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## **MECHANISM OF STATE REGULATION OF THE MARKET OF PRIVATE MEDICAL INSTITUTIONS IN UKRAINE**

**Abstract.** *The SWOT-analysis of state regulation of private medical institutions in Ukraine is carried out, the theoretical and methodological scheme of the mechanism and model of state regulation of the market of private medicine of Ukraine is described, the structure of components of the mechanism of state regulation of the market of private medical institutions is outlined. The implementation of the mechanism of state regulation of the market of private medical institutions through the sequence of implementation of certain measures in stages, namely: creation of an effective regulatory framework for the implementation of state programs for the development of the market of private medicine; strengthening the role of the state in the process of regulating the market of private medical institutions; introduction of a system for monitoring the activities of private medical institutions and comprehensive support for the development of the private medical sector. It is stated that the prospects for the development of the market of private medicine depend not only on macroeconomic and social parameters, but also on the policy pursued by the state in the field of reforming the medical sector.*

**Keywords:** *public administration, state regulation, medical institutions, health care, private medicine*

**Problem statement.** In today's world, health is recognized as the highest value and key component of socio-economic development. The key to the well-being of the individual, society and the state is the ability to maintain health and

maintain a healthy lifestyle. That is why one of the main functions of the state is to maintain the health care system at the level necessary to provide the population with medical services, regardless of income level. However, state regulation of health care is an extremely difficult task. This is due to the uniqueness of such a public good as medical services. Despite the reform of the medical sector in Ukraine, which started on January 30, 2018 with the entry into force of the Law of Ukraine "On State Financial Guarantees of Medical Care" did not solve the problem of state regulation of the private sector of the health care system. As the share of the private sector in the modern domestic health care system expands significantly, the role and importance of measures for state regulation of this sector due to the social and political priority of the industry is objectively increasing.

**Analysis of recent research and publications.** An important contribution to the study of public health as a component of human capital was made by the following domestic scientists: O. Hrishnova, V. Yevsyeyev, I. Kurylo, N. Levchuk, E. Libanova, O. Makarova, C. Pyrozhkov, N. Rynhach, A. Serdyuk, V. Steshenko, V. Tarallo and others. The works of such scientists as V. Heyets, I. Lukyanenko, I. Mantsurov, V. Onikiyenko, O. Osaulenko, M. Skrypnychenko, A. Filipenko, etc. are devoted to the issue of complex research of health as a separate factor of economic growth.

**The purpose of the article** is the formation of a mechanism of state regulation of the market of private medicine in Ukraine.

**Presentation of the main research material.** The issue of regulating the market of private medical institutions in Ukraine, recently, given the trend of increasing the number of such institutions, expanding the network of existing ones, has become much more relevant. Private medical institutions in the market of medical services are essentially economic entities, the main purpose of which is to maximize profits, but given the social significance of the product formed by private medical institutions - medical services, public administration faces the task of forming and implementation of effective mechanisms of state regulation of this area, where the interests of consumers of services and private medical institutions

will be identified and maximally balanced. "The issue of non-interference in the economic sphere and market self-regulation was first raised by the father of economics, a representative of classical economic theory - Adam Smith. The English economist believed that the state should have minimal influence on economic activity, which will consist of justice, security, minimum wage, interest rates, etc., so as not to slow down economic growth (wealth). Adam Smith insisted that the economic system has the ability to self-regulate (the "principle of the invisible hand of the market") based on the ratio of supply and demand. In contrast to the classical school of economics and the promotion of the idea of limiting government intervention in the economy, Keynesians and its founder J. Keynes see the need and practical effectiveness of government regulation of economic systems. Such approaches are radically opposite, and despite the strengthening of the neoliberal economic school, in terms of state regulation of the economic system, based on the principles of limiting the influence of the state and narrowing its functions, the practical experience of developed countries shows no models of government in their original form. This is quite logical, because the provision of a socially oriented economy is impossible without state regulation, in turn, objectively there is a problem of determining the limits of state intervention in economic processes [3].

The process of developing mechanisms for state regulation of the private medicine market should be based on complete and reliable information on the state of the realm. The process of conducting an in-depth analysis of the functioning of the private health care sector in Ukraine is quite complicated due to the lack of statistics. State statistics do not collect complete information on the activities of private medical institutions, only fragmentary. Currently, the composition of medical services provided by private medical institutions does not compete with public ones, but only complements them or plays the role of alternatives.

The annual share of private funds in the health care system of Ukraine tends to increase every year. The inconsistency of private and state mechanisms for regulating the system of medical institutions creates numerous corruption dangers.

In addition, payment for medical services does not always guarantee the quality of care received by the patient and does not promote the implementation of the principle of social justice in health care facilities.

In order to assess the state of state regulation of private medical institutions in Ukraine, it is advisable to use the method of SWOT-analysis. The results of the SWOT-analysis allow us to identify areas for improvement and, according to O. Oliinyk & L. Serhiyenko [2] to become the basis for public policy development: “It is reasonable to mention that the answers to the questions (“what can be done?”). “What could be done?”, “What is going to be done?”, “What do others expect?”) Will be mutually connected and depend upon one another that makes it possible to take into account the most complete list of factors and form the rational list of recommendations about the improvement of state administration of regional clusterization processes, and implement in this way circular economy state policy”.

SWOT-analysis of state regulation of private medical institutions in Ukraine is shown in Fig.1.

<b>Strength</b>	<b>Weakness</b>
<ul style="list-style-type: none"> <li>- the possibility of market development;</li> <li>- powerful human resources;</li> <li>- favorable environment;</li> <li>- successful geographical location of the state for the development of medical tourism;</li> <li>- the presence of legislative regulation of certain industries.</li> </ul>	<ul style="list-style-type: none"> <li>- unstable political and economic environment;</li> <li>- lack of legal basis for medical tourism;</li> <li>- lack of trust "doctor-patient";</li> <li>- the need for significant investment;</li> <li>- lack of quality service.</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>- investment in the development of private medicine;</li> <li>- improving the quality of training for the market;</li> <li>- development of certain branches of private medicine;</li> <li>- promotion of medical tourism due to the relatively low cost of medical services.</li> </ul>	<ul style="list-style-type: none"> <li>- deterioration of the political and economic situation in the country;</li> <li>- instability of legislation;</li> <li>- increasing competition within the country;</li> <li>- increasing competition within the industry;</li> <li>- outflow of personnel.</li> </ul>

**Fig. 1. SWOT-analysis of state regulation of private medical institutions in Ukraine**

Among the strengths of state regulation of private medical institutions in Ukraine should be noted:

- the possibility of developing the market of private medical institutions;
- the possibility of forming human resources;
- favorable environment for market development;
- good geographical location of the state, which can promote the development of medical tourism;
- the presence of legislative regulation of certain industries.

Weaknesses of state regulation of private medical institutions in Ukraine are:

- unstable political and economic environment;
- lack of legal basis for medical tourism;
- lack of trust "doctor-patient";
- the need for significant investments for the development of private medical institutions;
- lack of quality service.

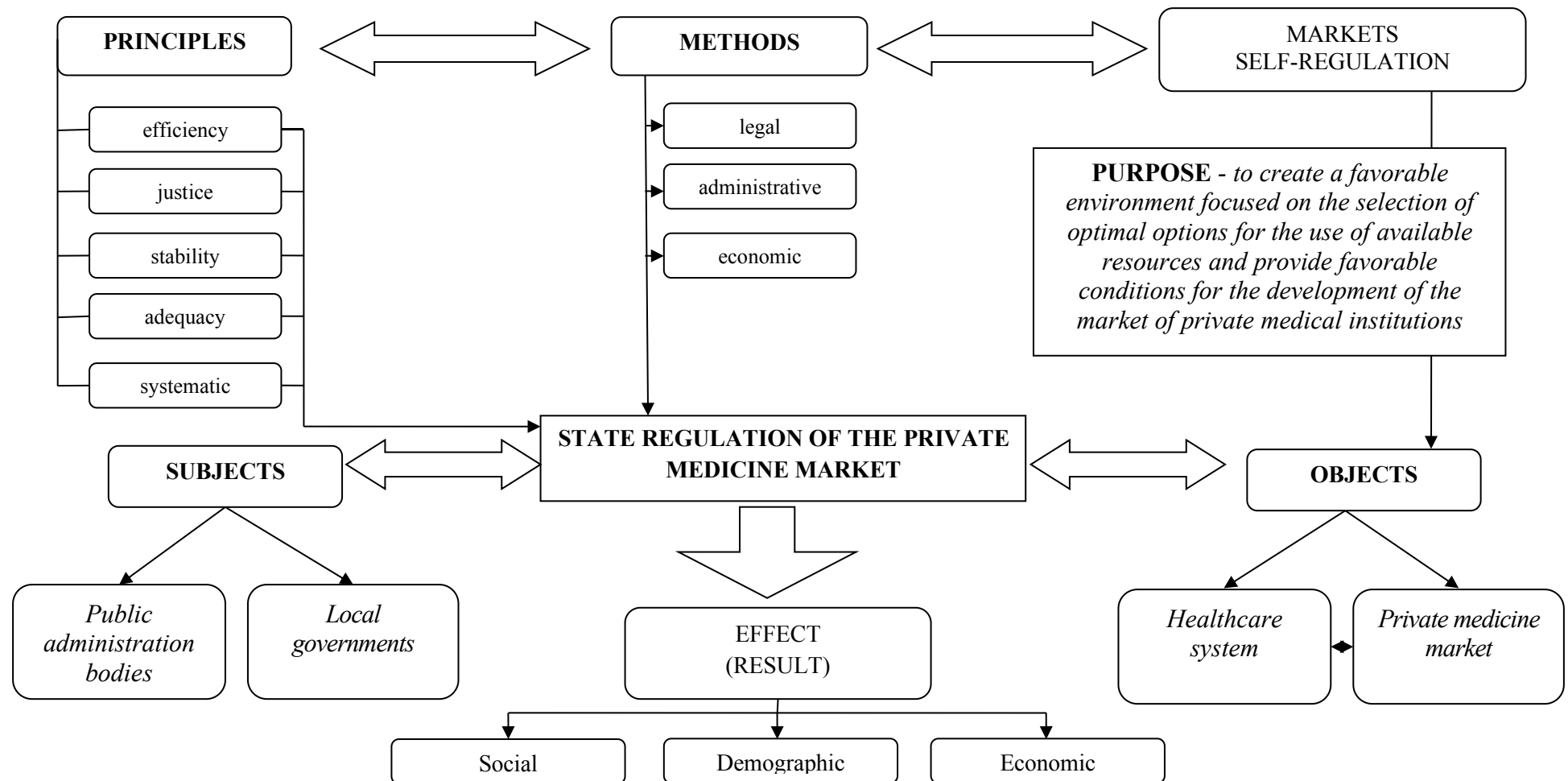
Possibilities of state regulation of private medical institutions in Ukraine can be:

- investment in the development of private medicine;
- improving the quality of training for the market;
- development of certain branches of private medicine;
- promotion of medical tourism due to the relatively low cost of medical services.

Threats to the implementation of state regulation of private medical institutions in Ukraine may be:

- deterioration of the political and economic situation in the country;
- instability of the current regulatory legislation;
- increasing competition within the country;
- increasing competition within the industry;
- outflow of promising medical staff and medical staff abroad.

We characterize the theoretical and methodological scheme of the mechanism of state regulation of the market of private medicine with the help of fig. 2.



**Fig. 2. Theoretical and methodological scheme of the mechanism of state regulation of the market of private medicine**

The strategy of state regulation of the market of private medicine is to create favorable conditions for the development of this market, improve the quality of services provided and increase the life expectancy of citizens.

The purpose of state regulation of the market of private medicine is to create a favorable environment focused on choosing the best options for using available resources and providing favorable conditions for the development of the market of private medical institutions.

The principles of implementation of the mechanism of state regulation of the market of private medicine are proposed:

- ✓ the principle of efficiency, which provides for a mandatory final economic effect of the proposed measures;

- ✓ the principle of justice, which determines the possibility of using certain principles of justice in the implementation process;

- ✓ the principle of stability - provides confidence in the feasibility of the mechanism;

- ✓ the principle of adequacy requires that the system of state regulators and the means of their application reflect the realities of the country's development;

- ✓ the principle of systematization - provides a comprehensive, systematic approach to solving problems.

It is important to define the subjects and objects of state regulation.

The objects of state regulation of the private medicine market are the close relationship between the health care system in general and the private medicine market in particular. Only under the condition of their comprehensive interaction is a real positive result of the implementation of the state mechanism possible.

The subjects of the mechanism of state regulation of the economy are public administration bodies headed by the president, parliament, government and local self-government bodies, which may involve scientific institutions and public organizations in order to solve complex problems and take full account of interests.

The methods of state regulation of the market of private medicine should be considered the ways of state influence in the face of legislative and executive

bodies on private medical institutions in order to create or ensure the conditions of their activities in accordance with national policy.

The state may try to control all processes directly, or it may do so through certain regulatory measures of indirect influence.

The main methods of state regulation of the market of private medicine we see:

- legal;
- administrative;
- economic.

Legal methods are a system of normative legal acts regulating the activities of subjects, ie public administration and local government (decrees of the President of Ukraine, laws of the Verkhovna Rada of Ukraine, resolutions, decisions of the Cabinet of Ministers of Ukraine, regulations of local governments, etc.).

Administrative methods are methods of organizational and administrative action that directly affect the functioning of entities and are used to organize and coordinate the management of private medical institutions.

Economic methods involve the creation of financial (material) incentives by the state that affect the economic interests of private medical institutions and determine their behavior. This can be tax policy, credit policy, financial policy, economic planning and forecasting, etc. [1, p. 208].

The effect (result) from the introduction of this mechanism of state regulation of the market of private medicine will be:

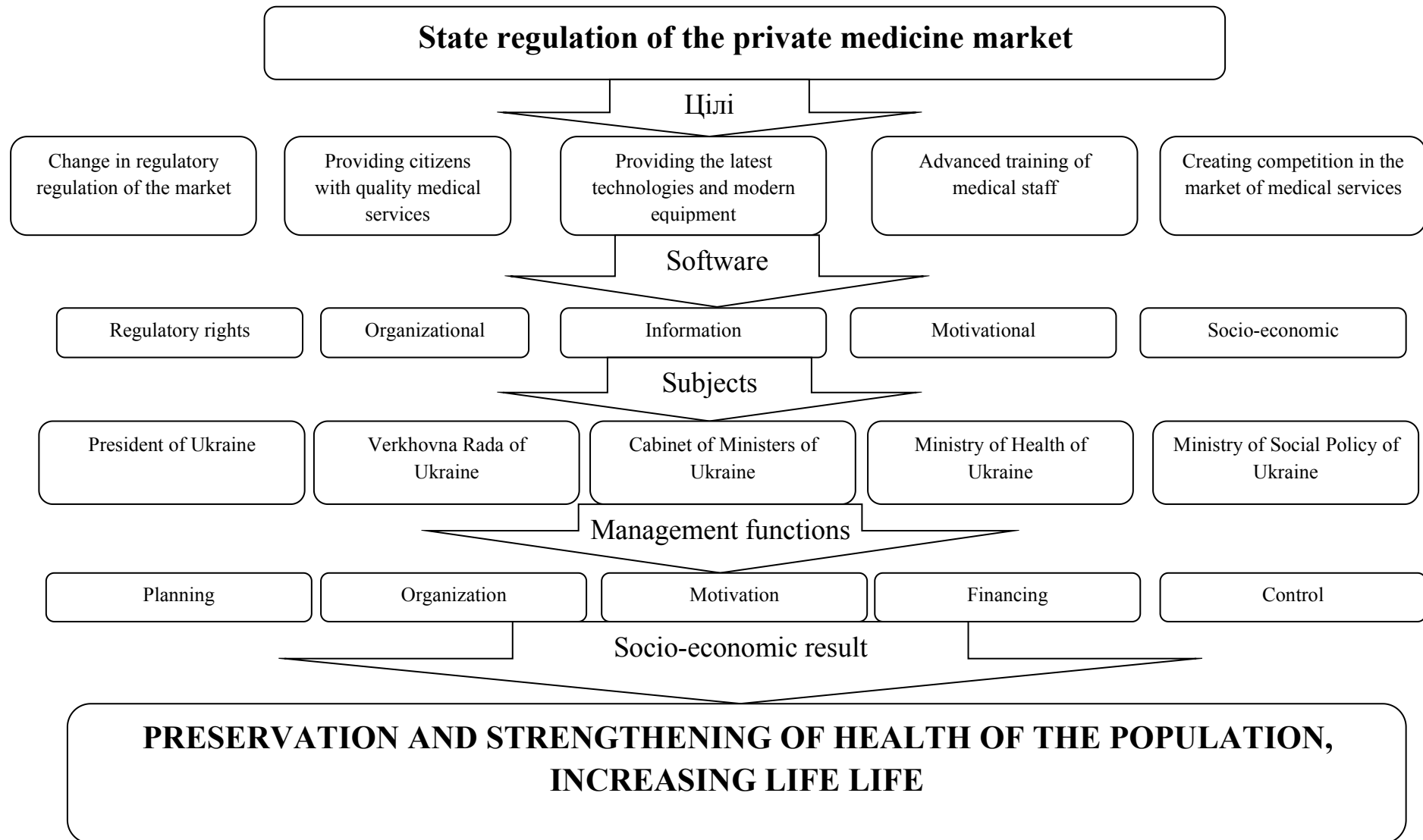
- social effect - improving the quality of life of the population, increasing the level of material support of health care facilities, improving the motivational component for the development of human resources;
- economic effect - the possibility of improving the level of economic development through additional revenues from the efficient operation of private medical institutions,
- demographic effect - an increase in the birth rate with a corresponding decrease in mortality due to improved health.



Since the private health care system participates in the realization of not only private but also public interests, there is a need for state control over the realization of these interests. The main objectives of state regulation of the market of private medicine in Ukraine are:

- balanced development of the infrastructure of the health care system in connection with socio-economic development;
- creating favorable conditions for the development and implementation of innovations in the existing health care system;
- development of competition in the market of private medical services, creation of conditions for fair competition of manufacturers of medical services;
- replacement of the concept of "competition in the market" with the concept of "competition for the market" in segments where excessive competition can be destructive;
- protection of economic interests of users of private medical services and conscientious producers of medical services;
- supporting the possibility of exporting medical services and creating favorable conditions for domestic producers in international markets of medical services;
- support for investment projects, especially important for the elimination of "bottlenecks" in the infrastructure of the private medicine market;
- support for users or manufacturers of medical services in cases where the free market is unable to provide the required volume and quality of services at reasonable prices.

The model of state regulation of the market of private medicine of Ukraine will be presented with the help of fig. 3.



**Fig. 3. Model of state regulation of the market of private medicine of Ukraine**



Among the main objectives of the state regulation of the market of private medicine are:

- change of normative-legal regulation of the market;
- providing citizens with quality medical services;
- provision of the latest technologies and modern equipment;
- advanced training of medical staff;
- creating competition in the market of medical services [4, p.20].

Reforming the market of private medical institutions provides regulatory, organizational, informational, motivational and socio-economic support of this model.

In order to achieve a strategic result from the implementation of these measures, it is advisable to assign to each subject certain tasks:

- The President of Ukraine by his decree must sign the Strategy for the development of private medicine in Ukraine and approve a specific step-by-step action plan for its implementation;

- The Verkhovna Rada of Ukraine, for example, in the form of amendments to the Tax Code to establish tax holidays for private medical institutions at the initial stage of their activities and to regulate surrogacy in Ukraine by adopting relevant legislation;

- The Cabinet of Ministers, for example, should initiate the development and approval of a guaranteed amount of medical services provided to the population (the so-called "basic package of medical care"), which the state guarantees to all its citizens free of charge, and form a list of paid services not included ;

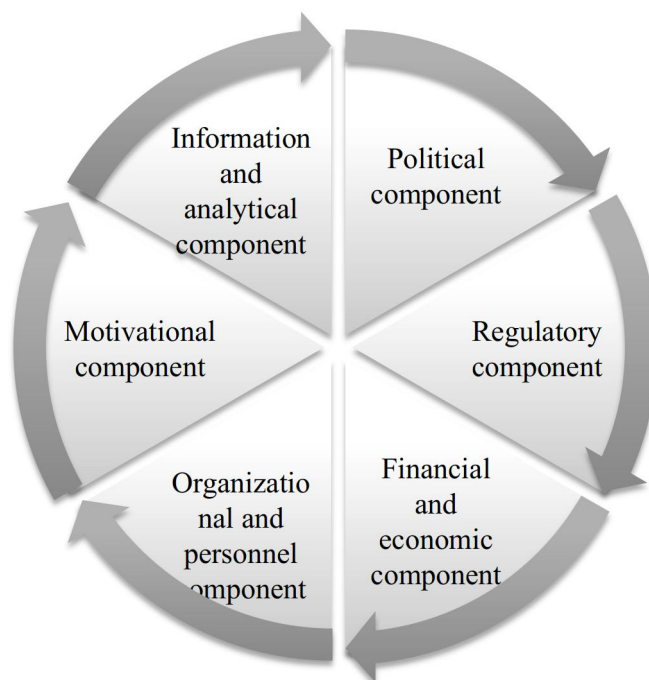
- The Ministry of Health of Ukraine should, for example, develop a sound methodology for calculating the cost of paid services provided by private medical institutions;

- The Ministry of Social Policy of Ukraine should promote the system of voluntary health insurance in order to ensure state social standards and state social guarantees for the population, etc.

The state reform of health care financing and the introduction of a new model

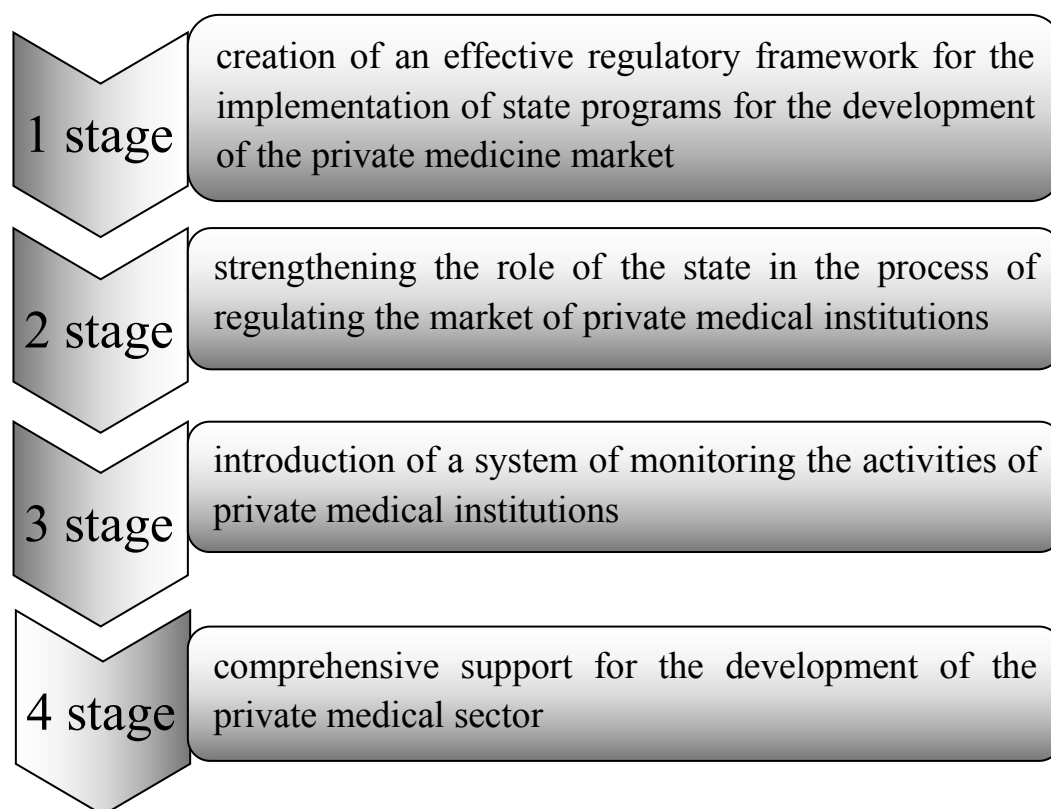
based on the principle of "money follows the patient" has radically changed the approaches and principles of public funding, but has not completely decided the place of private health care in this system of health care financing.

For further development of the market of private medicine it is necessary to clearly involve all components of the mechanism, namely information-analytical, political, normative-legal, financial-economic, organizational-personnel, motivational components (Fig. 4).



**Fig. 4. The structure of the components of the mechanism of state regulation of the market of private medical institutions**

Stages of implementation of the mechanism of state regulation of the market of private medical institutions are presented in Fig.5.



**Fig. 5. Stages of implementation of the mechanism of state regulation of the market of private medical institutions**

As can be seen from Fig. 5 implementation of the mechanism of state regulation of the market of private medical institutions provides for the sequence of implementation of certain measures in stages, namely:

Stage 1 - creation of an effective regulatory framework for the implementation of state programs for the development of the private medicine market;

Stage 2 - strengthening the role of the state in the process of regulating the market of private medical institutions;

Stage 3 - introduction of a system of monitoring the activities of private medical institutions;

Stage 4 - comprehensive support for the development of the private medical sector.

Provided the correct and rational distribution of all necessary types of resources in the consistent process of state regulation of the market of private medical institutions, positive changes in the development of the market of private medicine in Ukraine are guaranteed.

**Conclusions and suggestions.** The reform of the market of private medical services should begin with concrete proposals for the creation of a nationwide system of private medicine with the maintenance of a nationwide Register of private medicine, pharmacy and manufacturers of goods and medical devices.

In addition, a program to introduce compulsory health insurance in Ukraine, which would improve the conditions for the development of the private medical sector, needs to be implemented. Although there were attempts to introduce it among lawmakers, they remained unrealized projects. In addition, it is necessary to determine the place of private medical institutions in the general system of compulsory health insurance and to establish the conditions for their participation in compulsory health insurance.

It is also necessary to determine the cost of medical services provided with a mandatory justification of the method of its formation.

In addition, the implementation of the system of standardization of medical services provided according to European principles and world standards is an urgent task for the implementation of the mechanism of state regulation of the market of private medical institutions. Of course, you need to realize that this procedure will be long and will require a lot of financial resources, but any attempt is still better than not.

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