

Journal Article

Doi: 10.31580/jmi.v7i1.1343

Volume 7 Issue 1 – April 2020

Submission: February 05, 2020

Revised: March 20, 2020

Published: April 29, 2020

Journal of Management Info.

Copyright © All rights are reserved by Corresponding Author

Curbing Financial Corruption in Lebanese Healthcare Sector



Malak Aoun¹, Hassan Alaaraj^{2*}, and A. S. A. Ferdous Alam³

¹School of Business, Lebanese International University, Lebanon, malak.aoun@liu.edu.lb

²School of Business, Lebanese International University, Lebanon, hassan.aaaraj@liu.edu.lb

³School of International Studies, Universiti Utara Malaysia, 06010 UUM Sintok, Kedah, Malaysia, ferdous@uum.edu.my

*Corresponding Author: Hassan Alaaraj, 2School of Business, Lebanese International University, Lebanon, hassan.aaaraj@liu.edu.lb

Abstract

Up to 2016, Lebanon was ranked the first among the Arab countries in the high level of corruption in its administration and public institutions. This corruption has penetrated the Lebanese healthcare sector deeply and has spread at different levels including hospitalization, medicine, and most notably within the healthcare financing system. The objective of this paper is to highlight the major global corruption practices in health sector while focusing on the current state of Lebanon. Secondary data and statistics are obtained from published reports, statements and interviews. Mainly, there is an irrational high expenditure and relative surplus in the healthcare market especially for medical equipment's. In addition, there is a gap in health policies in terms of laws, regulations, and governance practices such as lack of accountability; transparency and access to information. Key implications are presented for healthcare practitioners to adapt anti-corruption interventions and coordinate with the guarantors in curbing the financial corruption and raising the social awareness. Future studies can expand this issue empirically and put the discussion into a comparison approach. This paper highlights some of the announced corrupt practices in the Lebanese healthcare sector and proposes proactive anti-corruption interventions for much more hidden violations.

Keywords: Corruption; Finance; Hospitals; Lebanese healthcare sector; Lebanon

INTRODUCTION

Healthcare is a high risk sector which is vulnerable to corruption due to the uncertainty of service demands and variety of parties involved; mainly regulators, providers, consumers, guarantors and suppliers. In general, corruption is defined as the misuse of entrusted power, bribery and secret deals for private gain however; it can vary based on the level of development and the healthcare financing system in the country (Budi Arsih & Anisah, 2015; Berger, 2014). It was reported that privately controlled and financed healthcare system may give some indications of possible corrupt practices unlike the public sector that is supposed to be regulated by strong accountability means and efficient civil service codes (European Commission, 2013).

Corruption may reduce the quality of healthcare provision, threaten the global health coverage achievements and respectively, raise the inequality of access to health among socioeconomic groups. In



addition, it may lead to worst distribution of health budgets and cause market distortions in provisions of services by the government. The healthcare system is considered as one of the most privatized sectors globally with a very high out-of-pocket expenditure and it is considered itself a model of inequity. This is partly a result of the 1990s' policies of the World Bank that have authorized the limitation of public healthcare financing in order to enhance the growth of private sector (Berger, 2014; European Commission, 2013).

As for the Lebanese healthcare sector, a total of 141 hospitals are spread throughout the country of which 121 fall under the private sector and 20 under the public sector (MOPH, 2014). The dominant private sector and the disempowered government sector have opened the way for many violations. Recent reports of Transparency International regarding the Corruption Perceptions Index have ranked Lebanon 136 among 176 countries with a score of 28 /100 (Transparency International, 2016). This indicates lack of the transparency within government sector and the high level of corruption (Alaaraj & Ibrahim, 2014). Moreover, 92% of people in Lebanon think that the public sector in their country suffers from particularly widespread corruption that has been rising notably in the recent years (Transparency International, 2016). The most corrupt sectors in Lebanon include construction, education and healthcare sectors (Addiyar, 2016). Particularly, corruption have penetrated the Lebanese healthcare sector deeply and at different levels including food safety, medication, hospitalization, laboratories, clinics and many other departments (Abou-Faour, 2015).

There are various causes behind corruption in Lebanon mainly the lack of awareness on corruption, the absence of dysfunctional key anti-corruption institutions; the weak legal framework, and the lack of proper legal implementation mechanisms (LTA, 2017). Correspondingly, corruption in healthcare sector is less expected in societies that adhere to law and admit to transparency and trust. However, the way how corruption comes out and which segment of the health care system affect depends on the healthcare financing system (European Commission, 2013). Hence, the objective of this article is to highlight the most critical corruption practices in the Lebanese healthcare sector and the financing system in particular to suggest healthcare anti-corruption interventions based on reviewing previous reports and literature in the field of the study.

EVIDENCE OF CORRUPTION IN THE LEBANESE HEALTHCARE SECTOR

The Lebanese healthcare system is a pluralistic and fragmented system which is characterized by multiple sources of providers, financing agents and different insurance schemes. Based on recent statistics, 38% of the Lebanese population is covered by the government funds for healthcare services including the National Social Security Fund (NSSF), Civil Servants' Cooperative (CSC), military schemes mainly army, internal security forces, public security and state security. Private insurance companies and out of pocket expenditure present 8%, and the remaining 54% of the population who are not covered by any insurance can receive their critical healthcare services and high cost pharmaceuticals at the expense of the Ministry of Public Health in Lebanon (CRD, 2015). These insurance schemes have to cover the total healthcare expenditures which exceeded 4 billion dollars in 2012 (MOPH, 2013).

In particular, the drug bill for 2014 was almost one billion and 400 million dollars representing 37% of the total healthcare bill in Lebanon and it is considered the highest rate in the world compared to the population size (Houari, 2014). Moreover, the hospitalization bill in Lebanon ranges between 600 to 650 million dollars per year with more than 90% accounted for private sector (Haroun, 2013; MOPH, 2013). In addition, there are ten importers who are controlling 90% of the drug market in Lebanon and presenting the strongest lobby in the country (LTA, 2014).

Furthermore, there is lack of planning, research and development strategies in the Lebanese healthcare sector which is causing a big mess represented by the irrational use of modern and advanced medical devices (Sukkarieh, 2007). There is a relative surplus in the healthcare services offers especially for medical equipments where only 10% of the available devices are considered enough for this sector (Abo-zaki, 2008). Such surplus is supposed to promote competition and consequently reduce costs and

prices however, the healthcare costs remained stable at high levels for several considerations mainly the funding structure of hospitals in Lebanon, weak oversight of policies, lack of government control and the predominance of oligopoly in some markets such as medicine.

Respectively, it is noticed that the healthcare sector was partly free from the abuse features until some mediators have entered and reduced its intimacy and humanity aspects. These mediators are represented by the insurance and drug companies along with the vast technological revolution. This veered the healthcare sector towards a supply and demand market in which the technological consumption such as laboratory and medication services have increased and became more complicated leading to more corruption and medical errors (Houari, 2014). Moreover, many hospitals are suffering from serious financial deficit due to bank debts and lower prices that are approved by guarantors especially the social security, in addition to the delay of government in paying the hospital dues. On the other hand, the number of hospitals in Lebanon is constantly increasing and the number of doctors is exceeding the need, resulting in more fraud cases and fake invoices. There are more than 13,000 doctors in Lebanon indicating that there is one doctor for 300 citizens, which is three times higher than the world average (Hameye, 2016). Therefore, an anti-corruption framework for healthcare financing system in Lebanon is essential to be addressed in order to limit such violations and misuse of healthcare resources and apply the necessary interventions.

GLOBAL CORRUPTION RISKS IN THE HEALTHCARE SECTOR

As reported by Transparency International, there is a vast scale of corruption that is impacting the healthcare sector where billions of dollars are estimated to be lost yearly because of corruption in the global health market and it is reported that in the developing countries, at least 80% of citizens have experienced some aspects of corruption in the healthcare sector (Mackey, 2012). Significantly, corruption in health sector does not only lead to financial wastes, but also it has undesirable impact on the accessibility to services and the capacity of infrastructures and social determinants. Corruption is observed at different areas in healthcare sector mainly in construction of health facilities, rehabilitation, distribution and use of drugs, purchase of equipments, quality control, medical research and financial procedures (Budi Arsih & Anisah, 2015).

In addition, health corruption can rigorously affect the coverage of health services leading to the inflation of prices. According to the European Healthcare Fraud and Corruption Network, the annual global health spending is losing an average of 5.59% because of fraud. For example in 2011, the global health care expenditure was 4.7 trillion US\$ from which 260 billion US\$ were lost due to global fraud and corruption (Gee et al, 2010). As the global economy improves the current declined status, the health spending is expected to rise to 9.3 trillion US\$ in 2018. This increase is driven by many factors such as the emerging-market expansion, technology advances, infrastructure improvements, rising prevalence of chronic diseases and health needs of growing populations (Deloitte, 2015). Moreover, it is claimed that from the global spending on public procurement of health services, 10% to 25% are lost due to corruption. For example, The United States lost between US\$82 billion and US\$272 billion in 2011 due to medical fraud and it was mostly related to its health insurance system (Jain et al., 2014).

Moreover, different corruption risks are observed at the healthcare sector mainly at the level of health care providers, government regulators in the drugs market, pharmaceuticals procurement and most importantly the health budgets (UNDP, 2011). However, one of the major drivers of corruption in healthcare sector is the general acceptance or at least tolerance of society to such kind of practices that are mostly observed at an early stage of the procurement process (European Commission, 2013). There is a considerable minority of people who feel completely pessimistic about the effectiveness of their actions against corruption. Recent statistics show that people in Lebanon are the most pessimistic among Arab countries where 32% of Lebanese citizens declared that they cannot report more cases of corruption because it would not make any difference, which perhaps reflects the lack of government capacity in Lebanon (Transparency International, 2016).

ANTI-CORRUPTION INTERVENTIONS

As a consequence of this complicated status, control interventions within the Lebanese healthcare financing system should be set up to sanction corruption and fraud in this sector. It is essential to adapt a flexible and comprehensive governance system that fit the needs of local and global healthcare systems with focusing on financing, protocol implementation, incorporation of health system and strengthening anti-corruption interventions (Mackey, 2012). Such interventions may also include procurement audits, social audits, community oversight and publishing all procurement processes online (World Bank Group, 2008).

The significance of implementing anti-corruption participatory monitoring projects is to evaluate the impact of anti-corruption schemes on the health care sector through community monitoring (UNDP, 2011). Regarding the financial corruption, it can be diagnosed using Public Expenditure Tracking Surveys (PETS) which can highlight the weaknesses in recordkeeping, oversight and control procedures, and other bottlenecks that are causing delays and losses in the work flow (Lindelov et al., 2006). In addition, corruption is measured through corruption perception surveys, qualitative data collection, expenditure surveys and control systems reviews (Vian, 2008). Thus, there is a link between corruption and management, finance and governance where it is essential to strengthen government transparency, accountability and law enforcement to reduce such corruption aspects (Budi Arsih & Anisah, 2015; Vian, 2008).

Practically, the Lebanese healthcare system can benefit from global anti-corruption frameworks that have been successfully fighting corruption and reducing its negative impacts on society such as the Medical Evaluation and Control Department (DGEC) in Belgium; National Health Service (NHS) Protect in the United Kingdom; the Fraud Prevention and Litigation Directorate in France and General Inspection of Health Activities (IGAS) in Portugal (European Commission, 2013). The role of these frameworks is to effectively enforce a general anti-corruption legislation in line with independent judicial follow up. The Lebanese government has done little to enforce anti-corruption, especially that the law of the right of citizens to access information and the law for protecting corruption detectors are still not yet ratified. Also, the government in Lebanon has not done enough to promote transparency and accountability which is achieved through enhancing the freedoms of individuals, the press and civil society and activating the role of oversight bodies in carrying out their duties to stop bribery and corruption in public and private sectors (Hameye, 2016).

Within the healthcare financing system, there is no single solution to be implemented. Rather, it is necessary to combine many interventions to provide social justice and ensure health equity among all citizens. One of the proposed keys is the mandatory hospital health card which provides health coverage to every Lebanese who is not guaranteed, where the citizen's contribution does not exceed \$ 120 per year and it covers hospitalization and medication. This card ensures that the patient can enter any hospital without being rejected under the argument of the financial ceiling of the hospital (Hameyeh, 2016).

Moreover, it is essential to increase awareness among the public and especially the youth who are the key to future change. One of the most active organizations in this field is the Lebanese Transparency Association (LTA). It is the first Lebanese NGO that focuses on curbing corruption and promoting the principles of good governance (LTA, 2017). LTA conduct regular sessions and connect with people through workshops to influence the entire community through them. Also, the media is considered as the most effective means of spreading awareness through shedding light on issues of corruption in public and private sectors.

CONCLUSION



Corruption is a pervasive problem in the healthcare sector, with so many negative effects on health status and social welfare. It is a complex problem which threatens health care access, equity and outcomes. The importance of activating the accountability frameworks in the health sector is manifested in enhancing the oversight and legislative roles of the Ministry of Public Health to monitor the proper application of the norms and the appropriate amendments to the laws when the need arises. In addition, the improvement of health care financing is essential to reduce the current financial pressures especially through strengthening the relationship between health care providers, public funds and guarantors. Moreover, it is necessary to balance and rationalize the various sources of financing through conducting national health surveys to monitor the flow of money in the healthcare sector. Finally, it must be noted that there is no distinct policy for a successful anti-corruption intervention however; it is apparent from this research that all interventions are successful when there is a combination of powerful, independent and legalized institutions along with a general social intolerance to corruption. It is essential to encourage ordinary disempowered people to make a difference in fighting corruption. Future studies can expand this research empirically and make comparison with other countries in terms of threats and opportunities in curbing corruption.

Reference:

- Abo-Faour, W. (2015, September 28). Reform and the fight against corruption in the health sector is a great task. *Lebanon24*. Retrieved from <http://www.lebanon24.com/articles/1443434597787933800/> Accessed on May 25, 2017
- Abo-zaki, R. (2008, April 8). International Health Day: Half of the Lebanese are uncovered. *Al-Akhbar* (495). Retrieved from <http://www.al-akhbar.com/node/119795> Accessed on 10 May 2017
- Addiyar (2016, May 3). Corruption in Lebanon in numbers. Do not be surprised! *Addiyar*. Retrieved from <http://www.addiyar.com/article/1165425> . Accessed on 20 June 2017
- Alaaraj, H., & Ibrahim, F. (2014). Does practicing good governance enhance the public trust towards the Lebanese government? *International Journal of Scientific and Research Publications*, October, 4(10).
- Berger, D. (2014). Corruption ruins the doctor-patient relationship in India. *BMJ*, 348(g3169). Doi: 10.1136/bmj.g3169
- Budi Arsih, S., & Anisah, C. N. (2015). Solutions Governance Diminish Corruption in Public Health Care Systems in Indonesia. *Health*, 6(1), 55-71.
- CDR (2015). *Public Health: Social and Economic Sectors*. (pp) 58-66. Council for Development and Reconstruction: Beirut. Retrieved from http://www.cdr.gov.lb/arabic/progress_reports/pr102015/Apub.pdf
- Deloitte. (2015). 2015 Global health care outlook: *Common goals, competing priorities*. Deloitte Touche Tohmatsu Limited, 2015. Retrieved from <http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Life-Sciences-Health-Care/gx-lshc-2015-health-care-outlook-global.pdf>
- European Commission (2013, October), *Executive Summary Study on Corruption in the Healthcare Sector*. Luxembourg: Publications Office of the European Union. ISBN 978-92-79-33864-9. doi:10.2837/58154. Catalogue number: DR-04-13-003-EN-N
- Gee, Jim, Button, Mark and Brooks, Graham (2010) *The financial cost of healthcare fraud: what data from around the world shows*. In: MacIntyre Hudson.
- Hameye, H. (2016, February 12). Health sector between the reality of the inevitable and the impossible reform. *Alafkar.net*. Retrieved from alafkar.net/القطاع-الصحي-بين-الواقع-المأزوم-والإص. Accessed on May 20, 2017
- Haroun, S. (2013). *Lebanese Republic Ministry of Information: national news agency*. A Press Conference on 23 June 2013. Available at: <http://www.nna-leb.gov.lb/ar/show-news/45997>



- Houari, W. (2014, November 30). Corruption gnaws pharmaceutical market in Lebanon. *Janoubia*. Retrieved from janoubia.com/2014/.../30/الفساد-ينخر-سوق-الادوية-في-لبنان/. Accessed on 20 June 2017
- Jain, A., Nundy, S., & Abbasi, K. (2014). Corruption: medicine's dirty open secret. *BMJ*, 348(g4184). doi: 10.1136/bmj.g4184
- Lindelow, M, Kushnarova, I, & Kaiser, K. (2006). Measuring corruption in the health sector: What can we learn from public expenditure tracking and service delivery surveys in developing countries? *In: Transparency International. Global Corruption Report 2006: Special focus on corruption and health*. London: Pluto Press.
- LTA (2017). Corruption in Lebanon. Lebanese Transparency Association: Beirut. Retrieved from <http://transparency-lebanon.org/En/Corruption/16>. Accessed on 10 June 2017
- LTA (2014, November 20). *Medical and hospitalization malpractices in Lebanon*; Press Conference. Lebanese Transparency Association: Beirut. http://transparency-lebanon.org/Modules/PressRoom/PressRelease/UploadFile/8311_Ar_21,11,YPR_MEAC_NOV_20_AR_HA.pdf
- Mackey, T. K., & Liang, B. A. (2012). Combating healthcare corruption and fraud with improved global health governance. *BMC international health and human rights*, 12(1), 1
- MOPH (2014). *Statistical Bulletin 2014*. Beirut: Ministry of Public Health. <http://www.moph.gov.lb/en/DynamicPages/index/8>. Accessed on May 12, 2016.
- MOPH (2013). *Statistical Bulletin 2013*. Ministry of Public Health: Beirut. <http://www.moph.gov.lb/Publications/Pages/StatisticalBulletin2013.aspx>. Accessed on May 12, 2016
- Sukkarieh, I. (2007, July 28). Healthcare corruption in Lebanon. *Al-Akhbar* (289). Retrieved from <http://www.al-akhbar.com/node/142547>
- Transparency International (2016). Corruption Perceptions Index 2016. Retrieved from https://www.transparency.org/news/feature/corruption_perceptions_index_2016. Accessed on 20 June 2017.
- UNDP (2011, October). *Fighting Corruption in the Health Sector: Methods, Tools and Good Practices*. United Nations Development Programme: New York. Retrieved from http://www.undp.org/content/undp/en/home/librarypage/democratic-governance/anti-corruption/fighting_corruptioninthehealthsector.html
- Vian, T. (2008). Review of corruption in the health sector: theory, methods and interventions. *Health Policy and Planning*, 23(2), 83-94.
- World Bank Group (2008). *Fiscal Year 2008 Annual integrity report: protecting development's potential*. Department of Institutional Integrity. Available at http://siteresources.worldbank.org/INTDOI/Resourses/INT_AnnualReport_web.pdf. Accessed on June 25, 2017.