Reforming voluntary drug insurance in Russian healthcare: does social solidarity matter?

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\textbf{A B S T R A C T}

With low take-up of both private health insurance and the existing public drug reimbursement scheme, it is thought that less than 5% of the Russian population have access to free outpatient drug treatment. This represents a major policy challenge for a country grappling with reforms of its healthcare system and experiencing low or no economic growth and significant associated reductions in spending on social services. In this paper, we draw on data from a 2011 Levada-Center survey to examine the attitudes and social solidarity of the Russian population towards drug policies in general and towards the introduction of a proposed voluntary drug insurance scheme in particular. In addition to being among the first to explore these important questions in the post-Communist setting, we make three important contributions to the emerging policy debates. First, we find that, if introduced immediately and without careful planning and preparation, Russia’s voluntary drug insurance scheme is likely to collapse financially due to the over-representation of high-risk unhealthy individuals opting in to the scheme. Second, the negative attitude of higher income groups towards the redistribution of wealth to the poor may further impede government efforts to introduce voluntary drug insurance. Finally, we argue that Russia currently lacks the breadth and depth of social solidarity necessary for implementing this form of health financing.

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1. Introduction

From the 2010 (2017) ‘Obamacare’ (‘Trumpcare’) reforms in the United States [13], to the 2009 Health reforms in China [39], to the ongoing reforms of the UK health system [16] to the 2009 reforms in the Russian Federation [19], many countries are confronting the challenge of managing social and health risks and balancing those risks against socioeconomic and health inequalities. As austerity and economic slowdown has extended from the 2008 global economic crisis, the challenges have become greater still as the reduced financial scope for health care provision confronts the reality of changing demographics, deteriorating health behaviours and rising costs.

In this context, achieving adequate ‘Health Care for All’ [37] faces obstacles which health financing policies must seek to address. Ultimately, if risks are to be pooled, the healthy must be willing to (at least) subsidise the health care consumed by the less healthy and, if the pooling mechanism is to be progressive and sustainable, then the wealthier must be prepared to subsidise the poor [21]. There is a wide-ranging literature that examines the attitudes of the population to redistribution of this kind. Much of it stems from interest in the typologies of Western European welfare regimes (‘social democratic’, ‘liberal’ and ‘conservative’), their relationship with population attitudes to redistribution [20] and the extent and nature of social solidarity. While the results of this strand of research remain disputed, Russia provides an interesting experiment in which a mixed and rapidly evolving history of socializing forces has served to shape the population’s political and ideological beliefs.

As Russia moves forward with the reform of its health care system, the responsiveness of the population to different risk pooling mechanisms becomes critical and yet little is concretely known concerning the population’s ideas of fairness or attitudes towards redistribution. Our research question directly addresses this gap in the literature by investigating the attitudes and social solidarity of the Russian population towards drug insurance policies in general and towards the introduction of a proposed voluntary drug insur-

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ance system in particular. This is important because, not only are social drug insurance schemes seen by many experts as a promising potential tool for enhancing the breadth, depth and coverage of the pharmaceutical market for outpatient care in emerging economies, but these schemes have also recently been piloted in two Russian regions and a drug insurance bill has been promised [33].

The a priori expectation of the bill’s proponents is that the population’s approval of and therefore willingness to join (WTJ) a drug insurance scheme will be high. However, in emerging and rapidly reforming countries, the distinction between the WTJ a risk pooling scheme and the willingness and/or ability to pay becomes decisive because the WTJ is likely to exceed both the willingness and the ability to pay.

We find that, if introduced immediately and without careful consideration of the context, Russia’s voluntary drug insurance scheme is likely to collapse financially due to the over-representation of high-risk unhealthy individuals opting in to the scheme (adverse selection). Second, within the framework of insurance schemes, we find that the negative attitude of higher income groups towards the redistribution of wealth to the poor will impede government efforts to introduce voluntary drug insurance. Finally, we argue that Russia currently lacks the breadth and depth of social solidarity necessary for implementing this form of health financing.

In section 2 we provide a brief background to Russian drug reimbursement policies. Section 3 summarises our methodological approach, by situating our key variables within the context of the relevant literature and then identifying our main empirically testable hypotheses. Section 4 describes our main results and we then summarise our findings and discuss the policy implications in section 5.

2. The Russian drug reimbursement programme

The health reform debates in economically more advanced countries [28,34] tend to concentrate on curbing the rising costs of existing health provision. In contrast, in the post-communist region, new insurance schemes are being introduced or proposed to increase the participation in and affordability of medical treatment. This is a motivation – to increase uptake – which dominates current discourse within Russian drug insurance reform [33].

Unlike the drug reimbursement systems with universal coverage prevailing in Europe and other western countries, most Russians can rely on drug reimbursement only when staying in public healthcare institutions or, if eligible, through the drug reimbursement program (DRP). The DRP was introduced in 2005 as part of a broader social benefit reform to replace the existing complex practice of state provision of free drugs to people with certain diseases and in certain eligible categories (e.g. war veterans). Those eligible within the DRP had the right to choose between receiving drugs free of charge and the alternative of receiving monthly cash benefits. In 2007-08, this system was developed to encompass two distinct sub-programs. First, the ‘7 nosologies’ sub-program is targeted at patients suffering from 7 specific diseases which require particularly expensive treatment. This program covers a small number of beneficiaries, with estimates suggesting approximately 100,000 participants [6]. The second sub-program is the essential drug reimbursement program (EDRP) which targets others eligible for state aid. As of 2014, around 12 million Russians are eligible for drug coverage within the EDRP, but only 3.7 million elect to receive drugs free of charge, with the remaining 8.3 million opting instead for cash benefits. Overall, it is thought that just 3-4% of the Russian population is in receipt of free outpatient drug treatment [5].

Private drug insurance is not widespread in Russia. Some insurance companies provide drug insurance as an option within a voluntary health insurance agreement, however private medical insurance itself is not yet widely held by individuals and is mostly purchased only by large and successful companies to offer as part of their remuneration packages to staff. Currently only about 4.5-6.2% of Russians, mostly in large cities, are insured under different private insurance plans and not all of these plans necessarily incorporate a drug insurance option [37,4]. In part, this reflects an underdeveloped insurance culture in Russia [22,4] where, outside of compulsory motor vehicle insurance, trust in private insurance remains low but in part it also reflects issues of affordability.

In this context, of seemingly low levels of engagement within the DRP and limited private insurance coverage, it is not unexpected that the affordability of drugs remains problematic for a large proportion of the Russian population. Indeed, according to a VCIOM (Russian Public Opinion Research Center) poll conducted in 2010, the majority of drug consumers (88%) pay for their medications out-of-pocket, with 58% stating that expenditures on drugs are an ‘important part of their budget’ and a further 19% reporting that they are unable to afford the drugs that they need [36]. It comes therefore as no surprise that necessary medications are difficult to obtain and/or sustain for most of the population and that therefore the level of drug consumption in Russia is low by international standards. Of course, there are legitimate concerns that there is over-medicalization in many countries but nevertheless, the low consumption of pharmaceuticals is considered to be a serious problem in Russia, with recent studies [40] arguing both that the average level of expenditures on medicine is low and that it is positively correlated with income. Currently Russia is, respectively, 3 and 5 times behind the average European and US drug consumption rates, while a recent study of 11 middle-income countries found that only Brazil and China have lower per-capita drug consumption than Russia (140 Dollars) at 115 and 38 Dollars, respectively [6].

It is under these circumstances that the Compulsory Medical Insurance (CHI) Fund prepared a draft concept for drug insurance in 2008, proposing a scheme intended to cover all Russian citizens. Although the draft concept was widely criticized, it served as the starting point for further development of the idea of universal drug insurance in Russia. In 2012 the Strategy for Drug Provision of the Russian population until 2025 outlined a transition towards a drug insurance programme for Russia, envisaging a number of pilot voluntary insurance projects in selected Russian regions, during 2015 [12]. Despite the fact that, as of late 2016, only 2 pilot programmes (in Kirov and Omsk) had been launched, in March 2016, the Russian Ministry of Health announced further plans to initiate a drug insurance programme for children below the age of 18. Although, at the time of writing, the precise details of the co-payment arrangements remain unclear [29], the estimated cost of this drug insurance programme is $4billion – an amount that is unlikely to be affordable in the current economic climate.

3. Empirical methods and data

A major potential drawback to voluntary drug insurance schemes is that they are likely to be plagued by problems of adverse selection, in so far as those at greatest risk of making a claim will be more likely to join the scheme. In this regard, health status is likely to be an important predictor of WTJ and WTP [38], studying a voluntary rural mutual health care insurance scheme in China, confirmed this concern, finding that the less healthy were more likely to join. [8,9,26,27] find similar results in the case of India and Palestine respectively.

The level of education is often used as a proxy for familiarity with the health system and, as such, is usually associated with higher WTJ and WTP for medical improvements [41]. However,
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