

RESEARCH



# HEALTHCARE IN SAUDI ARABIA

October 2019



Since our last healthcare review in May 2018, we have seen the Saudi Arabian government maintain its focus on the healthcare sector in line with the objectives set out in the Vision 2030, and the related interim targets for the year 2020 as defined in the National Transformation Plan (NTP). The healthcare sector retained its position as the third largest area of spending in the 2019 fiscal budget and saw its share of total budget spend trending higher over the past few years.

Privatisation initiatives have seen the commencement of the first Public Private Partnership (PPP) project by Ministry of Health (MoH), which targets radiology and medical imaging services in the Riyadh region. From a regulatory perspective, we have seen the Council of Cooperative Health Insurance (CCHI) increasing its focus on enforcing mandatory health insurance for all companies operating in the private sector. This should translate into a larger pool of beneficiaries and positively impact demand for private healthcare services in the future. Overall, we are witnessing continuous efforts and further initiatives in favour of increased private sector involvement and investments in the healthcare space.

As a sequel to our previous Knight Frank Saudi Arabia sector update, this review places a spotlight on Long-Term Care (LTC) in Saudi Arabia, which has been identified as an area that presents strong demand fundamentals, due to the country's changing demographic and epidemiological profile. In addition, LTC has also been highlighted within the NTP program as an underserved health service.

## Government initiatives

The healthcare and social development sector maintained its position as the third largest recipient of government expenditures in the 2019 fiscal budget. This is equivalent to 15.6 percent of the total budget for 2019, as against to 15.4 percent in 2018 and 14.4 percent in 2017.

The budget amount allocated for the sector has grown by 8 percent to reach SAR 172 billion in 2019, as compared to SAR 159 billion in 2018. These positive trends point to the government's willingness to invest, driving growth and improvement in the sector over the coming years.

Figure 1 shows the rising allocation of the government expenditure in the healthcare and social development sector over the past three years.

Part of the allocated funds for the sector are channeled towards achieving the goals and targets defined in the Saudi Vision 2030 and the 2020 NTP. The government is directing funds towards building robust healthcare infrastructure, by completing construction and installation of equipment in hospitals and primary healthcare centres, in different regions throughout the Kingdom.

## Saudi Vision 2030 & the NTP

The MoH has delivered a Healthcare Transformation Strategy Plan as part of the Vision 2030 and the NTP, in which there are three elements that were identified as requiring improvement:

1. Health and quality of citizens' life
2. Quality of service and value for the sector by containing costs
3. Outcomes and guiding new investments.

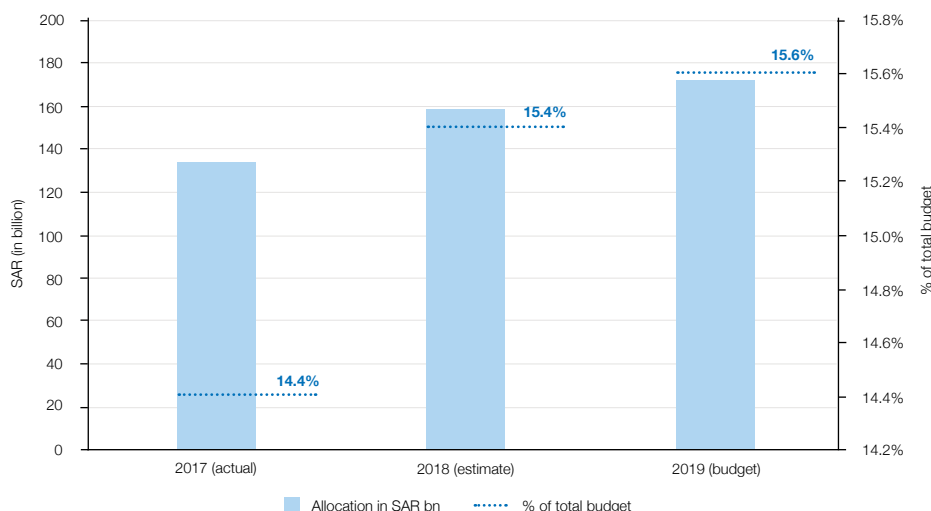
The MoH has identified that certain key healthcare indicators such as the number of healthcare practitioners, healthcare related universities, hospitals, medical centres, life expectancy and infant mortality rate, have witnessed significant improvement over the past years.

The number of hospitals expected to be delivered during 2016 - 2020 stands at 30, which equates to 70 percent of the total number planned for the next five years, with a total capacity of 6,950 beds.

Other indicators which have been identified as areas in need of improvement include a high rate of chronic diseases, early age mortality and unfavorable lifestyle habits.



FIGURE 1  
Saudi Arabia government expenditure on healthcare and social development



Source: Ministry of Finance



**SHEHZAD JAMAL**  
Partner

"15.6 percent of the 2019 government budget was allocated to healthcare and social development."



## Mandatory health insurance

- Saudi Arabia is increasing regulatory supervision regarding the adoption of the mandatory unified health insurance in the country, with the CCHI recently unveiling new procedures aimed at increasing the supervision of private sector companies.
- The gradual rollout of mandatory health insurance in Saudi Arabia and the enforcement of the law are expected to translate into an increase in the number of beneficiaries and a wider utilisation of medical services at private healthcare facilities.
- As of August 2019, there were 26 insurance companies operating in Saudi Arabia and the number of insured persons in the Kingdom stood at 11,075,993. (Figure 2)

## Privatisation and PPP schemes

The MoH is planning a series of PPP projects ranging from primary healthcare facilities to medical cities. The MoH recently embarked on its first PPP project (inviting local and international service providers) which targets radiology and medical imaging services covering several hospitals in the Greater Riyadh region. Once delivered the project is expected to improve medical imaging services in terms of wait and turn-around times as well as reliability of imaging for more appropriate treatment. This collaboration will improve the availability of highly specialised services such as Positron Emission Tomography scan and Nuclear Medicine in Riyadh.

This first PPP project reflects the government's commitment towards achieving the ambitious privatisation plan, as updating and expanding radiology services across the country with the private sector is a key target in relation to the healthcare sector.



**RAYA MAJDALANI**  
Research Manager

“The overall number of insured persons under the mandatory health insurance is set to increase in 2019 and over the coming years as the CCHI enforces the implementation of the law.”

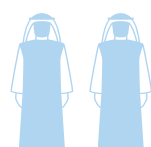
FIGURE 2

Total insured population in Saudi Arabia



**Total Primary Saudis**

1,275,437



**Total Dependent Saudis**

2,037,791



**Total Primary Non Saudis**

6,023,327



**Total Dependent Non Saudis**

1,739,438



**Total Beneficiaries**

11,075,993



Long-term care / rehabilitation

Our healthcare research has identified LTC (including rehabilitation) as a sector with strong demand fundamentals, which is set to expand especially with the changing population dynamics.

These segments have also been identified by the government in the Health Transformation Strategy which states: “There is inadequate capacity in extended care services such as rehabilitation, long-term care and home care.” In addition, this segment is also on the PPP list, under the NTP programme.

Defining long-term care

LTC is a collection of services which assist both medical and non-medical conditions of patients with chronic illness or disabilities.

Rehabilitation is a key element of LTC care and can be classified into physical and mental rehabilitation.

Figure 3 identifies different health conditions and the required health facilities to cater to these conditions.

Patients that fall under the LTC category do not usually require an acute care setting, instead they require limited healthcare services that are specific to their condition. However, due to lack of such facilities, LTC patients occupying hospital beds create bottlenecks within the general health system.




Statistical data on LTC is negligible, as it has historically been a niche segment and served by only a handful of healthcare service providers (mainly government bodies).



DR. GIREESH KUMAR  
Senior Manager

“Supply constraints within the long-term care segment are also recognised by Saudi Arabia’s government. To put this into perspective, the Kingdom has 1 rehabilitation bed per 130,000 population indicating a 10x supply required to be in line with developed nations such as UK and USA.”

FIGURE 3  
Continuum of care

Facility type	Acute healthcare hospital (first point of contact)	LTC / Rehabilitation hospital	Home healthcare
Type of care	 Acute event: stroke, cardiac arrests, road traffic accidents	 Post-acute care and physical rehabilitation which cannot be provided as an outpatient service	 Low risk patients requiring support in day to day activities






Key points that support investment within the LTC sector in Saudi Arabia are presented below:

- Due to scarcity of LTC infrastructure, the government has to send patients abroad for treatment, which is a very costly proposition. Taking rehabilitation as an example, 36,000 accident patients needed to be cared for in 2015, with only 236 beds dedicated for LTC in MoH hospitals.
- Figure 4 presents LTC (including health rehabilitation) bed density by developed nations in comparison to Saudi Arabia.
- Statistics show that 13.9 percent of the MoH active beds were blocked by LTC patients in 2017, compared to 7 percent in 2016. Figure 5 presents the breakdown of this data for Saudi Arabia by area.
- In addition, our primary research (based on interviews with stakeholders) indicates that approximately 10 percent of acute care beds within other government and private sectors are utilised by LTC patients. This translates to around 9,000 beds, including MoH beds, that are blocked by such patients representing unmet

demand. According to leading healthcare operators the unmet demand is higher and their estimate is in the range of 12,000 to 15,000 beds.

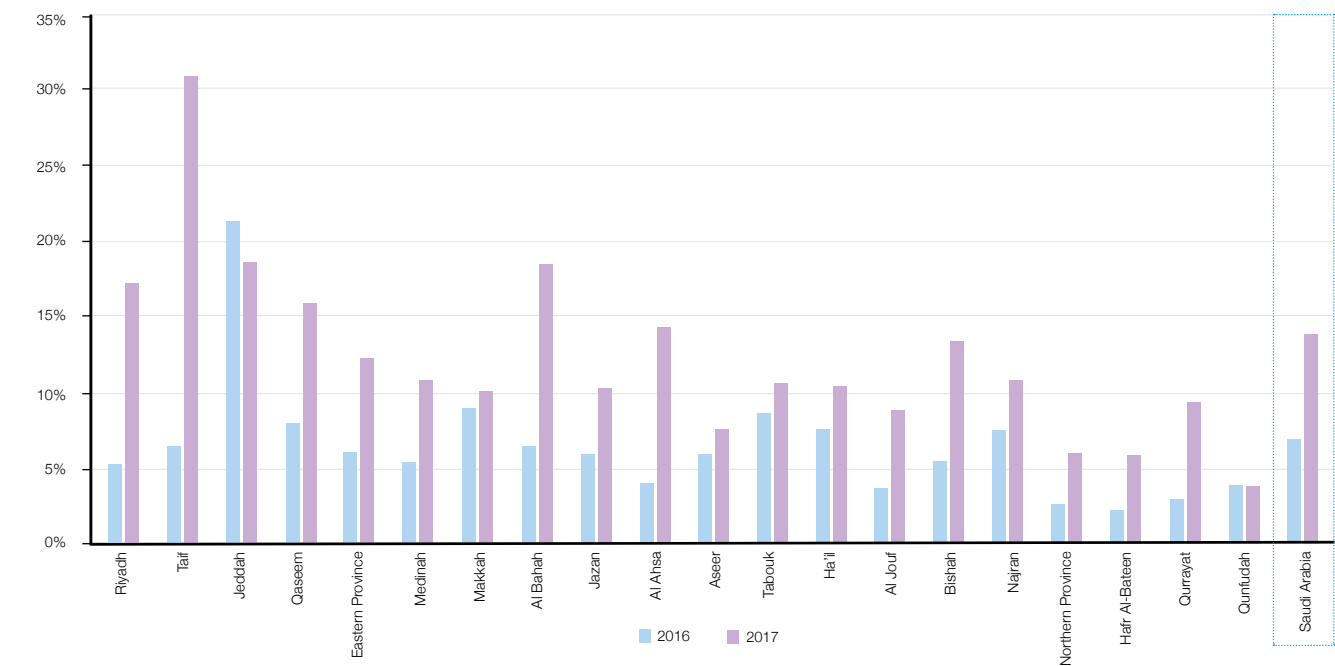
- To help investment, the government is seeking to introduce approximately 2,000 beds for extended care and rehabilitation under the PPP mechanism by 2022, with a guaranteed offtake agreement.
- Private sector LTC service providers are operating at optimal utilisation.
- In addition to just numeric supply constrains there are certain specialist services within this sphere that are non-existent (or minimal) which can be introduced such as cardiopulmonary rehabilitation, neuro rehabilitation etc.

FIGURE 4  
Long term care – rehabilitation bed density

Country	1 bed per population
KSA 	130,000
Turkey 	30,000
UK 	16,000
USA 	10,000
Germany 	1,000

Source: Ministry of Health

FIGURE 5  
Percentage of active beds blocked by LTC patients in MoH hospitals



Source: Ministry of Health

## Market stakeholders views on LTC sector

“Gaps still exist for the provision of long-term care facilities in Saudi Arabia, and will continue until the required number of beds are met. The success of NMC’s Chronic Care Specialist Medical Center Hospital in Jeddah, is evidence of requirement for quality providers of long-term care in the Kingdom. NMC intends to continue to source ways in which to fill the gap, particularly through brownfield and greenfield expansion projects in areas where the most need exists.”

**Michael Davis, COO of NMC Healthcare**

“The number of hospital beds utilised as long-term care in the Ministry of Health was reported to be around 4,500 according to 2017 statistics. This number is expected to increase due to the changes in age group as well as the increased number of reported traffic accidents that result in disabled patients. Other non-MoH healthcare providers utilise around 1,200 beds of long-term care. The 65+ Saudi population was estimated to be 900,000 in 2018 and this number will increase to 1.4 million in 2022, and to 2.5 million by 2030. As per the international benchmark of LTC beds, Saudi Arabia is heading to a gap in excess of 12,000 beds, based on the currently available LTC beds.”

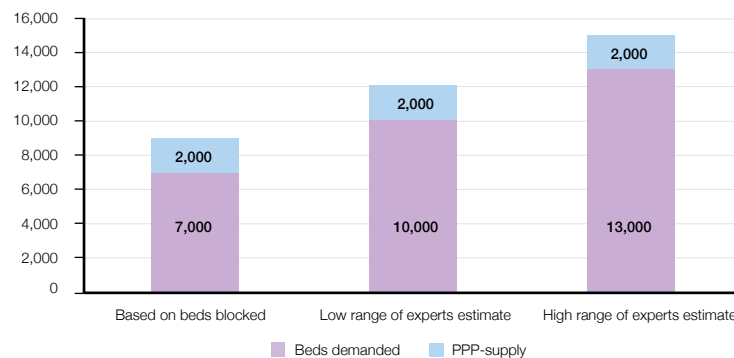
**Dr. Turki M. Alanazi, CEO of Family Care Hospital, Member of the National Health Committee - CSC**

## Conclusion: Value perspective

It is evident that there is an unmet demand in the LTC sector. Excluding the additional supply of 2,000 beds under the PPP scheme, the bare minimum requirement as per our research is at least 7,000 beds and, as per stakeholder insights, demand stands between 10,000 and 13,000 beds, as presented in *Figure 6*.

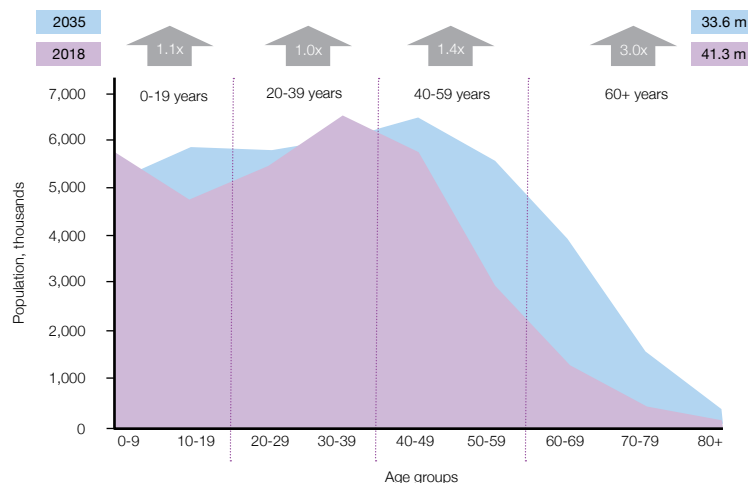
Demand growth rates will continue to accelerate as the over 60s population is expected to increase by 3 times between 2018 and 2035 (*Figure 7*). This would result in demand for additional specialisations within the LTC sector due to the burden of chronic diseases, which leads to degenerative and debilitating illnesses in the geriatric segment.

FIGURE 6  
Estimated demand for LTC beds



Source: Knight Frank Research

FIGURE 7  
Shift in KSA population age groups by 2035



Source: United Nations

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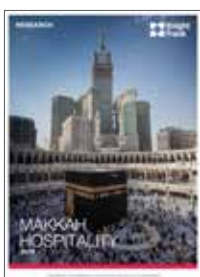
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