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Measures to combat the COVID-19 pandemic led to an almost twofold increase in regional healthcare spending in January–July 2020 compared to the same period in 2019.

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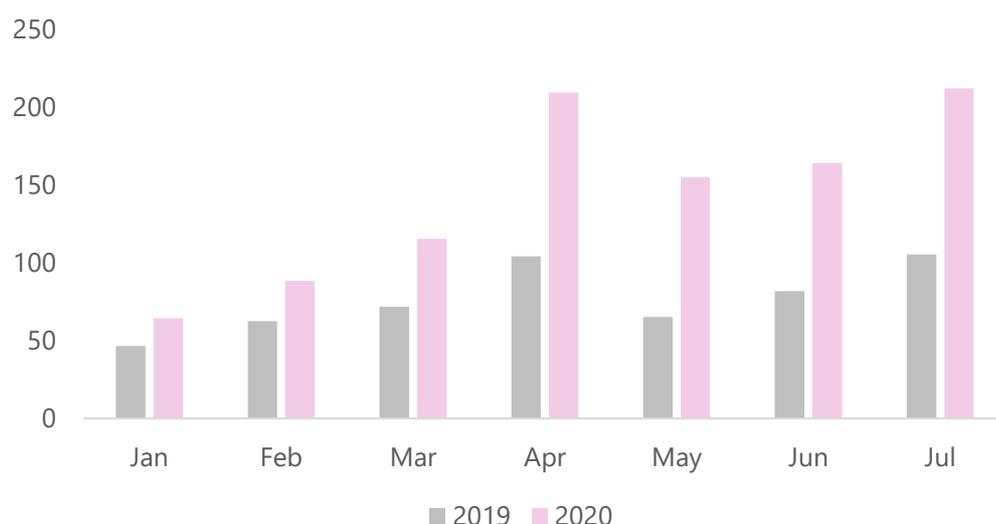
Budgets on coronavirus sick leave

Russian regions' health spending during the COVID-19 pandemic

ACRA analyzed reports on regional budget execution to assess the impact of the coronavirus pandemic on regional health spending. Regional budgets are traditionally one of the main sources of healthcare financing in Russia: about a third of the country's public spending on medicine is financed through regional budgets, including through targeted transfers from the federal budget. Implementing measures to prevent epidemics and eliminate their consequences is an expense obligation that falls on the regions themselves¹.

The analysis showed that the total healthcare expenses of unconsolidated regional budgets in January–July 2020 increased by 88% (RUB 472 bln) compared to the same period in 2019. The share of regional expenses on healthcare in 7M 2020 reached 14% of total expenses, while in 2017–2019 it was about 9–10%. In addition, monthly expenses on healthcare in April–July 2020 were in the range of 14–18%, while for the same period in 2019 they did not exceed 11% of total expenses.

Figure 1. Regional healthcare expenses in January–July, 2019 and 2020 (RUB bln)



Source: Federal Treasury

All regions saw an increase in healthcare expenses in January–July 2020 except the Republic of Crimea, whose healthcare expenses decreased by 6%. Healthcare costs have more than tripled in the Saratov Region (3.2x), Sevastopol (3.1x) and the Republic of Dagestan (3.0x). Sixteen regions saw increases by 2–3x, while in 65 regions the increase was less than 2x. In absolute terms, Moscow (RUB 190 bln), the Moscow Region (RUB 37 bln), and Saint Petersburg (RUB 19 bln), whose budgets are traditionally the largest among all regions, saw the largest increases.

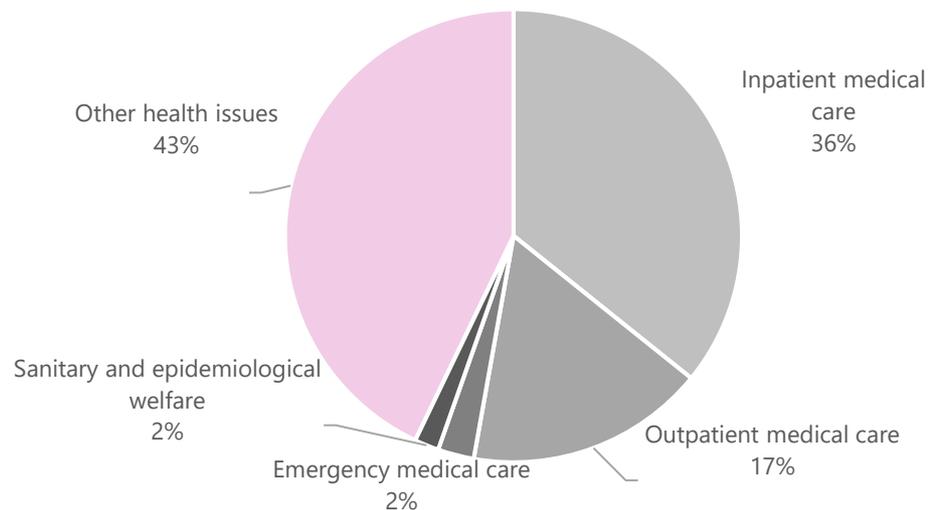
The largest increase in expenses occurred in the subsection "Sanitary and Epidemiological Welfare," which was previously almost invisible in the expense structure, reaching 26x (from RUB 0.67 bln in January–July 2019 to RUB 17.5 bln for the same period in 2020). This budget subsection includes the costs of

¹ Federal law No. 52-FZ, dated March 30, 1999, "Sanitary and Epidemiological Welfare."

disinfecting residential buildings and public spaces, as well as the costs of organizing and operating observation facilities and isolation units². However, according to budget reports, only 40 regions accounted for expenses under this subsection in January–July 2020, with Moscow accounting for almost half. It is possible that a number of regions reflected expenses on sanitary and epidemiological measures in other subsections, in particular in the subsection “Other health issues.” Expenses in this subsection for 7M 2020 increased by 2.3x compared to the previous year. In addition, it accounted for almost 40% of all regional healthcare expenses in January–July of this year. If the costs of sanitary and epidemiological measures were not taken into account for other subsections, this may mean that more than half of the regions did not actively disinfect or create observation facilities.

In January–July 2020, regional budget expenses on inpatient medical care increased by 1.8x, 1.4x on outpatient care, and 1.9x on emergency medical care.

Figure 2. Regional healthcare expense structure for 7M 2020



Source: Federal Treasury

Russian regions' capital expenses³ on healthcare increased by 70% in January–July 2020 compared to the same period last year, but expenses for paying healthcare personnel⁴ only increased by 3%. A decline in expenses for paying medical personnel was recorded in 20 regions.

In ACRA's opinion, part of these payment expenses may have been classified differently, and as a result, the size of these expenses specified in budget accounting may be understated. For example, part of expenses for paying medical personnel, in particular coronavirus incentive payments for medical workers, may have been made in the form of subsidies from the regions' budgets transferred to autonomous and state-funded institutions⁵, i.e. hospitals. These subsidies can be used to achieve wide range of goals, such as paying medical personnel, carrying

² According to Ministry of Finance letter No. 02-05-11/43368, dated May 22, 2020.

³ Includes expenses with expense type codes 241, 243, 400, 522, and 821.

⁴ Includes expenses with expense type code 100.

⁵ Includes expenses with expense type code 600.

out major repairs, and purchasing consumables and medications. The share of these subsidiaries in the structure of regions' healthcare expenses is usually high (for seven months of 2020 it amounted to 58%).

The federal budget's healthcare expenses for seven months of 2020 more than doubled compared to the same period in 2019, with expenses growing from RUB 371 bln to RUB 811⁶ bln. Transfers⁷ (RUB 472 bln) accounted for more than half of expenses, of which transfers to the Federal Compulsory Medical Insurance Fund⁸ amounted to RUB 247 bln (3.1x growth). The remaining part of transfers were sent to regional budgets, however, the growth in transfers only covers 37% of the regions' increased healthcare expenses. These transfers include RUB 72 bln in funds to cover incentive payments for medical and other workers involved in treating coronavirus patients. Taking these funds into account, the federal government's expenses on paying personnel increased by 2.5x.

We assume that the growth in healthcare expenses was not solely related to the measures aimed at combatting the coronavirus. In 2020, an increase in the regions' expenses on this budget item could be expected in connection with the implementation of national projects and the allocation of transfers for these purposes from the federal budget. According to the [Unified Portal of the Budgetary System of the Russian Federation](#), it was planned to channel around RUB 1.5 tln from budgets of all levels to finance the national project Healthcare by 2024, and the peak in expenses (around RUB 340 bln) was scheduled for 2020. In January 2020, prior to the introduction of emergency anti-coronavirus measures, the regions' healthcare expenses had increased by 38% compared to January 2019.

The regions' healthcare expenditures are significantly higher than targets in 2020, even taking into account the costs of implementing the national project. A significant part of these expenses were made by the regions using their own funds amid reduced tax revenues, including by resorting to borrowing. It is unlikely that in the coming years the regions will be able to maintain their healthcare expenses at the 2020 level. Therefore, when the pandemic ends, government bodies will need to analyze expenses and the look at the possibility of further use of the infrastructure created to combat the coronavirus.

Table 1. Regional healthcare expenses in January–July 2020

Region	Healthcare expenses, RUB bln	Change in healthcare expenses vs. same period in 2019
Saratov Region	9.71	319%
Sevastopol	3.41	309%
Republic of Dagestan	8.01	301%
Ivanovo Region	3.34	278%

⁶ Includes subsidies from the federal budget to support measures to ensure the balance of regional budgets for equipping (re-equipping) the additional or re-profiled bed fund of medical organizations for the provision of medical care to coronavirus patients in the amount of 68 bln rubles.

⁷ Includes expenses under section 09 "Healthcare" and expense type code 500, and also subsidies to support measures to ensure the balance of budgets for equipping (re-equipping) the additional or re-profiled bed fund of medical organizations for the provision of medical care to coronavirus patients in the amount of 68 bln rubles.

⁸ Includes expenses with expense type code 560.

Moscow	304.03	267%
Republic of Kalmykia	1.31	266%
Republic of Mordovia	3.44	259%
Republic of Ingushetia	0.96	256%
Kirov Region	3.24	256%
Smolensk Region	3.09	253%
Republic of Adygea	1.97	247%
Republic of Karelia	4.25	231%
Tyva Republic	2.25	229%
Tver Region	6.19	217%
Tambov Region	3.05	212%
Zabaykalsky Krai	3.71	209%
Primorsky Krai	8.39	207%
Voronezh Region	12.42	202%
Mari El Republic	1.61	200%
Altai Republic	1.25	196%
Republic of North Ossetia — Alania	2.60	191%
Kabardino-Balkarian Republic	2.15	191%
Penza Region	5.03	190%
Kaliningrad Region	4.38	189%
Bryansk Region	5.88	187%
Chelyabinsk Region	14.05	186%
Republic of Buryatia	4.48	185%
Tula Region	7.43	185%
Stavropol Krai	7.76	184%
Moscow Region	81.76	184%
Ulyanovsk Region	5.25	183%
Perm Krai	9.76	183%
Volgograd Region	9.37	182%
Republic of Sakha (Yakutia)	10.10	181%
Republic of Bashkortostan	22.53	181%
Vologda Region	6.32	178%
Orenburg Region	6.10	176%
Leningrad Region	16.86	176%
Udmurt Republic	4.95	175%
Krasnoyarsk Krai	16.97	175%
Krasnodar Krai	22.23	175%
Lipetsk Region	4.15	174%
Amur Region	3.93	172%
Nizhny Novgorod Region	14.24	172%
Irkutsk Region	10.79	172%
Samara Region	9.27	172%
Tomsk Region	5.27	171%
Novosibirsk Region	8.49	170%
Vladimir Region	5.76	169%
Republic of Khakassia	2.33	169%
Chuvash Republic	4.25	169%
Arkhangelsk Region	7.39	165%
Murmansk Region	4.77	165%
Omsk Region	5.15	164%
Oryol Region	2.53	162%
Karachay-Cherkess Republic	1.40	161%
Kaluga Region	5.21	161%
Yamalo-Nenets Autonomous Okrug	15.97	160%
Belgorod Region	7.03	159%
Chechen Republic	4.01	159%

Ryazan Region	3.93	159%
Magadan Region	3.86	158%
Tyumen Region	14.45	156%
Pskov Region	2.42	155%
Khabarovsk Krai	6.32	154%
Altai Krai	5.98	152%
Kurgan Region	1.67	149%
Sverdlovsk Region	22.13	147%
Republic of Tatarstan	19.11	147%
Saint Petersburg	59.23	146%
Komi Republic	6.85	144%
Kamchatka Krai	3.96	142%
Yaroslavl Region	5.36	142%
Kursk Region	3.39	141%
Kemerovo Region — Kuzbass	9.06	137%
Rostov Region	10.48	136%
Sakhalin Region	12.72	134%
Khanty-Mansi Autonomous Okrug — Yugra	27.09	125%
Jewish Autonomous Region	0.63	123%
Astrakhan Region	3.54	122%
Chukotka Autonomous Okrug	1.46	120%
Kostroma Region	1.94	112%
Novgorod Region	1.82	109%
Nenets Autonomous Okrug	1.01	107%
Republic of Crimea	7.57	94%

Sources: Federal Treasury, ACRA

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