The Medical Insurance System of the Russian Federation

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By the law of the Russian Federation "On Medical Insurance of Citizens of the Russian Federation" from January 1, 1993 the system of medical insurance was introduced as a form of social security and medical assistance for the population of the Russian Federation. The law defines the kinds of medical insurance, legal relations and obligations of the objects of the insurance and the sources of financing.

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Sources of financing

According to the law, the sources of financing of the system of medical insurance are funds from the national and regional Budgets on all levels, earmarked funds, government and municipal companies, organizations, public associations, revenue from the turnover of securities, bank loans, or income from charities and other sources not forbidden by the legislation of the Russian Federation (1). From these sources is formed the financial resources of the government and municipal systems of health care and the government system of obligatory medical insurance. The financial resources of the government system are built up at the expense of the individual insured. The insurance premiums from enterprises, organizations and companies are allocated to obligatory medical insurance over and above appropriations established for the development and function of health care. Federal and Territorial Funds, independent non-commercial financial-credit institutions, are created for the accumulation of insurance premiums for obligatory medical insurance. The financial resources of the funds are part of the government property of the Russian Federation. They are not included in the Budget and are not subject to withdrawals. The insured party transfers the financial resources to the Federal and Territorial Funds and through the latter the money is disbursed to the medical organizations.

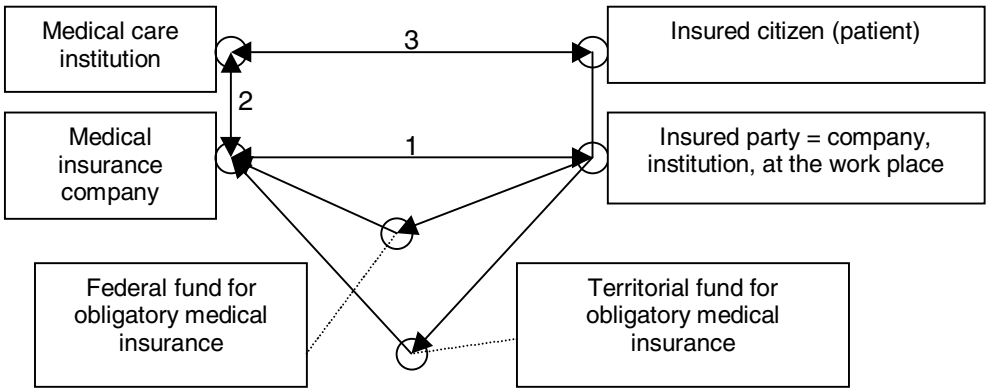
Obligatory and voluntary medical insurance

In the Russian Federation there are two kinds of medical insurance for the population – obligatory and voluntary. In order to receive medical assistance according to the system of obligatory insurance it is necessary to conclude three kinds of contracts – contracts on the organization and financing of medical services, contracts for medical insurance and contracts on the provision of medical assistance. The structure of the mutual relationship and the order of payments depend on the social status of the insured (citizen, working at a company, a member of liberal professions or a person conducting his own individual work activity, an unemployed person, child or pensioner). (See Diagrams 1,2,3). After the conclusion of the contract the insured receives a certificate with his or her name whereby he or she can receive medical services at any point in the Russian Federation within the scope of the stipulated obligatory medical insurance. Voluntary medical insurance guarantees the citizen additional services over and above the established programme of obligatory medical insurance, upon payment on his own account. Voluntary medical insurance can be implemented in individual and collective forms (see Diagrams 4,5). In accordance with the contract, the medical insurance company is obliged to conclude a contract with the medical care institution on the organization of medical assistance, to pay, in the case of a claim (illness, trauma), for the stipulated medical services, while the insured party is obliged to pay the premiums within the time period stipulated.

The right to choose

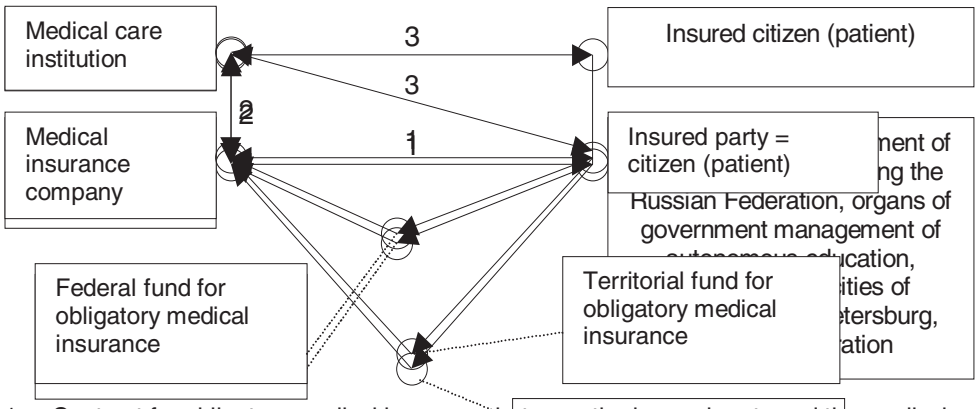
The typical contract forms of obligatory and voluntary medical insurance, as well as the order and conditions for concluding such contracts, are established by the government

Diagram 1*: Obligatory medical insurance for the working population in Russia*



1. Contract for obligatory medical insurance between the insured party and the medical insurance company
2. Contract for the organisation and financing of medical services between the medical insurance company and the medical care institution
3. Contract for the provision of medical assistance between the medical care institution and the citizen (patient)

Diagram 3: *Obligatory medical insurance in the area of the organisation working population in Russia*



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of the Russian Federation. An essential part of the contract is the specification of programmes included and the kinds of services, with a list of the medical institutions where they are provided. The insured party has the right to freely choose his medical insurance company. The medical insurance company does not have the right to refuse entering into an obligatory medical insurance contract with the insured party. In order to enter into a voluntary medical insurance contract the insured party submits a written notice to the insurance company, which must make a decision within five days from the moment of receiving the notice. The contract for voluntary medical insurance is considered to have been entered into at the moment of the payment of the first insurance premiums and to be valid from the moment of signing. The parties to the contract are the medical insurance company and the insured party.

Medical insurance company rules

The medical insurance company is a legal entity carrying out medical insurance and in possession of a government license issued by the Insurance Supervisory Service of the Russian Federation for each kind of insurance

Diagram 4: *Ind*

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Diagram 5: *Col*

Medical care institution

Medical insurance company

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(obligatory or voluntary) no later than 60 days after presentation of the company's Articles of Association (2).

Regulatory limits

Medical insurance companies do not have a legal right to conduct industrial, business or banking operations. It is forbidden for such companies to buy or sell real estate, although real estate may be acquired as one form for investing funds and insurance reserves. Government organs for directing health care and medical institutions do not have the right to be founders of medical insurance companies, but they can own shares, whose sum may not exceed 10 percent of the medical insurance company. The medical insurance company must have a shareholders equity no less than 1200 times the minimum annual wage established by the government of the Russian Federation (approximately SEK 36 650 or EURO 4072). The reserve funds by kind of insurance are formed at the expense of investments of from 15 to 20 percent of the funds received in connection with insurance contracts. The ratio of equity to the proceeds cannot be more than 1:20. The medical insurance company conducting obligatory medical insurance does not have the right to use funds intended for carrying out obligatory insurance programmes for commercial purposes, with the exception of temporary acquisition of very liquid securities and bank deposits using free funds of the reserves. The funds of the obligatory insurance company are formed through deductions made from all kinds of companies, institutions, all kinds of property organizsations and through premiums paid by individuals conducting their own activities. The scope of the premiums is regulated by the law of the Russian Federation *"On insurance tariff income to the Social Insurance Fund of the Russian Federation, the Government Employment Fund of the Russian Federation and Obligatory Medical Insurance Funds"*, which stipulates the following deductions for the separate kinds of obligatory insurance:

- 5.4 percent of the basic salary to the Social Insurance Fund for the payment of benefits during temporary disability, pregnancy, birth;
- 2 percent to the Government Employment Fund of the Russian Federation;
- 3.6 percent to the Obligatory Medical Insurance Funds;
- 0.2 percent to the Federal Fund of the Russian Federation for Obligatory Medical Insurance;
- 3.6 percent to the Territorial Fund for Obligatory Medical Insurance;
- up to 28 percent to the Pension Fund.

An additional one percent is paid to the Pension Fund by the workers themselves from their wages. The public organizations of the disabled and various forms of property relating to them (3) are exempted from the payments of premiums to the funds enumerated above.

Calculation of results

The sum of revenue exceeding expenses is used to fill reserves in the order and to the size established by the territorial fund of obligatory medical insurance, with the exception of funds saved in conducting obligatory medical insurance, which are regarded as income of the medical insurance company. The final financial total (profit or loss) for obligatory medical insurance is composed of the financial result from medical insurance operations, allocation of insurance reserves (payment of medical services, of additional financial precautionary measures) and income from operations not relating to insurance and the distribution of reserves for obligatory medical insurance, less the sum of the expenses for these operations. The financial result of obligatory medical insurance operations is defined as the

difference between the sum of insurance payments received together with the returns on insurance reserves of the previous year and expenses for payment of medical services together with the deductions in insurance reserves, the sum of expenses for conducting operations and the sum of excess of other expenses over income. The financial result of the allocation of insurance reserves (payment of medical services, additional reserve, reserve for precautionary financial measures) is defined as the difference between the sum of income received from investment of reserves together with the account of the sums of income transferred to corresponding insurance reserves in the size of the defined territorial fund for obligatory medical insurance and the sum of other expenses, linked to investment of reserves for obligatory medical insurance. Included in the defined financial results on the basis of special calculations are changes in the size of the reserves for payment of medical services and the additional reserve (deducted from the insurance payments to the reserves or reduction of the funds of the reserve from the sums allocated for payment of medical services) transferred from the income from the investment of reserves and the surplus of income over expenses, connected with obligatory medical insurance operations (4).

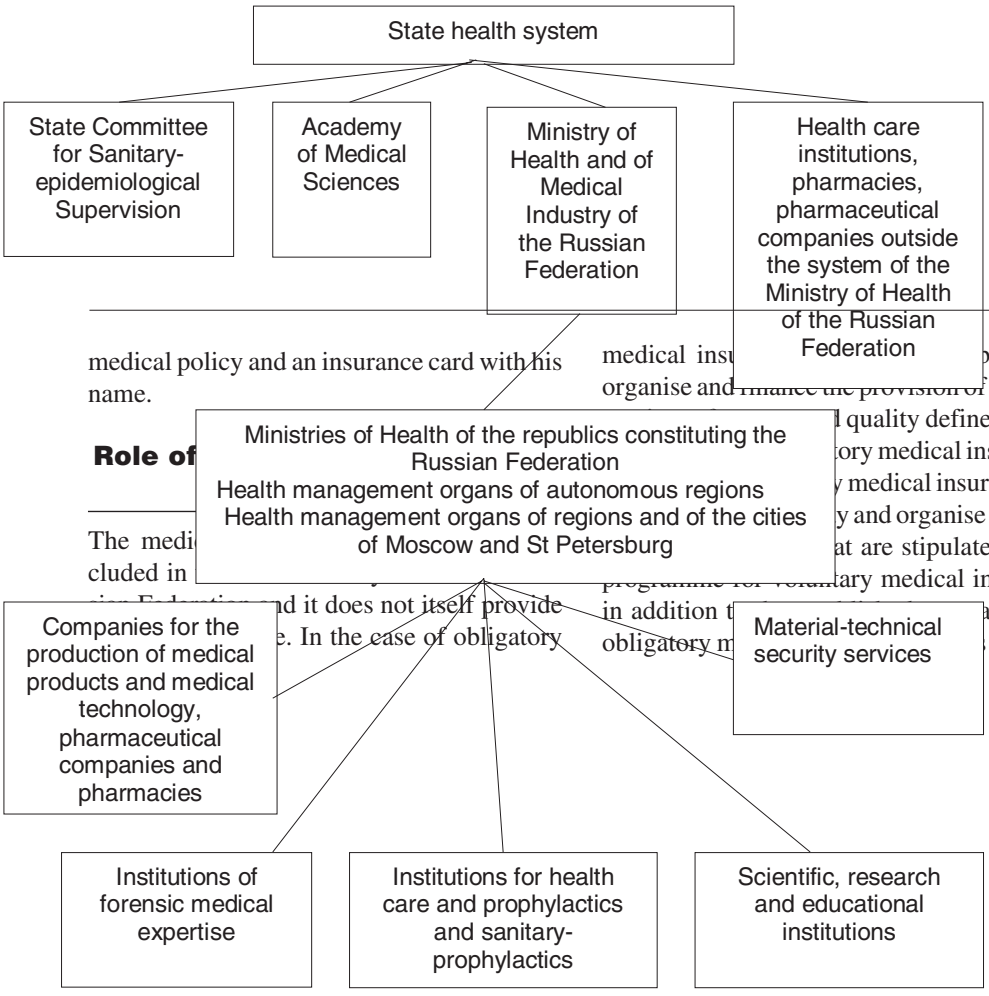
Restrictions on voluntary insurance cover

The other party to the contract is the insured party. The insured party for obligatory medical insurance for the non-working part of the population is the government of the Republics of the Russian Federation, government organs of autonomous districts or regions, the cities of Moscow and S:t Petersburg for the working population, institutions, organizations at the working place. The insured parties for voluntary medical insurance are the individual citizens or companies representing the interests of the citizens. During the period of validity of the contract for voluntary medical insurance, upon recognition by court of incapability of the insured party, the insured's rights and obligations are transferred to a guardian or trustee acting in his interests. In accordance with the law on voluntary medical insurance the insured party may not be a citizen receiving care at a dispensary for drug addiction, psycho-nervous problems, tuberculosis, and skin and venereal diseases. For people serving prison terms, the validity of the contract on voluntary medical insurance extends until the end of the prison sentence or privation of freedom.

Contract rules

The insured party has the right to annul the contract of the voluntary medical insurance in advance at any time if the insurance company does not fulfil its obligations. In that case the insurance premiums are returned to the insured party, proportionately calculated on what the insurance company has so far received up to the point of the cancellation of the contract minus expenses. To enter into the contract the insured party must undergo a medical examination for certain risks. If the insured has intentionally concealed facts on his health or provided false information, this is grounds for the insurance company to cancel the insurance policy or to impose sanctions. Voluntary medical insurance is implemented at the expense of the individual citizen or taken from the profit of the company acting in his interest. Separate categories of clients (the disabled, for example) can be insured on the basic conditions corresponding to the specific risks of the category limited by the scope of responsibility and the calculation of the increased tariff level. The medical insurance company (the insurer) is obliged to provide the insured citizen (the insured party) with a

Diagram 6: *Health care system in the Russian Federation*



medical policy and an insurance card with his name.

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insurance company has the role of an intermediary between the patient and the medical institution.

Health care systems

In the Russian Federation there are government, municipal and private health care systems (see Diagram 6). Hospitals, polyclinics, dispensaries, maternity hospitals, and emergency care units provide medical assistance. These medical organizations have the rights and obligations of legal entities. They conduct their activities solely according to licenses on defined kinds of activities. The license is granted on the basis of the certificate of corresponding conditions for medical activities according to the standard established by the Health Care Ministry of the Russian Federation. Licenses and certificates are granted by a commission composed of the government organs of a subject of the Russian Federation (for example, an autonomous republic or region) or by local organs with a mandate from the organs of the subjects of the Russian Federation. If the conditions of the activities of the medical organizations do not correspond to the standards established for licensing, no license is granted and an existing license can be revoked (2).

Private health care

The private health care system includes a number of medical institutions with individuals conducting private medical practice and private pharmacy operations. It is permitted for citizens with a medical diploma from a nurses' college or medical institution of higher education to conduct private medical practice. The local administration grants permission for private practice in agreement with a commission composed of medical experts. In the law *"On enterprises and on the activities of enterprisers"* of the Russian Federation there is a stipulated list of the kinds of medical activities, which the representatives of private medicine are not permitted to conduct, which are the exclusive prerogative of government medical organizations. These activities include care of patients suffering from particularly dangerous infections, cancerous diseases, preparation and sale of narcotic and toxic pharmacological preparations, removal and preparation of organs for transplantation, medical sterilization, forensic medicine and psychiatric expertise, and biomedical research on volunteers.

The basic programme of obligatory medical insurance of the citizens of the Russian Federation was ratified in 1993 by the Government and it defines the scope and conditions for providing medical assistance and medication. On the basis of this basic programme of the republics and regions of the Russian Federation, the cities of Moscow and S:t Petersburg, territorial programmes of obligatory medical insurance are developed and ratified, in accordance with which the scope of services granted cannot be less than the scope stipulated by the basic programme.

Guaranteed free assistance

The provision of free primary medical and sanitary assistance (including emergency medical care), diagnostics and care in outpatient clinics, implementation of prophylactic measures against illness (for example, vaccination), inpatient care is guaranteed to the citizens of the Russian Federation. A detailed list of quotas of the population, illnesses, prophylactic, medical and diagnostic measures, constituting the basic programme are developed and ratified by the Ministry of Health of the Russian Federation in agreement with the Ministry of Finance of the Russian Federation and with the participation of trade union organs. The scope and condi-

tions of medication assistance are defined by the territorial programmes for obligatory medical insurance. Payment for medicaments at hospitals in connection with provision of emergency medical care is come from the insurance premiums for obligatory medical insurance, in polyclinics it is at the citizen's own expense. The insurance company is obliged to pay the account for medical services provided no later than one month from the moment of presentation of the relevant documentation for reimbursement. The medical insurance company has the right not to compensate the medical institution for services rendered to the insured party due to a claim arising through his own fault, if he came to the institution in connection with trauma or illness caused by alcoholic, narcotic or toxic intoxication, as a result of deliberately committing a crime, attempted suicide or causing himself bodily injury.

New principle for Federal law

The Federal law from July 24, 1998 *"On obligatory social insurance against accidents in the workplace and occupational disease"*, rests on new principles to regulate the compensation of loss of health attributable to labour activities of citizens of the Russian Federation (5). This law provides for a change from compensation directly through employers for injury to citizens suffering work related handicaps, occupational disease, or other damage to health connected with fulfilment of occupational obligations, to a compensation for injury according to the principles of social insurance. Payments will be made by the single insurer from insurance premiums paid by the employers. Collection of insurance premiums, and the function of the making insurance payments to indemnify victims will be done by the organs of the Social Insurance Fund of the Russian Federation, defined as the insurer by Federal law.

The premiums will be paid by the insured parties, proceeding from insurance tariffs, differentiated according to the industry and the class of professional risk.

Conclusion

According to this structure, it is possible to conclude that in the Russian Federation the new system of medical assistance to the population is based on the principles of medical insurance. The process of change is proceeding with considerable difficulty due to the difficult financial situation of the nation, the extent of corruption in various entities involved in the process, the irrational use of the positive qualities of the earlier system of free health care and the insufficient knowledge and experience of contemporary Western systems of medical insurance. In our opinion, one of the most effective levers for successful development of the models of medical insurance in the Russian Federation is the teaching of Russian specialists using the examples of Western nations with extensive and useful experience of developing and introducing varied systems of medical insurance in order to create connections for the exchange of experience and results.

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