

LAD

CASE STUDY

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# THE TRANSFORMATION OF UKRANIAN HEALTH CARE SYSTEM:

*The Story of the Policy Cycle*

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# LAD

## ABOUT

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# THE TRANSFORMATION OF UKRAINIAN HEALTH CARE SYSTEM:

## The Story of the Policy Cycle

### INTRODUCTION

Three months into the Ukrainian people's battle against the corrupt government headed by then-president Victor Yanukovich in 2014, the president fled the country, and the opposition to his government were swept into power through a popular movement known in Ukraine as The Revolution of Dignity. It was too early, however, to celebrate victory, as Ukrainians were demanding more than simply a change of faces; they wanted a complete overhaul of the political system. From the stage on Maidan Square in central Kyiv, members of the new government proclaimed their willingness to implement a broad set reforms. In order to document and concretize these promises, a coalition of civic organizations that had been formed during the Revolution of Dignity spelled out specific demands concerning systemic changes in a document called "*18 major areas that require urgent reform*." These demands were endorsed by those who would later form the "For a European Ukraine" parliamentary coalition within the Verkhovna Rada of Ukraine.

But by 2020, fundamental changes had occurred only in a handful of areas. According to two international ratings, Ukraine received a mediocre score (62/100) on [Freedom House's Freedom in the World index](#), and a rating of "Partly Free." Among Ukraine's problems (pre-invasion by Russia beginning in February 2022) was endemic corruption, which had infected much of the state bureaucracy. In part, this was a legacy of the Soviet era, but also a result of the rise of consolidated economic elites (oligarchs) who gained control over valuable assets within the Ukrainian economy and pushed their agendas actively in national and local politics as well.

Despite this setting, the transformation of the healthcare system was one of the most desired reforms in Ukrainian society, as the issue of access to and quality of medical care had become very acute. Each year, 640,000 Ukrainians fell into financial hardship due to a family member's illness. By 2020, the first stage of transformation of the primary level of care was nearing completion. This transformation provided for patients receiving access to high-quality and cost-free medical care by choosing their family doctor, therapist or pediatrician. For the first time in history, a single and independent agency, the National Health Service of Ukraine (NHSU) would pay on behalf of patients. A years into the implementation of the reform, [opinion poll data](#) indicated that 76% of patients were satisfied with the doctor they had chosen in the new system. The NHSU pays for primary care level medical services, and, in some cases, doctors' wages have grown two to three times. According to an

assessment made by the World Health Organization's chief economic expert, the transformation of the healthcare system was proceeding entirely successfully, despite the fact that the process of transformation was extremely complex.

The purpose of this case study is to show that transforming a complex system such as healthcare is possible through the cooperation of various communities during various stages of the policy cycle: the “direct interest” community of stakeholders, the community (or agents) of power and authority and the community of knowledgeable experts. Thus, in this case study, we do not focus on personalities, but on the various roles in the decision-making process (i. The community of interested/stakeholders, ii. The community of authority and iii. The expert community) and the stages of the policy cycle (identification of the issue/problem, issue analysis, issue resolution options, policy making decisions, action plan development, implementation and monitoring, and policy evaluation).

The *community of interested stakeholders* in this case are patients (including patient associations and civic organizations) and healthcare providers, the *community of authority* is comprised of the Ministry of Health, the Cabinet of Ministers, Verkhovna Rada of Ukraine (including the health committee in parliament), the Presidential Administration, local self-government structures and local administrations, while the *community of experts* is made up of expert organizations and educational institutions.

**The Post-Soviet system.** Ukraine declared Independence from the Soviet Union in 1991, and the Soviet Union officially collapsed in December 1991. For more than two decades, the Ukrainian healthcare system remained in disrepair, failing to undergo any major structural or financial reforms. An enormous network of medical institutions that provided supposedly free healthcare (in accordance with the Constitution of Ukraine) was maintained from the state budget. That is, the state budget paid was supposed to pay directly for services performed at hospitals, clinics and specialty doctors. There was no alternative system of private health insurance.

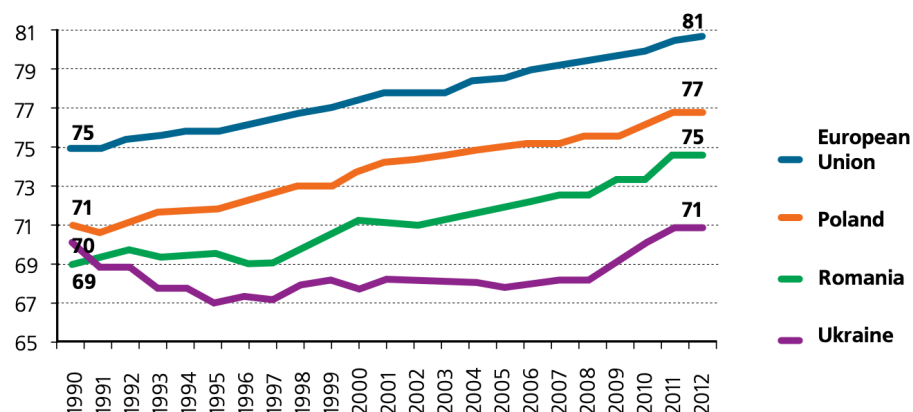
However, *the issue* was that, in practice, citizens paid for medicine and doctors' work out of their own pockets, that is, they paid bribes or “thank-yous” for what were supposed to be fully state funded medical services. Most doctors and medical personnel were also held hostage by the system with their miserable wages (around \$120 a month). They came to expect financial “thank-yous” from patients after providing them with care, while some demanded money upfront, transforming them effectively into white coat racketeers. Often this was not for malign reasons, but merely to make ends meet when their wages failed to cover their costs of living. Sometimes too the additional “fees” (bribes or thank yous) that patients and their families were required to pay for services went into a

more general fund to fund basic infrastructure repairs of medical facilities as well. In sum, funding from the state budget was insufficient to meet the true costs of health care, and inefficiently provided. For these and other reasons, health outcomes within Ukraine were predictably poor relative to neighboring countries as indicated below in Table 1.

Table 1: Life Expectancy in Ukraine vs. Neighbors, 2012

**1. Life expectancy at birth, years**

Source: World Bank, 2012



**Uninterested parties.** Yet, some parties within the health care system were interested in maintaining the status quo. The existing system benefited the bureaucrats responsible for assigning state budgetary spending and individual managers of medical departments and establishments. In some cases, some stakeholders actually profited from the existing command-administrative model of the health sector administration. These managers essentially turned state and communal establishments into feudal fiefdoms that were instruments for personal enrichment. These people, who refer to themselves as the “medical elite,” were the primary opponents of reform. Enjoying protection from top government offices, they blocked any structural changes that threatened their corrupt interests. That is a primary reason why serious changes to healthcare financing and management did not take place prior to 2014. Politicians only made declarations and promises, but were unable or unwilling to take serious action.

**Window of opportunity.** In 2013, the leadership of the health sector was entirely in the hands of President Viktor Yanukovich’s Party of the Regions: the Ministry of Health was headed by Raissa Bohatyryova, the parliamentary healthcare committee was headed by Tetyana Bakhtheyeva; both women were avowed allies of president Yanukovich. They declared that they were ready to implement medical reforms and even introduce changes in “pilot regions,” but these changes were

largely cosmetic and incomprehensible for patients and medical professionals. In practice, those in government were preoccupied with personal enrichment through the theft of state budgetary funds.

After Yanukovych fled Ukraine at the end of February 2014, Minister of Health Bohatyryova also fled to Russia to avoid facing responsibility for her actions as minister. The post was filled by Oleh Musiy. He had been delegated to the Cabinet of Ministers as part of the so-called “Maidan quota.” In other words, Oleh Musiy, as the representative of the community of interested/stakeholders (from the Maidan quota) joined the community of authority. Maidan activists were shocked after Oleh Musiy, soon after his appointment, announced that Ukrainian healthcare will be reformed according to former Health Minister Bohatyryova’s “Concept.” The new minister (Musiy) said that the preparation of the Concept was in its final stages and that, after governmental approval, he would explain its basic tenets in detail to the public. The Concept’s authorship and the way the agents of authority presented it to society did not satisfy the reformist activists who had taken part in the Revolution of Dignity, some of whom now sat in parliament. In the spirit of change that penetrated society following the ouster of Yanukovych and election of a new President (Viktor Porshenko in May 2014) these actors compelled the minister to discuss the proposed Concept in public with representatives of the community of knowledge (the experts). One of the discussants was Pavlo Kovtonyuk, founder and chief editor of the “Pro Management in Healthcare” magazine and lecturer at the National University of Kyiv Mohyla Academy’s School of Healthcare. He reported that the discussion resulted in the following conclusions:

- The proposed Concept would not be adopted without making fundamental changes;
- It would be required to introduce transparency to the process of working on the draft Concept.

Further discussions resulted in the creation of a Strategic Advisory Group at the Ministry of Health whose mandate was to analyze the problems facing the healthcare system, identify the causes of the problems and suggest possible solutions. In this way, the community of interested/stakeholders, with the help of the expert community had an impact on the decisions made by the community (agents) of authority.

On November 27, 2014, the Strategic Advisory Group on issues of reforming the healthcare system (SAG) presented a draft of the Strategy for reforming the healthcare system for the period 2015-2025. It is difficult to characterize this stage of the process as either completely positive or negative. In terms of the negative aspects, efforts to change the system at the legislative level were unsuccessful. And this was at a time when the post-Maidan parliament was open to listening to “the street.” Conversely, decisions that were not thought-out and which were not discussed with the

stakeholders were not adopted. Instead, a thorough analysis of the existing situation was conducted by experts and possible solutions were proposed to the existing systemic problems, but the process ended at the stage of adopting political solutions rather than true remedies to the broken system of primary care in particular.

**A New Political Opening.** In December 2014, Oleh Musiy was dismissed as Minister of Healthcare and replaced by Oleksandr (Sandro) Kvitashvili, former Minister of Health in the neighboring Republic Georgia and member of the Strategic Advisory Group in Ukraine. Kvitashvili had experience reforming the Georgian healthcare system, and was granted Ukrainian citizenship on the day he took office in the Ministry of Healthcare on Dec. 2, 2014.

This change in leadership in the Ministry meant that a member of the expert community had joined the community of authority. In his new role, Kvitashvili fulfilled one of the demands made during the creation of the SAG, namely holding public discussions of the proposed strategy. Discussions took place in Kyiv, Lviv, Dnipropetrovsk (today called Dnipro) and Vinnytsia. In this way the community of authority proactively included the community of directly interested stakeholders in discussions about the strategy to reform the healthcare system, something that the previous minister had failed to do. This provided some optimism that the changes proposed by the ministry would be accepted by society. To begin the implementation of any new system for provision of healthcare, however, required changes to existing laws. These changes would need to be made by new Verkhovna Rada (parliament).

All the preconditions required for success in the Rada seemed to be in place. A group of political parties, who went on to form the parliamentary majority coalition “For a European Ukraine,” had indicated throughout the election campaign, their willingness to support the transformation of the healthcare system as developed by the SAG. These promises were documented in the Roadmap for Reforms developed by the “Reanimation Package of Reforms” coalition of civic organizations. The Roadmap was signed by all the parties that went on to form the majority coalition in parliament.

The first step toward making legislative changes was the presentation of the Strategy by the Minister (Kvitashvili) to the parliamentary healthcare committee. The parties of the majority coalition also had a majority in this committee. Next, the minister was to submit a package of draft laws to the committee for consideration. However, instead of supporting the ministry’s initiative, the chair of the healthcare committee, Olha Bohomolets, presented her “alternative” Concept, which was essentially a collection of slogans and absolutely unrealistic plans (for example, the proposal to write and implement tax and judicial reforms in 7 months). Her concept had the high-sounding title “25 Steps to

Happiness from Olha Bohomolets,” but would do little to affect change on the ground in the opinion of the Ministry of Healthcare.

Members of parliament from the majority joined forces with members of the opposition bloc members to thwart Minister Kvitashvili’s initiatives. The ministry and parliamentary committee spent the next year-and-a-half blaming each other for blocking real changes to Ukrainian healthcare.

Thus, a representative of the community of authority (minister Oleksandr Kvitashvili) had attempted to implement the changes proposed by the community of experts (SAG), after having discussed these changes with the community of interested stakeholders (patients and doctors) *but without the support of other representatives of the community of authority* (members of parliament). The transformation of the system did not take place in practical terms. In other words, the transformation stalled at the level of political decision making by the community of authority (in particular, the parliamentary healthcare committee).

At this time, Pavlo Kovtonyuk, who was a member of the SAG’s secretariat, separated the provisions of the strategy that dealt with financing and management of the Primary System of Healthcare (clinics) and together with the community of experts, developed them into a Concept for Reforming Healthcare Financing. By the summer of 2016, Minister Kvitashvili was on his way out of office.

**A New Team.** In July 2016, Dr. Ulana Suprun, a Ukrainian-American physician was appointed acting Minister of Healthcare of Ukraine. On September 2, she introduced deputy ministers Pavlo Kovtonyuk, Oleksandr Linchevsky and Oksana Syvak. Suprun, Linchevsky and Syvak are all doctors, civic activists, participants of the Revolution of Dignity in 2014, during which they were volunteers on the Maidan, and were direct participants in the defense of Ukraine against the ensuing Russian supported military aggression in the Donbas region of Ukraine. Committed Ukrainians, doctors and members of civil society, they represented the community of interested stakeholders, while Kovtonyuk represented the expert community.

So, the new team at the Ministry of Healthcare was comprised of representatives from the community of interested stakeholders and the expert community who had now become part of the community of authority. The team made the political decision to focus on the Concept of Healthcare Financing and to continue the transformation of the funding of primary healthcare that was stuck at the level of political decision making in parliament. They identified the following strategic priorities:



- Work with an expanded community of interested stakeholders (patients, doctors, medical establishment managers, local self-government, local administrations)
- Work with the community (agents) of authority (Cabinet of Ministers, Parliament, Presidential Administration)
- Work with the expert community (WHO, World Bank, Reanimation Package of Reforms)

**A New Round of Public Consultations.** In 2017, the new team at the Ministry under Suprun conducted 86 separate sets of consultations in all 27 regions of Ukraine and some raion [county] centers. Patients, medical professionals, medical establishment managers and representatives of local governments met with experts and representatives of the Ministry of Healthcare, to discuss the problems facing the country's healthcare system as well as the Concept for Reforming Healthcare Financing.

The issues that were raised during the public consultations were noted and analyzed by policy analysts. Reports detailing the findings from the consultations were made public for general review and input. As a result of the consultations, the Ministry of Healthcare gained an understanding of how the Concept was understood by the interested parties and was able to identify likely problem areas the reformers would face at the policy implementation stage. In addition, the Ministry of Healthcare team gleaned information about other problems that were not directly tied to the Concept on Financing but required separate and targeted solutions on the part of the Ministry itself. And, most importantly, the Ministry leadership secured the support of the community of interested stakeholders, which became an important factor in pushing the required laws through parliament.

The expanded public consultation process also served the purpose of providing information to on the ground stakeholders (patients, doctors, and healthcare managers) directly “from the horse's mouth.” This was important, because in the years previous, opponents of medical reforms had created an informational environment that was extremely uncondusive to any changes. Myths about the privatization of medical establishments, mass firings of doctors and changeover to “paid medicine” had taken root in the minds of patients and doctors. With the coming of the new team to the Ministry, opponents to changes started to spread these myths with renewed vigor, including using terms loaded with tragic connotations for Ukrainian society, such as “genocide.” These myths spread easily because society had spent years living in an informational vacuum regarding plans for transformation.

Former Minister Kvitashvili had been unable to establish channels of sufficient feedback with stakeholders as he was drawn into political battles with opponents to reform, who had far greater resources at their disposal than he had available and used them to discredit the reforms than the minister proposed. The broader public consultation process of the new team at the Ministry led by

Acting Minister Suprun provided an opportunity to address fears and also provided the community of interested stakeholders the opportunity to influence the reforms in a very direct and real way through their comments and recommendations. Most importantly, however, the stakeholders at the grassroots level started understanding their own specific roles in the transformation of the system as well as the roles of their partners in this process. This became a vital precondition for the successful implementation of the Concept. Gradually, the different interests affected by the reforms the most came to realize that the changes weren't being imposed on them by bureaucrats far away in the capital city of Kyiv, but were being devised with local input, and that they had a role in devising and implementing a new healthcare system.

During the broad consultation process, the Ministry received "homework" in the form of demands to change several normative legal acts that were in the Ministry's purview, as well as detailed instructions for implementing the Concept at the local level.

**Community of authority.** Ulana Suprun was perhaps the only Minister within the Cabinet of Ministers who was not a member of any parliamentary caucus or who had been appointed to her post on the parliamentary quota that had been agreed upon after the Revolution of Dignity in 2014. This made the Acting Minister's starting position in parliament in 2015 very weak. The government, however, in particular Prime Minister Volodymyr Groysman, personally supported the Concept, and issued it initially as a government resolution. This was an important political step which signified that the Minister Suprun's team enjoyed full governmental support and the Cabinet of Ministers became the source and driver of legislative initiatives for healthcare reform within parliament. This meant that when the parliamentary committee blocked the initiatives, it was blocking the entire Cabinet of Ministers, not just those of a single ministry.

But overcoming the opposition of the parliamentary committee on healthcare was only half the battle, as the entire parliament still had to vote on the reforms. There remained a mighty anti-reform lobby in parliament that was headed by none other than the healthcare committee chair Olha Bohomolets and that still included members of parliament from the majority coalition as well as the opposition parties.

The situation was further complicated by the reality that the adoption of legislation in 2017 meant the implementation of the Concept could not begin earlier than 2018. To embark on the transformation of such a socially sensitive sector as healthcare just a year before presidential and parliamentary elections due in 2019 was a risky proposition for the community of authority. Nevertheless, thanks to the joint efforts of the Ministry of Healthcare, Cabinet of Ministers,

consultations with the communities of interested stakeholders and experts, together with an unprecedented informational campaign, the bills were voted into law and signed by then President Poroshenko.

Next came the process of policy planning. The plan of transformation was more than ambitious. Between 2018 and 2020, Ukraine was to make the step-by-step transition to a new financing model for healthcare. For 2018, the plan was to transform the primary care level of healthcare (that is the system of doctor-patient preventative healthcare). And by 2020, the entire system of healthcare (including hospitals) was to complete the transition to the new model.

In order to reform primary care in 2018, all the healthcare establishments (clinics and individual doctors' offices) funded from the state budget (nearly 1,000) were required to register as communal non-commercial enterprises. This registration status would enable them to open bank accounts (in the past, funds had been paid directly from the Ministry to hospitals or clinics) and to pay staff, and plan for infrastructural improvements and renovations to their offices. Local council decisions were necessary to make this change. Thousands of local council members with disparate political views had to support the transformation at their local level.

The medical establishments were required to set up computers and begin the process of signing up patients through submission of electronic declarations. Thousands of medical professionals were required to learn how to work on computers and begin competing for their patients, which was a totally foreign concept in Soviet and post-Soviet healthcare systems. But the logic was competition would create better services for patients.

Millions of citizens had to identify doctors they could trust and thus choose their partners in caring for their own health in a country where the level of trust towards primary care medical professionals was extremely low. (Only 20% of patients turned to primary care doctors in the event of health issues whereas 80% immediately turned to specialists or hospitals when the reform began).

In addition, a new executive branch governmental agency had to be created that would implement the fair distribution of state budgetary funds according to the "money follows the patient" principle. (This was the National Health Service of Ukraine.) This would mean in practice that doctors were not paid a set (low) salary, but would be paid by the NHSU by services performed according to a published list of services and costs that would be standardized throughout the country. Doctors anywhere in the country would be able to access patient records through a new electronic healthcare

system. Patients too would be able to get coverage for medications through the new system and would be repaid almost immediately for any out of pocket costs through the new system.

**The results** in 2018 exceeded all expectations: 100% of primary care establishments had changed their management model and connected to the electronic healthcare system. Doctors began competing for patients and encouraged them to submit declarations. Patients believed in the proposed changes and began choosing their primary care doctors in droves.

As a result, 26 million declarations were submitted in the first year of the “Doctor for every family” program. Medical professionals’ salaries began to grow; some doctors made triple the salary they earned prior to the transformation since they were paid not a set monthly salary by the Ministry, but now on a fee per service basis. Most importantly, 76% of citizens who had chosen their family doctor said they were satisfied with their choice. Medical care provided by primary care establishments became truly cost-free for patients.

The secret to this success was the cooperation between interested parties with communities of local authority (local government councils approved measures to reorganize and provide for medical establishments), the Ministry of Healthcare (issued procedural recommendations) and the expert community whose members continued the practice of consultations with the interested parties and helped implement these procedural recommendations.

While these coordinated actions were occurring, the people opposed to the transformation were also coordinating their “counteractions.” Many of them were interested in returning to the corrupt arrangements that had existed during the time of Yanukovich’s presidency prior to the Revolution of Dignity in 2014. Others criticized the reform with a view to scoring political points. As there was little about the reform itself to criticize, the attacks instead focused on the personal qualities of the Minister and her deputy ministers.

This is illustrated by public opinion polls which showed that most Ukrainians supported the changes to the healthcare system, but that they had a negative perception of the Minister herself. So, after failing to block the changes on the legislative level, the opponents to transformation concentrated their efforts on informational and judicial attacks.

This campaign reached its zenith with the court-ordered prohibition of Minister Suprun’s performance of her duties as Acting Minister in 2019. This stalled the continuing transformation and also impacted the day-to-day operations of the Ministry which put the health and lives of patients

(interested parties) at risk across the country. This evoked an angry social reaction (representatives of the community of interested stakeholders demonstrated in front of the courthouse) and reactions from representatives of the community of authority from different branches of government (the prime minister, President Poroshenko, the Chairman of parliament expressed their support for the systemic transformations and for maintaining the acting minister's powers of authority). In the end, the court canceled its own decision, and the decision itself was ruled to be illegal by a higher-level court.

**EPILOGUE** According to the policy implementation plan, the process of transformation was to extend across all levels of healthcare in 2020 (beyond just primary healthcare provision). To a large extent, success or failure depended on the division of governmental powers after the elections for a new president in 2019 and parliament. These elections swept Volodymyr Zelensky and his Servant of the People party into power in landslide victories. The process of further healthcare reform continued, although stalled by 2022 when Russia invaded Ukraine in February of that year.

However, the number of people already involved in the transformation process (26 million patients, 25,000 doctors, thousands of local government officials, the National Health Service of Ukraine, government directorates), every one of whom is interested in the transformation in differing degrees, provides hope that the changes already made will stay in place to the extent possible during and after the war.

Nonetheless, the transformation of the healthcare system in this case shows the interdependence of the communities of interested stakeholders, governmental authority and knowledge experts. Developing and implementing policies through the inclusion of a wide circle of stakeholders produced impressive results, even in a country with a hybrid democracy, weak institutions and a low level of public trust in government at the start of the reform.