

Healthcare

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This policy brief is part of a series of nine sectoral studies developed by the Lebanese Center for Policy Studies (LCPS). The lead author of this series is Senior Economic Researcher Lina Maddah, with the contribution of Executive Magazine. The aim of this series of briefs is to examine the impact of Lebanon's economic crises on key economic sectors and present recommendations that can assist with private sector recovery. This series was developed with the support and contribution of the Lebanese Private Sector Network (LPSN) and in collaboration with Executive Magazine.

Sector Overview

Health services for the Lebanese resident population are organized as a puzzle of private and public providers. Specialized and tertiary healthcare administered by qualified physicians and hospitals has been increasingly available since the end of the Lebanese conflict's violent phase at the end of the 1980s, but for many subsequent years, equitable access to healthcare has not progressed in line with the population's needs. Throughout the 2010s, health cost inflation, ageing, lifestyle diseases and expensive new treatments of critical diseases have been juxtaposed with a need to rationalize the public health system and widen access. Increasing accessibility required equitable financing and insurance schemes such as universal health insurance that was advocated for as private-public partnership by various private sector stakeholders and the Insurance Control Commission of Lebanon in 2018.¹

According to the Ministry of Public Health (MOPH), the health expenditure as share of GDP was 7.8 percent before 2020. While the MOPH accounted for nearly 48 percent of the total, private and mutual schemes covered slightly more than half of health expenditure along with out-of-pocket expenditures. However, out-of-pocket expenditures, which were keeping a lid on some aspects of health cost inflation, urgently needed to be decreased from the level of 33 percent of total health expenditure, which was incurred to citizens pockets in 2017, the MOPH said.²

Up until efforts for structuring the national health system were extended in the past 20 years from the creation of new government hospitals to a widening of primary healthcare (PHC) networks, the tertiary healthcare network of public and private hospitals – with overweight of private providers – dominated national awareness. Their approaches were marked by curative care and patients' vocal preferences for imported brand medication irrespective of cost and efficacy considerations. As the MOPH's Vision 2030 notes, the system was marked by a 'health coverage paradox' where weak preventive, palliative, and primary care was juxtaposed with universal coverage for tertiary care and sophisticated treatments.

In terms of numbers, by 2021 approximately 140 hospitals could be found in the country, including public, private and specialized hospitals. As of the same year, it was estimated that there were around 5,000 registered physicians. A comprehensive network of private pharmacies spanned 4,000 outlets. Twelve domestic manufacturers, many operating under international licensing agreements, were producing medical drugs and achieving modest exports.

Pre and Post Crisis Stressors

The Lebanese health system has been noted for its resilience during the Syrian refugee crisis of the 2010s and during the Covid-19 crisis of 2020/21. This

¹ Interview with insurance commissioner Nadine Habbal, June 2018, Executive Magazine

² Lebanon National Health Strategy: Vision 2030 ³ WHO director: Lebanon's brain drain threat to health sector | Al Arabiya English

surprising resilience notwithstanding, the system has been greatly stressed by deterioration of access due to the population's sharply reduced ability to pay for escalating costs of medications, doctor visits, and hospitalization. Other stress factors are the out-migration of the healthcare workforce, which extends from double digit losses in the number of nurses and physicians to medical technicians, administrators, and staff at the MOPH as nexus of the health administration. Market shortages and price hikes in the supply of imported medications have seen people resort to coping strategies such as buying smuggled medicines while the number of private pharmacies contracted by about 15 percent in the first two years of the crisis.

On the upside, reliance on Public Healthcare Centers (PHCs) by not only resident refugee populations but Lebanese citizens has exploded, with PHC consultations increasing tenfold from around 20,000 (mostly refugee visitors) in 2013 to some 200,000 visits in 2022. On the side of industry, the 12 pharmaceutical manufacturers that form the sector and are represented by the Syndicate of Pharmaceutical Industry in Lebanon (SPIL), have seen a surge in local demand that boosted their aggregate manufacturing output far beyond the estimated \$1.2 billion value achieved in 2019. From no more than 8 percent of the local market before the crisis, the pharma manufacturers' rate of satisfying local demand for pharmaceutical products rose to more than 34 percent in 2021. SPIL estimates the coverage of domestic pharmaceutical demand, at 80 percent for products in the manufacturing portfolios of member companies.

Challenges

The ongoing economic crisis has exhausted an already brittle system, leading to a lack of medicine and a brain drain of medical professionals. The health system's most severe challenge, which is the issue of residents' access to universal health coverage, preventive care, and affordable treatments, however, is beyond the reach of private sector and even current public sector capacity. Thus, the health system in its entirety, as the MoPH notes, 'is increasingly dependent on financial donors, including international and local NGOs.'

On the side of financing access to health for the privately insured – either through fully commercial insurance providers or through a variety of mutual funds or quasi-funds – coverage conditions and offerings for the same diagnoses can vary between providers. The lack of coordination between multiple providers and the reluctance to pool funds needs to be resolved. People with chronic illnesses face both cost and availability barriers, even if the latter seem to have become less severe.

As mentioned above, the brain drain of medical professionals has been severe: since 2019, a large number of physicians and nurses have relocated abroad in search of employment.³ About 1000 doctors and 2000 nurses have left

³ Lebanon's healthcare on brink of collapse amid crisis, says minister | Reuters

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Private health care at risk:
challenges and solutions -
Executive Magazine (executive-
magazine.com)

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Synthesis on the crisis impact on
the Lebanese labour market and
potential business, employment
and training opportunities (2022)
ILO UNICEF Synthesis report EN.pdf

the country according to latest estimates, with the majority traveling to other countries in the Middle East or to Europe.⁴ For example, at Mount Lebanon Hospital University Medical Center, 120 physicians and about 150 nurses have left since 2019.⁵

Among medical skills shortages, the highest shortage is for workers with Technical Vocational Education Training backgrounds in hospitals, followed by shortages in nurses, mainly in hospitals and primary healthcare institutions. Shortages in hospitals were most common among nursing departments (half of the nursing departments in South Lebanon suffer from shortages in labor).⁶

As access to healthcare is typically based on a person's ability to pay, an estimated 80 to 85 percent of the population has none or vastly insufficient coverage of medical needs. Before the crisis, a sizable portion of the population was insured as employees of enterprises in the private sector. However, they face a massive funding gap when having to obtain medical services. The National Social Security Fund (NSSF) is the core provider for private sector employees, but it has not effectively adjusted its funding and disbursement frameworks to balance the Lebanese pound's approximately 98 percent depreciation. The lack of NSSF and government co-payment coverage, combined with the rising costs of hospitalization, are leading to out-of-pocket expenses for hospital services even for the gainfully employed, not to mention endangering the access to care for the underprivileged, and the uninsured population.

The pharmaceutical industry, which has not been strongly incentivized to develop its local market and export potentials over years before the economic crisis, is disadvantaged vis-à-vis regional competitors. National market access regulations in Lebanon are experienced by these companies as less stringent than the barriers they face when accessing other markets in the region. The capital stock of enterprises is suffering from a lack of infrastructure, dedicated industrial zones, and specialized services such as hazardous waste removal options. Investments in research and development have been halting, putting Lebanon as a location of pharma manufacturing in a comparatively fragile position of being unable to claim significant regional roles in innovations, technological advancements and R&D. Anecdotally, a spring 2023 list of 100 Arab health industry and health leaders by Fortune Middle East magazine included a high count of regional executives of pharmaceutical multinationals (mostly based in the Gulf region) along with industry leaders from countries in Southwest Asia and North Africa – but noted among them only one Lebanese health industry leader, whose startup venture was based in France.

Opportunities

Comparative advantages of producing pharmaceuticals in Lebanon include, according to industry sources, the comparatively high developed human capital

base and economic positioning of Lebanon (at least as existed before the crisis) that allows manufacturers here to market and price their products profitably in regional markets.

Although human resources in the sector have been altered by the migration of many practitioners and health professionals, the educational supply chain of new graduates from medical schools continues to function. This existing opportunity of training new professionals could, according to a study by UNICEF and ILO, collate with the health system's need to fill sectoral vacancies. Based on effective policy making, the health system could provide aspiring and qualified individuals with many job opportunities in fields such as nursing (different specializations), laboratory science and technology, radiology, and health administration. The need for professionals also extends to food safety inspectors and health inspectors, as well as to persons with substantial experience in several other technical and administrative specializations.

The pharmaceutical industry in Lebanon has potentials to expand into new areas of production for drugs that are needed in the domestic market but currently not covered by SPIL member companies. Furthermore, governmental support for pharmaceutical manufacturers, improvements in specialized infrastructures for sector companies, and easing of access to finance and investments would vastly improve Lebanese pharma companies export potentials in regional and developing markets.

Increased research of medical cannabis varieties and eventual cultivation seems to be a somewhat ambiguous opportunity in the face of legal and cultural complexities but in 2020 some new legislative ground has been broken after discussions over the possible cultivation and processing of cannabis for medical use captured the public's imagination in the late 2010s.

Given an internationally noted track record of Lebanese academic medical researchers, it seems counterintuitive that R&D for pharmaceutical drugs has hitherto not been more prominent in the country. Medical R&D is a potential growth field for private sector enterprises, academia, and – especially – partnerships between enterprises and academia.

The entrepreneurship ecosystem has produced a number of health-tech startups that have won accolades for innovating new e-health applications and niche solutions to healthcare needs in markets outside of Lebanon. A health entrepreneurship ecosystem could attract and foster new health-tech start-ups. While wellness tourism and medical tourism are fields seeing fierce competition on company and country levels, health and hospitality professionals have agreed that Lebanon still harbors underused potentials in both areas.

In consideration of Lebanon's aging population profile, the realm of healthcare for the elderly, including numerous niches such as home care and residences, provides opportunities to private sector providers. Likewise, the

underserved mental health sector is in need of new regulations, new solutions and new services providers. With affordable access to healthcare being among the biggest challenges for the Lebanese people, public and private insurance and financing solutions for dignified health access in form of universal health coverage, mandatory auxiliary insurance, or even universal health insurance is the greatest need for long-term viable solutions.

Policy Recommendations

1. Support existing central and regional labs by upgrading their facilities and implementing quality control mechanisms, encourage the use of generic medicines and promote prevention measures through mandatory healthcare education.
2. Initiate the comprehensive digital transformation of the health information and services delivery systems that digitizes the sector and cuts through the prevailing bureaucracy.
3. Develop and implement a comprehensive health system funding strategy aimed at achieving universal health coverage for generations to come, while simultaneously reducing Lebanon's reliance on external donors in prioritizing people-centered primary healthcare. This strategy should also prioritize efforts to guarantee nationwide access to and availability of essential medications.
4. Support the pharmaceutical industry through empowerment of specialized infrastructures, dedicated economic zones, adequate regulation and favorable trade agreements as well as through development of specialized hazardous waste removal services.
5. Establish a national strategy to retain healthcare workers by expanding training for key roles like medical science liaison, regulatory specialist, and more, while integrating digital skills into health education curricula. This initiative addresses brain drain and ensures a sustainable healthcare system. Additionally, match qualified individuals with job opportunities in nursing, laboratory science, radiology, and health administration to meet sectoral needs.
6. Improve the soft infrastructure of the healthcare system to guarantee ongoing high-quality care.
7. Develop a national strategy for healthcare innovation and technology building on digital solutions used in context of Lebanon's exposure to the Covid-19 pandemic, enforce legal frameworks that are necessary for the health sector's digital transformation.
8. Support the growth of the health-tech sector by providing tax benefits and incentives for facilities engaged in pharmaceutical production, health tech startups, and services such as homecare and medical tourism,

thereby encouraging innovation and investment in e-health solutions and applications.

9. Prioritize adherence to pharma trade policies in the region and globally so Lebanese medicines can have a competitive edge in both quality and price.
10. Promote and protect private hospitals as the historic backbone of the healthcare system in Lebanon and the leading attraction for medical tourism in the region.
11. Increase control over borders and implement strict measures and penalties against illegal medicine importers, smugglers, traders, and facilitators.
12. Regulate, fund and license management and production of medical cannabis.
13. Lobby Parliament to waive NSSF contribution requirements where a comprehensive employer health policy scheme exists.
14. Invest in digital transformation, technology-driven innovation, and skills development of workforces.
15. Improve retention of employees, incentivize female employment and careers through adoption of financial rewards, non-financial recognition, and anti-harassment strategies, and institute family-friendly corporate policies.
16. Develop partnerships with academic institutions in medical R&D.
17. Create syndicates and industry associations with transparent organizational profiles, best-in-class governance and ethical commitments for health tourism, for mental health, for home care and resident care of the elderly.
18. Contribute to the creation of a health-tech entrepreneurship ecosystem.
19. Collaborate closely with the private sector, syndicates, and civil society organizations to ensure that the Ministry of Public Health's (MOPH) 2030 vision remains solid, and an action plan is rolled out for delivery.

LCPS

About the Policy Brief

A Policy Brief is a short piece regularly published by LCPS that analyzes key political, economic, and social issues and provides policy recommendations to a wide audience of decision makers and the public at large.

About LCPS

Founded in 1989, the Lebanese Center for Policy Studies is an independently managed, non-partisan, non-profit, non-governmental think tank whose mission is to produce and advocate for policies that improve governance in Lebanon and the Arab region. LCPS's current research agenda focuses on: enhancing governance, informing the process of economic growth and sustainable development, promoting inclusive and effective social policies, and informing the development of policies for a sustainable environment. Four themes cut across the above areas of focus, including gender, youth, conflict resolution, and technology.

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