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Reflections on a Painful Transition: From Socialized to Insurance Medicine in Russia

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After the collapse of the Soviet Union in 1991, Russia decided to replace its deeply flawed and under-funded system of socialized medicine by a scheme of health insurance that involved the decentralization of health services and of off-budget financing. Every enterprise would pay 3.6% of its salary fund into a Regional Health Insurance Fund, and the Fund would finance private insurance companies that would compete for clients. The non-working population would have its insurance premiums paid from the budgets of regions or municipalities. The transition from one system to another has been problematic and plagued with a variety of problems not the least of which is that the Russian economic structure is not geared to sustain an insurance system at the present time. The Russian case presents an instructive experiment with the premature introduction of a scheme touted as an "anti-model" to socialized medicine and geared to market and legal arrangements that are, as yet, largely non-existent. Under-funding of health services remains and leads to the polarization of the population into those few who can afford private care, and the vast majority for whom this care is difficult to obtain, or unobtainable. This has ominous political implications.

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