

The features of the development of the local healthcare services market: analysis of demand for paid service

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ORIGINAL ARTICLE

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Abstract. Healthcare sector is a key indicator of socio-economic development and the population quality of life. Healthcare organisations traditionally play a significant role, providing both access to the healthcare services and improving public health. The sector is a special area of economic relations. Indeed, on this market, the healthcare services is a good. An analysis of the healthcare services market dynamics shows a steady increase in the volume of paid services. Recently, there is an increase in the share of paid healthcare services in the total volume. It indicates a growing demand for high-quality medical services. The formation and development of the healthcare services market in Russia is a complex and multifaceted process. It requires an integrated approach. The successful development of this sector depends on addressing existing problems and implementing management decisions. However, the market of paid healthcare services is currently developing in Russia. Its further development includes improving the quality of care, increasing the availability of modern medical technologies, and ensuring the competitiveness of Russian medical institutions. Meanwhile, the share of commercial medical organisations is growing with every passing year. Nevertheless, the development of paid healthcare services market is quite slow due to a reduction in effective demand and a shortage of qualified specialists. The purpose of the research is to define the ratio of supply and demand in this market: the need for health ensures demand for medical services. The major method of an empirical study is a sociological survey. According to the research results, demographic changes, technological innovations, and the level of government support determine the development of the private healthcare services market. The trends identified indicate a natural transition towards the use of paid healthcare services.

Keywords: healthcare; paid services market; quality of life; health capital; effective demand; need for health

JEL codes: A14

DOI: 10.52957/2782-1927-2025-6-4-52-60

For citation: Irina V. Popova, Anna N. Zhilina, Alexey V. Zorin (2025). The features of the development of the local healthcare services market: analysis of demand for paid service. *Journal of regional and international competitiveness*, 6(4), 52.

Introduction

Nowadays, healthcare is the basis of social vital activity and one of the leading sectors of the national economy. Healthcare sector is a key indicator of socio-economic development and the population quality of life. Healthcare organisations traditionally play a significant role, providing both access to the healthcare services and improving public health. Therefore, it is crucial in the conditions of pandemics, climate change, chronic diseases, etc. First, healthcare organisations are responsible for the development and implementation of healthcare policies aimed at improvement of the population quality of life. It includes disease prevention, vaccination, anti-addiction programs, healthy lifestyle promotion, etc. Healthcare

organisations develop strategies to overcome the challenges, such as the increasing number of infectious or chronic diseases. Secondly, healthcare organisations actively participate in research and scientific activities. They often provide effective solutions and new technologies in the field of medicine and healthcare. It allows one to respond to emerging threats and improve methods for diagnosing and treating diseases. Thirdly, an important aspect is the coordination of actions of various sectors of society. Healthcare organisations work in the cooperation with various government agencies, non-governmental organisations, the business sector, etc. Such collaboration helps to address not only medical issues, but the issues of poverty, education, and access to clean water. Fourth, education and training of personnel is an essential task. Modern healthcare organisations train medical personnel, providing them with the necessary knowledge and skills to work in a rapidly changing environment. In addition, they disseminate information about health and disease prevention. It could significantly improve public health in the long term. Therefore, healthcare organisations play multifunctional and vital role in modern society. Society's ability to adapt to changes, manage emerging threats, and ensure an improved quality of life for all citizens depends on them. It requires constant attention, resources, and innovative approaches to cope with new diseases and challenges facing humanity in the 21st century [1, p. 224].

The existing market of private medical services in the Russian Federation can be assessed as developing one. Therefore, it is exposed to various factors of macro- and meso-economic levels. In this market, there is quite fierce competition. It regulates supply and demand. An important condition for balancing demand is the expansion of economic opportunities for potential consumers, an increase in their incomes, etc. It leads to increased activity in the specified market, the volume of paid healthcare services, and the average service fee.

In the healthcare services market, as in any economic activity, one of the main factors determining the successful development of relationships is the preservation and maintenance of a competitive environment. Competition is a marker of market relations development. It is an independence in the choice of healthcare services providers, the ability to make contracts between buyers and service providers. Competition is one of the most important economic laws of the development of society, a stimulator of production activity, and improvement of the quality of products and services. It promotes the development of the economy, search for effective solutions, development of advanced technologies, and provides consumers free choice. The role of the state as a moderator and supervisor of antimonopoly legislation is important for the development of competition in the healthcare services market. In accordance with Article 4 of the Federal Law "On Protection of Competition", competition is the rivalry of economic entities; their independent actions exclude or limit their ability to unilaterally influence the general conditions of circulation of goods in the relevant commodity market¹. Consequently, in terms of competition in the provision of healthcare services, medical organisations should not unilaterally influence the general conditions for the provision of services. This mechanism ensures the containment of rising prices for healthcare services, introduction of innovative technologies, provision of high-quality medical services by attracting qualified specialists to a medical organisation, customer-oriented approach, etc. Also, it stimulates a cost reduction.

Methods

The most important characteristic of competition is the rivalry between business entities. It is the behaviour characterised by the desire to gain an advantage over other subjects in a particular area of the economy in conditions of material goods shortage [2, p.18]. Indeed, these norms of law regulate the behaviour of competing entities, rules of competition, and guarantee the competition within certain limits. The establishment of such rules and guarantees is necessary for the existence of competition itself. In conditions of limited resources and growing needs, without legal regulation and control of competition, the process of competition between subjects will result in monopolisation or widespread violation of consumer rights, primarily in the field of quality of goods and services. The most important issue for consumers in the field of paid medical care is the quality and cost. Competition ensures the most significant interests and needs of patients against the background of public healthcare financing problems through the mechanisms of a

¹ Federal Law No. 135-FZ on Protection of Competition. (2006, July 26). ConsultantPlus. (as amended on 08.08.2024)

market economy. Therefore, such competition optimises the cost of healthcare services, improves social well-being, and reduces mortality [3, p. 67].

However, in the scientific literature there is another view on competition in the provision of healthcare services. According to it, healthcare is an industry of health protection. Moreover, there is also non-price competition in the healthcare services market, as the competitiveness of a medical organisation increases due to its development (acquisition of new equipment, attraction of highly qualified specialists), improvement of the quality of medical care, and accessibility of medical services (opening new branches, departments of a medical organisation, increasing types of care, and reducing waiting times). Meanwhile, researchers often attribute the paid healthcare services market to markets with imperfect competition, since it is dominated by a small number of individuals; entry of new organisations into the industry is limited by high barriers and significant financial investments. As a result, the features of an oligopoly appear. Imperfect competition is a rivalry in terms of control the prices of the products fabricated by the individual manufacturers. Indeed, imperfect competition causes difficult market interactions and limited access to information. Perfect competition is an idealised state of the commodity market. It characterised by a large number of independent entrepreneurs (sellers and buyers), opportunity to free market interactions, equal access to information and a homogeneous product. Therefore, market participants should have an appropriate high-tech base, ensure licensing of activities, professional growth of employees, and successfully pass the accreditation. Otherwise, private medical organisations cannot expect high profits. According to the research on the competition in the healthcare services market, it has seasonal demand for medical services, insufficient development of commercial services in severe cases of diseases, expensive high-tech equipment, asymmetry in the provision of services, high barriers to entry for new manufacturers, and a multi-level consumer system. Therefore, the concept of competition in the healthcare services market is a process of interaction between consumers of medical services (patients), suppliers (medical institutions), and intermediaries (insurance companies), aimed at achieving the common and personal needs. The purpose of competition in the healthcare services market is to increase the value of receiving a service for the consumer. Value refers to the quality of medical care and the amount of money spent for the service received. Indeed, a constant or slight increase in the price of services for consumers, and the quality of services and should be improved. It stimulates and expands the market [4, p. 33].

An analysis of the healthcare services market dynamics shows a steady increase in the volume of paid services. Recently, there has been an increase in the share of paid healthcare services in the total volume. It indicates a growing demand for high-quality medical services (Figure 1).

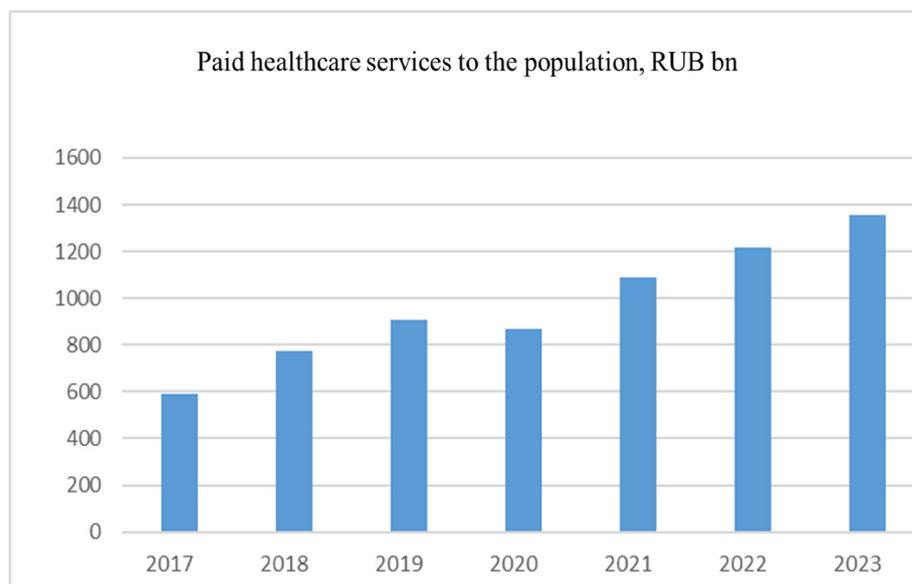


Figure 1. Dynamics of volume of paid healthcare services, 2017-2023

Source: Rosstat

The main factors of healthcare services market development are as follows:

- expanding the range of healthcare services;
- integration of small clinics into the large medical networks;
- opening of multidisciplinary medical centres;
- introduction of digital technologies into medical practice;
- development of the VHI (Voluntary Health Insurance) system [5-8].

The main competitive advantages of private medical institutions include the following:

- high reputation of the healthcare organisation;
- high quality of healthcare products and services provided, effective treatment of diseases (the structure of completed cases according to the purpose of the visit);
- qualification of medical personnel (% of doctors with the highest category);
- sufficient material and technical base, availability of modern diagnostic medical equipment (% of the equipment under 5 years);
- the uniqueness of the healthcare products and services;
- reasonable prices do not exceed the similar ones for healthcare products and services from other market participants.

New medical equipment significantly affects the treatment process. The need for a constant increase in investments of commercial medical institutions in equipment determines the specifics of the demand for healthcare services [9-13].

The identified main limitations of the market development are as follows:

- lack of qualified medical personnel;
- uneven development of regions;
- high costs of equipment and technology;
- the need for constant updating of the material and technical base [13-15].

Therefore, we conditionally identify the main types of medical institutions corresponding to the sectors of the modern economy; each has its own specific management: a) state and municipal medical institutions; b) commercial medical institutions. Public medical organisations include subordinated to the bodies of the state health system, medical, preventive, and scientific research institutions, pharmaceutical organisations, pharmacy institutions, etc. Municipal medical institutions include medical, pharmaceutical, and pharmacy organisations subordinated to the municipality. The private healthcare system includes medical institutions and pharmacies subordinated to the individuals engaged in private medical practice and pharmaceutical activities.

Therefore, the main aspect of the market mechanism is competition. Studying competitors and highlighting their strengths and weaknesses is extremely important for gaining a certain share of the healthcare services market. By comparing services with those of competitors, there could be determined the competitive advantages and market positions. They are unique, special features of medical organisations distinguishing them from others. They make higher profits. When determining competitive advantages, it is important to focus on patients and their needs, and to be sure these advantages are perceived by them. Competitive advantages are the basis of the strategy of participants' behaviour in the market of healthcare products and services [16].

Results

The formation of a post-industrial economy requires increased attention to the factors determining the quality of human capital. It includes the level or capital of health available to individuals. At the micro level, increased interest in health capital is evident in new trends such as telemedicine, healthcare digitalisation, medical tourism, or MedTech (a fusion of advanced medical and information technologies). At the macro level, healthcare services is the area with a high proportion of government intervention due to the social importance of public health, and market failures in the relevant markets.

The healthcare services market has specific features. Its main goal is to provide high-quality medical

care to the population and the patient's health.

However, in the literature, there is a different interpretation of healthcare services in terms of the specifics of payment. It depends on the provision of the service: for a fee, expense of compulsory insurance, or the state budget. Also, it depends on demand because assistance, unlike services, is provided for objective reasons; it is not advertised and offered a choice. This classification is not operational in the framework of this research. For instance, a person has objective indications for a planned medical operation; he or she can study information about providers offering this service and choose the best one; it is quite possible within the framework of the Russian compulsory medical insurance system. In details, the specifics of the healthcare services market are described in the economic literature [17-19]. Synthesising the available approaches, the following characteristics can be distinguished:

1. The uncertainty of demand. Despite a number of medical procedures, such as regular medical checkups or vaccinations, are planned, most of them are surprising for the consumer. It results in consumers being unable to plan their medical expenses. Moreover, these costs may be disproportionately high compared to income.

2. Information asymmetry. The healthcare services are one of the traditional examples of trust-based goods (the quality of these goods is often impossible to assess after their consumption). Consumers are not sufficiently informed to make a rational choice of the healthcare services they require. As a result, they cannot assess the quality of the service provided and rely on subjective impressions. For instance, they believe a certain manipulation with less discomfort for the patient provides a better service [20, p. 17].

The empirical base is the data of a standardised sociological survey conducted based on the program and the author's methods. The starting point of our research was quantitative indicators of improvement of the population quality of life in the Yaroslavl region, Russia. To assess satisfaction with the quality of life, a survey was conducted through a Google form for various categories of citizens of Yaroslavl, Russia. The sampling included: 77.3% of women and 22.7% of men. Age: 51.7% of respondents are under 30 years old; 23.4% – 31-40 years old; 15.4% – 41-50 years old; 7.0% – 51-60 years old; 2.5% over 60 years old. Education: 70.1% of respondents have higher education; 22.4% – secondary vocational education; 7.5% – secondary general education. Marital status: 42.3% of respondents are married for the first time; 28.9% – not married; 8.5% – divorced; 8.0% – remarried after divorce; 10.4% – in a civil union; 2.0% – widowed. Living conditions: 56.4% of respondents live in their own flats; 13.5% – private house; 19.0% – rent apartments; 6.5% – state apartments; 4.5% – communal apartments. Employment: 64.5% of respondents are working; 19.0% – working and studying; 5.0% – studying; 4.0% – retired and working; 7.5% – not working or studying. Sector of employment: 23.9% are government, administrative authorities; 19.8% – trade, services; 14.2% – education, medicine, culture; 11.2% – production; 5.1% – private enterprise; 6.1% – transportation; 19.7% – other. All these socio-demographic characteristics are related to the assessment of people's quality of life.

In accordance with the purpose of this research, we use the results to test some particular hypotheses related to health capital and consumer behaviour in the paid medical sciences market.

The ratio of supply and demand in this market is as follows: the need for health ensures a demand for medical services. To describe the health capital of the population, the research contains the question: "How would you rate your health?". The following results were obtained:

I have good health; I suffer only from seasonal colds – 54.0%;

Generally good, I have one chronic disease – 36.5%;

I have poor health; I have several chronic diseases – 9.5%.

The object of our research is the population distributed by age groups: 51.7% of respondents are under 30 years old; 23.4% – 31-40 years old; 15.4% – 41-50 years old; 7.0% – 51-60 years old; 2.5% over 60 years old.

In recent years, the privatisation of enterprises has formed a steady trend towards ignoring such a problem as occupational morbidity. Confirmation of this hypothesis is the answers to the question: "Do you have an occupational disease?" according to the option "I do not know what occupational disease is" – 13.0% and 11.5% answered they have. The results obtained allow us to conclude low quality of health capital. However, it is factor of increasing demand for paid healthcare services.

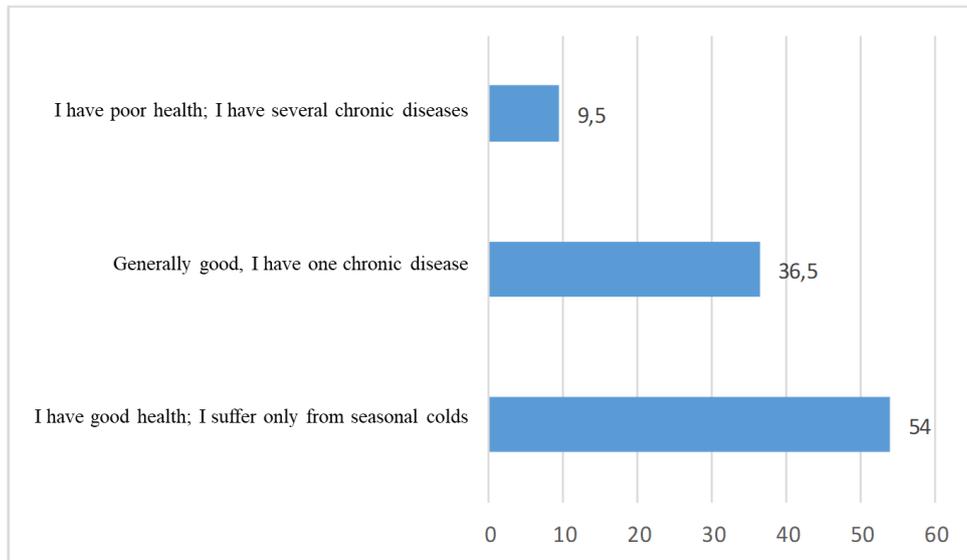


Figure 2. Health capital (% of respondents)

Source: Authors

To determine the proportion of users of paid healthcare services, the question was asked: "Do you use paid healthcare services?"

The results are as follows (Fig. 3):

Yes, sometimes – 47.8%

Yes, more often than free of charge – 45.8%

Free of charge only – 6.4%

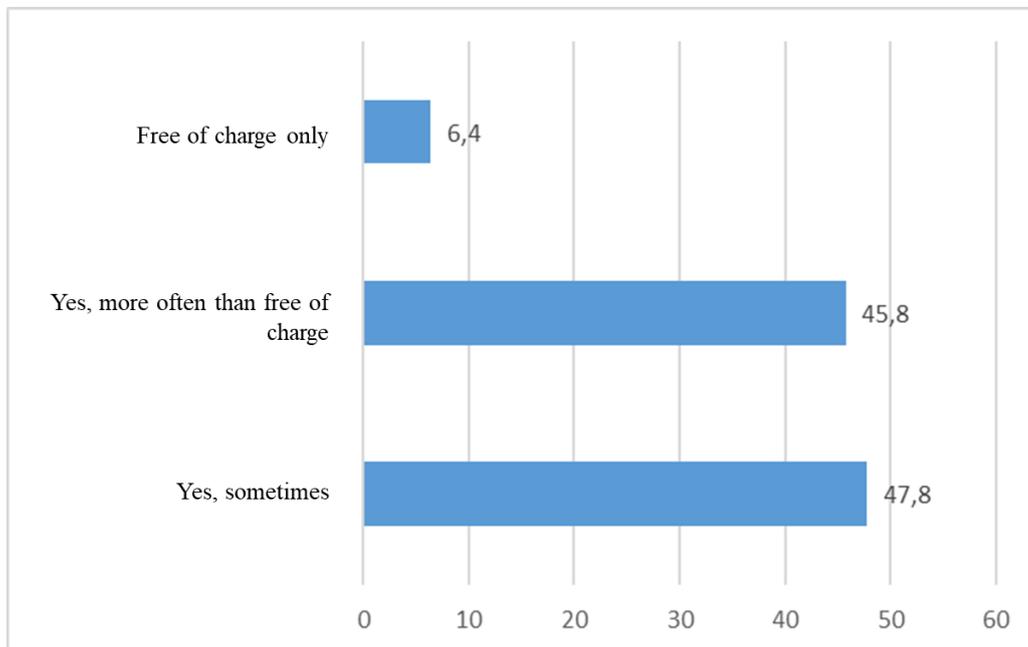


Figure 3. Proportion of healthcare services users

Source: Authors

The main part of the sampling consists of the working people; they can use paid services. But the result itself allows us to extrapolate it to the unemployed population. They are forced to use free medicine, which has serious disadvantages.

The motivation of patients is formed by the quality of service, pricing policy, recommendations, and convenience of receiving services. Understanding these factors allows medical organisations to effectively build a development strategy and improve the quality of services provided. Identifying the reasons for

accessing paid healthcare services was the purpose of the study. It helps to develop recommendations for improving public administration and the population quality of life. Question: "What are your reasons for paying the medical centres?" There were several possible answers; amount is more than 100%; result is arranged in descending order:

62.2% – due to time savings, it is not possible to spend much time on free medicine;

47.8% – due to the lack of opportunity to receive this service for free;

46.8% – due to the higher quality of service;

22.4% – due to the opportunity to choose a doctor by my own.

To overall assessment of the organisation of medical care in Yaroslavl, Russian Federation respondents were asked the following question: "How would you rate the medical care for Yaroslavl residents?" Mark all the options that suit you; amount is more than 100%; result is arranged in descending order:

- negatively, there is always a problem of getting an appointment with a specialist – 55.0%;

- negatively, there is always a problem getting an appointment with a local therapist – 44.0%;

- poorly organised appointment at the local clinics – 39.0%;

- it is difficult to get free dental care – 31.0%;

- poorly organised ambulance service – 27.5%;

- positively, we have no problems receiving medical care – 23.5%;

- it is difficult to get to the hospital for treatment – 10.5%;

- poorly organised child care – 9.5%.

According to the research results, public reorganisation of the healthcare system has a negative effect on its condition. People are forced to use paid healthcare services. It reduces the ability to meet people's needs to maintain their health, life expectancy, increases morbidity. Indeed, it negatively affects all indicators of quality of life and capital of health related to the public administration of the health system.

Conclusion

As a result, demographic changes, technological innovations, and the level of government support determine the development of the private healthcare services market. The trends identified indicate a natural transition towards the use of paid healthcare services in healthcare. The entrepreneurs adapted to these changes can expect to thrive in this fast-growing sector of the economy. At the same time, small and medium-sized businesses play a significant role in the healthcare sector. They ensure the availability and quality of healthcare services, introduce innovations, and contribute to economic development. Their active involvement in the health of society highlights the need to form an enabling environment for further growth and development of this sector. It ultimately benefits society as a whole. However, economic activity, tax preferences, and public support measures are necessary for healthy development of the private healthcare services market and the segment of small and medium-sized businesses. Indeed, paid healthcare services market is currently undeveloped in Russia. Meanwhile, the share of commercial medical organisations is growing with every passing year. An effective combination of market mechanisms and government participation will have a positive effect on this sector development. Nevertheless, the development of paid healthcare services market is quite slow due to a reduction in effective demand and a shortage of qualified specialists.

Therefore, modern economics has well-developed terminological basis for describing the major categories of the healthcare services market. The economists define the goal of the healthcare system as an increase of health capital. As a set of healthcare services, those are investments both through non-medical expenses, for example, the purchase of a gym membership or water filtration equipment, and through medical care.

FUNDING

The work was done on a personal initiative.

CONFLICT OF INTEREST

The authors declare no conflict of interest.

AUTHORS' CONTRIBUTION

Irina V. Popova – writing – original draft.

Anna N. Zhilina – data curation, formal analysis, validation.

Alexey V. Zorin – conceptualization, project administration, writing – review & editing.

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Received 05.11.2025

Revised 10.12.2025

Accepted 13.12.2025