

# GCC Healthcare industry overview.

Investing in Healthcare:  
Key drivers for the long-term  
development of the GCC.

Prepared by:



**ARAB HEALTH**

**“Current healthcare expenditure in the GCC is projected to reach US\$ 104.6 billion in 2022.”**



**A**s a consequence of falling oil prices, diversification of the economy has remained a priority for governments across the Gulf Cooperation Council (GCC) in recent years. Throughout troubled economic times as well as during fiscal stability, spending on healthcare has continued to grow. The private sector has increasingly been considered as a key partner in the long-term development of the healthcare industry, particularly in terms of the quality of care in medical services.

According to a 2018 GCC Healthcare Industry Report by Alpen Capital, the current healthcare expenditure (CHE) in the GCC is projected to reach US\$ 104.6 billion in 2022 from an estimated US\$ 76.1 billion in 2017, implying a CAGR of 6.6%. Between 2017 and 2022, CHE on outpatient services is predicted to grow at an annualized average rate of 7.4% to US\$ 32.0 billion, faster than an anticipated CAGR of 6.9% on inpatient services to US\$ 45.4 billion. The inpatient market will remain the largest segment with a contribution of 43.4% in 2022. CHE in the ‘Others’ category is expected to grow at a CAGR of 5.2%.

Meanwhile, in view of the anticipated rise in the number of patients, the GCC may require a collective bed capacity of 118,295 by 2022, indicating a demand for 12,358 new beds. This demand is being mitigated by the 700 healthcare projects worth US\$ 60.9 billion under various stages of development.

### Steering growth.

The expanding and ageing population, high prevalence of non-communicable diseases (NCDs), rising cost of treatment and increasing penetration of health insurance are some of the key factors spurring on the growth of the healthcare market in the region.

The International Diabetes Federation (IDF) has reported that GCC countries have one of the highest prevalence of diabetes and obesity in the world, given the sedentary lifestyles and increased consumption of foods that are high in calories and sugar. Of the 149.6 thousand deaths in the GCC during

2015, nearly 73% were due to NCDs. The four major NCDs – cardiovascular diseases, cancer, respiratory diseases and diabetes – accounted for more than half of the deaths in each GCC country.

The private sector is also playing an important part in the development of the healthcare industry, encouraged by mandatory health insurance and other reforms. Private players are now being incentivised through Public-Private Partnerships (PPP) to invest and manage operations, while the public sector becomes the regulator. Some countries in the GCC are in the process of implementing reforms to existing PPP laws or drafting entirely new laws to map out the legal framework for PPP projects. For example, in Dubai, the “PPP Law” governing public-private partnerships (Law No.22 of 2015) that came into force in November 2015, seeks to encourage the private sector to be innovative and creative in identifying and funding projects for Dubai. Similarly, in Saudi Arabia - although the framework for large-scale PPP projects in the Kingdom is yet to be developed, and PPP-style procurement will require careful consideration of some key issues; it is expected to pick up, encouraged by wide-ranging institutional changes to the country’s fiscal policy.

### Growth on service from 2017 to 2022.

*Outpatient services:*



*Inpatient services:*



### A shift in service delivery.

According to latest research from MENA Research Partners (MRP), healthcare services account for the lion's share of the healthcare industry in the GCC countries, at 79%, and is the fastest growing segment in UAE. On the other hand, the smallest segment, medical devices, is witnessing double-digit growth in Oman, Qatar and Kuwait.

The MRP research found that healthcare services market is undergoing structural shifts to adapt to the demands of the region's increasingly health-conscious and digital savvy

free up beds for more advanced cases.

Meanwhile, a report by EY has identified other big investment bets for healthcare and life sciences in the GCC. This includes accommodating the growing demand for long-term and post-acute care for people living with disabilities or patients requiring sub-acute care and rehabilitation: as well as the surge in the demand for biotechnology-based pharmaceutical products, and the medical disposables manufacturing proposition as an opportunity that could positively contribute to the GCC economic growth.

## “Private players are now being incentivised through Public-Private Partnerships (PPP) to invest and manage operations”

population. Although still at a nascent stage, telemedicine, home healthcare and long-term care are outperforming traditional health service providers such as hospitals and clinics.

The Industrial Internet, which leverages the potential of big data to strengthen the productivity and operational efficiency of the region's healthcare, is another important area of innovation. Hospitals are also moving from being large multipurpose and centralised caregivers to becoming more sizeable, specialised distributed centres. With the increasing number of elderly patients shaping a new area of growth in the GCC healthcare market, we will see more and more medical technologies home based, with remote monitoring through mobile health apps and home-based diagnostics, to

### Looking further afield.

Inbound medical tourism also continues to drive developments in infrastructure, as well as the adaptation of state-of-the-art technologies and reforms in quality of care. Dubai and Abu Dhabi are at the forefront amongst the GCC nations in attracting medical tourists. The cities were ranked as the 16th and 25th most popular medical tourism destinations in the world during 2016 and Dubai aims to attract over 500,000 medical tourists by 2020. Other GCC countries such as Bahrain, which is developing the Dilmunia Health District on a man-made island, and Oman, which is constructing International Medical City, are also working towards building world-class infrastructure and state-of-the-art technologies to attract international medical tourists.

The potentially disruptive nature of technology, the ageing population and the rise in NCDs has meant that hospitals and healthcare providers in the GCC need to be ready to adapt to the inevitable change. Advances in medical technology and the adoption of integrated care models are increasingly being utilised to modernise healthcare systems with the potential to transform the way healthcare is delivered across the GCC.

*Report prepared by Arab Health Exhibition & Congress.*

## “Dubai aims to attract over 500,000 medical tourists by 2020.”



### About Arab Health:

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