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## **STATUS AND DIRECTIONS FOR IMPROVING THE FINANCIAL PROVISION OF THE HEALTHCARE SECTOR IN UKRAINE**

The healthcare sector is an important component of the social policy of any country being a key element in preserving and restoring human capital, which is of great importance for the development of the national economy.

Today, the domestic healthcare system is unable to fully ensure the implementation of the constitutional rights of Ukrainian citizens to medical care. This is due to the shortage of financial resources, the decline in the quality of medical services, the poor state of the material and technical base, and the increase in the size of the "shadow" sector in healthcare.

Given the Russian military aggression in Ukraine, the healthcare sector requires additional costs for the treatment of the wounded, psychosocial support, and the restoration of the infrastructure of medical institutions. It is also important to ensure stable financing to support the general health of the population in wartime.

The effectiveness of the national healthcare system can be increased by attracting additional financial resources and improving its financing mechanisms.

Budget resources have been and remain the main source of financing for the healthcare sector in Ukraine. But the level of budget allocations for the maintenance of the healthcare system of our state is very low and does not cover all the needs of the medical industry. Analysis of the dynamics of the expenditure part of the State Budget of Ukraine for the period of 2017-2022 shows that the volume of financial resources directed to the healthcare sector is growing. Thus, in absolute terms it increased from 16729.1 million UAH in 2017 to 184267.8 million UAH in 2022, or by 1101.48% [1].

The healthcare sector financing increased by the largest volume in 2020-2022 which in our opinion was caused by the spread of the global pandemic of COVID-19. At the same time, the volume of capital expenditures for the purchase of special devices and equipment increased, existing medical institutions were modernized and re-equipped for COVID-needs. The population's demand for paid laboratory diagnostic and treatment services has also increased significantly.

It is worth noting that during 2017-2022 the volume of funds allocated to financing healthcare increased in UAH terms, and the dynamics of this indicator in USD equivalent indicate its decrease in 2022 compared to 2021 by 1706.45 million USD [1]. This was caused by a significant depreciation of the national currency in 2022 which was provoked by the military aggression of the Russian Federation.

At the same time expert opinions of the World Health Organization indicate that in order to ensure universal access to healthcare for all segments of the population it is necessary to allocate at least 5-6% of GDP to its financing. 3.2% of GDP is the critical level of financing of the industry below which it starts to fall apart.

Analysis of the share of financial support for the healthcare sector in nominal and real GDP volumes for 2017-2022 shows that even taking into account the established positive dynamics of growth of the share of GDP directed to the medical sector, its size does not meet the recommendations. It reached its highest value in 2022 amounting to 4.77% of real GDP and 3.55% of nominal GDP. It is noteworthy that this indicator during 2017-2019 did not even reach 1% which makes the effective functioning of medical institutions impossible, causes moral and physical depreciation of fixed assets of such an important sphere of the national economy [1].

Thus, according to the established recommendations of the World Health Organization, the amount of financial support for the healthcare sector in Ukraine is insufficient for full access of all segments of society to quality medical services, and also does not provide proper working conditions and the level of its payment, does not contribute to improving the qualifications of personnel and the formation of the necessary human resources and reserve.

The shortage of financial resources and inadequate financing of the healthcare sector for a long period of time negatively affected its material and technical support, due to which the quality of medical services did not meet the constantly growing needs of the population in them which is to some extent demonstrated by the volumes of available capital investments. Thus, the volumes of capital investments in the healthcare sector in Ukraine during 2012-2014 were decreasing but from 2016 to 2021 they were increasing at a rate of 1671.2% which is a fairly positive trend. Such a significant increase in this indicator, in our opinion, is due to two factors: an increase in prices and the outbreak of the global COVID-19 pandemic which required significant investments in the construction and repair of new infectious disease departments, the purchase of necessary equipment (continuous oxygen supply stations, etc.), medicines and ensuring proper remuneration of doctors.

Unfortunately, the full-scale war of the Russian Federation against Ukraine caused great damage to this important industry for society and the destruction of its fixed assets. According to data for the second half of 2023 provided by the structural units for health care of the regional and military administrations in Kyiv, 1575 medical infrastructure facilities and 634 health care institutions were damaged of which 91 institutions were irreversibly destroyed, and the degree of destruction of 599 institutions ranges from 2% to 90%. Along with this, 343 facilities have already been fully restored. According to experts, UAH 35062.7 million is still needed to restore damaged and destroyed facilities.

Thus, improving healthcare financing in Ukraine is an important step towards ensuring accessible, high-quality and effective healthcare services for all citizens. Alternative sources of healthcare financing contribute to the sustainable development of the healthcare sector reducing dependence on the state budget and stimulating investment in healthcare services. The following areas can help improve the financing of this sector:

1. Introducing mandatory health insurance, which will help ensure greater financial stability and cost sharing between the state, insurance companies and patients.
2. Encouraging voluntary health insurance, which will allow citizens to additionally provide for themselves in case of illness, will reduce the burden on the state healthcare system.
3. Continuing the practice of financing according to the principle of "money follows the patient" which will allow for a more effective distribution of funds between medical institutions depending on the number of services provided and the needs of patients. It is important to improve the mechanism for concluding contracts between medical institutions and the National Health Service to ensure flexibility and transparency in financing.
4. Strengthening monitoring and control over the use of budget funds in medical institutions, which will avoid inefficient spending and corruption schemes.
5. Ensuring maximum transparency in the procurement process of medicines, medical materials and equipment. The introduction of electronic tenders and e-government system allows reducing corruption risks and making financing more efficient.
6. Optimization of medical institutions, which involves a systematic reduction in duplication of functions between public and private medical institutions, in particular in sparsely populated or rural areas where centralized medical hubs can be created to improve accessibility.
7. Attracting private investment to finance health services through private-public partnerships which will reduce the burden on the state budget and at the same time improve the quality of health services. This may include the creation of new clinics, hospitals or the purchase of modern equipment.
8. Using international grants and assistance to finance health projects allows for additional funds to combat certain diseases or develop infrastructure.
9. Financing preventive measures (vaccination, screening for chronic diseases, healthy

eating programs) can significantly reduce future treatment costs and improve the overall health of the population.

10. Program financing of a healthy lifestyle which involves investing in educational campaigns aimed at reducing morbidity among the population and can reduce costs for the treatment of chronic and socially significant diseases.

11. Improving the skills of managers of medical institutions, who will be able to effectively plan and use financial resources, as well as optimize the work of hospitals and polyclinics.

12. Using online crowdfunding platforms to raise funds for specific medical needs (treatment of patients, purchase of medical equipment, etc.) can become a popular alternative source of financing. This allows for attracting funds from a wide range of people who want to help as well as increase transparency and trust in the process.

13. Financing through social bonds: This is an innovative financing tool in which private investors provide funds for the implementation of medical projects (for example, to combat specific diseases or prevention programs), and state authorities pay investors if the projects achieve the intended results. This allows for receiving financing for the implementation of effective social initiatives, reducing the financial burden on the state.

14. Financing through corporate social partnership programs: Large companies can finance certain initiatives in the medical field as part of their corporate social responsibility programs. These can be projects aimed at improving the health of the population, supporting local hospitals, financing healthy lifestyle programs.

These and other measures, both separately and in combination, will contribute to increasing the volume of financial resources in the healthcare sector and their effective use.

Thus, alternative sources of healthcare financing in Ukraine may include various models and instruments that ensure their more effective use and sustainable development of the healthcare sector. Attracting private investment, developing health insurance, crowdfunding, and international cooperation help reduce the burden on the state budget and create conditions for improving access to quality healthcare services.

#### **References:**

1. Official website of the Ministry of Finance of Ukraine. URL: <https://www.mof.gov.ua/uk/>