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from any form of health insurance

FINANCIAL ASSESSMENT

OF THE COST OF PROVIDING
HEALTH CARE COVERAGE
FOR **PALESTINIAN REFUGEES**
IN LEBANON



Project Funded
by the European Union



International
Labour
Organization



PEACEBUILDING FUND
Lebanon



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2012

FOREWORD

Although they make full contributions to the National Social Security Fund (NSSF), Palestinian refugees working in the formal economy and registered with the NSSF are excluded from the sickness, maternity and family allowances benefits under the policy of reciprocity of treatment, notwithstanding their exemption from the reciprocity injunction under the Social Security Law, as amended in August 2010.

The preliminary financial assessment of the cost of providing health care coverage estimates – for the first time – the unutilized contributions of the Palestinians wage earners and their employers to the NSSF. It also projects the possible cost to be incurred if Palestinian workers and their families are provided with health care coverage through the NSSF. The study was also complemented – with support from Norwegian People’s Aid and the Lebanese Palestinian Dialogue Committee – by the elaboration of two proposals for legal amendments. The assessment and the legal proposals were developed within a wider process engaging the concerned partners from the Ministry of Labour and the NSSF, which included organization of a seminar in 2011 on social security as a right, and the options for Palestinian refugees in Lebanon. This was pursued by the formation of a small working group that followed up on the seminar’s recommendations, including the preparation of the preliminary financial assessment and the proposals for legal modifications in addition to holding an expert meeting.

The data presented in the assessment can form the basis of more in-depth discussions and better-informed policy-making around the Palestinian workers’ right to health care coverage under the NSSF. The assessment provides a scientific perspective to promote an objective debate on the right health care coverage for Palestinian workers in the formal economy and their families.

Our acknowledgement goes to all those who supported the process and contributed to the preparation of this study, particularly our partners, the Ministry of Labour, the National Social Security Fund, the Lebanese Palestinian Dialogue Committee and UNRWA. Special thanks to the members of the working group, Mr. Joseph Kahlifeh, for his back-up and for supplying the needed data from the NSSF, Ms. Iman Khazaal and Ms. Joumana Haymour from the Ministry of Labour, Mr. Samih Geha, the Actuarial Consultant, Ms. Ursula Kulke, Senior Social Protection Specialist, Ms. Sawsan Masri, National Project Coordinator at the International Labour Organization, and last but not least, Ms. Zeina Abla for reviewing the final report and John Dawson for his editorial work. Acknowledgement goes also to the European Union and the Peace Building Fund for their financial support to the preparation and production of the study and the organization of the relevant workshops and seminars.

We hope this report proves useful in contributing towards making changes and enforcing the right for social protection for Palestinian workers and their families in the country.

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EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

Recent studies estimate the number of Palestinian refugees living in Lebanon to be around 260,000–280,000, despite the fact that around 455,000 are registered with the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA).¹ However, many of those registered do not necessarily live in Lebanon. Most of these refugees work in the informal sector. Of the small number working in the formal sector, only 2,372 had been registered with the Lebanese National Social Security Fund (NSSF) at the end of 2011.²

The NSSF-registered refugees pay full contribution fees, yet do not benefit from the NSSF health insurance scheme. Most Palestinian refugees in Lebanon lack any form of health or social security coverage. This is mainly a result of their current legal and political status in Lebanon. Palestinian refugees are treated as foreigners in Lebanon in terms of their right to work and to own property. They are subject to the policy of reciprocity of treatment applied in Lebanon, by which foreign nationals are granted rights to the extent that their State grants rights to Lebanese nationals.

Rationale and objectives

Social protection is a main component of international labour standards and is recognized as a basic human right. It is an essential element of the mission and objectives of the International Labour Organization (ILO).

The Palestinian refugees in Lebanon have been excluded from the national health coverage system. Even Palestinians working legally in the formal sector are not entitled to the health coverage provided by

the NSSF, though they have to pay social security contributions, in the same way as Lebanese workers.

For a population living in destitute conditions (Palestinian refugees in Lebanon have a 66% poverty rate), social security is considered a prerequisite to reduce poverty, social exclusion and inequality. Social security provision would assist the refugees to escape the vicious cycle of low income, poverty and deteriorating health conditions. Without access to health care, health costs increase and the ability to lead a healthy life is challenged, making it even more difficult to escape the poverty trap.

In addition to reducing poverty and vulnerability, social security could alleviate the socio-political tensions that can fuel conflicts and lead to violence, and could be a factor in increasing stability and reinforcing security in the camps. In short, the health, financial, and overall social and economic consequences of living without adequate insurance coverage are serious for a population suffering from exclusion on many fronts.

The present study aims to highlight the contributions of Palestinian refugees in Lebanon to the NSSF and to estimate the costs of providing them with health care coverage. It offers policy-makers a framework to make informed decisions and support policy changes. It also provides concerned civil society organizations with substantive material to support their advocacy programmes. The results of the study will provide a financial perspective when assessing potential legal amendments targeting the Palestinian refugees' social security. Accordingly, the study provides:

- An estimate of the total contributions paid by the limited number of Palestinian refugees that are currently registered with the NSSF in Lebanon, and who, in return, are not receiving health coverage

1 One reason for the discrepancy is that UNRWA data count those that are registered and do not take into account migration, deaths or changes in citizenship.

2 NSSF 2011 data.

- An estimate of the cost of providing sickness and maternity benefits under the NSSF scheme for the working Palestinian refugees
- An assessment of the out-of-pocket health expenditure burden that Palestinian refugees carry

Main findings

The assessment of the financial implications of providing Palestinian refugees working in Lebanon with health coverage through the NSSF shows that the currently registered Palestinian workers have accumulated unused contributions worth around US\$ 14 million since 1992. Those funds should enable health benefit coverage for at least the segment of the working Palestinian refugee population living in Lebanon over the medium term.

The cost of providing Palestinians currently registered with the NSSF with health coverage is estimated at around US\$ 5 million per year over the next three years, rising to no more than US\$ 21 million per year by 2021.

Assuming that fair health coverage would lead to an increase in the number of Palestinian subscribers, the maximum number of potential workers eligible does not exceed 14,100 in 2011. If all working Palestinian refugees in Lebanon with formal work agreements (signed contracts) are to be covered by the NSSF for health care, the cost should not exceed US\$ 32 million per year over the next three years (2013–2015), rising to an annual US\$ 127 million in 10 years' time (2021).

Palestinian refugees in Lebanon currently spend a large share of their household expenditure on health services (12%). Providing them with coverage would alleviate a hefty financial burden and reduce the high poverty incidence.



INTRODUCTION

ILO CONVENTIONS ON
SOCIAL PROTECTION



INTRODUCTION

ILO CONVENTIONS ON SOCIAL PROTECTION

As early as 1944, the Declaration of Philadelphia stated that a key component of the International Labour Organization (ILO) mission was to pursue “the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care”.

More than fifty years later, the International Labour Conference, at its 89th Session in 2001, reconfirmed the ILO mandate with regard to social security and called for the launch of a global campaign for the extension of social security to all. This campaign was launched in 2003. Similarly, the ILO Declaration on Social Justice for a Fair Globalization, adopted by the International Labour Conference during its 97th Session in 2008, recognized that “the ILO has the solemn obligation to further among the nations of the world programmes which will achieve the objectives of the extension of social security measures to provide a basic income to all in need along with all the other objectives set out in the Declaration of Philadelphia”.

The ILO is the only international organization mandated by its constituents to set international labour standards. International labour standards take the form of either Conventions or Recommendations. Of primary concern to the present report are the Social Security (Minimum Standards) Convention, 1952 (No. 102),³ and the Medical Care and Sickness Benefits Convention, 1969 (No. 130).⁴

Part of the ILO mission is to pursue the extension of social security to all

More recently, the International Labour Conference, at its 101st Session, adopted the Social Protection Floors Recommendation, 2012 (No. 202), which aims to enhance existing international standards on social security. The Recommendation affirms that social security is a basic human right, requiring ILO member States to develop and improve their social security systems to ensure that all citizens, including the elderly, the disabled, children and other vulnerable groups, will have income security and access to health care, at least at a level no lower than the nationally defined minimum wage.

In 2012, the ILO adopted the Social Protection Floors Recommendation to enhance standards on social security

The recommendation states that Members should apply the following principles in giving effect to the Recommendation:

- a. Universality of protection, based on social solidarity;
- b. Entitlement to benefits prescribed by national law;
- c. Adequacy and predictability of benefits;
- d. Non-discrimination, gender equality and responsiveness to special needs;

3 Convention No. 102: http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312247:NO.

4 Convention No. 130: http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO:12100:P12100_INSTRUMENT_ID:312275:NO.

- e. Social inclusion, including of persons in the informal economy;
- f. Respect for the rights and dignity of people covered by the social security guarantees;
- g. Progressive realization, including by setting targets and time frames;
- h. Solidarity in financing while seeking to achieve an optimal balance between the responsibilities and interests among those who finance and benefit from social security schemes;
- i. Consideration of diversity of methods and approaches, including of financing mechanisms and delivery systems;
- j. Transparent, accountable and sound financial management and administration;
- k. Financial, fiscal and economic sustainability with due regard to social justice and equity;
- l. Coherence with social, economic and employment policies;
- m. Coherence across institutions responsible for delivery of social protection;
- n. High-quality public services that enhance the delivery of social security systems;
- o. Efficiency and accessibility of complaint and appeal procedures;
- p. Regular monitoring of implementation, and periodic evaluation;
- q. Full respect for collective bargaining and freedom of association for all workers;
- r. Tripartite participation with representative organizations of employers and workers, as well as consultation with other relevant and representative organizations of persons concerned.

ILO Recommendation No. 202, with its principles on solidarity and social inclusion, is particularly important in the context of the initiative to include Palestinian workers in Lebanon under the umbrella of the national social security scheme.



CHAPTER 1

OVERVIEW OF LEBANON'S HEALTH CARE SYSTEM



CHAPTER 1

OVERVIEW OF LEBANON'S HEALTH CARE SYSTEMS

Lebanon's population is estimated at around 3.76 million people, 93% of whom are Lebanese, with the rest of the population distributed among foreign and migrant workers, and Palestinian refugees other than those living in camps and gatherings (CAS 2007).

Less than half of the population (48%) benefit from some form of health care coverage. Half of those who enjoy health coverage are covered through the National Social Security Fund (NSSF), while 16% of the covered Lebanese residents have private insurance coverage. Generally, the Lebanese people finance private health care through out-of-pocket expenditure (CAS 2007).



More than half of the Lebanese population do not enjoy any form of health care coverage

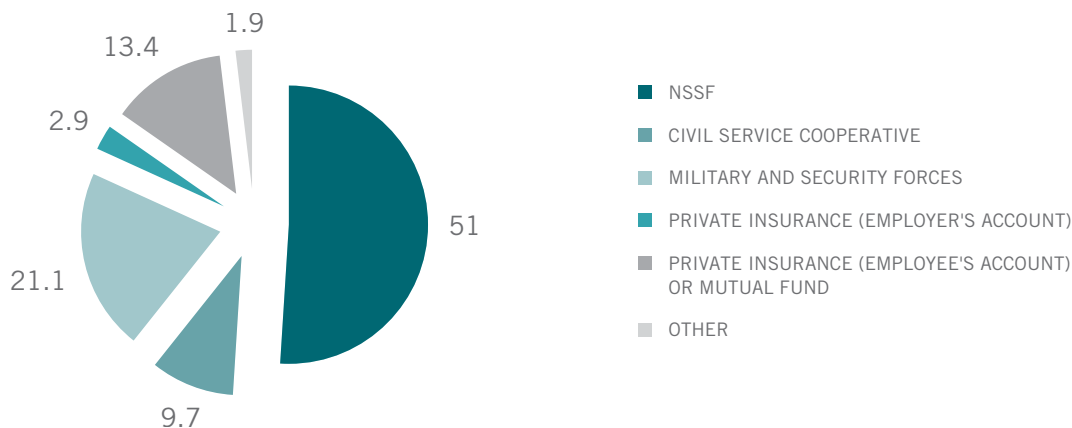
The Ministry of Public Health finances the medical services of the Lebanese in its few public hospitals and outpatient facilities, and reimburses the costs of some services that are delivered in private hospitals with which it has contracts. Other ministries, such

as the Ministry of Social Affairs, also provide primary health care services. The government officially regulates the health system.

MAIN HEALTH CARE SCHEMES

The public health care system consists of four main entities: the NSSF, the Civil Service Cooperative, the funds for the military and security forces, and the Ministry of Public Health (the insurer of the last resort). The NSSF is the dominant source of health care coverage in Lebanon, covering primarily the population employed in the private sector and public sector employees that do not benefit from the Civil Service Cooperative scheme (figure 2.1). The latest available data show that more than half of the covered population benefited from NSSF coverage in 2007, including those registered on a voluntary basis. A fifth were covered by the military and security forces health care insurance (CAS 2007).

FIGURE 1: LEBANESE RESIDENTS BENEFITING FROM HEALTH COVERAGE BY TYPE OF HEALTH INSURANCE (2007) (PERCENTAGE)



Source: CAS 2007.

National Social Security Fund (NSSF)

The law to establish the NSSF was issued in 1963, but it took another two years to set the fund up. The NSSF is the main social security institution in the country. In principle, it should cover all employees and workers in the private sector for sickness, maternity care, work-related accidents and diseases, and end-of-service indemnity. The NSSF has three social security branches in force:

- Sickness and Maternity Allowance Fund, set up in 1970, covering health care expenditure for sickness and maternity within a cost structure specified by the NSSF.
- Family and Education Allowance Fund, which started in 1965, providing workers with a quarterly family subsidy to cover schooling expenditure.
- End-of-Service Indemnity Fund, established in 1965, which is considered to be a temporary scheme that should be replaced by a pension scheme to provide pension and income security for old age, disability and death. The End-of-Service

Indemnity Fund provides, in principle, a lump sum benefit equivalent to one month of salary for each year of service.

The Sickness and Maternity branch of NSSF provides the following benefits:

- 90% of hospitalization costs;
- 80% of medical consultations, except for dental care;
- 95% of the cost of medication for cancer treatment (inpatient and outpatient care);
- 100% of the cost of dialysis in hospital, and 80% out of hospital;
- 100% of the cost of birth performed by a doctor or midwife;

The NSSF scheme is funded by members' contributions and the State. Social security contributions are calculated as a percentage of monthly salaries, including other benefits (table 1). Although in principle all employers and employees must contribute to the NSSF, a large number of companies are evading it, as employers avoid registering their employees to forgo paying their share.

TABLE 1: NSSF CONTRIBUTIONS (2012)

Type of contribution	Employer (Percentage)	Employee (Percentage)
End-of-service indemnity	8.5%	Nil
Family allowance	6% of salary up to 1,500,000 LBP	Nil
Sickness and maternity allowance	7% of salary up to 2,500,000 LBP	2% of salary up to 2,500,000 LBP

Source: NSSF.

TABLE 2: NSSF PAID BENEFITS (1997 AND 2004 – 2009)

Social security benefits (billion LBP)	1997	2004	2005	2006	2007	2008	2009
End-of-service indemnity			141	147	179	152	226
Family allowances			221	231	224	241	245
Sickness and maternity allowances			439	451	536	492	548
Total	407	812	801	829	939	885	1,019

Source: Economic Accounts Mission 2010.

Foreigners with valid work permits are entitled to register with the NSSF and receive benefits, provided their countries of origin offer equal treatment to Lebanese workers (reciprocity of treatment policy).

The contributions for the Sickness and Maternity branch of the NSSF are capped at a salary of 2,500,000 Lebanese pounds (LBP). In other words, high salaries do not contribute in the same proportion as lower salaries in funding the scheme. This situation has been exacerbated by the recent increase in wages for the private sector, enacted by the Government of Lebanon in 2012. The NSSF ceiling is assumed to correspond to the median point of the distribution of salaries.

The NSSF scheme suffers from a number of problems, including institutional and financial challenges, and the impact of political intervention. The Sickness and Maternity Allowance Fund and the Family and Education Allowance Fund have been incurring deficits for a number of years, especially as contribution rates were reduced in 2001, and many companies continue to understate disclosed salaries. The deficit is usually offset from the End-of-Service Indemnity Fund. Table 2 shows the social security benefits paid by the NSSF in 1997, and between 2004 and 2009. Contributions received by the NSSF for 2005–2009 are shown in table 3. Payments made by the State to the NSSF were not included as they are considered transfers rather than contributions.

TABLE 3: NSSF RECEIVED CONTRIBUTIONS (2005 – 2009)

Social security contributions (billion LBP)	2005	2006	2007	2008	2009
NSSF contributions	946	865	1,049	999	1,050

Source: Economic Accounts Mission 2010.

Other health care funds

The other public sector providers are the Civil Service Cooperative, the funds for the military and the security forces, and the Ministry of Public Health. The Cooperative covers government employees and their families and does not require any contribution from the employees except for a 1% deduction of the salary as a part of the government budget. The funds for the military and security forces fully cover members of the security forces for hospitalization and ambulatory services. Their dependents benefit from the insurance schemes according to the degree of the relationship to the subscriber of the insurance.

The Ministry of Public Health is the insurer of the uninsured

Finally, the Ministry of Public Health is considered the insurer of the uninsured, even though it is not in itself a social insurance scheme. Funded from the government budget, it provides hospitalization for any citizen not covered under any insurance plan and covers the cost of some treatments, such as chemotherapy, open-heart surgery and drugs for chronic diseases. In addition, the private sector, mutual funds and non-governmental organizations (NGOs) also provide health insurance. Private insurance companies provide complementary and comprehensive health insurance, whereby the insured can opt for medical cover in addition to the NSSF.

PALESTINIAN REFUGEES' HEALTH CARE COVERAGE

The Palestinian refugees currently living in Lebanon are estimated to total no more than 280,000, according to a survey conducted by the American University of Beirut and the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) in 2010 (Chaaban et al. 2010). Nonetheless, some 455,000 are registered with UNRWA.⁵ The difference in estimates is due to the fact that UNRWA data do not take into account migration, deaths or changes in citizenship. In addition, there are some Palestinian refugees registered with the Lebanese authorities that do not fall under UNRWA's mandate, but have identity cards issued by the Lebanese authorities. They do not exceed 40,000. There are also a negligible number of refugees that are neither registered with UNRWA nor with the Lebanese authorities and who are referred to as non-ID refugees. Among the Palestinian refugees residing in Lebanon, only 2,372 were registered with the NSSF in 2011.⁶

Only 2,372 Palestinian workers are registered with the NSSF

5 UNRWA statistics, as of 1 January 2012.

6 NSSF data.

The right to health coverage

Since their arrival in Lebanon more than six decades ago, Palestinian refugees have been treated as foreigners. Lebanon's political standpoint opposes Lebanese naturalization of the Palestinian refugees. Such a position has resulted in discriminatory policies against the Palestinian refugees, denying them their right to work and to social security. This stance has been justified by the policy of reciprocity of treatment applied in Lebanon, by which foreign nationals are granted rights to the extent that their State grants rights to Lebanese nationals. Such an approach however does not give due regard to the uniqueness and atypical nature of the Palestinian case, and the fact that Lebanon is a signatory to a number of Arab and international treaties guaranteeing work for all persons within its territory without discrimination.

Lebanon's political standpoint, justified by the policy of reciprocal treatment, denies Palestinians the full right to work and to social security

In 2005, legislation was introduced, through an unprecedented decision issued by the Minister of Labour, easing the conditions of the reciprocity principle and lifting all restrictions on Palestinian refugees' access to certain clearly defined occupations, with the exception of the professions regulated by laws. Despite the importance of this step, it was not considered by many to be a fair

solution to the Palestinian refugees' situation in Lebanon, as it came from the government's executive branch and not the legislative branch, and it did not deal with the crux of the problem (El Natour 2010).

In 2010, amendments to the Lebanese Labour Law gave Palestinians who had work permits and were registered with the NSSF the right to benefit from end-of-service indemnity. Sickness, maternity and family allowance benefits remained excluded under this law. Palestinian wage earners and their employers continued to pay full contributions to the NSSF (23.5%).

Under the 2010 legal amendments, obtaining a work permit became free of charge for Palestinian refugees; however, follow-up attempts to facilitate the administrative procedures faced by Palestinians in obtaining a work permit were unsuccessful. Palestinian refugees are still required to have a work contract authenticated by a notary along with justificatory documents related to the employer. As a result, very few working Palestinian refugees applied for a work permit – only 2% of the total employed (ILO and CEP 2012). Yet, apparently the 2010 legal amendments – basically an exemption from payment of fees – contributed to double this small number of work permits between 2010 and 2012 (table 4).

Within this context, and despite the legal amendments, the number of Palestinians working in the formal economy has remained very low over the years. Proxy indicators for formal employment obtained from the recent ILO labour force survey confirm this situation, with only 19% of Palestinian workers having written contracts (ILO and CEP 2012).

TABLE 4: NUMBER OF WORK PERMITS ISSUED TO PALESTINIAN REFUGEES

	2010	2011	2012
First time	52	198	252
Renewal	134	121	149
Total	186	319	401

Source: Ministry of Labour.

Existing health coverage

As described above, the majority of Palestinian refugees residing in Lebanon are deprived of any formal health coverage schemes. Around 95% of the Palestinian refugees in Lebanon do not have health insurance (table 5 and figure 2).

95% of Palestinian refugees in Lebanon do not have health care coverage

UNRWA provides, through its 29 health care centres around the country, almost free primary health services to the entire population of refugees. In addition, the Palestine Red Crescent Society, NGOs and private clinics provide health services to Palestinians in Lebanon (table 6). UNRWA clinics remain the most frequently consulted for medical services following an acute illness.

UNRWA provides primary health care services to Palestinian refugees in its 29 centres

However, most primary health care service centres catering for the Palestinian refugees are understaffed and underfunded. Moreover, not all medical services are provided in every camp. So refugees may need to commute from one camp to the other across Lebanon for some basic or regular services, such as dialysis. While UNRWA is the main provider of primary health care, it only partially covers the costs of secondary and tertiary care with a number of contracted hospitals. Refugees cannot afford to cover the balance and thus hospitalization remains a concern for Palestinian refugees in Lebanon. In April 2012 UNRWA was able to increase its average coverage of tertiary health care services to 50%, with a maximum duration of coverage of 14 days, bringing the ceiling of coverage to US\$ 4,200 per patient (a rate of US\$ 300 per day of hospitalization). Thus, Palestinian refugees in Lebanon requiring hospitalization face a hefty financial burden, especially those suffering from chronic diseases.

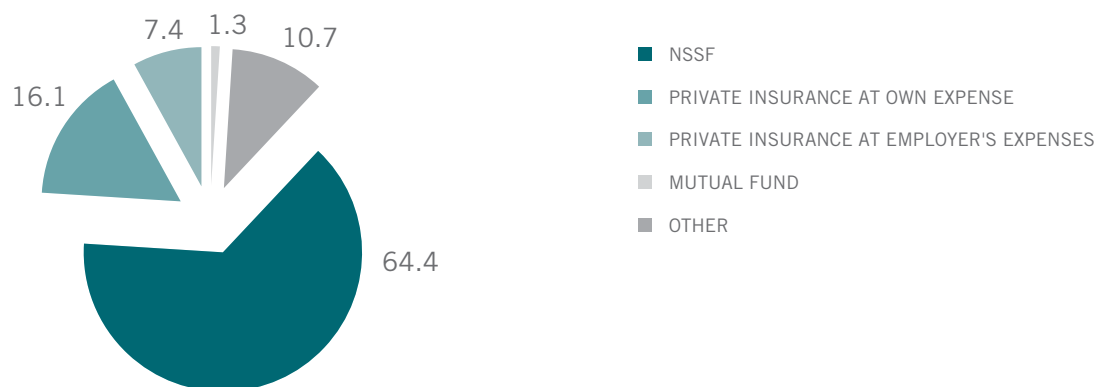
Under these conditions, it becomes crucial to weigh the costs against the benefits of providing health coverage under the NSSF for the Palestinian refugee workers residing in Lebanon.

TABLE 5: PALESTINIAN (2011) AND LEBANESE (2007) POPULATION HEALTH COVERAGE

Coverage	Percentage of Lebanese population covered	Percentage of Palestinian population covered
Without coverage	51.7	94.7
With coverage	48.3	5.3
Total	100.0	100.0

Sources: ILO and CEP 2012; CAS 2007.

FIGURE 2: DISTRIBUTION OF EMPLOYED PALESTINIAN REFUGEES COVERED BY HEALTH COVERAGE, BY TYPE OF INSURANCE (2011) (PERCENTAGE)



Source: ILO and CEP 2012.

TABLE 6: PLACE OF CONSULTATION FOR PALESTINIAN REFUGEES FOLLOWING ACUTE ILLNESS (2010)

Accessed medical services	Distribution (%)
UNRWA clinics	32.2
Private clinic	24.3
Private hospital	9.2
Palestine Red Crescent Society hospital or clinic	10.5
Hospitals affiliated to UNRWA	9.2
Other clinics	8.5
Didn't go to any hospital	4.6
Other	1.5

Source: Chaaban et al. 2010.



CHAPTER 2

FINANCIAL ASSESSMENT OF HEALTH CARE COVERAGE



CHAPTER 2

FINANCIAL ASSESSMENT OF HEALTH CARE COVERAGE FOR PALESTINIANS

The following analysis and projections aim to provide an indicative financial estimate of health care coverage for Palestinian refugees in Lebanon. The NSSF and the Lebanese insurance market are the main sources of data used in formulating the estimates, and the following economic assumptions were made to complete the exercise:

- The wage inflation rate was assumed to fluctuate between 3% and 5%, with a 30% spike in 2008, following the evolution of the minimum wage throughout this past period. The 2008 spike reflects the increase in the minimum wage that took place during that year.
- Based on the recent trends observed in medical data from the insurance market, the inflation rate of health care was assumed to range annually between 4% and 6%, with an average of 5%.
- The NSSF invests the bulk of its contributions in Lebanese Treasury bills. Accordingly, the returns on investment rates for NSSF were assumed as per table 7.

TABLE 7: RETURN ON INVESTMENT RATE FOR NSSF (PERCENTAGE)

	1992–1996	1997–2003	2004–2011
Annual return on investment	15	10	6

TABLE 8: ACCUMULATED VALUE IN THE NSSF FUNDS FROM CONTRIBUTIONS OF PALESTINIAN REFUGEES (2011)

	Billion LBP	Million US\$
Sickness and Maternity Allowance Fund	11.1	7.4
Family and Education Allowance Fund	9.9	6.6
Total accumulated value	21.1	14.0

ACCUMULATED CONTRIBUTIONS OF REGISTERED PALESTINIAN REFUGEES TO NSSF

The figures reveal that the Palestinian refugees residing in Lebanon and registered with the NSSF have accumulated, over the past 19 years, through their contributions and their employers' contributions, at least US\$ 14 million (table 8) with the Sickness and Maternity Allowance Fund and Family and Education Allowance Fund. As the Palestinians cannot use these funds for health care because of the policy of reciprocity of treatment that excludes them from NSSF health care coverage – and until very recently from end-of-service indemnity – those accumulated funds have in effect been taken from the Palestinian refugees and their employers without any benefits in return.

The accumulated funds have been generated by Palestinian subscribers over the years. According to NSSF records, 2,372 Palestinians were registered at the end of 2011. The NSSF provides the data by five-year periods of registration, starting in 1965 upon

the establishment of the NSSF (table 9). The data are not available on an annual basis, and thus are not as detailed and as extensive as needed.

Contributions of NSSF-registered Palestinians are estimated at around US\$ 14 million since 1992

The total amount of contributions paid by Palestinian refugees and their employers to the NSSF was calculated using the historical data on Palestinian refugees registered with the NSSF. The retrospective projection started in the year 1992 at the end of the civil war and upon the return of monetary stability, after a period that witnessed a depreciation of the local currency.

The number of Palestinians registered was estimated on a yearly basis, assuming that the registrations in each period (table 9) were distributed uniformly across the years of the period. Only during the last period, 2005–2011, when 1,624 Palestinians were registered, was the annual distribution not considered

TABLE 9: PALESTINIAN REFUGEES REGISTERED WITH THE NSSF BY PERIOD OF REGISTRATIO

	Male	Female	Total
1965–1979	60	16	76
1980–1989	34	24	58
1990–1994	67	34	101
1995–1999	131	52	183
2000–2004	263	67	330
2005–2011	1,160	464	1,624
Total	1,715	657	2,372

Source: NSSF.

TABLE 10: DISTRIBUTION OF PALESTINIANS REGISTERED WITH NSSF (2005–2011)

	2005	2006	2007	2008	2009	2010	2011
Distribution (Percentage)	5	5	5	5	10	20	50
Number of newly registered	81	81	81	81	163	325	812

TABLE 11: NSSF CONTRIBUTION RATES TO SICKNESS AND MATERNITY ALLOWANCE FUND AND FAMILY AND EDUCATION ALLOWANCE FUND

	Contribution rate (Percentage)	
	Before 2001	After 2001
Sickness and Maternity Allowance Fund	12	9
Family and Education Allowance Fund	15	6

to be uniform (see distribution as set out in table 10). This is because the data on work permits for Palestinians showed no significant increase in their number before 2009, despite the legal amendments (EI Natour 2010). Thus, the bulk of the new registrations were assumed to have taken place in 2010 and 2011.

The Palestinian refugees registered with the NSSF and their employers have been paying the required total contribution rates of the Sickness and Maternity Allowance Fund and the Family and Education Allowance Fund (table 11).

According to the results of the 2011 labour force survey among Palestinian refugees in Lebanon (ILO and CEP 2012), the average income of Palestinian refugees in Lebanon is around 537,000 LBP. This figure was adjusted to account for inflation rates when estimating income for previous years (in line with the

previously mentioned economic assumptions). This average may be skewed upwards as workers in the formal sector tend to get higher pay.

Based on this average income and the above yearly estimates of the number of Palestinian refugees registered with the NSSF, the NSSF contribution rates were applied and compounded by the return on investment rates given in table 3.1 in order to calculate the total projected value of the contributions paid by Palestinian refugees currently registered at the NSSF and their employers (table 12).

The average monthly income of Palestinian refugees is around 537,000 LBP

FIGURE 3: EVOLUTION OF THE SICKNESS AND MATERNITY ALLOWANCE FUND AND FAMILY AND EDUCATION ALLOWANCE FUND

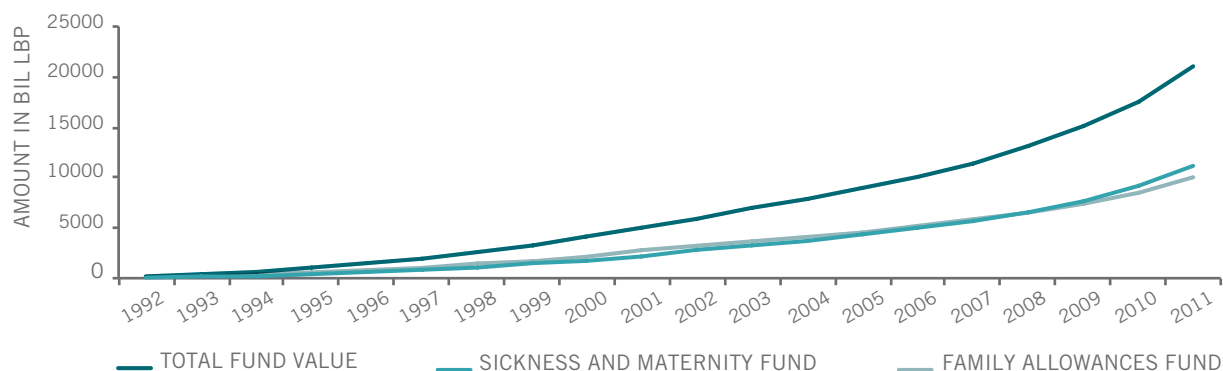


TABLE 12: CONTRIBUTIONS OF PALESTINIAN REFUGEES TO THE NSSF SICKNESS AND MATERNITY ALLOWANCE FUND AND FAMILY AND EDUCATION ALLOWANCE FUND IN SELECTED YEARS

	1995	2000	2005	2010	2011
Number of Palestinians registered with NSSF	272	484	829	1,560	2,372
Contributions paid (million LBP)	233	482	532	1,464	2,293
Sickness	104	214	319	878	1,376
Family allowances	130	268	213	586	917
Cumulative contributions (million LBP)	840	3,675	8,469	16,619	19,909
Sickness	374	1,633	4,070	8,619	10,512
Family allowances	467	2,042	4,399	8,001	9,398
Interest on contributions (million LBP)	126	367	508	997	1,195
Sickness	56	163	244	517	631
Family allowances	70	204	264	480	564
Total fund value (million LBP)	966	4,042	8,977	17,617	21,104
Sickness	430	1,797	4,315	9,136	11,142
Family allowances	537	2,246	4,662	8,481	9,962

By 2011, the NSSF registered Palestinian subscribers had accumulated 21 billion LBP, the equivalent of US\$ 14 million. The Sickness and Maternity Allowance Fund accounted for 11 billion LBP and the Family and Education Allowance Fund accounted for almost 10 billion LBP. The unused contributions over the years, compounded by the accumulated returns on the invested assets, ensured their continuous growth (figure 3).

It is important to note that the US\$ 14 million accumulated contributions made by Palestinian refugees and their employers can be considered a conservative estimate, as it is based on an average salary representative of all Palestinian refugee workers in the camps, whereas workers in the formal sector usually receive higher pay than the average. Data on the salaries of formal workers are, however, not available. Moreover, this estimate does not include contributions made before 1992.

COST OF PROVIDING NSSF HEALTH CARE COVERAGE TO PALESTINIAN REFUGEES

According to estimates, the cost of providing the Palestinian refugees currently registered with the NSSF and their dependents with health coverage is around US\$ 5.5 million per year over the next three years, rising to no more than US\$ 21.4 million in 2021.

The cost of health coverage of NSSF-registered Palestinians is estimated at around US\$ 5.5 million annually

The cost of providing health insurance to Palestinian refugees was estimated using the following:

- The average health coverage cost per Palestinian NSSF subscriber was calculated using NSSF data and Lebanese health insurance data.
- The number of NSSF-registered Palestinians and their dependents (total beneficiaries)⁷ by age bracket was provided by NSSF for the registered members, while the number of dependents for Palestinians was calculated based on the age breakdown of the Lebanese dependents covered by the NSSF.

Average health coverage cost per NSSF member

NSSF data on the Palestinian refugees' cost and utilization of medical services by age bracket are not available. According to NSSF estimates, the average health expenditure per beneficiary for the year 2011 was US\$ 630 without co-payment⁸ and US\$ 567 when there is a co-payer (table 13).

Health claims data from the private insurance market and the distribution of the Palestinian population were used to estimate age adjustment factors in order to take into account the impact of age on average health costs (table 14). The age adjustment factors show that, as expected, health costs rise with age. Consequently, the average cost per beneficiary by age bracket was derived, by applying the age adjustment factors to the average cost (table 15).

7 The term "beneficiaries" refers to the registered members plus their dependents that could benefit from the NSSF coverage.

8 Co-payment takes place when the NSSF does not cover the full cost of the medical service and either subscribers or another medical scheme covers the balance.

TABLE 13: AVERAGE COST PER BENEFICIARY FOR INPATIENT AND OUTPATIENT SERVICES (2011)

Average cost (US\$)	Inpatient	Outpatient	Total
Without co-payment	318	312	630
With co-payment	286	281	567

Source: NSSF.

TABLE 14: AGE ADJUSTMENT FACTORS

Age (years)	Adjustment factor
< 15	0.38
15–20	0.38
21–30	0.47
31–40	0.57
41–50	0.68
51–60	1.40
> 60	4.47

Source: Author's calculation based on data from insurance market.

TABLE 15: COST OF NSSF HEALTH CARE COVERAGE FOR PALESTINIAN REFUGEES BY AGE (2011)

Age (years)	Inpatient (US\$)	Outpatient (US\$)	Total (US\$)
< 15	109	107	216
15–20	109	107	216
21–30	135	132	267
31–40	163	160	323
41–50	195	191	386
51–60	401	393	794
> 60	1,281	1,255	2,535

TABLE 16: DISTRIBUTION OF PALESTINIAN REFUGEES REGISTERED AT THE NSSF BY AGE (2011)

Age (years)	Number of registered Palestinians
< 20	10
20–30	861
31–40	680
41–50	459
51–60	188
> 60	172
Total	2,370

Note: Two persons were missing from the data provided by NSSF, hence the total of 2,370 rather than 2,372.

Number of covered Palestinian refugees and their dependents (total beneficiaries)

NSSF 2011 data were used to calculate the distribution of the registered Palestinian subscribers by age bracket (table 16). The majority of subscribers are between 20 and 50 years old.

As the NSSF did not provide an age distribution for Palestinian subscribers' dependents, the estimates were made based on the Lebanese dependents' distribution. In fact, the distribution of the Palestinian population by age bracket shows that it is very comparable to that of the Lebanese population (Chaaban et al. 2010), and the age distribution of the Lebanese NSSF beneficiaries is very close to the distribution of the whole Lebanese population (tables 17 and 18). The ratio of each category of the Lebanese dependents (spouses, children, parents) as a percentage of Lebanese subscribers was applied to the actual number of Palestinian dependents that were registered with the NSSF in 2011 (3,145). Lebanese spouses account for 37% of Lebanese subscribers, children constitute 81%, and parents account for 15%. Likewise, the age breakdown of each of these categories was used to obtain the Palestinian dependents' age distribution (tables 19 and 20).

Projection of number of Palestinian beneficiaries for next 10 years

The net growth rate of the number of Palestinian refugees registered with the NSSF since 1965 does not follow normal trends and is not in line with the demographic growth of the entire Palestinian refugee population in Lebanon. Instead, it is more sensitive to political developments taking place in Lebanon and is more a function of the legal amendments that concern the Palestinian refugees in the country.

The increase in Palestinian NSSF beneficiaries over 10 years does not follow demographic growth rates, but is more a reflection of the legal amendments concerning Palestinian refugees

Therefore, a projection of the entire population was deemed irrelevant and the registered population was, consequently, projected using a set of growth rates derived from the historical data available on the Palestinians currently subscribed with the NSSF. Table 21 shows the annual growth rate applied over the next 10 years to the current population of NSSF-registered workers.

Projection of total cost of health coverage for currently registered Palestinian refugees and their dependents

The cost per beneficiary, distributed by age bracket, was then applied to the total number of beneficiaries, including subscribers and dependents, and projected using an inflation rate on the cost of health services provided. Table 22 shows the projected cost of the health care scheme for the Palestinian refugees over the next 10 years.

the cost of covering the currently registered Palestinian refugees and their dependents in 2012 is no more than 2% of the total cost of Lebanese coverage

TABLE 17: AGE DISTRIBUTION OF PALESTINIAN REFUGEE POPULATION (2010)

Age (years)	Distribution (Percentage)
< 15	26
15-20	12
21-30	17
31-40	12
41-50	13
51-60	8
> 60	12
Total	100

Source: Chaaban et al. 2010.

TABLE 18: DISTRIBUTION OF LEBANESE NSSF BENEFICIARIES BY AGE (2010)

Age (years)	Total Lebanese beneficiaries	Distribution (Percentage)
< 20	433,500	35
20-30	207,179	17
31-40	181,685	15
41-50	181,176	15
51-60	103,497	8
> 60	136,556	11
Total	1,243,593	100

Source: NSSF.

TABLE 19: DISTRIBUTION OF LEBANESE NSSF DEPENDENTS BY AGE (2011)

	Spouses (Percentage)	Children (Percentage)	Parents (Percentage)
Dependents as ratio of subscribers	37	81	15
> 20	1	95	0
20–30	20	4	0
31–40	30	0	0
41–50	30	0	0
51–60	13	0	0
60 >	5	0	100
Total	100	100	100

TABLE 20: DISTRIBUTION OF CURRENTLY NSSF-REGISTERED PALESTINIAN REFUGEES (SUBSCRIBERS AND DEPENDENTS) BY AGE (2011)

Age (years)	NSSF subscribers	Dependents	Total beneficiaries
< 20	10	1,844	1,854
20–30	861	264	1,125
31–40	680	263	943
41–50	459	258	717
51–60	188	115	303
> 60	172	401	573
Total	2,370	3,145	5,515

TABLE 21: GROWTH OF NSSF-REGISTERED PALESTINIAN POPULATION

	1990 & 1994	1995 & 1999	2000 & 2004	2005 & 2012	2013 & 2022
Yearly growth rate (Percentage)	12	12	12	16	16

TABLE 22: PROJECTION OF COST OF PROVIDING HEALTH COVERAGE TO PALESTINIAN REFUGEES (SUBSCRIBERS AND DEPENDENTS) AS PART OF NSSF SCHEME

Age	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
< 20	0.40	0.49	0.59	0.72	0.88	1.07	1.30	1.59	1.94	2.36	2.87
20–30	0.30	0.37	0.44	0.54	0.66	0.80	0.98	1.19	1.45	1.77	2.15
31–40	0.30	0.37	0.45	0.55	0.67	0.82	1.00	1.21	1.48	1.80	2.19
41–50	0.28	0.34	0.41	0.50	0.61	0.74	0.90	1.10	1.34	1.63	1.99
51–60	0.24	0.29	0.36	0.43	0.53	0.65	0.79	0.96	1.17	1.42	1.73
> 60	1.45	1.77	2.15	2.62	3.19	3.89	4.74	5.77	7.03	8.56	10.43
Total cost (US\$ million)	2.97	3.62	4.41	5.37	6.54	7.97	9.71	11.82	14.40	17.54	21.36

TABLE 23: PROJECTION OF COST OF PROVIDING HEALTH COVERAGE TO PALESTINIAN REFUGEES WORKING IN THE FORMAL ECONOMY (2011–2021)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total cost (US\$ million)	17.69	21.54	26.24	31.96	38.93	47.41	57.75	70.34	85.67	104.35	127.10

Note: Figures include those already registered with the NSSF, both subscribers and dependents.

As a result of this extensive exercise and based on a number of assumptions and proxy measures, the cost of providing health care coverage to Palestinian refugees and their dependents is estimated to be around US\$ 3–6 million over the coming five years, increasing gradually over the next 10 years to reach at maximum an annual cost of US\$ 21 million in 2021.

A rough calculation shows that the cost of covering the currently registered Palestinian refugees and their dependents in 2012 is no more than 2% of the total cost of Lebanese coverage, which is a relatively negligible amount in comparison to the cost of covering the Lebanese population and the contributions Palestinian refugees are making in return.

COST OF EXTENDING NSSF HEALTH CARE COVERAGE TO PALESTINIANS WORKING IN THE FORMAL ECONOMY

Granting the right to social protection and providing health care coverage to the Palestinian refugees currently registered with NSSF refugees is expected to drive more Palestinian workers to formalize their employment and opt for registering with the NSSF. Most Palestinian refugees working in Lebanon find, at present, registering with the NSSF of limited value, as they pay financial contributions but do not get health care coverage in return. However, if this condition changes, more Palestinian refugees working in the formal economy would be inclined to register with the NSSF. However, to become eligible to register with and benefit from the NSSF, a worker has to be issued with a valid work permit (with a prerequisite of a written contract), and his or her employer should have their enterprise registered with the NSSF.

Under such circumstances the number of those eligible to benefit from NSSF becomes very limited, as they need to fulfil several conditions (written contract, work permit and NSSF-registered

enterprise). The 2011 ILO labour force survey estimates Palestinian refugees having a written work contract at 14,100 (ILO and CEP 2012). The scenario of a possible extension of the NSSF health care coverage to include this population – which is the highest estimate of potentially qualified workers to benefit from the NSSF – would increase the estimated cost by six times. This scenario projects a coverage cost of around US\$ 18 million for the first year, increasing gradually to reach US\$ 127 million in 10 years (table 23).

If all potentially qualified Palestinians registered with NSSF, health coverage cost would increase six folds

This estimation assumes that the population working in the formal economy has similar characteristics to the population registered with the NSSF. It also assumes that the increase in the number of workers in the formal economy follows the same pattern as the growth assumed for workers registered with the NSSF. This is why the ten-year cost projection of health care coverage for this larger segment of the population was based on the same methodology previously used to estimate the cost of providing health care coverage to those currently subscribed.

However, it is important to note that these figures are rather on the high side. This is because a large number of employers evade registering with the NSSF, even though they have written work contracts with their employees. In fact the 2011 ILO labour force survey found that only 16% of workers with written contracts worked for employers registered with the NSSF (ILO and CEP 2012). On the other hand, increasing the number of those registered with NSSF would have the positive effect of increasing the pool of contributions to the NSSF.

OUT-OF-POCKET HEALTH EXPENDITURE OF PALESTINIAN REFUGEES

Health problems are relatively prevalent among Palestinian refugee households in Lebanon. In the absence of comprehensive health care coverage schemes, this leads to considerable out-of-pocket expenditure. According to Chaaban et al. (2010), prevalence of chronic illness, functional disability and acute illness is relatively common among Palestinian households, especially in comparison to the Lebanese population (table 24).

Health expenditure for such problems is generally paid out of pocket, in addition to the support coming from UNRWA and other NGOs. On average, Palestinian households paid, in 2010, US\$ 614 over a six-month period for hospital visits, US\$ 164 for doctors' consultations for acute illness, US\$ 137 for chronic illnesses, and US\$ 262 for households consultations due to functional disability cases (Chaaban et al. 2010). Based on these data, an estimate of the average cost paid by Palestinian refugees each year was calculated using a frequency-severity approach. On average, a Palestinian refugee spends US\$ 133 annually on such health issues, and, when excluding the assistance from UNRWA and other organisations, out-of-pocket expenditure reaches around US\$ 214 per refugee (tables 25 and 26).

However, it is important to note that these figures are for very specific health cases and do not include all health problems and many outpatient services and hospitalisation cases. Thus, total out-of-pocket health expenditure is expected to be higher, given that the above-mentioned cases are not the only health problems encountered.



12% of Palestinian household expenditure is spent on health, versus 6–8% for Lebanese

To assess the actual burden of out-of-pocket health spending on a family, it is essential to compare the share of total household expenditure allocated to health expenditure. The average share of health expenditure for Palestinian refugees from total household expenditure was around 12%, according to Chaaban et al. 2010. In contrast, the average share for the Lebanese households did not exceed the 6–8% range, according to the latest available data, despite the fact that the Lebanese population is generally wealthier than the Palestinian refugees and, usually, the share of spending on health increases with wealth (CAS 2004). It is clear that the absence of health insurance coverage across almost all Palestinian refugees weighs on families' budgets, despite UNRWA provision of basic primary health services.

TABLE 24: PREVALENCE OF HEALTH PROBLEMS AMONG PALESTINIAN AND LEBANESE HOUSEHOLDS

Health problem prevalence	Share of Palestinian households (2011) (Percentage)	Share of Lebanese households (2004) (Percentage)
Chronic illness	31	17
Functional disability	4	2
Acute illness (incidence over six months)	25	–

Source: Chaaban et al. 2010; CAS 2004.

TABLE 25: OUT-OF-POCKET EXPENDITURE OF PALESTINIAN REFUGEES

Health services used in previous 6 months	Cost (US\$)	Utilization rate (Percentage)	Average cost per year (US\$)
Inpatient services	614	35.5	215
Outpatient services for disability	262	4.3	11
Outpatient services for non-chronic illness	164	38.4	63
Outpatient services for chronic illness	137	30.6	42
Total expenditure (previous 6 months)			334
Total expenditure (in last year)			668
Average household size			5
Health expenditure per refugee			133

Source: Chaaban et al. 2010.

TABLE 26: OUT-OF-POCKET EXPENDITURE OF PALESTINIAN REFUGEES, INCLUDING UNRWA AND OTHER NGOS FINANCIAL ASSISTANCE (2010)

Health services used in previous 6 months	Average expenditure (US\$)
Inpatient services	386
Outpatient services for disability	16
Outpatient services for non-chronic illness	75
Outpatient services for chronic illness	58
Total expenditure (previous 6 months)	534
Total expenditure (in last year)	1,069
Average household size	5
Health expenditure per refugee	214

Source: Chaaban et al. 2010.



CONCLUSION



CONCLUSION

To sum up, the Palestinian refugees in Lebanon currently registered with the NSSF total no more than 2,372 (5,515 with their dependents). Such a small number should not weigh on the NSSF. This population has been actually contributing to the NSSF for years, without receiving benefits. The US\$ 14 million accumulated and unused funds should easily allow a head start in health care coverage over the short term. Continued contributions would normally finance the longer-term coverage. Likewise, as the number of Palestinian refugees registered with the NSSF could increase to include more of the employed, contributions should – as in any health coverage scheme – fund the provided services. The cost of such provision would reach at most an annual US\$ 104 million over a ten-year horizon.

Over and above the financial dimension of providing health care coverage, more importantly, health care coverage is the first component of social protection and is a basic human right that should be equally available to all people, in accordance with the Universal Declaration of Human Rights and in accordance with conventions and treaties that Lebanon has signed. Excluding people from this right can increase deprivation and impoverishment and ultimately fuel conflict and instability.

Health care coverage is a right; excluding people from this right can increase deprivation and impoverishment, ultimately fuelling conflict and instability



APPENDIX

DATA COLLECTED



APPENDIX

DATA COLLECTED

The data for this report were gathered through extensive research covering studies, surveys and reports on the demographic, socio-economic and health conditions of the Palestinian population in Lebanon.

The NSSF provided valuable unofficial data that was used for the assessment of the contributions made by the Palestinian refugees registered with the NSSF since the inception of the Sickness and Maternity Allowance Fund and the Family and Education Allowance Fund. The report, likewise, relied to a large extent on information available from the Lebanese insurance market. The main challenges faced in making the projections for this report relate to the following data.

Number of Palestinians currently residing in Lebanon

It was observed throughout all the studies conducted by UNRWA and other international organizations that the actual number of Palestinians residing in Lebanon is significantly lower than the number registered with UNRWA. However, figures differ from one source to another. Table A cites the figures offered by some of these sources.

Socio-demographic data on the Palestinian refugees in Lebanon

There is no regularly updated source of data on the distribution of the Palestinian population in Lebanon by age and sex. The most recent sources of data are the socio-economic and labour force surveys of Palestinian refugees in Lebanon (Chaaban et al. 2010; ILO and CEP 2012), which provide a broad distribution, based on a sample survey and not on a full count of the Palestinian population.

The 2011 labour force survey was implemented in all Palestinian camps and selected gatherings in Lebanon during the period September 2011 to March 2012. The main objective of the survey was to fill the information gap and update available data about the labour and employment conditions of Palestinian refugees in Lebanon (ILO and CEP 2012).

The socio-economic survey of 2010 was undertaken by UNRWA in partnership with the American University of Beirut, and surveyed the poverty, food security and health conditions of the Palestinian refugees in Lebanon. This survey focused on poverty, health and demographics (Chaaban et al. 2010).

TABLE A: PALESTINIAN POPULATIONS CURRENTLY RESIDING IN LEBANON

Source	Number of Palestinian residents in Lebanon
Chaaban et al. 2010	Between 260,000 and 280,000
Palestinian Human Rights Organization	330,000
Fafo 2003	225,000

Fieldwork for the study on living conditions among Palestinian refugees in camps and gatherings in Lebanon commenced in 1999, and the study was published in 2003. The survey covered Palestinians residing in camps and gatherings, and was likewise not designed to estimate population figures specifically (Fafo 2003).

Overall, except for the above-mentioned studies, there is an absence of consistent and recent studies concerning the socio-demographic and economic indicators on the Palestinian population in Lebanon. These indicators have a big impact on population projections, and the amounts of NSSF contributions that would be made. Information on wages and employment as well as on migration, which has not been studied, could play a significant role in measuring the size of the Palestinian population in Lebanon. Reliance on statistics from the Lebanese population was therefore necessary, assuming that a Palestinian working in the formal economy in Lebanon shared some similarities with a Lebanese working in the formal sector.

Health expenditure and NSSF health coverage data regarding Palestinian refugees in Lebanon

Historical data on the number of Palestinian refugees registered with the NSSF since the inception of the Family and Education Allowance Fund in 1965 was not easily accessible in the detail needed. This was mainly due to three reasons:

- Palestinian refugees did not receive any social security benefits and therefore detailed information, such as the number of Palestinians who have entered and exited the fund, salaries of registered Palestinians and number of dependents for each registered Palestinian are not systematically available.

- The NSSF did not have a well-established and properly functioning computerized system in previous years.
- There is still a prevailing attitude of caution concerning the dissemination of data and its privacy.

The information on health expenditure for the Palestinian population is therefore scarce and lacking in detail. This is mainly due to the absence of health insurance providers, who are the usual source of such data. Therefore, whatever information was available at present on health expenditure by the Lebanese population was used as necessary.



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