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NATIONAL AND GEOPOLITICAL ASPECTS

Collective monograph

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PREFACE

In the early 21st century, the world faces with cardinal transformations accompanied by changes in geopolitical configurations, integration processes and other changes that affect the state of national and geopolitical security. The events of the last decade have revealed an exacerbation of the problems of global security and the ambiguous impact of the processes of globalization on the development of different countries. Under the circumstances, the rivalry between the leading countries for redistribution of spheres of influence is stirring up and the threat of the use of force methods in sorting out differences between them is increasing. The global escalation of terrorism has become real, the flow of illegal migration and the probability of the emergence of new nuclear states are steadily increasing, and international organized crime is becoming a threat. In addition, in many countries there is an exacerbation of socio-political and socio-economic problems that are transforming into armed conflicts, the escalation of which is a real threat to international peace and stability. These and other factors have led to the fact that the potential of threats to global and national security has reached a level where, without developing a system state policy to protect national interests and appropriate mechanisms of its implementation, there may be a question of the existence of individual countries as sovereign states.

The threat of danger is an immanent, integral component of the process of civilization advancement, which has its stages, parameters and specific nature. Obviously, the problem of security in general, and national one in particular, should be objectively considered in terms of its role participation in the development process, that is, to set it up as both destructive and constructive functions (as regards the latter, it is necessary to emphasize the undeniable fact that the phenomenon of safety is based on counteraction to the phenomena of danger, the necessity of protection from which exactly stimulates the process of accelerating the search for effective mechanisms of counteraction).

The formation of new integration economic relations in Ukraine and the intensification of competition objectively force managers of all levels to change radically the spectrum of views on the processes of formation and implementation of the security management system in unstable external environment that is hard to predict. Today, the main task is to adapt not to changes in market conditions of operation, but to the speed of these changes. In this regard, there is a need to develop effective security management mechanisms that are capable of responding adequately and in due time to changes both in the internal and external environment. Therefore, this problem is being paid more attention in theoretical research works of scientists and practical activity of business entities.

Taking into account the fact that the traditional means of national and geopolitical security as a mechanism in its various models, forms, systems have reached their limits, since they do not contribute to solving the problems of globalization of the

civilization development, there is an objective need to form a paradigm of security management in the 21st century, which aims to confront destruction processes; to harmonize activities of socio-economic systems: society, organization, the state, the world. The joint monograph "The Security of the 21st Century: National and Geopolitical Aspects" is devoted to these and other problems. The progress in the development of the theory of security management on the basis of the analysis of theoretical and methodological works of scientists and the experience of skilled workers presented in the joint monograph creates opportunities for the practical use of the accumulated experience, and their implementation should become the basis for choosing the focus for further research aimed at improving the security management system at the national and international levels. In the joint monograph, considerable attention is paid to solving practical problems connected with the formation of the organizational and legal mechanism of organization of the security system in terms of globalization by developing methods, principles, levers and tools of management taking into account modern scientific approaches.

In the monograph, the research results and scientific viewpoints of the authors of different countries are presented in connection with the following aspects of security management: national security, food, environmental and biological security, economic and financial security, social security, personnel and education security, technological and energy security, information and cyber security, geopolitical security.

The authors have performed a very wide range of tasks – from the formation of conceptual principles of security management at the micro, macro and world levels to the applied aspects of management of individual components of national security.

The monograph "The Security of the 21st Century: National and Geopolitical Aspects" consists of five parts and 70 subparts, each of which is a logical consideration of the common problem.

The structure of the monograph, namely the presence of particular parts, helps to focus on the conceptual issues of the formation and development of national, economic, financial, social, food, environmental, biological, personnel, educational, technological, energy, information, geopolitical security, and problems of the maintenance of the practical process of application of the developed cases.

The joint monograph is prepared in the context of three research topics: "National security management in terms of globalization challenges: macro, micro, regional and industry levels" (State registration number 0118U005209); "Macroeconomic planning and management of the higher education system of Ukraine: philosophy and methodology" (State registration number 117U002531); "Business security: national and global aspects" (Protocol 2-19 of January 30, 2019, Information Systems Management University, Latvia), which emphasizes not only scientific but also practical focus.

The results of the research works presented in the joint monograph have a research and practice value.

The advantage of the joint monograph is the system and logic of the structure, the simplicity and accessibility of the material presentation, the presence of examples and illustrations.

We believe that the monograph will become one more step towards a scientific solution of the problems concerning the formation of an effective system of security management under trying circumstances of globalization.

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CONTENT

FINANCING OF UKRAINIAN HEALTHCARE SYSTEM WITHIN THE ECONOMIC SECURITY OF A COUNTRY

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Health care is a system of socio-economic and medical activities, directed at the prevention of health loss and its resumption, sanitation of environment, improvement of living and labour conditions, maintenance and improvement of health of a society and its member with a purpose to ensure harmonious development of human physical and spiritual strengths, reaching the high level of work capacity and life expectancy. Main function of health care, particularly, is social one, but upon its operation directly depends the level of labour productiveness and the prospects of socio-economic development of the country. Health care is one of the main factors, which form the economic security of the country.

Medical care belongs to the most important types of social services, directed at addressing the basic needs of society. In accordance with Ukrainian law, each member of a society, regardless of the income level, has an equal access to the health care, and financial policy in healthcare field should provide a warranty of its high quality. And although the health status depends of the way of life, environment and heredity for 90 per cent, and only for 10 per cent on the development level of healthcare system, nevertheless, inadequate financing of this branch is one of the factors of low rates of its development. Thus, search of the new financial resources for health care and new financial mechanisms is not only the calling of our time, but also the issue of the national security.

Ukraine faces a number of challenges in respect to its health care services. The reform of Ukrainian healthcare sectors is taking place and it includes the following:

a) alterations to the financing system;
b) the introduction of a minimum guaranteed package of services;
c) changing the way resources are allocated;
d) increasing the role of the private sector;
e) restructuring the primary and secondary care delivery system.

One of the characteristics of the Ukrainian healthcare system is inadequate public sector financing and high levels of informal payments. Health expenditure has therefore become a significant poverty risk factor. In an attempt to address this situation, several new sources of financing have been proposed in the frameworks of the current health care reformation.

The key features of a current reformation of financing in Ukrainian healthcare sector:

1. Government guaranteed healthcare benefit package. Instead of declaring that all health care is provided free of charge, the government clearly undertakes to provide the determined scope of healthcare. People know what exactly they can receive free of charge, and what they need to pay for – how much, in what way, and under what terms (an official, simple, and clear co-payment system). Health services within the guaranteed benefit package are rendered by the healthcare providers of all ownership types that receive a payment from the single national purchaser for the rendered services. The outcome of this step are: (a) limited resources are allocated for the guaranteed health services; (b) out-of-pocket payments shrink; (c) quality of health care and mutual responsibility of patients and doctors enhance; (d) the level of financial protection of individuals in case of a disease increases.

2. The single national healthcare purchaser. A new model of relations without a conflict of interest operates within the system – delineation of the purchaser (a payer) and the healthcare provider (autonomous healthcare facilities). Funds for the guaranteed benefit package are pooled in a unified national fund. A uniform space of healthcare facilities is created. Artificial boundaries between budgets of regions, cities are erased. The government pays for services where they are received by the patient (the exterritoriality). The outcome of this step are: (a) competition arises on the health market; (b) contractual relationship of the purchaser and the healthcare provider is introduced; (c) public spending is more efficient; (d) the patient is free to choose any facility and doctor; (e) transparency and accountability of public spending increase.

3. New mechanisms of payment for health services (the money follows the patient principle). The government refuses to maintain and upkeep the healthcare facilities infrastructure through itemized budget financing. It makes a gradual switch to paying healthcare facilities for the actual services rendered to patients. The outcome of this step are: (a) incentives arise for healthcare facilities to enhance the quality and become efficient; (b) quality enhances and conditions of services delivery get improved; (c) revenues of health professionals rise.

4. A stronger role of communities. New roles of the central government and local authorities. Communities act as founders and owners of efficient competitive healthcare facilities selling services to the government, insurance companies, and individuals on the uniform market of health services. The government – as the purchaser (on a competitive basis) of the scope of services guaranteed for each and every citizen. Community residents have leverage to control quality of health services provided. The outcome of this step are: (a) interrelation between the government, the community, and patients gets healthier; (b) healthcare functions of the government and communities are clearly segregated, overlapping of their functions disappears. Management of healthcare facilities is decentralized.

The Reform aims at solving the key problem of healthcare funding, specifically the inefficiency of public spending and its consequences: the individuals' need to «additionally finance» the system on their own, the unfair allocation of funds and

health services, the lack of individuals' financial protection in case of disease, the low revenues of healthcare professionals, and the lack of necessary resources where the patients needs that.

These reforms include changes in two other components of the financing function, i.e. funds pooling and health services purchase (funds allocation). It is their imperfection that brings about most problems in the healthcare financing.

In Ukraine, funds for healthcare financing that are collected through general taxes, are accumulated in the state budget and divided in two parts. One of them (the lesser) is allocated to financing national programs and national healthcare facilities that are centrally subordinated.

The other (bigger) part is allocated between the region budgets and budgets of cities in the form of a healthcare subvention based on the formula set out by the Cabinet of Ministers of Ukraine. Starting from 2016, it is also allocated between budgets of unified territorial communities.

The system of funds allocation among them as prescribed by the Budget Code adheres to the solidarity principle, as it uses the financial standard of budget provision which is uniform for the whole country.

However, the diffusion of funds among hundreds of local budgets (in 2016 there are 793 of them: region, city budgets, and those of unified territorial communities) along with the imperfection of subsequent allocation of funds between healthcare facilities neutralizes this positive accomplishment.

Funds from local budgets are spent on the infrastructure but not on the actual services for patients. Under such conditions, healthcare facilities, whatever their quality is, transform into monopolies and have no incentives to reduce unnecessary capacities or increase efficiency and quality. Services of facilities with different subordination often overlap, but the system has no incentives to optimize them: if hospital capacities in one place are reduced, this will not result in transfer of funds to the other place – the budget of the former facility will just get reduced.

The solution was offered to create the system of the single national purchaser of health services. Along with granting autonomy to public healthcare facilities, this will let create a single market of health services (the uniform healthcare space) where the government, insurance companies, local budgets, and individuals will be able to purchase services from independent healthcare providers of all the ownership types. Moreover, the government will pay for the clearly specified guaranteed benefit package of health services free of charge for individuals, and the healthcare provider will compete for these funds. Services beyond the guaranteed package can be paid for by individuals directly or by means of the voluntary health insurance.

In all developed countries and in most developing countries the government-funded health services are purchased based on the model of active (strategic) purchase. The purchaser (the state represented by healthcare management authorities or the state insurance fund) spends the taxpayers' money when buying services and drugs from healthcare facilities, doctors, and pharmacies using public contracts.

This model is not used in Ukraine, although it has been formally permitted by the law since 2000.

In Ukraine, healthcare facilities are mainly government-funded: they get money from the respective budget (of the oblast, city, raion, and starting from 2016 – also from budgets of unified territorial communities) based on the itemized budget of their expenditures. In this case, the quality and quantity of services or performance of facilities is not actually important.

Therefore, the main problem is that the taxpayers' money is spent on resources (maintenance and upkeeping of hospital buildings, salary for their employees, etc.), but not on health services needed by individuals. Under such conditions, it's expedient for doctors to maintain and upkeep the swollen infrastructure (it is the infrastructure that is a ground for the extent of facility financing), while quality or efficiency is not the priority. As a result, Ukraine ranks second in Europe by the number of hospital beds (8.8 per 1,000 people in 2013) and the length of stay which is 1.5 times higher than in the EU (11.8 days at average, where in the EU it is 8). However, Ukraine has the lowest in Europe index of people's satisfaction with the health system and one of the worst indicators of the population's health in the European area.

The reform in this area insists on allocating public funds from the infrastructure maintenance to the purchase of health services directly needed by the people. The maintenance of facilities' infrastructure becomes the issue for their owners and management: facilities competing for money of the government, local budgets, insurance companies, and individuals cover their expenses and earn funds for their development. Formally, the law stipulates the ability to purchase health services. However, there is no clearly specified scope of government guarantees on delivery of free healthcare. This makes it impossible to formulate the item of such purchase: what exactly we need to purchase out of public funds, and what for people have to pay in full (or partially).

That's why the Concept suggests launching the government-guaranteed healthcare benefit package in Ukraine in the first place. It will be subject to contractual relations between the government (the single national purchaser of health services) and healthcare facilities.

Secondly, the Concept prescribes the introduction of new methods of performance-based payment to providers – which means paying for the services on the «money follows the patient» basis.

The new funding model is based on the following principles:

1. Financial protection. No one should face devastating expenses in case of disease or refuse from required healthcare due to inability to pay for it at the moment of receipt.

2. Fair access to healthcare. The government-guaranteed services are accessible by everyone in need, regardless of health condition and financial solvency.

3. Honesty, openness, and balance in key decision-making on allocation of

budget funds for healthcare: who exactly receives the services, what exactly those services are and for what price.

4. Transparency and accountability. Zero-tolerance for corruption. Understanding commitments of all parties, openness in public funds use.

5. Efficiency that means higher performance for all the system participants per each hryvnia spent. It is about better quality and accessibility of services for patients, better working conditions and income for doctors, efficient public spending for taxpayers.

6. Providers' competition as the tool for efficient and increasing quality of healthcare. Involvement of providers of all the ownership types and their fair competition creates the motivation to render top-quality services, to introduce their scientifically grounded and cost-effective methods of work, to ensure compliance with the clinical protocols and professional standards.

7. Predictability of the amount of funds for health services in the state budget which is possible on a condition of full strategic planning of healthcare and expenditures on it.

Single national healthcare purchaser. To order the government-guaranteed healthcare benefit package on behalf of individuals from healthcare facilities, the system of the single national purchaser will come into being. The single national purchaser is an independent institution acting for the patients' interests and purchasing health services from the single national pool of funds based on uniform basic tariffs and quality requirements. This ensures fair allocation of funds and uniform services throughout the country.

The best option for Ukraine is to create the National Agency for Healthcare Financing (NAHF) within the current model of money collection from general taxes. The NAHF and its regional offices contract healthcare providers of all the ownership levels and types in order to purchase health services within the GGBP. For the sake of efficiency of purchase, new mechanisms are launched for paying healthcare providers for actual performance (see the section below).

Following the principle of segregation of functions of the healthcare purchaser and provider, the NAHF as the purchaser doesn't own or manage healthcare facilities. Therefore, there is elimination of the longstanding conflict of interest, where the facility is funded from the budget of the authority it is subordinated to. The key term here is to grant the financial and management autonomy to the healthcare facilities that the NAHF enters into contracts directly (see the section below).

This one-channel financing through the NAHF naturally solves the problem of excessive fragmentation of the healthcare budgets. In Ukraine, the patient pathway inside the loop of healthcare lies not just between different facilities, but also between different budgets, all of which are the closed «healthcare subsystems» (the one of region, city), isolated from other similar subsystems. The reform prescribed herein eradicates artificial borders between them and creates the single healthcare market (the uniform healthcare space) which involves all the providers to which

patients refer – including private facilities and pharmacies.

New mechanisms of the healthcare payment: money follows the patient. The guaranteed healthcare benefit package and the single national purchaser make the actual sense due to introduction of the third element of the reform – the refusal to fund facilities based on the itemized budget (infrastructure maintenance and upkeeping) and the transition to payments to the healthcare provider based on the services actually provided (paying for the result).

This requires the following pre-conditions:

- payment for the pre-approved outcomes (thus, it requires an agreement/ contract setting the task for the contractor – the healthcare provider);
- the provider's autonomy (the healthcare provider (the contractor) decides on its own how its work should be arranged to provide the outcomes prescribed by the agreement);
- the independent inspection being the payment trigger (it requires the independent payer agent conducting such inspection).

As international best practices evidence, different payment methods are used for different types of care due to their peculiarities. They are designed to encourage healthcare providers to be as patient-oriented as possible, while securing effectiveness of their costs and care delivery.

For primary care, the mixed payment method is introduced based on the risk-adjusted capitation rate. This standard rate is supplemented with extra charges for service quality and reaching some important parameters (specifically, the vaccination coverage, quitting smoking and other bad habits, blood pressure control, etc.), fees for some services, the increased extents of which are determined by national priorities, etc. At first, the simple formula is used to identify the standard rate per capita, age and gender factors. Then other adjustments are gradually added to this formula to make the payment method as nonbiased and fair as possible. The framework of mixed payments is always adapted to the changing conditions.

For specialized outpatient care, different payment methods are used subject to the service type: capitation, fee for service, or fee for the treated case (for services close to the inpatient care, such as a one-day surgery).

For inpatient care, the method of financing banks on diagnosis-related groups (DRG) based payment for the treated case is used. Initially, this methodology will be launched in a range of pilot hospitals. Following them, new approaches will be used for collecting data on treated cases, coding them into diagnostically related groups and analyzing costs related to each case. As a result of this pilot,14 the logics of grouping cases of inpatient care using DRGs will be adjusted to the Ukrainian peculiarities. The data array will be also provided that is required to develop the one-fit-all baseline tariffs for paying for treated cases for each DRG.

Subsequently, DRG-based payment for inpatient care will be gradually introduced in all the other hospitals of Ukraine. The launch of this methodology is a complex and long process, its implementation can take several years, as evidenced

by the experience of other countries. Therefore, at the initial stage of the reform, until transition to the payment of inpatient care by means of the GGBP, the hospitals will be funded by means of the global budget specifying the scope of services and relevant performance indicators for these facilities.

Preparation and implementation of financing of primary care and part of specialized outpatient care based on capitation payment and global budget hospitals financing will begin in the near term, no later than the beginning of the next fiscal year.

Autonomy of healthcare facilities (delineation of the purchaser and the provider). The upgrade of the health financing system as suggested herein is based on the model of the balanced «consumer - purchaser - provider» triangle accepted in advanced countries. In Ukraine, this relationship model is malformed: in fact there is no service purchaser, it is combined with the provider (the state owns healthcare facilities and ensures its financial support). This creates the conflict of interest and leads to extremely low performance and significant national healthcare spending. As the reform includes creating the autonomous national healthcare purchaser, this implies occurrence of the autonomous providers selling health services to the former based on contracts.

For this, granting of the financial and management autonomy to all the state-funded facilities (other than rare exceptions) should be secured as soon as possible (during 2016) by their transformation into state-owned and communal non-commercial companies. Right after the autonomy is granted, the facilities should switch to contractual relations with budget spending units (and further – with the NAHF) using the global budget mechanism (until the new methods of health services payment as described above are introduced).

At primary care, the autonomization process may be accelerated through the doctors' wide use of the generally accepted approach of private practice-based work.

Ukraine faces a number of challenges in respect to its health care services. While the intention of the paper was to comment upon some of the matters and options being contemplated and in other instances simply to raise awareness it is apparent that, notwithstanding the imperative to address the issue of the constraining nature of Article 49, certain initiatives could be commenced now which would assist the longer term health reform requirement.

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