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**ASSESSMENT OF THE CURRENT STATE  
OF THE FINANCING SYSTEM OF PUBLIC  
HEALTHCARE IN KAZAKHSTAN**

*The article discusses the current state of healthcare financing in Kazakhstan, identifying the problems of their formation and the ways to resolve them.*

*Keywords: healthcare sector; healthcare financing; financial resources of the health sector; medical insurance.*

Гуляшар Доскеєва, Ассель Рахімбекова  
**ОЦІНЮВАННЯ СУЧАСНОГО СТАНУ  
СИСТЕМИ ФІНАНСУВАННЯ СФЕРИ  
ОХОРОНИ ЗДОРОВ'Я КАЗАХСТАНУ**

*У статті розглянуто сучасний стан джерел фінансування сфери охорони здоров'я Казахстану, виявлено проблеми їх формування та запропоновано шляхи вирішення цих проблем.*

*Ключові слова: сфера охорони здоров'я; фінансування охорони здоров'я; фінансові ресурси охорони здоров'я; медичне страхування.*

*Табл. 2. Рис. 2. Літ. 10.*

Гуляшар Доскеєва, Ассель Рахімбекова  
**ОЦЕНКА СОВРЕМЕННОГО СОСТОЯНИЯ  
СИСТЕМЫ ФИНАНСИРОВАНИЯ СФЕРЫ  
ЗДРАВООХРАНЕНИЯ КАЗАХСТАНА**

*В статье рассмотрено современное состояние источников финансирования сферы здравоохранения Казахстана, выявлены проблемы их формирования и предложены пути решения этих проблем.*

*Ключевые слова: сфера здравоохранения; финансирование здравоохранения; финансовые ресурсы здравоохранения; медицинское страхование.*

**Introduction.** Formation of innovative economy in Kazakhstan involves creating conditions for effective use of new mechanisms of economic growth and ensuring of a certain level of social protection. The increasing importance of the human factor in economic development leads to increased requirements for health protection of the population, which is becoming a large sector of the economics both in terms of consumption of resources and in terms of contribution to economic and social progress. Development of innovative process in the management of the health sector is primarily associated with the development of new approaches to the formation and use of financial, human, material, information and other resources in the sphere.

**Latest research and publications analysis.** The works of M. McKee and H. Brand (2005), J. Figueras, R. Robinson and E. Jakubowski (2005), R.B. Saltman and H.F.W. Dubois (2004), K. Xu and D. Evans (2005), G. Schieber and A. Maeda (2007), J. Kutzin (2008) are devoted to health issues. The aforementioned research is focused on investigation of the European public health care problems and the ability

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to use their experience in post-Soviet countries, including Kazakhstan. The works of R.B. Saltman and H.F.W. Dubois (2004) and J. Figueras et al. (2005) raise the issues of contemporary strategies of implementing the European public health system in developing countries, the research of J. Kutzin (2008) is devoted to the problem of health financing and its solution. The scientific works of R.B. Saltman and H.F.W. Dubois (2004) and J. Figueras et al. (2005) cover the issues of compulsory and voluntary health insurance operating in Europe.

Health service in Kazakhstan includes public and private financing systems and medical insurance functions. This above issues were studied by Kazakh scientists and economists M.H. Tuseeva (2008) and P.B. Isahova (2008). However, these studies were mostly focused on general issues of governance of health service. The given article differs from the previous studies for it focuses on the problems of the system of financing the health care of the country.

**The object of this research** is the financing system in the area of healthcare of Kazakhstan.

**The aim** of the article is to analyze the current state of financial resources sector, identify the issues of funding and specify the solutions.

**The methods of the research** are methods of economical, financial, statistical analysis, comparisons and forecasting.

**The current state of the system of financing public healthcare in Kazakhstan.** Today, public healthcare is one of the main sectors of the economy that requires large-scale financing. The sphere is financed by the state budget, personal resources of individuals and financial resources of the Voluntary Health Insurance. It should be noted that in recent years the Government has significantly increased the volume of funding for public health. According to the data of Kazakh Statistics Agency for 2007–2011, the financial resources of the state aimed to cover healthcare costs have increased more than twice (Table 1).

**Table 1. Financial resources for the public health sector, 2007–2011**

| Rates                      | 2007   | 2008  | 2009  | 2010  | 2011  |
|----------------------------|--------|-------|-------|-------|-------|
| Financing amount, bln USD  | 2.58   | 3.12  | 3.10  | 3.81  | 4.25  |
| Per resident expenses, USD | 167.88 | 200.8 | 195.3 | 232.3 | 256.9 |
| Total GVFMA, bln USD       | 1.62   | 1.88  | 1.94  | 2.4   | 3.11  |
| Per resident expenses, USD | 105.4  | 121.3 | 124.8 | 146.4 | 188.0 |

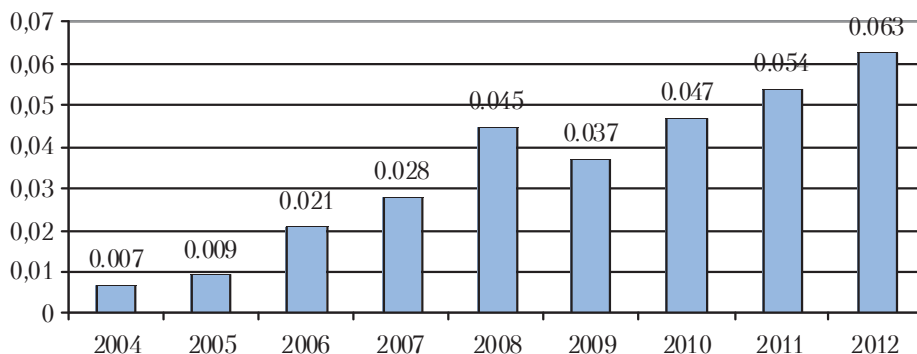
Developed by the data of Kazakh Statistics Agency.

Most of the financial resources assigned for public healthcare are directed to government-guaranteed volume of free medical assistance (GVFMA). Total government expenditure in this area in 2011 amounts 4.25 bln. This is 37% more than in 2009 and 1.6 times more than in 2007. The volume of guaranteed free medical care per capita in 2011 was 188 USD, i.e. financial volume of guaranteed free medical care per capita has increased in comparison with 2009 by 50.6% and by 1.8 times in comparison with 2007.

Types of medical care which are not included in GVFMA are funded by personal recourses of citizens and assets from the voluntary health insurance funds.

According to statistics from the Committee on the Control and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan at the end of 2012, 21 companies carried out voluntary health insur-

ance in Kazakhstan. The amount of financial resources spent by insurance companies in the health care facilities for providing health services to the insured for 2012 amounted 0,063 bln USD. This is a 16.6% increase compared to 2011 and by 34% more than in 2010. It should be noted that over the past decade, the level of funding of public health services by insurance companies carrying out voluntary health insurance, has grown considerably. According to the diagram below, the financial resources of insurance companies, aimed to cover the costs of medical institutions which provided services under voluntary health insurance in 2012 increased by 70.2% compared with 2009, to 2.25 times in comparison with 2007 and 9.0 times compared to 2004 (Figure1).



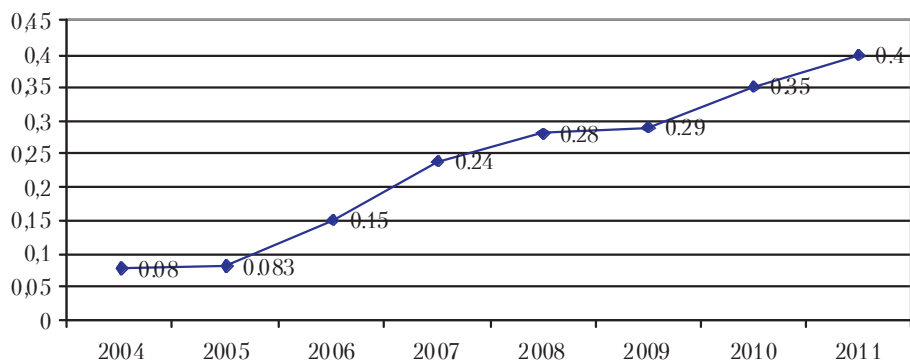
Calculated by the author based on data from the Statistics Agency of Kazakhstan.

**Figure 1. Dynamics of the financial resources of insurance companies, aimed to payment for medical services for 2004–2012, bln USD**

The next part of the cost of healthcare is covered by personal funds of citizens. Based on the statistics, we can note the increase in money spent by households on healthcare: in 2004 the household expenditure on average per capita amounted to 5.97 USD, in 2007, they rose up to 15.51 USD. In 2011 the rate amounted to 23.76 USD per capita, which is 66% more than in 2007 and 4.5 times more than in 2004. In 2011, the amount of money of households, aimed to pay for health services was 58.9 bln USD, which is 42% more than in 2009 and 66.6% more than in 2007.

The dynamics of growth of funds for household healthcare can be seen in the following figure (Figure 2).

Based on this statistics, in recent years, the financial resources allocated to the health sector have increased significantly. However, these funds are insufficient to meet the financial needs of the industry. These problems are mainly related to the provision of medical institutions with necessary medical equipment and medicines. According to statistical data, the volume of financial resources allocated to the cost of health care in recent years did not exceed 2.5–2.7% of GDP. By the recommendations of the World Health Organization (the WHO) for the normal functioning of the health sector of the country the minimum amount of health spending should be 5% of the GDP. In this connection, it is possible to calculate the amount of the cash deficit of health care in Kazakhstan and to determine the degree of deviation from the norm set by the WHO and to present them in the following table (Table 2).



Calculated by the author based on data from the Statistics Agency of Kazakhstan.

**Figure 2. The dynamics of growth of household spending on healthcare services paid for 2004–2011, bln USD**

**Table 2. Calculation of the financial needs of the health sector in Kazakhstan, bln USD**

| Rates   | 2007    | 2008    | 2009    | 2010    | 2011    |
|---|---------|---------|---------|---------|---------|
| Gross domestic product (GDP)  | 106.8   | 132.9   | 114.7   | 148     | 185.8   |
| Finance health care   | 2.58    | 3.12    | 3.1     | 3.81    | 4.25    |
| In % of GDP   | 2.4     | 2.5     | 2.7     | 2.57    | 2.29    |
| Necessary financial resources by the WHO recommendations                | 5.34    | 6.64    | 5.73    | 7.4     | 9.29    |
| Deficit of funds in the health sector in accordance with WHO guidelines | (-2.76) | (-3.52) | (-2.63) | (-3.59) | (-5.04) |
| Deficit financing funds from internal sources:                          |         |         |         |         |         |
| Household Finance, aimed at health                                      | 0.24    | 0.28    | 0.29    | 0.35    | 0.4     |
| The funds of voluntary health insurance                                 | 0.028   | 0.045   | 0.037   | 0.047   | 0.054   |
| Deficit of funds in the area after the internal financing               | (-2.5)  | (-3.19) | (-2.3)  | (-3.19) | (-4.58) |

Note: Calculated by the author based on data from the Statistics Agency of Kazakhstan.

As it can be seen from the table above, for the period 2007–2011 public spending on healthcare financing needs increased twice. However, it should be noted that the costs of healthcare as % of the GDP is much lower than the international standards. The calculations in Table 2 show the shortage of funds in the health sector, by contrast, is growing every year. *Firstly*, it is due to the lack of an increase in the financial resources allocated by the Government for health care. For example, GDP growth in 2011 was 25.5% of the GDP last year. Health care costs in 2011 increased by only 11.5% compared with 2010. That is, the cost of health care should be increased in proportion to the GDP of the country.

*Secondly*, it is related to a growth inhibition of non-state funding industry. As already mentioned, one of the main internal sources of repayment of shortage of financial resources in the area are the personal funds of citizens. For 2007–2011, the funds of society to health services increased from 0.24 to 0.4 bln USD. However, this amount may cover only 7–8% of the cash deficit in the sector.

The next of the internal sources of repayment of a cash deficit in health insurance are the means of companies carrying out voluntary health insurance of citizens. According to statistics the amount of financial resources allocated from the fund of voluntary health insurance to pay for insured citizens' medical services can cover only 1–1.5% of the cash deficit in the field.

Voluntary Health Insurance (VHI) has been operating in Kazakhstan since 1995. However, during this time, the system has not received proper development in the country. In Kazakhstan, the voluntary public health insurance operates mainly in a collective form, i.e. insurance policies are purchased by employers to insure their employees. The main problem of underdevelopment of individual VHI is the high cost of insurance for individuals. For example, an insurance company Interteach, which has its own clinic and a great experience in terms of health insurance, the minimum cost of a standard benefit package is about 500 USD. In the absence of an insured case, i.e. if the insured person does not go to hospitals during the period of insurance, the amount paid without return is at the disposal of the insurance company. In this regard, we believe that an individual form of voluntary health insurance could be advanced only with the introduction of elements of the system, involving the savings and recoveries for the VHI.

Another important issue which is hampering the development of VHI in Kazakhstan is the lack of motivation of the employers who provide their workers with health package on VHI. In Kazakhstan, insurance premiums, which employers contribute to insurance companies for workers, are subjected to social security tax rate of 6% and the amount of insurance premiums is determined by social security contributions in the amount of 5%. As a result, the cost of health package for VHI employer is 111%. Employer's expense for VHI should be tax-exempted and free from social security contributions. This can provide a surge of insurance payments and the number of insured. Lack of tax incentives for employers is an important problem that hinders the development of voluntary health insurance in Kazakhstan.

**Conclusions.** Summing up, it should be noted that the current system of financing health care in Kazakhstan may not fully finance outlay of the sphere. The Government can only provide funding for health care costs of those that have a high social value. To meet the financial needs of the health sector of the country we need to develop non-state sources of funding, namely:

- attraction of domestic and foreign investment by providing tax incentives, state natural grants and investment preferences;
- development of the individual and the collective VHI through the introduction of VHI for individuals, acting on the basis of savings and recoveries, and providing tax incentives to employers who provide group insurance for the employees;
- state support in development and maintenance of paid medical services system by providing opportunities for participation in non-state hospitals in the Government Order.

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