Palestine Economic Policy Research Institute

# Public Policies to Enhance Private-Sector Investment and Competitiveness in Tertiary Health Care in the Occupied Palestinian Territory

**Awad Mataria**
**Philip Khoury**

**2008**

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P.O. Box 19111, Jerusalem and P.O. Box 2426, Ramallah
Tel: ++972-2-2987053/4, Fax: ++972-2-2987055, e-mail: info@pal-econ.org
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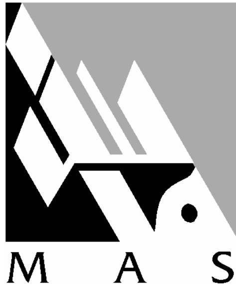


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This study was prepared by Palestine Economic Policy Research Institute (MAS) research team, particularly by the following researchers:

**Researchers:** Dr. Awad Mataria, Health Economist – Birzeit University, and Research Fellow at MAS.
Philip Khoury, Research Assistant at MAS.

**Reviewers:** Dr. Tawfiq Nasser, General Manager, Augusta Victoria Hospital, Jerusalem
Dr. Rana Khatib, Institute of Community and Public Health, Birzeit University.

**Editorial Assistant**: Jake Lomax (English)

**Layout:** Lina Abdallah

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Palestine Economic Policy Research Institute (MAS)
Jerusalem and Ramallah

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# Foreword

MAS presents this study as part of an interlinked research programme conducted in collaboration with the International Development Research Centre (IDRC), Canada, which aims to improve the competitiveness of the Palestinian private sector in different economic spheres. This particular study addresses private sector involvement in tertiary health care provision in Palestine.

The goal of the study is to analyze the process of enabling private sector investment in the area of tertiary health care provision, through assessing its importance, outlining the hindrances it faces, and assessing the policy interventions necessary to encourage it. The study also identifies some areas of opportunity where private involvement is perceived as particularly fruitful.

The study illustrates the importance of preparing the ground for a system of value-based competition, where competitors focus on the value of health care to the users rather than on the simple direct objectives of price minimization or patient volume. The study stresses the need for some immediate interventions including the formulation of a national strategic vision for the health sector that incorporates all concerned stakeholders, and the reconstruction of the Ministry of Health's financial system. Long-term policy recommendations entail introducing conditions conducive to value-based competition in a manner which enhances the investment climate in Palestine.

I would like to thank the research team for the great effort they put into preparing the study. I would also like to thank all individuals and organizations who participated in the interviews and so valuably contributed to the research with their expertise. Likewise, my thanks go to all of those who participated in the workshop held to discuss the study, whose notes and observations enhanced its recommendations. Finally, I would like to express my gratitude to our partners at the IDRC for their continued support for MAS's research activities, of which this study is the latest example.

**Dr. Mohammad Nasr**
**Director General**

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# Executive Summary

## 1. Introduction:

Health is a basic human right, and a main pillar of economic development. Health care could be provided either through public or private arrangements. Since its establishment, the Palestinian Authority strived to support an open market economy, with active involvement from the private sector in all economic spheres. It is believed that the private sector has potential to take up a leading role in health care provision in the occupied Palestinian territory (oPt), should effective competition structure be ascertained in a manner to enhance private sector's competitiveness. There are many negative views against some forms of competition; and policymakers aspire to identify the most efficient form of competition particular to a certain market.

Competitiveness can be defined as the ability of a firm to compete and provide high quality goods and services at low prices. It is the extent of competitive advantage that determines whether competitiveness would be promoted or not, should appropriate competition structure prevail. The nature of competition that is seen plausible for the oPt is what is known as "*value-based competition*". Under the particular conditions of value-based competition, health care providers benefit from incentives to compete on the goal to deliver value to patients, rather than on: cost reduction, quality improvement, and/or patients' volume.

The aim of the present study is to inform the process of enabling private sector development in the area of tertiary health care provision in the oPt. Following an in-depth contextual analysis of the importance of private sector involvement in health care provision, the study analyzes the potential for implementing a system of value-based competition in tertiary health care provision in the oPt.

## 2. Research Methodology:

In the health sector, a competition is considered value-based if it simultaneously focuses on: overall outcome of the health care treatment, and total cost of the treatment. This study employs the "Diamond Model" proposed by Porter (1998), to assess the competitive status of the Palestinian health care system. The "Diamond Model" incorporates four determinants that integrate to promote national advantage. These are:

demand conditions, factor conditions, related and supporting industries, and firm strategy, which are influenced by the government and external circumstances (chance).

A contextual analysis of the challenges and opportunities facing the Palestinian health care system was conducted to assess the importance of private involvement in tertiary health care provision. This was followed with a series of unstructured interviews conducted with a group of stakeholders involved in health care provision, to assess the opportunities and challenges facing the health sector and perspective for future development.

### 3. The Value-Added of Having a Competitive Private Health Care Sector.

In its current structure and functioning, the Palestinian health care system does not guarantee full access to all patients. Tertiary health care provision continues to be sub-optimal, with many gaps in needed services, and high demand on health care remains geared towards outside the country. Such phenomenon. At the meantime, the MOH cannot solely add new health care specialties of tertiary level. In addition, the disconnection of Palestinian land and the direct and indirect impact continuous outsourcing of health services aboard induce high burdens. Two alternatives to enhancing tertiary health care provision in the oPt are possible: the NGO sector and/or the private sector. The NGO sector sometimes operates with conflicting agendas and at many instances is directed towards immediate relief efforts. The private sector, on the other hand, has considerable advantages over the NGOs and the MOH in providing health care services at the tertiary level.

Factors Hindering Private Sector from Investing in Tertiary Health care.
The main obstacles facing the private sector is the unstable political situation; and the lack of an effective incentive structure. In addition, all four determinants, and the two influencing factors, as par the diamond model, suffer from disadvantages. The factors that hinder investments can be categorized into: financial hindrances, and health care supporting factors.

Financial hindrances incorporates: high running and capital costs, fragmented health care financing system, uncertainty and risky investments, weak purchasing power of Palestinians, and movement restrictions. The health care supporting factors incorporates: political and

macroeconomic instability, unsupportive and variant MOH policies and strategies, limited and constrained demand, Palestinian stock of technical and scientific knowledge, weak private hospital administration and management, no effective private body in the MOH to represent the private sector, and the absence of cluster industries.

**4. Enhancing competition and hence competitiveness.**

Employing the right and most efficient nature of competition is instrumental for enhancing competitiveness. This study attempts to emphasize on and recommend the nature of competition that might be the most fruitful within the oPt. If and when value-based competition is employed within the oPt, it would increase the overall efficiency and sustainability of the health care system, ultimately lowering the costs of treatment and increasing the quality of care. In order to enhance this type of competition, the policies should be deeply rooted in the principles of a value-based competition. Consequently, value should be the central focus for competition; competition should be based on results; competition should center on medical conditions over the full cycle of care; high quality care should be less costly; value must be driven by provider experience, scale, and learning at the medical condition level; competition should be regional and national; results information to support value-based competition must be widely available; and innovations that increase value must be strongly rewarded.

**6. Recommendations and Policy Implications:**

*Immediate strategies:*

- Launch a comprehensive health care needs assessment study within a demographic context.
- Formulate a national strategic vision.
- Reconstruct the MOH's financial structure.
- Reconstruct the health insurance schemes and structure to guarantee universal health care coverage.

*Medium- to long-term strategies and recommendations:*

- Enable and support a value-based competition.
- Support and enhance the investment climate.
- Develop clear quality guidelines for all health care services.
- Acquire expert economic advice in regard to the economic implications of public health care policies as part of the formulation process.

- More efficient, clear, and transparent financial recording of the treatment abroad bills.
- Potential area where investments would be seen fruitful shall include: Oncology, Ophthalmology, Neurosurgery, Cardiac surgery, and Emergency care. These are the main specialties that are partially or completely absent from the Palestinian health care system.

Finally, introducing tertiary health care specialties is a continuous process, and must be integrated as an important objective in all health care strategies and plans of the MOH and the Ministry of Education and Higher Education. Reaching this end would necessarily mitigate the negative economic, and most importantly the social burdens of treatment abroad, and enhancing the health status of the Palestinian population.

# 1. Introduction

Health and education are the two main pillars of the economic development of any nation. Moreover, various studies have proven a two-directional relationship between health and development. Better health is associated with an increase in individual and national income, and economic development is associated with improvements in the health status of the population[1]. Indeed, healthier populations have a more productive workforce that leads to higher per-capita income, which enables better lifestyles and access to higher quality health care and hence improved health outcomes. In addition, health is seen as a basic human right, making it the social responsibility of any government to promote the health status of its population. This signals the importance of health care as one of the main determinants of the status of any nation. Health care can be provided either through a highly regulated and planned public structure, or within market conditions of supply and demand through private arrangements.

Since its inception in 1994, the Palestinian Authority strived to support an open market economy, with the active involvement of the private sector in all economic spheres. This was mainly because of extensive local, regional, and international competition prevalent in the local economy, as result of the openness character of the Palestinian market vis-à-vis nearby countries; e.g., Jordan, Egypt and mostly Israel. A 2007 World Bank report suggests that the private sector, in the local Palestinian context, has potential to take up a leading role in health care provision, and be competitive enough to sustain and flourish – should the right conditions of an effective competition structure be established[2]. Thus the competitiveness of the private sector is seen to be critical, and appropriate public policies need to be formulated to assist in its development and future sustainability.

Competitiveness should be distinguished from competition: the latter characterizes the environment that defines the level of the former. Competitiveness can be defined as the ability of a firm to compete in national and international markets, and provide high quality goods and services at low prices. This can be achieved by creating, and enhancing, a

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1 Jack, "Principles of Health Economics for Developing Countries", World Bank Institute, 1999.

2 World Bank, "West Bank and Gaza Investment Climate Assessment, Unlocking the Potential of the Private Sector", March 2007.

competitive advantage as related to certain market or industry. Competition is defined as the effort of two of more parties acting status independently to secure the business of a third party (for example, the patient in the case of health care market) by offering the most favorable terms[3]. Different forms of competition might prevail within different markets of the economy. It is the extent of competitive advantage that determines whether competitiveness would be enhanced or not, should an appropriate competition structure prevail.

Private firms compete within the different sectors of the economy by employing various strategies to achieve their goals. Firms' ability to restructure and adjust their strategies and goals is vital for their survival. As private firms adjust their strategies to meet new market conditions, the form of competition within the market can be altered, affecting that market's effectiveness and efficiency; hence, the importance of the market structure as related to the prevalent type of competition in influencing the response of the firms.

There are many negative aspects of some forms of competition. These could include responsibility for higher prices, quality reductions, market failures, and increasing market share for the strongest competitors. These occur as result of the prevalence of the wrong form of competition within a certain market, which may result in unhealthy and destructive competition with any or all of the abovementioned symptoms. Therefore, should private arrangements be intended as the model for health care provision, it is extremely important to create and support the right nature of competition within the health care sector. This is because any failure in the health care system necessarily implies worse delivery of health care, which directly and negatively affects the health conditions of the population, and hence its development.

Policymakers aspire to identify the most efficient form of competition structure particular to certain markets or industries within an economy, so as to facilitate high levels of competitiveness. There are four determinants of competitive advantage within a nation: (a) demand conditions; (b) factor conditions; (c) the status of related industries; and (d) the strategy of the firm[4]. Moreover, governments and external circumstances are two key factors that may influence these determinants[5]. This study attempts to

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3 Merriam-Webster dictionary, weblink: http://www.merriam-webster.com/dictionary/competition.
4 Porter, "*The Competitive Advantage of Nations*", The MacMillan Press, 1990.
5 Porter, "*The Competitive Advantage of Nations*", The MacMillan Press, 1990.

specify the right conditions for a competition structure that ought to enhance private sector competitiveness in health care provision, by promoting its competitive advantage.

Health care is commonly provided through a three-level pyramidal structure, with primary health care at the bottom, and secondary and tertiary health care at the middle and top levels. Primary health care refers to the initial and non-emergency contact between patients and the health care system or medical experts, with the aim to improve health status. This contact is usually in clinics or polyclinics, and is supposed to be affordable to all. Secondary health care services include specialized ambulatory care or hospital medical services, both inpatient and outpatient, to which patients are usually referred to via primary health care providers. Tertiary health care services refer to medical or related services that are of high complexity, and that often entail high costs. These types of medical services are provided by highly qualified medical specialists within a hospital or a hospital-like setting and include highly specialized medical equipment[6]. The focus of this study is to help formulate policies that would enhance competitiveness and private sector investments in tertiary health care in the occupied Palestinian territory (oPt).

Porter and Teisberg's theory of "*value-based competition*"[7] may be useful in helping to fulfill the objectives of the tertiary health care system in the oPT by creating the most advantageous competition structure. This paper proposes that value-based competition is the best track to follow should a policy of private sector involvement be sought in the Palestinian tertiary health sector. In this form of competition, the focus is shifted to the value of health care to the patients, rather than to any other classical criterion of competition, such as price. If well implemented, value-based competition would ensure that patients receive better value health care, while successful providers are rewarded with more business. Found in several economic sectors, including retail, airlines, and financial services, a value-based competition structure demonstrates improved quality and higher output per cost[8]. Heath care provision in the United States does not demonstrate value-based competition, although that country remains the foremost example of health care services provided mainly through private

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6 European Observatory on Health Systems and Policies, WHO European Glossary, weblink: http://www.euro.who.int/observatory/Glossary/TopPage?phrase=T.

7 Micheal E. Porter, Elizabeth Olmsted teisberg, "Redefining Health Care, Creating Value-Based Competition on Results", Harvard Business School Press, 2006.

8 Micheal E. Porter, Elizabeth Olmsted teisberg, "Redefining Health Care, Creating Value-Based Competition on Results", Harvard Business School Press, 2006.

arrangements. The prevalent competition structure in US health care overlooks the central role of value of health care to patients. It rather focuses on minimizing and shifting costs, and attracting the maximum number of patients, resulting in ineffective health care provision and extremely high health expenditures[9].

Value-based competition, if properly implemented and regulated, would result in enhancing efficiency in health care provision, in addition to reducing quality-adjusted prices of services. This would culminate in a situation whereby product quality is improved and customer needs are met. Under the particular conditions of value-based competition, health care providers benefit from incentives to compete on delivery of value to patients, rather than competing just on cost reduction, quality improvement, and/or volume of patients. In their book, "*Redefining Health Care: Creating Value-Based Competition on Results*", Porter and Teisberg (2006:4) define health care-related value as "*health outcomes per dollar of cost expended*".

Since the inception of the Ministry of Health (MOH) in 1994, no comprehensive policies have been set at the national level to support private investments in tertiary health care. While some incentives have aimed to attract private investments in this sector, these were not well developed or efficiently regulated, and so resulted in weak incentives to investment. The reasons for failing to plan for and support the private tertiary health care sector at the national level are unclear. It may be that the MOH had inadequate knowledge concerning the added value of involving the private sector in the provision of tertiary health care, or alternatively it may stem from a lack of effective involvement of private hospitals and investors in public policy and decision-making. However, the private sector, with modest assistance and guidance from the MOH, was still able to involve itself within the Palestinian health care system, through careful observation of demand for health care services at the local and national levels and expansion to meet this demand. According to private local investors, there were cases where private hospitals introduced new specialties, which, because they were not met with enthusiasm by the MOH, negatively affected their financial capacity and eventually led to their closure.

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[9] Micheal E. Porter, Elizabeth Olmsted teisberg, "Redefining Health Care, Creating Value-Based Competition on Results", Harvard Business School Press, 2006.

The aim of this study is to inform the process of enabling private sector development in the area of tertiary health care provision in the oPt. It seeks to advise on the process of formulating public policies necessary to encourage private investments in tertiary health care, by means of enhancing competitiveness in the local private sector. The study attempts first to justify the importance of private sector involvement in tertiary health care provision, and to identify the most appropriate competition structure: one that is capable of producing positive social values while maximizing the profits of the investors.

The following two sections present some background information about the Palestinian health care system and private sector involvement in health care provision. Section four outlines the study methodology. Following presentation and explanation of the nature and theoretical foundation of the particular competitive structure, namely, value-based competition, and its appropriateness to the health care market in general and the Palestinian tertiary health care system in particular, it describes the empirical approach adopted to help elaborate context-specific public policies capable of enhancing private sector involvement in tertiary health care provision. Section five presents a thorough discussion of the importance of a competitive private sector providing tertiary health care. It illustrates the importance of enhancing private sector involvement based on a detailed contextual assessment. Sections six and seven present the main challenges and obstacles faced by the private sector that hinder its optimal involvement in the health sector, in general, and in tertiary health care provision in particular. Section eight illustrates how enhancing competitiveness could be approached by a policy of enhancing competition. Section nine presents some comparisons with other country experiences, focusing on prevalent investment climates and incentives structures. Finally, section ten concludes with recommendations for future interventions.

## 2. The Palestinian Health Care System

The Palestinian health care system is a mixed system of public, private for-profit and not-for profit, and United Nations health care providers – operating with a developing Governmental Health Insurance (GHI) scheme[10]. In the oPt, as is the case elsewhere, the structure and organization of the health care system have been largely shaped by a complex political history[11]. In the local context, the private sector has always played an important role in sustaining an acceptable level of health care provision through difficult and sometimes violent periods in the history of the oPt. Following the Israeli occupation of the West Bank (including East Jerusalem) and Gaza Strip in 1967, the Israeli administration took over the Palestinian health care sector. At the time, investments in the health sector were limited, with severe budget restrictions that enabled only the provision of minimal essential care (focusing on immunization services and front-line diagnoses and treatment). Complicated cases (including almost all interventions of tertiary care nature) were referred to Israeli hospitals, and paid for from the modest budget reserved by the Israeli administration to health care services of the Palestinian population[12].

It is under these circumstances that the nucleus for a tertiary health private sector emerged in the oPt, to constitute an alternative to the weak governmental sector, with private doctors establishing and managing clinics and micro-scale hospitals. During that period (from 1967 to 1993), the main obstacles facing the private health sector, beside the lack of private investment in all areas of the economy, were the dissuasive policies of the occupation. These were designed intentionally to hinder effective development in the Palestinian health care sector, in a manner to render it incapacitated and dependent on the Israeli health system. Due to factors related to the oppressive and discriminatory policies of the occupier, a private not-for-profit health sector emerged – the non-governmental sector. This attempted to provide alternative health care provision in defiance of the restrictive measures of the occupation, and worked to enable comprehensive and equitable access to primary health care.

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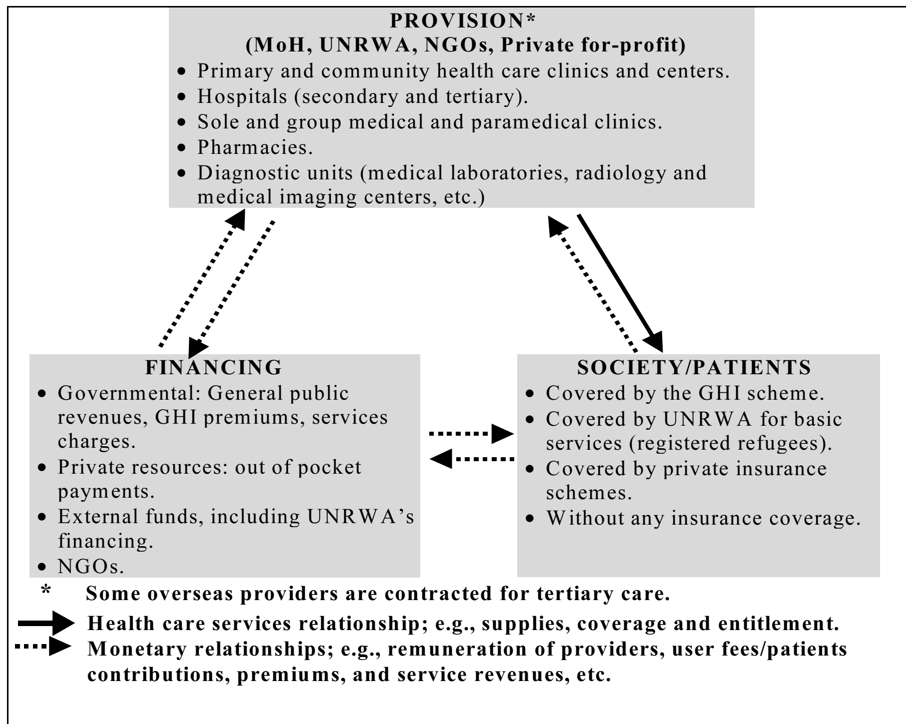
[10] Palestine Ministry of Health, "National Strategic Health Plan", 1999.

[11] Giacaman R, Abdul-Rahim HF, Wick L. Health sector reform in the Occupied Palestinian Territories (OPT): targeting the forest or the trees? *Health Policy and Planning* 2003;**18**(1)**:**59-67.

[12] Giacaman R. Health conditions and services in the West Bank and Gaza Strip.: United Nations Conference on Trade and Development. UNCTAD/ECDC/SEU/3, 1994.

**Figure 1: Framework of the Palestinian health system**[13]




A Palestinian Ministry of Health was established in 1994 under the auspices of the Palestinian Authority, following the Oslo Accords between Israel and the Palestinian Liberation Organization in 1993. During the early years of the Palestinian Authority, the Palestinian economy started to see some improvement in most macroeconomic indicators. Consequently, following this temporary recovery of the economy, more private investments started to be directed toward the health sector. It is at that time that private insurance schemes began to emerge, providing an alternative for the better-off classes of the population looking to counter the risks of disease and disability. Events since September 2000 stymied further development in the private sector, with many previous achievements also being compromised. Reinvigorating development in the private health care sector is becoming a real challenge given the prevailing political and economic circumstances of the oPt, and remains an imperative task as part of establishing a politically and economically sovereign Palestinian State.

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[13] Hamdan, M., Defever, M., & Abdeen, Z. (2003). Organizing health care within political turmoil: the Palestinian case. *International Journal of Health Planning and Management*, 18(1), 63-87.

The figure below describes the framework of the Palestinian health care sector, as related to three of the health care system functions.

Secondary care and tertiary care are provided through a limited number of general and specialized hospitals, mainly located in urban areas. In addition to the three levels of health care services, a number of general and specialized medical and paramedical practices, pharmacies, and diagnostic units (e.g. medical laboratories, radiology and imaging centers) are also distributed across the oPt.

# 3. The Role of the Private Sector in Health Care Provision

A wide range of private practices, including those of self-employed physicians and dentists, hospitals, diagnostic centers, and pharmacies, represent the private for-profit health sector in the oPt. The private sector expanded rapidly in the years following the establishment of the Palestinian Authority, with phenomena such as group practices and private health insurance schemes emerging[14]. The development was interrupted by restrictive Israeli measures of siege and closure, and limitations on access and movement of goods and individuals, which started following the explosion of the second Palestinian *Intifada* at the end of 2000.

As of 2006, the private sector operated 3,238 health facilities[15], including 23 hospitals with 466 beds – many of which are specialized maternity beds. As these numbers indicate, many of these institutions are quite small. The same PCBS survey estimated that 21.4% of health visits taking place in 2005 were handled by the private sector. A comprehensive system of adequate and reliable data about the private for-profit health sector is lacking, but a prominent aspect of the private for-profit services is their concentration in the urban areas of the West Bank[16]. Table 1 below summarizes the share of the different health care providers in terms of hospital provision.

**Table 1: Number of Hospitals and Hospital Beds by Provider in 2006[17]**

| Provider | No. Hospitals | No. Beds | % of total No. of beds |
|---|---|---|---|
| *Private* | 23 | 433 | 8.6% |
| *MOH* | 24 | 2864 | 57.1% |
| *NGO* | 28 | 1582 | 31.6% |
| *UNRWA* | 1 | 63 | 1.3% |
| *Palestinian Military Services* | 2 | 72 | 1.4% |

* Number of beds per 1000 people in the oPT was 1.3 in 2006.

14 Barghouthi, M., & Lennock, J. (1997). Health in Palestine: Potential and Challenges. Ramallah (Palestine): MAS Discussion Papers.

15 PCBS (2006). Health Care Providers and Beneficiaries Survey 2005. Ramallah (OPT): Palestinian Central Bureau of Statistics.

16 Hamdan, M., Defever, M., & Abdeen, Z. (2003). Organizing health care within political turmoil: the Palestinian case. *International Journal of Health Planning and Management*, 18(1), 63-87.

17 HPU. Health Planning Unit - Ministry of Health - Palestinian National Authority (2008) "National Strategic Health Plan: Medium Term Development Plan (2008-2010)" Draft dated 1 Jan 2008., 2008.

A national database with accurate estimates of health professionals and workforce in the oPT is still lacking[18]. Moreover, the prevalence of health personnel working simultaneously in public and private practices makes it difficult to determine the actual size of the health workforce. However the PCBS survey[19] of 2006 estimated health employment in the private sector to be 7,341 individuals, constituting 26.9% of total human resource in the oPT health sector.

Beside the GHI scheme, there exist seven private insurance companies that provide health insurance to the population in the oPt. However, health insurance is not a primary business area for any of them[20]. Members of the private insurance schemes are mostly private organizations, such as universities, private companies, banks, and NGOs, which contract private insurance plans to cover their employees. The premiums of private health insurance schemes are relatively high compared to GHI premiums.

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[18] Hamdan, M., & Defever, M. (2003b). Human resources for health in Palestine: a policy analysis. Part I: Current situation and recent developments. Health Policy, 64(2), 243-259.

[19] PCBS (2006). Health Care Providers and Beneficiaries Survey 2005. Ramallah (OPT): Palestinian Central Bureau of Statistics.

[20] Hamdan, M., Defever, M., & Abdeen, Z. (2003). Organizing health care within political turmoil: the Palestinian case. *International Journal of Health Planning and Management*, 18(1), 63-87.

# 4. Research Methodology

Following an in-depth contextual analysis of the importance of private sector involvement in health care provision, something which remains critical given widespread negative preconceptions against private sector involvement in health care, the study analyzes the potential for implementing a system of value-based competition in tertiary health care provision in the oPt.

## 4.1 Theoretical Framework

In the health sector, competition is considered value-based if it simultaneously focuses on two goals: overall outcome of the health care treatment, and total cost of the treatment. In order to capture the actual costs imposed by the treatment/management of a health condition, as well as its associated improvements, the *value* of health care should be assessed over the entire course of the health condition and its evolution over time following the treatment.

Value-based competition is said to be a positive sum game, rather than a zero sum game as is the case in traditional health industry competitive structures such as those found in the US. A positive sum simply means that both health care providers and patients benefit from the process of health care provision, where patients enjoy better value from the health services they receive and successful providers are rewarded with more business. Therefore, under this type of competitive structure firms compete to "*find unique ways to deliver superior value*" rather than to maximize any other more traditional outcome[21]. Firms that are not able to discover and create new ways to deliver better value to the customers (patients) would fail in the competition. Consequently, the competitive structure of value-based competition only enables the most productive and efficient firms to survive.

Porter and Teisberg (2006) identify eight principles that must co-exist in a competitive structure in order for it to enable value-based competition. These are listed below:

[21] Micheal E. Porter, Elizabeth Olmsted teisber, "Redefining Health Care, Creating Value-Based Competition on Results", Harvard Business School Press, 2006.

| | |
|---|---|
| *First*: | - Value should be the central focus for competition. |
| *Second*: | - Competition should be based on results. |
| *Third*: | - Competition should focus on medical conditions over the full cycle of care. |
| *Fourth*: | - High quality care should be less costly. |
| *Fifth*: | - Value must be driven by provider experience, scale, and learning at the medical level. |
| *Sixth*: | - Competition should be regional and national. |
| *Seventh*: | - Results information must be widely available. |
| *Eighth*: | - Innovations that increase value must be strongly rewarded. |

It may then be inferred that setting ground rules in line with these principles will enable competition that simultaneously enhances the competitiveness of the private sector and maximizes the benefits to patients.

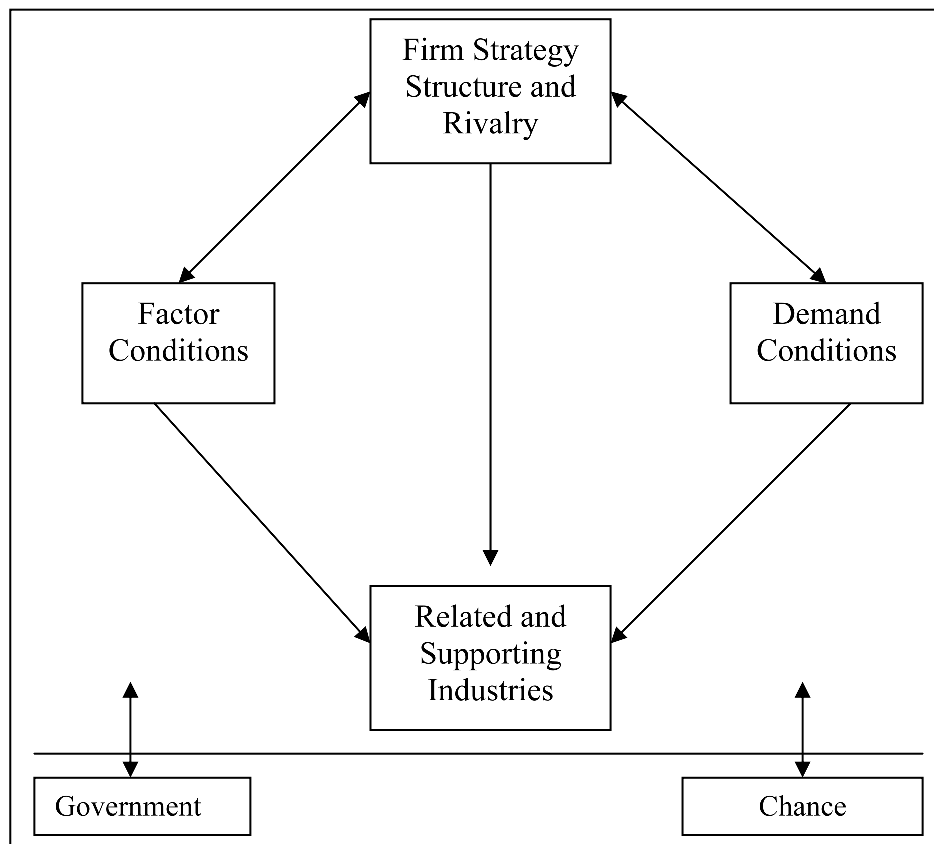
Enhancing the competitiveness of the private sector implies the creation, development and maintenance of factors necessary to promote the competitive advantage of a nation. This study employs the framework proposed by Porter[22] (1998) in his book '*The Competitive Advantage of Nations*', and applies its theory of competitiveness, as set by the "Diamond Model" (see below), to assess the competitive status of the Palestinian health care system. The aim is to inform the process of formulating policy recommendations that would enhance the competitiveness of the Palestinian health care sector, in a context of positive value-based competition.

The 'Diamond Model' incorporates four determinants that integrate to promote national advantage. These are:

| Determinant | Description |
|---|---|
| *Demand conditions:* | Home demand, in particular, has an important influence in the competitiveness of an industry or sector. |
| *Factor conditions:* | Entails the factors of production, and potential advantages that nations might inherently have. |
| *Related and supporting industries:* | Reflects on the related and internationally competitive industries within the nation, which supply and support the needs and resources of other national competitive industries, and hence enhance innovative efforts. |
| *Firm strategy – rivalry:* | Firms must possess a dynamic structure and potential in order to be flexible enough to respond to market trends and new innovations. |

22 Porter (1990). "*The Competitive Advantage of Nations*", The MacMillan Press.

**Figure 2: Diamond Model: Determinants of Competitive advantage**




In addition, there exist two main factors that influence the Model, which Porter (1998) called 'Chance' and 'Government'. *Chance* refers to the unpredictable changes to the business environment that may occur within a country, such as natural catastrophes and weather conditions, or political upheaval as is the case in the oPt. As for the role of the *Government*, it is considered essential for national competitiveness to exist, where the government's role lies in influencing all four determinants. Consequently, the instrumental role of governments is not seen as being limited to their regulatory function, but also to them being an extremely powerful and influential instrument in creating competitive advantage and enhancing competitiveness. Porter (1998) concludes that competitive advantage can

be created within a country, and thus should not be regarded as only an inherited advantage[23].

From this viewpoint, if the MOH is concerned with enhancing the participation of the private sector in tertiary health care (and below it is argued that this is an imperative condition for development), public policies ought to be drawn up with a vision to achieve and enhance health care sector competitiveness, through employing and supporting a value-based competition framework.

## 4.2 Empirical assessment

A contextual analysis of the challenges and opportunities facing the Palestinian health care system was conducted to assess the importance of private involvement in tertiary health care provision. This was followed by a series of unstructured interviews conducted with a group of stakeholders involved in health care provision. These included private hospital directors working in successful tertiary health care initiatives and others working with less successful tertiary initiatives; private providers involved in secondary health care provision; policy-makers involved in the planning for the health sector; senior administrators and officials from the MOH; academics with experience in health system financing and organizations; health professionals with wide experience in health care delivery in the oPt; policy experts from Jordan; and finally patients with experience of tertiary health care.

The interviews involved a set of questions about the Palestinian experience in private health care provision, the opportunities and challenges facing the health sector, and opinions about its future development. Stakeholders were questioned about past experiences, and their ideas for policy interventions that would help promote private involvement in tertiary health care provision. Interview questions were formulated to feed into the four determinants of Porter's Diamond Model, as well as the Chance and Government factors. The feasibility and applicability of value-based competition in the local Palestinian context was also addressed and assessment results were analyzed. All interviews were transcribed, and then analyzed to evaluate the main obstacles and challenges facing private sector involvement in tertiary health care and opportunities for future development.

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[23] Porter (1990). "*The Competitive Advantage of Nations*", The MacMillan Press.

# 5. The Importance of a Competitive Private Health Care Sector

## 5.1 Why Enhance Private Investments in Tertiary Health Care?

In its current state, the Palestinian health care system does not guarantee full access for all patients, especially to tertiary health care. Tertiary health care continues to be sub-optimal, with many gaps in the provision of requisite services. Much of the high demand for health care remains geared towards providers outside the oPt. This phenomenon induces high financial burdens on patients and their families, on the community, and in particular on the MOH, which covers the costs of many patients in need of tertiary health care through the GHI scheme. This has compromised the financial sustainability of the system by making it more heavily dependent on international donors.

Currently, the MOH is working at full capacity. It provides inadequate service quality, is donor-driven, does not cover sufficient areas of health care or employ enough health professionals, and it has a weak and inefficient administrative and financial structure. Because of the dependence on donors, the MOH has no ability at present to act independently to add new tertiary health care specialties to its basket of health care services. This situation raises an important question regarding the sustainability of any new services introduced: whether there will be funds to continue to cover the associated running costs. There are two possible sources of enhanced tertiary health care provision in the oPt: the NGO sector and/or the private sector.

The NGO sector sometimes operates with conflicting agendas and is frequently directed toward immediate relief efforts. It often operates with uncertain income resources, which consequently restricts the ability of hospitals' administrators to respond to increased demand for health care within the oPt. Because donor money is not always guaranteed, there may be uncertainties with regard to financing running costs. In addition, given the dependent financing structure and its uncertainty, the idea of introducing new specialties to their available tertiary health care services could be seen as problematic. On the one hand, the NGOs must raise or generate enough capital through donations, and on the other hand, they must formulate reliable long-term financial schemes in order to cover the running costs associated with their specialties. Therefore, the NGO sector should neither be the sole focus for endeavors to enhance tertiary health

care in oPt, nor be relied upon to fill all the gaps in the health care system. This is in no way an attempt to diminish the absolutely valuable and critical role which NGOs have played in the past decades in the oPT and which they continue to play today. However, good health care is a necessity for economic development and prosperity, thus the focus should be on building a sustainable and reliable health care system through integrating efforts from all stakeholders.

The private sector has considerable advantages over NGOs and the MOH in providing health care services at the tertiary level. To reiterate, tertiary health care comprises the specialized care which is usually associated with high treatment costs. The private sector's main advantage stems from its ability to accumulate and mobilize the funds necessary to invest in profitable areas of activity. This is due to the fact that the private sector is financially independent rather than donor-driven. This financial freedom enables hospitals' administrations to enjoy a dynamism that ultimately enhances their competitive ability and strengthens their ability to expand and innovate. Even though the oPT private sector is not well developed, it has proven worthy of being trusted to provide quality health care services, with notable successes in providing kidney transplants and cardiac catheterizations. Furthermore, Palestinian patients express a higher level of satisfaction from the care provided by the private sector over public and NGO sectors in terms of quality and availability of care[24]. However, the lack of proper contracting policies of the MOH, and the absence of sufficiently effective public and private insurance schemes, undermines the sustainability and continuity of private tertiary health sector.

## 5.2 Other Reasons for the Importance of Private Sector Involvement

The literature review and interviews revealed further reasons that justify the importance of enhancing private investment in tertiary health care.

### 5.2.1 Treatment Abroad

In the local context, treatment abroad refers to health care services purchased by the MOH from other health care providers, namely NGOs and the private sector within the oPT, and from providers in other countries such as Israel and Jordan. Most of the services purchased by the MOH, however, were those medical cases that can be categorized as

[24] Palestinian Central Bureau of statistics, 2006. Healthcare Providers& Beneficiaries Survey, 2005 - Main Findings. Ramallah-Palestine.

tertiary health care cases, such as cases in oncology, cardiac catheterization, and neurosurgery[25]. These medical cases were the most expensive to treat and most often required continuing follow up with the care providers. Moreover, medical referrals for treatment abroad were limited to those patients insured through the GHI schemes. Uninsured patients usually pay their own medical charges.

Over time, treatment abroad has expanded in the number and type of cases, leading to greater economic and social burdens. Currently, there is no publicly-provided alternative for treatment abroad, making it indispensable for meeting the demand of Palestinian patients for some types of tertiary health care. However, treatment abroad has been, and remains, a heavy burden on the Palestinian economy and society as a whole. This section examines the burdens associated with treatment abroad, its effect on local health care provision, its social and economic impacts, and its long term effects on the health care system in the oPt.

***Public and private burdens***

The burdens associated with treatment abroad can be addressed as public and private burdens. They incorporate financial and economic costs, in addition to the intangible costs of emotional disconnection of patients from their families. The financial costs associated with treatment abroad are both public and private. Public financial costs mainly reflect the direct treatment expenses, whereas the private financial costs are those expenses for food, shelter and transportation, which are spent by the patients and their companions when traveling to seek treatment. In addition, all co-payments and out-of-pocket financial costs that are paid by insured and uninsured patients are forgone financial resources in the respect that they were removed from circulation within the Palestinian economy and allocated elsewhere (in the case of treatment outside the oPt). They represent an opportunity cost suffered by the fragile Palestinian economy. To further clarify this issue, it is noteworthy to point out the direct expenses by the MOH on treatment abroad were estimated to be around US$60 million in 2005, of which more than US$40 million was allocated outside the oPt[26]. In 2005, most referred cases were those related to ophthalmology, oncology, and heart catheterization.

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[25] Palestine Ministry of Health, "Annual Health Report: Treatment Abroad", Ramallah-Palestine, 2006.

[26] Palestine Ministry of Health, "Annual Health Report: Treatment Abroad", Ramallah-Palestine, 2006.

The MOH estimates the annual treatment abroad costs by totaling the estimated costs from all referral abroad request-forms which it receives. These referral forms are received by the department of specialized medicine (treatment abroad department) from two main sources: MOH hospitals, for those medical cases which cannot be treated within the MOH; and government officials, for cases that may include favoritism, patriotism or special requests. Also, the department of specialized medicine is responsible for following up with the providers about the health status and needs of the patients referred, and for receiving and verifying the bills of treatment. Thereafter, the department forwards these medical bills to the Ministry of Finance (MOF). The MOF is responsible for their documentation and payment. However, there are many flaws in this fragmented financial process, which creates confusion for the different stakeholders and delays payments. The payment process is segmented at the MOF, where the Ministry has separate accounts in which it records the bills for treatment abroad. For instance, the referred abroad cases from the President's Office are documented under President's expenditures and not as treatment abroad expenses. The downside to this approach is that the actual expenditures on treatment abroad cannot clearly be identified.

In addition to the direct and indirect monetary and social costs, the intangible costs of being emotionally disconnected from family members and loved ones are considerable. As indicated above, most cases referred abroad involve tertiary health care. These types of special medical services are critical, serious and usually uncertain in regard to medical outcome. Requiring tertiary health care in itself is emotionally burdensome, and emotional disconnection intensifies further the distress that the patients and their families suffer. These intangible burdens must be addressed seriously alongside the tangible ones.

According to official information and data from the MOH, the number of medical cases that were referred for treatment outside MOH institutions has increased dramatically since 2002. The number of patients referred abroad from the MOH in 2002 was 12,086 cases, a record high at that time. Thereafter, the number of cases referred abroad increased dramatically to reach 20,235 cases in 2003, 31,744 cases in 2004 and 31,721 cases in 2005. It is important here to note that there were many cases referred abroad which did not require urgent medical attention but nonetheless received approval. Reasons differ, but nepotism and other forms of favoritism were common. Recently the MOH has taken measures to cut the number of cases referred abroad in an effort to control the costs associated with them. In 2006, the number of cases transferred abroad

dropped by 27.9% to 22,885 cases. This may be due to a reduction in cases that were not considered urgent or requiring serious attention from a specialty care provider, in addition to cuts due to the international boycott and the intensification of movement restrictions following the Legislative Council elections in which Hamas won the majority of seats.

In 2005, 29.7% of referred patients from the West Bank were referred to hospitals outside the oPt. In the same year, 75.5% of referred patients in the Gaza Strip were referred to hospitals outside of the oPt. In 2006, the figure for the West Bank fell to 21.7% while the figure for Gaza Strip increased to 79.5%. There are various possible explanations for this. One justifiable reason is that the health care services in Gaza Strip are mainly provided by UNRWA and MOH, in the absence of a strong private sector and accompanied by a fragmented NGO sector. In addition, the health care system in the Gaza Strip has historically depended on tertiary health care provision from Egypt and the West Bank, concentrating instead on emergency relief to face the ongoing conflict situation. The intensified closure and separation between the West Bank and Gaza Strip led to more patients being referred abroad.

The increase in the percentage of patients referred abroad from the Gaza Strip to outside the oPT from 2005 to 2006 does not represent an increase in the actual number of cases, which fell by 27.3%. The decrease was due to limitation of treatment abroad to those special medical cases that needed either immediate medical care or specialized medical treatment or management, i.e. tertiary health care services, and excluding the cases that were neither considered as critical nor needed immediate medical attention. Hence the percentage of cases referred abroad that required tertiary health care from the overall cases referred abroad had increased. This indicates that the public health care system in Gaza is working at full capacity, and thus is limited in the number of additional cases it can absorb. It also implies that the other sectors providing health care are limited in the type of treatments they offer and in the number of additional cases that they can absorb.

Financially, treatment abroad costs consume a significant portion of the MOH budget. The total cost of treatment abroad in 2004 was around US$58 million, and that for 2005 was around US$60 million, which constituted 46.0% and 42.7% of the expenditure of the MOH in those years respectively. However, the 27.9% decrease in the number of patients referred abroad in 2006 resulted in costs falling to around US$40 million, a decrease of 37% from 2005.

***Sustainability of Care Provided and Long-Term Development***

In addition to the negative ramifications that treatment outside the country has on the economy as a whole, and on the pockets of patients and their families, it has further negative impacts on the overall delivery of health care. Indeed, if the current strategy of referral abroad prevails, it will negatively affect the sustainability of the care provided, and long-term health care development. Patients needing tertiary care almost always require follow up visits with the specialized physicians, but in the case of treatment abroad, they may be prevented from continuing any necessary treatment after returning home, often by Israeli movement restrictions. For example, all oncology cases are referred abroad, many to the Augusta Victoria Hospital in Jerusalem, for which the patient must receive permission from the Israeli authorities. Thus ongoing management of the illness is in jeopardy due to these movement constraints. Furthermore, in cases such as cancer, patients' conditions may deteriorate to such an extent that medical treatments are of no further benefit, when disconnection from either family or health care providers is a cruel blow.

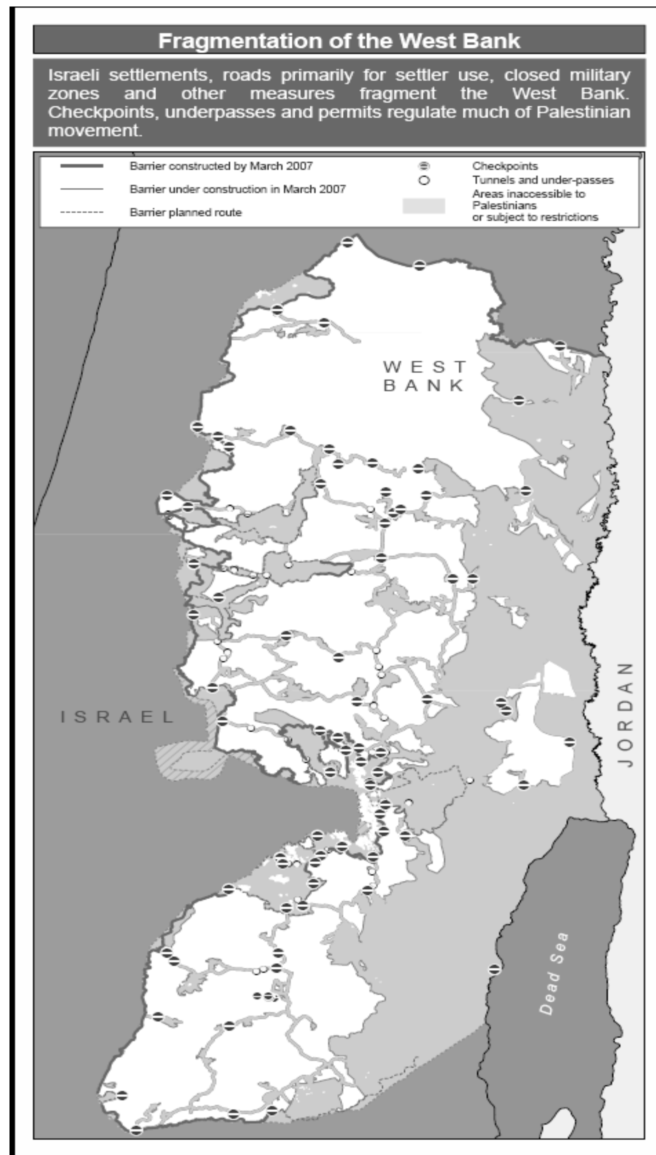
***Quality Control and Optimization of Health Care Expenditures***

All patients referred outside the oPT are referred outside the governance of the Palestinian Authority. Because the contracting strategies of the Palestinian Authority are weak, health service quality control standards and regulations that are outside the control of the MOH are subject to those of the providing country. This may have some impact on both the health of the patients, by absence of MOH quality control, and also on health expenditures where duplication of services might be unavoidable. As a result, health care expenditures might not be optimized, leading to further inefficiency in allocating scarce financial resources. It is evident that a comprehensive and integrated system of health care provision, with optimal coordination between the different health care providers, would mitigate such inefficiency, and allocate the resources in a growth and development-oriented manner. The latter could, and should, incorporate enhancements in the MOH contracting capacity and purchasing policies that can be facilitated by the presence of a competent private sector.

### 5.2.2 Disconnection of the Palestinian Land

The Palestinian population suffers both from fragmentation within the oPt, and from isolation from the outside world. The map below shows the numerous restrictions imposed by the Israeli military forces that hinder the everyday movements of Palestinians between the major cities and governorates.

**Map: Representation of obstacles to access and movement in the West Bank[27].**




27 The Office of Coordination of Humanitarian Affairs (OCHA) in the oPt, Fragmentation of the West Bank Map, web link: http://www.ochaopt.org/documents/InsertMap_Fragmentation_May07-withCheckpoint.pdf.

The PCBS survey ‘Access to Health Services’[28] indicated that Palestinians face severe difficulties in reaching health care facilities. In many cases, patients have to travel for more than an hour, and sometimes for more than three hours, in order to reach a health care provider. Medical cases that were to be treated abroad through medical referrals had to receive prior permission from the Israeli military forces. Receipt of this permission is by no means assured[29]. Moreover, rural areas remain separated from major cities in the West Bank; which means that patients seeking health care services in the cities, where all hospitals are located, are subject to movement restrictions and disconnection from their families.

In the severe humanitarian situation in June of 2007, all 281 referral abroad cases from Gaza Strip were denied travel permits by the Israeli forces (281 is around the monthly average for the such cases from the Strip). In terms of obstacles for patients traveling within the West Bank, the number of manned obstacles in January of 2007 reached 82 and increased in July of the same year to 86. Ambulances were also subject to movement restrictions and access denial. For example, in July of 2007, 40 cases of access being denied to ambulances were recorded in the West Bank[30].

Movement restrictions are not limited only to traveling individuals but also to imports and exports of goods, including medical supplies. For instance, in July 2007, “77 drugs related to reproductive health (were) depleted from Gaza including those which are needed to ensure appropriate antenatal care, safe delivery, and management of risk factors”.[31]

Other obstacles on movements in the West Bank include ‘flying checkpoints’ and unmanned obstacles. In July of 2007, flying checkpoints reached a weekly average of 113. Unmanned obstacles totaled 455 in the same month[32]. In the Gaza Strip, the major difficulties facing the local population were movement restrictions either to the West Bank (including East Jerusalem) or to other countries - mainly Egypt. After the recent Israeli disengagement from the Gaza Strip, there was not much restriction of movement within the Strip itself. However, the border crossings are tightly restricted.

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28 Palestine Central Bureau of Statistics, "Access to Health Services Survey", Rammalah P 2003.
29 Palestine Central Bureau of Statistics, "Access to Health Services Survey", 2003.
30 The Office of Coordination of Humanitarian Affairs (OCHA) in the oPt, The Humanitarian Monitor, July 2007.
31 The Office of Coordination of Humanitarian Affairs (OCHA) in the oPt, The Humanitarian Monitor, July 2007.
32 The Office of Coordination of Humanitarian Affairs (OCHA) in the oPt, The Humanitarian Monitor, July 2007.

The problem of the disconnection of the oPT is a severe one, and requires a serious approach in formulating a set of strategies and policies to serve local needs in the most efficient way possible. Consequently, the problem of duplication in health care services arises as means to bring requisite health care services closer to the patients. This is in fact an issue especially for an economy with limited resources such as the Palestinian one. Given that the economy must utilize limited resources in order to introduce highly specialized and costly tertiary health care services, it becomes tempting to promote a situation where duplication of services would be prohibited, in order to focus on investments necessary at the national level, and to optimize the utilization of the available resources. This scenario, however, should be treated with great caution because it may promote a situation of monopoly instead of enhancing competition within the health care sector. The value-based competition on results necessarily entails comparisons of the value of health care that is provided. Hence, there must be multiple similar services available in order to build the grounds for these comparisons. So a better approach may be to allow duplicate services to exist under close regulation by the MOH, based on a deep understanding of the demand for health care and the available resources in the health care system. Duplication of services would be minimal in the private sector since it is more efficient in taking into account the risk of duplicating services and the risk of introducing new technologies. Therefore, the issue of duplication arises mainly between private sector provision, and services and equipment introduced into the oPT by the public and NGO sectors. Therefore, the NGOs should be regulated and monitored more closely by the MOH, through clear guidelines in regard to the specialties and services that are required, in order to promote their provision based on demand needs and not on the availability of donors' funding or agendas.

### 5.2.3 Lack of Financial Sustainability

The MOH is responsible for the provision, regulation, and stewardship of the health care system. Sustaining a sufficient budget is vitally important in order to carry out these public responsibilities. However, there are factors that prevent the MOH achieving financial sustainability, and hence from achieving its goals. These factors are both external and internal. External factors are those which the MOH has no control over, and consequently cannot fix, such as the weak and declining purchasing power of the population, due to high poverty levels and high unemployment rates within the oPt. Internal factors are those which the MOH has direct control and autonomy over; these factors, such as the structure of the health care

financing system, present great challenges but are more easily fixed than external factors. The current health care financing schemes in the oPT are fragmented and weak. One main impediment is that the MOH is not given direct control over its own budget, but rather control lies with the MOF. The MOF collects revenues and fees from health care services, including GHI revenues and health insurance co-payments, and accordingly sets an annual budget for the MOH.

Public spending on health care is strongly tied to the overall performance of the Palestinian economy. Consequently, in times of economic hardship the funds allocated to the MOH will decrease as a response to the decline in the overall government budget. In addition, the current financial structure is not sustainable due to the reliance on donors inherent in the health care system. An illustration of this can be seen from the situation in 2006, when the government faced financial sanctions from the majority of donor countries and was deprived of its tax revenues. This freezing of funds caused substantial deterioration in the accessibility and quality of health care within the oPt. Similar situations may occur in the future as long as the health care system in the oPT remains a donor-driven system rather than a financially sustainable one. In addition, to further strengthen the sustainability of the health care system, financial independence should be given to the MOH.

The current health care insurance schemes have negative impacts on both the government and the patients, due to the high cost of health care services. In 2005, about 56% of the Palestinian population was enrolled under either a paid or unpaid Government Health Insurance scheme. Indeed, in the same year, more than 179,000 families (more than 30% of the population) were insured for free under the Al-Aqsa GHI[33]. The GHI continues to face many challenges to achieving its objectives, mainly due to its broad coverage and insufficient revenues. In regard to private health insurance, it is undeveloped and accounts for no more than 2% of the total number of insured people[34].

Cases involving transfer abroad are financial burdens on the fragile Palestinian economy. Strategies for achieving financial sustainability, therefore, must include policies to deal with this issue by finding appropriate and equitable means to lessen the number of cases referred outside the oPT.

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[33] Palestine Ministry of Health, "Annual Health Report: Government Health Insurance", Ramallah-Palestine, 2006.

[34] Palestine Ministry of Health, "Annual Health Report: Government Health Insurance", Ramallah-Palestine, 2006.

The current situation characterized by under-developed insurance schemes and the weak and dependent financial structure of the MOH results in continuous budget deficits that prevent it from undertaking its role effectively and efficiently. For instance, there is no effective executive body with the necessary authority within the MOH to ensure providers comply with health care laws and regulations. The instability of the financial structure of the Palestinian health care system negatively impacts private providers of health care, especially private providers of tertiary and secondary health care, because the main purchaser of tertiary health care services is the government insurance scheme, which is weak and fragmented.

Given the prevailing obstacles facing the MOH in financing health care, it is important that the MOH collects its own financial resources and set its own budget. This may lead to efficiency gains in revenue collection and spending, as autonomy may encourage the MOH to generate more financial resources and allocate them efficiently, ultimately strengthening its role in the health care system. This is achievable only if autonomy and responsibility is given to individual public hospitals, putting more responsibility on hospital administrators and managers.

## 5.3 Impact on the Entire Economy

The value of having an active private sector providing health care can be recognized at two levels: the national level, concerning the economy as a whole (employment and income generation), and at the local level, in terms of some promotion of local businesses. Having a well-developed and active private sector may reduce, if not eliminate, treatment abroad, and hence the associated economic and social costs. There are significant economic impacts of referring patients to hospitals inside the oPt. The Multiplier Effect is an important macroeconomic tool that central banks use either to enhance economic performance during weak economic conditions within a country, or to do the opposite. In the case of the Palestinian economy, the MOH can certainly have a role in regard to nourishing the economy through reallocating treatment abroad expenses to within the oPt. Reallocating its expenditures into the Palestinian economy would stimulate further economic activities, greater than that expected from an increase of government expenditures alone.

There are also the direct financial advantages of additional revenue sources and optimization of MOH purchases and expenditures. For instance, the MOH would benefit from tax, licensing, regulatory fees and so forth.

Furthermore, the MOH would have sovereignty over health care provision and could apply its regulations and standards. Thus, with a more involved private sector, the MOH not only has more potential to increase its revenues, but also to decrease its costs, thereby achieving greater efficiency in allocating resources. Creating additional revenue sources, hand in hand with increasing financial efficiency, the MOH would have greater ability in sustaining its finances. However, these additional resources for the MOH can only benefit the health care system if and only if the MOH would have direct management and control over its financial resources.

The local economy will also benefit from an active private sector providing health care. Sectors of the local economy such as hotels, transportation and restaurants may experience increased employment and income. While expenditures on treatment abroad might seem small compared to other public expenditures (such as education), reallocating them into the Palestinian economy would benefit it greatly at the local and national levels.

## 5.4 Impact on the Quality of Life of the Population

Steering away from the financial and economic incentives to reflect the need to promote an active private sector, the study sets out to emphasize the necessities for creating new specialties and improving the existing ones within the health care system, in terms of its impact on the quality of life of the population. Indeed, the simple fact of knowing that a service would be available should it be needed, has a direct positive impact on the individuals' life quality and satisfaction.

## 6. Assessing the Competitiveness of the Private Sector

The main obstacle facing the private sector is the unstable political situation of the oPT. This, in addition to the lack of an effective incentive structure, has resulted in a weak private health sector and a lack of many health care services needed by the population. Consequently, care is frequently sought from health institutions from outside the oPT: from Jordan, Egypt and Israel, increasing the burden on the system and compromising its financial sustainability.

Upon assessing the Palestinian health care system, and its supporting industries, through the lens of Porter's 'Diamond Model', it was found that all four elements of the model suffer from disadvantages that hinder the creation of a competitive advantage in the health care sector, and also hinder the competitiveness of the private sector in the oPT. In addition, the influencing factors - government and chance - continue to have a significant negative impact on these four determinants. In this section, we illustrate the main negative factors associated with each of the four determinants, in addition to factors affecting government and chance, with the aim of informing policies to enhance private sector competitiveness in the provision of tertiary health care.

- **Factor Conditions:** There are shortages in the factors of production, mainly associated with the labor component. This results from shortages in the supply of specialized physicians and other specialized medical professionals, due to gaps and inefficiencies in the system of higher education. As discussed below, most medical specialties continue to be absent from the Palestinian higher education system; e.g., oncology and cardiac surgery specialties.

  In addition to labor disadvantages, there are other production elements that hinder competitiveness. The main issue is the inadequacy of the level of scientific knowledge in universities, governmental and private research institutions, and pharmaceutical companies.

- **Demand conditions:** Having sophisticated and demanding domestic buyers is a significant element that puts pressure on local firms to innovate and become more efficient. To an extent, the demand conditions in the oPT are effective in shaping hospital characteristics – as seen from the type and extent of demand on services provided from abroad. This is especially due to the relatively high expectations that

were raised as result of direct contact with the more developed and advanced medical knowledge in neighboring countries.

It is, however, the weak purchasing power of Palestinians that limits their ability to express their tastes and preferences. As such, the buyers of health care deliver somewhat misleading customer preferences to local hospitals and providers of health care. The difficult economic situation prevalent in the oPT limits direct private demand for high technology services, culminating in a situation where the costs of complex and expensive medical procedures are mainly covered by the GHI scheme. This suggests the importance of efficient coordination between any private provider of tertiary health care and the local authority of the GHI, with the former being almost entirely dependent on the latter. This remains important because under the favorable conditions of proper coordination private hospitals could, and have been, able to achieve high quality standards. For instance, the director of a certain private hospital reported that it managed to fulfill the demand under high standards comparable to that of many European hospitals, and cover the needed costs.

- **Related and Supporting Industries**: In the health care sector, related and supporting industries refer to those industries that are essential for maintaining functional, innovative hospitals. Such industries include pharmaceutical and medical supplies companies, medical equipment companies, effective health information systems, and information technology specialists. The ability of local hospitals to be competitive in international markets is strongly determined by the existence of such industries. In the oPt, hospitals are dependent on foreign firms to supply essential advanced medical equipment, medications, medical equipment technicians, and so forth. Supporting industries are not yet capable of support innovation and competitiveness of the local hospitals.

- **Firm Structure, Strategy and Rivalry**: Hospital administrations should be equipped with knowledge and experience, and should enjoy autonomy and independence in order to be able to reshape hospital structures and strategies, to be more efficient in responding to market conditions and changes in them, such as change in pricing polices or national regulations. Firms must be dynamic, for competition is a dynamic process. Hence, firms that do not have the ability to reshape their structure and strategies face the risk of failure.

The private hospitals in the oPT may face this risk since many private hospitals are operated and administered by medical personnel who lack experience in advances in hospital administration.

This raises another issue with regard to inefficient resource allocation within the hospitals. It would be more efficient for the hospital to have the medical specialists providing medical health care services rather than serving as administrators. And given the disadvantages and political instability within the oPT, it would be greatly beneficial for hospitals to hire experienced and qualified administrators to manage the hospital.

With regard to the additional factor of chance, the main unpredictable hindrances arise from the unstable and turbulent political conditions. Moreover, the role of the government is extremely influential in that it affects, and is affected by, all of the four determinants mentioned above. Even though the Palestinian government supports the existence of private sector, and hence private hospitals, the role of the government is not seen as being directed towards creating a competitive advantage in the health care sector. Without realizing the importance of its role in influencing the four determinants, the government will not be able to enhance the competitiveness of the private sector.

# 7. Factors Hindering the Private Sector from Investing in Tertiary Health Care

Each of the determinants of national advantage is found to comprise disadvantages and weaknesses. This not only hinders and discourages private investments in this area, but also reflects the absence of factors that are important to support innovation and enhance competitiveness, that is, they weaken the competitive advantage in the health care sector. Moreover, the nature of competition within the oPT is not constructive and leads to overall inefficiency in the provision of health care services. Misunderstanding and thus misapplying competition is one important symptom that creates confusion and inefficiency among the different providers, and hinders their cooperation and partnerships. The following aspects of the current form of prevailing competition can be identified:

- Competition is focused on the price of services.
- Competition is taking place in terms of services and not at the medical condition level, thus it is too broad.
- There is poor availability of medical information about private health care providers.
- Inefficiency of treatment and resource allocation in tertiary health care services exists for some hospitals, due to shifting costs and responsibilities between hospitals and medical specialists. This resulted from recent separation between them, originally aimed to decrease the running costs of the hospital.
- Innovative efforts are not rewarded and, furthermore, are sometimes undermined by the MOH when it in some instances continued to purchase services abroad while disregarding those provided by the local private sector, e.g., the case of kidney transplant.
- Specialty services are costly in comparison to those provided in neighboring countries.
- The government is not facilitating and structuring the right form of competition for the private sector.
- There is poor public and patient awareness.

Since the goal of the study is to formulate policies that would enhance private sector investments in tertiary health care, as one prerequisite to enhancing competitiveness, the factors that hinder investments were categorized into two sets that would respond to the concerns of investors: namely, financial hindrances, and health care supporting factors. The hindrances to competitive advantage and the problems with competition in

this sector are integrated within these two sets of factors, in order to formulate policies that would be successful in enhancing private investments in the context of long term development, sustainability, and prosperity.

The following is a detailed account of the two sets of hindrances with relation to the negative impact that they would imply for the competitiveness of the health care sector:

## 7.1 Financial Hindrances

Private investments in tertiary health care particularly involve either expanding an existing hospital by introducing new tertiary medical specialties, or establishing a new hospital with tertiary health care specialties. Hence the main concern is whether the investment would be able to treat enough patients in order to meet its financial goals and sustain its services. The main financial hindrances are as follows:

- **High running costs.** These result from the disadvantages found in the factor conditions of knowledge and human resources within the oPt. There are shortages in human resources and the stock of technical and medical knowledge, which lead to high costs for them. These include salary and accommodation incentives for doctors, continuous training for specialists, staying up to date with medical and technical progress and innovations, conducting medical research, and other quality and sustainability requirements.

  Several professions in the Palestinian health care system are identified as bottlenecks[35], where the educational system does not fulfill the demand in the labor market. They are mainly in the fields of oncology, neurosurgery, cardiac surgery, intensivists[36] and emergency physicians. Moreover, the corresponding supporting specialties such as specialized nurses, radiologists and medical equipment technicians are also absent. These shortages hinder the availability of care within the oPT and also the establishment of new specialties. Moreover, they are barriers to entry in the health care system, which impede investment in the most needed areas of tertiary health care.

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35 Palestine Economic Policy Research Institute, MAS, "Professional skills in Palestine: Identification of Bottlenecks and Recommendations to Resolve Them", March 2007, not published.

36 Intensivists are anesthesiologists, internists, surgeons and pediatricians who continue their education with one to three years of additional specialized training in intensive care unit (ICU). Intensivists are ICU physicians who tend to spend most of their time caring for patients in the ICU.

- **High capital investment requirements.** This is the result of the shortages and disadvantages in technical stock, physical factors, and infrastructure.

- **Fragmented financing system**. The following is a summary of the main weaknesses found in the financial structure of the health care system:

  1. MOH income is unstable and uncertain due to its dependence on donors, and its weak financial structure. Thus, on the one hand, the private investor must account for the high number of Palestinian patients who have the GHI insurance as potential patients, and on the other, must take into consideration the weak financial structure of the MOH.
  2. Poor contracting schemes between the MOH and its providers. The approaches that the MOH takes in order to purchase health care services from other providers is to a large degree unpredictable and does not follow clear standards or approaches. For instance, in recent referral abroad cases, the MOH was inclined to purchase health care services from hospitals in East Jerusalem, for political reasons. They entailed contracts on monthly bases where the MOH paid a fixed amount to each contracted hospital. However, this strategy lasted for only several months. In addition, the contracts between the MOH and the providers of health care are neither well-structured nor sufficiently binding, according to both the private hospitals whom were interviewed, and the treatment abroad office in the MOH.
  3. Poor payment mechanisms and late payments to the providers of health care for the services bought by the MOH through referral abroad.

- **Uncertainty and high risks circumventing investments.** These risks are mainly due to the adverse political and economic situation that Palestinian society is currently subjected to, which negatively affect the demand side in the health care sector. The demand side is weak due to mainly two interrelated external factors, which are the weak purchasing power of patients, and the occupation. The purchasing ability is weak due to the current economic condition that is characterized by high poverty levels and high unemployment rates.

  The weak purchasing power of Palestinians, the movement restrictions, and the weak financial structure of health care, are great disadvantages that are constraining and damaging the demand conditions for health care in the oPT. These factors negatively affect

the competitive ability of the private hospitals and damage their ability to export health care services, i.e. to attract patients from other countries into the oPt. Consequently, the income resources for the private hospitals, due to the demand constraints, are limited. Thus demand conditions are insufficient to support a large competitive private sector in health care, especially tertiary health care; therefore, the private provision face the risk of not being able to attract the minimum number of patients necessary to sustain their investments. As mentioned above, such constraints would no more be valid should an effective and efficient insurance scheme be put in place.

## 7.2 Health Care-Related Factors

The following set of factors also represent impediments to competitiveness in the health care sector:

- **Political and macroeconomic instability** is one of the main hindrances to doing business in the oPt. A World Bank enterprise survey on Investment Climate in the oPT indicated that more than 50% of surveyed business owners saw political and macroeconomic instability as the main constraint in doing business in the oPt[37]. The factors affecting political instability are twofold: the uncertainties due to the Israeli government actions; and Palestinian political instability due to recent internal struggles. In addition, the nature of the demand for health care in the oPT is at a disadvantage in regard to supporting competitiveness in the health care sector. This disadvantage stems from the movement restrictions imposed by the Israeli occupation. In some cases it was easier for Gazans to travel to Egypt to seek treatment rather than the West Bank.

- **Unsupportive and unstable MOH policies and strategies.** Ministerial changes in the MOH have been problematic in that different ministers have envisioned different approaches to health care in the oPt. For instance, since the inception of the Palestinian Authority, there have been eight ministers of health, and four in the past two years. The problems can be demonstrated by the following points:

    1. Contracts with non-MOH hospitals are weakly structured and not based on well-defined negotiations practices.

[37] World Bank (2007). "West Bank and Gaza Investment Climate Assessment, Unlocking the Potential of the Private Sector".

2. There is no central coordinator to examine and review the contracts and follow up the financial accounts of all treatment abroad cases. The treatment abroad office lacks the resources and ability to ensure that contracts are being fulfilled and that bills are paid appropriately and within a timely manner.
3. The price of services is usually the determining factor for contracts for referral abroad.
4. There is inconsistency in MOH policies regarding treatment abroad. This creates a state of confusion between the MOH and the private providers of health care, weakening the foundation for their cooperation. The MOH policies have consistently changed according to changes in its administrative personnel, namely the minister. Fluctuating MOH objectives and focus left investors in constant confusion regarding the strategies and structures that were for their best interest. This is a severe setback, since the firm (hospital) strategy and structure is one of the four determinants of national advantage.

- **Palestinian stock of technical and scientific knowledge**. The educational system is unsupportive and inefficient in supplying specialty care physicians to the health care system. This leads to shortages in specialized physicians, lack of medical research, impediments to continuing education, and impediments to efforts to stay up to date on recent medical issues.

- **Weak private hospital administration and management**. Most private hospitals have yet to employ medical administrative personnel to set the hospitals' strategies and formulate their structures. Moreover, the majority of hospitals are run by medical personnel rather than by qualified experts in hospital administration. Hence, there is inefficiency created by this misallocation of skills.

- **No effective private body in the MOH to represent the private sector**. This results in excluding and marginalizing the private sector in regard to planning and strategizing at the national level. This further weakens the efficiency of private hospitals' administrative abilities to formulate strategies.

- **Absence of cluster industries.** The importance of supporting industries is required not only at the stage of investing in tertiary health care, but also in upcoming stages of competitive development that requires much more sophistication and knowledge at all the levels

of health care. Building effective supporting industries is a requirement for innovation which will give the oPT the ability to enhance and sustain an advantage in the medical field. The following are examples of such absent industries:

1. Medical equipment supplier companies and technicians.
2. Advanced pharmaceutical companies.
3. An effective insurance industry.
4. Hospital administration experts.
5. Supportive education system.

# 8. Enhancing competition and hence competitiveness

As is indicated in the theoretical background section above, encouraging the right and most efficient nature of competition is instrumental for enhancing competitiveness. The determining factors of competitive advantage form the environment that national firms compete in. These determining factors do not specify the nature of competition in the nation or industries, because there might be different natures of competition within different sectors or industries, tailored specifically for them. Attempting to enhance competitiveness without a clear understanding and employment of the right nature of competition might result in inefficiency within the sector or industry. To this end, this study attempts to recommend the nature of competition that might be the most fruitful within the oPT tertiary health care industry.

If and when value-based competition is employed within the oPt, it would increase the overall efficiency and sustainability of the health care system, ultimately lowering the costs of treatment and increasing the quality of care. In order to enhance this type of competition, the policies should be deeply rooted in the principles of a value-based competition[38]. Consequently:

- Value should be the central focus for competition. This will shift the focus from minimizing costs of health care services to focusing on providing more efficient health care services over the cycle of the medical condition. More efficiency necessarily leads to lower costs.
- Competition based on results. Providers must enter into competition based on results. Competition should be the incentive which drives the providers to seek more advanced and improved medical practices and to stay up to date on the most recent medical issues. This should lead to more efficient medical practices, and a decline in medical errors, which will ultimately increase the overall level of health. Moreover, the results must be determined at the level where the value is determined, which is at the medical condition level. This scheme of assessing the overall progress of patients' health status should be implemented in such a comprehensive manner that would account for all the different health care services which patients receive from all providers during the course of their treatment or management.

[38] Micheal E. Porter, Elizabeth Olmsted Teisberg, "Redefining Health Care, Creating Value-Based Competition on Results", 2006.

- Competition should center on medical conditions over the full cycle of care. According to Porter and Teisberg, "A medical condition can be defined to encompass co-occurring conditions if care for them involves the need for tight coordination and patient care benefits from common facilities". Hence, measurement of value and results should focus on the medical condition over the cycle of care. The difficulties in applying this stem from the fact that medical conditions vary significantly in terms of types of treatment and/or management, and in their outcomes. For example, treating kidney failure differs from treating cancer in regard to the type of medications, technologies, specialists, life expectation, quality of life, and so forth. For this reason, the medical conditions should be categorized in similar groups, relating to criteria determined by medical experts. This grouping will facilitate comparison and assessment of medical providers based on their results.
- High quality care should be less costly. Increasing efficiency will increase quality and reduce costs, leading to cheaper, more easily accessed, higher quality health care.
- Value must be driven by provider experience, scale, and learning at the medical condition level.
- Competition should be regional and national. On the one hand, this will drive down costs, and on the other, it will give patients more access to health care services and more choices.
- Results information to support value-based competition must be widely available. Results can be measured in different ways and based on different factors, such as: costs, health outcome, life quality, time for treatment, number of procedures, and so forth.
- Innovations that increase value must be strongly rewarded.

# 9. Comparison with Countries in the Region: Incentive System, Legal and Economic Constraints

Cases that cannot be treated within the oPT are referred mainly to hospitals in Jordan, Egypt or Israel. Therefore, investments to introduce new specialties in the oPT necessarily have to compete with the health care providers in these three market-oriented economies. In this section, we attempt to explore the investment climates within these three countries, Jordan, Egypt, and Israel, and compare them with that of the oPt.

Each of these three countries, as well as the oPt, have a framework of investment promotion laws and economic policies that aim at encouraging and supporting foreign and local investments. The most recent relevant legal framework created by the Palestinian Authority is The Law of Investment Promotion (1), 1998. However, it is not compatible with the current economic situation, and especially not updated to take into account the recent political and economic changes that have evolved since 1998, especially since the second *Intifada* beginning in September 2000.

Private sector health care provision in Jordan is more developed than in the oPT and it has greater capacity. There were 58 private hospitals in 2006, which constituted 33.6% of total hospital beds in the Kingdom. This is a significant difference from the situation of the Palestinian health care system, and illustrates the potential contribution of private providers.

In the oPT, the implementing agency of the Investment Promotion Law is the Palestinian Investment Promotion Agency (PIPA). Similar agencies exist in each of Egypt, Jordan and Israel. There is the Jordan Investment Board (JIB) which is responsible for the implementation of the Investment Laws of 2003, and the Promotion Law of 1995, in order to promote direct foreign investments and local investments in the country. In Egypt, the General Authority for Free Zones and Investment (GAFI), implements Law 13-2004 that aims at attracting, promoting and supporting investments. Similarly, in Israel, the Investment Promotion Centre (IPC) acts as the marketing agency for the government in order to seek, attract and otherwise support investment.

These investment promoting agencies have two main objectives. One is to attract foreign and local investors into the country through disseminating information locally and internationally about the country's investment climate and possible investment opportunities. Another is to serve as a

‘one stop shop’ for investors, to facilitate licensing and registration procedures, and ease the process of doing business in the country. These three countries, Egypt, Jordan and Israel, vary in terms of the ease of doing business, and hence in their ability to attract investments[39].

The ability of each of these agencies to promote and support investment varies according to the agency's capacity, executive ability and the existing laws which set the framework for their activities. The main incentive system which all these agencies work with is based around tax and customs. They also work on the formulation of investment guides to potential investment areas within the countries. These agencies work closely with their governments to formulate new laws and economic policies to enhance and attract local and foreign investments. For instance, in Israel the IPC works closely with the Ministries of Industry, Trade and Labor, and Foreign Trade Administration. In Jordan, 80 pre-feasibility studies were done by the JIB covering strategic investment opportunities, and in Egypt a national cartography of investment opportunities has been drawn up by the GAFI.

There are efforts by the Palestinian Authority to promote and support private investment. However, the economic policy framework for investment support and promotion in the oPT is not developed or compatible with the prevailing economic situation. In addition, its role is weaker than those of the other three counties. For instance, The Law of Investment Promotion (1) of 1998 was updated from the Investment Law (6) of 1995, but has not been updated since then. There are many points in these sets of laws that need further study, development and assessment to meet the needs of private investors in the oPT and to encourage them.

The occupation directly and negatively affects the investment climate in many ways, including by increasing risk and uncertainty, disconnecting territories, creating many days of closure throughout the year, sabotaging property and withholding tax and customs revenue. This puts the Palestinian investment climate in a unique situation different from that of the other three countries. Therefore, the Palestinian Authority in conjunction with PIPA should update the existing investment laws to take into account the existing political situation imposed by the Israeli occupation, and to accommodate private investments in the most practicable way given the impact of the occupation.

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[39] World Bank, "Doing Business 2007 - How to Reform", web link: http://www.doingbusiness.org/documents/DoingBusiness2007_FullReport.pdf.

Despite the occupation, the overall investment climate in the oPT is accommodating, relative to the region, from a business owners' point of view. The judicial and legal systems do not seem to be an impediment to investments in the oPt. Furthermore, the judicial system functions well compared to other judicial systems in the region. However, the main shortcoming in the oPT legal system is the weakness observed in the implementation and enforcement of judicial rulings. Even though the Palestinian Authority supports a good investment climate relative to the region[40], much can still be done to increase investment and private participation in major sectors such as the health care sector. For instance, and as indicated above, much effort needs to be spent on formulating a new and updated version of the Investment Laws to support the special investment climate created by the occupation.

[40] World Bank, "West Bank and Gaza Investment Climate Assessment, Unlocking the Potential of the Private Sector", March 2007.

# 10. Recommendations and Policy Implications

Each of the four determinants of national advantage with regard to the health care sector includes factors that limit competitiveness. However, the Palestinian economy is a developing market-based economy, with an active private sector. Moreover, the current efforts to build a sovereign Palestinian economy in the context of an independent state may give cause for further economic optimism. Therefore, the Palestinian economy may actually be in an advantageous and strategic position, with the opportunity to overcome some of the competitive disadvantages related to the healthcare sector. The medical knowledge and specialty shortages in the oPT may be overcome through interacting with neighboring countries, through importing their advancements and knowledge, and by deploying them in the most efficient, effective and productive manner.

Moreover, the private sector possesses the eagerness to succeed and achieve new levels of care and quality. Investors in tertiary health care, in some cases, have showed serious commitment to introduce highly-specialized, high-quality care. From the observations of this research, there was a clear indication that competition does indeed exist at the national level, as well as at the regional level. Despite the circumstances that discourage investments in tertiary health care, the oPT has seen considerable entrepreneurial efforts.

The recent measures taken by the MOH can positively influence and enhance the private sector in the oPt. The MOH has recently established the 'Palestinian National Council for Health Care Policies and Strategies', with the inclusion of the private sector. This is a significant step toward establishing an effective partnership between the different health care providers, and it may set the ground for an effective and equitable health care system. Below is a set of recommendations to help promote private sector involvement and competitiveness in tertiary health care.

## 10.1 Immediate strategies and recommendations:

- Launch a comprehensive health care needs assessment study. This remains critical in order to identify gaps in heath care provision. The study should include assessments of tertiary health care needs, projections of future health care needs, an assessment of the health care insurance industry, and forecasts of demographic trends that influence demand conditions in health care.

- Formulate a national strategic vision. Such a vision would specify the structure of the health care system needed for the oPt, and should be disseminated clearly and effectively across all health care providers. This should be a foundation to guide all health care policies taken by the MOH. In addition, it should give all healthcare stakeholders an insight into the future strategies of the MOH and increase confidence in the Ministry. This vision should be based on the needs assessment called for above, and should aim to clarify each stakeholder's role and responsibilities within the health care system, and hence enable them to formulate their strategies in accordance with the national strategy, which should make them more efficient and successful.

- Reconstruct the MOH financial structure. The MOH financial structure must be re-developed in such a way that would: provide stability and reliability; enable the efficient purchase of services from other health care providers; allow for better formulation of policies and regulations; and sustain a stable environment for investors and other stakeholders in the health care system. To this end, the study strongly recommends that the MOH be responsible for managing its own budget, and collecting health care revenues and premiums, with a proper framework for monitoring and evaluation, as a step towards enhancing financial efficiency and accountability.

- Reconstruct the health insurance schemes and structure to guarantee universal health care coverage. Although a review of the literature was conducted regarding available health care insurance systems, further study is required to obtain a better understanding of the needs of the sector in this regard and to recommend insurance structures that would be optimal for the oPt. To this end, an in-depth research study should be conducted with the aim to thoroughly assess the current insurance system in the oPT, in order to clearly point out its weaknesses and enable its modification to allow for full access to health care services.

## 10.2 Medium- to long-term strategies and recommendations:

Should the national vision comprise an active private sector providing tertiary health care, then the MOH should not only promote private investments in tertiary health care, but also build and sustain the structure necessary to support long term success and sustainability. This should be guided by the vision of creating a competitive advantage in the health care sector. This is a long way to go given the current health care situation. However, it can be created by employing the right tools and strategies.

Under such circumstances the study puts forth the following recommendations:

- ✧ Enable and support value-based competition. This essentially means reforming the basis of the current health care system. This study should be taken as a first step to reform the health care system but it was not intended to formulate the entire path for reform. Therefore, this study strongly recommends that the Palestinian National Council for Health Care Policies initiate a reform plan to reconstruct the heath care system with a structure that enables value-based competition, and aims to create a competitive advantage in the health care sector.

  To encourage value-based competition, the study suggests the following steps be taken, though these are not intended to be an exhaustive list for achieving this end. The recommendations include:

  1. Enable the provision of health care information and results, and make them widely available.
  2. Categorize all similar medical conditions that exist within the oPT according to: expense, type and time of treatment required, expected outcome from treatment, age and gender of patients needing care, and other factors to be determined and categorized by the Palestinian National Council for Health Care Policies.
  3. Develop a pricing policy that would prevent any pricing disputes and misunderstandings that might obstruct contracting efforts between the MOH and the private sector.
  4. Generously reward hospitals, universities, pharmaceutical companies, and other institutions putting forth serious efforts in medical research.
  5. Establish an annual Palestinian medical award program to recognize best hospital and medical provider practices and promote competition.
  6. Facilitate the creation of effective marketing and advertising strategies. This would minimize the time required to gain Palestinians' confidence in certain health care services or in newly established ones, and would publicize the Palestinian health care system locally and internationally.

- ✧ Support and enhance the investment climate factors that may enhance and support private investments in tertiary health care. This can be done through the following:

1. Shape and influence supporting industries that are able to support medical specialties. The most important recommendations to this end are:

   - Build and support a strong system for higher education that includes comprehensive medical programs including specialties such as oncology. Since these highly specialized programs are usually associated with high education expenditures, there should be an effective student lending program.
   - The Palestinian government should make full use of medical experts brought to work in the oPT not only for medical provision, but also for instructing and training future Palestinian medical staff.
   - Institutionalize continuing education programs in order to continuously improve quality.
   - Enhance and support private investments in pharmaceutical companies to support their innovative efforts and to partake in research and development in the medical field.
   - Enhance the quality of infrastructure, especially electricity supplies for hospitals.

2. Put the private hospitals in perspective in regard to public policy and the national strategies to health care. This can be done through pilot programs where the government can launch hospital management training programs and conferences to convey to the hospitals' administrative and executive personnel the economic and social visions of the strategic objectives of the MOH, and the means for achieving them. From here can arise partnership programs and coordination between the MOH and the private sector.
3. Enhance the effectiveness of the Palestinian National Council for Health Care policies.
4. Enhance the contracting process with the private hospitals.
5. Review the existing investment laws for their update and development in order to account for the recent developments and changes in the oPt.
6. Strengthen the implementation of the judicial rulings.

- Develop clear quality guidelines for all health care services. The quality guidelines should include the following:

1. Type, year, origin, and years of use of medical equipments imported into the oPT for health care usage.
2. Mandatory continuing education programs for all medical practitioners.
3. Prohibition of any licensing for life to be issued, and terminate any existing ones.
4. Prepare comprehensive examinations to be taken by all medical practitioners who want to practice in the oPt.
5. Create a transparent and effective MOH executive body that would take up the responsibility of executing MOH regulations and standards. Its most important role should be a mechanism to translate public health care policy into action.
6. Extend the responsibilities of the permits and licenses unit to receive customer and patient feedback.

- Acquire expert economic advice in regard to the economic implications of public health care policies as part of the formulation process.

- Institute more efficient, clear, and transparent financial recording of the costs of treatment abroad to clarify its financial burden.

- Potential areas for fruitful investments include: oncology, ophthalmology, neurosurgery, cardiac surgery, and emergency care. These are the main specialties that are partially or completely absent from the Palestinian health care system.

Finally, introducing tertiary health care specialties is a continuous process, and must be integrated as an important objective in all health care strategies and plans of the MOH and the Ministry of Education and Higher Education. Reaching this end would necessarily lessen future economic and social burdens of treatment abroad, and enhance the health status of the Palestinian population.

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