# THE CURRENT STATE OF THE LEGAL REGULATION OF COMPULSORY HEALTH INSURANCE IN THE REPUBLIC OF AZERBAIJAN

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**Abstract** - This article analyzes the current legal regulation of compulsory health insurance (CHI) in the Republic of Azerbaijan. While the right to health protection is constitutionally guaranteed and internationally recognized as a core social right, effective implementation requires clear legal definitions, transparent criteria for service inclusion, and equitable financing mechanisms. Despite improvements since 2020, the Azerbaijani system faces challenges related to regional disparities, insufficient regulatory oversight of private providers, the exclusion of high-cost treatments from coverage, and the lack of legal provisions for complementary health insurance. The study draws on comparative insights from Turkey and Germany and proposes specific legislative reforms, including legally binding criteria for service inclusion, a mixed financing model for foreigners, and enforceable standards for private healthcare providers.

Keywords - Azerbaijan, Compulsory Health Insurance, Complementary Insurance, Healthcare Access, , Legal Regulation, Right To Health Protection

## I. INTRODUCTION

Compulsory health insurance (CHI) has become an essential institutional mechanism for realizing the right to health protection in modern Azerbaijan. It carries legal, economic, and social significance. Since its introduction in 2008, CHI has evolved into a comprehensive system that expanded nationwide in 2020. The framework is anchored in Article 41 of the Constitution, the 1999 Law on Health Insurance, and related acts defining financing responsibilities and administrative structure.

Compulsory health insurance (CHI) is one of the essential pillars of Azerbaijan's modern social policy. Since its formal introduction through the Law on Health Insurance (1999) and full national implementation in 2020, CHI has served as a legal mechanism for the realization of the constitutional right to health protection. The establishment of the system was closely tied to socioeconomic reforms in the post-Soviet era, reflecting the transition from a state-funded to a mixed financing model. According to Article 41 of the Constitution, everyone has the right to health protection and access to medical assistance. This right, however, necessitates effective legal frameworks that ensure universality, equity, and financial sustainability. The importance of CHI also arises from Azerbaijan's commitments under international instruments, such as the International Covenant on Economic, Social and Cultural Rights and the European Social Charter (Revised, 1996). These frameworks require member states to adopt measures ensuring access to healthcare without discrimination. The Azerbaijani CHI model reflects these commitments but remains a developing system facing ongoing institutional and regulatory challenges.

## II. LEGAL FRAMEWORK AND INSTITUTIONAL STRUCTURE

The State Agency for Compulsory Health Insurance, established in 2016, serves as the primary operator responsible for collecting contributions, managing funds, contracting healthcare providers, and supervising service delivery. Although this institutional structure has enabled broad coverage, persistent challenges undermine transparency, legal clarity, and equitable access. Current legislation narrowly defines CHI as a financing mechanism without fully codifying risk sharing and enforceable guarantees.

The legal foundation of CHI in Azerbaijan is established primarily by the Law on Health Insurance (1999), subsequent amendments, and presidential decrees regulating implementation. The State Agency for Compulsory Health Insurance, created in 2016, is legally tasked with administering funds, managing contracts with healthcare providers, and ensuring service delivery under the principles of transparency and accountability. Despite these legal provisions, the system faces ambiguities regarding risk-sharing mechanisms, the definition of covered services, and the legal obligations of private sector actors. Comparative legal studies, particularly with Germany's Sozialgesetzbuch V (SGB V), demonstrate that clear codification of rights, obligations, and accountability is a prerequisite for the effectiveness of any health insurance scheme. In contrast, Azerbaijani legislation has tended to treat CHI as primarily a

financial mechanism rather than a rights-based system, limiting enforceability. The institutional framework also reveals a dual oversight system, involving both the Ministry of Health and the State Agency. This overlap sometimes leads to bureaucratic inefficiencies and unclear lines of responsibility. Strengthening interagency coordination and codifying administrative competencies in statutory form could reduce these inefficiencies.

## III. DEVELOPMENT OF THE SERVICES PACKAGE

Initially, services were divided into 'basic' and 'additional' categories, but this distinction was later abolished in favor of a unified package. While this reform simplified administration, it reduced legal predictability and clarity of entitlements. A 2024 survey across Baku, Sumgayit, and Tovuz revealed widespread dissatisfaction with service scope and financial burden.

The evolution of the CHI benefits package has been central to its success. Initially, the package was divided into basic and additional services, but in 2020, a unified package was introduced to simplify administration. While this reform achieved administrative coherence, it reduced transparency regarding the exact entitlements of insured individuals. The absence of statutory definitions of covered services raises legal uncertainty for both patients and providers. According to a 2024 survey conducted across Baku, Sumgayit, and Tovuz, 47% of respondents expressed dissatisfaction with the clarity and accessibility of CHI-covered treatments. Moreover, high-cost procedures, including oncological and advanced surgical treatments, remain partially excluded, leading to out-of-pocket payments. Comparatively, Turkey's Universal Health Insurance Law (No. 5510) explicitly defines service categories and reimbursement criteria, while Germany's system ensures transparency through statutory inclusion lists updated annually. Incorporating similar legal provisions into Azerbaijan's framework would enhance predictability and strengthen citizens' trust in CHI.

## IV. REGULATION OF FOREIGNERS AND NON-CITIZENS

Foreigners and stateless persons face exclusion from CHI unless they can afford voluntary insurance. Comparative models, such as Turkey's Law No.5510, demonstrate that mixed financing arrangements can ensure broader inclusion and compliance with international obligations like the European Social Charter.

The treatment of foreigners, stateless persons, and temporary residents under Azerbaijan's CHI remains underregulated. The current framework excludes them from compulsory coverage unless they purchase voluntary health insurance, creating barriers to healthcare access for vulnerable groups. Such exclusion not only contradicts principles of universality but may also conflict with Azerbaijan's international obligations under the European Social Charter and the UN Convention on the Rights of Migrant Workers. Comparative legal analysis shows that Turkey's Law No. 5510 offers a mixed financing model where foreigners contribute proportionally, supported by state co-financing for vulnerable groups. Similarly, Germany's integration policies ensure access for foreign residents through mandatory participation in statutory health insurance schemes. Adopting a hybrid model in Azerbaijan—combining individual contributions with state subsidies—could expand inclusivity and strengthen legal compliance with international norms.

## V. FINANCIAL SUSTAINABILITY AND COMPLEMENTARY INSURANCE

Public expenditure on CHI continues to rise, reflecting system growth and increasing demand. However, the absence of legal provisions for complementary insurance causes uncertainty and perceptions of double payment. Countries like Germany and France maintain clear coordination rules between compulsory and private insurance systems. Financial sustainability remains a cornerstone of CHI success. The Azerbaijani government's budgetary contributions have steadily increased, accounting for approximately 4.3% of GDP in 2024. However, with the rising demand for medical services and demographic shifts, fiscal pressures are intensifying. A notable gap in the current legal structure is the absence of provisions regulating complementary health insurance (CoHI). This creates confusion and the perception of double payment among citizens who seek additional coverage from private insurers. Internationally, complementary insurance plays a crucial role in covering services excluded from compulsory schemes, as seen in France and Germany. Legal codification of CoHI would not only ensure consumer protection but also encourage private sector participation in a transparent and regulated environment. The implementation of financial oversight tools, including actuarial assessments and independent audits, would further enhance the system's accountability and prevent misuse of public funds. In this regard, the integration of international standards such as the OECD's Good Governance Principles could serve as a benchmark.

## VI. REGULATION OF PRIVATE PROVIDERS

Private healthcare entities play an expanding role within CHI. However, inconsistent application of pricing and accountability standards leads to disparities in service quality. Germany's statutory

model offers a transparent system with strict reimbursement and quality oversight mechanisms.

Private healthcare entities constitute a growing segment within Azerbaijan's health system, offering specialized services under CHI contracts. However, inconsistencies in pricing mechanisms and insufficient legal oversight have led to significant disparities in service quality. While public providers are subject to state supervision, private entities often operate under weaker compliance regimes. Germany's statutory model (SGB V) provides a reference point, emphasizing strict regulation of reimbursement procedures and quality assurance. Azerbaijan could benefit from introducing a dedicated regulatory act specifying the obligations, accreditation procedures, and sanctions applicable to private providers. Additionally, establishing an independent complaints mechanism would enhance patients' legal remedies in cases of malpractice or service denial.

## VII. POLICY RECOMMENDATIONS

To enhance CHI effectiveness, several reforms are recommended: (1) determine service inclusion by statute; (2) implement a mixed financing model for foreigners; (3) adopt a dedicated law on complementary insurance; (4) strengthen private provider regulation with enforceable requirements and sanctions; (5) improve public participation in policymaking.

To strengthen the Azerbaijani CHI system, the following reforms are proposed: (1) Establish a statutory list of guaranteed medical services; (2) Adopt a mixed financing model for foreigners; (3) Enact a separate law defining the scope and consumer rights for complementary insurance; (4) Develop binding standards for private providers; (5) Introduce participatory mechanisms for citizens; and (6) Implement annual independent audits to ensure fiscal transparency.

## VIII. CONCLUSION

The evolution of CHI in Azerbaijan signifies progress toward realizing health protection as a fundamental right. Nonetheless, legal ambiguities and financial vulnerabilities persist. By adopting transparent definitions, inclusive financing, and robust oversight, Azerbaijan can align its CHI system with international standards and constitutional principles.

The legal and institutional evolution of compulsory health insurance in Azerbaijan represents a significant step toward realizing the right to health protection. Yet, the system remains at a transitional stage where financial, administrative, and regulatory challenges persist. Through comprehensive legal reforms—including clearer service definitions, inclusive financing models, and stronger oversight—Azerbaijan can advance toward a health insurance system aligned with international standards of social justice and equity.

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