

# **ABOUT OPTIMAL MODEL OF COMPULSORY HEALTH INSURANCE FOR UKRAINE**

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Compulsory health insurance in Ukraine envisages the creation of a single National Health Service. The concentration of resources helps to reduce the average cost of production and increase the personal responsibility of the top manager for insurance. A large organization is based on long-term contracts that lead to the minimization of market failures, such as unfair competition, raiding, opportunistic behavior of counterparties, asymmetry of information about market conditions. The main regulator of the insurance is the law. Insurance departments monitor and motivate the activity of medical workers inhibiting unproductive costs of medical services. They implement so-called pharmacoeconomy and optimize drug costs. Health insurance encourages the effective management in hospitals that is essential in terms of limited local resources and in the process of decentralization and autonomy of medical institutions. Modern management is also the challenge of globalization, when medical tourism and travel are developing, and the medical services market becomes the international one.

The social compulsory health insurance (without the participation of private companies) adheres to the principles of social solidarity and excludes the cases of refusal to ill people for treatment minimizing their risks. It contributes to reducing the regressive health financing when poor people who are more likely to get sick pay a larger share of their revenues for treatment than wealthy people are. Insurance units act as a third party in a public-private partnership in regional markets and promote its development. They also provide better logistics for pharmaceutical companies.

However, there are imperfections in social health insurance. The only purchaser (payer) of health services acts like monopsony, which always strives to set prices for treatment below the competitive level. There is a danger of lowering the quality of treatment. In addition, in the conditions of poor performance of the country's anti-monopoly committee, the competition of many health care providers for a single buyer often causes the dishonesty. The history of the emergence of a market economy in Ukraine has repeatedly demonstrated that the outdated hierarchical management of large

organizations leads to bureaucratization, unfair competition and the formation of persistent corruption schemes. Cash flows are not yet transparent for society; it is still difficult to control them and to prove that money is being squandered. The additional payments for insurance, in turn, also cause the growth of the shadow market, pushing investors away. That is why there is a danger of obtaining in fact of such a model of the health market in Ukraine, which will be more expensive with insurance than without it.

The volume of insurance premiums also has limitations due to low incomes of workers. Thus, according to the data of the State Statistics Service of Ukraine, rational consumer choice of households in 2016 falls on food and non-alcoholic beverages, they have the greatest utility for them and make up 49.8 % of total expenses. Housing costs make up 16.0 %, but on health care one are only 4.2 % [2]. The introduction of an additional insurance tax will lead either to a further increase in the Engel coefficient, or to the transit of incomes to the informal economy.

Ukraine also plans to attract private companies to insurance. The advantages of this model are the debureaucratization and demonopolization of the insurance market, the dynamic development of infrastructure, and the increase in the total amount of money for health care. Commercial insurance companies prone to modern management and effective organization of information flows, technological innovation in the field of IT. This model tends to fight of insurers for comparative and differential competitive advantages. However, the risks are a distortion of the balance between efficiency and effectiveness, especially in the oligarchic economy, when players in the insurance market are prone to excess profits at any price. There is also a danger of the public money using on offshore schemes, unscrupulous reinsurance, receiving by companies of massive shadow revenues.

That is, before the introduction of contractual compulsory health insurance (with the participation of private companies), it is necessary to form appropriate institutes in the national economy that prevent abuse. It should also be taken into account that modern Ukrainian insurance companies that sell the voluntary health insurance policies are not yet ready to participate in compulsory health insurance. There are a few of them, and they are not very active. So, according to the data of Ministry of economic development and trade of Ukraine for 9 months of 2016, the number of insurance companies in Ukraine, which cares for health insurance, was only 45, accounting for about 14 % of the total number of insurance companies [1]. The probability of investment in Ukraine's health care by foreign insurance companies is low, due to the unattractive investment climate, the long payback period of the start capital and the instability of economic and political development. Thus, the share of direct foreign investment in health care (with social assistance) at the beginning of 2016 amounted to only 0.11 % and decreased compared with 2005 by 1.7 % (in absolute terms - at 3.5 times) [1].

Taking into account the advantages and risks of introducing the compulsory medical insurance in Ukraine, the need for a transitional period is increasing. It involves the development of just social insurance, without the participation of private companies. Besides, the source of funding of the National Health Service should initially be the state

budget expenditures, without additional payments from employers and workers for insurance. These payments should be introduced as the shadow economy decreases. The problem of the participation of commercial companies in compulsory medical insurance of Ukraine is currently debatable.

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**MODERN PROBLEMS OF MANAGEMENT:  
ECONOMICS, EDUCATION,  
HEALTH CARE AND PHARMACY**

*Conference Proceedings of the 5<sup>th</sup> International Scientific Conference  
October 26 – 29, 2017*

*Opole 2017*

**ISBN 978-83-62683-23-9**

Conference Proceedings of the 5<sup>th</sup> International Scientific Conference *Modern Problems of Management: Economics, Education, Health Care and Pharmacy* (October 26 – 29, 2017, Opole, Poland). The Academy of Management and Administration in Opole, 2017; ISBN 978-83-62683-23-9 (Paper); pp.232, illus., tabs., bibls.

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**Editorial Office:**

Wyższa Szkoła Zarządzania i Administracji w Opolu  
45-085 Polska, Opole, ul. Niedziałkowskiego 18  
tel. 77 402-19-00/01  
E-mail: info@poczta.wszia.opole.pl

**Publishing House:**

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45-085 Polska, Opole, ul. Niedziałkowskiego 18  
tel. 77 402-19-00/01

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**ISBN 978-83-62683-23-9**

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