

New Economic School

Health Care in Russia: Incentives, Practices and Outcomes

Research Proposal for 2007-2008 Academic Year

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This project partly builds on projects by Bremzen, Suvorov (2005-2006) and Denisova (2006-2007).

Health care as a subject of theoretic economic analysis presents a number of serious challenges to a researcher. Not only is information severely asymmetric between provider and consumer, but also the nature of health care as a credence good (i.e., as a good the quality of which can not be fully assessed even upon consumption) makes development of an adequate incentive scheme vital for efficient functioning of the market, since doctors are shown to respond to incentives when they choose treatment. In addition, there seems to be little consensus in the society as to whether health care should be regarded as a good to purchase or as a basic right.

The above issues are widely recognized in the literature, which by and large is concerned with practices in developed countries (mainly US). However, situation in transition countries, such as Russia, presents yet wider set of research questions: how do old institutions for medical care coexist with new ones? What is the optimal government intervention policy?

Additional public interest in understanding incentives, practices and outcomes in current Russian healthcare comes from the necessity to reform healthcare in Russia, acknowledged by the society and authorities. The topic is on the agenda of recently adopted National Project on Healthcare and was paid attention to in the latest Presidential address to the Federal Assembly. There is very limited research to support the reform, however. In particular, there are a few analytical papers on economic analysis of health issues in Russia though excellent survey instruments are available, with the Russian Longitudinal Monitoring Survey being the key one.

The suggested project is to fill the gap in our knowledge in the area. The project allows for the possibility of both theoretical and empirical work. Precise topics to be investigated will depend on preferences of students.

Theoretical topics could cover the following questions:

- *Consumer choice of health care consumption.* When and why do consumers demand health care? How do they choose a provider (when they have a choice)? How and how much do they collect information on costs and benefits of specific medical services?
- *Physician's choice of occupation and incentives.* Why do some physicians choose to work at public institutions while others at private ones? What motivates them? What do they derive utility from, other than income?
- *Team building.* Many medical services involve more than one professional to supply it. Do health care consumption and health care production strategies depend on complexity of a service?
- *Expert intermediation.* Are there information services on the market, aimed to reduce information asymmetries between providers and consumers of health care? If so, how do they work?
- *Drug choice.* Many drugs are vertically differentiated, i.e., there are similar drugs that cure the same disease, different only in quality. How do consumer choose one over another? Is their choice behavior different from that in other similar situations, unrelated to health?

Empirical topics could cover labor force participation and labor supply decisions and health; the relation between low wages, ill-health and social exclusion; job instability and insecurity as a mortality risk factor; occupational choice and health; early retirement and health; military service and health.

- *Labor force participation and labor supply decisions and health.* Labor force participation decisions may depend on own health or on health of other members of a household (spouse, children). Moreover, labor supply in terms of hours worked (including the choice between part-time and full-time jobs) is likely to depend on health characteristics. Decisions to participate in the labor market will be studied using RLMS data, with special attention to the labor force participation of those in poor health. Sensitivity of labor force participation to changing economic conditions, aggregate and disaggregate (in different groups) will be studied.
- *Poor health is likely to be related to lower wages* either through lower productivity, or higher costs of employer to accommodate a worker in poor health passed on in the form of lower wages, or discrimination. It would be interesting to know what effects dominate in Russia, and how strong is the relationship. Decomposition techniques will be used to unfold the factors explaining wage inequality across people with poor and good health.
- *Job instability and insecurity as a serious health deterioration risk factor.* Mental health is an important dimension of overall health. Stress due to job instability and insecurity seems to be a candidate for significant health deterioration and high mortality rates, especially among males. The longitudinal nature of RLMS dataset allows identifying, if any, differences in the influence between periods of recession and economic growth.
- *Occupational choice and health.* Not only labor supply decisions but the choice of occupation and of a sector to work in could be determined by the health status. It would be interesting to study whether the choice of state Vs private sector of work is related to the health status of a person or her family members.
- *Military service and health.* The widely discussed reforms in the area of military draft are related to the issue of the influence of military service on health. RLMS data allows shedding some light on the issue.

Data drawn from the Russian Longitudinal Monitoring Survey (RLMS) (Rounds 5-14) matched with regional data, as well as NOBUS, which is both nationally and regionally representative for 46 out of 89 Russia's regions, is suggested to be used for empirical papers.

Suggested reading list:

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