Growth drivers and challenges in GCC healthcare market

As UAE and KSA continue to lead the wave of change in the regional healthcare market, Frost & Sullivan predicts that 2019 will be the year of value-based care

By Inga Louisa Stevens, Contributing Writer

According to a recent report by Frost & Sullivan titled *Global Healthcare Market Outlook 2019*, increased Public Private Partnership (PPP) opportunities in the Gulf Cooperation Council (GCC) countries will continue to drive on-going smart hospital projects and digital health initiatives such as Artificial Intelligence (AI), blockchain, and robotics. With healthcare infrastructure moving towards the private sector, particularly in the UAE and Kingdom of Saudi Arabia (KSA), we are seeing an increasing number of hospitals and beds and there is an on-going demand for more healthcare services, says the report.

Supporting demand in the UAE

In the UAE, while there are more hospitals in the private sector, the public sector still comprises around two-thirds of the total available beds indicating that it has the majority of large-sized hospitals. However, growth in private hospitals and beds has been more robust than in the public sector and there are ample opportunities for investment in this sector.

The UAE has witnessed decent growth in terms of the number of beds in private hospitals – almost 13 per cent Compound Annual Growth Rate (CAGR) from 2010-2014, and in the range of 10-12 per cent CAGR growth of private hospital beds up to 2017. These trends have also been validated by the recent announcement that the UAE plans for the addition of 2,500 beds in the private sector by 2020 with the majority of these being in Dubai and Abu Dhabi.

"We are already touching maturity phase in terms of supply of hospitals, with six or seven new players in Dubai and Abu Dhabi alone in the last few years, so we would expect to see the number of new hospitals start to slow down and the demand has now been met in terms of supply," explains Sandeep Sinha, Associate Partner & Head, Healthcare and Life Sciences, Frost & Sullivan.

A major driver for the UAE, particularly in the Dubai market, is the adoption of the second phase of the mandatory health insurance in 2017. "Whenever insurance comes into the picture, you see major growth in Out Patient and In Patient volume. However, as is typical for any country that has recently adopted a 100 per cent mandatory insurance system, while the volumes have grown, margins have also come down," says Sinha.

In order to address the issue of cash flow and price control in the UAE, both private and public healthcare facilities are adopting revenue cycle management that utilises medical billing software to track revenue generation.

"In this period of adjustment, which is often temporary, particularly smaller clinics with high overheads may suffer and we have typically seen a number of mergers and acquisitions in these cases," Sinha explains. "On the flip side, insurance companies are also having to address their cash-flow issues and they are paying closer attention to claim management."

PPP driving growth in KSA

The KSA had a total of 531 hospitals in 2017, with 68 per cent of these in the public sector. Growth in private hospitals has been slightly higher than in public hospitals over the last few years (3 per cent as compared to 1.7 per cent CAGR in public hospitals, between 2010 and 2016). Similarly, the share of hospital beds was higher for public hospitals (75 per cent) in 2016 out of the total 70,844 beds. However, the growth in private hospital beds (5.3 per cent CAGR between 2010 and 2016) has been better than the growth in public hospital beds (2.8 per cent CAGR during the same period).

Despite the growth in both private and public hospital beds in the KSA over the last few years, the bed density has not increased in proportion to the growing population. It also lags behind that of developed countries. In comparison, the World Health Organisation puts the global hospital bed density average at 2.7 beds per 1,000 population and in key developed countries such as the UK and the U.S. as having 2.9 beds as of 2011.

According to Sinha: "In KSA, the government has spent a large amount of time planning PPP programmes over the last three years resulting in growth in this sector. The regulatory changes allowing 100 per cent foreign ownership for hospitals is expected to drive private sector investment significantly. In addition, Saudization, officially known as the Saudi nationalisation scheme, or *Nitaqat*, has addressed manpower issues by bringing nationals into mainstream employment in the healthcare sector, both on the clinical and non-clinical side."

In KSA, while public sector outpatient volumes and share has been decreasing, the private healthcare sector has been witnessing growth in both Out Patient and In Patient utilisation and OP-IP conversion. This trend is set to be further consolidated in the future with increased insurance coverage.

The move towards value-based care

According to Frost & Sullivan analysis, globally, 2019 will be a year of value-based care, as the focus on 'outcome-based care' globalises, triggering maturation of risk-sharing contracts. By the end of

2019, up to 15 per cent of the global healthcare spending will be tied in some form with value-outcome- based care concepts.

As Sinha explains, "In countries such as the UAE and KSA, value-based care is a new concept that is being explored on a number of levels. This care model takes a holistic view in terms of looking at improving the quality of care, as well as making cost savings for the stakeholders such as manufacturers, insurance providers and healthcare providers. In other markets, pharmaceutical companies are tying up with the insurance companies to fix the cost of medication to provide care for a certain condition. Eventually, we may also see this move into the healthcare side of things, hospitals may need to buy into value-based care models."

The digital coming over age

On a global level, Frost & Sullivan predicts that AI for HIT application market is expected to cross 1.7 billion by the end of 2019. Operationalising AI platforms across select healthcare workflows would result in a 10-15 per cent gain in productivity in the next 2-3 years. During 2019, digital health technology catering to out-of-hospital settings will grow by 30 per cent to cross US$25 billion mark globally. Also, by the end of 2019, Frost & Sullivan predicts that 5–10 per cent of healthcare-focused enterprise blockchain applications will move from pilot stage to partial/ limited commercial availability.

He concludes: "In the future, AI will have a big impact on laboratory and imaging diagnostics. Innovation is taking place on every level and healthcare providers and hospitals must keep up. Treatments are now increasingly moving to non-invasive procedures such as laparoscopy and keyhole surgeries and hospitals are now increasingly adopting Smart Hospital Concepts where clinical process, management process, and patient care data will be linked to HIT platforms. This will help hospitals manage their costs, improve clinical outcomes and give patients a better experience."

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Sandeep Sinha