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## NATIONAL HEALTH REFORMS IN GEORGIA DURING 1994-2021 AND THEIR SUCCESS

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Received: June 2021 | Accepted: July 2021 | Published: August 2021

Please cite this paper as: Gigauri, I., Djakeli, K. (2021) National health reforms in Georgia during 1994-2021 and their success, *Holistica Journal of Business and Public Administration*, Vol. 12, Iss. 2, pp.102-108

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### Abstract

*The Health Reform of the country is a very difficult burden for two reasons: firstly, we need an appropriate economy level in the country, that can bear the new health model, established through reform, and secondly, the country needs a health system that is appropriate either for its economic system or for its tradition and history. Health reformers need to match all the points of the health reform concept, its implementation, and the systems of the country. Due to its Soviet past, Georgia struggled in the last twenty years to find an effective and cost efficient health model for its citizens. Starting from the 90s, Georgia instituted three health reforms and finally found some sustainable measures. The present article explores the three waves of the Georgian Health Care reforms, and analyses the factors of their success and the reasons for their failures. The importance of studying the Health Care systems is derived from Sustainable Development Goals targeting Health issues including health-related topics to improve the population's health and wellbeing as well as achieve universal coverage of health services. The research contributes to the knowledge regarding the Health Care Reforms, and their practical implications on a country.*

*Keywords: Health Reform; National Health System; Universal Health Care; Georgia*

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### 1. Introduction

The Health System of Georgia was truly reshaped in the 1990s when the Soviet Union was finally coming to its end and the newly independent states found themselves in a very unusual situation, to reconstruct or construct from zero the National Health System of the country. Neither government, nor health practitioners or administrators were fully

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prepared to build a totally new health care system, and they did not have the finance sources to make the much needed changes. Some well-trained economists could only guess the complications that were about to appear down the road. By the time the Soviet authority was removed, the country was already in a state of uncertainty and crisis.

The health system reform was influenced by the economic instability, the difficult international relationships, and the struggling economic processes and mechanisms in the country, majorly impacted by the social obstacles or by the political inheritance from the prior system, which hindered the realisation of any positive change.

After the Central financing from Moscow stopped, according to the Semashko Model, Georgia lost the ability to deliver public healthcare that has been guaranteed by Soviet Union (Collins, 2006). In the '90,s New Independent Countries shifted away from Communism, and had to question the State health insurance models. As we know, the plan that ruled the Soviet Health Care was developed by the territorial principle that assigned each citizen to a special health organization (Ensor & Rittmann, 1997).

Georgian Health Care was planned by the territorial organizations of Gosplan. The Semashko model could be described as a global health model, very alike to the English "Beveridge" model. For Georgians, it guaranteed universal access to healthcare services (Collins, 2006).

Was this period of time good or bad for the Health system? Now, many citizens reminisce this period as a good one, since the Semashko Model ensured that all citizens were protected in the event of sickness. Without any doubt, the Georgian health System was effective before 1990, but it could not be efficient because the Soviet Planned Economic system was not efficient.

From that point in time, Georgia as an independent country implemented 3 waves of Health Reforms: a) in 1994-1997 when the country tried to build National Health Insurance System, but failed because of high corruption and economic instability, high inflation, and poverty; b) in 2007-2010, when the country established liberal economic model and insisted the health to be more driven by market forces, than by state ones and c) when the country started to establish Universal Health Care Model.

The current article discusses all these three waves of Health Reforming in Georgia, analyses its economic basics and the success of its execution. It also examines the advantages of each reform and outlines the reasons for failures.

The importance of studying the Health Care systems is also derived from the United Nations 2030 Agenda for Sustainable Development Goals (SDGs) aiming at improving economic and social conditions worldwide (Gigauri & Djakeli, 2021). The third goal targets Health issues including health-related topics to improve the population's health and well-being as well as achieve universal coverage of health services. But the first goal targeting poverty reduction also includes healthcare, and insurance issues as poor health increase poverty (SDG-Tracker, n.d.). Additionally, the current health crisis caused by the new coronavirus (COVID-19) pandemic has accelerated rapid changes globally, transformed

the behaviour of societies, which have led to economic fluctuations as economic systems reflect people's lives (Gigauri, 2021). Furthermore, health reforms with absolutely dissimilar strategies under the conditions of unemployment and uncertainties still have been an effective step towards the development of Georgia, encouraging its economic growth (Djakeli, 2013).

## **2. The First Health Reform in Georgia: Its Economic Basics and Success**

In 1994. Georgia was a fully independent country and it was on its way to reshaping its own Health System. The ruined Centrally Planned and strictly regulated Semashko Model was not working. With the support of the World Bank, independent Georgia begins its first reform with the following steps:

- Forming the Law and justify the process for modern health,
- Transition to program-based funding and decentralization of Health System,
- Primary health care - a priority in the new health model,
- Health insurance model as the main priority,
- The rapidly made privatization process as a basis of reform,
- Establishing the new model of state accreditation of health organizations, doctors, and nurses,
- Medical education system reforming (Georgian Health System Reorientation; Major Directions 1995).

Considering the economic situation of this reform, we understand that all economic changes were done by people through their experience and education. With the available economic and medical knowledge, the centrally planned economic systems could not plan some unknown, liberal or free models. Leaders of the Georgian Health Department together with the World Bank representatives decided to centrally plan and manage Social Medical Insurance Systems, being entitled as a SMIC (State Medical Insurance Company). In that period, the country leaders were also supporting the idea of State Capitalism, which was aligned with the principles of the Keynesian Economic School.

Over the five-year period (1995-2000), more than 400 healthcare institutions were privatized. The number of hospital beds decreased from 57.300 to 44,481. The number of per-thousand-person Hospital beds was -44.5. Another problem was related to the number of physicians in Georgia; every 245 residents of the country had one doctor. The new medical insurance law provided social health care. The country was divided into regional health offices (Collins, 2006).

The main idea of the reform was to cover basic primary and hospital health care expenses via state-funded programs. Moreover, the health services were formally free for people with chronic diseases and for the vulnerable groups within the population. But most

Georgian patients were paying cash informally (Balabanova et al., 2009). The government decided to establish the State Medical Insurance Company (SMIC) to collect payments from employees and employers and to fund the health system from the State Budget.

Why did reform fail? The low effectiveness of the fiscal system, corruption, and empty budget limited the chances of the reform. In 2003, out-of-pocket payments in the total health care expenditures reached 74.7% (World Health Organization, 2009).

Out-of-pocket payment rose rapidly, and financial protection was lost – this was the end of the Health Reform of 1994 (Kutzin, Cashin, Jakab, Fidler, & Menabde, 2010). The results have been disappointing (Collins, 2003). Finally, we can say, in a swamp of corruption and nepotism, the reform was ditched.

### **3. The Second Health Care Reform in Georgia: Its Economic Basics and Success**

During the second Health Reform, economic thoughts in Georgia radically changed. If in 1994-97 first reformers of Health believed in State Capitalism, having nostalgia towards planned economy, in 2004, Georgian economists and leaders of the country were already trained in the US. The American Liberal thinking came to the Georgian government in 2004 and they started to believe in the economic perspectives of the famous American Economist, Mr. Milton Friedman. Such radical change of economic ideas from State Capitalism to total Liberal Economy was motivated by the economic and social fail of the country in 2002, finished by the famous peaceful “Rose Revolution” in 2003, brought to government rebelling lawyers and economists trained by famous American Universities.

The book of Milton Friedman – “Capitalism and Freedom” (Friedman, 1982) was read by reformers, and they liked the ideas of the famous American economist very much, who advocated the liberal economic thoughts and who was well known by his educational vouchers.

This was also an interesting step against corruption and nepotism and towards the building of a new system of meritocracy in the country. Examinations started in all Georgian administrations. Courts started to examine the knowledge of judges. The tax department started to examine tax officers. Schools started to examine teachers. The police started to examine the policemen. All examination tickets were secretly stored in the safes of the Leaders of the Rose Revolution. The examinations were a step towards the economic, social and technological evolution in Georgia, as the country started to employ people with higher performance scores in their examinations. As a result, the corruption was eliminated. Similar steps were done by reformers in Georgian health system, and health vouchers were gifted to the vulnerable population of the country. The joke that “it is better to be a bit poorer now” (Hauschild & Berkhout, 2009) was popular among reformers of that time.

The second Health Reform had the following objectives:

- To continue the Privatization of state health ownership

- Poor groups were reached by health insurance coverage
- Private insurance companies were viewed as an effective model of management
- Minimization of state regulation to an essential minimum
- Public health has remained under governmental responsibility (UNICEF Report, 2010).

The goal was to ensure affordability of health care and wide accessibility. The public spending (from GDP) on health increased from 0.6% to 1.8% in 2010.

Zero tolerance politics against bribing made brilliant achievements for the growing State Budget of Georgia.

In primary health, health facilities were developed outside of Tbilisi (Rukhadze, 2013).

What was achieved? The public funding of the population was extended.

The private insurance companies soon started to build their health-providing facilities. Some of the Private insurers abandoned because they could not manage well all their duties. When State controllers started to check budget-funded health premiums they found money theft among insurers and some of them were abandoned. Because the systems were very difficult to manage, health experts started to criticize the reform. The political force – the United Nationalist Movement, backed this reform, lost parliament elections in 2012, and new people, new political union - Georgian Dream, came to power and they wanted to implement a health reform based on their own view and plan.

#### **4. The Third Health Care Reform: Universal Healthcare (UHC) Program in Georgia, Its Economic Basics and Success**

In 2013, Georgia started its welfare-oriented health policy. With the new Governing Coalition, Georgian Dream - Universal health program has been introduced in Georgia.

The health system reforms with UHC (Universal Health Care Program) were introduced by Otto von Bismarck in Germany, and since, they have flourished in countries like Great Britain, France, Sweden (Abiuro, 2015), or Turkey.

More than two million citizens of the country became the beneficiaries of this model. By providing financial support to not insured Georgian citizens, the basic health services were made accessible. The Universal Health Program extended to citizens of the country, as well as holders of neutral identification cards/neutral travel documents. The state health budget doubled in that period (Verulava et al., 2017).

By this UHC model the following health services were provided:

- Visitations of family physician,
- Emergency Health services,
- In-patient health,
- Planned surgical operations.

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The public expenditure and the health spending rose from 1.6% of gross domestic product (GDP) in 2012 to 3% in 2017.

The State Health budget grew from GEL 450 million in 2012 to GEL 1092 million in 2017. 2.9% of GDP was the state health expenditure in 2017. Out-of-pocket payments amounted to 7% of private health expenditures. The percentage of the out-of-pocket payment in total health expenditure was reduced in that period too (WHO, 2020).

But Georgian Health Model has been challenged by a lot of factors since then. Poverty and catastrophic health spending is rising in Georgia. The number of Foreign Direct Investments has decreased in Georgia, including those directed towards the healthcare sector. Since trust in primary care is too low, people try to receive health services from the specialists of secondary or tertiary care (Verulava et al., 2017).

The COVID – 19 pandemics checked the effectiveness of the Georgian healthcare system. In 2021, the vaccinated number of the citizens of the country is less than 5%, which is the ground for critics.

## 5. Conclusions

Georgia, in its short period of independence, has already made three different types of Health Reforms. In the period from 1994-1997, it started to rebuild the country's health systems based on Social Health Insurance (SHI) model, but without success. The reformers of 1994-1997 did not realize the economic basics of Georgia. Having big fiscal and monetary problems alongside social unrest and high corruption, the country's efforts to build some effective Social Insurance model were redundant. From 2004, the Georgian health reformers decided to use the economic theory of the Great American Economist, Mr Milton Friedman, aiming at increasing the access to basic healthcare for the vulnerable part of the population. The reformers of Health started their innovative implementations in 2007 and soon they achieved very clear results. Most vulnerable citizens of the country received accessible Health Care and they were satisfied. The second health care reform that targeted people under the poverty line was only partially effective.

In 2013, Georgia started the new Health Reform, building its Universal Health Care Program (UHCP) and making the steps towards a healthcare program covering almost all Georgians and even foreigners. In 2013, the budget and financial status of the country were sufficient for such a big step. Today, the health care quality and its sustainable development are still the main problems of the Georgian Health system.

The current research contributes to the knowledge regarding the Health Care Reforms and their practical implications on the country. The article contributes to understanding the aspects of success and failure of different Health Care systems in Georgia. The gained knowledge and experience are transferable to post-soviet states as well as developing countries.

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