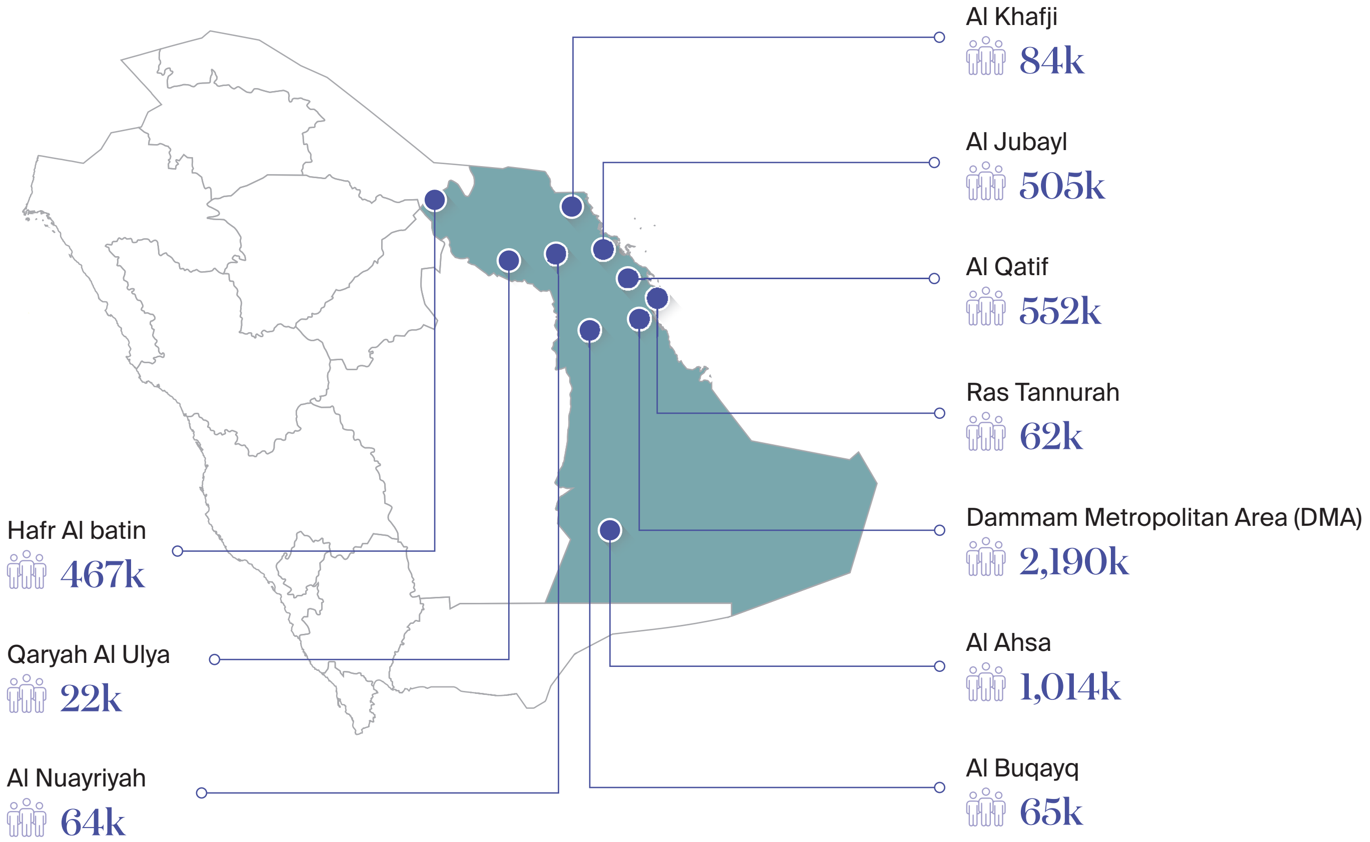
Healthcare in Saudi Arabia

Opportunities in Eastern Province

Overview of Eastern Province

Population of Eastern Province



Notes: DMA includes Dammam, Khobar and Dhahran

Nationality Mix

57.6% Saudis

42.4% Non-Saudis

Gender Mix

63.8% Male

36.2% Female

Average Life Expectancy

78.1 Years

The Eastern Province is Saudi Arabia's industrial and energy backbone, home to around 10 crude oil fields, which together account for over 50% of the Kingdom's oil exports. It also hosts the "Triplet Cities"— Dammam, Khobar, and Dhahran (also known as DMA) — one of Saudi Arabia's most urbanised and economically dynamic hubs.

With a population of approximately 5.1 million, the Eastern Province is the third most populous region in Saudi Arabia, following Riyadh (8.6 million) and Makkah Al Mukarramah (8 million). Over half of the population are Saudi nationals, primarily concentrated in the cities of Dammam and Al-Ahsa.

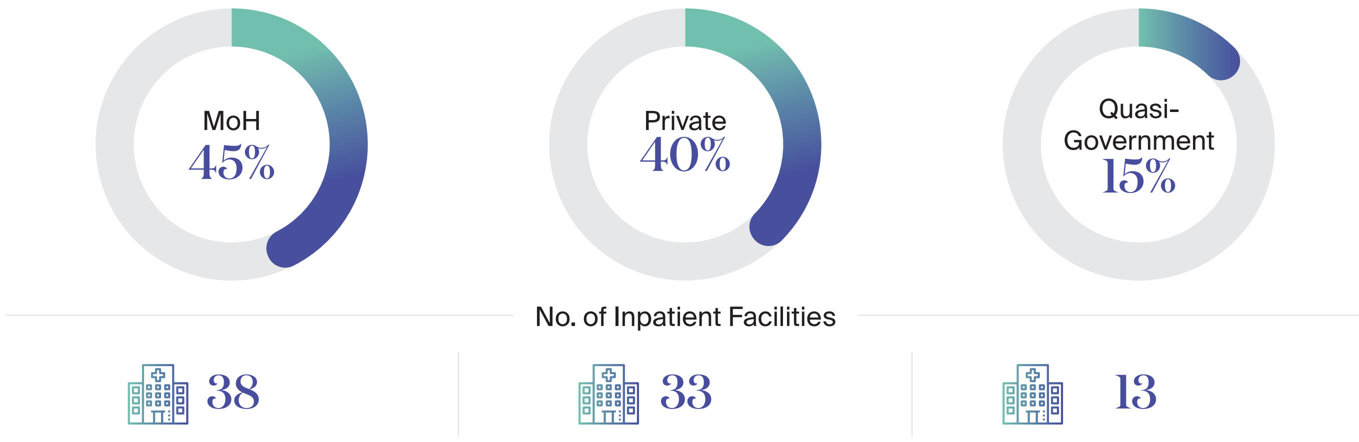
The average individual income in the province is SAR 11,775 per month, which is the third highest in the Kingdom after Riyadh (SAR 14,990) and the Northern Borders (SAR 12,868). This higher purchasing power supports greater affordability for healthcare and proactive care.

Source: GASTAT, Ministry of Health - Annual Statistics (2023), GASTAT - Household Income and Consumption Expenditure Survey 2023

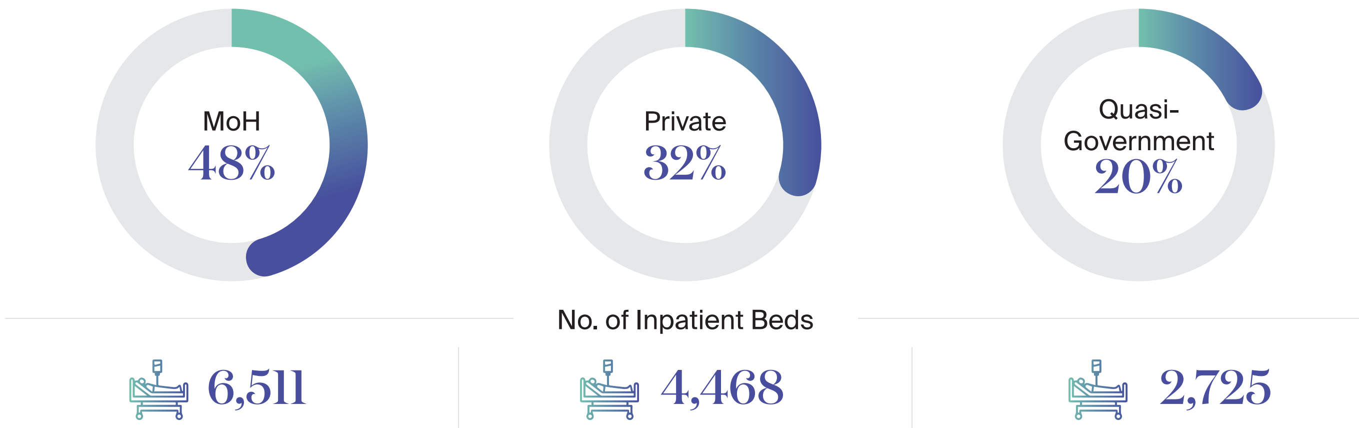
Health Infrastructure of Eastern Province

The public sector contributes significantly more to inpatient healthcare infrastructure than the private sector, providing 60% of inpatient facilities and 68% of inpatient beds. In contrast, the private sector has a wider presence for outpatient facilities in the ratio of 60% private vs 40% public.

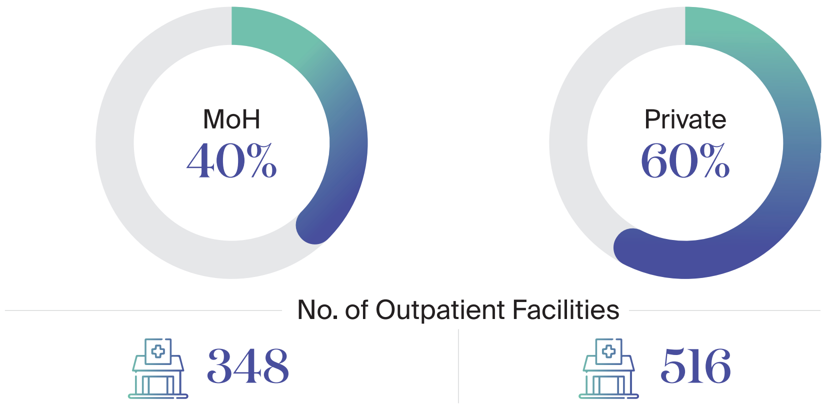
Distribution of Inpatient Facilities



Distribution of Inpatient Beds



Distribution of Outpatient Facilities



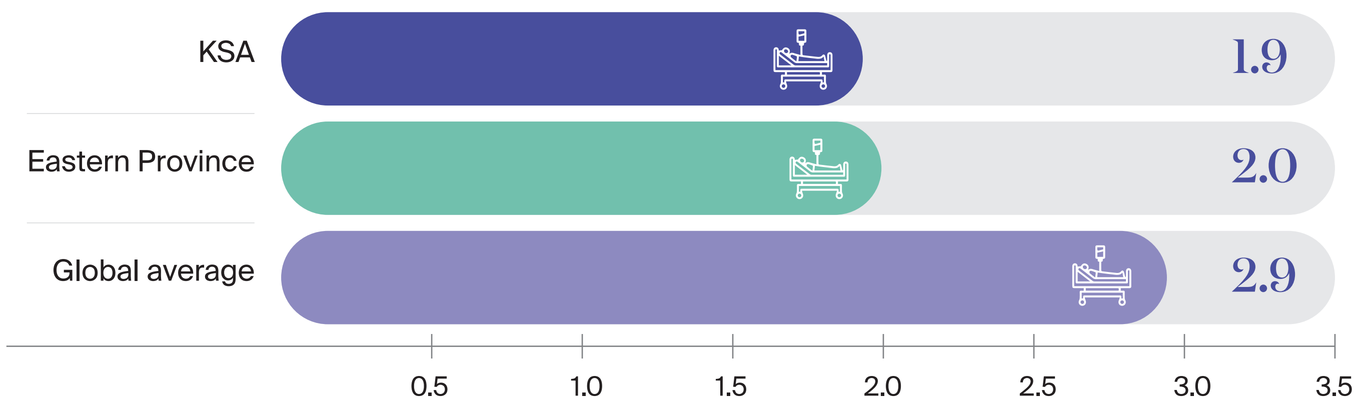
Notes: Outpatient facilities for private sector includes rehab centers, single doctors' clinics and medical complexes.

Outpatient facilities for MoH includes speciality clinics, dialysis centers and primary healthcare centers.

Source: Ministry of Health - Annual Statistics (2023)

Demand-Supply Gap Analysis

Key Indicators – Bed Density* per 1,000 Population



*Excludes other governmental sector beds

Demand for Beds in the Private Sector - DMA and Al Ahsa

	2024 (current gap)		2035F (Additional requirement)
DMA Commercial hub	711 beds	CAGR: 5.5%	1,285 beds
Al Ahsa Largest governorate by area and rich in natural resources	391 beds	CAGR: 0.5%	412 beds

Methodology: The demand/supply gap for 2035 in the private sector was calculated by considering the following factors:

1. The forecast number of outpatient visits in the private sector has been calculated based on the historical average visits per population in the sector
2. The outpatient-to-inpatient ratio has been assumed to be 3.0% based on the market trends for private hospitals
3. The average length of stay is derived from historical MoH data
4. The total bed supply includes both announced and forthcoming supply

Demand-Supply Gap Analysis (cont'd)

The bed density in the Eastern Province, while higher than the KSA average, remains below the global average, indicating a need for additional beds and hospitals.

Looking into population hubs within the Eastern Province, DMA, which is the region's commercial hub, will require an additional 1,285 beds in the private sector by 2035. Assuming an average private hospital capacity of 200 beds, this translates to at least six new hospitals to accommodate future demand.

Unlike DMA, Al Ahsa's healthcare infrastructure is largely public sector-driven but is expected to face a growing need for additional private sector beds. By 2035, the governorate is projected to require 412 additional beds, which would necessitate at least two new hospitals, assuming an average capacity of 200 beds per facility.

Market insights indicate that quality prominent healthcare providers are operating at optimal capacity. This can also be substantiated by the recently published financial results of Almoosa Health Group. Additionally, Dallah Health's recent acquisition of hospitals within Ahsa and Khobar signals a growing interest in the region.

Based on our experience, a 100-bed hospital typically generates employment for approximately 600 employees, including doctors, nurses, allied health professionals and administrative staff. Extrapolating this ratio, the addition of 1,697 new hospital beds would create over 10,000 new healthcare jobs, significantly contributing to workforce expansion in the sector.

Source: Ministry of Health - Annual Statistics (2023)

Key Factors Underpinning the Capacity Gap

01

Economic and Population Growth

As a major economic hub, Eastern Province plays a pivotal role in the oil and gas industry while also witnessing rapid expansion driven by large-scale infrastructure and tourism projects. Notable developments, including King Salman Energy Park, The Rig, Tharwa Masterplan, and National Water Company infrastructure projects, are accelerating economic diversification and urbanisation. As a result, the province's population is projected to grow at a CAGR of 2.1%, reaching 6.7 million by 2035. With more talent being attracted to the province, and with various masterplan and industrial developments, the demand for healthcare facilities catering to diverse market segments — from value to premium offerings — is set to rise. Consequently, it becomes crucial to assess the suitability of different regions within the province for establishing new healthcare facilities.

02

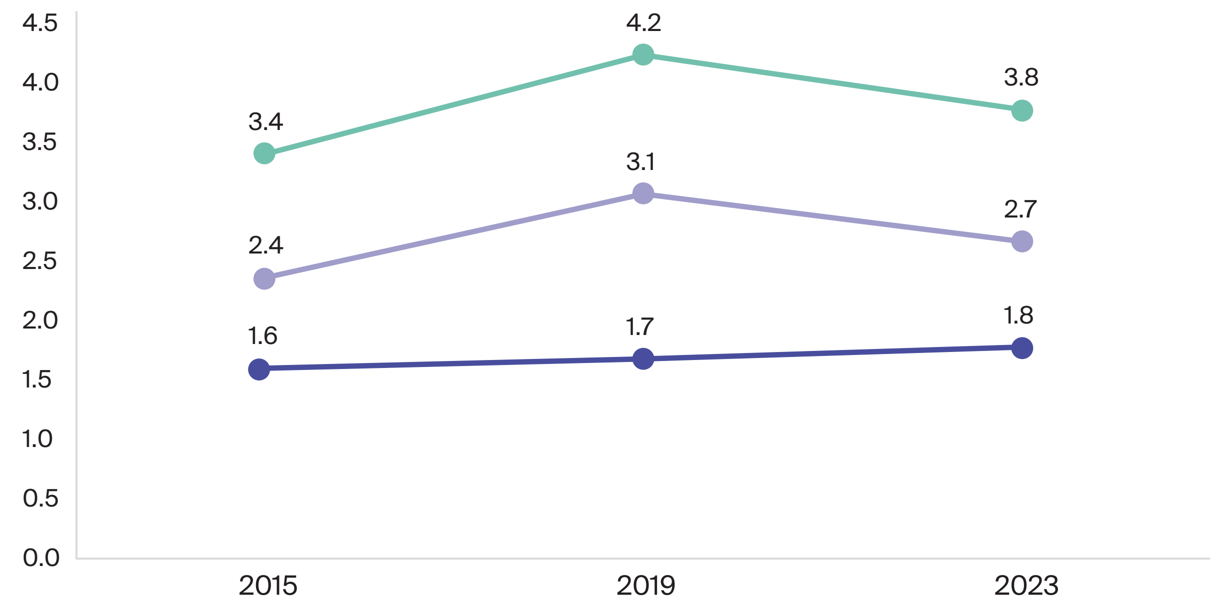
Expansion of Insurance Coverage and Visits Per Population

As per healthcare utilisation statistics published by The National Health Survey 2024, the percentage of coverage, specifically private health insurance of basic health expenses for adults over the age of 15 years, is highest in the Eastern Province at 55.9%, followed by Riyadh at 51.8%. This is also driven by HMO-based contracts; for example, Saudi Aramco, one of the largest conglomerates in Saudi Arabia, plays a pivotal role in the country's healthcare sector by offering comprehensive healthcare benefits to its employees and their dependents. The company currently provides coverage for approximately 73,000 employees and their families, with its workforce expanding by 4,800 staff since 2021. The expansion of mandatory health insurance to Saudi nationals is further expected to drive overall healthcare sector growth and private sector contribution uptake.

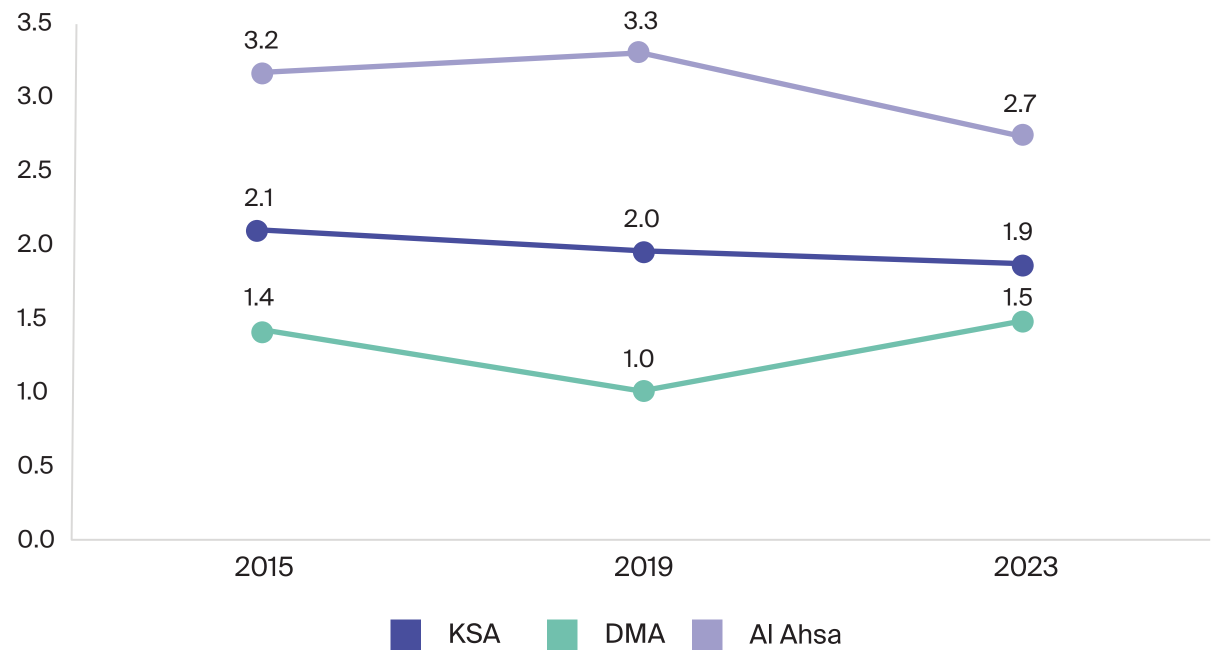
The increasing insurance coverage could be a factor contributing to the higher propensity to utilise the private sector facilities in the Eastern Province when compared to KSA. This is evident from the historical analysis of patient footfall, which reveals that cities such as DMA have consistently recorded higher numbers of visits per population.

Since 2015, visits to private sector facilities have been steadily increasing in KSA, DMA, and Al Ahsa, when compared to the public sector, indicating a growing preference for private healthcare services.

Average Visits per Population in the Private Sector



Average Visits per Population in the Public Sector



Source: Ministry of Health - Annual Statistics (2023), Oxford Economics, Institute of Health Metrics and Evaluation, GASTAT, The National Health Survey, ARAMCO

03

Burden of Lifestyle Diseases and Demographics

The high prevalence of non-communicable diseases will boost demand for preventive medicine and specialised care. This will, in turn, lead to demand for specialist doctors and nursing staff.

The demographic composition shows a predominantly young population, with 74.2% in the working-age group (15 to 64 years), driving sustained demand for preventive healthcare, occupational medicine, and chronic disease management. The 0-14 age group, comprising 24% of the population, will continue to fuel demand for women and child care services.

Top Causes of Death (KSA, 2022)

38.5%	Cardiovascular diseases
12.2%	Nephrology disorders
8.6%	Oncology
4.7%	Gastroenterology disorders

23.7%	0-14 years
74.2%	15-64 years (working-age group)
2.1%	Over 65 years

Source: Institute of Health Metrics and Evaluation, Ministry of Health - Annual Statistics (2023)

Evolving Landscape and Trends

The healthcare sector in the Eastern Province is undergoing significant transformation.

Key trends shaping the future include:

Expansion of Insurance Coverage - As per statistics from the Council of Co-operative Health Insurance (CCHI), approximately 13.1 million people (40% of the population) in KSA were covered by a health insurance plan in Q4 2024, which is a 34% increase since 2020. In KSA, 4.3 million Saudi subscribers make up 33% of the total subscribers and approximately 8.8 million are expatriate subscribers, constituting 67% of the total subscribers. This growth reflects increased access to healthcare and, with higher levels of health awareness in the current times, demand for specialised care and preventive care is expected to increase as it aligns with the Vision 2030 and Health Sector Transformation Program goal of enhancing healthcare access and quality. By 2030, we expect privatisation of services and coverage of insurance for the population to increase, either through private insurance or national health insurance.

Implications

- Private sector patient volumes are expected to grow as more Saudi nationals have the option to access private healthcare services through insurance coverage.
- This also eases the burden on the public healthcare system operationally and financially, as the resident population has access to hospitals in both sectors.

Health Cluster Strategy - As a model for delivering integrated healthcare services to all citizens and residents, the introduction of health clusters by the Health Holding Company aims to ensure rapid and efficient care delivery across areas such as chronic disease management, preventive health and palliative care, urgent care, maternal and child-care services. Currently, the Eastern Province is divided into three health Clusters with over 30 hospitals having served 4 million beneficiaries, While these clusters operate under the Ministry of Health, the long-term goal is to transition into semi-private entities. This shift will allow both Saudi nationals and expatriates access to services within MoH hospitals either through insurance coverage or out of pocket payments eventually generating revenue for the clusters.

Implications

- An increase in access to secondary and tertiary care facilities in the public sector will create competition for existing private hospitals. In turn, this will encourage them to focus on their core strengths and drive knowledge exchange between institutions.

HMO-based Contracts - Given the high concentration of employees in the Eastern Province for conglomerates such as ARAMCO and SABIC, numerous healthcare facilities in the region rely significantly on healthcare contracts to maintain patient volumes and financial stability. This dynamic underscores the critical relationship between corporate-sponsored healthcare programs and the sustainability of the broader healthcare infrastructure in Saudi Arabia.

Implications

- To ensure a sustained revenue stream, it is crucial for healthcare providers to establish contracts with these conglomerates. These partnerships help maintain a steady patient influx, contributing to financial sustainability.
- Additionally, such agreements drive hospitals to meet international standards, ultimately enhancing the quality of healthcare services as it is one of the criteria for partnership.

Expansion Strategy - The Eastern Province has emerged as a key growth market for healthcare, prompting leading operators to adopt diverse expansion strategies to establish a strong presence in the region. CMRC has recently inaugurated a long-term care facility strategically located between Dhahran and Al Khobar, catering to the region's growing demand for specialised healthcare services. Al Moosa Health Group is set to expand its footprint by developing a new facility near Khobar Corniche, enhancing access to medical services in the area. Additionally, Sulaiman Al Habib Medical Group is leveraging the public-private partnership (PPP) model, having signed an agreement with the Royal Commission for Jubail and Yanbu (RCYJ) to develop and operate a hospital in Jubail Industrial City. Meanwhile, Dallah Healthcare has accelerated its regional growth by acquiring two hospitals, further solidifying its position in the Eastern Province's healthcare landscape. These strategic initiatives highlight the increasing competition and investment in the region's healthcare infrastructure, reinforcing its role as a vital hub for medical services in Saudi Arabia.

Implications

- The Eastern Province is a strategic healthcare growth hub, with top operators expanding through acquisitions, specialised facilities, and public-private partnerships, creating an integrated care model.
- In light of ongoing industrial and urban developments, it is of utmost importance to strategically select facility locations based on suitability for value or premium service offerings.

Source: Ministry of Health - Annual Statistics (2023), Oxford Economics, Institute of Health Metrics and Evaluation, Council of Health Insurance, GASTAT, Eastern Health Clusters, Health Sector Transformation Program Annual Report 2023, Primary Insights.

Recent Transaction Supported by Knight Frank

Deal Value:
SAR 660 million

Type of Transaction: Dallah Healthcare Company has recently acquired a 97.4% stake in Al Ahsa Medical Services Company in Hofuf and a 100% stake in Al Salam Medical Services Company from Ayyan Investment Company. The agreement increases Dallah Health's capital through the issuance of new shares to Ayyan Investment Company.

Implication: The transaction is anticipated to enable synergies and economies of scale, enhancing operational efficiency, optimising costs, and improving patient care. It will also support the development of medical expertise and specialisation in the region by utilising shared resources.

Our role: KF was appointed as an independent market consultant for the transaction.

Source: Dallah Health, argaam.com

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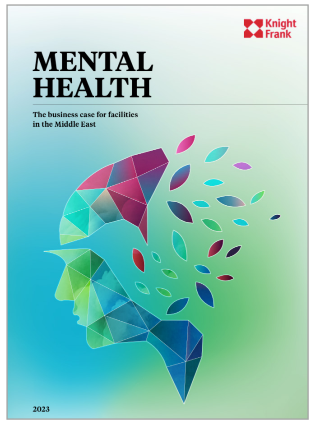

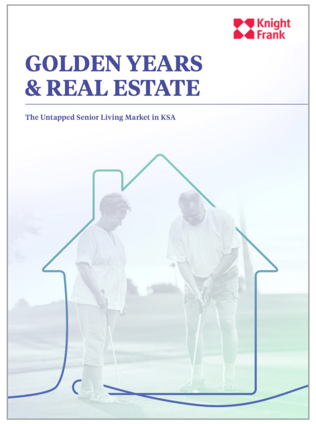

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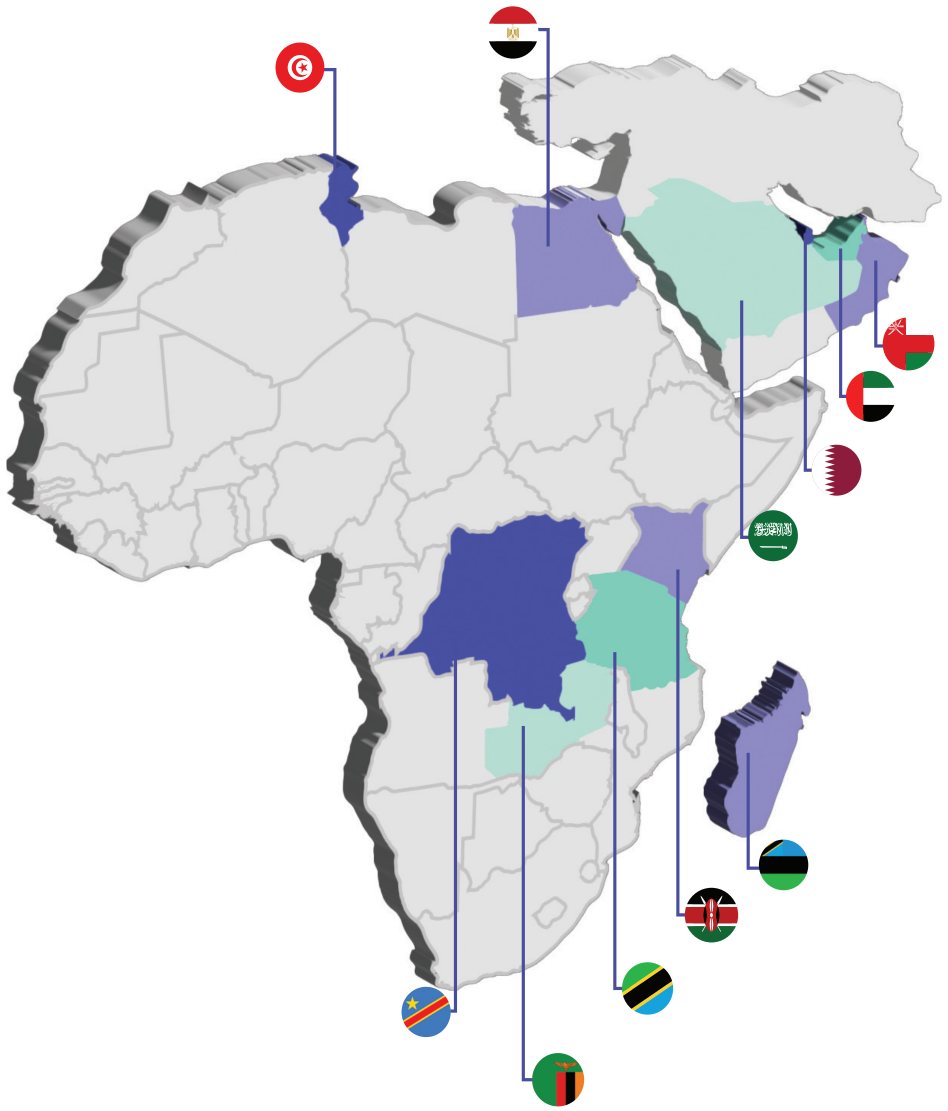

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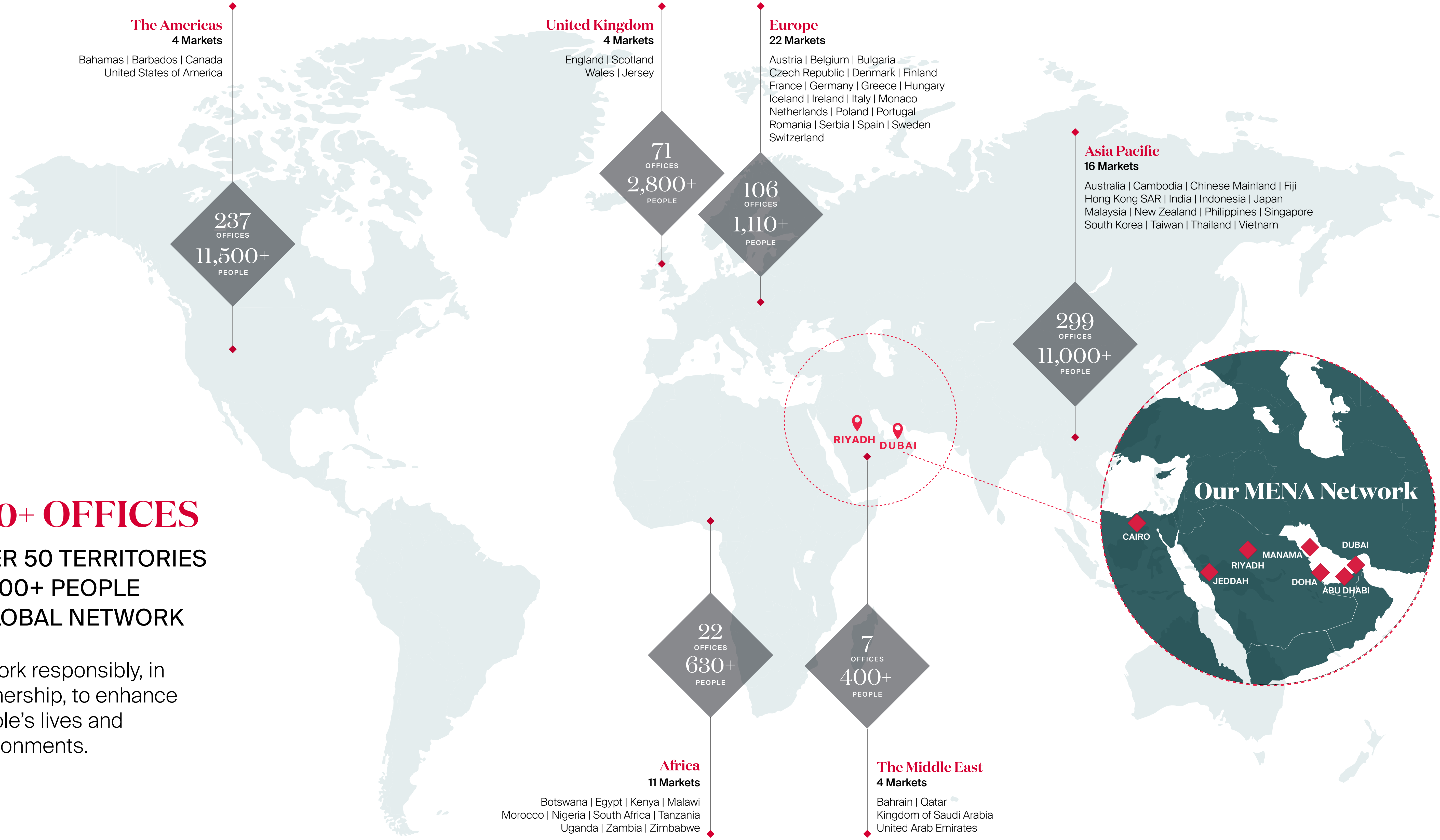

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