



# Health and Human Capital in Putin's Russia

Judy Twigg

## **Introduction**

Demographic decline is a hot-button political issue in Russia. It's been on Putin's public agenda for a long time, but the focus has escalated and sharpened over the last several years. Although the constitutional changes announced in Putin's January 2020 state-of-the-nation address got all the headlines, about half of the speech was devoted to health and demographic challenges—to the tune of \$65 billion in new planned spending.[1] There are plenty of reasons the Russian government genuinely wants to address these problems: the fiscal burden of pensions, even after 2018's controversial pension reform, and the declining number of young men available for conscription into the armed forces, to name a few.

At core, though, the approach the Russian government is taking to address its demographic crisis has irresolvable tensions. Its goals for modernization of the health sector, increased efficiency and effectiveness of public services, and the development of human capital sufficient to cement the country's great-power status are fundamentally at odds with its impulses for control, counter-positioning to and isolation from the West, and identity as a traditional, socially conservative society.

## **The Demographic Challenge and Russian Health Care Policy**

Russia's health and demographic statistics paint a mixed picture. After a freefall in population, fertility, and life expectancy in the 1990s, some recent success is unmistakable: a pace of increase in the birth rate over the decade starting in 2005 that was the fastest in Europe, coupled with sharply declining mortality and growing life expectancy over the same period.[2]

Yet improved infant mortality, rather than adult longevity, explains much of that improved life expectancy. Moreover, after almost a decade of growth from 2008-2017, there is now a resumption of overall population shrinkage.[3] This is the inevitable demographic echo of the sharp reduction in numbers of children born in the early and mid-1990s, around the time of the Soviet collapse, which produced a dramatically smaller cohort of women currently of childbearing age, and a resulting smaller number of kids being born now. Although migration has been a net positive contributor to Russia's population numbers throughout the post-Soviet period, the political and cultural sensitivities around labor migration from Central Asia and the Caucasus effectively cut off that avenue for population growth.

## **The Russian Policy Response**

The government's response to the country's human capital crisis has roots predating the fall of the USSR. Its key features include a compulsory health insurance program, put in place in 1991, which was intended to dismantle inefficient socialist institutions and encourage market competition among health care payers and providers.[4] Its actual functioning has approached those results in only a few parts of the country, but at least it guaranteed a minimal funding stream for the health sector during the 1990s.

In 2006, when Russia began to have resources to devote to health care, a Priority National Health Project made some smart investments in specialty medical centers for cardiovascular and neonatal care, revamped emergency services, and modestly increased wages for primary care doctors.[5]

Fertility has been encouraged by several policies. A “maternity capital” program launched in the late 2000s gives a lump-sum payment currently worth around \$10,000 (upped from \$8,000 in an election-year move in early 2018) to parents at the third birthday of their second and any subsequent children, to be used for education, housing, or a parent’s retirement.[6] Human capital development was further boosted with Putin’s 2012 and 2018 May Decrees.[7] These funneled \$60 billion into demography and \$33 billion into health from 2018-2024, setting well-defined targets for life expectancy, fertility, healthy and active lifestyles, reductions in mortality from an array of causes, increased access to and quality of primary care, and—amusingly, given the still-low quality of most health care facilities—a quadrupling of the volume of incoming “medical tourism.”

Most impressively, Russia launched, in the mid-2000s, a series of alcohol and tobacco control initiatives conforming with international best practice for getting people to smoke and drink less, and for getting teenagers not to start.[8] Tax increases, restrictions on advertising and points of sale, and limitations on drinking and smoking in public spaces have tangibly changed many people’s behaviors; few analysts doubt their positive impact on health outcomes.[9] These policy innovations have afforded Russia enough international credibility to begin hosting the World Health Organization’s European Office on Non-Communicable Diseases in 2012. Yet many Russians, especially in rural areas, get around higher prices for state-produced vodka by resorting to moonshine (production of “samogon,” in the Russian vernacular, is famously a means for small-town grandmothers to supplement their pension income) and non-beverage alcohol (cough medicine, cologne, antiseptics, antifreeze).[10] A Federation Council roundtable on social policy last year revealed that Russian men outside prison are now more likely to die prematurely than those on the inside, largely because of alcohol.[11] Nearly half of all Russian men still smoke. Bad habits persist.

Broadly speaking, Russia’s health care system, while much improved from the shambles of the 1990s, is still far behind its Western counterparts in quality and efficiency. Health care spending hovers around 3% of GDP, even after all the new special and targeted programs.[12] And much of that money is wasted on a system that, reflecting lingering Soviet-era practices, heavily incentivizes overreliance on specialists, long hospital stays, and investments that track more closely with corrupt officials’ interests than with rational allocations of health resources. Primary care facilities are under-equipped, with many personnel poorly trained and overworked. An Audit Chamber study in early 2019 found that nearly half of health facilities lack a central water supply, over half have no hot water, and more than 40% have no central heating.[13] Physician protests are increasingly common.[14]

Moreover, recent efforts to “optimize” the provision of care, logically conceived in principle to correct the imbalance between inpatient and outpatient care, have been implemented carelessly, in a way that hasn’t strength-

ened primary care commensurately with shuttering of excess hospital capacity. The result: out of 130,000 rural settlements in Russia, only 45,000 now offer any kind of medical service at all, and the facilities that remain have outdated equipment, low staffing, and irregular supplies of drugs.[15] The one inarguably positive feature of Soviet-era health care—universal access—has disappeared.

## The Negative Health Impact of Backward Social Conservatism

Against this backdrop, an array of broader policies rooted in Russian government and societal trends toward insular “traditionalism” and conservatism are damaging the country’s ability to achieve its stated goals for health and human capital.

- Rates of voluntary *abortion* have plummeted since the Soviet period, when abortion was the primary mode of contraception. That hasn’t stopped the Russian Orthodox Church and, increasingly, the Putin government from scapegoating abortion as a primary culprit in declining birth numbers.[16] Restricting women’s access to high-quality reproductive health information and services will, in the long term, damage the country’s demographic outcomes.
- Efforts to address Russia’s *HIV epidemic*, currently the fastest-growing in the world, are strangled by the government’s staunch refusal to legalize opiate substitution therapy (methadone and buprenorphine) and its heavy restrictions on needle and syringe exchange.[17] These basic harm reduction measures aimed at managing injection drug use – the primary driver of HIV in the country – are painted as “permissive” imports from the liberal West, unacceptable in the Russian cultural and political context. HIV prevention and treatment services for highly marginalized and stigmatized groups like drug users, men who have sex with men, and sex workers, formerly buttressed by the global health community, have been brought nearly to a standstill by the 2012 and 2015 laws on non-governmental organizations and “foreign agents,” the 2013 “anti-gay propaganda law,” and other legal and regulatory restrictions. Over one million Russians infected with HIV, and many others at risk, are ill-served by this *rejection of civil society*, the international community, and “Western values.”
- HIV isn’t the only area where the *suppression of modern science* has had an impact. Growing restrictions on Russian biomedical researchers’ contacts with foreign collaborators have limited their exposure to the latest findings and techniques.[18] Young Russian scholars are increasingly pressured to publish in sub-par Russian journals rather than in the international, peer-reviewed scientific literature.[19] Evidence-based medicine is not allowed to catch on.

- Russia’s drive for economic independence from the West, manifested in an aggressive *pharmaceutical import substitution* policy for well over a decade, is limiting patients’ access to high-quality drugs. After years of forcing international pharma to situate manufacturing on Russian soil in order to access its markets, the government is now doing everything it can to replace even domestically-produced imported brands with Russian versions that frequently aren’t up to par.[20] Attempts to circumvent this policy can be dangerous: in Saratov in 2018, a local NGO supporting diabetics was declared a foreign agent because it was getting help from the Moscow offices of two international drug companies.[21]

## The Bottom Line: Policy to Broaden the Scope of Human Capital Concern

Russia’s political system is prioritizing state control and conservatism over evidence-based practice, free inquiry, and social initiative, limiting health and demographic development. The United States and its allies should find few reasons to celebrate Russia’s health and demographic challenges, but instead seek to understand and address these problems to the extent that this is possible, as outlined in the following policy recommendations.

1. With falling population numbers nearly inevitably baked into Russia’s near- and medium-term demographic future, it’s reasonable for policymakers in the U.S. and Russia alike to ask whether the focus should be solely on the sheer numbers of people in the country. A broader perspective would shift the conversation to the quality, rather than just the quantity, of human capital.

Key questions we might ask: are Russian higher education and the Academy of Sciences training and supporting students and scholars capable of propelling Russia forward with a modern, information-based economy? Is there enough provision and uptake of vocational education that can bring a new generation of technicians into vital support roles, keeping the lights on and the plumbing in good order, fixing things when they break? Is there anything that can be done under the current regime to reverse a wave of creative-class brain drain,[22] through which tens, maybe hundreds of thousands of Russian engineers, scientists, and entrepreneurs are leaving the country to pursue better economic and social conditions elsewhere?

2. Russian instability borne of internal decay is in nobody’s best interest. U.S. policymakers would be smart to engage, along the narrow corridors of current possibility, the courageous Russian non-governmental actors attempting to get around government policy to fill in the gaps of social service provision, whether in HIV/AIDS, addiction prevention and treatment, reproductive health education, or other areas.

3. In addition to engaging and aiding the health care segment of Russian civil society, U.S. organizations might seek avenues for encouraging harm reduction and treatment practices accepted by the global health community. Any steps to encourage evidence-based medicine would be a benefit to Russian health care providers.
4. Many Russian scientists and educators also remain open to collaboration. Often these innovators are situated at the local levels, off the Kremlin's radar in smaller cities and communities outside Moscow and St. Petersburg. Supporting them—while taking care not to endanger them with the taint of overt Western influence—through non-political, small-scale exchange programs and the like,[23] could not only provide them with much-needed knowledge and technical resources, but also quietly lay the groundwork for partnership in the event of better days for US-Russia relations.

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