The Pulse Series: 12TH EDITION

SAUDI ARABIA HEALTHCARE SECTOR
OVERVIEW
COUNTRY IN TRANSFORMATION
INTRODUCTION

On the back of having the largest population base in the GCC, with 34.2 million by mid-2019 and combined with Vision 2030, the country is going through fundamental structural changes in all economic sectors including healthcare. With the introduction of several legal and economic incentives, including 100% foreign ownership, the healthcare sector is amongst the most attractive sectors in the Kingdom offering numerous opportunities for private sector operators and investors.

However, the successful growth of the healthcare sector in KSA will be dependent upon embracing, developing and adopting new technologies and innovations founded on global research and development (R&D) producing data-driven, patient-centric and result-oriented healthcare. The key factors that make KSA’s healthcare market attractive are:

Vision 2030 & National Transformation Program 2020 ("NTP")

Under Vision 2030, focus is on diversification of the economy from hydrocarbons to encourage greater participation of local, regional and international private sectors into key areas including healthcare. The target under Vision 2030 is to increase private sector’s contribution to GDP from 40% to 65% by 2030.

While Vision 2030 is focused on long-term changes, the National Transformation Program 2020 ("NTP") is focused on short-term changes in all sectors, including increasing private healthcare expenditure from 25% to 35% of total healthcare expenditure by 2020. Seen critical to this goal are Privatisation and Public Private Partnership (PPP) as key initiatives to attract private sector investment.

Government Commitment under National Budget:

Despite recent budget deficits, the expenditure on health and social development increased from SAR 69 billion (US$ 18.4 billion) in 2011 to SAR 172 billion (US$ 45.9 billion) in 2019, registering a significant increase at a CAGR of 12.1% during the same period. This highlights that the healthcare and education sectors are prioritised by the Saudi government.

Implementation of Mandatory Healthcare Insurance:

Mandatory Healthcare Insurance (MHI) was introduced in early 2000 and by 2005, all expatriates working in the private sector were covered under MHI. In 2016/17, a Unified Health Insurance was put in place which was fully implemented in four phases and currently there are around 11.5 million beneficiaries including Saudi nationals and expatriates. Further implementation of mandatory health insurance will eventually reduce the burden on public sector healthcare facilities and create opportunities for the private sector. The emergence and potential dominance of the insurance market may also drive, as seen in many other markets, the need for more cost-effective practices and greater efficiencies in the sector.

Increasing Population & Changing Age Profile of the Population:

Based on Saudi Arabian General Investment Authority (SAGIA) projections, the population of the Kingdom is expected to grow at a CAGR of 2.5% per annum to reach 45 million by 2030. This increase in population is expected to fuel the demand for healthcare services in the kingdom. However, it is not just the total population but also the composition of population which dictates future healthcare requirements. Currently, 69% (~23 million) of the population is under the age of 40 years and it is expected to increase to 28 million by 2030. Concurrently, only 5.5% (~1.8 million) of the population is over the age of 60 years, which is expected to increase to 11.1% (~4.9 million) by 2030.

With the changing population composition alongside advancements in treatment technology, the provision of healthcare services is expected to change.

- **Mother & childcare:** Between 2019-2030, approximately 8 million babies will be born in KSA, creating demand for facilities and services relating to mother and childcare, such as obstetrics, gynaecology, paediatrics, etc.

- **Lifestyle diseases:** The Kingdom has one of the highest prevalence of lifestyle diseases in the world with 18.5% of population over 20 years with diabesity, 35% with obesity and over 23% suffering from hypertension.

- **Geriatric care:** Increase in the population over the age of 60 years will drive demand for geriatric services such as long-term care, rehabilitation and home care.
• **Rejuvenation and antiaging:** Globally, regionally and domestically, there is an increasing demand for services focusing on rejuvenation and antiaging including; stem cells therapy, hyperbaric oxygen therapy (HBOT) and other similar services.

**Focus on Daycare Surgery**

Constantly developing technology in the medical fields has resulted in an improved diagnostics, advancements in new surgical techniques, anaesthesia administration and enhanced postoperative care. The direct correlation seen, across the globe and particularly in the developed world, has been a significant increase in daycare surgeries. A study by The Audit Commission of Department of Healthcare in England and Wales shows that daycare surgeries as percentage of total surgeries for both elective and non-elective surgeries has increased from 7% in 1974 to 35% in 2015. In 2013/14, 78% of total elective surgeries were daycare which is expected to increase to 87% by 2023/24.

Based on a study conducted by Colliers Healthcare Team in 2019, in Dubai, over 40% of total surgeries are day surgeries. Interviews with healthcare operators indicate that over 60% of total surgeries can be performed under daycare set-up.

In KSA presently, only 32% of surgeries are daycare, offering tremendous opportunities for improvement. Moving towards daycare surgeries not only will reduce significant capital cost due to requirement of fewer hospital beds, but also will be cost efficient, as based on the UK study quoted earlier, the average daycare cost was £698, compared to the average elective inpatient cost of £3,375. The continual growth of the insurance market will also add impetus to preference for daycare treatment.

**Focus on Centres of Excellence (CoE):**

As a result of urbanisation, the rise in life expectancy and disposable income, there has been an increase of chronic/lifestyle diseases such as; diabetes, coronary problems and other obesity-related illnesses. Six specialties account for over 80% of all surgeries. Colliers expects that like many other developed nations, a realignment of treatment through the establishment of specialised Centres of Excellence (CoE) instead of family clinics and general hospitals.

**Increasing Demand for Qualified and specialised Human Resources:**

One of the key, yet often ignored requisites to provide quality healthcare service is the availability of human capital. Without the availability of qualified and specialised human resources, even the best medical facilities with the most advanced medical equipment are not enough. By 2030, there will be an additional demand for 31,000 doctors, 66,000 nurses, 5,000 pharmacists and 45,000 allied health professionals (AHP). The demand will be even higher as a part of Saudization drive in the healthcare sector majority of these jobs must be filled by Saudi nationals. Presently, 68% of doctors, 62% of nurses, 22% of AHPs and 76% of the pharmacists, which total to around 223,000 medical professionals, are expatriates. Furthermore, as the Kingdom embarks in the adoption of new medical technologies there will be demand for advanced medical education. Artificial intelligence (AI), data analytics, robotic medical sciences, genome sequences and short courses to enhance the skill set of doctors, registered nurses (RN) and AHPs to be able to opt for specialised positions; all of which will require additional facilities.

**Demand Gap 2030**

By 2030, KSA will require 29,000 to 47,500 additional beds, based on the KSA and World average of 2.3 and 2.7 beds / 1,000 population respectively. This will require an additional investment of US$ 16.2 to US$ 26.3 billion. Colliers expects most of this investment to come from private sector or Public Private Partnership (PPP). Another option could be unlocking the investment in healthcare real estate by creating REIT funds, which at present is in the range of US$ 5.7 billion to US$ 7.1 billion for private sector and for private sector and US$ 16.9 billion to US$ 21.1 billion for public sector.

**Privatisation, Corporatisation and PPP Schemes – Al Tamimi & Company**

Based on analysis conducted Al Tamimi & Company, a leading law firm specialising in healthcare sector, from regulatory perspective, huge strides have been made in healthcare reform in KSA over a very short period. Likewise the institutional and regulatory architecture to enable private sector investment has also made significant progress. The next eighteen months will see a steady increase in the number and scale of opportunities coming to the market.

**A New Paradigm: Healthcare Facilities as Health Destinations - HKS Architects**

Based on research conducted by HKS Architects, a leading design firm specialising in healthcare sector, there is a need for healthier environments, but there is also a growing awareness and expectation from the patients to live healthy and be treated in health promoting environments. As designers we can keep the following tenets in mind, while designing any healthcare facility:
HEALTH & WELLNESS RESORTS
We have a number of opportunities for Health & Wellness service providers. Market entry by way of management agreement, Joint Venture and long-term lease of Land and/or Property.

- Ras Al Khaimah
- Aqaba (Jordan)
- Muscat
- Riyadh
- Cairo
- Abu Dhabi
- Sharjah

LONGTERM CARE & REHABILITATION CENTERS
We have a number of opportunities for Long-term care & Rehabilitation service providers. Market entry by way of management agreement, Joint Venture and long-term lease of Land and/or Property.

- Ras Al Khaimah
- Aqaba (Jordan)
- Muscat
- Riyadh
- Cairo
- Abu Dhabi
- Sharjah

Opportunities for Operators & Investors Seeking to Expand in the Middle East and North Africa

GENERAL HOSPITALS
We have a number of opportunities for healthcare service providers. Market entry by way of management agreement, Joint Venture and long-term lease of Land and/or Property.

- Ras Al Khaimah
- Muscat
- Riyadh
- Jeddah
- Cairo
- Abu Dhabi
- Sharjah

CENTER OF EXCELLENCE
We have a number of opportunities for healthcare service providers to establish Centres of Excellence. Market entry by way of management agreement, Joint Venture and long-term lease of Property.

Locations:
- Ras Al Khaimah
- Muscat
- Riyadh
- Cairo
- Abu Dhabi
- Sharjah

Specialties:
- Ophthalmology
- Paediatric
- IVF
- Orthopaedic
- Beauty & Cosmetics
- Wellness
Key Healthcare Indicators

**Hospitals**
- Total: 494
  - MoH: 163 (33%)
  - OGS: 284 (57%)
  - Private: 47 (10%)

**Doctors**
- Total: 88,023
  - MoH: 18,155 (21%)
  - OGS: 24,297 (27%)
  - Private: 45,571 (52%)

**Allied Health Professionals (AHP)**
- Total: 124,300
  - MoH: 23,925 (19%)
  - OGS: 30,845 (25%)
  - Private: 69,530 (56%)

**Pharmacists**
- Total: 29,151
  - MoH: 4,006 (14%)
  - OGS: 22,467 (77%)
  - Private: 2,678 (9%)

The Other Government Sector (OGS) or Quasi-Government healthcare facilities are hospitals and health centers operated by the MoH and predominantly catering to employees of the government organizations. Some of the Quasi-Government Facilities include: National Guard, Ministry of Defence and Aviation, Ministry of Interior, Royal Commission, ARAMCO, etc.

Source: SAGIA, Ministry of Health, the World Bank, Colliers International Analysis
THE LARGEST MARKET IN THE GCC

The Kingdom of Saudi Arabia is the largest nation in the Arabian Peninsula, representing almost 59% of the total regional population. The country's population reached 34.2 million mid-2019, rising from 27.1 million in 2010 at a CAGR of 3%.

The Kingdom is the only country in the GCC besides Oman, where the proportion of Nationals are higher than expatriates. In 2018, the proportion of Saudi nationals to expatriates was 62% to 38% respectively.

Implications for the Healthcare Sector

- The Kingdom of Saudi Arabia’s population is larger than the rest of the GCC countries combined with concurrent opportunities for investors and operators in the healthcare sector.
- Similar to Oman, apart from the expatriate population, the demand for healthcare services is highest within the Saudi national population comprising almost 60% of the total Saudi population, implying that private operators shall mainly focus on Saudi nationals, not just expatriates in order to attract sustainable demand.
DEMOGRAPHICS OF KSA

The current population of the Kingdom of Saudi Arabia stands at 34.2 million by mid-2019 rising from 27.1 million in 2010, a CAGR of over 3% for this period. Based on Saudi Arabian General Investment Authority (SAGIA) population projection of 2.5% per annum it is expected to reach 45 million by 2030.

However, it is not just the total population but also the composition of population which dictates future healthcare requirements. Currently, 69% (~23 million) of the population is under the age of 40 years and this is expected to increase to 28 million by 2030. Concurrently only 5.5% (~1.8 million) of the population is over the age of 60 years, expected to increase to 11.1% (~4.9 million) by 2030.

Changing Age Profile and its Impact on Healthcare Demand

With the changing population composition, alongside advancement in treatment technology, the provision of healthcare services is expected to change, focusing on the demographic changes;

- **0 to 19 years**: Between 2018-2030, the total population in this age group will increase from 10.5 million to 13.7 million, with approximately 8 million babies to be born in KSA during the same period. This age group creates demand for healthcare facilities and services, relating to mother and childcare (obstetrics, gynaecology, paediatrics, etc.), besides the common prevailing communicable and some non-communicable diseases.

- **20 to 39 years**: The total population within this age group will increase from 12.6 million in 2018 to 13.8 million in 2030. The Kingdom has one of the highest prevalence of lifestyle diseases in the world with almost 18% of population over 20 years with diabetes, 35% with obesity and over 23% suffering from hypertension, suggesting focusing on preventing lifestyle diseases.

- **40 to 59 years**: The total population within this age group is likely to increase from 8.4 million in 2018 to 12.3 million in 2030. In the near future, it is expected to be a sharp rise in healthcare demand, as almost 80% of a person’s healthcare requirements typically occur after the age of 40-50 years, especially in the case of KSA, due to an increase in lifestyle and other chronic diseases.

- **60+ years**: There will be a significant change in this group, which is expected to increase from 1.8 million in 2018 to 5 million in 2030, driving demand for geriatric services such as; long-term care, rehabilitation and home care.

Source: General Authority of Statistics (KSA), Colliers International Analysis
Key Causes of Death in KSA

As a result of urbanisation, rise in life expectancy and disposable income, an increase of chronic/lifestyle diseases (also sometimes called diseases of longevity or diseases of civilisation, such as diabetes, coronary problems and other obesity-related illnesses) is observed in KSA. Based on the latest data available, non-communicable diseases accounted to 82.1% of all diseases.

Moreover, non-communicable diseases accounted for 67.9% of all deaths in KSA. Cardiovascular diseases, diabetes, urogenital, blood and endocrine system diseases and cancer are currently the leading causes of death in KSA.

Inpatient Encounters by Sectors in KSA

On overall basis, the inpatient encounters has increased from 3.28 million in 2010 to 3.62 million 2018, however, sector wise, the private sector and OGS show a net growth of CAGR of 5.6% and 1.0% respectively during the same period, while the MoH hospitals witnessed a 2.3% negative growth, showing preference of patients shifting towards the private sector, as a result of better quality and implementation of mandatory insurance.
KEY DISEASES & INPATIENT / OUTPATIENT

Outpatient Encounters by Sectors in KSA

The Outpatient encounters has increased form 130 million in 2010 to 151.4 million in 2018, however, sector wise, the private sector and OGS show a net growth of CAGR of 4.9% and 1.9% respectively during the same period, while the MoH hospitals witnessed a 0.3% negative growth, similar to inpatients, showing preference of patients shifting towards the private sector as result of better quality and implementation of mandatory insurance.

Outpatient Visits / Surgical Interventions by Key Specialties in KSA

In case of outpatient visits, top six diseases pertaining to Ophthalmology, Obs/Gyn, Musculo-Skeletal, ENT, Oral and Dental, Skin and Subcutaneous Tissue and Digestive system comprise over 46% of total outpatients and another five diseases, Genito-urinary system, Diabetes, Chest and heart, Nervous system and Hypertension account for additional 18% – top eleven diseases comprise over 73% of total outpatients visits in the region. While in case of surgeries, six surgical departments; General Surgeries, Obs/Gyn, Ophthalmology, Orthopaedics, ENT and Urology witnessed over 76% of the total surgeries in KSA.

The composition of both surgical inpatients and outpatients indicates setting-up of more specialised Centers of Excellence (CoE).

Source: Ministry of Health (MoH), Colliers International Analysis
In the MENA region, prevalence of diabetes and obesity is one of the highest in the world with almost 39 million people aged 20 to 79 years suffering from diabetes. This number is expected to double by 2045.

Eight Middle Eastern countries; Kuwait, Qatar, Egypt, KSA, Bahrain, UAE, Jordan and Lebanon have the highest ratio of obesity among adults globally with 27% to 40% of the total population affected. The prevalence of overweight and obesity in these countries ranges from 74% to 86% in women and 69% to 77% in men.

Source: Ministry of Health (MoH), SAGIA, World Health Organisation (WHO), Colliers International Analysis
The Rise of Wearables:

Advancement in mobile and communication technology is playing a critical role in management of chronic illnesses such as diabetes and obesity. It is becoming increasingly possible to track a patient’s key parameters such as ECG, EKG, Temperature, Blood Pressure, Glucose Levels, Physical Activity and Diet Intake through mobile apps, wearable devices or implanted devices. This data can then be transmitted to healthcare providers for continuous and effective monitoring of a patient’s vital signs, adherence to treatment plans and provide remote consultation/coaching when needed.

The Rise of “Tele” Healthcare:

Referred to as “telehealth” or “telemedicine,” US companies such as American Well, Doctor on Demand and Teladoc offer on-demand access to a doctor, relying on the patient’s smartphone or computer to act as a virtual office.

The explosive growth in telemedicine is fueled by connectivity, convenience and lower costs of telemedicine technology.

Artificial Intelligence:

Artificial Intelligence (AI) and Machine Learning is also being applied to create personalized treatment plans. Applications are of immense benefits to over-weight / obese and pre-diabetic / diabetic individuals as they can actively monitor their health and take risk-mitigating measures.

Data gathered from AI apps can provide deep insights on epidemiology and disease patterns. Environmental, regional, occupational and genealogical data layered into AI based systems can provide early profiling allowing physicians to diagnose problems more efficiently.

Quality of Life Program – Saudi Arabia Vision 2030

Quality of Life Program 2020 is one of the Vision Realisation Programs of Saudi Arabia 2030. It aims to enhance the quality of life in the Kingdom through lifestyle improvement by activating individuals’ participation in entertainment, sport and cultural activities.

KSA plans to reduce diabetes prevalence and aspires to be at par with the average of the top 5 most livable countries (ranging 3 – 8%) from current 17.9%. The 2020 target is to achieve 3% reduction in obesity and to decrease diabetes prevalence to 13.4% while eying towards 10% by 2030.

To develop specialised programs for students targeting at their 25% participation in extra-curricular activities. The 2022 target is to have 14 sport courts and 39 soccer fields.

To increase the quality and number of gym instructors, mass participation and professional coaches. The 2020 target is to have 4,500 certified fitness coaches.
HEALTH BY DESIGN:

How Design Can Impact Lifestyle And Promote Health, Via Healthcare Facilities In The Middle-east.
By: Upali Nanda (unanda@hksinc.com)
And Ben Gonzalez (bgonzalez@hksinc.com)

An Obesity Epidemic

In 2015, a news article in CNN Abu Dhabi proclaimed an obesity epidemic in the middle east showcasing a young boy who weighed more than 600 kgs and had to be forklifted from his apartment to get medical help. The article announced that obesity and diabetes rates in the Middle East are staggering, particularly in the Gulf region -- Kuwait, Saudi Arabia, Bahrain, Qatar and the United Arab Emirates. The article goes on to suggest that perhaps the luxurious lifestyle and the abundant availability of food without an equal focus on physical activity could be at the heart of the problem.

The United States has also struggled with the obesity epidemic for many years. More than one-third of American adults are now obese, which has nearly doubled since the 1960’s and another third are overweight (National Center for Health Statistics, 2016). The issue is urgent because we know that physical health can impact mental wellbeing as well.—depressed and obese people are far more likely become obese or depressed, respectively, over time (Luppino et al., 2010). Many initiatives are being supported nationwide to focus on health and wellbeing and encourage a healthier lifestyle. What if our environments and the buildings we live in, are the hurdle towards this goal?

A Design Opportunity

Public health research for many years has held that unhealthy behaviors are really a consequence of unhealthy environments and unhealthy prompts within these environments. In 2016, the AIA supported the Center for Advanced Design Research and Evaluation, Planning4Solutions and HKS architects to study how design could influence people to make healthier decisions. The team concluded that while there were many design strategies that could create a healthy environment, we need to focus on the “points of decision” where people make choices about their physical activity or diet and influence the decision at that point. The followings are some of the design strategies this study found that can nudge people to make healthier physical activity and diet choices in college settings:

- **Increase visibility of healthy choices.**
  - A well-placed staircase in lieu of elevators.
  - A smartphone app that prompts us when there is a park or a h
  - Signage.

- **Enhance walkability.**
  - Well-maintained walkways
  - Greenery, gardens, multi-use fields, sheltered picnic areas, pul
  - Quality street lighting.
  - Mixed-use development that incudes appealing and accessible

- **Improve transportation infrastructure.**
  - Bike lanes and bike share/ parking facilities.
  - Easy access to public transportation system.

- **Increase availability of healthy food options.**
  - Easy access to fresh produce such as supermarkets, farmer’s
  - Healthy “grab ‘n go” options in vending machines and cafeteria
HEALTH BY DESIGN

These strategies involve various scales of environmental design ranging from information design to urban realm. The research recommends a detailed analysis of the users and different personas to assess how to create better point of decision design. Given the unique culture in the Middle-East, for example, perhaps a compelling point of decision prompt would be to have healthy lifestyle options in places where there are large social and family gatherings. Large Middle-East families tend to visit patients in hospitals. Perhaps developing educational programs in the main lobby that teach healthy cooking options or exercising will allow them to spend time in the hospital while learning. Given that more than half of the population is in school, a similar program can be developed for schools in order to educate and improve the health of the population now and in future generations. The unique climate needs to be taken into account to ensure that activity and hydration options are planned together- while remaining culturally sensitive.

The Role of Healthcare Facilities and a Generational Desire for Health & Wellness Amenities

For healthcare facilities, this approach to designing everyday places has to be woven into the rubric of the complex environments we design. Hospitals and critical care institutions can often have unhealthy options in their own cafeterias, have inadequate options for rest and exercise for family members and are rarely, if ever, thought of as health destinations. Perhaps it is time to change that and make hospitals in the middle-east the symbol of health and wellbeing.

This is particularly timely given the focus on population health to reduce the cost of healthcare globally. In Clinic 20XX, a study conducted by CADRE, HKS and JE Dunn, population health and telehealth were identified as two trends that are likely to be the most sustainable. In many ways these trends are re-shaping the traditional care delivery points as seen below. Additionally, the research found a much stronger affinity in younger generations (millennials compared to boomers) for health and wellness amenities in health facilities.

A New Paradigm: Healthcare Facilities as Health Destinations

In conclusion, there is a need for healthier environments, but there is also a growing awareness and expectation from the patients to live healthy and be treated in health promoting environments. As designers we can keep the following tenets in mind, while designing any healthcare facility:

1. During master planning, ensure planning for pedestrian friendly environments that promote engagement with nature.
2. Consider creating a “health neighborhood” around healthcare facilities, especially those in the community so they can become a health destination rather than a “sickness” destination
3. Carefully consider diet choices and health food availability in designs. Create appealing environments around healthier options and provide sensory cues at key points of decision.
4. Promote stair use for ambulatory patients by creating attractive, accessible stairs that are strategically positioned at key points of decision.
5. Make health and wellbeing a core focus of healthcare facilities by designing facilities that are warm, environment-friendly, well-lit, integrated with nature and actively promote healthier choices.

Sources:
Colliers International Healthcare Advisory & Valuation Services team is solely focused on healthcare related business (OpCo) and real estate (PropCo), from complex medical business related operational advisory to real estate related advisory.

Our group has the expertise and knowledge essential to providing forward thinking solutions to any challenging healthcare related decisions where success is measured in high quality care delivered in a cost effective way.

- Hospitals
- Daycare / Surgery Centers
- Medical Clinics
- Health / Medical Parks
- Laboratories
- Long Term Care / Rehab Centers

COMMITMENT  PASSION  EXPERIENCE  KNOWLEDGE  INTELLIGENCE

USP

Market Research | Market Entry & Expansion | Equity & Debt Fund Raising
Highest & Best Use Study | Market & Financial Feasibility Study
Operator Search and Selection | Land, Property & Business Valuations
In 2018, KSA had 2.3 beds per 1,000 population, which is higher than the GCC average of 1.8 beds / 1,000 population, however, low as compared to the World and OECD average of 2.7 and 4.7 beds per 1,000 population respectively. Ratio of doctors and nurses per 1,000 population of 2.4 and 5.7 is in line with the GCC average but relatively low by international standards (OECD average of 3.4 doctors and 9.0 nurses per 1,000 population). The workforce shortage is exacerbated by the fact that the Kingdom has high dependence on expat workforce.

Colliers has projected the demand for total number of beds, doctors, nurses and AHP, till 2030 based on SAGIA projected population growth rate of 2.5% per annum.

**Gap Analysis for Hospital Beds till 2030**

For the beds Colliers projections are based on the following scenarios:

➢ Scenario 1- applying KSA’s current ratio of 2.3 beds per 1,000 population,

➢ Scenario 2- applying world’s ratio of 2.7 beds per 1,000 population.

Colliers also calculated the investment required to fill this gap based on the current cost of construction with fit-outs for a Grade A hospital which is in the range of US$ 2,000 / sqm to US$ 3,500 / sqm (average US$ 2,750 / sqm), while the gross area per bed ranges from 125 sqm to 175 sqm (average 150 sqm) with investment in medical fit-outs ranging between US$ 120,000 to US$ 160,000 per bed (average US$ 140,000).

However, it is far too simplistic to take into consideration only population projections when looking at the healthcare market. Other factors are also at play which affect demand for healthcare facilities, such as advancement in technology in the medical fields which has resulted in improved diagnostics, advancements in new surgical techniques, anaesthesia administration and enhanced postoperative care, leading to considerable decrease in Average Length of Stay (ALOS) and shift towards daycare surgeries.

Moreover, with the changing age profile, provision of dedicated long-term care facilities will also reduce the required investment as LTC beds cost almost half as compared to tertiary care hospital beds. Growing home care services is likely to further reduce both the demand and cost of additional beds.
## OPPORTUNITIES IDENTIFICATION

### Specialised Service Centres (Centre of Excellence)
- Centers of excellence focusing on certain specialties diseases such as diabetes, ophthalmology, cosmetic surgery, IVF and orthopedics (sports medicine) are expected to grow further in the region. Many General Hospitals also have established dedicated wings to provide highly specialised services in a single specialty this has often been a key factor to the success of these facilities, e.g., Imperial College London Diabetes Centre in Abu Dhabi focuses on Evidence-based medicine specialising in diabetes treatment, research, training and public health awareness.

### Beauty, Cosmetic, Rejuvenation & Antiaging:
- Globally, regionally and domestically there is increasing demand for services focusing on rejuvenation and antiaging, including; stem cells therapy, hyperbaric oxygen therapy (HBOT) and other similar services.
  - Bariatric surgery is fast becoming the next front in the battle against obesity.
  - Rise in medical tourism will also drive market growth.

### Fitness / Skills Retreats
- Destination-based fitness camps are gaining popularity especially within the younger generation Y and Z (age range of 20 to 40 years).
  - Destination healthcare retreats comprise two primary components; retreats that promote lifestyle changes and academies focused on enhancing group skill techniques. The fitness industry is upgrading with fitness slimming getaway programs in holiday locations.
  - With obesity levels increasing across the region, the regional holiday home market can benefit by applying these new trends which will enhance the absorption / occupancy of new developments and price premiums.

### Diet and Nutrition Clinics
- High prevalence of diabetes along with growing awareness among the population is leading to an increasing demand for lifestyle clinics and diet & nutrition centers which follow a proactive approach delivering personalized health programs.
  - These clinics are aimed to cater to various lifestyle diseases thereby customizing the diet and diet schedules, e.g., Thyroid plan PCOS plan, detox plan, bariatric plan, gluten free plan, etc.

### Rehabilitation Centres / Long Term Care / Home Care
- With a decline of the nursing home model of care and the growth in more assisted living options, long-term rehabilitation centers have become common across international markets.
  - Home care is can also provide a solution to reduce demand for long-term / rehabilitation hospital beds.
  - Developers can integrate new real estate products, targeting retirees as well as those looking for long-term care and immediately accessible amenities.

### Daycare Surgical Centres
- Due to advancements in healthcare technology (for example laparoscopy) a number of daycare surgeries (treatments / procedures) have significantly increased, resulting in higher demand for daycare surgery centers.
  - The demand for daycare surgical centres has also increased regionally, due increase in prevalence of number of lifestyle diseases: diabetes, obesity, depression, strokes, cardiovascular diseases, blood pressure, etc., which does not require treatments in traditional hospital set-ups.

### Health Driven Wellness Retreats
- In many regional and international markets among the keys to successful resort developments, especially targeting the affluent customers, is yearlong destination conceptual planning.
  - To achieve this, developers have to go beyond spa packages to include health driven wellness offerings; beauty and cosmetic, weight loss and packages relating to lifestyle disease.
  - These increase absorption, occupancy levels within the development and enhance price premiums.

### Emergence of Entertainment / Outdoor Parks
- Capitalizing on the burgeoning need to foster and encourage outdoor play for kids, many entertainment parks focused on increased physical activity have sprung up in recent years in UAE, though they are not affordable to a large chunk of the population.

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Source: WHO, IDF, Ministry of Health (MoH), Colliers International Analysis, 2019
THE FUNDING OPTIONS

One of the key challenges faced while establishing quality hospitals in KSA is the high funding requirement.

➢ Despite the fact that banks and other financial institutions actively seek investments within KSA’s healthcare sector, they often limit their exposure by only servicing known market participants with proven track records. International or regional operators contemplating entry into KSA’s market often struggle to secure project finance unless there is a recourse to alternative cash flows.

➢ Further difficulties arise with the terms offered. Healthcare investments are typically long-term investments contradicting a bank’s risk appetite which typically extends to a tenure that ranges between 5 – 7 years.

➢ For the first time, entrants to KSA’s market, who don’t have enough financial resources or are unable to make significant financial commitments due to a variety of reasons, ultimately end up searching for private investors to enter into a licensing and operating agreement, from which they will extract a management fee. Alternative options include; operators forming and owning the operating company (OpCo) with the investor investing in the land and property (PropCo), creating a Joint Venture (JV) with an investor. The various options available to Operators based on availability of funds are:

» Outright Purchase of the Land;

» Long-term Lease of the Land;

» Land as Equity Investment by the Landlord;

» Long-term Lease of the Land and Shell & Core Structure from Landlord/ Investor;

» Creating a JV with the Landlord/ Investor in Equity Partnership; or

» Signing a Management Agreement with the Landlord/ Developer/ Investor.

However, each of these options have financial, operational and legal advantages and disadvantages and Operators should seek professional advice before entering into any such arrangement.

The Kingdom is moving towards encouraging more private sector participation in the healthcare sector, however; the extent of investment required is significant.

In summary, the healthcare sector in KSA, especially the private healthcare sector, offers several lucrative opportunities for operators, developers and investors. However, it also poses number of challenges including high capital expenditure requirements, attracting and retaining qualified staff and training and development of Saudi healthcare professionals.

Colliers International healthcare team is actively working with several local, regional and international investors and operators to facilitate entry and/or expansion in KSA’s lucrative healthcare. From initial market analysis to business expansion strategies, joint ventures, structured finance, investor engagement and mergers and acquisitions, we are working alongside our PropCo and Opco clients studying the variety of entry routes available.

With over 500 international and five regional offices in Riyadh and Jeddah, Egypt, Dubai and Abu Dhabi, Colliers International brings together global innovation with in-depth local knowledge. If you are interested to enter or expand into KSA’s healthcare market, please contact Mansoor Ahmed, Director (MENA Region) for Healthcare, Education & PPP on mansoor.ahmed@colliers.com.

By 2030, KSA will require 29,000 to 47,500 additional beds, based on KSA and World average of 2.3 and 2.7 beds / 1,000 population respectively. This will require an additional investment of US$ 16.2 to US$ 26.3 billion.

In Colliers opinion, one way of bridging the required investment is by way of creating more REIT funds. Based on Colliers estimate, REIT funds in the Kingdom can unlock around US$ 5.7 billion to US$ 7.1 billion property value from the private sector and for private sector and US$ 16.9 billion to US$ 21.1 billion for public sector, thereby playing a key role in augmenting growth in the healthcare sector.

Colliers is currently working with several market participants through traditional and emerging funding options to assist them in their expansion plans.
Privatization, Corporatization and PPP Schemes

Privatization

In April 2018, Saudi Arabia announced an ambitious privatization plan, which includes 14 PPP investments to be completed across 10 sectors including healthcare by 2020.

The key targets of the privatization plan in relation to healthcare include:

a) Updating and expanding primary care across Saudi Arabia.

b) Providing additional rehabilitation and long-term care beds across the Kingdom through the creation of PPP structures.

c) Planning for the establishment of additional medical cities.

d) Preparing King Faisal Specialist Hospital & Research Center for privatization and help it in achieving its leadership position through focusing on innovation.

e) Updating and expanding laboratory and radiology services across the country in partnership with the private sector.

Privatization is also seen as a key focus area in the Saudi Vision 2030 and the National Transformation Program. The strategic objectives stated for healthcare in the NTP include:

a) Privatization of one of the medical cities through a Public-Private Partnership (PPP) scheme.

b) Increasing private sector share of spending in healthcare through alternative financing methods and service providers.

Pursuant to Vision 2030 the Ministry of Health is also undergoing profound change. The institutional transformation process will separate service provider functions from the regulatory functions.

Under the new system, state-owned enterprises would provide the services once the organizational structures had been completed. Such enterprises will be a liberty (subject to rigorous compliance with procurement rules) to enter into contracts for service provision with the private sector; some of which will be public-private partnerships.

The corporatization of existing service provision is thus a key plank in healthcare policy over the next period, and within that overall framework PPPs will have a fundamental role (both in terms of providing services and also perhaps in monitoring outcomes). The advent of corporatization is further intended to promote and prioritize specialization in health care services and, over time, will enable citizens to choose their preferred service provider.

In conjunction with the corporatization process the MoH is creating a sole and exclusive entity to formulate health policies including health insurance services, etc. (such as operating the recently established Health Services Council.) The institution transformation process separates the service provider from the regulator.

It should therefore be no surprise that Saudi Arabia intends to establish an entity to monitor, inspect and regulate the provision of care services to make sure that national standards are established and achieved. The entity so established will offer a specialized quality monitoring system to oversee care provision in public and private hospitals, manage PPP outcomes and will be responsible for defining standards, for reporting quality outcomes at the hospital level, accrediting hospital reporting systems, overseeing PPP projects, gathering outcome data, and publishing comparative performance reports. In an era of increasing fuel prices and decreasing fuel subsidies, the carbon footprint and sustainability of new assets and services will, increasingly, become determining factors for measuring success. SAGIA indicates that potential investors could include data management companies and private Saudi investors.

Meanwhile, the institutional transformation program will continue to support service providers to launch continuous improvement projects, to boost transparent monitoring of health facilities, in terms of speed and quality access to services, ensured efficient professional development and accountability based on practical and therapeutic outputs, without any disruption to the current health services during the institutional transformation phase.
THE CHANGING REGULATORY ENVIRONMENT & ITS IMPACT ON HEALTHCARE SECTOR:

Public Private Partnerships

The old procurement law (the Government Tenders and Procurement Law or GTPL) has served well as a method of procuring input-based, client specified assets and some limited ancillary service provision. It was, however, unsuited to the procurement of complex outputs or outcome-based services where the costs of assets and services are bundled into a “unitary charge” delivered against attainment of key performance indicators over a long term concession period. That old has been replaced by a revised (and highly innovative) new GTPL which comes into force in early 2020. Some of the innovations in that new law (such as the ability to have framework agreements, tendering through an electronic portal and reverse auction tendering) remain to be fleshed out in the Implementing Regulations but will directly relevant to conventional healthcare procurement.

Parallel to the new regime for conventional procurement, the regulatory framework in respect of PPP is developing quickly.

The National Center for Privatization (“NCP”) was established to regulate privatization in KSA. Article 3 of the Statute for the National Centre for Privatization states explicitly that public private partnerships shall be deemed privatization. The NCP is tasked with establishing the frameworks under which privatizations occur.

Council of Ministers Resolution No (665) establishes the institutional framework under which the NCP will operate. Pursuant to that resolution NCP has promoted a system of sectoral/supervisory committees relating to sectors targeted for privatization – this includes healthcare. The MoH has established a Vision Realization Office, which in effect, operates as the secretariat for this committee in the healthcare space.

The NCP published a Privatization Projects Manual (the “Manual”) in May 2018. The Manual sets out a methodology for procurement which is mandatory. However there do remain some regulatory gaps – many of these were addressed in the draft Private Sector Participation (“PSP”) Law published in June 2018. That draft law is very much a companion piece to the Manual however the law is not yet in force and may be further reviewed following the public consultation exercise.

Royal Decree No. (101) was officially published in the Official Gazette on 18 July 2018. That decree disapplied the old GTPL from privatization projects and was a welcome clarification in that regard pending formal adoption of the draft PSP Law (which has yet to occur). Therefore, the precise extent to which the new GTPL applies to such projects will become apparent once its own Implementing Regulations are published.

The draft PSP Law was subject to public consultation until 29 July 2018 – hence there may be changes in both the draft law and the Manual consequent on that consultation exercise. The interplay between the Royal Decree, the draft PSP Law, the Manual and the new GTPL are yet to be fully determined and will likely develop further.

Conclusion

Huge strides have been made in healthcare reform in KSA over a very short period. Likewise the institutional and regulatory architecture to enable private sector investment has also made significant progress.