courses, qualification courses as well as health care facility policy.

8. Given the overlap of lack of public funding with functioning of quasi-official and informal patient payments, Government should increase funding in the sector at the national and local levels. However, such increase would be effective only with combination with organizational reforms.

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**Overall state recommendations**

1. The Government should strengthen anti-corruption measures and ensure transparency of their actions, particularly regarding the distribution and use of budgetary funds, funding of health care, provide external and public audit of health care facilities budgets.

2. Embody constitutional standards to support the different ownership forms health care facilities. In particular, to support private health care sector:

- by adopting a regulatory framework that would regulate the activities of paid health care services sector, including the state and municipal health care facilities basis;
- by encouraging the development of private sector and competition in it, that will lead to more reasonable prices; thus, patients will be able to obtain services at socially acceptable prices and of sufficient quality (e.g. respectful attitude, lack of queues etc.), while now the latter is virtually absent in the public sector.

3. To develop a methodology for assessing the cost of health care services, for example, as adopted in many countries DRG method (diagnostic for groups), to implement it for planning facility budgets as well as determining the size of the official payment.

4. To encourage the development of individual and corporate medical insurance, health insurance by:

- developing legal mechanisms of using state and municipal health care facilities by programs of voluntary health insurers;
  - improving the tax system for voluntary health insurance holders.
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