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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 43th issue. This publication provides a detailed analysis of the most significant trends in the Russian economy, global trends in the social and economic development. The work contains 6 big sections that highlight different aspects of Russia’s economic development, which allow to monitor all angles of ongoing events over a prolonged period: global economic and political challenges and national responses, economic growth and economic crisis; the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The work is based on an extensive array of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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5.7. Public health in Russia in 2021¹

In 2021, the Russian public health system continued to operate under extreme overload induced by the spread of the novel coronavirus infection. In many respects, the second year of the pandemic turned out to be harder than the first one. Despite the measures taken to prepare medical institutions and launch of large-scale immunization, Russia failed to achieve a steady decline in losses from COVID-19 and return to pre-pandemic volumes of medical services provision in other public health areas.

The fact that the pandemic turned into a long-term threat has posed new challenges to the public healthcare system. Along with the recovery of regular work of medical institutions, the state faced the need to resume previously postponed sectoral reforms and strategic development programs. After a six-month delay, the program of modernization of primary health care has been launched. New agencies for drug provision – the “Circle of Good” Charity Fund and the Federal Center for Planning and Organization of Drug Provision of Citizens – have started their activities. Work has begun to determine the main parameters of the new industry-specific wage system.

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5.7.1. COVID-19 pandemic

The new coronavirus infection is officially recognized as the main cause of excess mortality. In 2021, COVID-19 became the direct cause of death in Russia in 445,600 cases and had a significant impact on the development of fatal complications of other diseases in 16,000 incidents, which together explains 77.6% of excess mortality. Total excess mortality rose to 595,100. By comparison, the number of excess deaths in 2020 amounted to 274,000, of which COVID-19 acted as the primary or indirect cause of death in 41.8% of cases (*Fig. 30*). The elderly (60—65+ years) account for 80-85% of the total number of deaths.¹

The increase in COVID-19 mortality relative to 2020 is due to a number of reasons. Firstly, the impact of the pandemic was felt across the entire country during the entire year, by contrast with its effects the previous year. Secondly, at least some new strains of the virus were marked by higher rates of contagiousness and lethality. Previously developed methods of treatment and prevention were also less effective for the new strains. Thirdly, the protracted nature of the pandemic made strict lockdown measures impossible, which greatly reduced the population's willingness to comply with personal restrictions, thus creating a favorable environment for the spread of the virus.

A spike in the share of new coronavirus infections in the structure of excess mortality from 41.8% to 77.6% can also be explained by changes in formal approaches to recording cause of death. In July 2021, the Russian Ministry of Health issued updated methodological guidelines for coding and initial cause selection in COVID-19 related mortality statistics, directly establishing the priority of the new coronavirus infection over chronic diseases as the main cause of death.² This decision brought the Russian COVID-19-related mortality registration policy

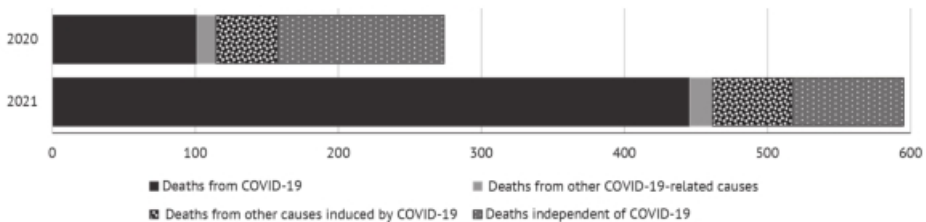


Fig. 30. The share of COVID-19 in excess mortality of the Russian population compared to the average five-year pre-pandemic level, thousand cases

Sources: Rosstat data, own calculations.

¹ Anna Popova named the share of the elderly among those who died from COVID-19 in Russia // RBC, 28.08.2020. – URL: <https://www.rbc.ru/society/28/08/2020/5f48b3699a79475c8481cdb4>
The share of the elderly among those who died from coronavirus in Moscow comes to 86% // RT in Russian, 20.10.2021. – URL: <https://russian.rt.com/russia/news/919378-moskva-kovid-mer>
Over 85% of those who died from coronavirus in the Perm Region since the beginning of the year are residents over 60 years old // Business Class, 11.10.2021. URL: <https://www.business-class.su/news/2021/10/11/boleee-85-umershih-s-nachala-goda-ot-koronavirusa-v-permskom-krae-zhiteli-starshe-60-let>

² Methodological recommendations on coding and selection of the underlying condition in morbidity statistics and the initial cause in mortality statistics related to COVID-19. Version 2 of

closer to foreign practice, but made direct year-on-year comparison of mortality rates more difficult.

Mass immunization in Russia commenced in January 2021, but has been slow for a long time due to insufficient roll out of vaccines and low public interest. As of the end of June, only 11.5% of citizens had received both doses of the vaccine.¹ The resolution of roll out issues and the imposition of mandatory immunization for certain categories of Russian Federation citizens accelerated this process. However the target coverage level (60% of the adult population²) remained unachieved. At the end of November, the percentage of the population that was fully vaccinated was estimated at 38%, which was in line with the world average (43%) but remained well below the level of developed countries (67%)³. A noticeable decline in COVID-19 mortality and excess mortality in general commenced only in December, however it remains unknown whether this was due to increased collective immunity, the spread of a less dangerous omicron type or the end of the next pandemic wave, and how sustainable the reduction will be (*Fig. 31*).

Experts explain the excess of the total number of excess deaths of the recorded COVID-19 mortality by errors in recording the cause of death (deaths from COVID-19 attributed to other causes), the long-term consequences of COVID-19 (deaths from chronic diseases whose progression was provoked by COVID-19) and

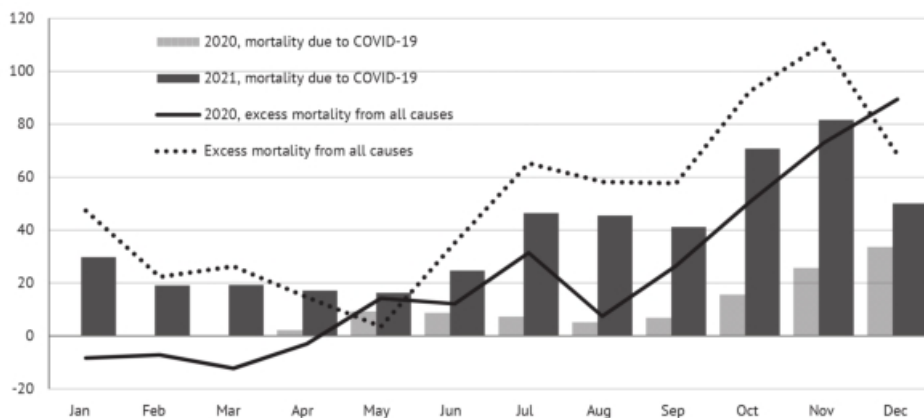


Fig. 31. Mortality rate dynamic in 2020–2021 from COVID-19 and excessive mortality compared to the average five-year pre-pandemic rate, thousand cases

Sources: Rosstat data, own calculations.

02.07.2021 / Public Health Ministry of Russia, 2021. URL: https://static-0.minzdrav.gov.ru/system/attachments/attaches/000/057/366/original/020702021_MR_COD_v2.pdf

1 11.5% of Russians were fully vaccinated against COVID // Interfax, 29.06.2021. URL: <https://www.interfax.ru/russia/774408>

2 *Tatiana Golikova* gave the required vaccination rate against coronavirus in Russia // RIA Novosti, 18.01.2021. URL: <https://ria.ru/20210118/vaktsinatsiya-1593520292.html>

3 46 Russia Economic Report. December 2021 // The World bank, 01.12.2021. URL: <https://documents1.worldbank.org/curated/en/099050011302118976/pdf/P17756206d40310aa0a5e109d6fa60bc55a.pdf>

the indirect impact of the pandemic (deaths owing to reduced access to medical care and/or overall quality of life). Abnormally hot weather in Central Russia in the summer could have been another external factor in excess mortality in 2021, but its contribution is less significant (up to 10,000 deaths according to expert estimates).¹

Restoring access to medical services will play a key role in reducing excess mortality not directly related to COVID-19. According to the data of the Federal Mandatory Health Insurance Fund (FMHIF) for the first nine months of 2021, the mandatory health insurance (MHI) system did not yet return to the 2019 planned medical assistance volumes, while most subjects recorded an increase in emergency hospitalizations.² The exception is oncological assistance, the volumes of which continued to grow in 2020-2021 due to the receipt of additional funding as part of a specialized federal project and the refusal to reassign cancer hospitals to care for coronavirus patients.³ As a result, oncological diseases became one of the few wide-scale causes of death, for which a steady decrease in the number of deaths was recorded both years.⁴ The positive experience with the development of cancer services during the pandemic highlights the need for a thorough analysis of the risks and benefits of applying restrictions to routine care.

The decentralization of decision-making on the introduction of restrictions on the provision of medical care was an important step in comparison with the first year of the pandemic. The federal regime of non-working days was established for short periods (3 days in May⁵ and November⁶) and did not play a significant role in reducing the availability of medical care. The Russian government refused to adopt an open-ended resolution regulating the specifics of the implementation of the basic MHI program amid the threat of the spread of diseases caused by the novel coronavirus infection.⁷ A similar resolution, adopted in 2020, ceased to be effective on January 1, 2021,⁸ which allowed the subjects of the Russian

1 Sokolov A. The mortality rate in Russia over the past year has become a record since the war // *Vedomosti*, 30.11.2021. – URL: <https://www.vedomosti.ru/society/articles/2021/11/29/898151-umershih-antirekord>

2 *Beskaravainaya T.* FFMHI reported a spike in the rate of emergency hospitalizations in a number of regions // *Medvestnik*, 08.12.2021. URL: <https://medvestnik.ru/content/news/FOMS-soobshilo-znaMHIom-roste-doli-ekstrennyh-gospitalizacii-v-ryade-regionov.html>

3 *Pogontseva E.* FFMHI recorded an increase in the volume of assistance to cancer patients / *Medvestnik*, 27.11.2020. – URL: <https://medvestnik.ru/content/news/FOMS-zafiksiroval-rost-obemov-pomoshi-onkopacientam.html>

4 Mortality rate from cancer in Russia has decreased by 3.9% // *TASS*, 27.10.2021. URL: <https://tass.ru/obschestvo/12779731>

Mikhail Murashko: mortality rate from oncological diseases has dropped in Russia by 1.5% in 2020 // *TACC*, 07.04.2021. URL: <https://tass.ru/obschestvo/11089111>

5 Executive Order of the Russian President of 23.04.2021 No. 242 “On the establishment of non-working days on the territory of the Russian Federation in May 2021.”

6 Executive Order of the Russian President of 20.10.2021 No. 595 “On the establishment of non-working days in the territory of the Russian Federation in October - November 2021.”

7 RF Government Draft Decree “On the specifics of the implementation of the basic program of mandatory health insurance against the backdrop of the threat of the spread of diseases caused by the new coronavirus infection” // Federal portal of draft regulatory legal acts, 10.02.2021. – URL: <https://regulation.gov.ru/projects#>

8 RF Government Decree of 03.04.2020 No. 432 “On the specifics of the implementation of the basic program of mandatory health insurance amid the threat of the spread of diseases caused by the new coronavirus infection.”

Federation to independently determine the composition and duration of restrictive measures. Depending on the level of epidemiological danger, regions could restrict only preventive examinations and clinical examinations (for example, the Omsk region¹), hospitalization of patients without confirmed immunity to the new coronavirus infection (for example, Moscow²) or the provision of routine medical care in general, except for assistance for certain particularly dangerous diseases (for example, the Bryansk region³).

The absence or relative softness of formal restrictions on the provision of planned medical care did not always mean its actual availability. In most subjects of the Russian Federation, the availability of medical services actually remained below the pre-pandemic level due to complete or partial reassignment of hospitals to coronavirus ones (at the peak of the incidence of COVID-19 in October 2021 – up to 30% of the bed stock⁴), as well as self-restrictions of patients who feared going to outpatient clinics due to the threat of infection. The cumulative scale of the reduction in routine medical care and their long-term consequences remain unknown.

5.7.2. The mandatory health insurance system

The new expenditure commitments of the MHI system arising from the COVID-19 pandemic led to a temporary imbalance of territorial MHI programs. In accordance with the approved features of the implementation of the basic MHI program, the expenses of the territorial MHI funds in 2020—2021 went up due to the inclusion in the program of new types of case — laboratory tests aimed at confirming the diagnosis of the new coronavirus infection (from April 2020), and in-depth medical examination for citizens who had had the new coronavirus infection (from July 2021), as well as growth in for acute respiratory diseases provided in accordance with the population needs.⁵ It should be noted that the rates for COVID-19 treatment were set at a relatively high level and significantly exceeded the basic financial standard per case of hospitalization.⁶ These

1 Order of the Governor of the Omsk region of 29.10.2021 No. 137-p “On the amendments in the order of the Governor of the Omsk region of March 17, 2020 No. 19-p.”

2 Order of the Moscow Department of Health No. 541 “On planned hospitalization of the adult population in inpatient medical institutions of the state healthcare system of the city of Moscow during the period of increased incidence of the new coronavirus infection COVID-19.”

3 Order of the Bryansk region Department of Health of 25.06.2021 No. 587 “On amendments in the order of the department of health of 24.06.2021 No. 581 “On the organization of preventive medical examinations and medical examinations, planned medical care in medical institutions during the rise in the incidence of the new coronavirus infection in the territory of the Bryansk region.”

4 Mikhail Murashko: a medical worker is the most expensive resource in the healthcare system / Ministry of Health of Russia, 16.12.2021. URL: <https://minzdrav.gov.ru/news/2021/12/16/18016-mihail-murashko-meditinskiy-rabotnik-yavlyaetsya-samym-dorogim-resursom-v-sisteme-zdravoohraneniya>

5 RF Government Decree of 03.04.2020 No. 432 “On the implementation features of the basic program of mandatory health insurance amid the threat of the spread of diseases caused by the new coronavirus infection.” The Decree of the Government of the Russian Federation No. 2299 of December 28, 2020 “On the program of state guarantees of free medical care for citizens for 2021 and for the planning period of 2022 and 2023.”

6 Authorities have revealed the average cost of treating a patient with COVID-19// RIA Novosti, 25.08.2021. URL: <https://ria.ru/20210825/koronavirus-1747140068.html>

expenses could not be compensated by redistribution of funds from other areas, because peculiarities of implementation of the basic MHI program simultaneously guaranteed that medical institutions would receive the full amount of planned financial support, regardless of the actual provision of medical services.

The regular source of financing additional expenses related to COVID-19 treatment is not defined by the law. In 2020-2021, these expenditures were covered by transfers from the Reserve Fund of the Government of the Russian Federation to the budgets of the subjects of the Russian Federation, the total amount of which in 2020 reached Rb378.2 billion,¹ and for the first eleven months of 2021 – Rb195.1 billion.² According to the explanatory note to the draft program of state guarantees of free medical care provision for Russian citizens, the mixed model of financing “coronavirus” expenses is planned to be maintained in 2022.³

Against the background of the increased burden on the budget of the MHI system, federal regulators continued to fight against unplanned expenses for medical care. Regarding the care provided by medical institutions of a subject of the Federation in excess of the allocated planned volumes, the relevant norm was approved by the Ministry of Health of Russia as part of the updated procedure for monitoring the volume, timing, quality and conditions of medical care under MHI to the insured persons, as well as its financial support. As follows from the name of the new document, the control objectives were supplemented by checking the compliance of the cost of rendered medical care with the amount of financial support of the volume of medical care, allocated to a particular medical institution. Submission for payment of medical care in excess of the allocated volume or financial provision officially became a violation of billing and grounds for refusal to pay for medical care (codes 1.6.2 and 1.6.3).⁴ Similar changes were made to the Rules of the mandatory health insurance (MHI).⁵

Despite the formal approval of the ban, judicial practice remains inconsistent due to the ongoing conflict between the newly adopted orders and the inadmissibility of denial of medical assistance established by Article 11 323-FZ and Part 5 of Article 15 326-FZ. In particular, in November-December 2021 alone, the Supreme Court of the Russian Federation issued opposite decisions on two similar complaints. In November 2021, the Supreme Court reconsidered its earlier decision to deny exemption from payment for over-the counter care on the

1 Operational report on the execution of the federal budget and budgets of state extra-budgetary funds for January-December 2020 / Accounting Chamber, 24.02.2021. URL: <https://ach.gov.ru/audit/oper-2020>

2 *Beskaravainaya T.* Insurers provided data on regions with a high deficit of funds in the mandatory health insurance system // *Medvestnik*, 29.11.2021. URL: <https://medvestnik.ru/content/news/Strahovshiki-predstavili-dannye-o-regionah-s-vysokim-deficitom-sredstv-v-sisteme-OMS.html>

3 RF Government Draft Decree “On the program of state guarantees of free medical care to citizens for 2022 and for the planning period of 2023 and 2024” / Federal portal of draft regulatory legal acts, 08.09.2021. URL: <https://regulation.gov.ru/projects#npa=120119>

4 Order of the Health Ministry of Russia of 19.03.2021 No. 231n “On approval of the Procedure for monitoring the volume, timeline, quality and conditions of medical care provision for mandatory health insurance to insured persons, as well as its financial support.”

5 Order of the Health Ministry of Russia of 26.03.2021 No. 254n “On amendments to the rules of mandatory health insurance approved by Order No. 108n of the Ministry of Health of the Russian Federation dated February 28, 2019.”

complaint of the Krasnodar Krai MHI Fund, confirming that the inclusion of such case in the bills for payment was a violation in the way the bills had been drawn up.¹ In December 2021, a similar complaint of the Moscow region MHI territorial fund was denied.²

The requirements for compliance with the planned volume allocation cannot be applied to medical institutions operating in the territory of other subjects of the Russian Federation. Payment for care provided outside the insurance territory is proposed to be limited to cases where care was provided by referral from a medical institution of permanent attachment. This position is presented in a letter from the Federal MHI Fund, based on earlier court decisions.³ The proposed norm has not yet been codified by law. An exception is the provision of oncological care, the new procedure for the provision of which, approved in 2021, directly secures the right of a subject of the Russian Federation not to pay for care provided outside the approved routing system.⁴

Most of the other discussed measures aimed at improving the organization of MHI did not reach the stage of normative registration. Among the announced projects, the most interesting is the development by the Federal MHI Fund of criteria for the distribution of volumes of medical care between medical institutions participating in the implementation of the territorial MHI program.⁵ For several years, the professional community has been proposing the transition to the distribution of volumes based on objective criteria in order to create real competition between medical institutions, including private institutions. Public ratings of the quality of work of medical institutions⁶ and insurance medical organizations,⁷ proposals for the introduction of which have also been voiced by the Federal MHI Fund this year, may become an additional factor in increasing competition in the field of mandatory health insurance.

5.7.3. Inventory and logistics support of the public health system

The launch of the primary care modernization program was a mega event in the field of health care logistics. According to the original plan, the program

1 Assessment of the Investigative Committee on Economic Disputes of the Supreme Court of the Russian Federation of 11.11.2021 No. 308-ЭС21-5947 relevant to the case No. A32-20379/2020.

2 Ruling of the High Court of Russia of 26.11.2021 No. 305-ЭС21-22045 relevant to the case No. A41-51160/2020.

3 Letter of the Federal MHI Fund of September 8, 2021 No. 00-10-30-2-06/5050 “On the reasons for non-payment of bills by the mandatory health insurance territorial funds at the place of registration of mandatory health insurance policies for specialized medical care provided to insured persons in the planned form by medical institutions of the Moscow region.”

4 Order of the Health Ministry of Russia of February 19, 2021 No. 116н “On approval of the Procedure for providing medical care to adults with oncological diseases.”

5 The time of arrival of the ambulance and the complaints of patients will be the criteria for the distribution of MHI funds // TASS, 08.07.2021. URL: <https://tass.ru/obschestvo/11851089>

6 Draft order of the Health Ministry of Russia “On approval of the Procedure for informing insured persons about detected violations in the provision of medical care in accordance with the territorial program of mandatory health insurance” / Federal portal of draft regulatory legal acts, 23.03.2021. URL: <https://regulation.gov.ru/projects#npa=114356>

7 The XIV All-Russian scientific and practical conference with international participation “Medicine and quality — 2021” was held in Moscow // Federal Service for Surveillance in Healthcare, 08.12.2021. URL: <https://roszdravnadzor.gov.ru/news/27475>

should have started as early as mid-2020, but at that time the burden on the health care system was too high to implement a new large-scale project. The resulting pause was used to update the plan of program activities by taking into account the newly identified requirements for the organization of primary health care.

The ultimate goal of the program is to ensure that the state network of first-level outpatient clinics and hospitals meets modern requirements for the provision of medical care, including requirements for the condition of buildings and premises, accessibility of medical institutions to the population and their equipment. According to the approved program certificate, Rb550 billion were supposed to be allocated for these purposes over 5 years.¹ At the end of the year, it was decided to raise the program budget due to an increase in the cost of construction materials and services, an increase in inflation rates and an acceleration in the pace of implementation of the program. New funding volumes will be determined in early 2022.²

The budget of the first year of the program implementation amounted to Rb100 billion, of which Rb90 billion were allocated from the federal budget and Rb10 billion from the budgets of the subjects of the Russian Federation. As of the beginning of December, Rb50.2 billion had been spent from the federal budget and Rb75 billion had been contracted. The reassessment of the regional programs' steps in the middle of the year, the increase in prices for construction materials and equipment and the problems of conducting tendering procedures were the main reasons for the delay.³ Nevertheless, most of the planned steps have been completed or are underway. As of the first half of December 2021, the construction of 91 new healthcare facilities (of which 16 facilities have been licensed), complete overhaul of 691 facilities, delivery of 219 modular paramedic and obstetric centers and outpatient clinics, purchase of 21.5 thousand pieces of equipment and 7 thousand automobiles were fully completed.⁴

As of the first year-end results of the program's implementation, its priority was expanded. The Government of the Russian Federation was instructed to include the program in the national project "Healthcare" with the corresponding acceleration of the implementation of the main measures. Furthermore, the primary healthcare modernization program will be the first sectoral strategic development program for which a target indicator of public satisfaction with the quality of medical care will be set.⁵

1 Order of the Health Ministry of Russia of December 24, 2020 No. 1365 "On the approval of the departmental target program "Modernization of primary healthcare of the Russian Federation."

2 List of instructions following the meeting of the Council for Strategic Development and National Projects / President of the Russian Federation, 15.01.2022. URL: <http://kremlin.ru/acts/assignments/orders/67600>

3 Galina Karelova held a meeting of the Council on regional healthcare / The Council of Federation of Federal Assembly of the Russian Federation, 16.12.2021. URL: <http://council.gov.ru/events/news/131989/>

4 Meeting of the Council for Strategic Development and National Projects / President of the Russian Federation, 15.12.2021. URL: <http://kremlin.ru/events/councils/67366>

5 List of instructions based on the results of the meeting of the Council for Strategic Development and National Projects / President of the Russian Federation, 15.01.2022. URL: <http://kremlin.ru/acts/assignments/orders/67600>

5.7.4. Staffing

The loss of medical personnel has been the most severe outcome of the pandemic for the public health system. More than 1,500 doctors died directly from COVID-19 in the first year and a half of the pandemic.¹ Many public health workers have left the industry due to an increased risk of COVID-19 infection or professional burnout from working under difficult conditions. Official data on the dynamics of the number of doctors and nurses are not yet available, however, it is known that the current balance of inflow to the industry in 2021 was negative.²

In the long run, the problem of staff shortage in public health care is planned to be resolved by expanding targeted training. In 2021, the number of target places in medical universities was again increased. In the specialties “Medical care” and “Pediatrics” their share was brought to 70—75%, and in the scarcest specialties of medical residency — up to 100%.³ Nevertheless, even in case of successful training the targeted students will replenish the personnel reserve of public health system only after 6—8 years. In the coming years, the priority task of staffing is to retain the medical personnel working in the public sector and return the specialists who previously moved to work in private medical institutions or related industries. For this purpose, it is planned to provide a satisfactory level of income for employees of public health institutions and offer them other measures of social support. A key role in increasing the attractiveness of public health care is assigned to the new sectoral wage system (SWS).

The idea of federal regulation of health care workers’ wages first sounded in 2019 after mass protests by doctors in state hospitals induced by low wages. At that time, the Ministry of Health of Russia proposed that the idea be limited to establishing minimum values for the proportion of salaries in the wage structure and the ratio of wages of certain categories of medical workers to the average for the economy of the region.⁴ Later, the requirements for the SWS were expanded. Instead of fixing minimum wage guarantees, it was proposed to establish uniform rules for calculating wages ensuring comparable remuneration for employees performing the same work duties. It was assumed that uniform rules would eliminate the possibility of setting unacceptably low wages and prevent an uncontrolled outflow of medical workers to the wealthier regions.

In October 2021, the main parameters of the sectoral wage system (SWS) were presented for public discussion.⁵ The published draft retained the central

1 In Russia, 1,100 doctors died from COVID in H1 2021 // Interfax, 19.10.2021. URL: <https://www.interfax.ru/russia/798128>

2 Tatiana Golikova fears doctors leaving the profession due to burnout during the pandemic // TASS, 27.10.2021. URL: <https://tass.ru/obschestvo/12781091>

3 RF Government Edict of November 23, 2021 No. 3303-p “On admission quotas for targeted training in universities for 2022.”

4 Meeting on the modernization of primary health care / President of the Russian Federation, 20.08.2019. URL: <http://kremlin.ru/events/president/transcripts/61340>

5 RF Government Draft Decree “On approval of the size of the calculated value, groups of posts of medical workers of state and municipal healthcare institutions for the establishment of official wages, regional coefficients and methods of their calculation, labor complexity coefficients, a single list of compensatory payments, a single list of incentive payments, the size and conditions of compensatory and incentive payments for the purposes of the pilot project” // Federal portal of draft regulatory legal acts

idea of the SWS: a single formula for calculating wages based on a consensus calculation value approved at the federal level, according to the minimum wage, labor complexity coefficients (job groups) and regional economic development, and lists of compensation and incentive payments. Meanwhile, a number of previously discussed elements that were deemed too complicated or expensive to implement at this stage of the reform were excluded from the draft.

In particular, the project's sponsors abandoned the idea of equalizing basic salaries between the subjects of the Russian Federation by introducing into the formula for calculating the basic salary a coefficient of regional economic development, calculated on the basis of the median salary in the subject of the Russian Federation. Consequently, the SWS retains the regional salary differentiation and the associated risk of internal migration of specialists, but seeks to reduce its magnitude. In the document presented for discussion, the coefficients of regional economic development are given only for 7 subjects of the Russian Federation – participants of the pilot project, among which they range from 1.00 (Kurgan region) to 1.38 (Belgorod region, Sevastopol).¹

The reform drafters also refused significantly to increase the overall level of wages in order to avoid the emergence of a new inequality between the salaries of public sector employees in various industries. The minimum wage was chosen as the starting point instead of the two-fold minimum wage proposed by the trade union.²

The coordination of the details of the SWS is ongoing. The original schedule for the pilot project to implement the new pay system was to begin in November 2021, later in December 2021 and finally in July 2022. Updated pilot project parameters were to be agreed upon by April 30, 2022.³ Potential reasons for the delay are the inability to conduct a pilot project given high incidence of COVID-19 and the need for additional funding.⁴

Projects for the introduction of federal social guarantees for medical workers, similar to those established for a number of other professional categories of citizens (in particular, priority provision of places in kindergartens and schools, vouchers for sanatorium treatment), did not receive the approval by the Government of the

1 RF Government Draft Decree “On approval of the size of the calculated value, groups of positions of medical workers of state and municipal healthcare institutions for the establishment of official salaries, regional coefficients and methods of their calculation, labor complexity coefficients, a single list of compensatory payments, a single list of incentive payments, the size and conditions of compensatory and incentive payments for the purposes of the pilot project” // Federal portal of draft regulatory legal acts, 09.10.2021. URL: <https://regulation.gov.ru/>

2 *Mainulova A.* Salaries for health // *Kommersant*, 09.10.2021. URL: <https://www.kommersant.ru/doc/5027750>

Beskaravainaya T. The Ministry of Labor explained the refusal of a noticeable increase in salaries of medical workers in the pilot regions // *Medvestnik*, 20.10.2021. URL: <https://medvestnik.ru/content/news/Mintrud-obyasnil-otkaz-ot-zametnogo-rosta-zarplat-medrabotnikov-v-pilotnyh-regionah.html>

3 Decree of the Government of the Russian Federation of 30.11.2021 No. 2144 “On amendments to the Decree of the Government of the Russian Federation of June 1, 2021.”

4 *Gurianov S.* Delay payment: when doctors will get higher wages // *Izvestia*, 16.12.2021. URL: <https://iz.ru/1265020/sergei-gurianov/prosrochka-platezha-kogda-medikam-povyssiats-zarplaty>

Russian Federation.¹ Subjects of the Russian Federation were recommended to develop their own programs of additional support for medical workers.²

5.7.5. Drug provision of the population

In 2021, there were several significant changes in the field of drug provision for Russian citizens. Firstly, the Federal budget institution “The Federal Center for Planning and Organization of Drug Provision for Citizens” of the Ministry of Health of the Russian Federation (hereinafter referred to as FKU FTSPILO) began full operations. Its main task is to organize and conduct procurement of medicines paid from the federal budget within the framework of various state programs of preferential drug provision.³ In 2021, the institution procured medicines for the 14 Nosologies Program (NP) to the tune of Rb16 billion, drugs for antiretroviral therapy (ART) for people living with HIV for Rb35.6 billion, anti-tuberculosis drugs for Rb3 billion, immune-prophylactic drugs for Rb19.6 billion, drugs (including unregistered in Russia) for the treatment of patients with the new coronavirus infection for Rb8.9 billion, drugs for the patients of the “Circle of Good” fund for Rb27.4 billion.⁴

In theory, the main advantages of centralized procurement are lower prices due to higher market power of a single buyer, reduced administrative costs, and increased transparency of the procurement process. The arguments for decentralized procurement are better awareness of the needs of the end consumer at the regional level, higher flexibility of procurement, possible reduction of the risk of corruption due to the centralized choice of a single (not the most effective) supplier.⁵

The choice of the optimal method of procurement significantly depends on the characteristics of the purchased goods and services. The drug market is marked by a high degree of standardization, in some cases, due to patent protection, there is only one supplier. Therefore, the centralization of the drug procurement process by the FKU of the Federal Drug Control Service has led to positive effects than to the corresponding risks realization. As of the beginning of 2022, there were 12 long-term contracts (two- and three-year) for the purchase of ART, anti-tuberculosis drugs and drugs from the list of the 14 Nosologies Program⁶ concluded by the institution.⁷ Within the framework of such agreements, it turned

1 Draft law No. 1173861-7 “On amendments to the Federal law ‘On the fundamentals of public health protection in the Russian Federation’” // Legislative support system, 18.10.2021. URL: <https://sozd.duma.gov.ru/bill/1173861-7>

2 Meeting of the Council for Strategic Development and National Projects //President of the Russian Federation, 15.12.2021. URL: <http://www.kremlin.ru/events/president/news/67366>

3 About us / Federal Budget Institution “Federal Center for Planning and Organization of Drug Provision of Citizens.” URL: https://fcpiilo.minzdrav.gov.ru/?page_id=6

4 Information on concluded government contracts for 30.12.2021 / Federal Budget Institution “Federal Center for Planning and Organization of Drug Provision of Citizens.” URL: <https://fcpiilo.minzdrav.gov.ru/?p=315>

5 OECD (2000), “Centralised and Decentralised Public Procurement”, SIGMA Papers, No. 29, OECD Publishing, Paris, <https://doi.org/10.1787/5kml60w5dxr1-en>.

6 14 Nosologies Program is a program of preferential provision in outpatient settings for patients suffering from twelve rare and high-cost nosologies. The list of such nosologies is defined by the Federal Law of 21.11.2011 No. 23-FZ “On the foundations of public health protection.”

7 The state of procurement for the Circle of Good Fund as of 23.12.2021 / Federal Budget Institution “Federal Center for Planning and Organization of Drug Provision of Citizens.” URL: <https://>

out to be possible significantly to reduce the price (for example, in the case of natalizumab, a 10% reduction in cost has been achieved). Thus, the transition to procurement by the FKU of the Federal Target Program allowed saving federal budget funds. In addition, the institution publishes a large number of reporting and analytical materials on procurement, which improves the openness of data and expands opportunities for their public analysis. In the future, this potential can be used for centralized procurement of medicines financed by the subjects of the Russian Federation, for example, as part of the orphan program.

Secondly, in 2021, the system of preferential drug provision in Russia was markedly expanded by setting up a Fund to support children with severe, life-threatening and chronic diseases, including rare (orphan) diseases the “Circle of Good”,¹ which removed responsibility for the procurement of medicines for sick children from the regions. The financial support of the Fund’s activities is carried by the federal budget, formed from the application of the personal income tax rate increased by 2 p.p. on the incomes of citizens over Rb5 million per year. As of the end of 2021, the list of nosologies for which drugs are purchased within the framework of the Fund’s activities contained 44 items,² the list of medicines – 40 medicines.³ At the same time, it is important to note that one of the advantages of the Fund is the possibility of purchasing unregistered medicines (the so-called “Procurement List No. 2”, as of the end of 2021 contained 25 items), which expedites patients’ access to new drugs without waiting for the end of a long registration process.

According to the analytical materials of the FKU FTSPILO, Rb27.4 billion worth of medicines were purchased to provide for 1,469 patients, including: 1,039 children with spinal muscular atrophy, 169 children with Duchene muscular dystrophy, 125 children with cystic fibrosis.⁴ It is worth noting that the transfer of responsibility for providing for such patients from the regional to the federal level allowed for a significant increase in the availability of the necessary therapy and also opened up opportunities for optimizing budget expenditures due to the centralization of purchases: according to the analytical materials of the FKU FTSPILO, as of July 20, 2021, such savings amounted to about Rb1.5 billion.⁵

fcpiilo.minzdrav.gov.ru/wp-content/uploads/2021/12/Состояние-закупок-по-Фонду-Круг-Добра-на-23.12.2021.xlsx

- 1 Order of the President of the Russian Federation of 05.01.2021 No. 16 “On the creation of a Fund to support children with severe life-threatening and chronic diseases, including rare (orphan) diseases, “Circle of Good.”
- 2 List of diseases / the “Circle of Good.” URL: <https://фондкругдобра.рф/перечни/перечень-заболеваний/>
- 3 List for procurement / the “Circle of Good.” URL: <https://фондкругдобра.рф/перечни/перечень-для-закупок/>
- 4 The state of procurement for the “Circle of Good” fund as of 23.12.2021 / Federal budget institution “Federal Center for Planning and Organization of Drug Provision for Citizens.” URL: <https://fcpiilo.minzdrav.gov.ru/wp-content/uploads/2021/12/Состояние-закупок-по-Фонду-Круг-Добра-на-23.12.2021.xlsx>
- 5 Statistics on providing patients for the “Circle of Good” fund as of 20.07.2021 / Federal budget institution “Federal Center for Planning and Organization of Drug Provision for Citizens.” URL: <https://fcpiilo.minzdrav.gov.ru/wp-content/uploads/2021/07/Статистика-по-обеспечению-пациентов-по-фонду-Круг-добра-на-20.07.2021.pptx>

Currently, the most significant bottlenecks are the uncertainty of the fate of the Fund's patients reaching the age of 18, as well as the lack of public guarantees of drug provision within the framework of the Fund's activities, guarantees of long-term funding from the federal budget, as well as the lack of a clearly defined role and place of the Fund in the system of preferential drug provision for Russian citizens.

Thirdly, summing up the results of 2021, we can mention the federal program for providing expensive medicinal products – the 14 Nosologies Program. For many years, the program has functioned well: the presence of a federal register of patients, a transparent procedure for including new drugs in the program list, and guarantees of federal funding have significantly increased the availability of necessary medicines. However, the expansion of the program over the past few years due to new nosologies (from the List of 24) and new drugs has led to an imbalance of the program: according to the All-Russian Union of Patients, in 2021 the deficit of financing of the program, taking into account the current need for drugs, amounted to Rb10 billion, according to the expert Council on healthcare of the Federation Council – Rb20 billion.¹ Possible ways out of this situation (in addition to additional financing of the program) may be:

- introduction of the risk-sharing agreements with suppliers of medicines. In such agreements, it is possible to separate both the risks associated with the insufficient effectiveness of medicines (the supplier receives payment for the medicine used by a particular patient only if a certain effect of treatment is achieved) and the risks associated with exceeding the number of recipients (the state guarantees the purchase of a certain number of patients, if there are more of them, the manufacturer supplies an additional volume at its own expense). Currently, we are aware of the proposals of a number of manufacturers to conclude such agreements, but no corresponding contracts have been issued at the federal level yet;
- checking the relevance and compliance of the current list of drugs with the logic of the program – to date, many drugs in the program have significantly fallen in price, and are no longer expensive. Nevertheless, new drugs have become available, characterized by a high price and prescribed for those patients who do not fit the old treatment options. Such drugs are now purchased by the regions – as a result, in some cases, the Federation buys cheap medicines, and the subjects of the Russian Federation purchase expensive ones, which does not correspond to the original idea of creating a Nosologies Program;
- using the possibility of redistributing funds between different programs of preferential drug provision, such as federal programs for supplying expensive medicines and providing necessary medicines, the basic program of mandatory medical insurance, and the program for regional benefits. Often manufacturers are ready to offer a discount when the drug

¹ The State Duma will consider the possibility of increasing funding 14 Nosologies Program / Vademecum, 15.04.2021. URL: <https://vademec.ru/news/2021/04/15/v-gosdume-rassmotryat-vozmozhnost-uvlicheniya-finansirovaniya-14-vzn/>

is included in the Nosologies Program, as a result of which the expenses of the budget system of the Russian Federation can be reduced. However, to do this, it is necessary to finance the program itself, for which it is important to develop a mechanism for “moving” funds between different channels of drug provision.
