The Lebanese American University

The Lebanese National Social Security Fund:
Assessment and Strategic Recommendations for a Secure Future

By

Mona Carlos Akram Zghaib

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Mona Carlos Akram Zghaib

Approved by:

Dr. Wadi Younis, Advisor

Dr. Ramzi Haraty, First Reader

Dr. Ibrahim Kebbe, Second Reader

Date of thesis defense: June 21, 2005
The Lebanese American University

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ABSTRACT

Mona Carlos Akram Zghaib for Masters of Business Administration

Title:

The Lebanese National Social Security Fund: Assessment and Strategic Recommendations for a Secure Future

Social Security in Lebanon is a mess. Little agreement exists about either the problem’s urgency or the solution. Social security is not a mere burden but a benefit of productivity. Countries with comfortable social security systems are internationally very competitive. Social security in modern society does not lessen economic growth and employment but supports them.

This thesis highlights the problems that our Lebanese National Social Security Fund (NSSF) is facing, and provides a thorough analysis and detailed assessment of NSSF, including its current state, management infrastructure, key leaders and institutions affecting the fund, deployed systems and applications, and the national awareness and vision for social security in Lebanon. A detailed comparison of NSSF services with France’s services is presented, with a discrepancy analysis vis-à-vis Lebanon’s fund. The final part of this thesis recommends future strategic directions and steps that NSSF should make to a) secure a better future for Lebanon and its citizens and b) deploy a modern automated Lebanese social security.
# TABLE OF CONTENTS

ACKNOWLEDGEMENTS ...................................................................................... 4
ABSTRACT ......................................................................................................... 5

## CHAPTER I: INTRODUCTION

- A. Purpose ........................................................................................................... 9
- B. Methodology .................................................................................................. 10
- C. Structure of the Thesis ................................................................................ 10

## CHAPTER II: ASSESSMENT

- A. Profile ........................................................................................................... 12
- B. Overall current vision .................................................................................. 14
- C. Overall current goals ................................................................................... 14
- D. NSSF: Types of Funds ................................................................................ 14
- E. NSSF Eligible Subscribers .......................................................................... 15
- F. Benefits and Conditions .............................................................................. 15
  - F.1. Medical Coverage .................................................................................. 15
  - F.2. Family, Transportation and Education Allowance .................................. 16
  - F.3. End of service Indemnity ....................................................................... 16
  - F.4. Optional Social security Fund (OSF) ...................................................... 20
- G. NSSF: Contributions ................................................................................... 21
- H. NSSF Compliance ........................................................................................ 22
- I. NSSF: Fund Investment Rules and Income Distribution ............................... 23
- J. NSSF: Information & Communication Technology (ICT) ........................... 23
CHAPTER III: PROBLEMS FACING NSSF
A. NSSF Income .................................................................25
B. NSSF Expenses / Payments............................................28
C. NSSF Administration....................................................30
D. Fraud, Improper Acts, or Something like It......................32

CHAPTER IV: STRATEGIC RECOMMENDATIONS FOR A SECURE FUTURE......................................................35

CHAPTER V: BENCHMARKING

Comparative Analysis: Case Study (France)........................................49

A. Background
   Information........................................................................49

B. Different Schemes
   .....................................................................................50
   B.1. the General Scheme......................................................51
   B.2. Unemployment Insurance Scheme.................................64
   B.3. Supplementary Pensions Scheme.....................................65
C. Legal Rights .......................................................................66
D. Information & Communication Technology (ICT)...............66
E. Comparative View: France VS Lebanon..................................70

CHAPTER VI: CONCLUSIONS AND FUTURE WORK.........................73

APPENDIX............................................................................75
REFERENCES.................................................................86
To
Mom and Dad
With all my Love
Chapter 1: INTRODUCTION

As workers, mothers or elderly, each Lebanese citizen depends on Social Security as a social safety net, to insure his/her health, welfare, retirement, and, ultimately, human dignity. Social Security plays an integral part in weaving the social fabric of the community. For more than forty years, the services provided by the Lebanese National Social Security Fund (NSSF) have shielded the lower and middle classes from both economic and financial meltdowns. That is why grave attention should be paid and directed at preserving and improving the role played by this institution, for the final sake of easing the poverty pressure on the lower class, and, thus enlarging the middle class pool that is known to be the balancing factor in any society. Moreover, NSSF, and the policies affecting it, should be evaluated comprehensively, not just restricted to a specific set of legislative and administrative arrangements.

In principle, all Lebanese residents working in any professional, governmental, commercial, or industrial organization should be covered by NSSF.¹ In reality, many residents who should be registered for benefits are not. Three out of four NSSF funds are bankrupt. The big question is: Is there any way out – other than bankruptcy and fraud for NSSF?

In economically developed countries, financing social security is a question of both capacity and political choice. Among other factors complicating the task of improving the social security in Lebanon, the political intervention in the decision making process is not rendering the current situation any simpler. Nevertheless, one should really understand the urgency of NSSF’s current situation and its crucial role in our society, and go beyond

¹ NSSF Law, Decree 13955 of 1963
the inner dilemmas that long ago have affected not only NSSF, but, our Lebanese Society as a whole.

A. Purpose
Three out of four NSSF funds are bankrupt. The main purpose of this thesis is to provide recommendations that will help resolve the Lebanese National Social Security Fund crisis. It aims at answering the following questions:

1) Where does the Lebanese NSSF stand?
2) What are the problems facing NSSF?
3) What are the possible solutions that might solve these problems?
4) How can we benefit from the French social security experience?

B. Methodology
To achieve the purpose delineated above, several information sources were tapped, such as NSSF Annual Reports, newspapers, magazines, books, interviews, web sites, radio and TV interviews with NSSF officials, and many others.

Furthermore, since NSSF was based on the French social security, a single comparative analysis between both Lebanese and French systems was developed.

The scope of this study is limited to the NSSF funds that Lebanese citizens are benefiting from. The limitations of this thesis are a) the unavailability of data, b) the lack of help concerning the meeting arrangements with NSSF management, and c) the political issues affecting NSSF decisions.

C. Thesis Structure
In Chapter I, the purpose of the thesis is discussed, as well as the methodology used to perform the research. Chapter II provides a thorough assessment of NSSF. Chapter III sheds a light on key problems that created inside NSSF financial crises, administration problems, and fraud. Chapter IV provides a series of strategic recommendations to
address the problems NSSF is facing today. Chapter V benchmarks Lebanon’s social security services with those of France. The reason France was chosen as the main country to benchmark with is the similarities between both systems, while knowing full well that NSSF was based upon the French social security system since its setup in 1963. The last chapter, Chapter VI, recommends future work to expand on current contributions, in particular, simulating the effects of each recommendation on NSSF’s current and future needs.
CHAPTER II: NSSF ASSESSMENT

K. Profile

The Lebanese National Social Security Fund is an autonomous Lebanese establishment with a social identity and enjoys financial and administrative sovereignty [8]. NSSF was founded in accordance with decree # 13955, issued on September 26, 1963 [8] within a program of reforms that had been legislated after the 1958 civil disturbances. The Public Law mandated the creation of independent funds to cover workmen’s compensation, end-of-service indemnities, and maternity and sickness coverage. The latter was implemented in 1971. NSSF is quite similar to the French model of Social Security. It is financed by employers, employees, and the Government.

Currently, NSSF is headquartered in Beirut (Cola Branch) and operates 41 centers around Lebanon\(^2\), distributed by district [6]. The fund employs 1,600 staff members with an average age of 48, and of whom 100 are contractual, 200 inspectors out of which 83 are active, and 20 specialists in Information & Communication Technology (ICT) [7].

NSSF provides Lebanese citizens\(^3\), employed by organizations registered and operating in Lebanon, with [8]:

- National insurance coverage for sickness and maternity care
- Family allowance
- End-of-service pensions
- Indemnity for work-related accidents and diseases

Per the 1963 decree [8], NSSF falls under the custody of:

- The Ministry of Labor through a Government Deputy whose jurisdictions are specified by a Council of Ministers’ decree
- The Council of Ministers, posteriori
- The Accountability Council, posteriori, with no previous supervision

\(^2\) See Table 1 in the Appendix below.
\(^3\) In principle, foreigners working in Lebanon are also entitled to join the NSSF, provided their home country offers the equivalent or better program to Lebanese citizens who are working there.
and is structured as follows [10]:

- Board of Directors (BOD)
- Technical committee (TC)
- Secretariat (under the authority of the fund’s General Director\(^4\))

The fund’s BOD is composed of 28 members\(^5\) who are elected for a four-year renewable term [10], and include:

- 6 members appointed by the Lebanese Government from different public sectors
- 10 members representing employers
- 10 members representing employees
- 2 members from the agriculture sector, representing both employers and employees.

The committee of the office of the board includes [10]:

- President
- Vice president
- First Secretariat
- Second Secretariat
- Four members
- Five additional members (out of which two are Government appointed members, and three are employers and employees appointed members).

The BOD, upon its president’s request, meets once every month, but may hold exceptional meetings upon the request of the Minister of Labor. Moreover, the Council of Ministers appoints the Technical committee, which is comprised of the fund's president and two members. The Technical Committee functions practically as the financial controller of the fund, namely auditing, budgeting and financial controls [10]. A General

\(^4\) NSSF is not under the supervision of the Lebanese Civil Service nor the Lebanese Central Bank.

\(^5\) The total number of BOD members is set by the Council of Ministers.
Director (Mohammad Karakeh), who reports directly to the President (Maurice Abou Nader), manages the day-to-day operations of the fund [9].

The technical committee is a permanent apparatus of the Fund; it practices the specified mission specified for it by law. It is composed of the president and two members who are elected according to a decree decided upon in the Council of Ministers, and recommended by the Minister of Labor according to specific conditions.

I. Overall current vision
The current management team of NSSF adheres to the following Vision [9]:
“Improving the NSSF establishment, through a systematic process that deals with each aspect of NSSF whether administrative, financial, technological, training, and development for the purpose of developing a social security fund that would better serve the Lebanese citizens and secure the social fabric of the community while maintaining a balanced financial situation.”

M. Overall current goals
The current NSSF goals are [9]:
   b. Guarantee health and social welfare to all citizens
   c. Develop the unity spirit between all members of society
   d. Ensure both social protection and safety
   e. Unite all three production partners (Government, Employers, and Employees) to preserve social stability
   f. Redistribution of incomes by collecting subscriptions and allocating them in the form of services to the subscribers in order to activate the economic cycle.

N. NSSF: Types of Funds
NSSF operates four funds⁶ [7,8]:
   • End of Service Indemnity Fund - Launched on the 1st of May, 1965
   • Family & Education Fund - Launched on the 1st of November, 1965

---

⁶ An On-the-Job Emergency & Occupational Disease Fund was endorsed but was never implemented.
- Maternity & Sickness Fund - Launched on the 1st of November, 1970
- Optional Social Security Fund – Launched on the 1st of March, 2003 (Law Passed on August 9, 2000)

Currently, there are 495,666 NSSF subscribers out of which 17,331 (3.5%) are public sector employees, extending their coverage to more than 1.5 Million beneficiaries nationwide [7] (more than a third of the Lebanese population).

O. NSSF Eligible Subscribers
What follows is a list of eligible subscribers to NSSF and its funds [7,8]:
   a. Permanent employee or trainee
   b. Employee in the marina
   c. Government employee on a contractual basis
   d. Permanent employee in the agriculture sector
   e. Taxi driver (whether owner or not)
   f. Seller of magazines and newspapers
   g. Educational committee member for all private schools
   h. College student
   i. Mayor
   j. Elderly
   k. Retired Doctor
   l. Optional subscriber
   m. Lebanese citizen working in foreign countries (under special conditions)
   n. Foreigner working in Lebanon (under special conditions)

P. Benefits and Conditions
Once an employee is registered, NSSF covers the employee and his/her dependents in the following areas: maternity, sickness, and work-related accidents.

F.1. Medical Coverage

7 For more information about the remaining funds, please refer to NSSF brochures.
NSSF covers 90% of all hospitalization costs, and 80% of examination and medication expenses, i.e., a registered employee is liable only for 10% of all hospitalization costs and 20% of medication and examination expenses.

F.2. Family, Transportation and Education Allowance
Employees are also entitled to family, transportation, and educational allowances. The benefits are attached to the husbands’ rather than to the wives’ salaries. A married employee, registered with NSSF, receives a 20 percent spouse allowance (66,000 LBP) and an additional 11 percent for every child (33,000 LBP per child, with a maximum coverage for five kids). The allowance is calculated as a percentage of the minimum wage, which is currently at 300,000 LBP, approximately $200.

F.3. End of service Indemnity
a. Who is eligible for subscribing in the EOS indemnity?
✓ The Lebanese workforce (workers and employees), permanent and temporary, beginners and seasonal, trainees who work for one employer or more, either Lebanese or Foreign, no matter what are the period, type, nature, form, or validity of contracts between them, and no matter what is the form or nature of their income or salaries, even if this income is paid either partially or fully on the form of commission or percentage of profits / production, and even if the income was paid directly from the employer or another party.
✓ Lebanese citizens who work for the government or any management or public enterprise or any independent establishment, except for those who work for the government who are identified in the legislative article number 112 date 12/6/1959.
✓ Lebanese employees with a contract with an establishment who has a main center or branch, and those who work outside Lebanon or who started working in Lebanon and were transferred outside on condition that they do not benefit from similar services that are mentioned in the Social Security Law.
✓ Foreign workers who work in Lebanon with a work certificate and who are citizens of countries\(^8\) that entitle the Lebanese to non-discriminate treatment concerning the Social Security.
✓ Lebanese employees not related to a specific Employer, and who work in the Mina, Ports, and transportation
✓ Taxi Drivers, Magazine and Newspaper sellers.

b. **Conditions for the liquidation of the end of service indemnity:**
✓ Reaching an age between 60 and 46
✓ Completing at least 20 years of service
✓ Quitting the job within a year from the date of marriage (for women only)
✓ Having an at least 50% of handicap that prevents the employee from performing his or similar duties\(^9\)
✓ Death
✓ Permanently quitting the job with no intention for return

c. **Required documents for the liquidation of the end of service indemnity:**
   1. **In case of reaching the retirement age:**
      - Work certificate issued from the registration department
      - Salary certificate
      - Certificate of the last salary
      - Individual civil status record
   2. **In case of completing 20 years in service:**
      - Work certificate issued from the registration department
      - Salary certificate
      - Certificate of the last salary
      - ID or Individual civil status record
   3. **In case of marriage:**
      - Work certificate issued from the registration department

---
\(^8\) These countries are currently: France, Belgium, Italy, and Britain
\(^9\) After Medical examination from the Medical Committee
- Salary certificate
- Certificate of the last salary
- Individual civil status record
- Marriage certificate authenticated from the Personal Affairs office

4. **In case of being completely handicapped:**
   - Work certificate issued from the registration department
   - Salary certificate
   - Certificate of the last salary
   - ID or Individual civil status record
   - Medical report issued by a specialized Doctor and showing the rate of handicap and the date of its occurrence

5. **In case of death:**
   - Work certificate issued from the registration department
   - Salary certificate
   - Certificate of the last salary
   - Family civil status record for the deceased
   - Civil status record for the parents of the deceased
   - Death certificate authenticated from the Personal Affairs office
   - Custody edict in case of the existence of kids under 18

6. **In case of resignation:**
   - Work certificate issued from the registration department
   - Salary certificate
   - Certificate of the last salary
   - ID or individual civil status record
   - A document that proves that the insured is self-employed or expatriate

**d. Rules for Calculating the End of Service Indemnity (EOSI):**

1. The EOSI is specified based on one salary for each year served at the last establishment in addition to the total of all the contributions and their interests collected from the previous establishments.
2. The average of the last salary received during the month preceding the date of
initiation of the right to the remuneration, is the basis for the calculation of the
EOSI.
3. The last monthly salary encompasses the basic salary with its basic element and
all additions (overtime, bonuses, benefits...)
4. If the salary is commission based, then the last salary is calculated according to
1/12 of the total amounts that the employee received during the past 12 months
that precedes the date of liquidity.

e. The Total Amount of the EOSI:
1. In case of reaching the retirement age, the insured gets a remuneration that is
equivalent to one-month salary for all the years of service. If the period exceeds
20 years, the insured gets an additional compensation equivalent to half month
salary for each year in service following the first 20 years, on condition that he
never liquidated his/her EOSI before.
2. In case of completing 20 years of service: The insured gets a remuneration that is
equivalent to one-month salary for each year in service.
3. In case of marriage (women only): If the insured leaves her job during the
twelve months succeeding her marriage, she gets a full remuneration that is
equivalent to one-month salary for each year in service.
4. In case of being handicapped: The insured gets a remuneration that is equivalent
to one-month salary for each year in service and that is not less than 20 months
salary on condition that he/she never liquidated his EOSI before.
5. In case of death: The legally entitled heirs of the insured get a remuneration
equivalent to one month for each year in service that is not less than 6 months
salary, no matter the period spent in service and on condition that he/she never
liquidated his EOSI before.
6. In case of resignation: The insured gets a discounted remuneration that is
equivalent to one month for each year in service according to the following rates
and conditions:
   i. 50% of the compensation if the years of service are at most 5 years
ii. 65% of the compensation if the years of service are at most 10 years
iii. 75% of the compensation if the years of service are at most 10 years
iv. 85% of the compensation if the years of service are less than 20 years

F.4. Optional Social security Fund (OSF)

a. Who is eligible for subscribing to the OSF?
   1. Those who are self-employed and / or who work for their direct relatives
   2. People who were subscribers in the Maternity and Sickness fund but no longer are eligible for the obligatory subscription in this fund
   3. Those who are self-employed other than farmers and employees
   4. Employers who employ registered subscribers

b. Common Required documents for all the above mentioned categories:
   1. A photocopy of the ID or individual civil status record for the single subscriber
   2. A family civil status record for the married subscriber (issued since no longer than 3 months)
   3. A certification proving that the wife is unemployed
   4. School attestation for the kids between 18 and 25 years old
   5. An handicap card for the handicapped kids
   6. Accommodation certificate from the Mayor or a photocopy of the rental contract or ownership certificate
   7. A written testimony signed by the optional subscriber proving evidence that he does not benefit from any similar services in the Maternity and sickness fund, COOP or any other from of security system

c. Beneficiaries:
   Besides the optional subscriber himself, all his/her family and dependents benefit from the services as well.

d. Services:
   In case of sickness, the NSSF services include:
   1. Medical examinations, laboratory examinations and X-rays
   2. Medical consultations
3. Drugs and other medical instruments that are permitted and listed by NSSF
4. Hospitalization in the acceptable hospitals endorsed by NSSF
5. Protease and orthopedic equipments listed and endorsed by NSSF

In case of Pregnancy/Delivery, the NSSF services include:
1. Tests during, before and after delivery
2. Hospitalization in the acceptable hospitals endorsed by NSSF

e. Fees:
1. 90,000 LBP paid monthly per subscriber classified in categories a.1, a.2, and a.3 above.
2. 135,000 LBP paid monthly per subscriber classified in category a.4 above.
3. The contribution fees are due quarterly, and in case of default, late fees of 0.5 per thousand on every late day starting the following quarter.

Q. NSSF: Contributions\(^{10}\)

By law, each employer needs to register all staff members in NSSF. Before April 2001, the total contributions paid by both employer and employee on behalf of employee to NSSF equaled 38.5% of the declared salary of the employee. Starting April 1, 2001, the contributions paid by employers was lowered from 36.5% to 21.5% [7] in hope of enticing employers to 1) register all their staff members with NSSF, and 2) help declare the exact salaries that each employee is making. The 23.5% in contributions is segmented among employers and employees as follows:

**Employer Contributions (21.5%) [7]:**

- 8.5% of total salary to the End of Service Indemnity Fund
- 6% of total salary with a ceiling of 1,500,000 LBP per year to the Family & Education Fund
- 7% of the total salary with a ceiling of 1,500,000 LBP per year to the Maternity & Sickness Fund

\(^{10}\) The contributions referred to in Section G of Chapter II exclude the Optional Social Security Fund contributions.
Working Employee Contributions (2%) [7]:
- 2% of the total salary with a ceiling of 1,500,000 LBP per year to the Maternity & Sickness Fund.

Lebanese Government Contributions: [7]
- 25% of the total amount of subscription fees collected by the Maternity & Sickness Fund.

R. NSSF Compliance
The law requires all companies to contribute to NSSF. Small companies with fewer than 10 employees have to submit their report quarterly. Larger enterprises must submit their reports monthly. Fines for infringement of these rules range from 100,000 LBP to 1.5 million LBP for each offense, depending on the circumstances of the case. Subsequent offenses are fined double the original amount of the fine [8]. However, with a team of only 83 active inspectors to cover the entire country, the chances of getting caught are slim!

The percentage of the workforce covered by NSSF contributions is also low. Statistics from NSSF [7] indicate that only 46,817 companies (5,442 companies with more than 10 employees, 41,260 with less than 10 employees) and government institutions (115) have registered with NSSF, with 495,666 employees (including university students) enrolled for health and maternity coverage. There are an estimated 160,000 functional institutions employing 1.3 million workers, i.e., more than 62% of all employees in Lebanon are not registered with NSSF and do not benefit from a social safety net. The vast majority of the 62% cannot afford the burden of both medical and hospitalization bills. This burden is, most of the time, carried by the Ministry of Health\textsuperscript{11} who, as a result of such burdens, has become a significant drain on the Lebanese Government’s budget.

\textsuperscript{11} The Ministry of Health covers 85% of the hospitalization bill for patients not covered by the NSSF or by any other health institution or insurance program. It also participates in the coverage of some chronic medicine for the elderly on an out-patient basis.
To help the 62% of employees with their medical welfare, the Optional Social Security Fund was launched in March 2003[7,9,10]. See Above.

S. **NSSF: Fund Investment Rules and Income Distribution**

With respect to the management of the Fund’s assets, the Council of Ministers appoints a financial committee upon the recommendation of the Minister of Labor and Social Affairs. The financial committee decides upon the proper composition of the investment portfolio, between short, medium, and long term investments. The financial committee should be able to provide a return on investment above the minimum required by the Fund’s regulations. Furthermore, the investment universe of the Fund’s assets is limited to the following instruments [8]:

- Government securities
- Loans granted to public organizations, secured by the government
- Loans granted to provide housing units to contributors of the fund
- Real estate

As of December 31, 2003, the financial investments in treasury bills (TBs) and saving accounts in Banks for the three funds in addition to the optional fund reached 2,725 Billion LBP (1,769 Billion LBP in TBs and 955,469 Billion LBP in Bank Accounts) as of 31/12/2003 [7].

As of December 31, 2004, the balance of NSSF funds reserves were [7]:

- Family & Education Fund: 0 - ZERO
- Maternity & Sickness Fund: 0 - ZERO
- Optional Social Security Fund: 0 – ZERO
- End of Service Indemnity Fund: ~3.3 Trillion Lebanese Pounds (*Estimated*)

T. **NSSF: Information & Communication Technology (ICT)**

The Master ICT Plan of NSSF was initiated in 2001[9]. The Five-Year Enterprise Plan consisted of two phases and was in collaboration with a French company called CESIA (with the help of Addicti). And now in 2005, NSSF expects to accomplish the Master
Plan in less than one year, and for all major NSSF processes to become fully automated [9].

Moreover, NSSF's dealings with other state institutions and ministries will also become computerized. The NSSF Dawra branch was part of the Pilot Project. It was the first branch where computers were installed. By the end of the project, 16 centers will be fully integrated.

The ICT project is lead internally by a committee of experts who come from different backgrounds such as the Army, the Central Bank and the Lebanese University. This current plan will help stop the squandering of public funds and rein in expenditures, and, most of all, ease the steps required by NSSF subscribers whenever they are executing internal procedures with the fund. Furthermore, the fully ICT integrated NSSF will allow its administration to monitor medical expenditures spent on subscribers and other bills, and facilitate both internal and external work processes.

The total ICT staff at NSSF numbers 20, including 4 project managers, 12 software developers, 3 system operators, and 1 system administrator [7]. Per Mouhafaza (Governorate), there are 2 ICT operators including one system administrator and one computer & network maintenance engineer [7]. Currently, the ICT infrastructure is supported by 350 personal computers, 25 computer servers, and a dual-processor IBM S390 mainframe. More than $2 million have been expanded on NSSF's network, systems, and hardware infrastructure since 1998, however the main investment in terms of time and money has been, and will be, on system integration, process reengineering, customization, consulting and training [7].
CHAPTER III: PROBLEMS FACING NSSF

NSSF is a government entity, publicly managed, highly politicized in terms of legislation, hiring, board members, and managerial decisions, and serves both public and private welfare including healthcare, family assistance, and retirement benefits. Such benefits touch the society at its core, and any decision could have ripple effects across all economic sectors and, could, if not carefully planned, affect the wellbeing of the fund itself.

As of May 2005, what follows is a list of the major problems facing NSSF:

E. NSSF Income

NSSF draws its income from the following sources [8]:

- Businesses
- The Insured
- Government Contribution
- Returns on Invested Money
- Exceptional Government Grants
- Other Incomes (grants, gifts, interest, penalties)

**Problem 1 - Income from Businesses:** Currently, only 46,817 (~29%) out of 160,000 operating businesses in Lebanon are registered with NSSF and supposedly pay their dues according to a fund-set schedule (see Subsections I.D and I.E)) [7]. However, by law, all Lebanese businesses should register with NSSF all their staff, declare their salary, and pay accordingly their contributions to all three funds, Sickness & Maternity Care, Family Allowance, and End of Service Indemnity [8].

**Problem 2 - Income from Citizens:** Only 495,666 (38%) out of 1,300,000 working citizens in Lebanon are registered with NSSF and benefit from its services [7]. As such, the non-registered citizens tax the Lebanese Government either through the Ministry of Health and its healthcare services & financial assistance, or by defrauding NSSF through
the cracks of the healthcare network in Lebanon. In addition, depending on the age
distribution of the non-registered, the lower the age group, the better it is for the financial
health of the Fund, as the young do not tap the Fund as much as married, older, or retired
NSSF subscribers.

Problem 3 - Income from Invested Capital and Lebanon Risk: With both Lebanese
Pound and Dollar interest rates at their lowest levels in years between 2002 and 2004, and
almost all world financial markets stagnant during that period, the long-term investment
strategies of NSSF have suffered and will be suffering a significant drop in the net return.

Furthermore, with a large percentage of the End of Service Indemnity fund invested in
Lebanese Treasury Bills [7], and the Lebanese Government debt exceeding $40 Billion in
2005, there is an inherent risk in holding such investment instruments denominated in
Lebanese Pounds. A similar implosion like the one in Argentina a few years back could
hurt the welfare of several thousand retired or retiring Lebanese citizens with a
devaluation of their retirement income in an economy where all consumer goods and
services are pegged to the US Dollar.

Problem 4 – NSSF Rates: The rates NSSF subscribers have to pay affect directly the
income NSSF can generate, and, consequently, its operational net income. In 2001, NSSF
lowered the rates from 38.5% to 23.5%\(^{12}\) [7] (Problem 4.1), i.e., a 39% reduction in rates
charged to the relatively low number of actual subscribers versus the overall pool of
potential total subscribers! Per Maurice Abou Nader [11], President of NSSF, the
decreases in rates were instituted to:

a. Encourage the non-subscribing establishments to come forth, and register their
staff members with NSSF and pay their corresponding dues.

b. Encourage the current subscribing establishments to declare their total,
accurate number of staff members, register them with NSSF, and pay their full
and lowered dues.

\(^{12}\) Sickness & Maternity Care Rates were lowered from 15% down to 9% (including the 2% contribution
per subscriber), and Family Allowance Rates from 15% down to 6%, while the rate for End of Service
Indemnity (8.5%) remained the same.
c. Encourage non-subscribing free lancers to register with NSSF and benefit from its services.

d. Encourage current subscribers to invest the excess cash available from the decrease in rates in their businesses, the training of their staff, and, consequently, provide a positive push to the Lebanese economy as a whole.

However, what happened is the following:

a. After the rate decrease in 2001, the deficit increased on a yearly basis, and all cash reserves in both Sickness & Maternity Care and Family Allowance funds have been depleted. From 2001 until the end of 2005, NSSF projected that both Sickness & Maternity Care and Family Allowance funds will have accumulated a deficit of 900 Billion Lebanese Pounds [2,4,7] (Problem 4.2), which already depleted their cash reserves (Problem 4.3), and is starting to drain the End of Service Indemnity fund of its reserves. Until the end of 2004, more than 150 Billion Lebanese Pounds have been borrowed from the End of Service Indemnity Fund to cover the deficit of other NSSF funds (Problem 4.4) [7]. The value of the deficit as a percentage of the total subscriptions of the two funds is 9% for the Sickness & Maternity Care Fund, and 6% for the Family Allowance Fund.

b. NSSF launched the Optional Social Security Fund in 2003, and this fund had a deficit of more than 2 Billion Lebanese Pounds at the end of February, 2004 [7] (Problem 4.5) due to its low subscription rates compared to the benefits that its subscribers are getting.

NOTE: The expenses of NSSF further exacerbated the deficit and will be listed below.

**Problem 5 – NSSF Market Debt (Accounts Receivable):** The debt owed to NSSF is primarily concentrated with the Lebanese Government (70% of total). Per Radio Mount Lebanon’s interview with NSSF General Director Mohammad Karakeh, in April 2005, the debt owed to NSSF was approximately as follows:
a. Lebanese Government Debt: 800 Billion Lebanese Pounds
b. Lebanese Government Institutions Debt: 600 Billion Lebanese Pounds
c. Lebanese Private Sector Debt: 600 Billion Lebanese Pounds.\textsuperscript{13}

With 2 Trillion Lebanese Pounds in uncollected debt, NSSF has been operating on the assumption that the Government will be paying the debt it owes NSSF and its current annual dues according to the law passed on November 9, 2004. However, until the end of 2004, the Lebanese Government paid only 90 Billion Lebanese Pounds of both its debt and annual dues, and the problems are mounting [7]. President Maurice Abou Nader threatened stopping the benefits of all Government staff last year if the Government does not honor the commitments made in the 2004 law [11].

F. NSSF Expenses / Payments
NSSF has to cover the following major expenses:

1. Administrative Expenses of the Fund, to name a few: staff salaries & benefits (63\% of total Administrative Expenses [7]), rents, ICT maintenance and upgrades.

2. Subscribers’ Benefits, listed in Subsection II.F. above.

The major expense problems lie in paying subscriber benefits, in particular the Sickness & Maternity Care segment.

**Problem 6 – Cost of Drugs:** Lebanon is operating as a dollar-based economy, with the Lebanese Pound value pegged against the value of the US Dollar. However, over the past 3 years, the Dollar has lost a lot of value against the Euro (1.23 in 2005 vs 0.86 in 2002) and consequently, caused severe price inflation in all drugs imported to Lebanon from Europe. Accordingly, NSSF did not have recourse to alternative drugs or generics, and has been paying the additional value in medical drug costs [7].

\textsuperscript{13} Many public and private institutions are not paying their contributions until the Lebanese Parliament passes an awaited law that allows them to resettle their old payments.
Problem 7 – Cost of Medical Services: With more medical tests being performed requiring sophisticated machines and procedures, the cost of medical services has increased significantly per subscriber, and constitutes currently 20% of the total medical bill per NSSF subscriber (Problem 7.1). Even with NSSF setting a rate per procedure, both doctors and hospitals tend to profit from prescribing and oversubscribing such procedures as they make the patient more confident about the diagnosis, while NSSF is paying the bill. Furthermore, not all patients get pre-approval for such procedures from NSSF [7]. Consequently, this repeated behavior is setting the stage for fraud against NSSF, triggering a chain of events that range from a) NSSF reacting by not paying or delaying subscriber and hospital payments [5] (Problem 7.2) to b) hospitals complaining and claiming non-payment by NSSF of their dues [5] (Problem 7.3), and refusing to treat NSSF subscribers or even admit them (Problem 7.4 – Ex: St. Georges Hospital, March & April 2005).

Problem 8 – NSSF Debt Owed to Hospitals: The Syndicate of Hospitals claimed in 2004 that NSSF and other government institutions which offer their members health coverage owed its members 500 Billion Lebanese Pounds [5], and if the debt remained unpaid, some hospitals were resorting to either a) dismissal of staff, b) not paying staff’s salaries, c) shutting down, or d) not admitting NSSF subscribers. Furthermore, NSSF’s President reported in 2004 that NSSF owed only 200 Billion Lebanese Pounds to hospitals, and has already paid 96 Billion Lebanese Pounds out of this debt to help hospitals shore up their own expenses [7]. Furthermore, the remaining portion of the debt is not being paid because some hospitals:

- Submit incomplete applications
- Do not have a statement from the Lebanese Ministry of Finance clearing them from liability
- Are issuing inaccurate prescriptions which fail to abide by NSSF’s designated list of medications
- Admit patients for surgeries without pre-approval by NSSF when required.

All the above is creating a vicious cycle that is making it very difficult for NSSF and hospitals to cooperate in order to provide the best service for the Lebanese citizen.
Problem 9 – Pre-Approval\textsuperscript{14} of Hospitalization Procedures: The number of hospitalization procedures has been increasing at the rate of 7% per year, with each hospitalization costing, on average, 1 Million Lebanese Pounds. However, more than 57% of all hospitalization procedures are performed without getting the required pre-approval of NSSF, further exacerbating the payment by NSSF of hospital owed expenses [7].

Problem 10 – Approved Price Lists: NSSF has developed a set of approved prices that hospitals, doctors, and pharmacists should charge NSSF subscribers for their services and drugs [2,7]. However, many are not abiding by NSSF guidelines and are overcharging NSSF for fixed-cost procedures / visits / medications. NSSF is resorting to debiting those institutions’ or doctors’ accounts with the difference, and threatening to stop their membership with NSSF as an authorized healthcare provider [7]. All such occurrences are exerting more short-term pressure on NSSF to find the funds to pay for such differences.

Problem 11 – End of Service Indemnity Payments: With severe deficits in 3 out of 4 operating NSSF funds, and all 3 funds resorting to borrowing from the End of Service Indemnity Fund to shore up their working capital [4,7], many NSSF subscribers are withdrawing their ESOI payments as soon as they qualify, fearing that the EOSI Fund will too become insolvent. This trend, if it continues, could deplete the EOSI Fund from a good portion of its reserves, and hence affect the interest income of NSSF as a whole. (At the end of 2004, the EOSI Fund had approximately 3.3 Trillion Lebanese Pounds in its reserves [7].)

G. NSSF Administration

Problem 12 – Adequate Staffing: NSSF employs 1,600 staff members, whose average age is 48 (Problem 12.1) [7]. Currently, more than 1.5 million citizens benefit from NSSF services, i.e., more than 900 benefactors are served by 1 staff member (Problem

\textsuperscript{14} By law, a pre-approval for a doctor’s visit is required by NSSF, however, more than 75% of NSSF subscribers do not undertake this procedure.
12.2) which is equivalent to a significant waste in time to get a claim serviced at most NSSF centers in Lebanon. To compound the staffing problem, NSSF cannot recruit any staff member without the prior approval of both the Ministry of Labor and the National Council of Public Service (Problem 12.3). If any staff member retires, quits, or dies, NSSF is having to fill the vacated position with current staff members who are already overloaded. In addition, the recruitment process itself is subjected to severe political and religious scrutiny that further a) delays the process and b) increases the inefficiency of NSSF (Problem 12.4).

**Problem 13 – Adequate Inspectors:** Currently, NSSF employs 200 inspectors, out of which 83 are active, to cover the whole country, including 46,817 NSSF registered institutions out of a total of 160,000 operating in Lebanon [7]. If the inspectors are to handle current subscribers only, this is equivalent to approximately one active inspector per 564 institutions (Problem 13.1). If the inspectors are to handle the whole pool of potential subscribers in Lebanon, this is equivalent to one inspector per 1,927 institutions (Problem 13.2). In 2003, the number of inspections conducted was, on average, 63 per year per inspector, i.e., more than 85% less than the total number of institutions that each inspector ought to handle per year. Effectively, at the current rate of ~6 inspections per month, a minimum of 600 active inspectors is required to cover the current subscribing institutions per year! Such inadequacy in inspector staffing is exacerbating the income problems of NSSF, and creating a sense among subscribers that a few (29.3%) are carrying the whole and indirectly inciting them not to pay their current and past dues to NSSF (Problem 13.3). And, 1) with inspectors needing to report their inspection results on time, and 2) with companies wanting to pass their inspections quickly and safely, and 3) with the lack of inspectors to perform a thorough job of what needs to be inspected, and 4) with no rotation taking place of NSSF inspectors per region, these givens are creating a fertile terrain for inspectors and institutions to become party to fraud, whereby the inspector gets bribed to conceal the current state of the institution being inspected, and indirectly, reduces the potential income NSSF could generate in the long run (Problem 13.4). And with more than 220,000 hospitalizations taking place per year [5,7], and each requiring a medical doctor to inspect it on behalf of NSSF to check who the patient is and approve the necessary paper work, this in itself requires a whole
infrastructure of medical inspectors to keep the flow of medical services running (Problem 13.5)…!

**Problem 14 – Adequate Information & Communication Technology:** $5 million out of a $20 million Kuwaiti loan were allocated to NSSF in 1998 to revamp its ICT infrastructure, and integrate information systems that will render NSSF operations more efficient, controllable, traceable, fully integrated, and web-enabled [1]. To date, NSSF’s President claims that only $2 million out of the $5 million loan have been spent [7,9], and to date, after 7 years of getting the financing, the project is not yet finished!

**Problem 15– Board of Directors:** The fund’s BOD is composed of 28 members who are elected for a four-year renewable term [7,8]. Getting such a large number of members – 28 (100%), 15 (> 50%), or 19 (> 66%) – to meet is very difficult (Problem 15.1), especially when the BOD members represent highly politicized members, including 20 members (> 70%) who represent both employer syndicates and employee unions (Problem 15.2). Effectively, if the members representing employers refrain from attending, certain BOD decisions requiring more than 66% of the total members’ vote will never pass!

**H. Fraud, Improper Acts, or Something Like It... (Problem 16)**

What follows is a list of quasi-fraudulent and/or improper acts committed by both NSSF benefactors and management:

- ✓ The Committee of the NSSF BOD discussed the inspection of the Lebanese University and noted the existence of receipts from some campuses that show a significant discrepancy in the amounts owed to NSSF versus the amount declared paid by the University. A plan was issued by an emergency committee formed upon the BOD decision to settle such a discrepancy as stated in Decree #7 [13].

- ✓ A report from the technical committee showed that many NSSF doctors were improperly over-billing NSSF subscribers. The technical committee asked all doctors who over-charged their patients to return all the over-charged amounts and warned them of canceling their contracts with NSSF and even preventing
them from their right to benefit from the NSSF medical services in case such discrepancies should continue. The committee asked as well all NSSF subscribers to file a complaint should they witness such occurrences. (641 cases of over charging were caught [13].)

✓ **The improper handling of the Kuwaity Loan to Automate NSSF [12]:** The appointed person from NSSF – Ratib Saliba - complained that he did not receive all the needed documents concerning the Kuwait loan. He criticized the unclear planning and execution of the ICT project that this loan was assigned for. He further noted that NSSF management did not reply to several letters issued from the technical committee asking for detailed information about this loan and asking as well for all the documentation needed for its execution. Furthermore, Saliba mentioned that, even though NSSF management stated that only 2 million USD of the 5 million USD Kuwaity loan were spent to date, the reports that he got from both NSSF auditors and a Lebanese ICT company (QUANTECH) show that the actual ICT expenses are far less than 2 million USD! [13]

✓ The technical committee reveals fraud and exploitation in the medical equipments and their corresponding medical bills inside NSSF [13]:

  - Fraud in many medical transactions that use medical instruments is estimated to be between 19 and 24 Billion LBP
  - The technical committee presented to the BOD two reports about the results of fraudulent invoices to denote the price of these medical instruments and their illegal abuse

**NOTE:** *Lack of supervision on the part of NSSF is responsible to impede all these illegal and fraud operations*

✓ **The involvement of some high-ranking officials in the hiring process in NSSF:** Sixty assistant accountants announced an open-ended hunger strike near the (NSSF) headquarters in an attempt to recover their positions at NSSF after they were asked to resign without proper explanation as to why [15].
✓ Cancellation of NSSF qualification exam results by the BOD of NSSF due to a dispute over the sectarian distribution of those who passed the examination [15].
Chapter IV: STRATEGIC RECOMMENDATIONS FOR A SECURE FUTURE

NSSF is a government institution, and all decisions related to it, especially in this highly politicized and critical climate in Lebanon, will go under intense scrutiny by all stakeholders. Previous Minister of Finance, Dr. Elias Saba, called NSSF "A Well with a Seeping Hole"... Hence, to preserve the scientific integrity of this thesis, strategic recommendations will be proposed that have a dose of realism and thought independence, while knowing full well, that some recommendations might take several years for NSSF to implement them. The strategic recommendations will be prioritized, and further simulation analyses and investigations will be performed to identify the extent to which each recommendation could be implemented.

Three out of four NSSF funds are effectively running a deficit [7], and borrowing their needed capital from the End of Service Indemnity Fund (EOSIF). Until the end of 2004, more than 150 Billion Lebanese Pounds were borrowed from the EOSIF to cover the deficits in Maternity & Sickness, Family Allowance, and Optional Social Security funds [7]. Unfortunately, the deficits do not seem to be abating.

After performing a thorough assessment of NSSF, and identified the core problems facing its funds and threatening its continuity, the strategic recommendations to follow will adopt the private enterprise approach to solving a public entity’s problems. As such, it is not suggested to privatize NSSF, however, it should be emphasized that managing NSSF and solving its current dilemmas as if it were a privately managed institution is the common thread of the recommendations to follow.

With this perspective in mind, what follows is a list of the recommendations:

Recommendation 1 – Empower the Board of Directors (BOD) with Key NSSF Stakeholders: The impetus behind the new BOD structure is to take away from any future Boards either political or structural outs for management failures at NSSF. Furthermore, every BOD member should be a key stakeholder in NSSF, as "the
stakeholder” is directly affected by the operational health of NSSF. Hence, we recommend the new BOD structure to include **(Recommendation 1.1):**

**5 Government Seats:**
- Director General of the Lebanese Ministry of Labor
- Director General of the Lebanese Ministry of Finance
- Director General of the Lebanese Ministry of Health
- One Vice-Governor of the Lebanese Central Bank
- NSSF President or General Director (Depending on Individual/Position)

**2 Service Sector Seats:**
- One Delegate from the Lebanese Bankers Association
- One Delegate from the Lebanese Auditors Association

**4 Labor Seats:**
- Three Delegates from the Lebanese Labor Union
- One Delegate from the Lebanese Agricultural Sector

**2 Employer Seats:**
- One Delegate from the Lebanese Industrialists Association
- One Delegate from the Lebanese Chamber of Commerce & Industry

**3 Health Care Providers Seats:**
- One Delegate from the Lebanese Doctors Association
- One Delegate from the Lebanese Pharmacists Association
- One Delegate from the Lebanese Hospitals Association

The 16-member board should be nominated/assigned every 2 years. Only labor and employer seats could rotate among their different associations/syndicates **(Recommendation 1.2).** Please note that further decision making simulations need to be performed to finalize the ultimate number of seats per board constituent, however, 16 is more manageable than 28, and each member shares in the well-being of NSSF.
It is further recommended that this BOD set up the following committees to handle specific issues and make recommendations as to what is/are the best alternative/s for the whole BOD to consider (Recommendation 1.3):

- **NSSF Rates Committee**: Recommends rate structures that NSSF and each fund should charge its subscribers, and link those rates to inflation, economic growth, and minimum wage
- **NSSF Debt Committee**: Recommends debt handling & structuring mechanisms for NSSF, Government, and Enterprises, and when a debt ceiling could be passed
- **NSSF Benefits Committee**: Recommends the types of benefits NSSF should offer its subscribers, today and in the future, and try to benchmark the quality of service NSSF offers with other social security providers in the Middle East
- **NSSF Investments Committee**: Recommends structures, mechanisms, and channels where to invest the NSSF capital
- **NSSF Management & Compensation Committee**: Recommends management structural changes at NSSF, and sets the corresponding pay scales per department
- **NSSF Grievance Committee**: Recommends the handling of internal grievances filed against NSSF
- **NSSF Audit Committee**: Recommends audit processes and procedures for the internal audit department to follow, and, on special request by the President, reviews the Internal Audit report of NSSF
- **NSSF Committee per Fund**: Recommends the budget per fund, and alerts the BOD to any discrepancy with the fund's management and collections:
  - Maternity & Sickness Fund Committee
  - NSSF Family Allowance Fund Committee
  - NSSF End of Service Indemnity Fund Committee
  - NSSF Optional Social Security Fund Committee

**Recommendation 1.4**: 1) More committees will be recommended, as the need arises, 2) a committee will meet only when two Government Members of the BOD send it a request to study an issue related to its mandate, 3) the number of members per committee
should be at least 3, 4) each Board member can participate in 3 committees at most, and 5) members of each committee should be elected by the BOD and approved by both President and Director General of the Ministry of Labor.

**Recommendation 1.5:** The BOD can appoint or dismiss the General Director of NSSF with a majority 9-member vote.

**Recommendation 1.6:** 1) The NSSF Technical committee should retain its current structure (see above in Chapter II), and 2) the Committee of the Office of the Board should include the President, Vice President, and 3 members elected by the BOD.

**Recommendation 1.7:** The new BOD needs to develop a decision-making matrix, with the number of votes required per decision (majority, 2/3 majority, full consensus).

**Recommendation 2 – NSSF Support & Confidence Building Campaign:** The main objective behind a Support & Confidence Building Campaign is to improve the perception of NSSF in the eyes of current subscribers, in particular, so that they continue on paying NSSF their dues, and eliminate the perceived fear of NSSF going bankrupt. In order to build such confidence, what follows are the recommended steps:

- **Recommendation 2.1 – The Lebanese Government Should Issue 20-Year Lebanese Pound Denominated Treasury Bills in lieu of its 1.4 Trillion Lebanese Pounds Debt to NSSF.** Such Treasury Bills will carry a market competitive yield, and NSSF could keep them and earn their interest as income, or sell them in the market and invest the cash as it sees fit. Such a move will immediately solve the perception of “if the Government is not paying, why should I pay?” and help the NSSF income by more than 100 Billion Lebanese Pounds in interest per year. (The Lebanese Government and NSSF had agreed in 2004 to schedule the debt payments over a 20-year period, with a minimum payment of 140 Billion Lebanese Pounds paid per year to NSSF in order to cover current annual expenses of the Government and portions of its debt to NSSF. However, the Lebanese Government did not honor such an agreement...)

- **Recommendation 2.2 – Prime Minister, Minister of Labor, Central Bank Governor, and NSSF President should hold a press conference to address current**
structure of NSSF, its financial viability, and its main funds, and pledge the government’s full support to help secure the welfare of all Lebanese residents.

- **Recommendation 2.3** – NSSF Should Issue its Creditors 10-Year Lebanese Pound Denominated Bonds in lieu of the 600 Billion Lebanese Pounds that NSSF Owes them. Such bonds will carry a market competitive yield, and the creditors could keep them and earn their interest as income, or sell them in the market. However, NSSF should retain the right to purchase back those bonds anytime before the end of the 10-year period.

If the Lebanese Government refuses to cooperate on the debt owed to NSSF, the following is recommended:

- **Recommendation 2.A** – NSSF should stop honoring all Government contracts and, consequently, stop health, maternity, and family allowance coverage to all 17,331 Government employees registered with NSSF [7], and publicly inform them about such a move. Such a move will enrage all government subscribers, and would incite them to pressure Parliament to pass the necessary laws in order for the Lebanese Government to comply with its obligations to NSSF.

- **Recommendation 2.B** – Same as Recommendation 2.3 above.

- **Recommendation 2.C** – NSSF President and Heads of Syndicates (Manufacturers, Traders, Retailers) should hold a press conference to address current structure of NSSF, its financial viability, and its main funds, and pledge their full support to help secure the welfare of all Lebanese residents.

**Recommendation 3 – Increase NSSF Rates:**

**NOTE:** *In the rate recommendations to follow, the numbers suggested will require further simulations of their impact on NSSF’s income and the economy as a whole, hence, raising the rates is our recommendation, but future work will determine the optimal value of those rates.*

Per the Income Problems delineated in Section III, NSSF currently suffers a deficit in 3 out of 4 funds, mainly due to the backfiring of a 15% reduction in both Maternity &
Sickness (9%) and Family Allowance (6%) rates [7]. The total rate paid to NSSF per subscriber, excluding the Optional Social Security Rates, is 23.5% \(^{15}\) [7]. We recommend that this rate be raised to a minimum value of 30%, effective January 1, 2006 (Recommendation 3.1), whereby companies who are delinquent with their payments will have until January 1, 2006 to cover the money owed to NSSF, otherwise, we recommend their services be stopped (Recommendation 3.2). A minimum rate and a maximum rate should be set, and each company, depending on its size in terms of revenues, number of employees, and industry, will have to pay according to an agreed upon formula (Recommendation 3.3). The maximum rate could be set, for example, at the old rate of 38.5%. We further recommend that all newly registered companies be given access to all NSSF services (except for End of Service Indemnity) for a period of 1 year for free to get them used to the system and its benefits (Recommendation 3.4).

In order to facilitate the rate fixing by NSSF for each company, we recommend that a direct link and alliance between NSSF and the Ministry of Finance (MOF) be established, where MOF would provide NSSF with company data, including Income Tax and Value Added Tax (VAT) filings (Recommendation 3.5). Such data will help bracket all companies, and put in place a safety net to catch those who do not pay or avoid payment altogether (Recommendation 3.6 – More than 71% of operating companies in Lebanon have not registered with NSSF).

Regarding the Optional Social Security Rates, it is obvious that the current rates of 90,000 Lebanese Pounds per month [7] do not cover the expenses of this fund (As of February 2004, the Optional Social Security Fund’s deficit reached more than 2.8 Billion Lebanese Pounds, assuming the Government paid its debt). Furthermore, with more than 57% of subscribers older than 50, and the average hospitalization rate double the average in the Maternity & Sickness fund [7] (2 Million LBP vs. 1 Million LBP), we recommend the rates be scaled according to the age per subscriber (Recommendation 3.7). For example: 45,000 LBP per month for those less than 25 years of age, 90,000 LBP per

\(^{15}\) The total NSSF rate was 38.5% before 2001.
month for those between 25 and 50, 150,000 LBP per month for those between 50 and 65, and 250,000 LBP per month for those above 65.

For all funds concerned: In the future, after analyzing the types of services current subscribers are getting through the system, and after simulating the optimal minimum & maximum rate each institution or subscriber should be paying, we recommend that NSSF set a financial limit on each service per year (Recommendation 3.8). For example: Per year, and for the basic rates they’re paying now, each subscriber will get 750,000 LBP worth of medications, 20 doctor visits @ a fixed rate per visit of 30,000 LBP (600,000 LBP), 750,000 LBP worth of laboratory, X-Ray, MRI, CAT Scan, and other advanced tests, and 5 Million LBP in Second Class hospitalization coverage. Anytime a subscriber goes above any service limit, NSSF will stop covering him/her for that particular service.

However, if a subscriber were to want higher levels of financial and service coverage, the subscriber should be offered the higher coverage for a higher subscription rate (Recommendation 3.9). Accordingly, NSSF should offer Basic and Premium Rates for all subscribers to choose from, where the subscriber’s employer would cover the Basic rates, and he/she would cover the difference should he/she choose the Premium coverage.

NOTE: Setting a coverage limit per service will make the subscriber more aware of his/her account and the amount each medical service provider is charging him/her. As if the limits were exhausted, the subscriber will have to pay for these services from his/her own pocket.

NOTE: A plan for NSSF to provide dental coverage has been proposed and discussed. To date, no such coverage has been neither approved nor adopted.

Recommendation 4 – Install Smart Card Technology in the National Social Security System: Assuming the current ICT initiative at NSSF is implemented by the end of 2005, installing Smart Card systems on top of it will serve as the real time link between NSSF, its subscribers, and its service providers. Such a link will save NSSF time and money to
track and monitor all the activities linked to its centers on an hourly basis. Furthermore, with real time access to data per subscriber or service provider, NSSF will be able to roll out the rate change recommendations detailed above very efficiently (less than 1 year). For instance:

- **Subscriber:** Each NSSF subscriber will get a smart card that includes his/her identification number and picture. All the personal data will become available when the card is inserted in a card reader and the corresponding service provider is authorized to view them (**Recommendation 4.1**). Personal data include name, age, marital status, dependents registered with NSSF and their age, name of institution he/she belongs to (if non Optional subscriber), current coverage (Basic or Premium), services covered and current balances remaining, latest hospitalization/doctor visit/pharmacy purchase, blood type, known drug allergies, and chronic illnesses, to name a few. The smart card should be provided to subscribers in all NSSF centers across Lebanon, and the card should become inactive when it is either damaged, reported lost, or when the Optional subscriber or the institution where the subscriber works did not pay the required NSSF dues (**Recommendation 4.2**). Stopping non-covered services will save NSSF a lot of wasted money and time to follow up on non-paid subscriptions.

- **Medical Doctor:** Each registered medical doctor with NSSF will get a) his/her own smart card reflecting his/her account as a member of the NSSF network of doctors, and b) a smart card reader, linked directly to NSSF with a dialup connection just like credit card readers available in retail outlets. Whenever a patient walks in, his/her smart card is scanned by the reader to check whether the subscriber’s account is active, and/or whether there is any balance left in the account for doctor’s visits (**Recommendation 4.3**). Furthermore, the card will not work due to either subscriber related issues listed above, or doctor having been dismissed from the NSSF network of doctors – All steps to stop any potential for fraud or unsubstantiated claims (**Recommendation 4.3**). While linked to NSSF with the card reader, the doctor will charge NSSF with a doctor’s visit and,
accordingly, NSSF will debit the subscriber’s account by one doctor visit, and credit the doctor’s account with the corresponding agreed to charge per visit – If card and reader are OK, no money will exchange hands between subscriber and doctor (**Recommendation 4.4**). Furthermore, the doctor will be able to check how much he/she is owed by NSSF by just inserting his/her own smart card in the reader (**Recommendation 4.5**). Last, but not least, the doctor will issue a prescription to the patient, and tag the prescription with his/her own NSSF stamp and ID number – important data for the pharmacist who will fill the prescription – see below (**Recommendation 4.6**).

- **Pharmacist:** Each registered **pharmacist/pharmacy** with NSSF will get a) his/her own smart card reflecting his/her account as a member of the NSSF network of pharmacies, and b) a smart card reader, linked directly to NSSF with a dialup connection. Whenever a subscriber walks in, his/her smart card is scanned by the reader to check whether the subscriber’s account is active, and/or whether there is any balance left in the account for medications (**Recommendation 4.7**). Furthermore, the card will not work due to either subscriber related issues listed above, or pharmacist having been dismissed from the NSSF network of pharmacists – All steps to stop any potential for fraud or unsubstantiated claims (**Recommendation 4.8**). While linked to NSSF with the card reader, the pharmacist will need to enter the prescription number and the corresponding doctor’s identification number on the prescription paper in order to authenticate that this medication is for an illness that a NSSF doctor is aware of (**Recommendation 4.9**). Furthermore, the pharmacist will charge NSSF with the prescribed medication’s cost according to an agreed to schedule of drug costs between pharmacists and NSSF. Accordingly, NSSF will debit the subscriber’s account by the cost of drugs, and credit the pharmacist’s account with the corresponding agreed to drugs cost – If card and reader are OK, no money will exchange hands between subscriber and pharmacist (**Recommendation 4.10**). Furthermore, the pharmacist will be able to check how much he/she is owed by
NSSF by just inserting his/her own smart card in the reader (Recommendation 4.11).

- **Hospital**: Each registered hospital with NSSF will get a) its own smart card reflecting its account as a member of the NSSF network of hospitals, and b) a smart card reader, linked directly to NSSF with a dialup connection. Whenever a subscriber walks in, his/her smart card is scanned by the reader to check whether the subscriber’s account is active, and/or whether there is any balance left in the account for hospital procedures (Recommendation 4.12). Furthermore, the card will not work due to either subscriber related issues listed above, or hospital having been dismissed from the NSSF network of hospitals – All steps to stop any potential for fraud or unsubstantiated claims (Recommendation 4.13). While linked to NSSF with the card reader, the hospital will need to enter the procedure number and the requesting doctor’s identification number in order to authenticate that this procedure is covered by NSSF and ordered by a NSSF registered doctor. Furthermore, NSSF has doctor inspectors in member hospitals, and such inspectors will use their smart card to authenticate the corresponding procedure requested by the hospital doctor (Recommendation 4.14). Certain procedures might require a 48-hour turnaround for approval by NSSF, and others might require just the approval of the hospital doctor inspector. Hence, we recommend NSSF classify those procedures requiring pre-approval, and inform subscribers about them (Recommendation 4.15). Once the procedure is performed, the hospital will charge NSSF with the prescribed procedure’s cost according to an agreed to schedule of drug, materials, room service, and doctor’s costs between hospital and NSSF. Accordingly, NSSF will debit the subscriber’s account by the total procedure costs, and credit the hospital’s account with the corresponding agreed to procedure costs – If card and reader are OK, no money will exchange hands between subscriber and hospital (Recommendation 4.16). Furthermore, the hospital will be able to check how much it is owed by NSSF by just inserting its own smart card in the reader (Recommendation 4.17).
NOTE: With the above system, pharmacist, doctor, and hospital will have to adhere to a pricing schedule set by NSSF and agreed to by all healthcare providers. This schedule will be updated in real time by NSSF through the smart card links available countrywide, and reflected in the amount NSSF will pay to those providers, taking into consideration any Lebanese Pound devaluation against both Dollar and Euro, or any other currency. Such efficiency in execution will eliminate any potential for fraud between subscriber and healthcare provider, and eliminate the waiting lines at NSSF. In order to expedite payment by both subscriber and NSSF, we recommend that subscribers/employers automate via inter-banking alliances the transfer of NSSF dues (Recommendation 4.18), and, correspondingly, NSSF will obtain from healthcare providers bank account information in order to transfer their fees automatically on a monthly basis (Recommendation 4.19).

NOTE: As a result of automation, we recommend that a process reengineering take place across NSSF and its functions (Recommendation 4.20). Accordingly, staff a) training, b) re-allocation, c) hiring, d) early retirement dismissal, and/or e) dismissal need to take place across NSSF to reflect the new technology integrated way of performing the work needed (Recommendation 4.21). We further recommend that an adequate ICT and Re-engineering team be developed at NSSF to handle the new infrastructure and the change that will accompany it (Recommendation 4.22), as the majority of the current ICT team at NSSF works on a contractual basis, and their sense of ownership is temporary. However, we recommend holding off on hiring new staff in other areas of NSSF (inspectors in particular) until the process re-engineering is done, and the freed resources are evaluated for potential re-positioning in NSSF (Recommendation 4.23).

NOTE: As a result of automation, there is no need for delays in payments anymore. We recommend that the accounts of delinquent subscribers/institutions be stopped automatically, so that they will not be able to obtain any services from the smart card integrated system until they clear their charges with NSSF (Recommendation 4.24).
NOTE: Fraud associated with overcharging patients (indirectly NSSF) for certain drugs, doctor visits, or hospital procedures is almost eliminated since all such payments will be linked to an automated approval/accounting system at NSSF.

NOTE: Cost/benefit analyses for Recommendation 3 will be part of future work on this topic. Analyses will include: a) smart card system integration and installation costs, b) value of time savings as a result of the elimination of clearing papers at NSSF centers and at employers' Human Resource offices, c) measuring the efficiency of servicing both subscribers and healthcare providers, and d) determining the extra-income NSSF will generate as a result of such efficiencies and accurate billing.

Recommendation 5 – Engage the Subscriber as a Stakeholder in NSSF: By its mandate, NSSF should serve all working citizens in Lebanon, and their dependents. Although less than 40% of the total work force in Lebanon is registered with NSSF, it is our firm belief that NSSF will succeed only if the subscriber is engaged with the destiny of NSSF as one of its main stakeholders. What follows is a list of recommendations that set the terrain within NSSF for such ownership to take place:

- Instead of lumping the End of Service Indemnity cash into one fund, which in turn gets invested in:
  1. Government securities
  2. Loans granted to public organizations, secured by the government
  3. Loans granted to provide housing units to contributors of the fund
  4. Real estate

we recommend NSSF develop a series of investment alternatives with local and international financial institutions, Low, Medium, High, and Zero Risk alternatives, and under each alternative, provide the subscriber with a mixed portfolio of same risk sub-alternatives (Recommendation 5.1). In this case, the subscriber can a) choose the mix of risk he/she wants to take, b) have regular updates on the performance of his/her End of Service or Retirement income, and c) elect to structure his/her
retirement income as either a lumped sum collected at retirement or a monthly payment for life that he/she and his/her family are entitled to (Recommendation 5.2). (Note: With an advanced technology infrastructure in place, NSSF can easily provide the service support that such recommendations necessitate.)

Another form of providing financial engagement to subscribers is to design, per labor group whose membership is 10,000 or more, a special type of End of Service Fund or Pension Fund. Such funds will each have subscribers from a specific labor group only, and such a group will elect its own committee to approve a risk structure of such fund’s investments in conjunction with NSSF’s team. This way, the group is taking its future in its own hands, while helping each member achieve his/her financial goals. In this case, NSSF is playing the role of catalyst and manager of such a fund, in conjunction with the input by the group’s leadership (Recommendation 5.3).

NOTE: NSSF has proposed a retirement & pension plan in February 2004 as an alternative to the End of Service Indemnity. To date, the plan has not been fully discussed in Parliament, nor approved. The issues raised in Recommendations 5.1, 5.2, and 5.3 are complimentary to the proposed plan by NSSF.

• NSSF should develop a web-enabled platform that allows each subscriber to check his/her account online, from the balance of his/her medical services account, to where his/her retirement income is, among other online services (Recommendation 5.4). Furthermore, NSSF should provide institutions/subscribers the ability to pay any dues directly through the web site, by credit card. Such engagement will provide the subscriber with an online list of all his/her transactions with NSSF, without visiting NSSF offices or even calling in for inquiries (Recommendation 5.5).

• NSSF should launch a country wide marketing campaign of its current and new services, achievements, new funds, new developments, new laws, etc. And its own brochures, magazine and web site should reflect the global message NSSF is driving
to its stakeholders. Such a campaign will help diffuse many rumors floating about NSSF, and help NSSF build an informed relationship with employers, subscribers, and Government (Recommendation 5.6).

- To promote a more transparent relationship with subscribers, NSSF should publish, in print and online, its financial reports, on a quarterly basis (Recommendation 5.7). This way, everyone is equally informed about the main benefits provider (NSSF), and the risks associated with such a provider.

- Last, but not least, NSSF should develop a subscriber support team, coupled with phone and web support. Such team will help deal with subscriber requests, clarifications, grievances, and any registration\textsuperscript{16} issue they might need (Recommendation 5.8). In other words, Treat NSSF subscribers as customers. Initiate a "hotline" to respond to the public's complaints. Initiate subscriber surveys, monitor and evaluate their satisfaction with the services provided and increase their empowerment and involvement in the administration of services (Recommendation 5.9). By doing this, responsibility will be shared by both subscriber and NSSF.

\textsuperscript{16} Registration issue handling will be mostly for Optional Social Security Fund subscribers.
CHAPTER V: BENCHMARKING

Comparative Analysis: Case Study (France)

Since its foundation in 1963, the Lebanese National Social Security Fund was based on the French social security system. This chapter aims at briefly assessing the French social security system and seeks to explore, within that system, the possibility of benchmarking applicable services, policies, or reform methods, whether administrative or technological, that can smooth the progress of developing the Lebanese NSSF.

The second aim of this analysis is to propose a simple framework that captures the complexities of welfare, and suggest some configurations within which economic performance and social justice are no longer in contradiction.

Finally, using a prospective approach, the major structural factors that are shaping the future of the French welfare system will be diagnosed, in addition to what lessons could be learned from them.

The French social security system is composed of many different bodies and is complicated to understand in detail. What follows is a broad outline of such a system.

C. Background Information

France has a compulsory social security system that covers: 1) retirement, 2) unemployment, and 3) national health. Contributions to the various schemes are paid by companies, employees, and professionals. French residents are entitled to social security benefits and contribute to French social security. People coming to France as expatriates and are employed and paid by companies in France, will contribute to, and be eligible for, social security in the same way as a French national would. For those who are coming to France on a temporary assignment, the situation is slightly more complicated: they are covered by social security agreements between their country of origin and France. (e.g.
EU countries and US).

The French welfare system appears less state dominated than jointly managed by firms and unions. Moreover, the ideal of “sécurité sociale” is mitigated by the fact that the financing, and in some case the supply, of many components are provided by firms as well. The French social security system is highly complex and composed of over twenty organizations each concerned with collecting or allocating contributions for various welfare programs. These social security contributions support welfare programs such as unemployment benefits, basic health care, state retirement and family benefits, which each French resident is entitled to\(^\text{17}\). Employers may also offer extended health coverage (mutuelle), deducted from the salary. Moreover, certain categories of people (self employed or retired) fall under a different structure. Thus, each category approaches the relevant bodies to assess their situation for contributions or benefits. Each eligible subscriber for social security in France is issued with a registration number and a smart card – the “carte vitale” that lists the members of the family that are also covered. (Details about this smart card will be provided further in this chapter).

D. Different Schemes

The French Social Security system is composed of several statutory schemes:

- A compulsory general scheme
- Special schemes, covering specific classes of non-agricultural workers against all branches
- An autonomous old-age and health insurance covering the non-agricultural self-employed; basic old-age insurance schemes are supplemented by compulsory supplementary pension schemes
- An agricultural scheme, covering the employed and self-employed of the agricultural sector against all risks
- An unemployment insurance scheme, covering all wage earners and managed by representatives of employers and employees

\(^{17}\) See table 4 in the Appendix.
- Supplementary pension schemes (ARRCO and AGIRC) covering, on a compulsory basis, all wage earners affiliated to both general and agricultural schemes.

This Chapter deals only with the general scheme, the unemployment insurance scheme and the supplementary pension schemes.

**B.1. The General Scheme**

The general scheme was introduced in 1945. Initially, it was meant to cover the whole population. However, the creation of a universal coverage was firmly opposed by some categories of wage earners who were already covered by a specific scheme and wanted to keep it, and by self-employed workers who refused to be affiliated to such a scheme.

**Organizational structure**

The general scheme is managed by a network of local, regional and national institutions. These institutions are administered by representatives of employers and employees under the supervision of the French Social Security Ministry.

**Financing**

The general scheme is mainly financed by contributions and taxes deducted from earnings. Contributions are computed based on rates decided at the national level and are borne partly by employers and partly by employees. The contribution rates and earnings ceilings currently in force are shown in Table 5 in the Appendix. Beside contributions, the general scheme is financed by two earmarked withholding taxes: the so-called “Contribution Sociale Généralisée (CSG)” and “Contribution pour le Remboursement de la Dette Sociale (CRDS).”

The CSG is paid on income from employment, substitute income, property income and investment income. The CRDS, which came into effect on the 1st February 1996, is also paid on all income. All persons treated as residents of France for income tax purposes and subject to a French compulsory health insurance scheme are liable to the CSG at the rate
of 7.5% and the CRDS at the rate of 0.5% on their earnings. However, persons subject to a compulsory health insurance scheme who are not treated as residents of France for income tax purposes are liable to employees’ contributions at the rate applicable before January 1, 1998, i.e. at the rate of 5.5%.

Persons in receipt of a retirement pension who are not treated as residents of France for tax purposes, and are subject to a compulsory health insurance scheme, are liable for a tax on their compulsory supplementary pension and voluntary supplementary pension (3.20 % and 4.20 % respectively) but are no longer liable for a tax on their basic pension. A 1% contribution is withheld on compulsory and voluntary supplementary pensions paid to persons treated as residents of France for tax purposes and liable for the CSG at the rate of 6.6 % (reduced rate of 3.8 %).

The foreign employer who has no place of work in France is required to report and pay Social Security taxes and contributions to the only institution in charge of recovering the contributions that is the URSSAF in Strasbourg. For unemployment, the contributions are due to GARP.

Scope and coverage

The compulsory general scheme:

- Covers against all risks of all wage earners of the industrial and trade sectors, with the exception of those covered by a special scheme
- Provides family benefits to the whole resident population
- Provides only sickness and maternity benefits in kind for specific categories of persons on a compulsory basis (e.g. students, in receipt of some benefits). The “CMU”, a Universal Health Insurance Coverage, covers all people residing in France who are not affiliated to a compulsory scheme as insured persons or dependants.

The general scheme is supplemented by an unemployment insurance scheme and compulsory supplementary pension schemes.
In France, all employers hiring an employee are required to make a statement of employment with the relevant institution in charge of recovering social security contributions (URSSAF). The statement enables registration for social security purposes of employees without a Social Security Number as well as registration for unemployment insurance purposes. As for supplementary pension schemes, employees are registered with the scheme to which their employer is belonging, depending on the company's location or field of activity.

B.1.1. Social Insurance

To come under the compulsory general scheme two basic conditions must be satisfied:

- The payment of wages on which contributions are deducted
- A real binding relationship with one or several employers

The existing forms of social insurance include:

- Maternity / sickness insurance
- Disability insurance
- Old-age insurance
- Death insurance

1. Maternity / Sickness Insurance

Maternity / Sickness insurance benefits are provided by local Sickness Insurance Funds (Caisses Primaires d’Assurance Maladie).\(^{18}\)

Entitlement to Maternity / Sickness benefits is dependent upon either the payment of a certain amount of contributions or upon a certain number of hours of work during each reference period\(^{19}\).

\(^{18}\) Recipients of old-age or disability pensions as well as recipients of unemployment benefits or industrial injury pensions for a disability rate of at least 66.66 %, are also entitled to health benefits in kind for themselves and their dependants.

\(^{19}\) Amount of outstanding contributions for 60 times the SMIC (Salaire Minimum Interprofessionnel de Croissance - Index-linked Guaranteed Minimum Wage) or 60 hours of work during the calendar month or for 120 times the SMIC or 120 hours of paid employment within 3 calendar months or for 2030 times the SMIC or 1200 hours during the year before the risk occurred.
Finally regular and permanent French residents who, as insured persons or as dependants, have no right to Maternity / Sickness benefits in kind, are nevertheless entitled to Maternity / Sickness benefits in kind. Depending on their earnings these persons may also have to pay a specific contribution to benefit from the **CMU**.

**Benefits in Kind**

Medical and paramedical expenses as well as medicine, orthopedic appliances and hospital costs are covered by health benefits in kind. The insured person is entitled to these health benefits for himself/herself and his/her dependants if they are not covered themselves by a social security scheme.

**Scope of Coverage**

**Out-patient care**

The insured person chooses freely a general practitioner\(^{20}\), a medical auxiliary or a chemist whom he/she pays directly. When paying, he/she has to show his/her « carte vitale ». This enables health professionals to fill up the electronic forms (« feuilles de soins ») which are sent directly by computer to the local Fund.\(^{21}\) This procedure speeds up the reimbursement process.\(^{22}\)

Today there are three distinct situations for medical practitioners:

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\(^{20}\) As of January 1\(^{st}\) 2005, every patient will have to choose a treating doctor who will refer him to the appropriate doctor or hospital and will coordinate the private medical record. The insured person is usually responsible for the co-payment (ticket modérateur).

\(^{21}\) In addition, under the Health Insurance Reform, everyone is charged a one Euro fee for each medical procedure as from 1 January 2005. This maximum one Euro fee for a professional procedure per day is restricted to 50 Euros per calendar year.

\(^{22}\) When the health professional is not provided with the special equipment for reading the «carte vitale», he/she fills up a form (hard copy) where the patient will then forward it to his/her local Sickness Insurance Fund for reimbursement.
• **The status outside the scope of the convention**: This status may be chosen by the medical practitioner himself/herself or following an official Order. In such a case, the medical practitioner freely sets his/her own fees

• **The status under the scope of the convention (sector 1)**: the medical practitioner agrees to the convention and to the conventional price list

• **The status under the scope of the convention (sector 2)**: the medical practitioner agrees to the convention except tariff provisions and freely sets his/her fees

In the two latter cases, the customer's costs are always refunded by the Fund based on a conventional price list. Furthermore, the reform allows medical practitioners to charge increased fees if they examine a patient who was not referred to them by the treating doctor.23

**In-patient Care**

The French Social Security system contributes to the hospital costs incurred by the customer or his/her dependants. This coverage by the French Social Security system includes hospital costs such as:

• A daily rate that includes a fee per day, drug expenses, transfusion costs and the use of surgery and delivery rooms

• Medical and surgical fees for services provided during the patient's stay in the hospital.

Hospital costs are covered to the amount of 80%. When a patient is admitted to a hospital, an application for coverage is submitted to the relevant Fund. The direct settlement system is then applied. The Fund pays directly the outstanding amounts to the health institution while the patient is only responsible for the co-payment or a flat rate per day.

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23 This provision will come into effect as of July 1, 2005.
Travel Expenses
An insured person who leaves his/her place of residence in order to be admitted to hospital, may have his/her travel expenses refunded, provided the cost of hospital care is refunded.

Cash Benefits (cash sickness benefits)
The daily cash benefit is equal to 50% of the wages up to a limit of 1/720th of the annual Social Security ceiling, and to 2/3 as of the 31st day of sick leave when the insured person has 3 dependent children, up to a limit of 1/540th of the annual Social Security ceiling (with maximum amounts - as of January 1, 2005 - of € 41.93 and € 55.91 respectively).

As of the 7th calendar month of uninterrupted payment, the normal daily benefit is equal to 51.49% of the basic daily earnings, up to a limit of 1/700th of the annual Social Security ceiling (as of 1 January 2005 : € 43.13). For insured persons with 3 dependent children, the daily benefit is equal to 68.66% of the basic daily earnings up to the limit of the ceiling (with a maximum of 1/525th of the annual ceiling : € 57.08).

Minimum amount: If you are sick for more than six months the daily benefit cannot be lower than 1/365th of the minimum disability pension : (€ 8.10 per day as of 1 January 2005). If an increase is payable the benefit cannot be lower than 1/365th of the minimum amount of the disability pension increased by a third, that is € 10.80 as of 1 January 2005. For long-term illnesses, the daily benefit can be paid for a maximum period of 3 years for each illness. For all the other illnesses, the maximum amount of daily benefits over a 3 year period is equal to 360.

Maternity Insurance and Paternity Leave
Maternity Insurance and Paternity Leave benefits are provided by local Sickness Insurance Funds. Maternity Insurance pays for pregnancy and delivery related costs and also pays cash benefits during the mother's pre- and post-natal leave, during the mother's or father's adoption leave and the father's paternity leave.
Benefits in Kind

The claimant must notify his/her local Sickness Fund at least 4 calendar months prior to the expected date of delivery and must submit to various pre- and post-natal compulsory medical. Maternity Insurance covers all pregnancy-related costs without a co-payment.

Cash Benefits

Cash benefits are provided when the concerned person stops working. In addition to maternity cash benefits paid to women during pre- and post-natal leave, paternity leave benefits are paid to fathers. The amount of daily benefits is equal to the insured person's basic daily wages after deduction of the employee's share of all legal social contributions.\(^{24}\)

As for maternity leave, the concerned person is required to take a minimum 8-week leave, but she is entitled to 16 weeks (usually 6 weeks prior to the expected date of delivery and 10 weeks after). Two additional weeks prior to the delivery may be awarded for a pathological pregnancy. The length of paternity leave equals 11 days in a row or 18 days in a row in case of multiple births.

2. Disability Insurance\(^{25}\)

"Invalides" Pension\(^{26}\)

Disability insurance is an extension of sickness insurance and its purpose is to provide the disabled persons with a compensation for their loss of wages resulting from a reduced working or earning capacity. Any insured person under 60 years of age is regarded as

\(^{24}\) The daily benefit cannot be lower than 1/365th of the disability pension (€ 8.09) ; it cannot exceed the basic daily earnings, up to the limit of the Social Security ceiling, after deduction of social contributions and taxes (€ 67.36).

\(^{25}\) Disability pensions are awarded by the local Sickness Insurance Funds and in the Paris region by the Regional Sickness Fund for "Île de France".

\(^{26}\) There are three classes of pension, depending on the reduction of working capacity. For more details please refer to the "centre des liaison europeennes et internationales de securite sociale" web site: www.cleiss.fr/docs/registre/regime_france/an_2.html
disabled if he is suffering from a condition that prevents him/her from earning wages higher than the third of wages usually paid for the work in which he was employed before stopping work or prior to the recognition of his/her disability condition.\footnote{As for Sickness / Maternity Benefits, the insured person must prove that he/she has paid contributions or has completed a certain number of hours of paid work prior to the date when she/he stopped working or prior to the recognition of his/her disability condition.}

**Widow's or Widower's Invalidity Pension**

The disabled widow or widower's disability pension is awarded to the surviving spouse of a disability or old age pensioner. To qualify for this benefit, the surviving spouse must be under 55 years of age, must suffer from a permanent disability reducing by two thirds his/her working or earning capacity and must not have an income exceeding a certain upper limit. The amount of pension is equal to 54\% of the pension that was actually paid to the deceased person (or that should have been paid to him/her).

3. **Old Age Insurance\footnote{The basic pensions of the general scheme are awarded by the Regional Sickness Funds and in the Paris region by the The National Old-age Insurance Fund for employed Workers in the Ile de France and in the Alsace Moselle region by the Regional Old-Age Insurance Fund in Strasbourg.}**

The French system of old-age insurance is a ‘pay as you go’ (PAYGO) pension scheme; it aims to maintain workers’ income and guarantee relatively generous benefits for employees and their families. However, individual professional groups have maintained their own pension schemes, making the overall system highly fragmented. Furthermore, the French pension system, despite being compulsory, is not managed directly by the state. Instead, it is run by the social partners who represent those who benefit from and contribute to the system. Consequently, French pensions are not managed by a public bureaucracy, but by private social insurance funds that are required by law to provide a public service. Supplementary pensions can be added to compulsory pensions. These are provided by certain firms and sectors or are taken up voluntarily by individuals.

**Conditions of Entitlement**

The statutory age to claim an old-age pension is 60.
Calculation of the Pension

The pension amount depends on three components:

- **The Basic Wage or Average Yearly Wages (SAM)**
  The average yearly wages are equal to the adjusted wages on which contributions have been paid

- **The Payment Rate**
  The duration of paid periods and credited insurance periods are used to determine the payment rate of pensions paid between 60 and 65.

- **Total Insurance Period**
  The total insurance period is equal to the actual total insurance period (contribution periods and equivalent periods) in the insurance scheme.

There are three types of pensions\(^{30}\):

- **Early Retirement Pension**: Since January 1, 2004, persons with a total of 42-year-total insurance period may retire before 60. Depending on their retirement age, they must have between 40 and 42 contribution years and a minimum of 5 insurance quarters before the end of the calendar year of their 16th birthday (for a retirement at the age of 56, 57 or 58) or their 17th birthday for a retirement at 59.

- **Reduced Rate Pension**: For those under 65 who ask for their old age pension and don’t have enough periods of contribution to be entitled to a full rate pension, a reduction in value of the pension calculation rate is applied.

- **Increased rate of the Pension**: Since January 1, 2004, all citizens who continue working after their 60th birthday and beyond the 160 quarters of insurance will be awarded a 0.75\% retirement increase for each additional quarter of contribution (3\% a year) for working periods after January 1, 2004.

4. Death Insurance\(^{30}\)

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\(^{30}\) For more information about pension increase, and entitlement for the surviving spouse please refer to the “centre des liaisons europeennes et internationales de securite sociale” web site: [www.cleiss.fr/docs/regimes/regime_france/an_2.html](http://www.cleiss.fr/docs/regimes/regime_france/an_2.html)
The death grant is paid first to persons who at the time of death were actual, total and permanent dependants of the insured person. If several persons were dependants of the insured, it is paid according to the following order:

- To the surviving spouse, not legally or voluntarily separated from the insured person at the time of death
- To the partner with whom the deceased had signed a Solidarity Civil Pact
- To legitimate, illegitimate, adopted and foster children
- To ascendants

In order to qualify for a death grant, it must be established that during the 3 month period prior to death the deceased:

- Was employed and was meeting at the date of death minimum conditions concerning payment of contributions and duration of work
- Had a retention of right
- Was engaged in an activity equivalent to an employed work,
- Was a disability pensioner
- Was in receipt of industrial injury or occupational disease benefit at a rate higher than 66.66%

The Death Grant is equal to 90 times the insured person's daily earnings, within the limit of the ceiling, that is €7,548 as of 1 January 2005. It cannot be lower than 1% of the annual ceiling, that is €301.92 as of 1 January 2005.

**Accident at Work and Occupational Disease**[^31] **Insurance**[^32]

Employees or similar categories are covered against occupational risks[^33]. The coverage also applies to various categories, such as students of technical schools, apprentices and vocational trainees.

[^30]: Death Grant is paid to relatives of a deceased insured person by the local Sickness Insurance Fund

[^31]: Accident at work means an accident «resulting from work or caused by work». The journey injury, in other words, the accident that occurs on the way to or from work or on the way to or from the concerned person’s place of work and the place where he/she usually has his/her lunch, is also treated as accident at work.

[^32]: Accident at work and Occupational Disease benefits are paid by the local Sickness Insurance Funds.
Furthermore if the customer's usual work is the primary cause of disease and death or of a permanent incapacity of at least 66.66%, he/she may get compensation in accordance with the law relating to accidents at work.

**Temporary Disability Benefits**

**Benefits in kind**

Industrial Injuries Insurance benefits are payable to the injured worker under the same conditions as those laid down for health / sickness benefits in kind. However all the benefits are taken into account at the rate of 100% of the Fund's liability rate.

**Cash benefits**

On the day of his/her injury, the injured worker is entitled to his/her wages, which are paid by the employer. The following day, the worker is entitled to a daily allowance equal to 60% of his/her daily wages, up to a limit of 0.834% of the annual Social Security ceiling (with a maximum daily amount of €151.08). The compensation is increased by 80% of the same daily wages as from the 29th day of leave.

**Permanent Disability Benefits: Pensions**

1. **Pension for the injured person**

   The amount of pension is determined on the basis of 2 components:
   - The incapacity rate of the worker
   - The amount of his/her wages before accident

2. **Pensions payable to survivors**

   When accident at work or occupational disease results in the injured worker's death, some of his/her dependants may be entitled to a survivor's pension. The total pensions payable to survivors cannot exceed 85% of the annual wages on which they were determined.

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33 Occupational diseases: the law put in the same category as accidents at work the occupational diseases itemised on a special list (98 charts) because they are resulting from work.
B.1.2. Family Allowances

Family Allowance Funds pay family benefits to employees and similar categories as well as to non-agricultural self-employed and generally to all people residing in France with their children even if they do not work. Family allowances are awarded to legitimate, illegitimate, adopted, as well as foster children so long as they are dependants of the beneficiary.

Formula used in the calculation of family allowances: family allowances represent a percentage of a monthly calculation basis (BMAF) decided by law. The BMAF is € 361.37 as of January 1, 2005. Family allowances include:

- basic benefits for maintenance
- benefits for maintenance and accommodation as regards to infancy which have been merged under the name of “Infant Accommodation Benefit (PAJE)”
- benefits for special purposes

A – Basis Benefits for Maintenance

1) Family allowances: They are paid to families with 2 or more dependent children living in France. The amount of family allowances as of 1 January 2005 is 32% of the calculation basis (€ 115.64) for two children, 41% of the same basis per additional child, that is € 148.16 per additional child.

2) Flat-rate allowance: This allowance is payable to families of three or more dependent children whose family allowances are reduced when one or more of the children reaches the age of 20, which is the age limit for family allowances. The amount of the flat rate allowance equals 20.234% of the BMAF or € 73.12 as of 1 January 2005.

3) Family income supplement: benefit payable to families with at least 3 children, aged 3 and over and under 21 years of age. The amount is equal to 41.65% of the BMAF, that is € 150.51.

34 In accordance with Section L. 512-1 of the Social Security Code: “any person whether French or alien, residing in France with one or more dependent children residing in France, is entitled to family benefits for these children.
4) **Family Support Allowance**: This allowance is payable for any partial or full orphan or for any child not regarded as a legitimate child of either of his/her parents or for any child without any parental support. This allowance is equal to 30% of the BMAF when the child is a full orphan or in a similar situation (€ 108.41)

5) **Single Parent's Allowance**: The purpose of this allowance is to provide a minimum income to any single parent (unmarried, widowed, divorced, deserted) who is raising 1 or more children alone. The Single Parent's Allowance is a supplement:
   - A pregnant woman without children, € 542.06
   - A single parent with one dependent child € 722.75, increased by € 180.69 per additional child.

### B – Benefits for Maintenance and Accommodation of Infants\(^{35}\)

The Infant accommodation benefit (PAJE) is a benefit, which applies to births occurring from the first of January 2004. It consists of:

- A birth or adoption grant
- A monthly allowance paid from birth up to the child's third birthday or at the time of the child's adoption.
- A supplement for free choice of working time
- A supplement for free choice of custodial care

### C – Benefits for Special Purposes

1) **Special Education Allowance**: This allowance is paid to parents of a severely disabled child under 20 years of age and suffering from a permanent incapacity rate of at least 80%, or between 50% and 80%, provided that the child receives care at home or is in institutional care.

2) **Back-to-school allowance**: This allowance is payable for any school age child (from 6 to 18) as of the 15th of September of the relevant year, who is duly attending school.

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\(^{35}\) Benefits for maintenance and accommodation of infants have been merged under the name of the Infant Accommodation Benefit (PAJE)
This allowance is payable to families or persons whose earnings are below a certain earnings limit, with children aged from 6 to 18 attending school.

3) Parent’s Attendance Allowance: This allowance is payable to parents who give up working totally or partially in order to look after their child who suffers from a severe disease or handicap or was seriously injured in an accident.

4) Family housing allowance: This allowance is a family benefit whose purpose is to help families pay for their housing costs. This allowance is payable under specific conditions and is based on the type of housing, the rent amount and the family’s income.

5) Moving Bonus: The Moving Bonus is a benefit payable to families with at least 3 children and who are entitled to housing benefits for their new home.

B.2. Unemployment Insurance Scheme\textsuperscript{36}

Management of the scheme is conferred to the ASSEDIC (Associations for Employment in Industry and Trade) and to the UNEDIC (National Professional Union for the Employment in Industry and Trade)

The ASSEDIC are responsible for managing the scheme (employers’ contribution liability, benefits, contributions collection, unemployed persons’ registration), the UNEDIC is responsible for co-ordinating the action of the ASSEDIC.

The unemployment insurance scheme is financed through contributions paid on wages: 6.40% (4% by the employer and 2.40% by the employee) subject to the limit of 4 times the Social Security ceiling (€ 10,064 per month). The scheme is applicable to all employees of companies within the scope of the agreement. The amount of unemployment insurance benefits and duration of payment depend upon the duration of contribution period to the scheme and the amount of paid contributions.

To qualify for unemployment benefits, the following conditions must be satisfied:

- A termination, through dismissal, of a work relationship, the end of a fixed-term employment contract or a resignation for a good reason;
- A physical employability;
- To be duly registered as a job-seeker with the ASSEDIC

\textsuperscript{36} The Unemployment Insurance scheme is the result of an agreement between “social partners” (the two-sides of industry)
- To be actively looking for employment
- A minimum registration period under the scheme

**Replacement income**

The daily unemployment allowance is partly calculated on the basis of daily reference earnings. It consists of wages subject to contributions during the 12 calendar months prior to the last day of paid work, up to the limit of 4 times the Social Security ceiling (€ 10,064 per month).

The daily allowance amounts to:

- Either the total of a proportional part representing 40.4% of daily reference earnings and of a fixed part equal to € 10.25
- Or 57.4% of daily reference earnings if this is in the best interest of the insured person

**B.3. Supplementary Pensions Scheme**

Supplementary pensions are compulsory for all employees working in private sector companies and organisations, subject (on a compulsory basis) to old-age insurance of the general Social Security scheme or of the Mutual Insurance System for Agricultural Workers or of the Miners' Scheme. It is operated by the ARRCO (Association for Employees’Supplementary Schemes) covering all employees (executives or not) as well as the AGIRC (General Association of Retirement Institutions for Executives) covering only managerial staff.

The calculation of supplementary schemes' retirement pensions is based on points. Each year, the amount of contributions paid on the basis of a reference earnings or income is converted into points taking into account the unit purchase value of the applicable point for the relevant tax year. Retirement pension payable to the employee will be contingent upon the number of points accrued during the employee's total insurance periods. For pension calculation, the number of accrued points during the total insurance periods is to be multiplied by the point value when pension is calculated. Under both schemes, the

---

37 The employees’ supplementary pension schemes are implemented by supplementary pension institutions and by federations heading these institutions
statutory retirement age is 65. Under both schemes, there are pensions payable to widows, widowers and orphans.

C. Legal Rights

Because rights and liberties are legally protected in France, users have the right to be informed, to be associated in making decisions that impact them, to appeal (and receive free legal assistance if necessary), and to be protected relative to open access to electronic information (Loi informatique et liberté). As for the Management, for much of its history France had a highly centralized administrative system, including public health and social welfare. Several decentralization laws altered this approach in 1982-83. In particular, in year 2000 a universal health care law, Couverture Maladie Universelle (CMU), provided coverage for everyone. A primary objective was to strengthen democracy by facilitating citizen involvement. One of the objectives of decentralization has been to clarify responsibilities for delivering social services.

D. Information & Communication Technology (ICT)

How Technology assisted France in becoming a key leader in social security services?

The worldwide increase in utilizing information technology in the healthcare sector, as well as the growth of both transaction-based private health services and government demands for more efficient public health services, are among the many factors driving the demand for secure card based solutions to information challenges in the health industry.

Perhaps one of the most commonly quoted technological clichés of recent times has been to describe smart cards as a solution in search of a problem. Many governments around the world are now introducing smart cards for a range of applications that spread from road-tolls to issuing retirement pensions. In fact, Europe leads the field, and was the birthplace of the smart card [16].

Smart cards are being used as medical information holders about an individual. Such information will be accessed by medical professionals and pharmacists through special card readers. Doctors’ surgeries will be equipped with a two-card reader. When the
patient visits, they simply present their card to the doctor, who inserts it into the reader along with doctor’s own card. The patient can authorize payment for treatment by keying in their bank account pin-code and the doctor can access and update the health record information contained in the card.

In France, the state-owned social security organization (CNAM) set up a project called "Sésam Vitale." The purpose of the project is to equip each citizen/patient with a microprocessor-based smart card, which will contain administrative data in Phase 1, and administrative and medical data (the patient’s medical history) in Phase 2. Practitioners will also receive smart ID cards carrying their electronic signature [17].

In other words, every person having French social security has a Carte Vitale, which is a smart card with basic storage functionality. It stores the entire medical history of the person, and also his/her insurance account type and details. Thus while paying a doctor or buying medication, all that needs to be done is to insert the card into the reader and the doctor’s bank account gets credited with the amount from the patient’s insurance account.

Sesam Vitale project is an innovative project\(^{38}\) that engages new technologies to simplify and accelerate exchanges, thereby doing away with any paperwork. Deployed as of 1998, currently, “la Carte Vitale” joins 90% of doctors with the main center of the NSSF of each region in France. The connection is direct through internet, a software was implemented since 3 to 4 years and is still in progress. The Project will join all the doctors in all of France at the end of year 2005 [18]. Each worker, or unemployed, has this automatic card once registered in the French social security system. Every six months, it is necessary to update this card (Address, Status …). Without this update, procedures at either doctor or pharmacist will not work.

“La carte Vitale” links more than 200,000 health care professionals with the Health Insurance System, for the benefit of millions of insured French citizens who have the Vitale card. What follows is a list of some Vitale card attributes:

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\(^{38}\) See Figure 2 in the Appendix below.
Through the Vitale system, more than 800 million claim reimbursement forms are processed per year

This is the smartcard which is the most used in France (given today to all insured persons and beneficiaries aged 16 and above)

Reimbursement of the insured person takes place within five days instead of 2 to 3 weeks (paperwork system)

SESAM-Vitale, an infrastructure incorporating many components:

- 48 million smartcards
- A telecom network and a message service (R.S.S.)
- 230 health software applications
- 200,000 card readers
- 25 servers handling the flows
- 18,000 terminals for card updating

The daily running of this infrastructure requires a permanent monitoring of the service level (deadlines, reliability, management of incidents, etc...). It is a program permanently associating many partners from high technology, industry and services:

- Smart card industry
- Software developers and integrators for Healthcare Professionals
- Hosting services and service providers in the Healthcare sector
- Internet access providers
- Smartcard readers industry

SESAM-Vitale, a program linked with the European partners: GIE SESAM-Vitale coordinates the European NETCARDS project (simplification of inter-state procedures). It is always in constant evolution; a new “VITALE 2” smartcard is currently being designed. Highly secured, it will include a much larger memory. This new card will be sent out to beneficiaries as of 2006 with the aim to introduce more online functions in order to make the system more flexible and upgradeable.
When health professionals arrive at their workplace, they start their SESAM-Vitale equipment, insert their health professional card (CPS) in the double-slot reader and key in their personal identification code. The card can be left in the reader all day. For each insured individual, the health professional uses his/her SESAM-Vitale equipment to create an Electronic Claim Form (FSE). The electronic claim can only be validated after both the health professional card and the patient's Vitale card are inserted in the reader.

Submission (or electronic transfer) can be performed at any time during the day. As the health professional initiates the electronic transfer, claims are automatically sorted into recipient batches to be transferred directly to the appropriate health insurance center. Claim submissions can only be performed by health professionals with a personal identification card. After a patient's visit, the health professional is allowed three days to submit a standard claim and one week for a third party payer claim. A backup copy of all electronic claims should be filed for a period of three months.

Via e-mail, the Health Insurance Center acknowledges receipt of successfully transferred claims. In case of unsuccessful transfer, a failure notice is sent to the health professional. In case of unsuccessful third party payer claim submission, a rejection notice is also sent to inform the Health Professional that he/she will not receive payment. For each negative receipt, the electronic claim must be resubmitted within two business days.

NB: the Vitale card is not a method of payment; the insured individual must pay for the consultation at the time of his/her visit. The SESAM-Vitale system was designed to speed the claim processing and provide dramatic time and cost savings. By changing from paper-based to electronic claims submission, the insured individual no longer needs to submit claims to their local health insurance center. Each claim is electronically submitted by their health professional.
CPS Card (HPC)
Parallel to the Vitale 1 card, France introduced a Health Professional Card (CPS – Carte de Professionnel de Sante). It identifies the Health professional and provides authentication, digital signature and data encryption. Also pharmacists and medical staff receive a card, which can be easily recognized by its color.\(^{39}\)

E. Comparative View: France VS Lebanon\(^{40}\)

Many attempts have been taken by the French government to reform the Lebanese social security. However, the French government was faced with many complications that did not encourage it to further seek its development.

In 1995, The French social security organization cooperated with the Lebanese NSSF to help the latter reach a good level of modernization. Between 1995 and 2000, the French Minister of Foreign Affairs secured a financing of around 500,000 Euros for this cooperation. This funding enabled 1) the development of seminars in Lebanon, and 2) the training of sixty Lebanese NSSF employees in France. This cooperation allowed the amelioration of several NSSF functions such as the medical control and automation of NSSF. The French evaluators estimated that, at the beginning, the project was vague, suffered from a lack of serious follow up, and relied on personal deals rather than a partnership between institutions. They recommended to put in place steps of cooperation that take into consideration the local context and the demands of Lebanese citizens, which will allow France to assure a realistic pursuit of the change required at NSSF. Due to the non-realization of the objectives initially assigned, the French Minister suspended his support of such engagement, and decided not to restart this cooperation between Lebanon and France until the Minister sensed a clear and vigorous basis for it. (Direction Générale de la Coopération Internationale et du Développment, - Bilan des Evaluations 2002, «Evaluer la Cooperation Internationale Francaise »).

\(^{39}\) See Figure 1 in the Appendix.  
\(^{40}\) See Table 5 in the Appendix.
Starting from this point, one can witness how personal interferences blocked the process of innovation and development at NSSF. On the other hand, social services in France, especially health care services, have a long and complex history that is more a product of incremental evolution than it is the result of a coherent plan (Bilan_2002.pdf: “Evaluer la Cooperation Internationale Franciase”). It is this attitude of continuous change and evolution towards social security that has kept France as one of the frontrunners in health care and social welfare reforms in Europe.

After analysing the various French Social Security schemes, we noticed that most of the French services are similar to those of the Lebanese NSSF, except for Unemployment and Supplementary pension schemes.\(^{41}\) (See Table 6 in the Appendix below). This, however, does not mean that implementing the French supplementary services in Lebanon is the solution. France, one of the most developed countries in the world, is in a crisis as well, emanating mainly from its pension scheme.

The main lessons from the French Social security and its applied policies are:

- It is critical that the Lebanese NSSF reflects on the way it implements such services by first considering the Lebanese citizen as a human, not as a “subscriber” to NSSF
- If NSSF is to provide more services, solving its current debt problems is a priority
- Technology played a key role in developing the social security in France, whether by monitoring medical expenditures, or facilitating both internal and external work processes. The absence of ICT driven services in both the Lebanese society and NSSF is obvious as one of the key impediments to the development of a robust and efficient NSSF.

**How Smart Can the Lebanese Government Get?**

The most significant contribution of the new smart card technology is a flexible multi-application schemes on a single card. With the introduction of smart cards, NSSF will be able to increase its capacity to collect and store extensive information on individuals and

\(^{41}\) Table 6 shows the difference between the different services provided by France and Lebanon.
to exchange that information with other institutions. It will improve as well the efficiency of its services, and reduce both error and fraud in determining entitlement to benefits.

It would be incorrect to conclude that there is a single best way for organizing social security, be it market-led, firm based, community centered, computer integrated, smart card enabled, or collectively organized. However, it is imperative that social welfare be a dynamically changing engagement, where both government, citizens, and systems need to be continuously adapting to changes in the social maze and its needs, and accordingly evolve the welfare system to sustain both its needs and those of its subscribers.
CHAPTER VI: CONCLUSIONS AND FUTURE WORK

After performing the above analyses and developing recommendations, the most striking reality is that NSSF is a viable operating social security fund. Government’s involvement in both its management and its debt has pushed it into a deficit hole that will cost it more than 900 Billion Lebanese Pounds by the end of 2005, accumulated over 4 years since 2001. With all the problems facing it, the proposed recommendations highlight several strategic paths that NSSF could take to transcend the Government vicious cycle, and push 3 out of 4 NSSF funds back in the “black.”

It is worthy to note that, in the suggested approach, NSSF’s dilemmas ought to be solved as if it were a privately managed institution. Albeit politically difficult to implement, such approach freed us to come up with solutions that opened the door to fundamentally deal with deeply rooted problems inside the NSSF system, and potentially increase its scope and involvement in the social welfare of Lebanese residents. (Example: After 26 years of reported losses, political custody was lifted off Middle East Airlines (MEA) in 2001. In 2004, MEA achieved more than $50 Million in net profits!)

What follows is a list of future initiatives that expand on the current contributions in this thesis:

1. Performing cost/benefit analyses of the smart card integration system, including: a) smart card system integration and installation costs, b) value of time savings as a result of the elimination of clearing papers at NSSF centers and at employers’ Human Resource offices, c) measuring the efficiency of servicing both subscribers and healthcare providers, and d) determining the extra-income NSSF will generate as a result of such efficiencies and accurate billing.

2. Simulating the effects of the strategic recommendations, and fine-tuning those recommendations accordingly.
Public institutions will always suffer from too many political interferences, some crippling. Will a new, more Government adaptable form of privatization be instituted in Lebanon, and in particular NSSF? Will the Politics involved free the “Private” to help the “Public”? It is definitely a challenge to think about such issues, let alone, make them happen...
Appendix

Table 1 – NSSF Offices in Lebanon [Source: NSSF Brochures - 2004]

<table>
<thead>
<tr>
<th>Mouhafaza</th>
<th>Number of Offices</th>
<th>Area</th>
</tr>
</thead>
</table>
| North       | 8                 | **Tripoli, Halba,**  
              |                    | **Zgharta,** **Bsherrri,** **Amyoun,** **Shakka,**  
              |                    | **Batroun,** **Dr. Emile Bitar Hospital**                          |
| South       | 4                 | **Saida,** **Sour,** **Tabnin,** **Jezine**                          |
| Nabatiyeh   | 4                 | **Nabatiyeh,** **Marjiyoune,** hasbaya,  
              |                    | bin jbeil                                                           |
| Bekaa       | 5                 | **Zahle,** **Ras Baalbek,** **Hirmel,**  
              |                    | **Labweh,** **Baalbek**                                             |
| Mont Liban  | 11                | **Dawra,** btaghreen, Jbeil, **ghobeiri,**  
              |                    | **Borj el barajineh,** **baabdat,** **junieh,**  
              |                    | **shweifat,** Aley, beit el dine, shhyam                         |
| Beirut      | 9                 | **Center,** Saidi Bldg, Zouhairi Bldg,  
              |                    | **Majdalani Bldg,** **Beirut,** **Baddaro,**  
              |                    | **Ashrafliyeh,** EDL, bir hassan,                                |
Table 2 – NSSF: Subscription Rates

[Source: NSSF Brochures – 15/5/2004]

<table>
<thead>
<tr>
<th>The fund</th>
<th>End of Service Indemnity</th>
<th>Family and Educational Allowances</th>
<th>Maternity &amp; Sickness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Establishment</td>
<td>8.5% of total Salary</td>
<td>6% up to a ceiling of 1.5 Million LBP</td>
<td>9% of which 7% on the employer and 2% on the employee up to a ceiling of 1.5 Million LBP</td>
</tr>
<tr>
<td>Artisan Establishments</td>
<td>8% of total Salary</td>
<td>10% of the minimum wage, and 3% for the trainee</td>
<td>7% of the minimum wage of which 5% on the employer and 2% on the employee</td>
</tr>
<tr>
<td>University students</td>
<td>-</td>
<td>-</td>
<td>30% of the minimum wage yearly for every university student and for every beneficiary (wife, kids)</td>
</tr>
<tr>
<td>Non-owners</td>
<td>8.5% of double the minimum wage</td>
<td>6% of double the minimum wage</td>
<td>9% of double the minimum wage</td>
</tr>
<tr>
<td>Taxi drivers Owners</td>
<td>8.5% of the minimum wage</td>
<td>5.5% of the minimum wage (contribution of the owner), the rest is on the government*</td>
<td>5.5% of the minimum wage (contribution of the owner), the rest is on the government*</td>
</tr>
<tr>
<td>Journal and Newspaper sellers</td>
<td>8.5% of double the minimum wage</td>
<td>6% of double the minimum wage</td>
<td>9% of double the minimum wage</td>
</tr>
<tr>
<td>Mayors</td>
<td>-</td>
<td>-</td>
<td>9% of double the minimum wage. 1.8% on the Mayor, and the rest on the government**</td>
</tr>
<tr>
<td>Elderly</td>
<td>-</td>
<td>-</td>
<td>6% of the minimum wage the elderly contribution. Net Deficit is held by the</td>
</tr>
<tr>
<td><strong>Private school teachers</strong></td>
<td></td>
<td></td>
<td>9% of government contributions, 7% on the establishment, and 2% on the teacher, with a ceiling of 1,500,000 LBP.</td>
</tr>
<tr>
<td><strong>Doctors</strong></td>
<td></td>
<td></td>
<td>10% of double the minimum wage, 9% of an income of 1,100,000 LBP.</td>
</tr>
<tr>
<td><strong>Handicapped organization</strong></td>
<td>8.5% of total salary</td>
<td>15% of the considered average i.e. 0.9% with a ceiling of 1,500,000 LBP</td>
<td>15% of the considered average i.e. 3.05% (1.05 on the establishment, and 2% on the employee) with a ceiling of 1,500,000 LBP</td>
</tr>
<tr>
<td><strong>Optional Subscribers</strong></td>
<td></td>
<td></td>
<td>9% of 1,500,000 LBP on the employers, 9% of 1,000,000 LBP for the rest.</td>
</tr>
</tbody>
</table>

* The government contribution on the Taxi driver (owner), since 1/4/2001 is: 6.25% of double the minimum wage for the Maternity and sickness and 3.25% of double the minimum wage for the family and educational allowances.

** The government contribution on the Mayors' average each time of double the minimum wage, and 1/5 on the Mayor average of double the minimum wage.
Table 3 – NSSF Statistical Data from 2000 until 2004

[Sources: 1) NSSF: 2000-2003 Annual Reports, 2) NSSF Interviews]

<table>
<thead>
<tr>
<th>Surplus/Deficit</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>LBP billions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family Allowances</td>
<td>72,629</td>
<td>(15,355)</td>
<td>(76,672)</td>
<td>(87,415)</td>
<td>(76,708)</td>
</tr>
<tr>
<td>Motherhood &amp; Sickness</td>
<td>76,332</td>
<td>(78,405)</td>
<td>(153,625)</td>
<td>(188,798)</td>
<td>(110,539)</td>
</tr>
<tr>
<td>End of service indemnity</td>
<td>369,977</td>
<td>316,605</td>
<td>330,819</td>
<td>479,336</td>
<td>454,369</td>
</tr>
</tbody>
</table>

| Total Revenues | 2000   | 2001     | 2002     | 2003     | 2004     |
| LBP billions)  |        |          |          |          |          |
| Family Allowances | 285,476 | 200,028 | 160,979 | 159,724 | 171,088 |
| Motherhood & Sickness | 341,825 | 280,073 | 268,849 | 253,286 | 344,952 |
| End of service indemnity | 559,228 | 584,821 | 648,002 | 687,705 | 620,939 |

| Total Expenses | 2000   | 2001     | 2002     | 2003     | 2004     |
| LBP billions)  |        |          |          |          |          |
| Family Allowances | 187,805 | 187,596 | 207,303 | 214,645 | 217,375 |
| Motherhood & Sickness | 227,931 | 325,797 | 376,952 | 393,727 | 413,078 |
| End of service indemnity | 177,166 | 256,110 | 303,701 | 194,234 | 150,445 |

<table>
<thead>
<tr>
<th>Administrative Expenses</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Allowances</td>
<td>65.8%</td>
<td>93.8%</td>
<td>128.8%</td>
<td>134.4%</td>
<td>127.1%</td>
</tr>
<tr>
<td>Motherhood &amp; Sickness</td>
<td>66.7%</td>
<td>116.3%</td>
<td>140.2%</td>
<td>155.4%</td>
<td>119.7%</td>
</tr>
<tr>
<td>End of service indemnity</td>
<td>31.7%</td>
<td>43.8%</td>
<td>46.9%</td>
<td>28.2%</td>
<td>24.2%</td>
</tr>
</tbody>
</table>

78
<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Allowances</td>
<td>25,042</td>
<td>27,787</td>
<td>30,348</td>
<td>32,494</td>
<td>30,421</td>
</tr>
<tr>
<td>Motherhood &amp; Sickness</td>
<td>37,563</td>
<td>41,681</td>
<td>45,522</td>
<td>48,357</td>
<td>42,413</td>
</tr>
<tr>
<td>End of service indemnity</td>
<td>12,084</td>
<td>12,106</td>
<td>13,482</td>
<td>14,134</td>
<td>16,125</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Allowances</td>
<td>8.8%</td>
<td>13.9%</td>
<td>18.9%</td>
<td>20.3%</td>
<td>17.8%</td>
</tr>
<tr>
<td>Motherhood &amp; Sickness</td>
<td>11.0%</td>
<td>14.9%</td>
<td>16.9%</td>
<td>19.1%</td>
<td>12.3%</td>
</tr>
<tr>
<td>End of service indemnity</td>
<td>2.2%</td>
<td>2.1%</td>
<td>2.1%</td>
<td>2.1%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family Allowances</td>
<td>13.3%</td>
<td>14.8%</td>
<td>14.6%</td>
<td>15.1%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Motherhood &amp; Sickness</td>
<td>16.5%</td>
<td>12.8%</td>
<td>12.1%</td>
<td>12.3%</td>
<td>10.3%</td>
</tr>
<tr>
<td>End of service indemnity</td>
<td>6.8%</td>
<td>4.7%</td>
<td>4.4%</td>
<td>7.3%</td>
<td>10.7%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of Subscribers</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thousands)</td>
<td>Public sector</td>
</tr>
<tr>
<td>Family Allowances</td>
<td>17,331</td>
</tr>
<tr>
<td>Motherhood &amp; Sickness</td>
<td>17,331</td>
</tr>
<tr>
<td>End of service indemnity</td>
<td>17,331</td>
</tr>
</tbody>
</table>
Table 4: Summary of family benefits falling under Section L511-1 of the French Social Security Code

(January 1, 2005)

<table>
<thead>
<tr>
<th>Types of benefits</th>
<th>BMAF% EUR 353,59</th>
<th>Monthly Amounts In Euros</th>
<th>Means-test</th>
<th>Subject to CRDS</th>
</tr>
</thead>
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<tr>
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<td>From 2.516 to 20.128</td>
<td>12.5%</td>
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</table>
* Persons who are subject to French Social Security scheme, but are not residing in France for tax purposes are not liable to The CSG and CRDS. But they must pay an employee’s health insurance contribution at the rate of 5.5% on the total wages.

The CSG and CRDS are also deducted from the replacement income (6.2% for CSG, 0.5% for CRDS). The CSG rate equals 6.6% on retirement and disability pensions.

** Referring to bracket C between 10.064 and 20.128 € by month, the sharing out of contributions between the employer and the employee is not subject to regulations.
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</table>
Figure 1: SESAM-Vitale Smart Cards (Source: www.cleiss.fr)
Figure 2: Overall Diagram of the SESAM-Vitale System
(Source: www.cleiss.fr)
References


7. The Lebanese National Social Security Fund Data, including:
   - 2000 Annual Report
   - 2001 Annual Report
   - 2002 Annual Report
   - 2003 Annual Report
   - Current Data (Not Published as of May 2005)

8. The Lebanese National Social Security Fund Law – placed into execution according to the Decree # 13955 date 26 September 1963 - Published in the official Gazette on the 30th of September 1963 and updated as at 31/12/2002.


10. The Lebanese National Social Security Fund Website: www.cnss.gov.lb


