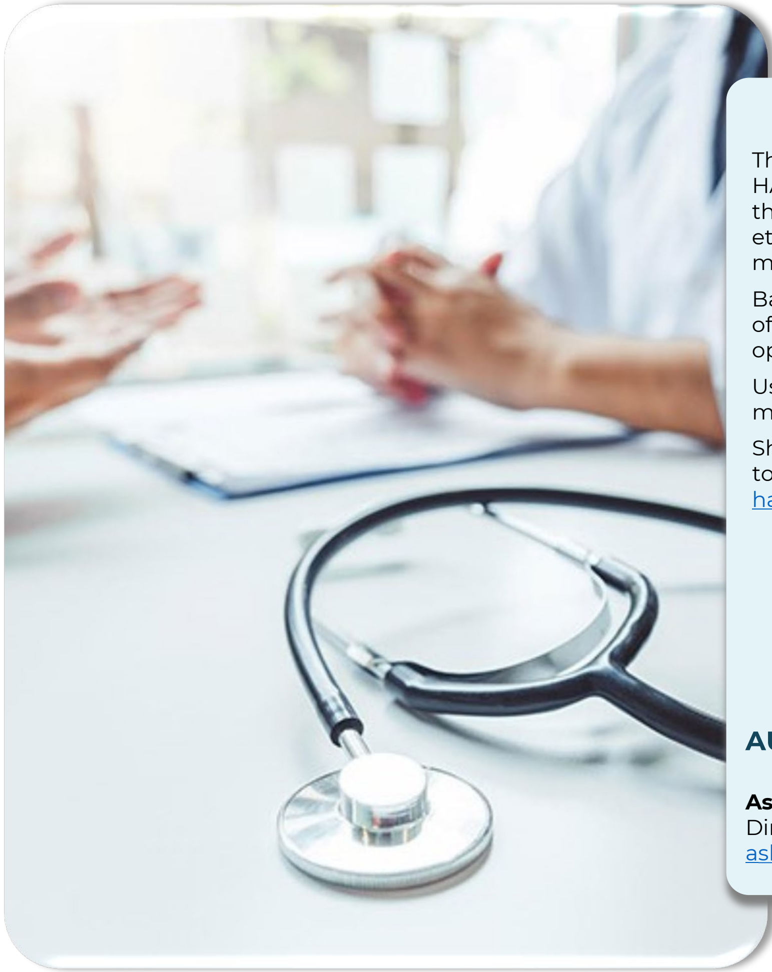
CONSULTING HAUS

KSA HEALTHCARE OVERVIEW

OCTOBER 2023

KINGDOM OF SAUDI ARABIA: HEALTHCARE SECTOR OVERVIEW



INTRODUCTION

This healthcare estate sector overview ("**Overview**") has been prepared by Consulting HAUS LLC ("**CH**") based on information obtained from secondary resources (including the General Authority for Statistics, various healthcare research publications, websites, etc.) and information gathered via primary market interviews with a cross-section of market participants in the Kingdom of Saudi Arabia ("**KSA**").

Based on an assessment of the various data sources, the Overview presents the state of the healthcare industry in KSA along with the prospects, trends, and market opportunities in the sector.

Users of the Overview are encouraged to undertake their independent research before making any business-related decisions based on the content of the Overview.

Should you require a more in-depth analysis of the healthcare sector, please get in touch with a member of the team or send an inquiry via our website: www.consulting-haus.com

AUTHOR

Ashish Kumar Mishra
Director
ashish.mishra@consulting-haus.com

KSA healthcare sector overview

KEY HIGHLIGHTS OF THE HEALTHCARE SECTOR IN KSA

Healthcare sector in KSA has seen a modest growth in terms of number of beds over the years but it ranks among the countries with highest bed's density in the GCC region. There is a continued commitment of the government to empower this sector through continuous investments and privatization

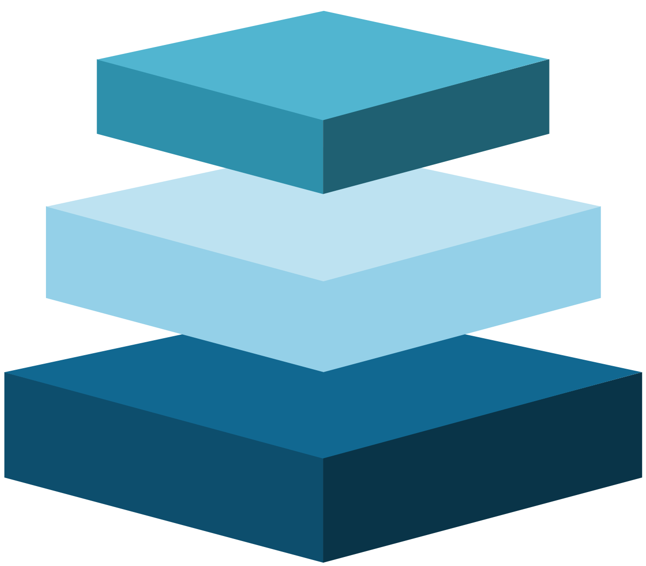
- Beds per thousand population as of 2021A: **2.3**
- Number of hospital beds in KSA as of 2021A: **77,224**
- Number of hospitals as of 2021A: **497**
- Number of healthcare personnel (000's) as of 2021A: **485.7**
- Healthcare budget in 2023A (SAR billion): **88.8**
- Number of doctors per 1000 population as of 2021A: **2.9**

SAUDI VISION 2030

The Saudi Vision 2030 was translated into strategic goals, facilitating efficient execution via programs designed for realizing the envisioned outcomes

THE THREE PILLARS OF SAUDI VISION 2030

VISION رؤيـــة 2030
المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA



A VIBRANT SOCIETY

This pillar aims to create a more tolerant, inclusive, and equitable society in Saudi Arabia. The government plans to do this by investing in education, healthcare, and social welfare programs. They also plan to promote women's empowerment and protect human rights.

A THRIVING ECONOMY

This pillar aims to diversify the Saudi economy away from oil and gas. The government plans to do this by investing in new sectors such as tourism, manufacturing, and technology. They also plan to attract foreign investment and improve the business environment.

AN AMBITIOUS NATION

This pillar aims to make Saudi Arabia a more influential player on the global stage. The government plans to do this by investing in military and security capabilities, as well as soft power initiatives such as cultural diplomacy.

A vibrant society pillar of Vision2030 includes initiatives to advance the healthcare sector in KSA. By 2030, The government plans to invest SAR250.0b in healthcare infrastructure and boost private sector participation, targeting the privatization of 290 hospitals and 2,300 primary health centers.

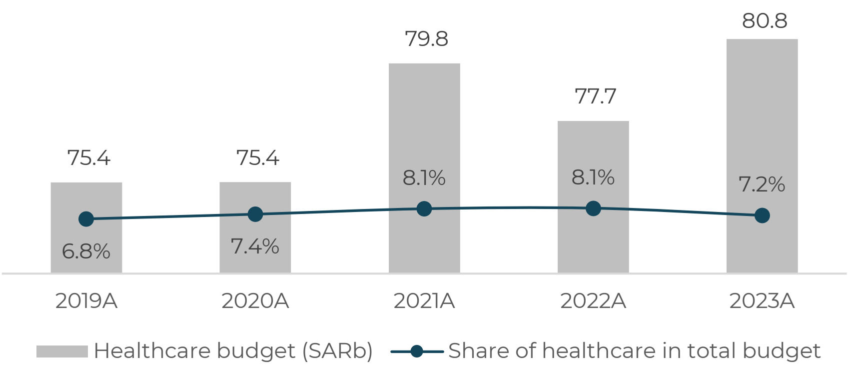
BACKGROUND

The healthcare budget in KSA ranged from 6.8% to 8.1% of its total budget towards healthcare over the past five years, demonstrating its commitment to providing quality medical services

OVERVIEW OF HEALTHCARE IN KSA

- The healthcare industry in the Kingdom of Saudi Arabia (“**KSA**”, “**Kingdom**”) stands as one of the most extensive and advanced within the Middle East region. It encompasses an array of public and private healthcare institutions, including hospitals, clinics, pharmacies, and various ancillary healthcare services. The Ministry of Health in KSA ("**MoH**“), serves as both the principal regulator and provider of healthcare throughout the nation. It exercises oversight over a network comprising over 2,000 health centers and 497 hospitals.
- The healthcare sector in KSA assumes paramount importance within the broader context of the country's socio-economic development. Over the past five years, it has consistently received a noteworthy allocation, equivalent to an average of 7.5% of the government's annual budget.
- The global outbreak of the COVID-19 pandemic exerted unprecedented stress on healthcare systems worldwide, revealing inherent vulnerabilities within health services and supply chains. KSA, endowed with substantial sovereign reserves, has emerged from this crucible in a position of considerable strength. These reserves have enabled the Kingdom to address and fortify the deficiencies exposed by the exceptional events spanning 2020 to 2022.

HEALTHCARE BUDGET OF KSA



Source: MoH

HEALTHCARE SYSTEM

Healthcare services in the country in predominantly dominated by public sector

KSA HEALTHCARE SYSTEM

PUBLIC SECTOR (FREE)

- **~68.0%** of total hospitals
- **~77.0%** of total Beds

PRIVATE SECTOR (PAID)

- **~32.0%** of total hospitals
- **~23.0%** of total Beds

MoH

- **~58.0%** of total hospitals
- **~59.0%** of total Beds

OTHER PUBLIC AGENCIES

- **~10.0%** of total hospitals
- **~18.0%** of total beds

Referral and academic healthcare centers

- REFERRAL HOSPITALS
- TEACHING HOSPITALS
- SCHOOL HEALTH UNITS

For emergency services

- RED CRESCENT

For emergency services and employees & their families

- ARAMCO HEALTH SERVICES
- ARMED FORCES MEDICAL SERVICES
- SECURITY FORCES MEDICAL SERVICES
- NATIONAL GUARD HEALTH AFFAIRS
- HEALTH SERVICES IN THE ROYAL COMMISSION FOR JUBAIL AND YANBU

- *All three categories of hospitals (MoH, other agencies, and the private sector) offer all levels of healthcare.*
- *The share of hospitals and beds is provided based on the latest published statistics of 2021A*

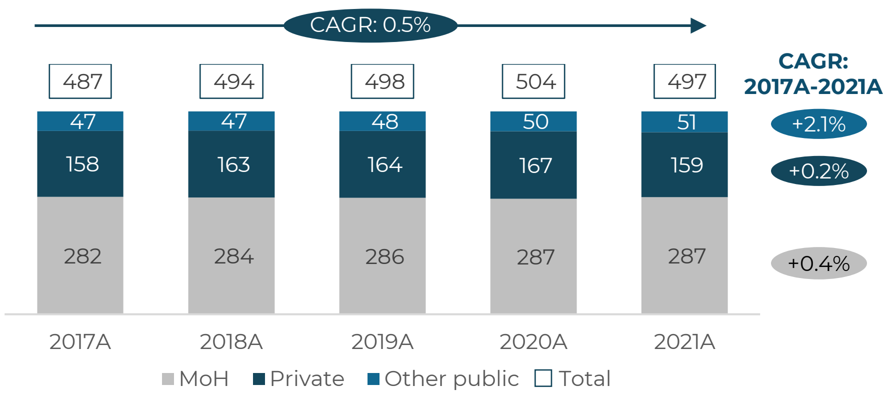
Source: MoH

KSA healthcare sector overview

HEALTHCARE INFRASTRUCTURE

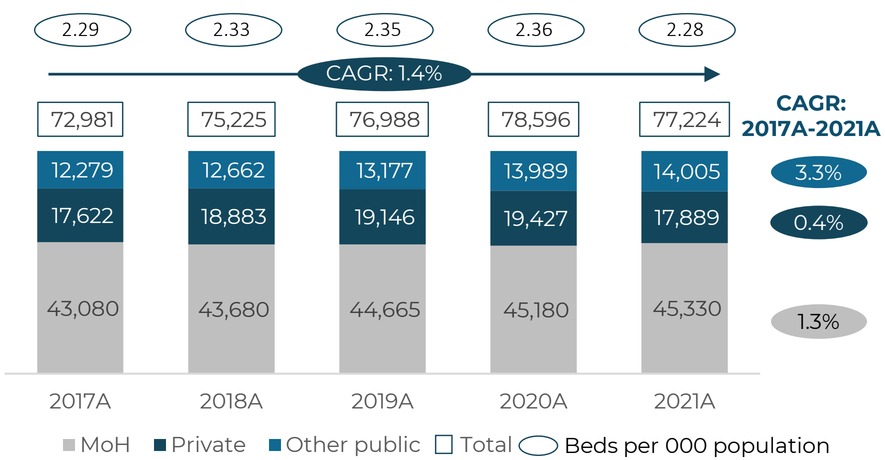
Public sector controls 68.0% of the total hospitals and 76.8% of the total hospital beds in the country

NUMBER OF HOSPITALS



Source: MoH

NUMBER OF HOSPITAL BEDS



Source: MoH

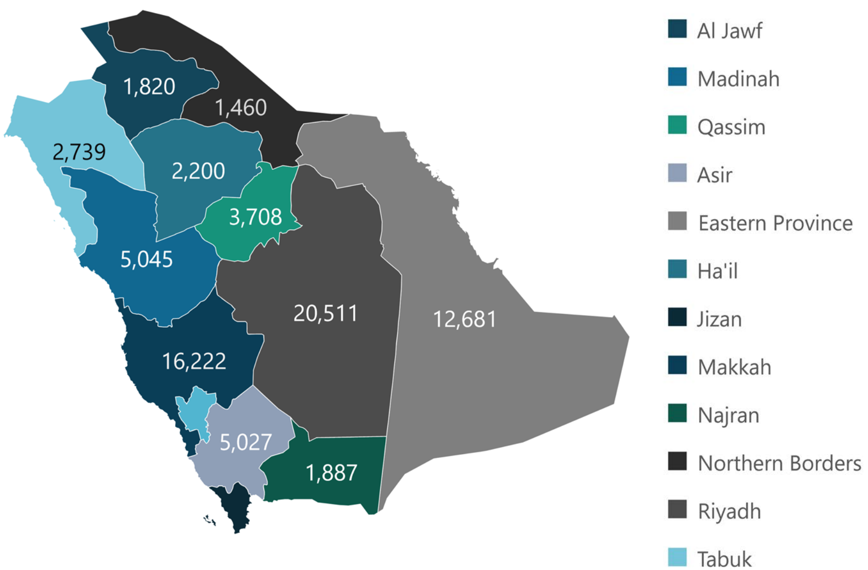
KEY OBSERVATIONS

- The healthcare sector in KSA consists of three primary stakeholders: the MoH, various governmental entities, and the private sector. Over the years, both the public and private healthcare sectors have expanded their capacities to cater to the escalating demand of the growing population.
- Public sector hospitals, based on the average of the period 2017A through 2021A, boast 173 beds per hospital, and the overall number of beds has witnessed a gradual growth at a Compound Annual Growth Rate ("**CAGR**") of 1.7% from 2017A to 2021A. In contrast, the number of beds within the private sector experienced a more modest CAGR of 0.4% during the same period, adding a mere 267 beds. Private sector hospitals have maintained an average of 115 beds per facility from the period 2017A through 2021A.
- Despite the government's concerted efforts to reduce the reliance on public healthcare facilities, the healthcare system in KSA predominantly depends on services provided by the MoH. As of 2021A, there are a total of 497 hospitals in KSA, housing nearly 77,224 hospital beds. MoH hospitals account for a dominant share, constituting 58.7% with 45,330 beds, while private hospitals comprise approximately 23.2%. It is worth noting that the number of beds in private hospitals experienced a decrease of approximately 7.9% during 2020A-2021A, largely due to the closure of eight hospitals.
- In the forthcoming years, the private sector is poised for substantial growth, driven by government initiatives to encourage private entities to assume ownership and management of healthcare services. This transformation has already commenced with publicly listed healthcare companies managing units within MoH hospitals.
- Underpinning these developments is the government's healthcare transformation model, which seeks to delineate the roles and responsibilities of regulators and service providers. The latter will continue to deliver high-quality healthcare services, while the MoH will transition into a role focused on policymaking and regulation.

NUMBER OF BEDS AND DENSITY OF BEDS BY PROVINCE

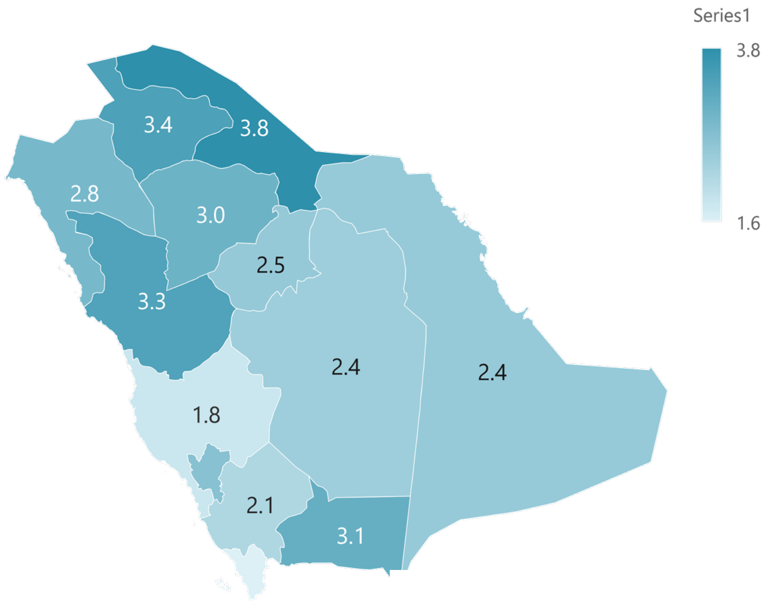
Riyadh leads in hospital beds and hospitals but ranks low in beds per thousand population. Makkah and the Eastern Province follow closely, while the Northern Borders region stands out with the highest beds per thousand population

NUMBER OF BEDS ACROSS PROVINCES (2021A)



Source: MoH

BEDS PER 1,000 POPULATION BY PROVINCE (2021A)



Source: MoH, CH estimates

KEY OBSERVATIONS

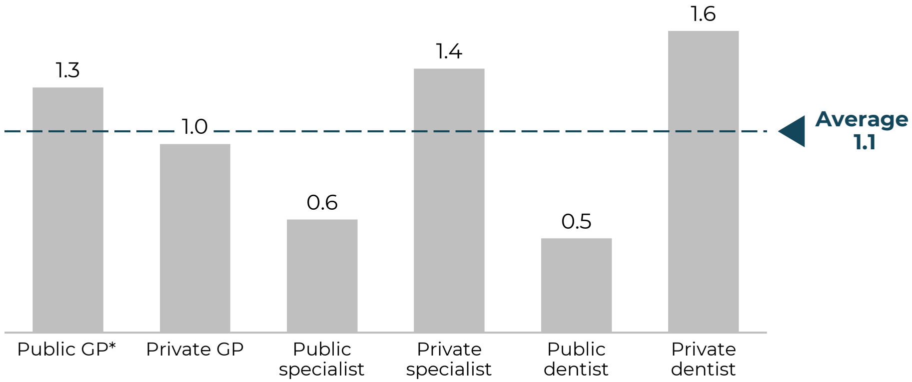
- The Riyadh region leads the country with 20,511 beds and 111 hospitals but ranks fourth lowest in beds per thousand population.
- Makkah has the second most beds at 16,222 across 100 hospitals, while the Eastern Province ranks third with 12,681 beds across 79 hospitals.
- A heat map on the upper right side of the page shows bed density, with darker blue indicating more beds per thousand population.
  i. The Northern Borders region stands out with 1,460 beds for about 365.2k people, yielding the highest beds per thousand population at 3.8 in 2021A.
  ii. At an overall level, KSA has 2.28 beds per thousand population, which is well above the GCC average of 1.81 beds per thousand population.

KSA healthcare sector overview

HEALTHCARE UTILIZATION

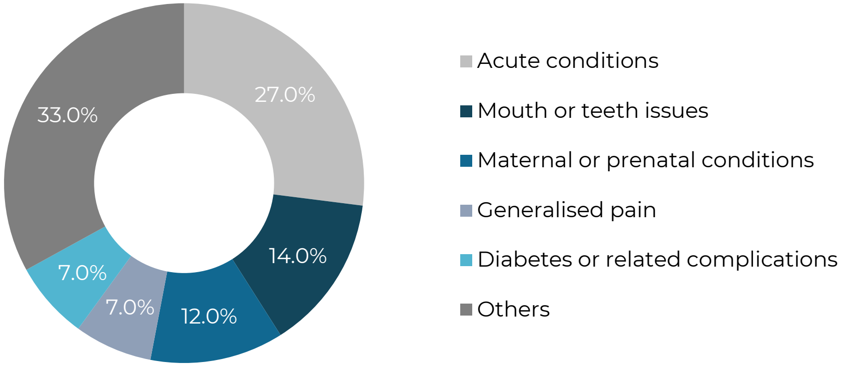
Private dentists witness higher utilization rates (mean visits per year per hospital), while acute conditions represent 27.0% sought-after healthcare service

HEALTHCARE UTILIZATION BY PRACTITIONER TYPE (MEAN VISIT PER YEAR PER PATIENT)



Source: Healthcare utilization and responsiveness survey 2021, MoH

REASON FOR SEEKING HEALTHCARE SERVICE



**GP: General practitioner*

Source: Healthcare utilization and responsiveness survey 2021, MoH

KEY OBSERVATIONS

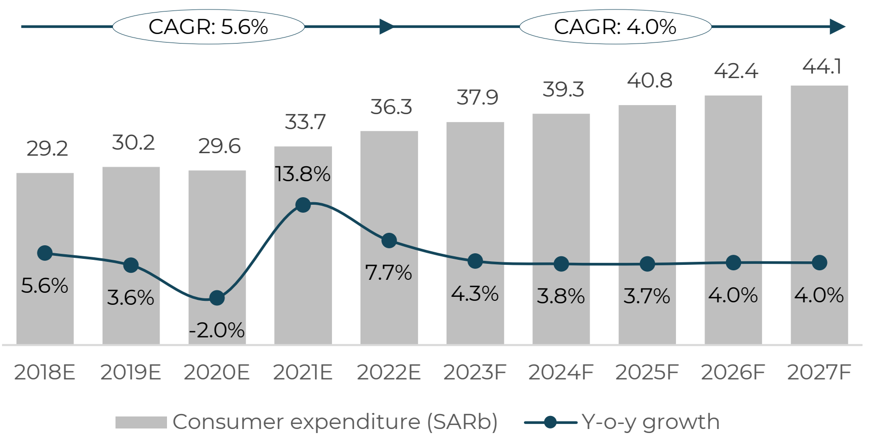
- In KSA, it is a customary practice for every citizen to make at least one annual visit to a healthcare facility. Among the various healthcare providers, private dentists emerge as the most frequently sought after, with an average of 1.6 visits per individual each year.
- When we delve into regional variations, the Western region exhibits the highest frequency of visits to private dentists, tallying 2.2 visits annually. On the flip side, public dentists experience the least frequent visits. This variance in visitation rates can be attributed to the inherent nature of dental treatments, as several common dental procedures necessitate multiple visits for completion.
- When it comes to seeking medical care, patients in KSA display a distinct preference. They opt for government healthcare facilities when seeking GPs and turn to private facilities when requiring the services of specialists.
- The primary motivations for seeking healthcare services in the country encompass acute medical conditions, accounting for 27.0% of cases. Notably, this percentage is higher among males, standing at 31.0%, compared to females at 22.0%. Subsequent to acute conditions, issues concerning the mouth and teeth, constituting 14.0% of cases, represent a significant portion of healthcare visits.
- For outpatient healthcare needs, government primary healthcare clinics serve as the most widely used facilities, with a substantial share of 35.0%, followed by government hospitals at 21.0%. On the other hand, for inpatient care, MoH hospitals take the lead, catering to 65.0% of cases, while private hospitals account for 20.0%.
- In a broader assessment of the healthcare quality, the general consensus among patients in KSA is one of satisfaction. According to a survey conducted by the MoH in 2021A, a striking 97.0% of patients expressed satisfaction with the adequacy of healthcare providers' skills. Furthermore, 95.0% of respondents rated the equipment and drug supply within hospitals as adequate. It is important to note that these satisfaction ratings exhibit minimal variations across demographic characteristics, although some regions do display slightly lower scores in one or more of the evaluated categories.

KSA healthcare sector overview

HEALTHCARE EXPENDITURE (1/2)

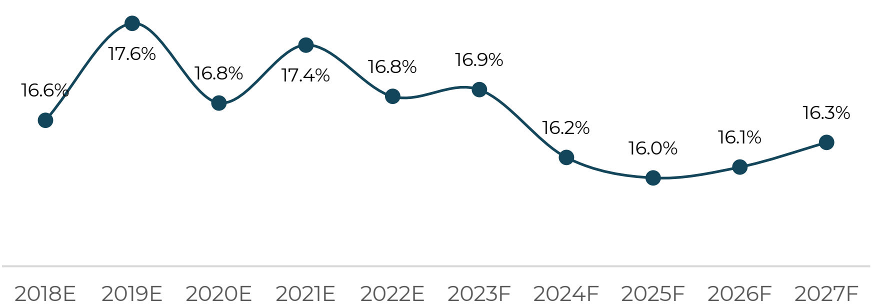
Consumer healthcare spending in KSA surged due to COVID-19 concerns, with the government shifting costs to private health insurance. Unified insurance policies aim to enhance access to quality care

CONSUMER EXPENDITURE ON HEALTHCARE



Source: Economic Intelligence Unit, Q12023

SHARE OF CONSUMER SPENDING ON HEALTHCARE OF THE TOTAL HEALTHCARE SPENDING



Source: Economic Intelligence Unit, Q12023

KEY OBSERVATIONS

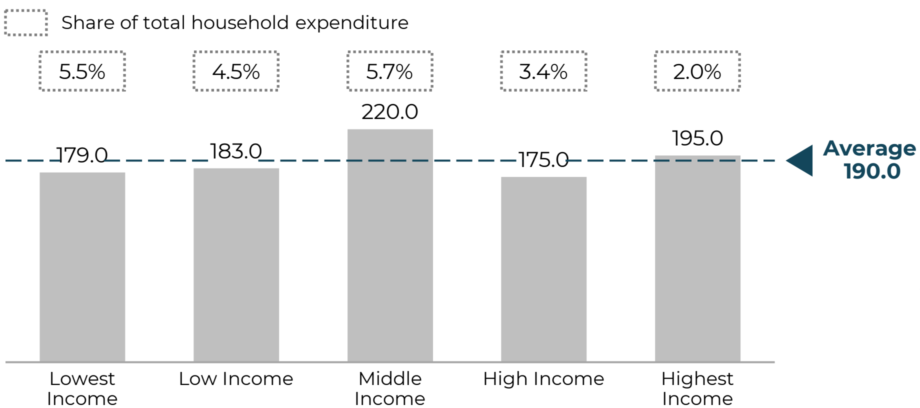
- KSA has witnessed a notable increase in consumer expenditure on healthcare, with a CAGR of 5.6% recorded between 2018E and the estimated figures for 2022E. This substantial growth can be attributed to several factors, including heightened health concerns arising in the aftermath of the COVID-19 pandemic, increased demand for elective treatments, and the recovery of postponed surgical procedures.
- Notably, the year 2021E witnessed a significant surge in healthcare spending, as many medical services and treatments that had been deferred in the preceding year were revived and addressed.
- Looking ahead, the trajectory of consumer health expenditure is anticipated to maintain positive momentum, with a projected CAGR of 4.0% forecasted for the period spanning from 2022E to 2027F. It is worth noting that consumer health expenditure currently constitutes 16.8% of the total healthcare expenditure within the country, as the government shoulders the majority of healthcare-related costs.
- The KSA government actively supports healthcare, both directly and indirectly, through subsidies extended to private-sector healthcare institutions. In the traditional framework, KSA nationals and religious pilgrims are entitled to receive healthcare services at no cost. However, starting in 2006A, successive laws mandated that expatriates, nationals employed in specific private-sector domains, as well as non-pilgrim foreign visitors must secure private health insurance coverage for themselves and their families. This policy is strategically designed to alleviate some of the financial burden, transitioning it from the public sector to the private sector.
- Further enhancing the healthcare landscape in KSA, in 2017A, the 'Council of Co-operative Health Insurance' introduced a unified health insurance policy aimed at expanding coverage and improving access. According to this policy, all private-sector employers are now obligated to enroll their employees and their dependents under a unified, mandatory health insurance policy. This progressive step is intended to streamline administrative processes and ensure that all employees have equitable access to high-quality healthcare services.

KSA healthcare sector overview

HEALTHCARE EXPENDITURE (2/2)

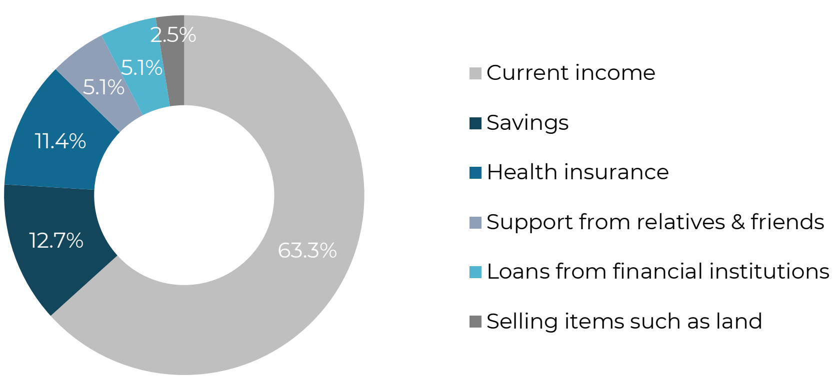
In KSA, healthcare spending accounts for around 4.0% of household budgets, with disparities based on income levels and geographical location

AVERAGE HEALTHCARE EXPENDITURE (SAR PER CAPITA PER MONTH, BY INCOME GROUP), 2021A



Source: Healthcare expenditure and insurance report 2021, MoH

SOURCE OF HEALTHCARE EXPENDITURE 2021A



Source: Healthcare expenditure and insurance report 2021, MoH

KEY OBSERVATIONS

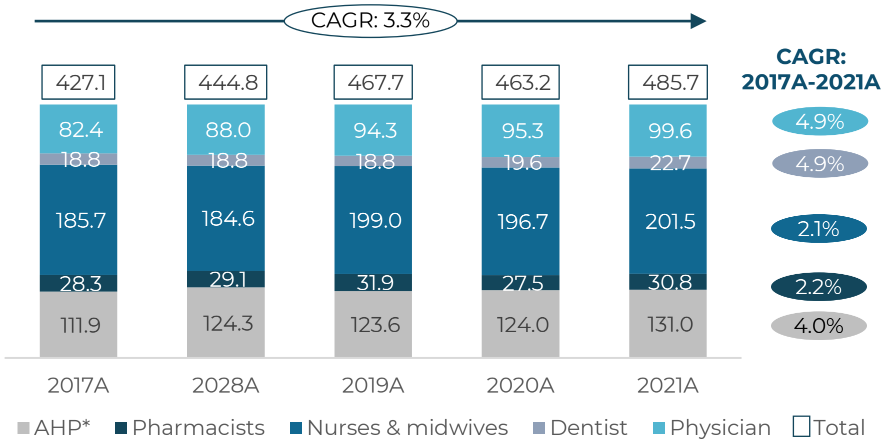
- In KSA, healthcare expenditure constitutes a significant portion of household budgets, with approximately 4.0% of total household spending. It is essential to note that this allocation tends to fluctuate in accordance with income levels.
- Based on a comprehensive survey conducted by the MoH in 2021, it was revealed that households with the lowest incomes, on average, spend SAR179.0 per month, accounting for 5.5% of their total monthly expenses, on healthcare-related expenses. On the other hand, households with the highest incomes allocate an average of SAR195.0 per month, constituting only 2.0% of their total monthly expenditure towards healthcare.
- Furthermore, regional disparities in healthcare spending within KSA are discernible. Rural households, on average, spend more on healthcare than their urban counterparts, with an average monthly healthcare expenditure of SAR216.0 for rural households compared to SAR186.0 for urban households. This discrepancy can be attributed to the higher consultation fees and transportation costs incurred by rural residents.
- The distribution of healthcare expenditure as a percentage of total household spending differs among rural and urban households, with rural households dedicating 5.0% of their total expenditure to healthcare, while urban households allocate 3.0%.
- Notably, regional healthcare expenditure patterns within KSA exhibit substantial variations. Households in regions such as Bahah, Najran, and Jawf allocate less than 1.0% of their total expenditure to healthcare expenses. In contrast, households in the Northern Border regions, Jizan, and Asir, allocate approximately 6.0% of their expenditure to healthcare, and households in Makkah allocate approximately 7.0%.
- The majority of healthcare expenses are financed from current income sources. However, it is noteworthy that in 12.7% of cases, individuals are compelled to use their savings to cover these costs, indicative of healthcare expenses surpassing the average household income in certain instances.

KSA healthcare sector overview

HEALTHCARE MANPOWER

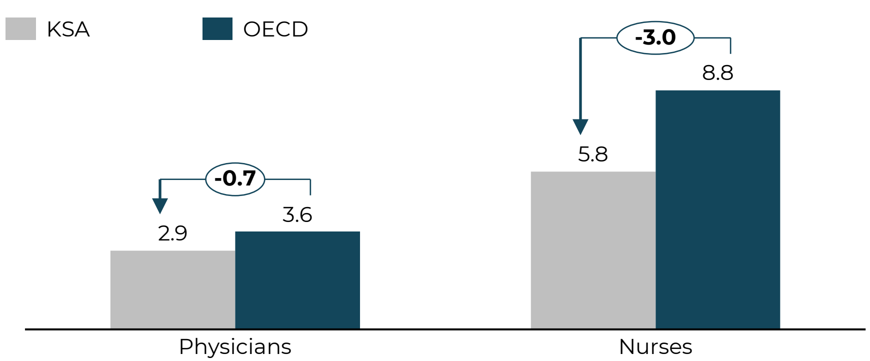
In 2021A, KSA had 2.9 doctors per 1,000 people. KSA aims to achieve 3.1 physicians and nurses per 1,000 by 2027F

NUMBER OF HEALTHCARE PERSONNEL (000'S)



Source: MoH

HEALTHCARE WORKFORCE DENSITY (PER 1000 POPULATION, 2021A): KSA VS. OECD



Source: MoH, OECD

**AHP: Allied healthcare professionals*
Note: OECD data is for 2019A (latest available)

OECD: Organization for Economic Co-operation and Development

KEY OBSERVATIONS

- In 2021A, KSA boasted an estimated ratio of 2.9 doctors per 1,000 individuals, representing an increase from 2.4 per 1,000 recorded in 2010A. However, this statistic remains slightly below the average of 3.6 doctors per 1,000, as observed across the member countries of the OECD. Despite an annual population growth rate surpassing 2.0%, this ratio is anticipated to rise to 3.1 doctors per 1,000 by the year 2027F.
- Saudization quotas, which mandate that a specific percentage of the workforce must comprise Saudi nationals, impose constraints on the healthcare sector's capacity to recruit fresh medical professionals.
- In April 2022, the government established an ambitious objective, aiming for 60.0% of specialized healthcare professionals to be Saudi nationals. As of 2021, approximately 254.0k medical personnel in employment were Saudi nationals, constituting 52.3% of the entire healthcare workforce. MoH has outlined plans to onboard an additional 100.0k Saudi nationals into the health sector by 2030F.
- In addition to the challenges related to Saudization efforts, the recently launched 'Health Sector Transformation Program' is expected to compound the issue further. Aligned with KSA's Vision2030, this program is designed to enhance healthcare service accessibility by ensuring optimal coverage and achieving equitable geographical distribution. The program has committed to achieving 88.0% coverage of the population with inclusive health services by 2025F while also ensuring that a unified digital medical records system covers 100.0% of the population.
- To realize these ambitious objectives, KSA will be required to increase the number of doctors and nurses per thousand population, and necessary targets have been outlined in Vision2030. In sum, the total supply of physicians and nurses, encompassing both Saudi nationals and expatriates, is projected to increase from 296,412 in 2021A to 399,354 in 2030F (comprising 99,617 physicians and 260,719 nurses).

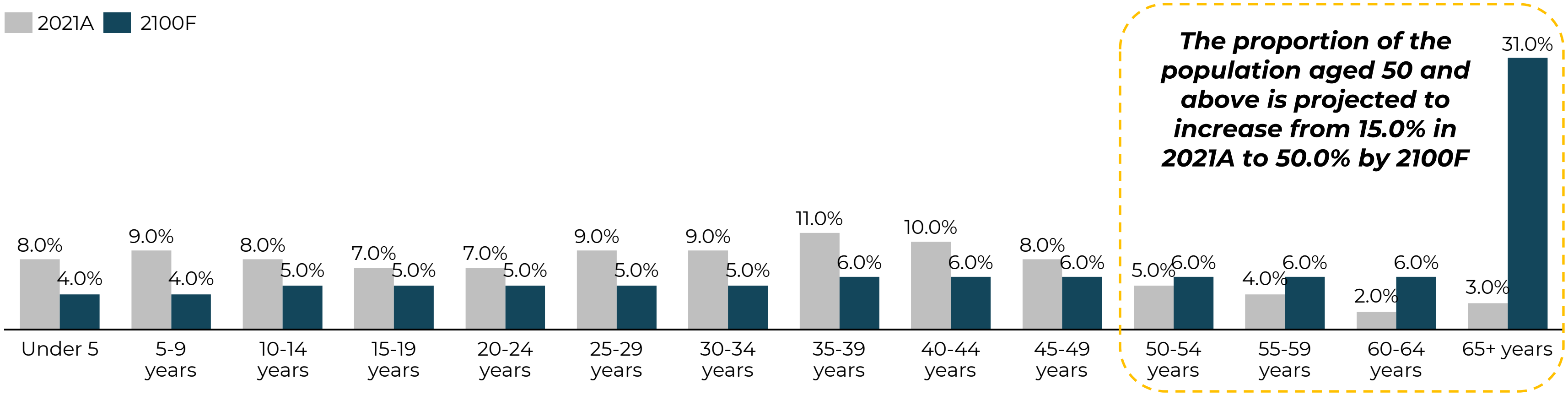
Source: MoU, Economist Intelligence Unit

KSA healthcare sector overview

DEMOGRAPHICS AND RISK OUTLOOK

KSA is experiencing a demographic shift toward an aging population, with chronic diseases responsible for most deaths. The healthcare system needs to adapt to prioritize chronic disease management as the elderly population grows

KSA POPULATION BY AGE GROUP: 2021A VS. 2100F



Source: Healthdata.Org, General Authority of Statistics, KSA

KEY OBSERVATIONS

- KSA is currently experiencing a gradual demographic transition characterized by a growing proportion of elderly individuals aged 50 years and above. This demographic shift can be attributed to several key factors, including declining fertility rates, reduced infant mortality, and the provision of modern, cost-free healthcare services for citizens. While the existing healthcare system primarily emphasizes acute care, it must evolve and enhance its capabilities to prioritize the management of chronic diseases, aligning itself with the evolving healthcare needs of the population.
- As of the latest available data in 2021A, only 15.0% of the KSA population falls within the 50+ age group. However, despite this relatively low percentage, non-communicable diseases ("**NCDs**"), particularly chronic ailments, account for a staggering 73.0% of all mortality cases in the country. Cardiovascular diseases, comprising 37.0% of total NCD-related deaths, are the leading contributors, followed by cancer at 10.0%, diabetes at 3.0%, respiratory diseases at 3.0%, and other NCDs at 20.0%.
- KSA faces a notably high prevalence of chronic diseases and their associated risk factors. According to a comprehensive survey conducted by the International Journal of Health Sciences in 2017, elderly Saudi men exhibited significant prevalence rates of various chronic conditions: hypertension (71.3%), diabetes (27.3%), heart disease (16.4%), asthma (9.7%), ulcers (8.9%), and cancer (2.0%). Among the participants, 31.0% had been diagnosed with one chronic disease, while 34.5% had two or more concurrent conditions.
- It is crucial to recognize that even if the prevalence of chronic diseases remains stable, the demand for chronic disease management will surge, given the projected demographic changes. By the year 2100F, it is anticipated that approximately 50.0% of the total population in KSA will be aged 50 years or older, necessitating a proactive and sustainable approach to address the healthcare needs of this aging population.

Source: Health Research Policy and Systems, General Authority of Statistics, KSA

KSA healthcare sector overview

KEY MARKET TRENDS

The country is undergoing a digital transformation in the healthcare sector to prepare for future medical needs, with a focus on preventive care and improving the quality of services provided

FOCUS ON PREVENTIVE CARE

- KSA is anticipated to undergo a demographic transformation characterized by an aging population. In the year 2035F, it is projected that 44.0% of the populace will fall within the age bracket of 40 years and above. Additionally, life expectancy is poised to ascend, reaching an estimated 81.8 years by 2050F. These demographic shifts are likely to contribute to a heightened prevalence of chronic diseases within the country.
- In light of these developments, the government of KSA is progressively directing its efforts toward preventive healthcare strategies aimed at mitigating the burden of chronic diseases. This strategic shift entails the implementation of various initiatives, including those promoting physical activity and the consumption of healthy foods. These endeavors are intended to foster healthy lifestyles among the population and facilitate early detection and treatment of chronic illnesses.

INCREASED FOCUS ON PATIENT EXPERIENCE

- The government of the KSA has placed a growing emphasis on enhancing the overall patient experience within the healthcare sector. In pursuit of this objective, several pivotal initiatives have been launched.
- One such groundbreaking initiative is the 'Patient Experience Measurement Program,' constituting a nationwide transformation effort with the overarching goal of elevating the quality of the patient experience.
- Furthermore, the 'Health Sector Transformation Program' represents another significant undertaking, with an aim of reconfiguring the healthcare sector in KSA into a comprehensive, efficient, and seamlessly integrated system.
- In tandem with these initiatives, the government has also prioritized the enhancement of healthcare service quality. This endeavor encompasses the provision of training programs for healthcare professionals, equipping them with the necessary skills and knowledge. Additionally, stringent measures are being enforced to ensure that healthcare facilities adhere to and meet international standards, thereby further elevating the standard of healthcare services provided.

ADOPTION OF NEW TECHNOLOGIES

- The healthcare sector is currently in the throes of a profound digital transformation, marked by the widespread integration of innovative technologies such as telehealth and artificial intelligence. Notably, the King Faisal Specialist Hospital & Research Center has taken a pioneering step by establishing the Center for Healthcare Intelligence. This center harnesses the power of artificial intelligence to optimize resource allocation and reduce waiting times, thereby enhancing the efficiency and effectiveness of healthcare services.
- In parallel with these advancements, there has been a surge in the adoption of virtual healthcare platforms throughout KSA. In the year 2020A, the "Mawid" app facilitated the booking of more than 67.0m appointments, while the "SEHA" app and 937 call centers facilitated 8.6m medical consultations. These digital platforms have emerged as vital tools in improving healthcare accessibility and convenience for the populace.

Source: CH research

KSA healthcare sector overview

PESTEL ANALYSIS

The KSA's healthcare sector is undergoing a period of rapid growth and transformation, driven by government investment, the adoption of new technologies, and a growing demand for healthcare services

P POLITICAL	E ECONOMIC	S SOCIAL	T TECHNOLOGICAL	E ENVIRONMENTAL	L LEGAL
KSA's government has allocated a significant portion of its budget to the healthcare sector, with 8.1% of its 2022A budget being spent on healthcare. The government has also launched the Health Sector Transformation Programme as part of its Vision2030, which aims to improve access to health services and increase private sector participation in the healthcare sector.	The demand for healthcare in KSA has continued to rise, and this has been witnessed by the increasing healthcare investment made over the past ten years. The government plans to invest SAR250.0b in healthcare infrastructure and boost private sector participation, targeting the privatization of 290 hospitals and 2,300 primary health centers.	The population of KSA is expected to age, as the population in the age of 40 and above is likely to reach 44.0% by 2035F. Life expectancy is also expected to increase to 81.8 by 2050F. These demographic changes will likely increase the demand for healthcare services. Additionally, NCDs are expected to account for 60.0% of deaths by 2030F due to ageing population in the country.	The use of virtual healthcare platforms has been increasing in KSA. In 2020A, over 67.0m appointments were booked through the "Mawid" app, and 8.6m medical consultations were provided through the "SEHA" app and 937 call centers.	Environmental factors, such as a country's commitment to reducing its carbon footprint by increasing the use of clean energy and reducing the use of energy and water, can also have an impact on the healthcare sector.	KSA has favorable policies in relation to the healthcare sector, such as foreign investors being allowed to have 100.0% ownership in the healthcare sector in the country. However, few regulations may impact the overall quality of healthcare service.

Source: CH research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