

The private healthcare market has been developing in Russia for almost 20 years. Within the framework of general Russian reforms launched in 1992 state healthcare model had been also radically transformed. The terms and conditions of providing chargeable medical services to the population are regulated by the Government Order dated January 13, 1996 № 27 «On Approval of Rules of providing paid medical services to the population by healthcare institutions».

The private healthcare market is divided into three segments: payments to medical organization (commercial medicine), private health insurance (PHI) and undocumented payments (“shadow market”), e.g., so-called “tokens of gratitude” for medical staff. Meanwhile, the breakdown among these segments is uneven and it often has just an estimative character because of lack of precise data regarding the size of “shadow” market. According to various estimations, it varies between 20 and 50% of the whole sales turnover of the private healthcare market. According to BusinessStat, a market research agency, the size of the “shadow” market was 92, 5 bln.rub. at least in 2008, when the whole private healthcare market totaled to 468 bln.rub. Discovery Research Group estimated this market from 468 bln.rub. to 800 bln.rub. GKS put the size of the market at 207,3 bln.rub.(see Figure 1). At the same time, most experts share the same attitude towards market growth rate during past decade, estimating it at 25-27%.

Russian private healthcare market is very low – it makes only 5% of the total number of medical organizations. The rest 95% is the governmental sector which also provides paid medical services. The governmental sector offers the medical services that are cheaper compared to private organisations. So, government clinics control the biggest share of the low-price segment, because they can render medical services by dumping prices. Private clinics control a major share of the elite clientele segment (plastic surgery, cosmetology) and some kinds of medical services which quality is better at the commercial segment (dental care, gynecology and urology). Russian private medical organisations offer at least 34 kinds of medical services, but only four of these items share 96% of the total commercial segment. Dental care is the fastest growing service, it market size is 60%. Then follow gynecological services (20%), diagnostic services (10%) and cosmetology (6%).

The private health insurance (PHI) is the next segment of private healthcare market. Since 2000 this segment has shown rapid growth (25-30%), it has increased from 12 bln. rub. in 2000 to 73 bln. rub. in 2008. The biggest part of this segment consists of corporate clients who make 90-95% of this market. Individuals also use the private healthcare insurance, but they have different set of preferences. (see Table).

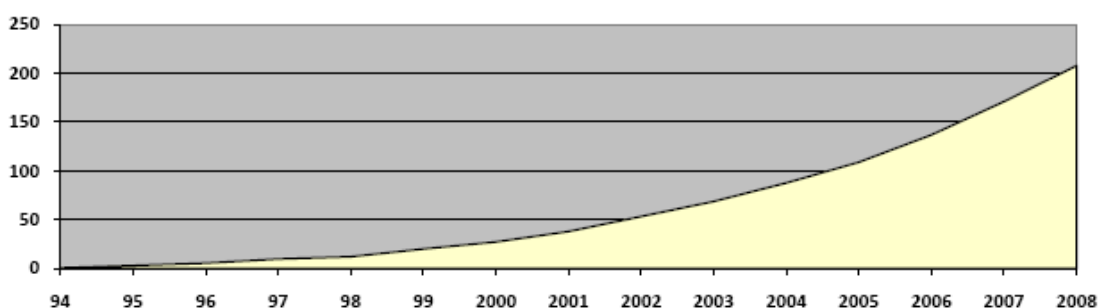


Figure 1: The private healthcare market in Russia (bln RUB). Source: author calculated on the basis of GKS data.

There are several reasons for this trend. Firstly, it is the price rise: since 2000, the price index for medical services has been higher than the inflation. Secondly, year after year the accessibility and the quality of free medical care have been decreasing. As a result, people who can afford it prefer to use private healthcare. The lion's share of the private healthcare services is provided in the two capitals: Moscow (market size is 35%) and St. Petersburg (6%), so far as they have larger populations and higher level of demand for medical services.

Despite of the high growth in commercial segment of healthcare, the share of private medical organizations in the

Generally, the private healthcare insurance is aimed at the ambulatory care; about one-tenth insured people have access to hospital care. PHI policies don't insure oncology diseases, congenital disorders, HIV/AIDS and addictions. Sometimes employers cover only part of PHI cost, with other part paid by workers themselves.

Due to the crisis, this segment had demonstrated a sizable decline; it decreased on 7% in 2009. The recession has caused reduction of demand for private medical policies. Employers have optimised costs by revising insurance programs and searching for cheaper offers. However, companies haven't left this market

## PRIVATE HEALTHCARE IN RUSSIA: PROBLEMS AND PROSPECTS

Table: Differences between corporate and individual segments in PHI

Kind of medical services	Corporate clients	Individual clients
Ambulatory care	always	very often
Hospital care	almost always	almost always
Dental care	often	often
Ambulance	often	sometimes
Pregnancy care and Obstetric care	rarely	sometimes
Sanatorium/resort treatment	sometimes	rarely

*Source: Shishkin S. Popovich L. The Analysis of the Prospects for Private Financing of Healthcare. M, 2009*

totally, as far as there is an important instrument of personal stimulation. Meanwhile, despite of reduction of private healthcare insurance market the number of healthcare visits per capita has risen by about 20% in 2009. People have more free time to visit doctors with their private medical policies; anticipating the possibility of losing jobs some people try to use existing opportunities beforehand. This was another reason for income reduction in this segment in 2009.

So, in the coming years, the Russian private healthcare market probably will not develop as rapidly as it did in previous decade. According to Ministry of health and social development data, the market will at best grow by 12% per year in comparing with the previous decade when the

growth was 25-27% in average per year. Nevertheless, the future of private healthcare seems relatively secure while there is an underfunding of the public system and a demand from the public for a more modern and affordable medical services is continuing to increase. ■

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