

Challenges for the Development of a Private Health Care Delivery Sector in Armenia

Haroutune K. Armenian

President,

American University of Armenia

Professor

Johns Hopkins Bloomberg School of Public Health



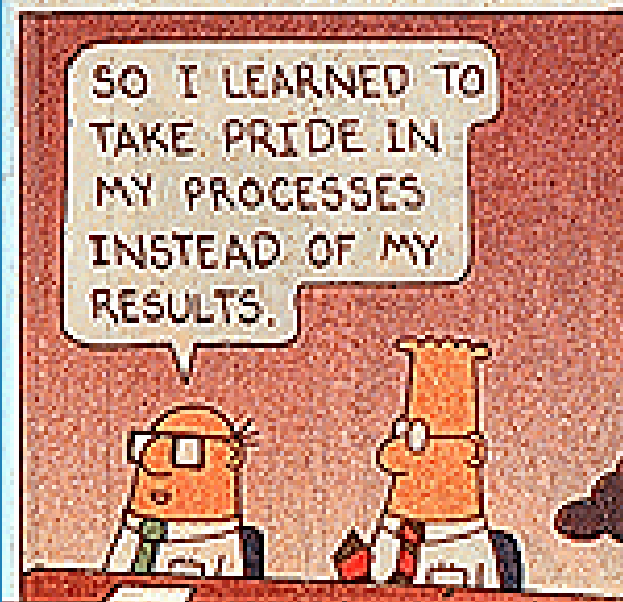
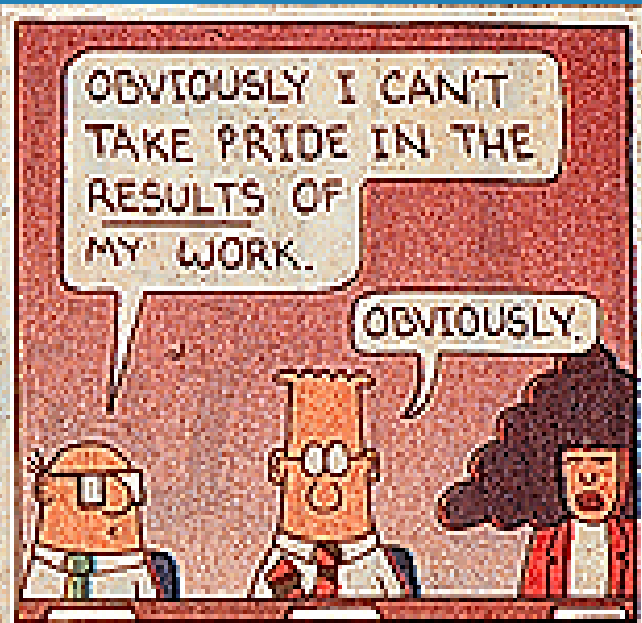
A Perspective on Quality

- ✓ **“System has the right anatomy but bad physiology”**
- ✓ **The system is structurally correct but the processes do not lead to the right outcomes.**
- ✓ **Public health perspective in health services - a primary concern with outcomes of care.**

STRUCTURE

PROCESS

OUTCOME





"My question is: Are we making an impact?"

Basic premises of this presentation are:

- ✓ 1. Health services need to be driven by their ability to achieve good outcomes. Outcomes being the primary indicator of quality in health care.
- ✓ 2. The competition generated by a vigorous private medical care sector will be critical to the achievement of quality health services in Armenia.



Developmental History of Health Services in Armenia

- ✓ Since independence in 1991, Armenia has striven to assimilate into Western culture and a market-based economy.
- ✓ Despite this high regard, health services still lags far behind western standards and represents a specialist driven, highly inefficient system.

Recent data show that Armenia falls far short of what could be expected given its level of resources allocated (inputs level) and non-health system determinants. According the GPE Discussion Paper # 30 [Armenia ranked 104th, with overall efficiency index of 0.630, and broader uncertainty interval of 0.566 – 0.682, compared with the highest rank for France (index 0.994 and interval of 0.982 – 1.000), but apparently more favorable, when compared with neighbouring CIS countries (Georgia, Azerbaijan).

**(Measuring Overall Health System Performance for 191 Countries, A. Tandon, C.J.L. Murray, J. Lauer, et al.),
European Observatory on Health Care systems -
2004**

Developmental History of Health Services in Armenia

- ✓ Due to lack of resources at both the individual and governmental level, health services are woefully underutilized (The bed occupancy rate: 33.4% in 1999 as compared with 65% of 1990, and 70-80% of 1980s).
- ✓ Many health professionals are under-employed; facilities are underutilized and quickly becoming antiquated.

Outpatient contacts per person

Location	Year	Average number of contacts per year
Armenia	1990	7.8
	2000	2.4
	2001	2.1
	2002	2.1
	2003	2.1
EU average	1996	6.2
NIS average	2001	8.6

Developmental History of Health Services in Armenia

- ✓ **The national financing system cannot meet its targeted funding and has undermined the spirit and the body of the health care delivery system. Currently, there is a desperate need for revitalized health care financing and delivery systems founded upon the current and future economic and political realities of Armenia.**



Health Care Financing by Source, 2003

	%
State Budget	22
Service Payment	4
Donor	12
Humanitarian Aid	1
Shadow Payments	61

Developmental History of Health Services in Armenia

- ✓ **Development efforts by various aid agencies seek to reinvigorate the existing system.**
- ✓ **If Armenia is to alter its national health care financing and delivery system, the time for action is now (yesterday?)**

Policies and Programs Since Independence in Armenia - 1

1. Health Care Reform Legislation

2. Basic Benefits Package

3. Administrative Decentralization

4. The State Health Agency

1. No implementation program

2. <10% of vulnerable using it once/year

3. Poor governance, undermining quality

4. Separate providers from purchasers

Policies and Programs Since Independence in Armenia - 2

5. Family Medicine Program

6. Optimization of Health Services

7. Privatization – see later

5. No new actors. Based on state structure

6. The hospital beds reduced by 28.6%, medical personnel did not change significantly. Compared to 2000, in 2001 > 1.5 bln drams saved.

Health Services Delivery and **Not** Financing

- ✓ It is not necessary that both delivery and financing be private. A private sector can develop in a National Health Insurance System.
- ✓ Most National Systems have developed on the basis of a private delivery system.
- ✓ Private sector is not necessarily for profit. The majority of the private services delivery in the US is not for profit.

Questions for the AUA Feb. 2001 Panel

- ✓ **What are important developments over the past 10 years that affect the private health care sector?**
- ✓ **How would you describe the status of the existing private health services in Armenia?**
- ✓ **What would be the guidelines and standards for such services?**

Why a Private Delivery Sector in Health Services?

- ✓ **Country is trying to move towards a market economy.**
- ✓ **A large proportion of the health services delivery in Armenia is financed by direct fee for service payments that are part of the shadow economy. How to integrate these resources in a well organized delivery system?**

Why a Private Delivery Sector in Health Services?

- ✓ In its current mode, the very meager government resources in Armenia, are unable to finance more than a small fraction of the operation of the health services.
- ✓ Private sector possibly more efficient.
- ✓ The need for an evolution of processes, systems and interactions.

Why a Private Delivery Sector in Health Services?

- ✓ Private sector will create a **competitive** environment for quality health services as it has already occurred with dentistry and pharmacy in Armenia.

Privatization of Health Care in Armenia - 1

2000 "Health Care Institutions Privatisation Strategy in the Republic of Armenia" Objectives:

1. Transparency of financial flows in health care sector should be improved.
2. Private providers be allowed to mobilize additional financial resources.
3. Quality and diversity of services and providers should be increased.
4. Additional choices of care and a competitive environment

Privatization of Health Care in Armenia - 2

1. Privatisation essentially 100% for dental and pharmacy services
2. At least six hospitals with almost 1300 beds privatised in Yerevan in 2003, share of privatised beds = 9.2%
3. For patients privatisation is linked with concerns of corruption, decreased access to services, safety and quality of services.

Privatization of Health Care in Armenia - 3

1. Health institutions were privatised at 25% of their value because of accumulated arrears by the state
2. Expected organizational investments in the health system, but no investment requirements were set
3. So far, privatisation has not optimised the system, reduced the excess capacities or informal payments, or improved the management, efficiency and quality of services
4. Hospital privatisation is akin to *a new oligarchy*



Guidelines for Private Health Services Development

- ✓ **EQUITABLE**
- ✓ **IMPROVE ACCESS**
- ✓ **EFFECTIVE**
- ✓ **EFFICIENT**
- ✓ **Engaged in Manpower Development**
- ✓ **Implementing a Quality Improvement process.**



For a Healthy Private Sector in Health Services in Armenia

- 1. Investments that are conditional on best practice patterns and standards**
- 2. External oversight and evaluation**
- 3. A healthy competitive environment**
- 4. Need for a private non-profit sector (Nork Marash example)**
- 5. Encourage innovation and experimentation**



Two Ideas for Immediate Implementation

1. **An Avedis Donabedian Center for Quality of Health care:**
 1. **Evaluation of practices and setting of information systems**
 2. **Developing standards and systems**
 3. **Training of leaders and professionals**
2. **A program to train health services entrepreneurs.**

A Program to Train Health Services Entrepreneurs & Models

✓ OBJECTIVES:

- Train leaders for the private sector health care.
 - Develop new models of health services delivery.
- ✓ Young physicians and health care workers.
 - ✓ Assessment of need and market research.
 - ✓ Development of projects and business plans.
 - ✓ Identify sources of funding and implement.



In War and Peace Health with Dignity

“We need to continue exploring the significance of the potential role of dignity on health behavior and its possible influence on human health. However, we can do a lot to develop a culture of dignity across all human societies and communities large and small. There are too many conditions where as medical or public health professionals we are unable to prevent or cure an illness, but we definitely can do a lot to help improve the dignity of the groups or individuals we are dealing with. ”