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Sustaining Momentum for Reform

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Ukraine’s headline-grabbers usually center around macroeconomic stability, corruption, and the ongoing conflict in the East. For the last year, however, an important linchpin of reform—the health sector—has been the subject of intense new development and debate across Ukraine. Current plans for comprehensive health reform transcend the interests of doctors and hospitals; key players in the Ukrainian government recognize that they’re a matter of national stability and citizen confidence in the benefits of Western-oriented institutions and norms. Ukraine is the last of the post-socialist countries to cast off the burden of inefficient, low-quality, Soviet-style medicine. Providing every Ukrainian with affordable access to high-quality health care is foundational for the country’s democratic trajectory and movement toward European integration.

International backing has been, and continues to be, essential. The United States Agency for International Development (USAID) has been supporting infectious disease control projects in Ukraine since 2000, and its more recent contributions to the proposed health laws have been indispensable. There are threats, however, to slash the overall U.S. aid budget to Ukraine by nearly 70 percent, and global health assistance to the country by more than half. The timing couldn’t be worse. Support for Ukraine’s health reforms, helping to cement Ukraine’s European identity, buttresses a key ally on Russia’s doorstep and advances U.S. geopolitical interests across the region. It strengthens health security by mitigating risks of dangerous outbreaks. Ukraine, right now, has a narrow window of opportunity to bring this crucial area of public services up to European standards. The international community shouldn’t let it down.

Health Status: The Background

Ukraine shares demographic patterns with other countries in its neighborhood: significant outmigration (exacerbated by the fighting in the Donbass), aging, an ongoing rural-to-urban exodus, and high burden of noncommunicable disease. It has one of the highest mortality

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rates in the world. Annually, about 135,000 Ukrainians die of preventable causes. The vast majority of this “excess mortality” impacts people of working age, with significant implications for labor force size and productivity.

Immunization rates remain low. Although polio coverage has improved after a three-round vaccination campaign in response to two cases of vaccine-derived polio in 2015–2016, only 30 percent of children in Ukraine are fully immunized against measles, 10 percent against hepatitis B, and 3 percent against diphtheria, pertussis, and tetanus. This translates, shamefully, into some of the worst coverage in the world. Seventy percent of the 473 Ukrainians who contracted measles in June 2017 were children and teenagers.

HIV, tuberculosis, and hepatitis C infection rates are high. HIV prevalence is around 0.9 percent. The number of newly registered HIV cases increased by 8 percent from 2015 to 2016, and AIDS-related deaths were up by 7 percent—over half due to tuberculosis. Ukraine has the fifth-largest burden of multidrug-resistant (MDR)-TB in the world, with drug-resistant strains in every fourth newly diagnosed case of TB. Cure rates are the worst in Europe, at about 71 percent of new cases and 39 percent of MDR-TB cases. Absent consistent attention to surveillance, diagnosis, and treatment adherence, Ukraine’s MDR-TB has nontrivial potential to spread across borders. One important bright spot: Ukraine had zero cases of mother-to-child transmission of HIV in 2016.

The East

The World Health Organization’s (WHO) December 2016 situation report chronicles heavy damage to health infrastructure in nongovernment-controlled areas (Luhansk and Donetsk). About half of the 340 health facilities in the direct conflict area have been shelled, with 32 sustaining severe damage. On-duty health personnel have come under systematic attack. Drugs to treat diabetes, cancer, heart and kidney disease, and other chronic conditions are in short supply. Basic health data are nonexistent or unreliable.

Humanitarian assistance convoys often take weeks to reach their destinations. Projects are being implemented by the United Nations and other agencies, but the challenges are considerable. The de facto authorities in these areas, while reluctant to admit the existence of health problems, will accept help—but only if there’s no paper trail. On-the-ground partners change as nongovernmental organizations fall in and out of favor.

Even prior to the conflict, the Donetsk and Luhansk regions had some of the country’s highest prevalence of HIV and tuberculosis. When treatment for these infections was interrupted in late 2014, clinics used remaining stocks until the Global Fund stepped in with emergency humanitarian assistance. Where antiretroviral drugs are available, in many areas

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diagnostic equipment for measuring viral load and CD4 count is not. State-financed HIV and TB services in government-controlled areas in the eastern part of the country are overwhelmed with new patients arriving from rebel-held territory. There are legitimate concerns that the ongoing conflict will aggravate the challenge of multidrug-resistant TB.7

The HIV epidemic is primarily driven by injection drug use. Throughout government-controlled Ukraine, clean injection equipment can be purchased in pharmacies, and the International HIV/AIDS Alliance in Ukraine runs over 1,600 free exchange points. But drug rehabilitation centers and needle-exchange programs have been shuttered in rebel-held areas, driving addicts to reuse or share needles. Substitution therapy is formally banned in Luhansk, and while technically permitted in Donetsk, neither methadone nor bupenorphine is legally available. Russia, which itself staunchly prohibits use of these drugs in defiance of considerable international pressure, does not provide them. Some patients in need therefore moved back further into Ukraine when the conflict began, taking advantage of a special program launched immediately to assist them. Too many, however, have suffered direct withdrawal, switched back to heroin, or even died; the exact numbers are impossible to determine.

The Soviet Legacy

Ukraine still clings to the remnants of the Soviet system of health care. Twenty-six years after independence, it still prioritizes curative services over prevention, hospitals over ambulatory services, and specialists over primary care. There are no effective referral mechanisms, “care pathways,” or post-discharge care protocols that would rationalize hospital admissions and readmissions.8 Clinics are paid according to the number of people who pass through their doors, regardless of care provided, and hospitals by the number of beds, regardless of whether those beds are actually occupied. Incentives promoting quality—or, put another way, attention to health outcomes—are virtually absent.

Total health spending is around 7 percent of GDP, but expenditure from public sources covers only about half of the services people actually use. About 95 percent of the difference comes out of pocket, with only marginal spending from private or employer-based coverage. The Constitution guarantees universal access to care, but there is a sweeping gap between people’s expectations, built on that Constitutional promise, and reality. The system is de facto privatized.9 Health care is one of the most corrupt sectors in a country notorious for its corruption.

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Patients routinely pay for everything—exams, diagnostic tests, hospital stays, pharmaceuticals, even linens, bandages, and soap. One example: many hospitals refuse to insert emergency stents for heart attack victims until they come up with the $8,000–$10,000 fee. A recent Ministry of Health study found that stents are most frequently placed around 10 am, right after banks open at 9. Informal payments can pave the way to quicker access or newer drugs and services. More and more people, deterred by likely out-of-pocket expenses, are postponing care until their conditions deteriorate, leading to worsening individual and overall health outcomes.

Until recently, many routine medications and vaccines were not just prohibitively expensive, but completely unavailable. The health ministry annually lost about $100 million of a $250 million pharmaceutical budget to corruption. Under the old system, a small number of shell companies, all with tight connections to health ministry officials and lawmakers, colluded to distribute state contracts and resell products through a chain of affiliated entities. Having artificially increased prices for the Ukrainian market—by, say, buying a pill abroad for a dollar, reselling it in another country for $10, importing it, and then charging $11 to Ukraine’s health ministry—they pocketed the difference, kicking some back to the government officials enabling the scheme. Even though over 6,000 companies are registered as legal distributors of medicines, in 2014 only about 10 actually participated in the tenders for each specific segment of the pharmaceutical market—and those 10, in reality, are owned by the same two or three people.

In a bold and important initial reform, Ukraine handed procurement of vaccines, medicines, and medical equipment in March 2015 to international agencies: the United Nations Children’s Fund (UNICEF), United Nations Development Programme (UNDP), and the UK nonprofit entity Crown Agents. Already this shift has saved tens of millions of dollars; for example, one German-produced cancer medication that sold for $322.60/unit in 2014 now comes in at $104.37. Hospitals, clinics, and pharmacies are getting more and more drugs routinely in stock.

A Champion for Reform

The absence of consistent and strategic leadership left Ukraine for years without the prerequisite ingredients to fix this mess. Enter Dr. Ulyana Suprun. Suprun is a Ukrainian-American radiologist from Detroit who came to Kyiv just before the Euromaidan, in the fall of

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2013, with the intent of promoting Ukrainian writers and culture by translating Ukrainian books into English. During the initial months of the conflict, she trained Ukrainian combatants in field medicine and arranged for the delivery of thousands of NATO-standard individual first-aid kits. She was appointed as acting health minister in July 2016. Her one condition for taking the job that she be allowed to appoint her own leadership team. Many posts are now filled by young, energetic, in many cases Western volunteers, replacing obstructionist political appointees with vested interests in the old system.

It’s hard to escape the conclusion that the motivating factor, the element that’s finally moving a meaningful reform agenda forward, is Suprun herself. She and her staff have brought, for the first time in the country’s health sector, a results-driven approach. They have earned and capitalized on recent declarations of support from the president, prime minister, and key legislative allies. They have taken advantage of vital, courageous, ongoing groundwork by regional health authorities (some of whom have proactively experimented with reform despite uncertainty at the central level) and civil society groups effectively lobbying for additional resources. Instead of empty declarations—and the Ukrainian people have had quite enough of those—there are now concrete, well-conceptualized and sequenced steps on the table. It’s a window of opportunity worth jumping through.

Suprun’s basic logic is that she needs to prove she can spend existing resources more efficiently before she can reasonably ask for more. One of the smartest elements of the strategy has been an early grab for low-hanging fruit. Suprun entered with full awareness of the average 11-month lifespan for a Ukrainian health minister (22 of them in the last 26 years), and so she’s acted fast to try to create a snowball situation: give reform so much momentum that it would be difficult to stop. Public opinion has been positively mobilized by the demonstration of early success, or at least the effective demonstration of serious potential. VoxUkraine’s early 2017 survey of business and political leaders ranked the work of the health ministry second only to that of the Ministry of Finance, and Suprun was the second-highest-rated cabinet minister in the current government. Gradually, the health ministry’s image is being transformed. It’s increasingly perceived as an institution that can steer and deliver on reform.

Right off the bat, Suprun engineered the repeal of the Soviet-era “Decree 33,” a requirement that there be a certain number of health care workers at each facility regardless of patient load; clinics and hospitals now have budgetary autonomy, the freedom to manage current and capital budgets in the service of delivering the best care most efficiently. Also, as of April 1, 2017, an outpatient pharmaceutical package is in place for government payment directly to pharmacies covering 157 different medicines for cardiovascular disease, asthma, and type II diabetes.

Most importantly, a comprehensive overhaul of the entire system is in the works. The elements of reform are straightforward, situated within the logic that money should follow the patient to cover a well-defined set of basic health services, delivered according to international best practices for diagnostics and treatment:

- Coverage will be financially guaranteed for all citizens, funded by general taxation. Primary and emergency care will be provided free of charge; secondary and tertiary
care will require a copayment—it’s explicitly acknowledged that there’s not enough money in the system to provide specialized care for free. Patients will know, up front, exactly how much they’ll be expected to pay; fee schedules will be posted and regularly updated. A newly created National Health Service will make payments directly to physicians or to medical institutions.

- Clinics and hospitals will become legally autonomous institutions with the right to manage their own finances, earn money, lease and purchase equipment, and set their own wage structures. Patients will choose their providers, no longer bound by residency-linked ties to specific doctors or clinics, creating market-based incentives for higher-quality care.

- Capitation-based payments to primary health providers—currently estimated at about $8/head—will be based on contracts with individual patients. Physicians’ lists will be capped at 2,000. This should increase family physician salaries by at least 30 percent.

- Hospitals will be reimbursed according to diagnosis-related groups, with consolidation of inpatient facilities into hospital districts so that no patient is more than one hour away from a modern facility. Current excess capacity, especially in rural areas, will be reprofiled into desperately needed rehabilitation centers, nursing homes, and other long-term and social care facilities.

- Reference pricing will govern state procurement of drugs.

- A new e-health platform, congruent with other national e-services initiatives, will manage primary care contracts.

- Individual physicians, rather than just medical institutions, will be licensed, giving doctors the freedom to move from one place to another and to open individual practices (and liberating them from the common demand to pay bribes to head doctors for the privilege of working at their facilities).

- A new Public Health Institute is being built entirely from scratch. Charged with disease surveillance and control, as well as health data and information systems, it will eventually have offshoot branches in every region. If allowed the resources and institutional space to grow beyond current staffing—right now just the leadership/management team and a shell cadre are on board—this institute promises to fill important gaps in information, policy analysis, and overall public health.

- Financial subsidies will support the medical care of 1.8 million internally displaced persons from the Donbass and Crimea, priority care for veterans of the ongoing conflict in the East, and full lifetime care for anyone wounded or disabled in that war.

- Implementation will be phased, with full nation-wide rollout of all elements by 2020.

Under the new system, “informal,” under-the-table payments should disappear. If the massive “shadow” health economy is brought into the light, patients will know exactly under
what circumstances and how much they should be expected legally to pay. Transparency is intended to eliminate the currently all-too-common fear of financial ruin.

Support for Reform

The reform’s substantial and purposeful public relations strategy has featured an energetic social media presence (in addition to the ministry and the minister, the reform legislation itself has active Facebook and Twitter accounts), radio and television blitzes, and extensive outreach to Ukraine’s regions and localities. Defenders include a broad array of civil society groups, including patients’ organizations and anticorruption activists.

Health care reform is one of the only areas in Ukraine where international donors and implementing partners are universally and enthusiastically on board, a situation that has coalesced—with increased funding—since Suprun’s appointment. USAID has been tremendously and efficiently supportive. Within a relatively small budget envelope (US$ 36 million in FY16 global health programming from USAID and the Department of State), it has hired health ministry advisors for drafting the reform legislation, helped to shepherd it through parliament, coached health facility administrators into their new status as autonomous entities with responsibility for management and budgeting, modeled capitation payments and diagnosis-related groups, and many other measures, most currently under the umbrella of existing HIV/TB programming. The U.S. Centers for Disease Control and Prevention (CDC) has provided a broad range of technical services, including through U.S. experts in public health programming to the new Public Health Institute. WHO has brought international experts to the table, supporting the development of Ukrainian competencies and highlighting the importance of noncommunicable disease. UNICEF has contributed effectively to communications support around immunization and maternal/child health, as well as procurement reform, and UNDP has delivered strong technical assistance on governance, health financing, and procurement. The World Bank’s portfolio includes infrastructure investments, clarification of the basket of health services at the primary level, development of primary care contracting, establishment of the National Health Service, and modeling of capitation payments; its $215 million “Serving People, Improving Health” project, approved in March 2015, supports the shift from hospital to primary care and development of the new health financing model. Although the European Union has had minimal involvement in health and social welfare in Ukraine for several years, there have been preliminary moves toward reestablishing its engagement with the health reform agenda since late 2016.

The Opposition

Suprun’s independent status, without ties to any political party, is both an asset and liability. She is perceived, rightly, as tough and objective, her personal wealth not dependent on the outcome of legislative processes. But her opponents, many still holding high-level positions in the health ministry, can draw from the resources of powerful entrenched interests in the old-guard political and business elite, and she has no natural power base from which to combat them. The beneficiaries of corruption over the last two decades have a lot to lose.
In particular, the Ministry of Health has been at war with the parliament’s health committee since the Euromaidan. From the fall of 2014 through spring 2017, only four pieces of legislation passed through the health committee; its recalcitrance is abetted by allies in the ministry who engage in, as Suprun puts it, “light acts of sabotage.” The opposition reached an apex in January 2017, when a well-known heart surgeon publicly accused Suprun and her team of disrupting the procurement of essential drugs. Over an intense several-day period, more politicians piled on—including one whose child is the goddaughter of Vladimir Putin—with increasingly absurd claims that the ministry was engaged in the “deliberate extermination of citizens.” The health committee scheduled a vote to oust Suprun on January 18, but it failed to reach a quorum—and the whole scheme backfired when the prime minister promptly came out, for the first time, fully in support of the minister, her team, and the totality of the reform package. The current reform legislation was developed through the spring but hit more parliamentary roadblocks in June and early July. If it doesn’t pass during the next session in September, it’s likely that the whole enterprise will lie dormant until after presidential and parliamentary elections in early 2019.

Most disturbingly, there is convincing evidence that opposition to the health reform is linked to political parties sympathetic to, if not outright supported by, Russia. The Ukrainian Anti-Corruption Action Center has analyzed the dominant antireform social and broadcast media messaging and traced its origin to media channels with direct ties to the Opposition Bloc, controlled by ousted President and Russian ally Viktor Yanukovich. It’s all framed squarely in terms of Russian interests. Websites run by pro-Russian Ukrainian businesspeople regularly intermingle attacks on the health reform with blasts against the Euromaidan and praise for the annexation of Crimea; headlines scream “Maidan versus Health Care” and “Death from Botulism as a Side Effect of European Integration,” to name a few.

In the face of this onslaught, maintaining a cohesive communications and implementation strategy is key. This is comprehensive reform legislation with impact on a wide variety of constituencies. Although much of the opposition is clearly pushing “fake news” to safeguard narrow, lucrative interests, there are legitimate concerns worthy of engagement: that copays for specialized care violate the Constitution; that there aren’t enough family doctors in the country to provide the promised amount of covered primary care; that rural hospital closures will leave people in the countryside far away from necessary treatment; that the capitation payment amounts being proposed won’t add up to a decent salary for doctors; that the National Health Service will be irresistibly fertile ground for corruption; that the country’s existing Internet service and computer hardware are inadequate to support e-health; that the reform doesn’t address the fundamental problem of insufficient resource allocation to the sector. Implementation pathways still aren’t clear. There aren’t enough qualified staff to handle the operational details of reform, and communication channels between national and local authorities are underdeveloped. Although a general sequencing has been laid out, a

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16 Ibid.
17 This is one of many such sites: http://vybor.ua/topics/Zдорове.html.
realistic and detailed activities list is still evolving, engendering perhaps unrealistic expectations among some stakeholders. Ukraine’s population is well educated and sophisticated in its media consumption; they need to be kept well informed and reassured. It will be tragic if hard-fought passage of reform legislation is squandered due to inadequate or ineffective communication, planning, and buy-in across the country.

Moving Forward

There has been an increasing sense among the Ukrainian public that their health care is far from international state-of-the-art. Recent outbreaks of polio, measles, and diphtheria have been a wake-up call, changing family and community perceptions of the old system’s adequacy. Opinion polls show support for systemic health reform growing from 40 percent several years ago to over 70 percent now. Moving into the 2019 electoral season, politicians at the very top feel pressure to demonstrate tangible success in areas where voters will respond.

The International Monetary Fund has stressed the extent to which the strength and durability of Ukraine’s economic recovery hinges on the pace and depth of structural reforms—including those in the health sector—and the continued evolution of anticorruption institutions. Among Ukrainian politicians, the focus is too often on receipt of that next tranche from the International Monetary Fund (IMF). But Western partners should stay focused on the longer view, prioritizing not just short-term financial stabilization but also long-term institution building in critical sectors like health.

It’s no longer a novelty to frame health in national security terms, but it really applies in this case. People expect this reform to work, to start producing real benefit for themselves and their families, now. If it fails, serious reform fatigue—disillusionment—will follow. And that’s exactly what Russia wants, a destabilized Ukraine, dissatisfied with reform, its government discredited. Russia cannot have a Western-oriented, successful democracy with efficient, reformed institutions right on its border. That outcome is unacceptable to Putin. Russia wants Ukraine to spend time infighting amongst itself rather than working cohesively and collaboratively toward well-defined, shared goals. When Russia fans the opposition to rational health care reform in Ukraine, it’s testing the boundaries of liberal order.

Ukraine is important to the United States because it’s both the symbolic and actual combat front line holding back Europe’s main aggressor. Ukraine is potentially significant in economic terms as well; it’s one of the few reasonably sized markets that is not yet saturated with U.S. products and services; there are huge opportunities for investment in agriculture and digital/cyber services, and in a $2 billion pharmaceutical market. In more abstract but no less important terms, it’s a fundamental matter of human rights and sovereignty.

USAID and other international partners cannot abandon their significant role in this effort. The space they occupy—conceptualizing and detailing the specifics of legislation and policy, administrative and clinical training and retraining, political backstopping—is fundamental and essential. The political firestorm over health care in the United States should not rub off on U.S. support for reform in Ukraine. USAID is not supporting a controversial, Affordable Care Act-style system in Kyiv. Instead, the ongoing health reforms are pulling Ukraine, at long last, into a cost-effective dismantling of its archaic Soviet legacy, creating institutions, processes, and norms worthy of a maturing, fully European ally. Now is the time to reinforce Western support for the precepts of good governance, effective management, and honest stewardship of resources inherent in these reforms.

Make no mistake: this is a “big bang” approach to reform, a paradigm shift, taking advantage of what may be a narrow window of opportunity to overcome corrupt, entrenched interests. The moment of possibility has arrived. A major success in health reform is within reach. USAID is already established as an essential partner. The United States should make consolidation of health reform in Ukraine a policy priority, drawing on a strategy of high-level diplomatic engagement, continued strong bilateral support through USAID, and continued collaboration with key multilateral partners, including the UN agencies, the World Bank, and potentially the European Union. This is exactly the wrong time for the West to pull away.