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## **The Palestinian Health System: Improving its Financing and Enhancing the Quality of its Services**

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**Strategic Analysis Unit**  
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# The Palestinian Health System: Improving its Financing and Enhancing the Quality of its Services

Jehad Harb

The spread of the Coronavirus (COVID-19) has revived attention in the Palestinian health apparatus and its structure, capabilities, resilience during disasters, the nature of the health insurance system and joint obligations and responsibilities that underlies it. The quality of health services is the goal of the Palestinian health system. Thus, the government tries to provide various health services in the institutions of the Ministry of Health, or to purchase external services through medical referrals to local and foreign private institutions. At the same time, receiving the best service is every citizen's expectation when in need for medical care. Reaching the goal of the government and the expectations of the citizen requires the development of available financial resources for the Palestinian health system, whether in the public treasury contribution or in regular contributions from citizens that guarantee sustainability and improve health services and their diversity.

The Palestinian healthcare system is at a crossroads, in light of the increasing demand for medical services by citizens and the rise in the number of patients receiving referrals to service providers outside the public health system, in Palestine or in neighboring countries such as Jordan, Egypt, Turkey and Israel. The number of referrals has risen from 6052 in 1996 to 109,818 in 2018.<sup>1</sup> This is due to several factors, including the lack of tertiary services (specialized hospitals and clinics) in the health system; a significant shortage of qualified staff or a low proportion of available specialists relative to the number of patients; the varying distribution of qualified healthcare staff; the skills of the Ministry of Health staff that do not meet current and future healthcare needs; the lack of equipment and infrastructure in many healthcare institutions that does not enable them to provide highly specialized services; a limited number of hospital beds to provide tertiary health services; and unexpected shortages in vital medicines, which undermines the provision of services in the public sector.<sup>2</sup>

This paper aims to provide recommendations to the government and the health sector working group, with the aim of strengthening the healthcare system in Palestine and ensuring its sustainability. It calls for the adoption of a comprehensive national insurance system that promotes the principle of joint obligations and responsibilities among Palestinian citizens and ensures fair and equal provision of health services, within the framework of improving the quality of healthcare and restoring citizens' confidence in the public system.

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<sup>1</sup> Ministry of Health Annual Reports, <http://site.moh.ps/index/Books/BookType/2/Language/ar>

<sup>2</sup> The comprehensive plan for organizing medical referrals to accredited service providers outside the public sector approved by Resolution (06/120/17 / M-W / R-H) for the year 2016 issued on 27/9/2016.

## Services provided by the Ministry of Health

The Ministry of Health, by the Palestinian Public Health Law No. 20 for 2004, has three main functions: it is the supervisory body for health services in Palestine the one that develops the PA health policies; it is also the regulatory body of the health system by issuing licenses; and it is a health provider through its institutions, providing preventive, diagnostic, therapeutic, and rehabilitative services, and implementing the government health insurance through the health insurance system and external referrals.

The national policies agenda, in its ninth priority, focused on comprehensive quality healthcare available to all, stressing its public availability through several interventions, chief of which was the repair of the public health insurance system.

The National Health Strategy 2017-2022 rests on seven principles, including: citizens' access to health services without barriers or discrimination; ensuring the sustainability of the Palestinian health system, including services, human resources and funding; national commitment to work towards a comprehensive health coverage; and providing safe and high quality health services. The health insurance and external treatment regulations No. 11 for 2006 specifies the mechanisms for benefiting from the health services basket provided by the Ministry of Health, whether inside or outside the health centers of the Ministry of Health. Although there are clear provisions in the health insurance system that determine the nature of the service basket available and vary between different types of insurance, the application and validity of the insurance has long been surpassed through exceptions. The Palestinian Ministry of Health also insures, in the absence of the necessary healthcare for the patient in its health facilities, the possibility of referral to external health institutions contracted with the Ministry through prior agreements.

*The aspiration of all partners in the health sector is an integrated, comprehensive system that provides basic, high quality services for all citizens, including the provision of comprehensive health services of high quality; medicines, treatment and therapeutic techniques; human resources; adequate infrastructure; information to citizens and decision makers; and necessary funding to ensure the continuity of the sector and provide good leadership. The comprehensive, integrated health system aims to achieve the principles of accountability, efficiency, quality, access to sustainable services, and equity. It contributes to responding to the needs of society and citizens, improving and enhancing their health status, and providing them with financial protection.*

*Source: National Health Strategy 2017-2022 , p . 9.*

These health services, however, are not met with general satisfaction by the Palestinian public. The findings of the fifth wave of the Arab Barometer, conducted in Palestine in 2018, showed that 48% of citizens were dissatisfied with the healthcare system in the country.<sup>3</sup>

## The problem of financing the health sector

The Palestinian Health Accounts Report for 2017 indicates that total current expenditure on health amounted to \$1,466.7 million. The data on financing agents, defined as the institutional units that manage health projects through revenue collection and purchase of services and goods, shows that the central government had the highest rate of contribution in 2017, at 42.4%, while financing by households was 41.8%, and

<sup>3</sup> See: The Arab Barometer website, [www.arabbarometer.org/ar/survey-data/data-analysis-tool/](http://www.arabbarometer.org/ar/survey-data/data-analysis-tool/)

financing by non-profit institutions that served households was 12.4 %. Private insurance companies only funded 3.4%.<sup>4</sup>

The high personal health expenditures of households showed the lack of protection for the Palestinian citizen against financial shocks arising from developments in health conditions. Poor population sectors, in particular, are the most likely to become poorer, as personal health expenditures consume the bulk of total income, with expenditures on medicines for chronic diseases and on tertiary healthcare in outpatient clinics being the most important personal expenses.<sup>5</sup>

At the same time, health accounts data show that the contribution of insurance companies in health expenditures did not exceed 3.5%, a tiny percentage compared to those borne by the households or individuals. The high costs of obtaining health services for families and individuals hinder citizens' access to them. Also, increasing government expenditures on health services without a compulsory health insurance system of joint obligations and responsibilities, that ensures revenue sustainability for this sector, will increase the public treasury deficit, in light of the limited and misallocation financial resources of the Palestinian government.

The percentage of revenues of the Ministry of Health (coming from contributions derived from fees and health insurance premiums of different types, NIS 238.6 million, contributions to the cost of medicines and/or radiology and/or laboratory tests, NIS 58.6 million) is about 17% of the expenditure of the ministry (NIS 297 million out of NIS 1,767 million in total expenditures of the Ministry of Health in 2018). The contributions of citizens (contributions to the cost of medicines and/or radiology and/or laboratory tests) increased from about NIS 24 million in 2014 to NIS 58 million in 2018, an increase due to the ministry raising the cost of services (i.e. citizen contributions) provided by its institutions. The data of the Palestinian Ministry of Health for 2018 indicate that the cost of purchasing services from outside its institutions amounted to about NIS 725 million, which constitutes 41% of its total expenditure for the same year, the second-highest percentage after employee salaries in the ministry.

The gap between the value of income of the Ministry of Health, in fees and contributions, and the requirements of health spending impacts the capacity of the ministry and the level and quality of services provided to insured citizens. The majority of citizens are also not subscribed to the current health insurance, that is the non-compulsory insurance. As the Annual Report of the Ministry of Health for 2018 indicates, about 309,000 families are insured (for which the Palestinian Authority pays the contributions of about 86,000 families) out of a total of 594,000 families living in the West Bank, according to the Palestinian Central Bureau of Statistics, 2017. Citizens in the Gaza Strip (335,000 households) are exempt from payment of health insurance fees and they receive free health services, with the exception of government employees who receive their salaries from the government in the West Bank. Despite international support to provide an adequate safety and protection net in this sector, the economic and social pressures that followed the outbreak of the second intifada and a number of policies that were taken to protect and reduce the burden of disease on the Palestinian citizen at the time have continued to negatively affect the health sector's ability to recover, build capabilities and attract sufficient funding. There is no doubt that the continuing implementation of these policies (which are characterized by excessive political sensitivity as they relate to certain social and demographic sectors, that have opened the door for free access to the health insurance system by large numbers of those affected, unemployed, and socially needy, as well as citizens in Gaza) will raise serious questions about the sustainability of the Ministry of Health expenditure and ways to finance the public health insurance system.

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<sup>4</sup> Central Bureau of Statistics, Ministry of Health, Palestinian Health Accounts Report 2017, Ramallah, 2019, p. 28. <http://www.pcbs.gov.ps/Downloads/book2428.pdf>

<sup>5</sup> The comprehensive plan for organizing medical referrals to accredited service providers outside the public sector approved by Resolution (06/120/17 / M-W / R-H) for the year 2016 issued on 27/9/2016.

This gap has forced the Ministry of Health to rely on purchasing medical services from outside the formal sector, which overwhelms the ministry and the public treasury and leaves the health insurance system unable to provide sustainability of healthcare. The accumulated debt by the ministry to hospitals from which it purchases services (medical referrals) and to pharmaceutical companies was about NIS 1.5 billion at the end of 2019,<sup>6</sup> necessitating a rapid intervention to establish a comprehensive national health system to which everyone contributes, in addition to what is provided by the treasury.

## Options for financing the health insurance

The achievement of the goals set out in the National Policies Agenda 2017-2022 and the Health Strategy 2017-2022 lies in a compulsory and comprehensive joint-obligation health insurance system contributed to by all citizens, which expands health services, improves their quality, and reduces the costs of healthcare for individuals. To achieve this goal, there are four options:

### Option One: maintaining the non-compulsory government insurance system

This option maintains the existing government insurance system that is non-compulsory, except for a specific category of public sector employees. One of the most important features of this system is the easy entry of Palestinian citizens to health services provided by the Ministry of Health directly, with the payment of annual contributions by non-government employees. The Ministry of Health Services cover primary care, including vaccinations, control of epidemics and communicable diseases, treatment of cancers and tumor diseases, and dialysis. A large staff is available in its institutions, with experience over many years. Conversely, there is a weakness in specialized health services in hospitals and an insufficient number of beds, which leads to the purchase of these services through patient referrals to hospitals in the private sector or in other countries. At the same time, government health insurance does not provide sufficient revenues to cover health expenditures, which constitutes a burden on the public treasury and a lack of sustainability of the healthcare system, and weakens the quality of health services provided to citizens participating in this insurance system.

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<sup>6</sup> See: statements of the Minister of Health, Dr. Mai al-Kaila , Al-Hadath newspaper, on 10/12/2019  
<https://www.alhadath.ps/article/110645/%D9%83%D9%8A%D9%84%D8%A9-%D8%AE%D8%AF%D9%85%D8%A7%D8%AA-%D9%88%D8%B2%D8%A7%D8%B1%D8%A9-%D8%A7%D9%84%D8%B5%D8%AD%D8%A9-%D9%82%D8%AF-%D8%AA%D8%AA%D9%88%D9%82%D9%81-%D9%81%D9%8A-%D8%A3%D9%8A-%D9%88%D9%82%D8%AA-%D8%A8%D9%81%D8%B9%D9%84-%D8%AA%D8%B1%D8%A7%D9%83%D9%85-%D8%A7%D9%84%D8%AF%D9%8A%D9%88%D9%86>



### Option Two: adopting a compulsory government insurance system

This option proposed a system based on the government covering health service costs through taxes, providing these services through government facilities of clinics and hospitals, or purchasing the services not available at its facilities from private healthcare institutions. This type of insurance obliges all taxpayers, that is, everyone whose income is subject to income tax, to join the health insurance, and the state is able to collect revenue from the source, i.e. the salaries of taxpayers, according to a specific percentage or amount of their salaries, thus guaranteeing deduction from the source, as in the case of income tax. This type of insurance reinforces joint social solidarity and obligations in covering the costs of health services, and the government, or treasury, bears the responsibility of providing all health services or any missing revenues for the provision of these services. This type of insurance was discussed in 2009 through the health insurance law proposed by the government at the time.

This type of compulsory health insurance faces difficulties related to the economic conditions of the Palestinians, with unemployment at 25%, according to the Central Bureau of Statistics, and a wide disparity between the West Bank and the Gaza Strip (13% and 43%, respectively). A large number of employees are not registered in the formal labor market, such as those working in Israel and day laborers, in addition to severe weakness in the government's ability to tally those obliged to pay income tax. The plan also needs a social services network, or social security, as a supportive framework and to help tally taxpayers and their income. In addition, there is opposition from various parties for different reasons, such as the fear of some that the UNRWA would stop its provision of health services to refugees in the event of adoption of the compulsory insurance system; the complications raised by Jerusalem residents, especially those working in the West Bank who have Israeli insurance; and opposition by the private medical sector. The matter was further complicated by a decision to exempt residents of the Gaza Strip from paying taxes and fees in accordance with a presidential decision in 2007, for political reasons. Trade unions also protested against the insurance fees, and insurance companies expressed fear that the government would dominate the health insurance sector – not to mention the lack of political will, at the political level, to enter the debate on the issue of compulsory national health insurance.<sup>7</sup>

*Article 27 of the proposed Health Insurance Law states that “subscription to the health system is compulsory for all taxpaying citizens according to the provisions of this law, and each citizen has the right to use the national health insurance service, whether as a subscriber or beneficiary. The mechanism of subscription and the beneficiaries are specified by a system issued under the provisions of this law”.*

### Option Three: social health insurance

This type of insurance depends on collection of healthcare contributions from all employees, whether they are in government or in the private sector. The sums are gathered in a fund or funds of the government or private institutions, such as insurance companies, and citizens contribute to one of these funds. Under this system, comprehensive coverage can only be provided if all citizens are mandated to pay their contributions, the size of which is determined by the state based on the individual's ability to pay, with the government covering the contributions of people who are unable to do so.<sup>8</sup>

This system has the benefit of freedom of choice for citizens in purchasing their health services, that is, in choosing the fund to join. It also provides options for various types of complementary health services according to the economic conditions of individuals, and it helps the private sector, especially insurance companies, to invest in the health sector. The system ensures the government sector's contribution to this

<sup>7</sup> See: Jihad Harb, An Environment of Integrity, Transparency and Accountability in Referrals to Specialist Treatment Outside the Ministry of Health Institutions, Ramallah: The Coalition for Integrity and Accountability, 2014, p. 5.

<sup>8</sup> See: Fathi Abu Mughali, Towards a Comprehensive Health Insurance System, Coalition for Accountability and Integrity (AMAN), 2018, p. 18.

insurance by covering the poor; ensures that employers participate in covering insurance costs in a proportion parallel to that paid by employees; and reduces health costs to individuals.

This type of health insurance, however, requires political and economic stability to reduce the investment risk, so that insurance companies and the private sector can invest substantial funds in the health sector and, at the same time, achieve financial returns for investors. In addition, the ability to compel people to join this system will remain limited in the presence of high unemployment rates, and the limited ability of the government to compel citizens to comply, due to its limited security control and law enforcement in multiple areas in the West Bank and the fact that the Gaza Strip is outside the control of the Palestinian government, as well as the absence of a culture of payment of contributions to health insurance, except only when needed.

#### **Option Four: comprehensive health insurance**

This system combines compulsory government insurance with social insurance as above, that is, a partnership between the government and the private sector. It is based on four pillars: (1) the comprehension of coverage through a government system that covers risks and compensation; (2) freedom of choice for the patient; (3) cooperation between the government and private sectors in relation to hospitals and financing health services; and (4) independent management of health insurance. It gives freedom of choice for the beneficiary to go to hospitals and doctors of all kinds, without limitations or referrals, provided that the patient pays the cost when visiting specialized clinics and is compensated by the health insurance institution or the insurance company, according to the terms of his or her insurance. The patient participates in the cost at a specified rate, and some companies (public and private) provide supplementary insurance at another rate, while the health insurance institution pays the value of medications. This compulsory health insurance is funded through employer contributions, general social contributions, and deductions from salaries<sup>9</sup>

There are many advantages to this system, including the provision for a compulsory health system and a complementary one. It maintains the existing healthcare system and distributes the nature and allocation of health services, especially as the services of the Ministry of Health cover primary care, including vaccinations, epidemics and communicable diseases, and allocates some treatments exclusively to its hospitals, such as kidney disease and others. The private sector, especially existing insurance companies, helps to invest in the health sector and increase its specialization in certain areas. The system guarantees the government sector's contribution to providing health services; keeps the services of UNRWA, which are mostly primary care services and the provision of chronic disease medications; ensures that employers participate in covering insurance costs at a proportion parallel to that paid by employees; and reduces health costs to individuals. It also helps to provide resources for the country's health service system, and helps to increase governance in the health sector, with a fair distribution of hospitals according to the needs of geographic regions.

Conversely, this insurance requires political will by the government to issue the compulsory health insurance law for all employees and finance part of the funding ratios to secure those households that are undocumented workers or the unemployed. It requires reconsideration of the decision to exempt residents of the Gaza Strip from health insurance fees and requires adopting means of strengthening a culture of payment of contributions to health insurance at all times, not only when needed.

## **Conclusions**

The choice of comprehensive health insurance, as stated in Option Four, above, enables a partnership between the existing health service providers, and contributes to the development of health services and their specialization through the distribution of burdens, reduction of the cost to households, increasing private

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<sup>9</sup> See: <https://comme-un-pro.fr/ar/systeme-sante-francais-protections-couts-prise-encharge/>

And also: <https://www.alukah.net/culture/0/57690/#ixzz6IHEiKnvJ> This system is in use in France.



sector participation in health expenditure, and providing equity between geographic regions. This is insufficient, however, to strengthen the healthcare system, as additional steps are needed:

*First:* Developing awareness and educational programs, that is, carrying out a marketing campaign to help persuade large groups of citizens of the importance of joining a comprehensive health insurance, and supporting the idea of joint obligations and responsibilities in bearing burdens.

*Second:* Passing a health insurance law that determines the institutional mechanism and procedures for this insurance, by separating the health insurance function from the Ministry of Health, which provides health services as one of the financiers of the healthcare system.

*Third:* Ensuring that the safety net continues to function and prevent the collapse of the health services sector and that participation rates generate an adequate surplus, which exceeds the need to finance the medical benefits achieved and cover management costs and unforeseen obligations.

*Fourth:* Paying attention to determining the benefits and basket of services available to the insured, which is related to determining the ceiling for participation.

*Fifth:* Reviewing the health services and their types in government institutions, and reviewing the medical cadre needed by the ministry and medical services.

*Sixth:* Reaching an agreement with the Relief and Works Agency for Palestine refugees (UNRWA) to define the basket of services that it provides to refugees who benefit from it.

*Seventh:* Encouraging the private sector and private insurance companies to invest in the health insurance sector and in health institutions to provide services to whomever wishes to purchase complementary ones not provided by the health insurance system.

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