

*M.Sc. Kateryna Nykoniuk*

Department of European integration  
Faculty of international economy and management  
Kyiv National University of Economics, Ukraine

## **Creation and commercialization of medical product (comparative analysis of Polish and Ukrainian markets)**

### INTRODUCTION

Quality of health care system functioning is one of the most important criteria of social stability and economic development of any state. Besides medical services market is for sure an extremely productive environment for conducting highly profitable business, innovative and attractive for investors.

Unfortunately till now there hasn't been found a common point of view concerning the perfect model of medical services market regulation, both at national, regional and international levels. The further research of the given question, in our opinion, is impossible without definition of modern understanding of a medical product within a new public health paradigm.

Summing up written above we will outline object, subject and primary tasks of research.

Object of research: process of creation and medical product commercialization.

Subject of research: mechanisms and tools of the medical services market regulation.

The primary tasks:

- to investigate meaning and main essence of a definition „medical product”;
- to define the basic differences between concepts „medical service” and „medical care”;
- to define the basic commercial and social components of a medical product;
- to conduct comparative analysis of the medical services market of Ukraine and Poland.

### COMPARATIVE ANALYSIS OF POLISH AND UKRAINIAN MARKETS OF MEDICAL PRODUCT

Evolutionary transformations in the field of public health services are brightly traced on an example of the North European countries where in 70s of

XXth century we could oversee the centralised governmental regulation that provided rigid observance of plans and the domination of nation-wide. There was a mass building of hospitals and intense training of experts for their needs. Besides, government had allocated considerable financial resources to the health care system under the slogan of „social designing” in the states of this region. At the same time such important aspects as demand for certain kinds of medical services and satisfaction of the patient need for their quality were completely ignored. Nevertheless in 1980s, and especially in 1990s such approach to the organisation of health care system has shown its imperfection and inability to provide the appropriate level of medical services to the population together with full inflexibility regarding the fundamental market transformations and globalisation of economic development. Sharp necessity of changes has provoked the fast introduction of such concepts as “medical services market”, “medical product”, “market mechanisms”, “competition” both in theory and practice.

In general it is expedient to define some directions of global transformations which characterise transition to a new paradigm of public health services:

- financing of public health care organizations at the expense of their own profits excluding their dependence from budgetary appropriations;
- a great need for the complex analysis of the health system including the indicators of an economic and social effectiveness;
- patient is by all means a source profit;
- withdrawal from centralized rigid budgets to flexible system of financing.

According to the given transformations there is a necessity to reconsider the essence and the concept of a medical product at all. On the one hand, within the limits of the market approach the medical product can be identified as “service” that obeys market laws of supply and demand. After all according to the article 901 of the Civil Code of Ukraine “service” is an action or activity which is carried out by the executor by request of the customer and is consumed at the moment of its granting. If to be more exact, concerning identification of a medical product, it is necessary to arrest attention at non-material service (with some exceptions, for example, manufacturing of tooth artificial limbs), because of its features:

- absence of the material results separated from the manufacturer;
- formation of the cost of service in the course of its granting;
- inability to guarantee the exact result.

On the other hand, as marks T.Chubarova’s, „medical product” has a lot of specific properties and signs which allow to allocate it in a separate category:

- demand for a medical product is not elastic as consumers do not almost react to price change;

- medical services market provides an asymmetric information for the customers as medical organizations are empowered to regulate almost completely the supply and demand of medical services;
- it is impossible to define accurately an exact time of the illness, as well as the full list and volume of medical services needed;
- patient does not have enough information to make rational choice of hospital and physician, as well as to estimate adequately the results of treatment.

The list of its specifications can be extended in the following way [Антонов, 2009]:

- medical service is always directed on such benefit as health (improvement or maintenance of its condition);
- any supplier of medical services cannot guarantee the achievement of desirable result, i.e. the desirable result is always left behind the frameworks of the contract on granting medical services, all the risks are beared by the patient. The supplier of medical services can only offer the forecast and guarantee appropriate performance of the medical actions caused in the agreement;
- medical services cannot be standardized;
- the state develops severe requirements concerning the subjects who grant medical services (qualifying requirements, licences, accreditation);
- the quality of medical services depends directly on qualification of the physicians and on how the medical organization is technologically equipped.

Thus summing up all the characteristics it is possible to formulate the definition: “medical service” is a kind of professional or/and economic activity of medical organisations and/or physical persons-entrepreneurs who are engaged in private medical practice which includes performance of special actions concerning health (improvement of its general condition, functioning of both separate organs and human body systems) or certain aesthetic purposes. It is necessary to note, that definitions „medical service” and „medical care” are still used as entirely common in the domestic as well as in the foreign literature. It is a gross blunder which complicates understanding and decision of numerous problems in the medical sphere. Besides it also causes a lot of legal disputes. The concept of „medical service”, first of all, bears in itself the commercial meaning while in fact its ultimate goal is the receipt of the high rate income by its grantors. On the contrary „medical care” is directed first of all on achievement of medical, diagnostic and preventive effect and should be rendered free of charge. Thus, it is possible to assert, that „medical care” is narrower concept and can be a part of “medical service”. Our vision of these differences has found the display in table 1.

**Table 1. The comparative characteristic of concepts „medical service” and “medical care”**

Characteristics	Medical service	Medical care
cost	charged	free of charge
aim	income	medical, diagnostic and preventive effects
character	commercial	social
grantor	private and state organizations, private entrepreneurs	state and departmental medical organizations
financing	patient	state, local and departmental budgets

Source: it is made by the author.

Delimitation of the given concepts allows to solve an inconsistent question on interpretation of the corresponding article of the Constitution of Ukraine declaring that medical care should be granted free of charge. It is also the only way to comprehend the dualism of social and commercial character of a medical product. In particular there have been taken some attempts to divide the concepts at legislative level of Ukraine. Regretfully the terminological coordination has not been reached so far. Nevertheless in 2001 Government has already defined the list of services that cannot be financed from the state budget. Such medical services can be rendered both by state, and private healthcare organizations, but only under conditions of their full payment by the patient. In terms of it such medical services cannot be characterized as “medical care”.

Here are the main characteristics of the “medical care”, that can be delivered free of charge according to the Ukrainian legislation:

- high priority;
- social importance.

Thereafter charged medical services should be represented as following: cosmetology; treatment of infertility; anonymous inspection and treatment of alcoholism and drug addiction; abortions, except abortions under medical indications; prosthetics, including tooth, ears; correction of sight by means of glasses and contact lenses; dentistry in commercial establishments; health-improving and preventive procedures for adult population.

Overall and free of charge medical care as well as partial indemnification of expenses for medicines are guaranteed by the state. The given positions are fixed in the Constitution of Ukraine and in the act „The principles of the legislation of Ukraine on public health services” where we can find the list of persons whom medical services should be granted free of charge:

- Non protected groups of the population (invalids, pensioners, veterans of war);

- Persons, who are sick of socially important illnesses (tuberculosis, diabetes, oncological illnesses, AIDS, etc.).

Unfortunately, in the majority of the countries including Ukraine, the legislatively guaranteed full maintenance of the population with qualitative medical aid is not realized on practice. The situation is especially critical in the developing countries including the so-called countries of the third world. Almost 3 billion people (44% of the total population of a planet) live below the breadline, less than for 2 dollars a day and are absolutely deprived of those advantages that result from achievements of scientific and technical progress and fast innovative development of medicine. Such situation assists mass distribution of such dangerous illnesses as AIDS, a tuberculosis, a malaria, etc. in XXI century. Global disproportions of economic development and the limited access to medical services both for several groups of people and the whole countries recently more often leads to pandemics that influence negatively even developed countries.

S.R. Benatar, S. Gil and I. Bekker in their research of global health pay special attention to the fact that at the present stage one of the main reasons for critical situation in the sphere of health is the application of neoliberal economic model within national economies and in global system as a whole. The given model provides a prevalence of laws of market efficiency, lobbying of interests of the developed countries, several business circles and in particular of the multinational corporation and multinational banks. Thus manufacture and fair distribution of the collective goods (including medical services) which are necessary for maintenance of prosperity and health of society, are gradually becoming secondary comparing to the needs of the big capital. Though legally the right to health care is one of basic human rights, actually the greatest assistance is given to initiatives and programs in the field of medicine which bring superprofits to subjects of economic activities. Such approach can lead to tragical consequences not only from humanitarian, but also from the economic point of view.

The medical product itself except its commercial component comprises powerful social value. For this reason arguments of the public benefits theory, outer effects and meritorics allow to define accurately the necessity of the state regulation of the medical services market for the sake of social justice. The social sense of medical product is an integral part of organic and intensive society development that influence greatly its economic productivity. Unfortunately, the example of the Soviet Union proves that the state as the uniform proprietor and the manager of health care system is completely inefficient:

- insufficiency of financial assets for an absolute covering of needs of the population in medical services;
- excessive centralisation of management structure;
- inefficient use and distribution of resources;
- imbalance of medical services supply and demand;

- extensive development of the medical sphere;
- impossibility to provide high level of accompanying services.

As the existence of social component of medical product is incontestable, and its commercialization has no return, it is necessary to develop such model of the medical services organisation which will allow to use as much as possible advantages and to discharge lacks of both approaches. That is why in the majority of countries the process of health care system reforming has not been finished by now and still there is no optimal model of medical services and medical care granting.

Comparing Ukrainian and Polish medical services markets it is easy to illustrate advantages that follow from introduction of obligatory health insurance. It is common knowledge that both Poland and Ukraine belonged to uniform socialist camp, and have inherited the centralised state health care system which guaranteed the general access of population to medical care delivered free of charge. Disintegration of Soviet Union has put the countries before sharp necessity of carrying out reforms in the field of public health services as its parametres did not correspond to the international quality standards and didn't show any economic efficiency. We could stress several reasons:

- Excessively centralised system of management and financing has provoked a regional disproportion in volumes and quality of medical services granted to the population.
- Bureaucracy of the medical sphere was an insurmountable barrier to introduction of technological innovations.
- Extensive development of the health care system (in particular calculation of beds according to the Semashko's method) has settled the potential and was rather burdening for transition economy financially.
- The hypertrophied displacement of accent from out-patient treatment to in-patient that is more expensive.
- The withdrawal from the concept of family medicine and the family doctor that has provoked increase in level of chronic, cardiovascular and oncological diseases, traumas.

The budgets of such transitive economies as Ukraine, and Poland were not capable to cover all the expenses for maintainance of exaggerated hospital fund and the guaranteed volume of social payments (allocations from the state budget on public health comprised less than 3% that is almost several times lower than the criteria established by WHO). As the result, despite the declared principle of free medicine, medical services were almost fully financed by the so-called "out-of-pocket payments" and finally became too expensive for the huge part of society.

Summing up all above we could generalise the basic directions of reforms in Ukraine and Poland within the transitive period:

- creation of new system of social insurance;
- decentralisation of the processes of management and financing of the health care system;
- selective privatisation of medical institutions;
- strengthening of the primary and out-patient services role;
- reduction of the hospital capital assets;
- introduction of new methods of supervision over a population state of health;
- development of a modern infrastructure in the field of public health services.

Considering the critical situation, since 1990s in both countries there had been started up the process of realisation of various initiatives at the highest level concerning reforming health care sector. Fortunately unlike Ukrainian the Polish reforms were embodied in system of essential branch transformations that have sustainably changed medical services market of the country. It is necessary to notice, that this range of reforms favored a full membership of Poland in the European Union. This is how in 1999 the decentralised system with 16 regional funds of health insurance has been created. Their basic task was the achievement of maximum transparency of management and financing of public health care institutions, and complete absence of political pressure. It was only the first wave of reforms. In 2003 the National Fund of Health was established for the purpose of financial resources allocation and control over regional funds. This institution was subordinate to Ministry of Health. In the same year obligatory health insurance has been fixed in Poland legislatively. Local authorities accounted for a function of financing, planning, organisation and supervision of primary medical services institutions. Hospitals remained in a state ownership, nevertheless for the purpose of improvement of management they were given the status of administrative units operating on principles of self-management and self-financing. On reforming the health care system it was succeeded to turn to granting primary medical care. Henceforth the noe patient can get to the specialised medical centres only after inspection by the doctor of the general practice, except for some experts: gynecologists, psychiatrists and ophthalmologists. This step helps reducing enormous financial loading and distributing a principle of preventive medicine.

Nowadays Polish health care system is regulated by the Constitution, acts and orders of the government of the Republic of Poland, and also by the international standards, the basic documents of the European Union and international agreements.

In fact a lot of Polish experts observe that reform has not been completed yet. Till now there is a problem of limited financial resources, bureucracy and informal payments. Nevertheless Poland made first important steps on a way to introduction of effective system of obligatory health insurance and new market approaches to granting medical services.

In Ukraine the situation is more critical. Although reforming of health care system was pronounced the state priority after declaration of independence in 1991, its uniform longterm programme has not been created yet. Some general provisions that have mostly declarative character have been fixed in „Bases of the legislation on public health care”. All further actions and offers were not regular and inconsistent, that has brought reforming process to nothing. In particular introduction of obligatory medical insurance is interfered by norm of the Constitution of Ukraine which guarantees gratuitous medical care to all citizens of Ukraine without any exceptions. But in fact in the conditions of insufficient financing informal payments of the population comprise 80%, payments from the state and local budgets – about 20% and charitable payments of the international organisations make only 1–2% from total amount of receipts. That is why terminological confusion between concepts „medical service” and „medical care” is the only one means of private sector developing and the way state and departmental public health care institutions can survive at the expense of granting paid medical and accompanying services.

The market of medical services is regulated by the Constitution and laws of Ukraine, governmental orders, nevertheless observance of the international standards in this sphere has only declarative character. Described above picture testifies that market transformation of health care system is possible only under conditions of working out and realisation of nation-wide strategy. Legislative substantiation of concepts „medical service” and „medical care” is also of a great importance.

## CONCLUSIONS

As a result of the carried out research there were defined the essence and the value of definition „medical product” within the limits of a new market paradigm, as well as its specific characteristics. Concepts „medical care” and „medical service” have been analysed, their essential differences and necessity of their delimitation at legislative level have been proved. There have been also revealed commercial importance and high profitableness of a medical product that has caused penetration of market mechanisms into health care system. Besides we pointed out the threats of ignoring a social component of a medical product. Conducted comparative analysis of the Polish and Ukrainian medical services markets showed off the differences in quality of the reformation processes in both countries. Finally we can conclude that there are a lot of visible advantages of introduction of obvious health insurance system.



## LITERATURE

1. Чубарова Т., *Система здравоохранения в России: экономические проблемы теории и практики* // Вопросы экономики. – 2009. – №4.
2. Musgrove Ph., *Public and Private Roles in Health. Theory and Financial Patterns*, Washington: The World Bank, 1996.
3. Лук'яненко Д., Чужиков В., Вожняк М.Г., *Конвергенція моделей Польщі та України: монографія*. – К. КНЕУ, 2010. – 719 с.
4. *Privatization of Public Sector Activities: with a special focus on telecommunications, energy, health and community services* / UN; Department of Economic and Social Affairs; Division for Public Economics and Public Administration. – New York : UN, 1999. – ix, 208 p. – (Economic and Social Affairs; Public Finance). – ISBN 92-1-123130-2.
5. Антонов С.В., *Правова регламентація надання медичних послуг*// Управління закладом охорони здоров'я. – 2009 – № 2.
6. Natali Girouard, Yutaka Imai, *The Health Care System in Poland*// OECD Economics Department Working Papers. №257, OECD Publishing.
7. Solomon R. Benatar, Stephen Gill, Isabella Bakker, *Making progress in global health: the need for new paradigms*.
8. *Системы здравоохранения в переходном периоде: Украина*// Европейская обсерватория по системам и политике здравоохранения, ООН, – 2004. – 143с.
9. Москаленко В.Ф., *Об оптимальной модели здравоохранения Украины*// Экономика здравоохранения. – 2008. – №5.

*Summary*

The main essence and meaning of medical product, its social and commercial components were presented in the study. Production stages of medical product were described. Peculiarities of medical services market in Ukraine and Poland were indicated. Moreover, there was presented medical services market regulatory sphere.

**Kreacja i komercjalizacja produktu medycznego  
(analiza porównawcza polskiego i ukraińskiego rynku)**

*Streszczenie*

W opracowaniu zaprezentowano istotę i podstawowe charakterystyki produktu medycznego, jego socjalne i komercyjne składowe. Opisano etapy produkcji produktu medycznego. Wskazano specyfikę rynku usług medycznych na Ukrainie i w Polsce. Zaprezentowano również sferę regulacji rynku usług medycznych.