



Public-private partnership in health care

Asociación público-privada en atención médica

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ABSTRACT:

The Constitution of Ukraine [10] states that Ukraine as a social state must properly fulfill its duty to protect life and health of the population. For this purpose, the government of our country adopts medical legislation, forms state medical policy, and develops a network of state and municipal health care institutions. In 2010, under medical reform, a new constructive principle of interaction between the state and private persons (public-private partnership) was proposed. Thus, the study of the content of one of the tools of public administration and the prospects for its application become actual.

Keywords: public-private partnership, health care, government regulation of health care system, public-private partnership in health care

RESUMEN:

La Constitución de Ucrania [10] establece que Ucrania como estado social debe cumplir adecuadamente su deber de proteger la vida y la salud de la población. Para este propósito, el gobierno de nuestro país adopta legislación médica, forma una política médica estatal y desarrolla una red de instituciones de salud estatales y municipales. En 2010, bajo la reforma médica, se propuso un nuevo principio constructivo de interacción entre el estado y las personas privadas (asociación público-privada). Así, el estudio del contenido de una de las herramientas de la administración pública y las perspectivas para su aplicación se vuelven reales.

Palabras clave: asociación público-privada, atención médica, regulación gubernamental del sistema de atención médica, asociación público-privada en atención médica

1. Introduction

The Constitution of Ukraine [10] states that Ukraine as a social state must properly fulfill its duty to protect life and health of its population. For this purpose, the government of our country adopts medical legislation, forms state medical policy, and develops a network of state and municipal health care institutions. In 2010, under the medical reform, a new constructive principle of interaction between the state and private persons was proposed. It was a public-private partnership. Thus, the study of the content of one of the tools of public administration and the prospects for its application become actual.

The purpose of the research is to justify the need for the use of public-private partnership in the sphere of health care.

The object of the research is the process of interaction between the state and private entities for the purpose of establishing medical care of population.

The subject of the study is theoretical and methodological principles and socio-economic aspects of establishing a public-private partnership in the field of health care.

2. Methodology

The methodological basis of the research is the general theoretical principles and approaches to the study of instruments of state regulation of health care services provision to the population. Thus the following methods were used : methods of analysis and synthesis, inductive method, method of deduction, complex of statistical methods, etc.

To achieve this goal we have formulated the following tasks:

- to define the concept of "public-private partnership";
 - to analyze the content of public-private partnership as an instrument of public administration, to identify its differences from other instruments of management of health care system;
 - to investigate the profile of national legislation of Ukraine regarding the interaction of the state and private entities while providing medical services.
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3. Results

The Constitution of Ukraine, as the main law of the state, emphasizes the duty of the state to ensure adequate protection and health care of the population. Hence the state and municipal health care establishments operate in accordance with the Article 19 of the Constitution of Ukraine, according to which they are permitted only what is expressly provided by the law. We can conclude that public-private partnership in the sphere of health care is not an end in itself to the state policy as a separate special tool aimed at optimizing the work of authorized state entities [10].

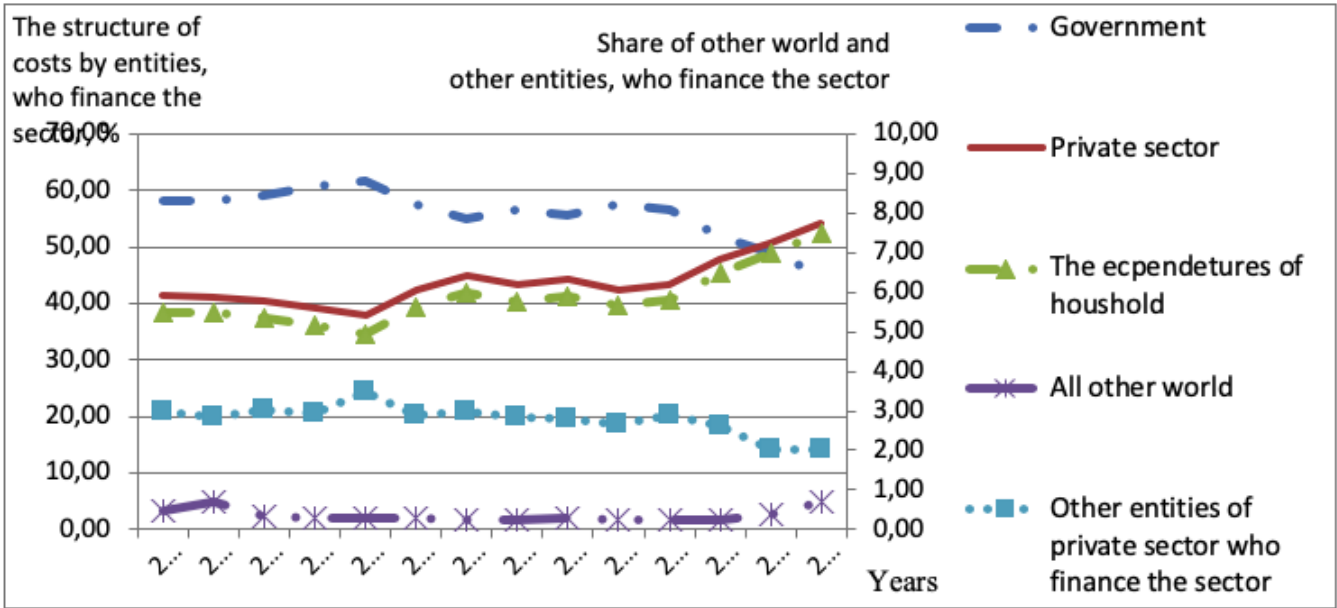
The principle of combining different sources of medical care financing in accordance with the Concept of health care financing reform was introduced . It is precisely in the plane of the combination of various sources of material and resource support that manifests itself as a public-private partnership. By taking advantage of this tool the state can attract efficient private funds and, therefore, substantially improve the quality of medical services [16].

Therefore the state in the framework of the public-private partnership does not take control of the entire health care sphere but provides a certain number of specified services, since the State Budget funds are only one type of funding source among others. The attraction of other sources of financing is provided by public-private partnership, which is formed by implementing the program of state medical guarantees. The program of medical guarantees consists of determining the list and scope of medical services within the framework of providing medical care to the patients (including medical products) and medicines which are provided at the expense of the state budget of Ukraine according to the tariffs for the purpose of prevention, diagnosis, treatment and rehabilitation in case of diseases, traumas, poisonings and pathological conditions, as well as pregnancy and childbirth [13].

Therefore, it is worth reviewing the contents of medical guarantee program in order to determine how the tasks of the state and individuals are distributed here. Within the framework of the program of medical guarantees, the state provides a full payment at the expense of the state budget of Ukraine and medicines related to the provision of: emergency medical care, primary health care, secondary (specialized) medical care, tertiary (highly specialized) medical care, palliative care , medical rehabilitation, medical care for children under the age of 16, pregnancy and maternity medical aid. All the terms and concepts regarding these types of medical care are used in cases given in the Fundamentals of the Ukrainian legislation on health care [14].

Also it should be noted that in the distribution of budget and other public sources of health care financing till 2018 only municipal and state property institutions could participate. After the implementation of the provisions of medical reform, institutions of other forms of ownership may also receive funding from these sources. Before the reform, the main source of formation and reproduction of private enterprise funds was money paid by patients from their own pockets or private insurance companies, other private enterprises and non-profit organizations, which is confirmed by the calculations shown in Figure 1

Figure 1
Changes in the structure of health care financial sources
during 2003-2016 (Calculated by the authors [11])



We can see at the figure that private sector spendings are growing in the structure of funding organizations, at the same time it happens due to the growth in household spendings. It should be noted that the amount of financing costs by other sources of private sector is decreasing; the volume of financing of the rest of the world is growing.

At the same time, the share of households grew by more than 1.5 times, funding from the rest of the world is growing at a slightly faster pace, which can be explained by the ease in the regulatory system of charitable organizations and foundations, but the absolute figures for this source are still low. Therefore, it can be stated that the financing of the health sector is mainly done by households according to official statistics.

Figure 2
Expenditures of some countries in health care in USD per capita in PPP on 2015. (Calculated by the authors [3])

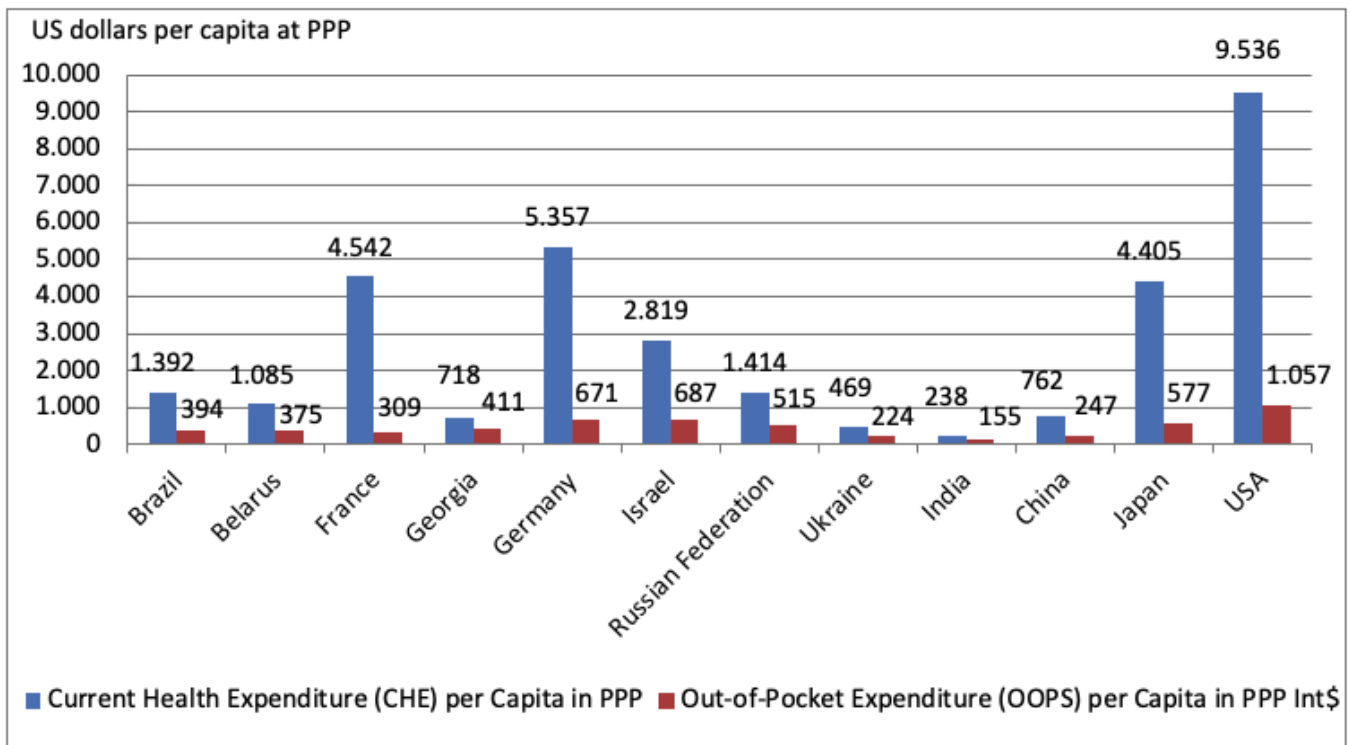
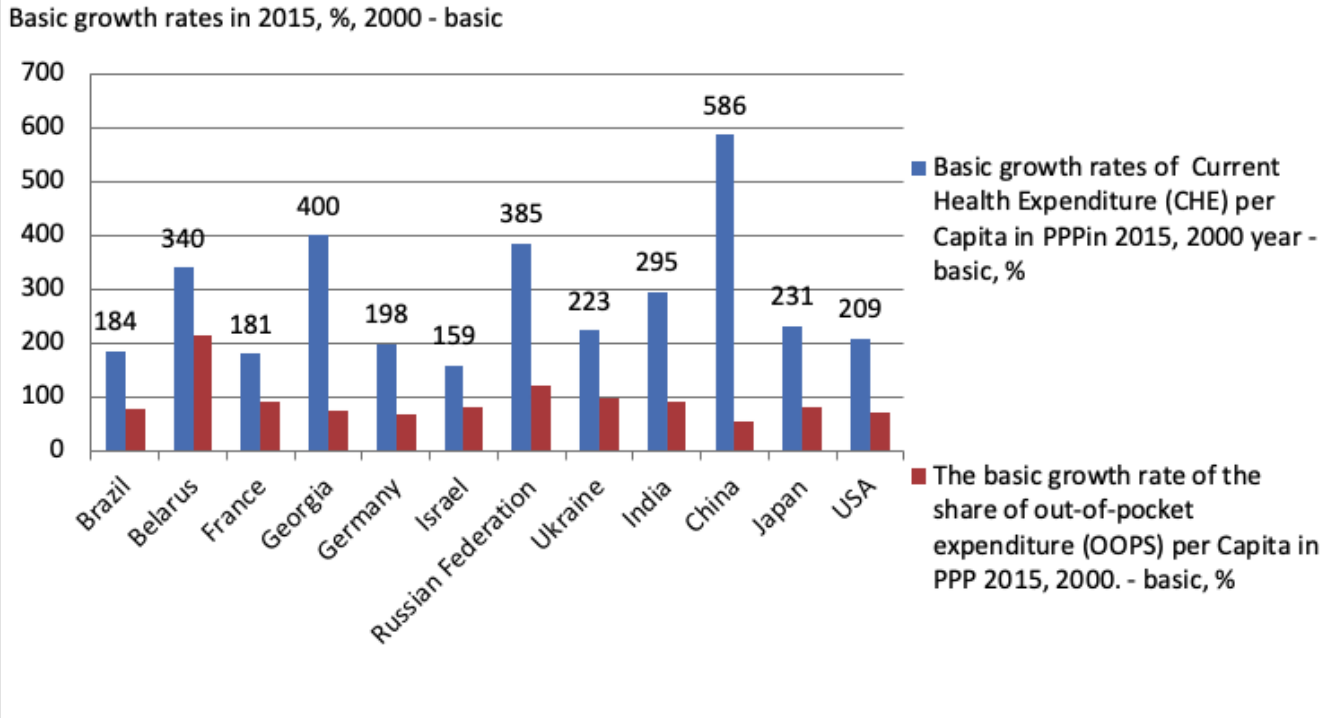


Figure 3
Basic growth rates of some countries' expenditures on health care in the US dollars per capita at PPP in 2015, 2000 - basic. (Calculated by the authors [4])



For comparison, we have analyzed the statistics of expenditures for health care on selected countries : the countries of the former USSR for comparison as those that have a similar system (Belarus, Georgia, Russian Federation), several G8 countries from different regions (France, Germany, Japan, USA) and BRICS countries (Brazil, China, India, Russian Federation). On Figure 2 we can see that the expenditures of countries per capita differ enough in developed countries and they are much more than in developing countries, and as a result we can talk about the potential growth in expenditures to the level of the developed countries.

Also in developing countries, the share of private sources financing of health care is higher than in the developed ones. So in Ukraine, Georgia, India, the share of the private sector is about 50% of the total expenditures per capita, in Brazil, Belarus, Russia, China - about 30%. In the developed countries, the share of the private sector is much lower. That can be associated with the development of the insurance medicine system, which has its own distinctive features in different countries. The basic growth rates of expenditures per capita and the share of the private sector in these costs show that the trend will continue, only in the countries of the former USSR it can change: so in Belarus the private sector increases its share (basic rates of growth are more than 200%), Russian Federation (more than 100%). Thus, it can be said that the identified trends in the sources of financing health care in Ukraine are also inherent in other countries.

However, the total amount of health care costs does not clearly characterize the most important index, that is amount of investment in this sphere. The capital investments in health care are presented in Fig. 4

Figure 4
 Indicators of capital investments in some countries of the world, mln.
 US dollars in PPP, during 2000-2015 (Calculated by the authors [5])

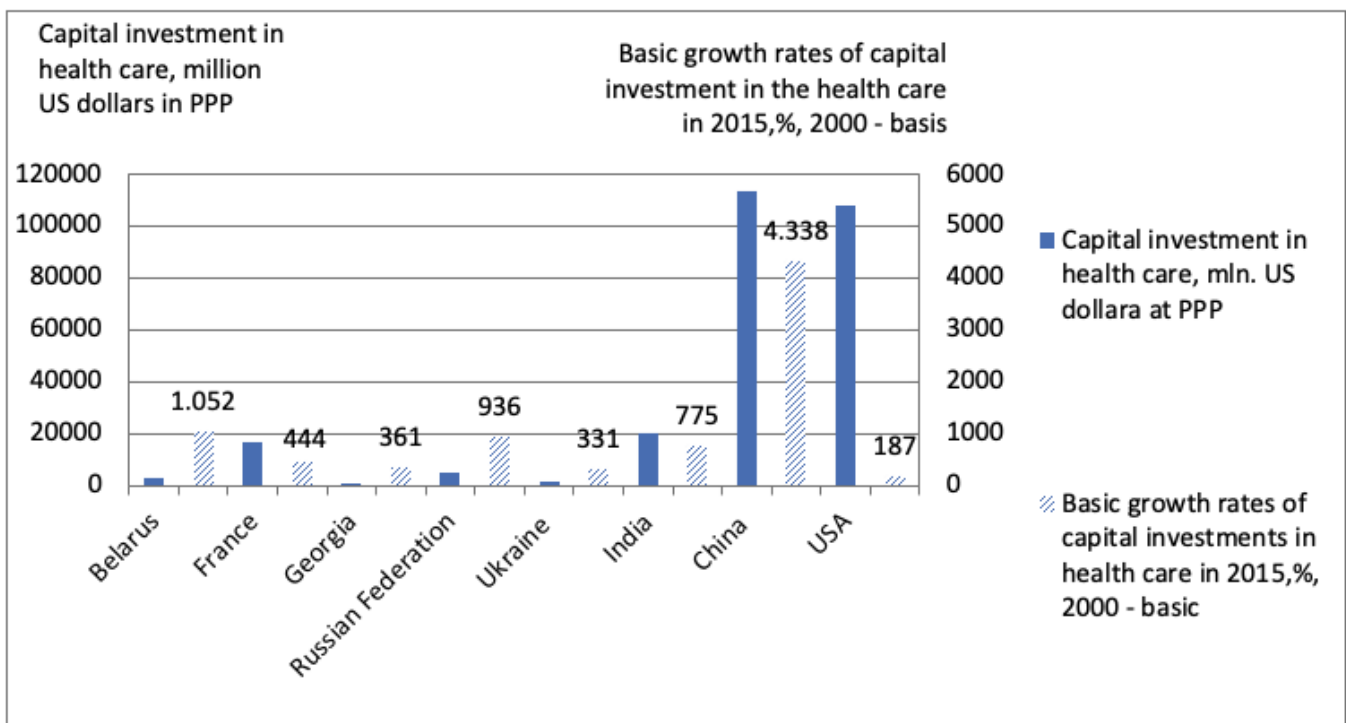


Figure 4 shows that in the developed countries of the world, the volume of capital investments is growing, namely in France and the USA. And the basic growth rates are quite high: in the USA - 187%, in France even higher - 44.4%. As for developing countries, these are diverse trends, which makes it possible to divide countries into several groups:

- Countries with low volume of capital investment with its high growth rates (over 500%), include Belarus, the Russian Federation.
- Countries with low capital investment with its low growth rates (up to 500%), include Ukraine and Georgia
- Countries with high capital investment with its high growth rates (over 500%), include India and China.

As a result, it is clear that Ukraine belongs to the countries with small volume of investment, which are growing relatively slowly.

As a conclusion of the quantitative analysis, we can say that in Ukraine, the health care sector is financed mainly by the private sector and the households.

First of all, immediate needs are financed. Today, the inflow of investments in health care is justified by changes in the structure of the population and the structure of diseases of population, evidenced by the growth rate of investment in the developed countries. Developing countries are also increasing investment and are catching up with the developed countries, for example, India and China, that are not "developing" countries for now but the rate of the increase of investments corresponds to the rate of the GDP increase during the selected period.

Therefore, an actual question of finding investments that can be attracted not only from the government of different levels, but also from private sector arises. Here we can talk about the relevance of the development of the private sector in the health care sphere in the context of payment for services by the population today. That can also be taken into account when forming a proposal to potential investors.

Table 1
Main external sources of financing
an organization development [2]

Source of finance	Features
Debt financing	It concerns the ability of firms to get loans for starting and developing their business (i.e. loans from banks and government institutions), Used as one of the most common tools for accessing finance.
Stock finance	Concerning raising capital by issuing shares in stock markets, can also be used to obtain

	financing..
Business angels	Investors, as a rule, have business experience, provide start-up capital (as well as expertise and access to networks). Business angels are trying to identify enterprises that seem promising, but do not have the necessary means to implement innovative strategies.
Venture capital	Venture funds can be defined as a pool of capital that is managed and invested in private enterprises using preferred shares or similar instruments. They have considerable experience in how to conduct proper expertise for high-risk innovative firms, as well as how to structure contracts and start financing in order to reduce the impact of information asymmetry.
Other types of financing of state, international institutions and non-profit organizations	Subsidies and grants from governments and international organizations to provide access to certain types of services to vulnerable people.
Other private investments	Investments of individuals or private entities for the company`s development, getting profit. This group of investors may include private companies, strategic investors, the collective of employees of an enterprise that is aimed to save the enterprise.

Let us consider in more detail each of the types of external sources of financing. Access to debt financing is an important aspect for innovative enterprises. This allows them to finance their growth, meet working capital requirements and invest in innovation. However, young companies often face difficulties in accessing debt financing due to several factors: they are involved in innovation process, the results of which are uncertain. They also have assets that can be intangible and difficult to measure. Debt financing often undermines the ability of firms to implement innovative projects. Government policies can help innovative firms access this type of financing through guaranteed lending, subsidizing loans, providing credit intermediation, supporting alternative debt financing (for example, convertible loans) and reforming the banking sector to increase competition and reduce its concentration [1].

With regard to stock market financing, it should be noted that markets often tend to respond positively to short-term profits, rather than to indefinite long-term payments such as dividends. This is due to the interrelation of corporate governance and innovation. However, it is believed that the long-term functioning of stock markets favorably assesses innovative projects, since these projects provide higher future market returns. From this point of view, stock markets can provide the necessary resources to finance innovation [6]. However, this is a hard-to-do source in Ukraine, where the stock market is still underdeveloped.

The informal venture capital market consists of business angels who invest their own capital in young enterprises. Projects supported by business angels are more attractive for formal sources of funding, as business angels eliminate informational asymmetries. However, this type of financing does not have enough funds to reinvest in the later stages of a capital-intensive business, so entrepreneurs should look for other sources of financing.

As for the role of venture capital in financing innovation and assisting in the creation of innovative business, first of all, it should be mentioned that venture capital firms are managing funds that are invested in companies with high growth potential. The main feature of investment companies is their potential for growth on an exponential scale in size and value. Venture capital funds are formed by institutional investors (for example, pension funds and insurance companies) and are usually managed by business entities. Before investing in a business, venture capital firms make an analysis in order to get a full picture of their strengths and weaknesses. Because of this hard filtering process, even if venture capitalists usually get a large number of offers, they only invest in a small minority. Venture capital funds can play a crucial role in providing innovation to companies. In addition, patents of firms supported by venture capital, often lead to innovative achievements.

Venture capital is often called "smart capital" because venture capitalists can provide assistance in business planning, mentoring managers, providing strategic, technical, commercial and legal

advice, and improving corporate governance. They also create networks of cooperation among investors, universities, research and development centers, large and technology-oriented firms, and small entrepreneurs. This gives companies an edge over others, increasing their chances of success [7].

It is less obvious that venture capital is always ideally consistent with the respective political goals of governments. Despite the fact that they are long-term investors, venture capitalists ultimately want to benefit from their investments in financial terms that are the most beneficial for them and their investors. In some cases, this involves the sale and / or relocation of a business abroad, which may be disadvantageous to the government.

Other financing of the state, international and non-profit institutions in the form of grants and charitable assistance can be provided to ensure the achievement of social results, such as providing access to a particular type of service.

Other private investments imply to the investments of the founders, the staff of the organization or its managers, a strategic investor, whose goal is not to sell the business after a certain period of time, but to develop the company and make a profit.

As a result of analyzing the sources of funding the healthcare sector in Ukraine, it can be argued that the most promising sources are guaranteed loans by the state, business angels, venture investment funds and other private investments. The first source of financing is rather difficult, it is necessary to find the algorithm of distribution of these loans and control of them. Thus business angels and venture capital investors are an alternative source of investment, which also brings innovation in the field of economics and modern enterprise management. However, they are also inaccessible or not popular in Ukraine. Other private investments are the characteristic for developing countries when there are no developed financial markets and it is provided by the privatization the whole economy or some of its sectors or activities. Therefore, the most likely investors are private investors, mostly represented by healthcare employees, because they know the industry, have certain knowledge and skills, know the system of work of specific enterprises and organization, i.e., they do not have information asymmetry. A form of public-private partnership can be a form of investment in reformed non-profit or state / municipal enterprises.

The essence of the definition of public-private partnership, is defined by the law of Ukraine, "About public-private partnership". In the sphere of action, the chosen regulatory legal act regulates all social relations, which are based on the principles of interaction between the state and private entities. According to Article 1 of this law, public-private partnership is a cooperation between the state of Ukraine, the Autonomous Republic of Crimea, territorial communities represented by relevant state bodies and bodies of local self-government (state partners) and legal entities, except state and communal enterprises, or individuals - entrepreneurs (private partners), which is carried out on the basis of the agreement in the order established by this Law and other legislative acts, and corresponds to the features of public-private partnership, in values of this Act [9].

It should be noted that public-private partnership under this law means cooperation with the state in the broad sense - that is, not only with the state authorities but also with local self-government bodies. Secondly, public-private partnerships should always be regulated on the basis of an agreement, as stated in the law. By content, such a contract regulates the legal relationship associated with the establishment of cooperation between public authorities and individuals. From the side of the state for the conclusion of the contract an authorized entity, endowed with managerial authority in the field of the conclusion of the transaction is responsible. From the point of view of the private sphere, everyone who meets the requirements of the law can participate in the organization of contractual relations with the state.

In the field of health care, the main treaty, on the basis of which one can actually talk about the cooperation of public and private partners, is the agreement on medical care of the population. The state partner here is the National Health Service of Ukraine – the central executive body, which is the manager of budget funds allocated for financing medicine under the program of medical guarantees. Private partners are contracting parties - medical institutions regardless of ownership [12].

Here quite a logical question arises: whether it is possible to talk about public-private partnerships, if a service agreement can be concluded not only with private but also with the state and municipal health care institutions. The answer can be found if you look at the concept of reforming the health care system, which is approved by the Ministry of HealthCare of Ukraine. According to the provisions of this document, National Healthcare Service of Ukraine interacts with hospitals on an equal conditions - when concluding maintenance contracts for people under the health insurance program, identical terms and conditions applying to all types of institutions

regardless of ownership. At the end, such an approach should offset the current difference between state and private medicine.

In accordance with Article 4 chosen for the analysis of the law, one of the areas where the principles of public-private partnership apply are the field of medicine and health care. The principles are defined in Article 3 and among them special attention should be paid to the principles of equality before the law of public and private partners, ensuring higher efficiency of the activity than in the case of such a public partner without the involvement of a private partner and the identification of a private partner on a competitive basis. There are other principles in the law, but they are to some extent derived from the above-mentioned provisions and, moreover, in the field of medicine most precisely apply to the chosen provisions.

It also should be noted that the proper implementation of equality in public-private partnership appears to be questionable. In accordance with the provisions of the current legislation of Ukraine, the National Healthcare Service of Ukraine is not only a party to the contract on medical care of population, but also a controlling entity that oversees a person regarding the service of the population. From this standpoint, the equality of private and public actors becomes questionable, as medical institutions conclude an agreement with the other party under terms that are actually determined by that party, guided by the powers that it possesses.

Turning to the question of the effectiveness of public-private partnerships, it should be noted that public-private partnership is considered effective if its results are better than the use of resources exclusively from the state body. However, one should understand that it is a measure of the effectiveness of a partnership for medical sector: the number of contracts concluded, the number of treated cases, the amount of money provided to health care institutions. We are convinced that since public-private partnership in healthcare is a continuation of state medical policy within the framework of medical reform, its effectiveness should be measured only in the context of improving the health of the population of Ukraine. Since there is currently no clear statistics, which is indicative of a significant improvement in the health of people, one cannot fully speak about the growth of efficiency, although some optimization of financial resources in medicine is really available.

On the other hand, contracts on medical care of the population according to the requirements of the current legislation of Ukraine should always be concluded only on a competitive basis. The provisions on the competition are a kind of a calling card of public-private partnership and the introduction of competitive principles for the selection of medical institutions for concluding agreements with the National Healthcare Service of Ukraine is a significant manifestation of the real desire of the state to move from command-administrative to partner relations with medical institutions.

Speaking about the conditions of the lawfulness of public-private partnership, it should be noted that it is important to ensure unity of tariffs and tariff policy. The Law of Ukraine "On Public Financial Guarantees of Public Health Care" [8] Article 10 provides for the introduction of uniform tariffs for the payment of medical services, medicines and medical products, reimbursement rates of medicinal products provided to patients under the program of medical guarantees on the territory of Ukraine. . Payment according to the tariff is guaranteed to each person subject to the conclusion of contracts for medical care of the population. Taking into account the specifics of medical activity and individual health status of each patient in terms of tariffs, corrective factors may be used, the sizes and grounds of which are the same for the whole territory of Ukraine [8].

Public-private partnerships in the healthcare field are primarily manifested in changing the vectors and forms of public finance policy. The state develops financial policy from centralized financing of a wide network of healthcare facilities, to a decentralized purchase of these medical services, in order to provide medical care to the most vulnerable categories of the population of Ukraine. In accordance with the Concept of health care financing reform, a new financing principle for health financing is proclaimed - "money goes for the patient". This means that medical institutions should turn into autonomous business entities that will receive payment based on the results of their activities, which is measured by the criterion of the volume and content of medical care provided to patients.

As already mentioned above, public-private partnership is carried out in accordance with the terms of the contract on medical care of the population. The Law of Ukraine "On Public Financial Guarantees of Public Health Care" [8] Article 8 provides for such an instrument of distribution of public funds. The parties to this agreement are the authorized executive body and medical institution, regardless of the form of ownership. The content of the agreement is that the health care institution provides health care services defined in the program of medical guarantees to the

population free of charge, and the customer of medical services pays their cost at the expense of public funds, in accordance with a single system of tariff rates and correction coefficients [14].

Particular attention should be paid to the issue of public funding for the provision of patients with medicinal products, since without medication the effectiveness of health care and treatment is inadequate. By analogy with medical services in state and municipal health facilities, the state provided for the division of medications to be paid and free of charge. The first category of medicines will be purchased by patients at their own expense, the second will be provided through public funding. The full list of drugs that are provided to a person on a royalty-free basis is fixed in the National List of Medicinal Products approved by the Cabinet of Ministers of Ukraine.

Another aspect of public-private partnership provision is the question of controlling private structures and bringing the perpetrators to legal liability. It is clear that in the conditions of redistribution of budget funds and reformation of financing of health care and medical activities, the responsibility for the proper use of public finances increases. That is why, within the framework of medical reform, it is envisaged the creation of the National Health Service of Ukraine, the central executive body, which will pay for the patient's medical services (at the expense of the State Budget within the framework of the medical guarantee program). This body on behalf of the state concludes contracts on medical care of the population, acting as the customer of medical services and medicines, while performing the functions of an administrator of specially allocated budget funds

4. Conclusions

As a result of the analysis of statistical data, it can be said that the health care sector in Ukraine and elsewhere in the world is mostly financed by private entities, and investment volumes are increasing globally, especially in the developed countries. What makes such an investment attractive.

Analysis of sources of investment shows that the most affordable source of investment in Ukraine is private investors and employees, including managers of health care institutions. It happens due to the interest of long-term investment, available knowledge and skills of management and operating of such institutions and high motivation to improve the way of doing business of health care institutions. The form of realization of such investments may be a public-private partnership because of the impossibility of a full one-stage redemption of entire property complexes in the state or the construction of new ones.

The analysis of the legislative framework has shown some legal contradictions that may arise while implementing such an investment, which may reduce its effectiveness. The ways of effective use of this state regulation instrument of health care system and the final results of the regulation are the subject of a further research.

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