THE INSTITUTIONAL ROLE OF THE PRIVATE SECTOR IN THE HEALTHCARE MARKET: CLINICS, LABORATORIES, PHARMACEUTICAL AND DIAGNOSTIC SERVICES

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ABSTRACT

This thesis examines the institutional role of the private sector in Uzbekistan's healthcare services market. The analysis is conducted across private clinics and hospitals, outpatient and diagnostic services, medical laboratories, and the pharmaceutical value chain (production, wholesale distribution, and retail trade). The study employs a methodology based on regulatory and legal analysis (healthcare legislation and public-private partnerships), market structure analysis (competition and concentration factors), and trend analysis using national statistical data. The findings demonstrate that the private sector contributes not only to increasing service capacity and healthcare delivery volumes but also to improving quality standards, fostering innovation in diagnostic and laboratory technologies, and enhancing financial sustainability. At the same time, the study identifies institutional gaps related to licensing, accreditation, price transparency, and data integration.

Introduction

The healthcare services market differs from conventional service markets due to information asymmetry, the inelastic nature of demand, significant social externalities, and the complexity of measuring service quality. Consequently, this market is invariably regulated through institutional mechanisms, including laws, standards, supervisory frameworks, and financing arrangements. In Uzbekistan, private clinics, diagnostic centers, laboratories, and pharmaceutical enterprises have expanded rapidly in recent years, becoming an essential component of the country's integrated healthcare system alongside public healthcare institutions. The objective of this thesis is to determine the institutional role of the private sector and to evaluate, from a scientific perspective, the regulatory, quality, and equity-related challenges associated with its growth.

The theoretical framework is grounded in institutional economics, particularly the work of **Douglass North**, as well as the concept of market failures in healthcare. The private sector should not be viewed solely as a form of ownership; rather, it constitutes a network of

healthcare providers institutionally connected through contractual arrangements, standards, licensing and accreditation requirements, insurance schemes, and payment mechanisms.

The methodology consists of: (i) regulatory and legal analysis of healthcare legislation, including the 2019 Law on Public-Private Partnerships and policy measures promoting private healthcare adopted in 2017; (ii) dynamic analysis based on national statistical data and publicly available sources (Table 1); and (iii) institutional mapping of the healthcare service chain (provider–payer–regulator relationships).

Table 1: Dynamics of the Number of Private Hospitals in Uzbekistan (2019–2025)

Year	Private Hospitals (units)
2019	575
2020	593
2021	637
2022	675
2023	724
2024	1301
2025	1503

Source: Committee of Statistics of the Republic of Uzbekistan (2025), Stat.uz update, 12 September 2025.

As shown in Table 1, the number of private hospitals increased from 575 in 2019 to 1,503 in 2025. This growth, particularly the substantial increase observed in 2024, can be attributed to the simplification of licensing procedures, improvements in the investment climate, and the diversification of demand for healthcare services. The growth in the number of outpatient and polyclinic institutions across all forms of ownership indicates an expansion of healthcare service provision at the primary care level. Between 2019 and 2023, the number of such institutions increased from 5,914 to 8,011. Private diagnostic centers and small outpatient clinics have been especially active in driving this expansion (Table 2).

The table below illustrates the changes in the number of outpatient and polyclinic institutions over the last seven years. During the period from 2019 to 2025, the number of institutions increased from 5,914 to 9,200.

Table 2: Number of Outpatient and Polyclinic Institutions (2019–2025)

Year	Institutions (units)
2019	5914
2020	6032
2021	6676
2022	7010
2023	8011
2024	8800
2025	9200

Source: Syrdarya Regional Statistics Department (based on data from the Statistics Agency), 24 July 2024.

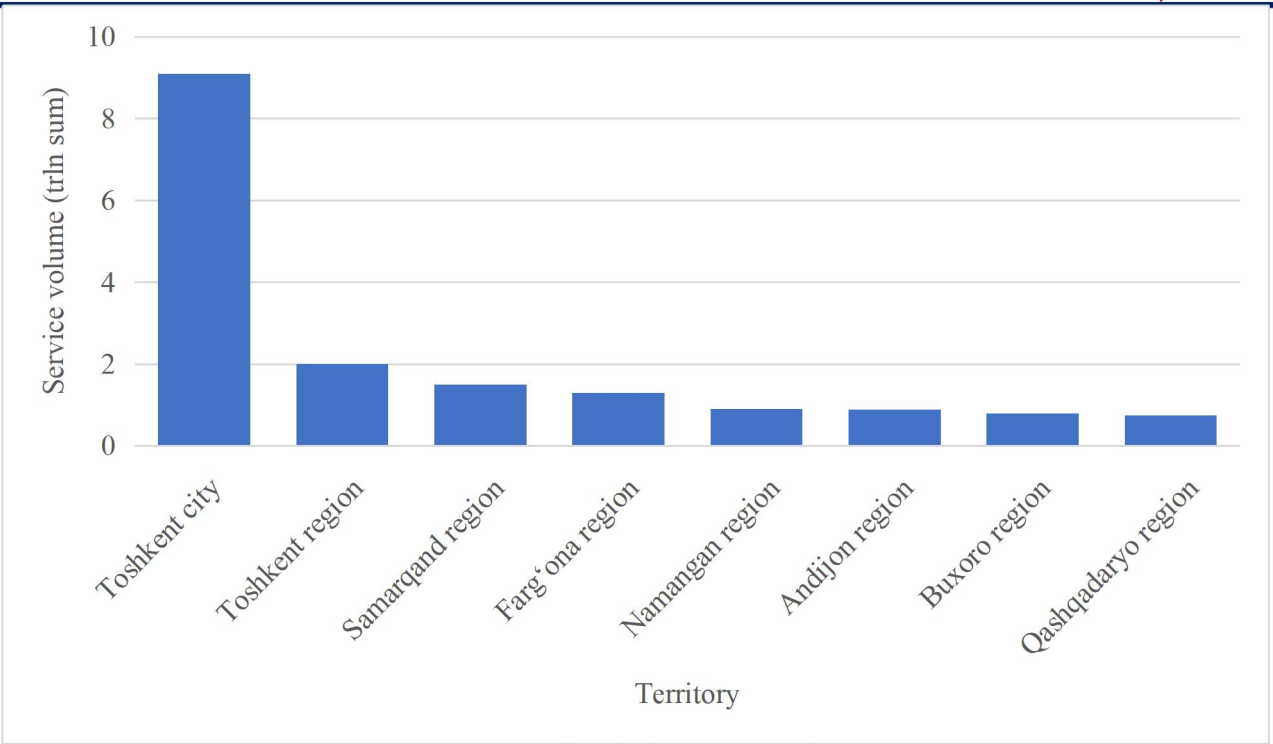
The institution of public-private partnership (PPP) serves as one of the principal mechanisms for directing private-sector capacity toward socially significant objectives. The Law of the Republic of Uzbekistan "On Public-Private Partnership" (No. ZRU-537), adopted in 2019, created a legal framework for implementing both infrastructure and service-oriented PPP projects in healthcare through contractual arrangements. The institutional success of healthcare PPPs depends on three key conditions: (i) transparent tender procedures and effective risk-sharing mechanisms; (ii) service quality indicators linked to performance-based payment systems; and (iii) subsidies and guaranteed service packages for vulnerable population groups.

Regional concentration of healthcare service provision reveals important institutional challenges within the healthcare market. The private sector tends to develop more rapidly in regions characterized by higher income levels and a greater concentration of qualified specialists, particularly in Tashkent City. In 2025, the total volume of healthcare services amounted to 19.9 trillion UZS, with Tashkent City accounting for the largest share at 9.1 trillion UZS.

The laboratory and diagnostic segment is generally regarded as the primary driver of innovation within the healthcare sector due to its high technological intensity. Advanced analytical equipment, radiological services (CT and MRI), telemedicine solutions, and rapid diagnostic testing are typically introduced more rapidly in this segment. However, from an institutional perspective, three major challenges remain particularly significant: (i) standardization of laboratory quality and control of pre-analytical and post-analytical errors; (ii) integration of diagnostic results into unified electronic health record systems; and (iii) inequalities in access to services arising from differences in patients' ability to pay.

Figure 1 illustrates the regional distribution of healthcare service volumes in 2025, focusing on the top eight regions. The data clearly indicate the dominant position of Tashkent City in terms of healthcare service provision. In contrast, the remaining regions demonstrate relatively similar levels of service volume, each accounting for approximately 2 trillion UZS or less.

Figure 1. Healthcare Service Volume in 2025 (Regional Distribution, Top 8 Regions)



Source: Anhor.uz, "How Much Did Uzbeks Spend on Their Health in 2025?", 1 February 2026.

In the pharmaceutical market, the institutional role of the private sector is directly linked to drug safety and quality control. Competition in the retail segment (pharmacies) may contribute to lower prices; however, inappropriate incentives, such as excessive over-the-counter sales and information asymmetry regarding pharmaceutical brands, may adversely affect clinical outcomes. Therefore, institutions such as Good Manufacturing Practice (GMP) and Good Distribution Practice (GDP) standards, pharmacovigilance systems, prescription control mechanisms, and digital track-and-trace systems are central to ensuring market efficiency.

Conclusion

The institutional role of the private sector in Uzbekistan's healthcare services market has been steadily strengthening. Empirical evidence supporting this trend includes the more than twofold increase in the number of private hospitals between 2019 and 2024, the expansion of outpatient and polyclinic infrastructure, and the existence of regional concentration in healthcare service provision. The primary challenge for the next stage of development is to align private-sector growth with institutions that promote quality, transparency, and equity.

Particularly within the laboratory, diagnostic, and pharmaceutical segments, standardization, digital integration, and outcome-based public-private partnership (PPP) models can improve market efficiency while safeguarding public interests. The positive institutional functions of a rapidly expanding private sector include capacity creation, innovation, improved service culture, and employment generation. Nevertheless, growth alone does not automatically guarantee equity or quality.

This thesis proposes the following institutional policy recommendations:

Strengthen accreditation and quality standards by linking accreditation requirements and performance indicators for clinics, laboratories, and diagnostic centers to mandatory quality standards. In addition, expand External Quality Assessment (EQA) systems for medical laboratories.

Enhance transparency in pricing and service packages by introducing minimum disclosure requirements for private healthcare providers, ensuring public access to essential information on prices and service offerings.

Promote digital integration by connecting laboratory results, diagnostic reports, and prescription systems to unified electronic healthcare platforms and electronic health record systems.

Implement outcome-based PPP contracts by prioritizing quality and coverage indicators when engaging private healthcare providers through government-funded programs or guaranteed healthcare benefit packages.

Strengthen social protection mechanisms through the provision of vouchers and subsidies for economically vulnerable populations and by ensuring geographical equity through region-specific incentive packages aimed at underserved areas..

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