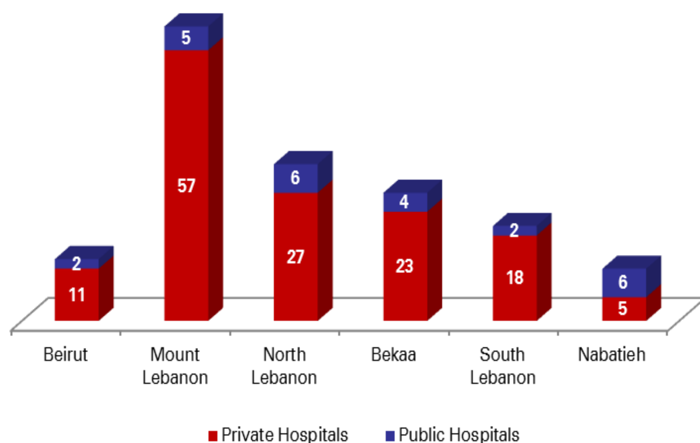
The Saga of the Lebanese Healthcare Sector: Reforms on the Run amid Persistent Challenges

Hospitals Contracting with MOPH by Mohafaza and Type



Source: Ministry of Public Health

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Contact Information

Research Analyst: Mirna Chami

mirna.chami@blominvestbank.com

Head of Research: Marwan Mikhael

marwan.mikhael@blominvestbank.com

Research Department

Tel: +961 1 991 784

During the 3-Year Crimean war, 53% of deaths amongst the troops resulted from diseases while 27% died in action and the remaining 20% lost their lives due to their wounds. Thus, efficient healthcare systems became the primary target of all nations, given their irrefutable role in improving people's health throughout their lifespan.

Substantial spending on healthcare and pharmaceutical drugs characterizes advanced economies. For instance, the United States nearly associated 17.1% in total (public and private contributions) of their Gross Domestic Product (GDP) in 2012 for health purposes while the share almost reached 11.5% of GDP in each of France and Switzerland. In fact, the average health expenditure in the Organization for Economic Cooperation and Development (OECD) countries stood at 9.3% of GDP over the same period.

The Lebanese standing trailed behind, yet it remained substantial on the individual level. Following a significant 12.4% of GDP in 1998, the latest Lebanese national health accounts for 2012 revealed that spending on health reached 7.2% of GDP in 2012, the equivalent of $3.06B. The figure was close to the total spending on healthcare in each of Cyprus and Chile (7.3% of GDP) and above health bills of Poland and Argentina (6.8% of GDP). However, health spending per capita[1] is considerable as it constitutes 7% of GDP on average and was estimated by the Business Monitor International (BMI) at $664.9 in 2012 and will reach $698.4 and $748.7 by the end of 2015 and 2016, respectively.

In the same context, the recently published "National Household Budget Survey for 2012" by the Central Administration of Statistics (CAS) also revealed that Lebanese households were paying a substantial share of their expenses in 2012. In details, 7.8%[2] of total expenses were absorbed by households' medical treatments, which were topped by the purchase of pharmaceutical products (53% of total health expenses) and hospitalization services (24% of total health expenses). 2 main reasons lay behind the high spending on health in Lebanon: the first one is the income per capita that is relatively low in Lebanon when compared to advanced countries in addition to the fact that there are incompressible minimum health expenses. The second reason is mainly the lack of

[1] It is the sum of public and private health expenditures as a ratio of total population

[2] It is the average share of health expenditure out of the households' total expenses

awareness about medical pre-emptive measures, even at the well-to-do Lebanese households' level.

Since priorities can change according to the household size, the survey revealed that when the size was 2 and below, medical expenses out of total payments hit 12%-13%. Meanwhile, the share dropped below 9% for bigger households where several costs rise in parallel to the number of members, such as education and clothing. The burden of health costs were the heaviest on those having low remunerations (less than $9,552), as the stake reached 10% to 13%, while it dropped below 8% for higher income households.

Lebanon National Health Accounts for 2012 (In $M)

Financing Intermediaries	Funding Sources					Expenditures	Share of Total
	Households		Employers	Treasury	Extra Budgetary		
	Fees for Service (Out of Pocket)	*Contributions/ Premiums*	*Contributions/ Premiums*		*Donations/Loans*		
Ministry of Public Health				429.33		**429.33**	*14.0%*
National Social Security Fund		80.01	280.02	96.19		**456.22**	*14.9%*
Civil Servants Cooperative		21.96		165.84		**187.80**	*6.1%*
Army				159.86		**159.86**	*5.2%*
Internal Security Forces				64.92		**64.92**	*2.1%*
State Security Forces				6.30		**6.30**	*0.2%*
Customs				4.87		**4.87**	*0.2%*
General Security Forces				12.24		**12.24**	*0.4%*
Private Insurance		296.51	193.96			**490.47**	*16.0%*
Mutual Funds		84.92		0.02		**84.94**	*2.8%*
International Organizations					14.46	**14.46**	*0.5%*
Households	1,151.07					**1,151.07**	*37.6%*
Total	**1,151.07**	**483.40**	**473.98**	**939.57**	**14.46**	**3,062.47**	*100%*
Share of Total	*37.6%*	*15.8%*	*15.5%*	*30.7%*	*0.5%*		

Source: Ministry of Public Health

Health Care Funders and Spenders

Spending in the Lebanese medical sector is majorly financed by the private sector. In fact, the latter nearly contributed 68.9% (or $2.11B) of the total health expenditure in 2012, while the public sector

and donors on health took the remaining contribution which almost totaled 31.1% of the total. According to officials, those figures collected in 2012 remain representative of the sector's standing today even if they were collected 3 years earlier. Therefore, they keep on being indicative of the real situation as they reveal the compiled data of all health entities unlike the health and social care stake represented in the national accounts (it hovers around 3% of GDP) that does not take into account the ministries' allocations for health. In details, households funded roughly half of total health expenditures, of which 37.6% were paid out of their pockets and 15.8% were contributions or premiums. Private employers funded almost 15.5% of the Lebanese health bill in contributions or premiums during 2012. The public sector, represented by the Lebanese Treasury, revealed a 30.7% input (near $940M), while donors' aid reached merely 0.5% (around $14.5M).

When it comes to health funds, out of pocket spending by the Lebanese households grasped the lion's share. With a 37.6% stake of health spending, Lebanese families are the most to pay for their well-being while private insurance companies stand second covering near 16.0% of the total health bill (or $490.5M). The National Social Security Fund (NSSF) and the Ministry of Public Health (MoPH) are also amongst the biggest public spenders, as they approximately disbursed respective shares of 14.9% and 14.0% in 2012. The former mainly covers private sector employees and contractual public sector employees by counting on the contributions deducted from their salaries. However, the latter acts as an insurer of last resort and is funded by the government's budget. As for the Civil Servants Cooperative (CSC), which grasped near 6.1% of total health expenses, handles regular government functionaries and their families while the four schemes related to security forces (army, internal security forces, general security and state security) cover uniformed staff members and their dependents and are totally funded by tax revenues and took an overall 7.9% stake of the Lebanese health bill in 2012.

The Lebanese Health Care Sector Dilemma: Private versus Public Hospitals

Public health providers in Lebanon kept on struggling for their survival amid persistent deficits. It is worth mentioning that public hospitals are the resort of the low-income households as they treat patients at minimal charges. However, Lebanese public hospitals keep on suffering numerous deficiencies in terms of the limited quality of offered services, the obsolete equipment, the frail maintenance, the financial matters, the low public wages and the unpredictable budget allocation and the associated under-funding issue. In order to improve their efficiency, a law of Autonomy was implemented in 1997 that allows public hospitals to operate as autonomous public institutions (having a board of directors appointed by the Council of Ministers). According to the law, the income of those entities will be similar to that in private hospitals as they will be remunerated for the services they are providing. However, the fact that even in some cases when private hospitals manage to avoid admitting patients (unless life-threatening cases), public hospitals cannot turn them away constituting an additional financial burden.

Since the public sector is not endowed with the proper means to offer health care, the provision of this fundamental right has been ensured by the private sector. In its latest statistics going back to 2012, the MoPH shows that in all of the country's governorates the number of public hospitals (who have contracts with the ministry) is dismal when compared to private hospitals except for Nabatieh. The biggest gap was registered in the governorate of Mount Lebanon in which only 5 public hospitals are present as compared to 57 private hospitals. In terms of beds, the number amount to around 10,000 beds of which near 87% are in private hospitals.

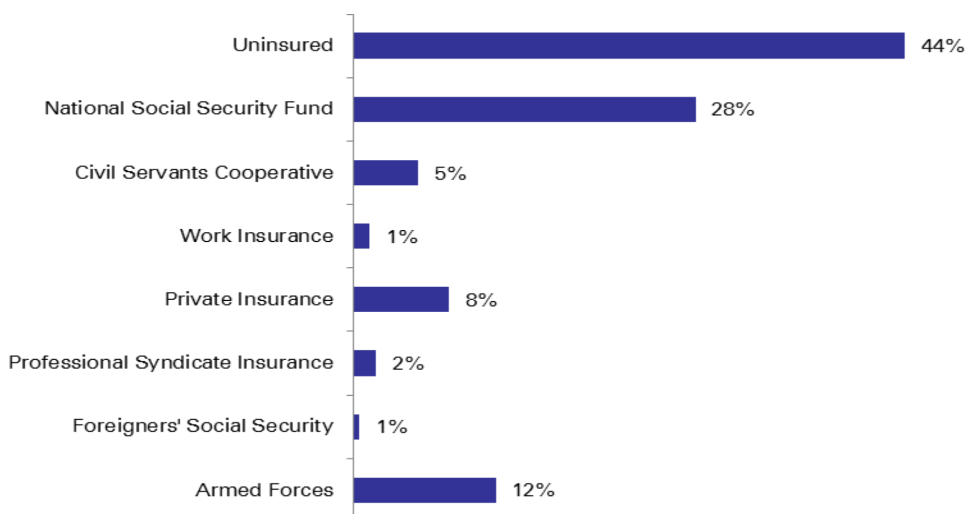
Even though private facilities grasp the lion's share in the medical sector, yet these entities are also facing structural issues. One of the major concerns of private hospitals is the dominance of small (below 100 beds) entities. In specific, few are the private hospitals with a capacity of 200 beds and more as they are mainly university hospitals run and owned by faculties of medicine such as the American University Medical Center. Accordingly, small-size private hospitals fail to survive the fierce competition as they are unable to achieve economies of scale hence becoming inefficient and unprofitable.

Another concern for private hospitals is the fact that they are supposed to keep their doors open in front of any uninsured Lebanese citizen that needs treatment at the expense of the MoPH. Uninsured patients have the option of receiving medical services at public hospitals where their contribution totals 5% of the bill or in private hospitals where the stake increases to 15%. Theoretically, the remaining payment should be reimbursed by the MoPH. In reality, the ministry either delays the reimbursement procedure or fails to settle payments which are furthering costs at private hospitals. This is discouraging any private institution from admitting uninsured patients, pushing them to sometimes ask for considerable illegal prepayments from them or counterweight their losses with fee paying customers.

In addition, the ongoing 4-Year Syrian war is adding pressure to an already precarious healthcare system. The World Bank estimated the additional health cost on the Lebanese government to reach $92M between 2012 and 2014. The significant increase in demand for health services also pushed up costs and generated medication shortages for Lebanese.

As a matter of fact, the influx of Syrian refugees is boosting the unpaid commitments of the MoPH to contracted hospitals, leading to shortages in health workers and fueling the spread of communicable diseases. Even though the United Nations High Commissioner for Refugees (UNHCR) is handling the primary healthcare (medication, medical tests and consultations) of Syrian refugees, yet it does not "prioritize" aid related to the secondary and tertiary health care services. In addition, the UNHCR is now paying 75% of hospitals bill, while the remaining amount should be covered by the Syrian refugees themselves. The biggest concern of hospitals is that the majority of those patients fail to make these payments. An additional issue is the agreement signed in 1991 between Lebanon and Syria that guarantees "the highest degree of cooperation and coordination" on health issues. Under this arrangement, Syrians can benefit from the Lebanese health care system as if they were nationals.

Average Breakdown of Lebanese Households in Terms of Medical Insurance Coverage



Source: L'Apport Financier Des Emigrés et son Impact sur les Conditions de Vie des Libanais

The Lebanese Households: Numerous Challenges to Overcome

Despite the considerable spending on health care, the Lebanese population does not seem to be getting their money's worth, mainly due to an inequitable and inefficient health care system. In fact, the strategic lack of financing from the government hand in hand with an unregulated private sector that is manipulating prices, are heightening financial risks encompassed by Lebanese households due to the extensive fees paid out-of-pocket and the marginal pooling of funds.

In addition, and according to a survey published by the end of 2014 and entitled "L'Apport Financier Des Emigrés et son Impact sur les Conditions de Vie des Libanais", around 44% of the Lebanese are uninsured, while the majority of the insured households are covered by the National Social Security Fund (near 28% of the surveyed households). Since the survey aims to reveal the impact of remittances on the Lebanese households' expenses, it was obvious that those receiving remittances are the most to benefit from a private insurance (8.8% versus 6.6% for those not receiving transfers). In fact, 40.6% of the households receiving remittances rely on those financial transfers to fund their private insurance. In addition, the survey reveals that rare were the cases when households failed to provide their family member with medical services for financial reasons as they resort to family aid or social mutual aid, indebtedness, charities and NGOs.

Lebanon's Ministry of Public Health: Modest Footsteps in the Right Direction

Seeking a more cost-efficient access to medicine, the MoPH launched a series of reforms that were topped by a patient satisfaction survey. Noting its importance as an indicator of a hospital's service quality, 45% of the survey's participants were pleased. In details, it was noticeable that 62.3% of the patients entered the hospital with an emergency case, while 37.6% with a pre-approved case. In addition, and out of 1,039 patients, 53.7% paid less than $1,000, while only 6.5% paid between $1,000 and $5,000 and 1.1% disbursed more than $5,000.

In November 2014, Public Health Minister, Mr. Wael Abou Faour, revealed the results of the ministry's insight into the health industry through a new accreditation system including patient satisfaction and financial integrity. The main goal of the evaluation is to specify a fair pricing system that reflects the quality and performance of Lebanon's hospitals, be they private or governmental, and based on the contracting score (z-score) they achieve. The assessment is based on six different criteria weighted as in the table below:

	Standard Name	Weight
Quality Standards	Accreditation	40%
	Patient Satisfaction	10%
Performance Standards	Case-Mix Index (CMI)	35%
	Intensive Care Unit (ICU) admissions	5%
	Proportion of Surgical to Medical Admissions	5%
	Deduction Rate	5%

The contracting score is the sum of all the criterions in public and private hospitals as hospitals getting a z-score above 0 will benefit from Tariff 1 (T1). A Tariff 2 is given to hospitals having a z-score between 0 and -0.5, while Tariff 3 is for the hospitals posting a z-score below -0.5.

Abou Faour's results have revealed several hospitals dipping in performance, with the required reforms expected to be implemented as soon as possible. According to the new accreditation system, 6 hospitals slipped from rank A to B, while 3 others shed from rank A the rank C. it was noticeable that 23 hospitals went down from rank B to rank C. on the brighter side, 4 hospitals

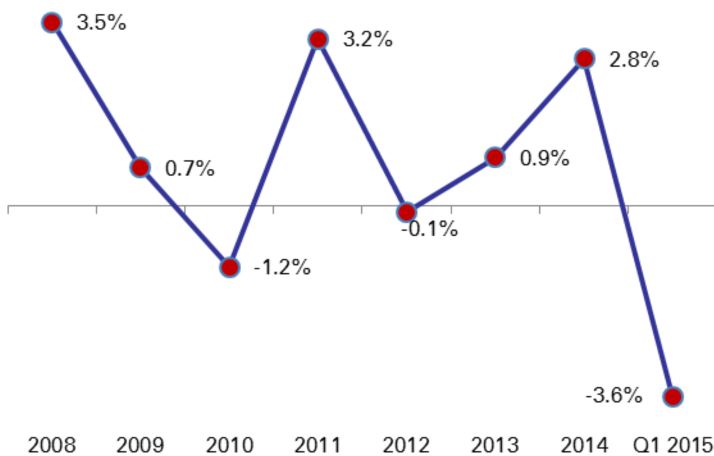
went up in ranking, going from rank B to rank A. the new rating system allows hospitals with higher ranks to receive more government subsidies.

The table below reveals the final distribution of hospitals according to the new accreditation system:

TARIFF	Private Hospitals	Public Hospitals
T1	29	9
T2	45	6
T3	31	9
Total	**105**	**24**

Another implemented measure is the reduction of time given to pharmaceutical companies to report a drop in drug prices to the ministry. According to the new decision, drug manufacturers and local agents have to report a price drop the sooner possible so that the application of the new price occurs within 10 weeks. It was later specified that reporting a drug price decline to the MoPH should take place no later than a month. Previously, pharmaceutical producers and agents had 6 months to report a drug price cut to the ministry with the re-pricing concluding within the first 4 months of the year. This new measure came after the development of a strategy by the end of 2014 to defeat the propagation of fake medicines in the local market. The MoPH also managed to slash the prices of drugs by an average of 22% under an amended pharmaceutical bill. In details, the new resolution pursued the reduction of high-cost drugs by a range of 10-17%. This was implicitly reflected in the Consumer Price Index (CPI) of the health category that posted an average deflation of 3.6% during Q1 2015. This was the first noticeable decrease in price since 2012 when the MoPH decided to slash the prices of generic medicine by 30%.

Average Yearly Inflation Rates of the Health Sub-Index



Source: Central Administration of Statistics

Cost-effective generic drugs also caught the spotlights in 2015 with the MoPH promoting their usage and benefits on the expense of branded medicines. In February, a Lebanese NSSF bylaw was revised to consent the substitution of branded drugs by generic ones. The newly implemented unified prescription form will allow a pharmacist to offer a generic substitute for the drug listed on the prescription. This step will reduce health costs on both patients and government besides boosting the generic drugs' market. As a matter of fact, Business Monitor International (BMI) expects that generic drugs will see their share of the total pharmaceutical

market rising from 28% in 2014 to reach 39% in 2024. In the same context, the ministry managed to cut the prices of 60 generic and 30 branded drugs in March 2015. All of this is forecasted to downturn the drugs expenditures by a potential 30% besides slashing the expensive imports bill of medications.

Suggested Measures to Develop the Existing Health Care System

Even though the ministry's recent steps will positively impact health care in Lebanon and improve the households' access to the sector's services at lower costs, yet those measures are not enough to restructure the actual system. First, awareness should be promoted amongst citizens when it comes to pre-emptive medicine and the usage of generic drugs. Those actions will substantially lower healthcare costs on each of households and the government. One of the major issues to address is the fact that most of the insured Lebanese under the NSSF lose their benefits upon retirement or loss of job which bolster health and financial difficulties. Implementing a strategic plan to support public health is a must with a priority for primary health care.

For your Queries:

BLOMINVEST BANK s.a.l.
Research Department
Bab Idriss, Weygand Str.
POBOX 11-1540 Riad El Soloh
Beirut 1107 2080 Lebanon

Research Department
Tel: +961 1 991 784
research@blominvestbank.com

Mirna Chami
Tel: +961 1 991 784
mirna.chami@blominvestbank.com

Marwan Mikhael, Head of Research
marwan.mikhael@blominvestbank.com
+961 1 991 782

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