

The
Economist

Intelligence
Unit

A report from the Economist Intelligence Unit.

HEALTHCARE IN SAUDI ARABIA

INCREASING CAPACITY, IMPROVING QUALITY?



Sponsored by:

PHILIPS

Contents

About this research	2
Executive summary	3
A shifting healthcare landscape	5
Expanding healthcare capacity	7
Box: Health insurance to bolster the private sector	7
Improving the quality of healthcare	10
Box: eHealth as a driver of improvement	11
Conclusions	13

About this research

Healthcare in Saudi Arabia: Increasing capacity, improving quality? is an Economist Intelligence Unit report which discusses the shifting healthcare landscape of Saudi Arabia; the challenge of expanding healthcare capacity in the kingdom; and measures to improve the quality of healthcare services. The findings of this briefing paper are based on desk research and interviews with a range of experts, conducted by The Economist Intelligence Unit.

The research was sponsored by Philips. The Economist Intelligence Unit bears sole responsibility for the content of this report. The findings and views expressed in the report do not necessarily reflect the views of the sponsor. Christopher Watts was the author of the report, and Aviva Freudmann was the editor.

The Economist Intelligence Unit would like to thank the following experts (listed alphabetically by organisation name) who participated in the interview programme:

- Sattam Lingawi, consultant physician, Saudi Arabia
- Musfer Shalawi, executive director, Al Adwani General Hospital, Saudi Arabia
- Hassib Jaber, regional healthcare leader, Deloitte, UAE
- Imad Bokhari, MENA transaction advisory services healthcare leader, and Andrea Longhi, MENA advisory healthcare leader, Ernst & Young, UAE
- Emad Jahdaly, executive director of business development and project management, International Medical Centre, Saudi Arabia
- Mahmoud Al Yamany, CEO, King Fahd Medical City, Saudi Arabia
- Mohammed Zamakhshary, assistant deputy minister for planning and training, Ministry of Health, Saudi Arabia
- Sobhi Batterjee, chairman and group president, Saudi German Hospitals Group, Saudi Arabia
- Amir A Khaliq, associate professor, Department of Health Administration and Policy, University of Oklahoma Health Sciences Centre, US

Executive summary

Amid population growth and lifestyle changes in Saudi Arabia, demand for essential healthcare services is on the rise. As a consequence, existing healthcare infrastructure is coming under strain; at the same time, investments in new healthcare capacity are placing a growing burden on public finances. Yet policymakers in Saudi Arabia recognise that better access to healthcare is critical to ensure the wellbeing of the kingdom's people and to safeguard its economic stability.

As Saudi Arabia secures adequate healthcare provision for its people, it must overcome a number of significant obstacles. Not least, the kingdom must increase physical healthcare capacity across its entire geography, including border areas and remote regions, and provide qualified manpower for new facilities. Furthermore, policymakers must ensure that standards of quality are maintained or improved across the healthcare sector as it expands.

This paper, based on desk research and on in-depth interviews with experts including healthcare professionals, policymakers and academics, discusses the challenges of expanding and improving healthcare in Saudi Arabia. The research examines government plans for the healthcare system; efforts to expand healthcare capacity in Saudi Arabia; and measures to improve quality in the healthcare sector.

Here are the key findings of the research:

- **Rising healthcare demand is placing a burden on Saudi Arabia's finances.**

Driven by annual total population growth of 2.7%¹ and the rising incidence of chronic diseases such as diabetes and heart disease, demand for healthcare is rising. This growing demand is placing a strain on the kingdom's existing healthcare infrastructure, while rising healthcare costs are placing a burden on its finances.

- **Saudi Arabia's strategic healthcare plan recognises the need for reform.**

The kingdom plans to develop its tertiary-care hospital infrastructure in particular, in order to provide sufficient care across each of its provinces. Saudi Arabia's 2013 budget includes funds for 19 new hospitals, on top of the 102 currently being built. Just as significant is that the government recognises the current healthcare system is not sustainable.

- **More can be done to attract private-sector investment in new healthcare capacity.**

As it goes about increasing its healthcare capacity, Saudi Arabia is placing a growing emphasis on the provision of healthcare services by the private sector. The kingdom offers financial incentives to attract private-sector investment in its healthcare sector, yet more can be done, for example cutting red tape.

¹ Central Department of Statistics and Information, Saudi Arabia, 2013.

- **The healthcare sector will continue to make heavy use of foreign manpower.**

Providing qualified manpower is perhaps the biggest challenge that Saudi Arabia faces as it expands its healthcare capacity. Despite investment in education and training, demand for foreign healthcare workers is likely to remain strong in the coming years.

- **Close supervision is required to ensure quality as healthcare capacity expands.**

Experts say that greater oversight and regulation is required as the healthcare sector undergoes rapid growth – a task on which the Ministry of Health is likely to focus more sharply as it steps

back from financing and delivering healthcare. Accreditation of healthcare facilities may also drive improvements in quality.

- **A stronger culture of healthcare research and development can promote innovation.**

Another factor that may bolster healthcare standards in Saudi Arabia is the promotion of innovation through investment in research and development, which is currently lagging international standards. Awards for excellence in healthcare research may underpin efforts to foster a research and development culture in the kingdom.



1

A shifting healthcare landscape

Following last October's haj pilgrimage season in Saudi Arabia, the World Health Organisation (WHO) heaped praise on the kingdom's healthcare facilities, with one WHO official remarking that "the well-equipped hospitals designated to serve haj pilgrims indeed surpassed many of the world-class hospitals."² Separately, Bloomberg recently placed Saudi Arabia 29th in a ranking of the efficiency of healthcare systems around the world, based on life expectancy, healthcare expenditure as a proportion of GDP, and healthcare costs per capita.

Despite Saudi Arabia's healthcare achievements, the system is under pressure, not least because investment has been lacking. WHO statistics³ indicate that Saudi Arabia spent 4% of GDP on health in 2010, well below the 12.4% average in the group of high-income countries to which it belongs. Saudi Arabia has 9.4 physicians per 10,000 population, far lower than the 27.1 average among high-income countries. Similarly, there are 22 hospital beds in the kingdom per 10,000 population, far short of the average of 56 beds among high-income countries.

Pressure on the healthcare system is set to intensify in the years ahead. One reason is the demographic shift under way in Saudi Arabia. United Nations forecasts⁴ indicate that the

kingdom's population (including both Saudi nationals and foreigners) will reach 35.4m by 2025, up from around 28.4m today. Amir Khaliq, associate professor at the University of Oklahoma Health Sciences Centre in the US, expects that during this timeframe the population group between the ages of 45 and 64 is likely to be one of the fastest-growing, increasing demand for essential healthcare services.

Another reason is the ongoing shift of disease patterns from communicable to non-communicable diseases. For example, lifestyle changes have led to higher rates of chronic diseases such as diabetes, cardiovascular disease and cancer, conditions that require lengthy and costly treatment. According to WHO data on Saudi Arabia, 29.5% of males and 43.5% of females aged 20 or over are obese, compared with a high-income country average of 21.8% and 21.6%, respectively.

Government plans for action

Currently some 60% of healthcare services in Saudi Arabia are provided directly by the Ministry of Health; a further 20% are provided by bodies that cater for state employees such as soldiers or oil workers; and 20% are provided by the private sector. Mahmoud Al Yamany, the CEO of King Fahd Medical City, a state facility in the Saudi

² "KSA hospitals surpass some world-class ones", *Arab News*, October 19th 2013.

³ *World Health Statistics 2013*, World Health Organisation, 2013.

⁴ *World Population Prospects, 2012 Revision*, United Nations, June 2013.

capital Riyadh, observes that public primary care is evenly spread across the kingdom, the result of a focus on expanding primary healthcare facilities in recent years. Yet, Dr Al Yamany points out, “tertiary care is not very well distributed according to regions or population density” owing to resource scarcity.

In April 2009 Saudi Arabia approved a ten-year strategic healthcare plan covering the period 2010–20. Among other things, the plan foresees tertiary and quaternary care in each of the kingdom’s regions. As a result, explains Dr Al Yamany, four medical cities are being built – in the north, the south, the east and the west – in addition to the existing King Fahd Medical City in the central region. “So the overall plan is that every region will be independent in terms of provision of care.”

The kingdom appears not to be losing any time in putting its plan into practice. According to Economist Intelligence Unit research, Saudi Arabia’s 2013 budget allocated SR86.5bn (US\$23bn) to health and social welfare, a 16% rise from 2012. Of this amount, SR54.4bn (US\$14.5bn) was earmarked for healthcare, including funding for 19 new hospitals, on top of the 102 already under construction. “There are more than 5,000 beds coming online, anywhere from 20 to 50 major hospitals,” says Hassib Jaber,

the UAE-based regional healthcare leader at consulting firm Deloitte. “These projects were initiated just last year.”

“In tangible terms, we are building 141 hospitals,” says Mohammed Zamakhshary, assistant deputy minister for planning and training at the Saudi Ministry of Health. “And we are building 1,258 more primary healthcare centres, 824 of which are completed and 434 under construction. Some of those are brand new, additions to expand the capacity of our primary healthcare network; some of them are replacement of old infrastructure,” he explains. “Overall we’re doubling our capacity in the timespan of four or five years.”

Besides rolling out healthcare services across Saudi Arabia’s regions and improving the quality of care, the kingdom’s ten-year strategic healthcare plan also includes goals to bolster the workforce, establish the Ministry of Health’s supervisory role, diversify healthcare funding, and encourage the private sector to deliver healthcare services. “At the macro level, I think the biggest shift is this whole recognition that the current system is not sustainable,” observes Dr Khaliq, “not only in terms of capacity and cost, but in terms of the government’s role in that model.”

⁵ *Saudi Arabia policy and spending: Sub-sector update*, Economist Intelligence Unit, February 15th 2013.

2

Expanding healthcare capacity

As the kingdom seeks to expand the capacity of its healthcare system, it faces a number of challenges. Among them is funding. In line with many other nations in the Gulf Co-operation

Council (GCC) and around the world, Saudi Arabia is embracing the private sector. As one of its first steps, it has introduced private health coverage (see box: *Health insurance to bolster the private*

Health insurance to bolster the private sector

Among the first steps that Saudi Arabia took in its reform of the healthcare sector was the requirement, introduced in 2001, that private-sector employers provide private health insurance for expatriate staff. Later, this requirement was extended to Saudi nationals working in the private sector.

Sattam Lingawi, a consultant physician based in Jeddah, says that around 8m people in Saudi Arabia are now covered by medical insurance. According to data from the Saudi Arabian Monetary Agency (SAMA, the central bank), total private health insurance premiums reached SR11.3bn (US\$3bn) in 2012, up from SR4.8bn in 2008.

Now, Saudi Arabia is planning the next phases of its roll-out of private health insurance. In the second phase, the government will provide private healthcare coverage for public-sector workers, and in the final phase others will be covered by private healthcare policies, including pilgrims.

"The Ministry of Health will soon be releasing a plan for health insurance for all Saudi

nationals," says Dr Lingawi. "It is a government-funded service, meaning that the Ministry of Health will issue every citizen a health insurance policy that covers basic health insurance in any hospital."

The further roll-out of private healthcare insurance in Saudi Arabia means that the government will take a step back from funding healthcare services, of course. But it also means that demand will rise for private healthcare services in the kingdom – in turn potentially attracting private-sector investment in the expansion of healthcare capacity.

Andrea Longhi, MENA advisory healthcare leader at consulting firm Ernst & Young, agrees that this is the likely outcome. "The provision of medical insurance for all residents – not just expatriates or Saudi nationals working in the private sector – will have a large impact on the Saudi healthcare sector," he says. "This will reduce the burden on the government sector and encourage the increased usage of the private sector."

sector). In time, it is possible that many, or all, of the kingdom's state hospitals and other healthcare facilities will be privatised.

For now, though, while levels of private-sector participation in Saudi Arabia are the highest in the GCC bloc at around 34% of all healthcare sector activity, this falls short of the 38% average in high-income countries.⁶ "We feel that there is not enough private-sector participation in the healthcare industry in the kingdom," remarks Dr Jaber of Deloitte. Indeed, he points out that private-sector participation appears to be low even among new projects, with the private sector accounting for approximately nine publicly announced projects among the estimated 125 upcoming projects. "The kingdom should be pushing that harder, [targeting] the balance between private and public health," he concludes.

Government incentives are in place to attract private investment in expanding Saudi Arabia's healthcare capacity. One is up to SR200 million of loans at favourable rates for local companies constructing healthcare infrastructure – a potentially critical factor in small cities, for example, where hospital occupancy rates are often lower than in large urban centres. Imad Bokhari, MENA transaction advisory services healthcare leader at consulting firm Ernst & Young, believes the incentive is effective: "In recent years the Saudi Ministry of Finance has started to give smaller loans for smaller medical projects," he says. "This has significantly increased private interest in the healthcare sector in the kingdom."

Saudi Arabia is also introducing new models for private investment, including public-private partnerships (PPPs). The first such PPP deal was struck in January 2012, when King Fahd Medical City agreed a deal with a private-sector firm to establish the Saudi Centre for Particle Therapy – the country's first proton therapy centre.

More such deals are on the way, according to Dr Zamakhshary of the Ministry of Health, who says: "We have just signed off a deal for haemodialysis,

where for the first time we have said: 'OK, we will not be in the business of haemodialysis; we will get the private sector to come and do this'."

Nevertheless, more can be done to attract private investment in the expansion of Saudi Arabia's healthcare capacity. Sattam Lingawi, a consultant physician based in Jeddah, believes that current healthcare market regulations are rigid. "It's not external institutes that are shying away from coming," he says. "Rather, it is us not giving them enough flexibility to enter the market." Another obstacle is that government financial support is mired in bureaucracy and that private healthcare providers must cut through red tape in order to access incentives.

Addressing manpower challenges

Manpower is the biggest challenge that the Saudi healthcare system faces as it expands capacity in the coming years, believes Dr Al Yamany: "Healthcare facilities are easy to build, easy to equip, but it is very difficult to staff them," he says. Saudi Arabia's planned expansion will demand skills in clinical and non-clinical functions, with experts saying that the challenge will lie mainly on the clinical side, including nurses, doctors and medical technologists such as radiologists. Another challenge will lie in staffing border areas and remote regions of the kingdom.

To ease the shortage of manpower, Saudi Arabia has invested in expanding the number of undergraduate medical colleges. In addition, as Dr Al Yamany describes, some institutions have agreed training partnerships with overseas institutions: "The Ministry of Health and the Ministry of Higher Education, in conjunction with facilities including King Fahd Medical City, have managed to put in place training plans, both locally as well as in collaboration with international universities and training institutions, to train the workforces."

Furthermore, in 2005 Saudi Arabia launched the King Abdullah Scholarship Programme to provide financial support for Saudis in higher

⁶ *World Health Statistics 2013*, World Health Organisation, 2013.

education overseas; currently the programme covers some 150,000 students. But Dr Lingawi argues that educating and training Saudi nationals alone will not be sufficient to staff the kingdom's expanding healthcare capacity in the short term. "No matter how much you recruit Saudis, they are just not enough to fill the positions that are available in medical care," he says. Dr Zamakhshary appears to agree: "We are recruiting more people into the system from all over the world, because we are not able to produce all the manpower that we need in such a short time," he says.

Meanwhile, the Saudi government is setting targets for the Saudiisation of its workforce, in

efforts to fill certain quotas of jobs with Saudi nationals where those jobs need not be carried out by foreigners. Currently, some 38% of a total workforce of 248,000 in Saudi Arabia's healthcare sector are Saudi nationals, according to government data. Private operators seem unflustered by Saudiisation requirements that may tighten in the future. "Are we going to fulfil all the sector's needs with Saudi nationals?" asks Dr Al Yamany. "The obvious answer is no. There will still be a huge demand for expatriates and for a lot of expertise from different parts of the world to help in running these institutions."



3

Improving the quality of healthcare

Some experts express concern that the speed of healthcare capacity expansion in Saudi Arabia may compromise the quality of healthcare services. There are some warning signs: in June-July 2013 the Ministry of Health shut down 33 private healthcare facilities across the kingdom following a series of violations of healthcare standards, including breaches of recruitment regulations, selling medicines without a prescription, using expired licences, and practising without a licence. "I don't believe that, in the past, there has been enough government involvement and oversight," says Dr Khaliq.

In time, monitoring and supervision of the healthcare sector is set to become sharper as the Ministry of Health increasingly hands over responsibility for financing healthcare and for providing healthcare services to the private sector, as foreseen in its ten-year strategic plan. As Dr Khaliq explains: "The role of the Ministry of Health might become, or ought to become, more of oversight and regulation and monitoring, both in terms of quality of care and at the same time with an eye on the cost of healthcare."

In seeking to boost quality, one tool that policymakers have at their disposal is accreditation. Many hospitals in Saudi Arabia have sought accreditation from the Joint Commission International, an international

healthcare accreditation body. Considered by some experts to be the gold standard in healthcare accreditation, its growing adoption in the kingdom is contributing towards improvements in structures and processes at healthcare institutions and, in turn, helping to positively influence healthcare outcomes. "The government might want to take the same approach and apply that throughout the country, not just for private-sector facilities, but also public-sector facilities," says Dr Khaliq.

Indeed, late in 2013 Saudi Arabia ordered that all hospitals be accredited by the Central Board for Accreditation of Healthcare Institutions, an accreditation body for the kingdom's hospitals and ambulatory facilities. Musfer Shalawi, executive director of the Al Adwani General Hospital in Taif, in the country's south-west Mecca province, is strongly in favour of the move. "I think we need to have more transparency; the market cannot operate without transparency," he says. "And patients – who are now more consumers than patients – cannot choose without transparency."

To drive quality in healthcare, certification and training must be improved in order to keep healthcare professionals up to date with the latest technologies and approaches. "First and foremost, we, the tertiary-care institutions,

eHealth as a driver of improvement

One of the areas of focus of Saudi Arabia's ten-year strategic healthcare plan is the development of an eHealth information system that will integrate the hospitals and primary healthcare centres throughout the country. One feature of the planned system will be accessibility of medical files across the kingdom.

Imad Bokhari, MENA transaction advisory services healthcare leader at consulting firm Ernst & Young, points out that the eHealth system "will not only link the diagnostic systems, but will also update the record system, making it a connected electronic system." In turn, he says, "this would mean that patients can travel freely, with their information accessible anywhere in Saudi Arabia".

Musfer Shalawi, executive director of the Al Adwani General Hospital in Taif, a city in the south-west of the kingdom, sees clear benefits

in the widespread accessibility of medical files. Not least, he says, it will encourage the population to make use of the country's growing network of primary healthcare centres, rather than heading directly to hospitals, as is currently often the case. In turn, this will free up much-needed hospital capacity.

Furthermore, he hopes to see more co-ordination and usage of information in the healthcare sector. "We currently get a lot of data, but it's not information that we can study and use to make future decisions," Mr Shalawi says. "We need to move beyond scattered data to more qualitative information integrated with medical technology." In the long term, he believes there is scope for better healthcare data to improve healthcare services and underpin decision-making among healthcare policymakers.

have to build the training of the workforce a bit better than we do now," says Dr Al Yamany. Here, international co-operation is critical, especially in advanced medical technology and information systems (see box: eHealth as a driver of improvement). Already, last September Saudi Arabia signed a 1trn Korean Won (US\$930m) technology transfer and training deal with the government of South Korea.⁷

Nevertheless, a proportion of the private training institutions and schools that have opened in Saudi Arabia in recent years have fallen short on quality, say experts. The Ministry of Health has closed around 150 training institutes for healthcare technicians, which it said fell short of standards. There are alternatives to outright closure, of course. According to Sobhi Batterjee, chairman and group president of the Saudi German Hospitals Group, a private healthcare provider, "you can set standards and evaluate the performance of those institutes based on objectives and deliverables".

Promoting healthcare research

Saudi Arabia need not confine itself to importing innovation through technology transfer deals. Rather, the kingdom can foster healthcare innovation at home by investing funds in research and development (R&D) capacity. Currently, Saudi Arabia's R&D intensity – gross research expenditure as a proportion of GDP – is just 0.08%, according to 2009 data from the UNESCO Institute for Statistics. This figure falls far below the 1.77% world average. Similarly, annual gross R&D expenditure per capita in Saudi Arabia amounts to just US\$17, a fraction of the global average of US\$187.

A world-class research hub cannot be established overnight, of course. But the mechanisms can be put in place to promote research and development, and to foster partnerships with overseas research bodies. "The ultimate objective is to have world-class research, cutting-edge research being conducted and published within the country," states Dr Khaliq. One area that

⁷ "Saudi Arabia turns to South Korea for hospital IT infrastructure in USD930-mil. Deal", *IHS Global Insight*, September 24th 2013.

Saudi Arabia can focus on more sharply, in his view, is “scholarly activity and promotion of research and education”. In turn, he says, this has the potential to attract overseas researchers interested not only in funding, but in “working in a research environment with colleagues who are cutting-edge researchers themselves”.

Dr Khaliq sees scope for the Saudi government to establish national awards that recognise

excellence in research or in aspects of healthcare delivery itself. He points to the Malcolm Baldrige National Quality Awards in the US, which have promoted competition among research institutions there, enabling recognition as centres of excellence in their respective fields. “The same kind of mechanisms in Saudi Arabia can go a long way in encouraging people to do research and publish and excel in their field,” he concludes. ■

Conclusions

Strong population growth and shifting disease patterns are placing an increasingly heavy burden on the healthcare system of Saudi Arabia. In response, policymakers are seeking to expand the kingdom's healthcare capacity and improve its quality. As part of ambitious plans to reform the healthcare sector, Saudi Arabia is looking to the private sector to provide financing and to deliver services.

On the basis of desk research and in-depth interviews with healthcare professionals, policymakers and other experts carried out for this briefing paper, it is possible to draw a number of conclusions. These include the following:

- To attract overseas private investment in healthcare capacity expansion, policymakers must ease access to the Saudi healthcare market by cutting red tape. Extending financial incentives to foreign firms may also benefit foreign investment in capacity expansion.
- Despite the training and education of Saudi nationals, foreign manpower will continue to support the Saudi healthcare market for some years to come. Government policies that discourage expatriates may lead to instability in the delivery of healthcare services.
- Priority must be given to sharpening the supervisory role of the Ministry of Health to ensure quality as the ministry hands responsibility for financing and delivering healthcare services to the private sector.
- Innovation has the potential to bolster the Saudi healthcare sector. There is scope to foster innovation in healthcare by promoting research and development in the kingdom, and by recognising excellence in research.

While every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsor of this report can accept any responsibility or liability for reliance by any person on this article or any of the information, opinions or conclusions set out in this article.

GENEVA

Boulevard des Tranchees 16
1206 Geneva
Switzerland
Tel: +41 22 566 24 70
E-mail: geneva@eiu.com

LONDON

25 St James's Street
London, SW1A 1HG
United Kingdom
Tel: +44 20 7830 7000
E-mail: london@eiu.com

FRANKFURT

Bockenheimer Landstrasse 51-53
60325 Frankfurt am Main
Germany
Tel: +49 69 7171 880
E-mail: frankfurt@eiu.com

PARIS

6 rue Paul Baudry
Paris, 75008
France
Tel: +33 1 5393 6600
E-mail: paris@eiu.com

DUBAI

PO Box 450056
Office No 1301A
Thuraya Tower 2
Dubai Media City
United Arab Emirates
Tel: +971 4 433 4202
E-mail: dubai@eiu.com