

CHANGES AND CHALLENGES IN RUSSIAN HEALTHCARE

The face of healthcare in Russia and the rest of the CIS is changing. Dr **Moneesh Arora** explains the challenges of accessing quality treatment and of containing medical costs for expatriates and visitors

The formidable public healthcare system introduced by Joseph Stalin during the communist era was able to deliver low-cost (essentially free) healthcare services to the majority of the Russian population. However, the system started to fall apart in the 1980s with the reform of the post-Soviet era. Since the late 1990s, public healthcare prices have risen dramatically to meet the growing demand of the nation for higher quality medical treatment and to cover basic costs that are not subsidised by the government. This has meant that the best medical treatment is often beyond most ordinary Russian's financial capabilities.

Since 2002, there has been a push for the establishment of a competent, comprehensive private healthcare system in Russia, and this is just starting to bear fruit. The private healthcare system is able to provide high-quality service and treatment options, but these services are much more expensive than those provided by institutions that are (or were) part of the public healthcare infrastructure. Domestic and international health insurance is now being seen as a major force in the market, driven by a demand for access to higher quality healthcare. Expatriates, in particular, are not generally willing to receive treatment at the nation's many public hospitals. For expatriates and visitors, there remains a generalised lack of trust

in the local healthcare system, often compounded by language barriers and cultural differences.

Legislative and bureaucratic hurdles

One of the key concerns about local public hospitals and medical facilities is their willingness and/or ability to accept expatriate patients and work with the international health insurance companies who cover them. Most of the time, local public hospital administrators choose not to conduct business with international insurers or the expatriated individual/group, due to the hospital's inability to overcome the legislative and bureaucratic hurdles involved at both local and state levels. Financial and foreign exchange laws bind local hospitals, plus they only have local-currency bank accounts. Billing agreements with international insurers or expatriates require specifically approved formats and texts as well as registration at local and state administrative offices to explain why these public medical providers will be receiving medical expense payments from abroad. Plus, limited financial and human resources hinder the ability of local public medical facilities to provide quality-assured, professional, evidence-based methods of treatment and medical investigations that are approved at an international level.

In Russia and the rest of the CIS,

the health insurer's first priority is in securing access to medical facilities with a sustainable level of quality for its clients. The insurer has to make sure that it has relationships with a wide range of medical providers (subject to their quality credentials, site inspections and fee structure) and that direct settlement arrangements are in

place. When it comes to agreements with public medical providers, international health insurers need to be flexible enough to come up with direct settlement agreements that recognise and accommodate local legislation and the restrictions that public medical providers face. Private medical providers are much fewer in

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Dmitrey Nadirov,

first deputy director general, Interteach

“There is a lack of managerial experience and practice at the medical facilities, as head physicians (general managers) are doctors and mainly do not have managerial background. Therefore it is problematic for a medical facility to deal with insurance companies and other commercial entities.”

Natalya Butakova,

business development manager, AP Companies

“I have come across several clinics in Russia that would be willing to deal with the complicated paperwork required to process payments from abroad, but they have difficulty understanding such terms as ‘deductible’, ‘co-payment’, ‘co-insurance’ and ‘benefits limit’. They, thus, find it difficult to understand and to work with western insurance companies, as Russian insurance companies work in a very different way. Just recently, I was trying to explain to a dental clinic in Moscow how to bill the insurance company correctly if the treatment is covered at 80 per cent and the total limit for dental treatment is \$2,500: It was nearly impossible to make the clinic understand these methods.”

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number (compared with the number of public hospitals); however, setting up agreements with them is easier – for example, they generally have foreign currency bank accounts.

Containment dilemma and the pendulum of power

After quality, cost containment is the most important factor to consider. Considering the historical background of the Soviet and Post-Soviet medical era, there is no standard, quick-and-easy approach to cost containment in this part of the world. No two nations are exactly alike in how they finance and deliver healthcare. The health infrastructure in Russia and the rest of the CIS has expanded beyond justifiable boundaries and there is a large amount of disparity in terms of services, number of beds and staffing levels across hospitals and clinics. Plus, the continuing existence of parallel health systems sponsored by public and private enterprises and by other ministries (for example, Defence, Interior, and Railways) only exacerbates the issue. A single, unified healthcare structure cannot be put in place when you have large numbers of medical facilities that can only be accessed by specific groups (for example, only defence forces can access the hospitals built by the Defence department). One of the major differences between the cost of care in various nations is the ‘price per unit of care’ within the private sector, which includes physician fees, payment per hospital day and the cost of pharmaceutical drugs. This is because private hospitals in different regions may

healthcare providers are generally keen to have more expatriate/visitor patients, so they don’t want to lose potential patients who are covered by the insurer. The greater the volume of patients that a health insurer sends through the doors of a private medical provider, the greater bargaining power they will have in terms of reducing medical costs. While it’s changing gradually, public healthcare providers remain in a very strong position in the market, due to the fact that they are often able to provide the tertiary care (specialist cancer care, neurosurgery and plastic surgery for example), which most private healthcare providers – who focus on primary and secondary care – cannot. For this reason, many private medical providers are now partnering with their public counterparts so that their private patients can access tertiary care services in public hospitals, yet still be under their own supervision.

Cost containment opportunities

In the private sector, while prices are being controlled to some degree by increasing competition (in part to attract international health insurers and their expatriated members), over-prescription, unnecessary tests and investigations are still a problem. One of the most effective ways that insurers can monitor and address this is by requesting pre-authorization of the more expensive investigations and treatments for any planned hospitalisations. Plus, as local billing for medical treatment is generally done in the native language and



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Natalya Butakova, business development manager, AP Companies

“On the subject of discounts, it is only possible to obtain a discount from a private medical facility, as state facilities have their price lists fixed – sometimes the prices in state facilities are even confirmed by higher government bodies and the hospitals follow these strictly. Conversely, private clinics often offer discounts based on patient numbers received or the volume of money you spend there.”

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“At state medical facilities, doctors and department heads are not compensated/motivated for providing services for the insureds. All the money goes to the medical facility.”

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decide to increase their prices due to a number of factors (such as the rental cost of their premises), even if it brings their treatment costs to a level above the regional norm. In Russia and the CIS, if a private hospital (the seller) can negotiate a contract with an insurer that gives the hospital the reimbursement rate that it wants, then the hospital has market power. However, if the insurer can prevent the hospital from raising its prices by refusing to sign an agreement with them, then the insurer has market power. It’s important to note that private

currency, insurers can also benefit from having the internal expertise to be able to identify exaggerated claims by private hospitals and clinics. This could include hiring claims handlers who speak those languages and who are familiar with the standard costs of medical treatment in that region. Claims handlers can also be assigned to specific regions to build up this level of familiarity. These processes can be applied to both private and public medical providers. Capitation could also be a useful strategy to encourage medical

providers to focus more on cost-control. Capitation, whereby an individual or institutional medical provider is paid a fixed, per capita amount without regard to the actual number or nature of services provided to each patient, shifts the risk from payers to providers. There are a number of other cost containment tools available to international health insurers, and the following, employed by Allianz Worldwide Care, are some examples of these:

- Have regional medical managers to inspect, select and set up direct settlement agreements with appropriate medical providers.
- Case-specific agreements for discounted hospital, physician and/or ancillary services.
- The negotiation of rates and agreements for high-cost, out-of-medical-network cases.
- Timely payment to medical providers for eligible expenses to maintain good long-term relationships.
- Online portal to allow medical providers 24/7 access to data about which treatments are covered per patient (ideally showing remaining

benefit limits in real-time). For the expatriates and visitors who require medical treatment in Russia/ CIS, the most important point is that regardless of the complexity of what’s going on in the background, from the client’s point of view, the insurer must present a process that is seamless, reassuring and simple, combined with easy access to a good quality of medical treatment.

Dr Moneesh Arora is an alumnus of Harvard Medical School, and has over fifteen years of experience as a physician in the field of neurosurgery, neurology, family and emergency medicine. He has spent the last 15 years working in various ‘Western’ medical clinics in Eastern Europe and former CIS countries, and is one of Allianz Worldwide Care’s regional medical directors.

