

Investment in Ukraine's Healthcare

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In Eastern Europe, healthcare services sector is popular for investment. Ukraine, however, still has unoccupied niches, and there are two reasons for this. On one hand, improving macroeconomic indices and steadily growing consumption of medical products make Ukraine extremely attractive for investments into healthcare. On the other hand, the need to reform the healthcare sector, improve standards of medical treatment and systems of financing hinder investor confidence. The level of healthcare funding is 10 times lower than that in Poland. Despite this, Ukraine has large market potential with relatively low barriers to entry compared to the EU, and much lower investment risks compared the CIS. In addition, such measures as the forthcoming reforms of healthcare services sector, fairly expected transition to the budget-and-insurance healthcare system, and improvements in the system of private medical insurance will positively affect investment attractiveness of Ukraine's healthcare industry.

QUALITY OF MEDICAL CARE

Some of the most complicated issues hindering investor interest in healthcare are the quality of medical services and poor data availability to assess investment profitability.

The only way to attract investments to Ukraine's healthcare, as well as to launch the system of compulsory medical insurance and distribute the system of voluntary medical insurance, is to (1) introduce the system of quality assessment criteria for medical care, (2) run full computerisation of all medical care facilities, and (3) establish accounting systems to cover financial flows of each medical facility or institution. Many Ukrainian insurers interested in the medical insurance system development introduce initiatives related practical realisation of the above-mentioned measures.

For example, legislation regulating the quality of medical care needs further development. In Ukraine, normative acts already in force are numerous with many contradictions and inconsistencies. The Ministry of Health of Ukraine headed by Alla Stepanenko, ministerial advisor and Director General of SK "Garant-PharmaMed", launched a project on the development of a standardisation system for medical services, which includes clinical recommendations, medical standards and protocols of medical aid.

In view of high costs of the development of clinical recommendations, Ukraine followed the way of adapting the already existing recommendations. Once any particular recommendation is adapted, a corresponding national standard of medical care is developed, as well as unified clinical protocols (detailed instructions for patient treatment), and local protocols for each hospital (a detailed patient itinerary of services).

Treatment protocols and logbooks should be made available to all participants of the treatment process via medical information sharing systems that are being used in many developed countries.

PERSONIFIED ACCOUNTING

Any system of medical insurance (whether compulsory or voluntary) is typically based on special accounting systems for medical institutions. To be successful, the medical insurance system in Ukraine is to be based on personified accounting for all expenses incurred by a person in the course of treatment. The totality of expenses in these personified records is key to the successful functioning of the medical insurance system. Investments are necessary to ensure complete computerisation of the healthcare sector, to introduce new software and e-technologies, which are new for Ukraine but are widely and successfully used in the EC. Any foreign investor interested in participating in these projects can receive support and assistance from local companies operating in the

spheres of financing, science and medicine. A good example is the pilot project on Medical Information System (MIS "HEIWA") launched in Dnepropetrovsk Region in 2006 by its developer, JSC "Scientific and Technological Institute of Transcription, Translation and Replication". IC "LEMMA", a large-scale reinsurer, took interest in developing this line and introducing on the countrywide scale the practice of using MIS for provision of medical and insurance services. According to Mr. Sergei Chernyshov, President of Lemma, investors will systematically invest funds only when all processes can be measured and controlled. "Large-scale computerisation of the medical sector is the only way to attract investment, as it provides for data storage and exchange, statistical and expense accounting, and quality control of medical care in all medical establishments, regardless of their size or location", says Mr. Chernyshov.

The proposed approach is based on a six-dimensional matrix allowing to register all actions and/or lack of actions by physicians and other medical personnel; the system can process various formats of data (images, text, sound). Large-scale introduction of such systems in Ukraine should provide doctors with access to on-line treatment protocols, which will help insured patients to receive medical care anywhere in Ukraine regardless of their place of residence.

Two fundamental factors – computerisation of the healthcare sector and standardisation of quality control – shall help to improve medical services quality and stimulate the development of insurance medicine in Ukraine. Implementation of Ukraine-developed programs together with adaptation of European experience, as well investment at these early stages of structural changes will yield benefits to those pioneering investors want to gain foothold in Ukrainian healthcare market – a market with remarkable potential and bright prospects.

Medical Care Expenditure by Country

	Germany	USA	Poland	Czech Rep	Russia	Ukraine
Population (thsd)	82 167	314 659	38 074	10 369	140 874	45 708
Life expectancy (yrs)	80	79	76	77	68	68
Total expenditure, % GDP	11.3	16.2	7.1	7.6	5.4	7.0
Private expenditure, % of total healthcare expenditure	21.2	51.4	25.4	16.6	35.6	45.3
Private insurance, % of private healthcare expenditure	42.7	69.3	0.0	0.9	11.0	1.9
State expenditure on healthcare, % of total healthcare expenditure	75.7	48.6	68.2	80.2	64.4	54.7
General per-capita expenditure, USD	4 629	7 410	804	1 384	475	180
State per-capita expenditure, USD	3 502	3 602	548	1 110	306	98

Source: WHO, 2009