SYSTEMIC TRANSFORMATIONS OF HEALTHCARE GOVERNANCE MECHANISMS

Abstract. The current healthcare sector in Ukraine is being transformed due to the destruction of the country's overall infrastructure and life support system as a result of military aggression. Establishment of effective public administration of the healthcare sector at the local level is becoming key to the implementation of Ukraine's policy on governance capacity.

The development of the public health system in Ukraine has been taking place in parallel with decentralisation transformations. Local governments of the territorial communities and the oblast, based on the adopted regulatory changes and relying on local contextual data, were able to develop adequate measures for their territory. These measures, in parallel with government programmes, were intended to strengthen public health.

The public administration bodies of territorial communities have failed to ensure quality management of healthcare facilities at the local level.

The results of the healthcare decentralisation reform have shown that in order to ensure affordable and quality healthcare, it is necessary to manage the healthcare delivery process and the hospital network at both the national and regional levels.

As of the beginning of 2023, hospitals were autonomous units whose managers solved problems within the operational and strategic objectives of their hospital structure. Competition for patients between different hospitals was unleashed on the healthcare market, increasing the fragmentation of services, worsening routing, reducing their quality and safety for patients. At the level of hospital districts, there was no multi-level system of medical care that would allow for differentiation of cases depending on their complexity and severity of the patient's condition.
To organise quality healthcare, the state must create rules and conditions that will encourage hospitals to transform. In turn, local governments and healthcare departments should learn how to create an effective network of healthcare businesses. In addition, they need to improve their competencies in good governance, monitoring, accounting, communication, and many others. An important consequence of the infrastructure stage of the healthcare reform is that local governments have become owners of healthcare enterprises, not institutions or facilities. They have to choose an effective leader, a model of management, reporting, investment, and much more. Hospital owners also have to implement strategies in partnership with local health departments and boards.

The maximum effect of management activities in the medical sector is largely determined by the level of development of the main sections of management, including planning, management, control and adjustment.

**Keywords:** public administration, health care system, public health, management, hospital districts, transformations.

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**СИСТЕМНІ ТРАНСФОРМАЦІЇ МЕХАНІЗМІВ УПРАВЛІННЯ У СФЕРІ ОХОРОНИ ЗДОРОВ’Я**

**Анотація.** Сучасна сфера медичного обслуговування населення України трансформується у зв’язку із руйнування загальної інфраструктури країни та системи життєзабезпечення громадян через військову агресію. Створення ефективного публічного адміністрування медичної сфери на місцевому рівні стає ключовим у реалізації політики України щодо управлінської спроможності. Розбудова системи громадського здоров’я в Україні відбувалася паралельно з децентралізаційними трансформаціями. Органи місцевого самоврядування територіальних громад та області, на основі ухвалених змін нормативно-правового характеру та спираючись на дані локального контексту, отримали можливість розробляти адекватні заходи для своєї території. Ці заходи паралельно з державними програмами покликані були зміцнювати громадське здоров’я.
Проте, органи публічного управління територіальних громад проявили неспроможність забезпечити якісне управління закладами охорони здоров’я на місцевому рівні.

Результати реформи децентралізації управління сферою охорони здоров’я показали, що для забезпечення доступної та якісної медичної допомоги необхідно управляти процесом надання медичної допомоги та мережею лікарень як на національному, так і регіональному рівні.

На початок 2023 року лікарні були автономними одиницями, менеджери яких розв’язували завдання в межах оперативних та стратегічних завдань своєї лікарської структури. На ринку медичних послуг реалізувалася конкуренція за пацієнта між різними лікарнями, що збільшувало фрагментарність послуг, погіршувала маршрутизацію, знижувала якість та безпеку для пацієнтів. На рівні госпітальних округів не було створено багаторівневої системи надання медичної допомоги, яка б дозволяла диференціювати випадки в залежності від їх складності та важкості стану пацієнта.

Для організації якісної медичної допомоги держава має створити правила та умови, які будуть стимулювати лікарні до перетворень. В свою чергу, органи місцевого самоврядування та департаменти охорони здоров’я мають навчитися створювати ефективну мережу медичних підприємств. Окрім того, вони мають вдосконалити компетенції із ефективного врядування, моніторингу, обрахунку, комунікації та багато інших. Важливим наслідком інфраструктурного етапу медичної реформи є те, що органи місцевого самоврядування стали власниками медичних підприємств, а не закладів чи установ. Власники лікарень мають займатися втіленням стратегій у партнерстві з місцевими департаментами та управліннями охорони здоров’я.

Максимальний ефект від управлінської діяльності в медичній сфері, багато в чому визначається рівнем розвитку менеджменту.

Ключові слова: публічнеуправління, система охорони здоров’я, громадське здоров’я, менеджмент, госпітальні округи, трансформації.

**Problem setting.** The development of the healthcare system and the implementation of national and local strategies is a key task set by the government as part of Ukraine's sustainable development goals until 2030. The current healthcare sector in Ukraine is being transformed due to the destruction of the country's overall infrastructure and life support system as a result of military aggression. Establishment of effective public administration of the healthcare sector at the local level is becoming key to the implementation of Ukraine's policy on governance capacity.

**Analysis of recent research and publications.** The issue of transforming governance mechanisms in the healthcare sector has become a subject of research in various fields. The use of these cross-sectoral developments provides a comprehensive understanding of the problem and allows assessing the impact of
management mechanisms on the performance results of healthcare facilities to achieve socio-economic benefits.

A. Barzylovych [1], S. Vovk [2], V. Karlash [3], L. Krynychko [4], A. Munko [5], M. Stovban [6] and others have studied the peculiarities of modern transformations in the healthcare sector.

The aim of the article is to highlight the content and results of systemic transformations of governance mechanisms in the healthcare sector.

**Basic materials.** With the adoption of the relevant regulatory documents [7, 8], one of the most ambitious reforms in the history of Ukraine, the healthcare reform, began in 2016.

The transformation of the financing system was one of the first and perhaps the most important steps [9, 10]: A different financing principle has become an important component of the modern healthcare strategy. This principle takes into account the flow of funds to a healthcare facility regardless of the number of services provided. The patient, in due time, has the opportunity to visit a doctor and conclude a contract with him/her for medical services.

Ukraine inherited the Semashko healthcare system: a hypertrophied network of medical institutions that created a dispersion of resources, both financial and human, which significantly deteriorated the quality of care. Since 1991, the network in Ukraine has been gradually shrinking, but it still remains the largest in Europe.

Since the restoration of Independence, we have been financing (and now paying for the services of) a huge number of hospitals. As of 2019, Ukraine was one of the countries with the largest bed capacity in the world, three times that of the UK and almost twice that of Estonia, with 35 hospitals per million Ukrainians working daily to meet medical needs, representing 188 beds for 114 patients. However, Ukraine has a high rate of hospitalisation and mortality.

Irreparable losses due to diseases and conditions requiring intensive treatment can be avoided through the implementation of a hospital planning system at the level of each oblast, optimised patient routes, integration of medical services and appropriate concentration of resources.

The development of the public health system in Ukraine has been taking place in parallel with decentralisation transformations. Experts of the United Nations Development Programme (UNDP) insist that decentralisation of power is the main effective tool for socio-economic development of systems, means of autonomising local self-government, increasing its activity and strengthening local democracy.

In general, the decentralisation reform in Ukraine, called the administrative-territorial reform, is considered effective, and its consequences, among other things, allowed Ukraine to preserve its statehood after the full-scale invasion on 24 February 2022.

Local governments of the territorial communities and the oblast, based on the adopted regulatory changes and relying on local contextual data, were able to develop adequate measures for their territory. These measures, in parallel with
government programmes, were intended to strengthen public health. Self-governing actions by local authorities to prioritise needs allowed for more efficient use of resources and the development of adequate socio-economic development programmes.

However, when it comes to the decentralisation reform, which lasted from 2014 to 2020, it has a number of shortcomings in the context of healthcare management. The public administration bodies of territorial communities have failed to ensure quality management of healthcare facilities at the local level.

Having received broader powers as part of the administrative-territorial reform, local public authorities have shown an unreadiness to effectively manage healthcare facilities, which are a priori a complex area with a high risk to the lives and health of citizens. Often, local budgets are used to purchase equipment that does not meet modern medical standards, untimely construction work in medical institutions, and the creation of new healthcare facilities that may be excessive for the number of people living in a particular area can also be observed.

Another significant problem in practice is the interaction of several communities to support healthcare facilities that serve residents of different territorial communities, or when large territorial communities, owning several or dozens of healthcare facilities, try to develop them without interaction with other territorial communities or the oblast level of healthcare administration.

In addition, Ukraine has retained the Soviet, outdated division of hospitals into city, raion, and oblast ones, which hinders the development of the healthcare system. Very often, in large territorial communities, there can be both city and raion hospitals located next to each other providing typical services. This leads to overspending of healthcare resources and the inability of healthcare facilities to develop in terms of providing quality healthcare services, as there is not enough patient flow. Often these services do not cover the full range of needs of the population, and the healthcare facility develops only on the basis of the human and material capacities of the healthcare institution.

The results of the healthcare decentralisation reform have shown that in order to ensure affordable and quality healthcare, it is necessary to manage the healthcare delivery process and the hospital network at both the national and regional levels.

As of the beginning of 2023, hospitals were autonomous units whose managers solved problems within the operational and strategic objectives of their hospital structure. Competition for patients between different hospitals was unleashed on the healthcare market, increasing the fragmentation of services, worsening routing, reducing their quality and safety for patients.

At the level of hospital districts, there was no multi-level system of medical care that would allow for differentiation of cases depending on their complexity and severity of the patient’s condition. Hospitals were not networked either functionally or organisationally. The absence of a system of regionalisation of intensive care medical services leads to unjustified expenditures on healthcare facilities, along with the low quality of these services.
We are convinced that irreparable losses due to diseases and conditions requiring intensive treatment can be avoided through the implementation of a hospital planning system at the level of each oblast, optimised patient routes, integration of medical services and appropriate concentration of resources.

In July 2022, the Verkhovna Rada of Ukraine adopted a law [11] that launched the next stage of the healthcare reform – the infrastructure stage – the formation of a capable network of hospitals. To implement the requirements of this law, the Cabinet of Ministers of Ukraine adopted Resolution No. 174 of 28 February 2023 “Some Issues of Organising a Capable Network of Healthcare Facilities”, which regulated the update of approaches to defining hospital districts and the introduction of modern approaches to the formation of a network of medical institutions [12].

Ukraine is introducing new approaches to the formation of hospital districts in order to ensure that patients receive three key indicators of healthcare: quality, accessibility and being free of charge. Each oblast has become a separate hospital district, which in turn is divided into clusters. Within one hospital district, hospitals are divided into supercluster, cluster and general ones. In general, the reform envisages that the simplest diseases will be treated as close to the patient as possible, in general hospitals. In the case of more complex health problems, patients will be referred to cluster and supercluster hospitals that will provide highly specialised services.

The infrastructure stage of the healthcare reform does not involve closing hospitals. The reform envisages the creation of a capable network of medical institutions. It is the hospitals that have formed a capable network that will receive priority financial and logistical resources, which are significantly limited during the war. It is here that they will be able to provide the best results in the shortest possible time.

Important components of the reform include decentralisation of less complex medical services and concentration of more specialised medical care; differentiation of services depending on the complexity of cases and risk management.

In accordance with the Government's resolution, the regional military administrations submitted to the Ministry of Health their own vision of the hospital district plan and the formation of a capable network, taking into account the development of primary healthcare facilities and emergency medical care locations.

In June-July 2023, the list of supercluster, cluster and general hospitals of the capable network was agreed and approved. Currently, 562 institutions are included in the capable network in 19 oblasts, of which 123 are supercluster, 157 – cluster, and 282 – general institutions [13].

The reform includes oblasts where no active hostilities are taking place. Currently, the capable network is not being implemented in Zaporizhzhia, Donetsk, Luhansk, Kherson, Mykolaiv oblasts and in the Autonomous Republic of Crimea.

In addition, a three-year plan for the development of a capable network and separate plans for the development of medical institutions should be drawn up for
each hospital district. Thus, oblast administrations and communities will have a clear understanding of where and what medical services patients will receive, where the material and technical base needs to be strengthened, etc. Each healthcare facility, in turn, will have a clear understanding of what services need to be developed in accordance with its role in the network, how to plan human and financial resources, etc.

We agree with M. Stovban that an effective strategy for the interaction and development of healthcare institutions within one hospital district should meet the requirements of the national strategy for the development of the medical sector, which defines the main vectors and directions of development of the resource potential of the medical sector. It also should meet the strategies for the development of the healthcare system at the regional and municipal levels, which take into account the infrastructure and resource capabilities of a particular region and are focused on the specific needs of the population for medical care [3].

To organise quality healthcare, the state must create rules and conditions that will encourage hospitals to transform. In turn, local governments and healthcare departments should learn how to create an effective network of healthcare businesses. In addition, they need to improve their competencies in good governance, monitoring, accounting, communication, and many others. An important consequence of the infrastructure stage of the healthcare reform is that local governments have become owners of healthcare enterprises, not institutions or facilities. Accordingly, they have a number of extremely difficult tasks that are similar to those faced by the owners of millions of private enterprises around the world. They have to choose an effective leader, a model of management, reporting, investment, and much more. Hospital owners also have to implement strategies in partnership with local health departments and boards.

In our opinion, the maximum effect of management activities in the medical sector is largely determined by the level of development of the main sections of management, including planning, management, control and adjustment [14]. The skilful use of this arsenal and a scientifically based approach allows achieving strategic goals and solving current problems of a medical institution. A special place here is occupied by risk management.

The interpretation of risk management in healthcare is carried out through the definition of its main functions, in particular, it is understood as a system of measures to reduce the damaging effect or destructive impact of an existing danger on the health, life, property or financial situation of a person at risk.

In terms of foreign practice, risk management in the healthcare sector has two main approaches: organisational (focuses on the internal and external environment of the organisation) and human-centred (focuses on individual errors related solely to the human factor).

Any organisation, especially a healthcare one, should have an assessment system to prevent errors, as most defects can only be prevented through its action. In the context of a low safety culture, inadequate labour organisation, and high staff workload, situations arise when these barriers become ineffective.
Any risk has two key characteristics: probability and damage.
The results of the analysis and generalisations suggest that risks should be considered from a medical point of view, as the impact of random events that can cause physical, moral and economic damage to human health; and as a socio-economic event or a group of related random events that cause damage to the object that possesses this risk.

The basis for managing these scenarios should be a certain mechanism, the basic tasks of which are: defining the risk environment, identifying it, analysing, planning and implementing measures that affect it, developing and maintaining a state of orderly risk management structure, and finally, monitoring the implementation of preventive measures at all levels of the healthcare organisation.

The main tools for risk management in the healthcare sector should be quality standards for medical care and modelling the final results of managing medical enterprises.

The concept of facility management, which involves the principle of dividing functions in an organisation into non-core and core functions, may also be useful for healthcare managers. Core functions are those for which the relevant healthcare institution was directly created. In medical institutions, core functions are the provision of medical services and care.

Unlike the main ones, a healthcare facility has a range of related responsibilities: paying for housing and communal services, organising catering and waste disposal, and carrying out routine repairs to premises and equipment. In other words, non-core functions can be viewed as the subject of facility management.

International experience shows that the use of facility management reduces the cost of maintaining real estate while improving the quality of service by hiring support staff, as well as by saving money on the wholesale purchase of food, building materials, and consumables. This is achieved through a cumulative effect, as one facility management company can manage several healthcare facilities.

Thus, the private sector is interested in making investments and receiving guaranteed profits by bringing modern technologies, know-how, and effective management to joint projects. The public sector receives additional funding for joint projects and solves not only infrastructure problems but also achieves social stability.

The next area of transformation of healthcare management takes into account the results of the reform of productive forces and industrial relations in the medical sector. Since it is unlikely that technologies will be found in the near future that can replace practical medicine, we can only rely on the introduction of scientific progress into the organisation of production process management. The intensification of medical activities means freeing healthcare workers from performing unnecessary work. In our opinion, it is advisable to periodically review the workload and functional responsibilities of hospital staff.
Conclusions. The development of the public health system in Ukraine has been taking place alongside with decentralisation transformations. The results of the healthcare decentralisation reform have shown that in order to ensure affordable and quality healthcare, it is necessary to manage the healthcare delivery process and the hospital network at both the national and regional levels. In order to organise quality healthcare, the state must create rules and conditions that will encourage hospitals to transform. In turn, local governments and healthcare departments should learn how to create an effective network of medical enterprises. The effect of increasing the capacity of healthcare facilities can be enhanced by developing the main components of the management process and a science-based approach. Adherence to these postulates allows achieving strategic goals and solving current problems of the healthcare facility. Systemic transformations of management mechanisms include the development of concession cooperation, the introduction of facility management, risk management, and the intensification of medical activities.

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