GCC Healthcare:
A glance into the future

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FROST & SULLIVAN

Healthcare: The Silent Growth Opportunity in Gulf Cooperation Council Countries

Finding the Niche Areas for Growth in 2020

The Gulf Cooperation Council (GCC) countries have enjoyed significant financial gains arising out of oil-revenues for decades. But changing global economic trends and falling oil prices have forced the GCC countries to develop and implement economic diversification plans. Several new opportunities have thus emerged from such diversification plans. But one that has probably gone unnoticed amongst the global players is that of healthcare. The demand for care is growing, and supply is trying to catch up, but could very well use best practices from the West & the East to improve health outcomes, while keeping costs low. Herein, lays significant opportunity for experienced healthcare participants to bring their best practices to the GCC healthcare market – one that is not restricted by the economic woes troubling hospitals in the West or the East, and one that is perhaps more willing to experiment. The fact that most of the healthcare infrastructure of the region is either fairly new or being developed also helps – being modern, it is easier to incorporate new technologies and enable new processes. In effect, several of the challenges that prevent widespread digital transformation of hospitals and care delivery in the rest of the world, don't hinder the GCC region. Rising prevalence of non-communicable diseases has further increased demand for care, with solutions that focus across the care continuum – wellness and prevention, diagnosis, treatment and management of diseases for best possible long term patient outcomes. The region's healthcare industry is thus poised for an annual 8.7% growth in 2020, much faster than the global annual growth of 5.3%.

This true picture of the healthcare industry in the GCC region when compared to the global scenario, speaks to this overlooked region for the world players to invest in. A convergence of the world's healthcare best practices is expected to hit the GCC in 2020 and beyond – our five predictions for the region outline this very convergence, driven by the macroeconomic factors on a global landscape, and local health trends, and point to some of the biggest growth opportunities that will emerge in 2020, in the GCC region.

Global & Local Factors Driving Demand for Streamlined Healthcare in GCC

Finding the Niche Areas for Growth in 2020

The GCC region has displayed dichotomy until the recent past – an affluent oil-rich region, but one that had little or no healthcare infrastructure. Interesting enough, there probably was little need for a comprehensive care network. This was because of an active lifestyle led by the nomadic ancestors of the Gulf Arabs, who had a healthy traditional diet, and perhaps alcohol consumption and tobacco use were at a minimum, when compared to today. The oil boom brought in economic prosperity to the region, replacing the diets with unhealthy ones, changing lifestyles to make them more sedentary, and inducing higher consumption of alcohol and tobacco. Naturally, this has brought about an epidemic, if it could be so called, of non-communicable diseases and disorders to the region.

countries rank amongst the highest in the world for the prevalence of diabetes and pre-diabetes. The last couple of decades therefore have seen major transformations in the GCC region – healthcare infrastructure has vastly improved, and all GCC countries now have an insured healthcare model. As perhaps a testament to its commitment to change, the region has scaled its healthcare infrastructure in a remarkably small timeframe, yet there's more to be done.

Now that payers have financial incentives to better manage their members' health, they welcome best practices from around the world to help better manage the health of their population.

Average Growth for the Global Healthcare Industry in 2020

Frost & Sullivan estimates the global healthcare industry to cross the $2 trillion mark in 2020 (see Table 1). An achievement by itself, we estimate the Asia Pacific and Latin America markets to demonstrate significant growth of 7.4% and 6.0% respectively, higher than the global average of 5.3%. Traditional strong hold markets of North America and Europe, which together constitute 65% of the global market, are expected to grow only at 4.9% and 3.6% respectively. Clearly, growth for global players in the healthcare space is expected to come from not the traditional markets, but new geographies.

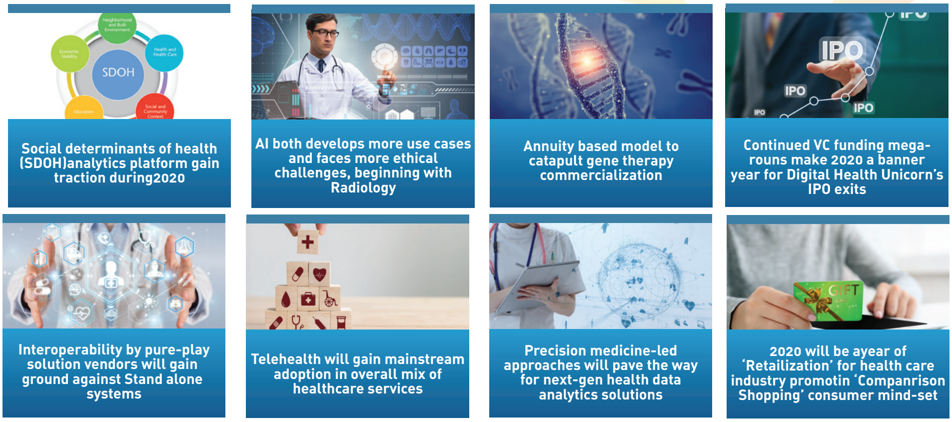
Table 1: Global Healthcare Industry Market Revenues by Sector, 2019-2020

Sector	2019 (bn)	2020 (bn)	Growth (Year-on-year)
Pharmaceuticals & Biotechnology	$1,271.51	$1,334.02	4.9%
Medical Technologies	$413.94	$437.86	5.8%
Medical Imaging Equipment	$31.77	$32.78	3.2%
In-Vitro Diagnostics	$75.20	$78.70	4.7%
Healthcare IT	$149.51	$162.15	8.5%
Total Healthcare Industry	**$1,941.93**	**$2,045.51**	**5.3%**

Innovations in Technology & Revenue Models to Dominate Global Health care in 2020

The North American and Europe markets, being the most developed in the world will drive innovation around new themes such as precision medicine and social determinants of health (see Figure 1). Annuity based reimbursement models are expected to even drive commercialization of expensive gene therapy treatments. On the global technology front, artificial intelligence will be leveraged in more use cases while facing ethical challenges, especially in the area of radiology. Interoperability by pure play solution vendors will gain more ground against standalone solutions as well. Digital health IPO exits are expected, while telehealth will gain mainstream adoption. And as for consumers (not patients), 2020 will bring a retail mindset to healthcare with concepts like comparison or price shopping becoming a dominant mindset, bringing in the true impact of consumerization of healthcare.

Figure 1: Top 2020 Predictions for the Global Healthcare Industry



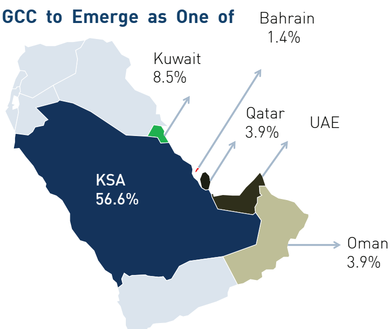


Figure2: GCC Countries' Healthcare Market revenue Share, 2020

GCC to Emerge as One of the Fastest Growing Regions for Healthcare in 2020

In contrast to the developed world, and as witnessed as a larger regional trend, the GCC region is expected to grow at a phenomenal 8.7% growth rate in 2020, which is higher than even Asia Pacific or Latin America, both of which however, are larger markets overall.

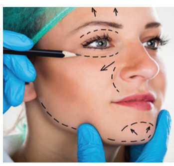
Yet, the GCC region will clock in revenue of $27.67 billion in 2020, growing from $25.45 bn in 2019. The growth is driven primarily by the large pharmaceuticals and biotechnology sector that caters to a growing population suffering from chronic conditions, the medicaltechnologies sector which sees the highest growth thanks to increasing demand for new and upgrade equipment from hospitals, and also digital health which sees rising adoption from providers for health IT solutions and also patients for virtual care solutions (see Table 2).

Table 2: GCC Healthcare Industry Market Revenues by Sector, 2019-2020

Sector	2019 (bn)	2020 (bn)	Growth (Year-on-year)
Pharmaceuticals & Biotechnology	$14.19	$15.03	5.9%
Medical Technologies	$4.45	$4.75	9.9%
Medical Imaging Equipment	$0.71	$0.74	4.3%
In-Vitro Diagnostics	$1.24	$1.32	5.9%
Healthcare IT	$4.86	$5.83	5.8%
Total Healthcare Industry	**$25.45**	**$27.67**	**8.7%**

Global Best Practices in Care Delivery & Policy Making will Highlight 2020 GCC Healthcare Industry Developments

#1: Beyond Hospital Care



#2: KSA- Cosmetic Surgery Hub

#3: Hospitals Take PPP Route

#4: Care Delivery Digitization

#5: Pharma Manufacturing Localization

Prediction #1: Provider and Payer Focus Shifts to Non-Hospital Care Settings

Background

The GCC region has an insurance-driven healthcare delivery model. Naturally, the incentive to control costs will drive payers to put the onus of managing patient health better on providers as well, via the controlling reins of reimbursement. Even public insurance is expected to follow this trend, to not just save on costs, but also to ensure better public health. Given the exacerbating issue of chronic health conditions of GCC citizens, and an aging population which suffers from co-morbidities, the focus will be on two fronts for care delivery – prevention before patients need to be hospitalized, and also post-acute-care in a step-down fashion to ensure proper, monitored recovery in cheaper settings, outside of the expensive hospital setting. Frost & Sullivan therefore predicts that by the end of 2020, 45% of the $91.0 billion GCC healthcare expenditure would be realigned to outpatient facilities, rehabilitation centres and long-term care facilities.

Drivers

In the next decade, 80-90% of healthcare spending in the region is expected to be driven by private insurance, which have a higher incentive to control costs by managing patient health better. The current statistics are not in favor of the payers though. The International Diabetes Federation, for example, reported prevalence rates in most GCC countries of more than 20% for diabetes, and more than 15% for prediabetes. Clearly, there is a need for increasing preventive care expenditure in the region, which also shows a dismal trend. GCC countries spend only $30-$100 per capita, per year, on preventive care delivered in clinics, compared to $400-$500 spent per capita, per year in the Western countries.

It is estimated that 20-30% of GCC hospital beds are currently occupied by patients who ideally must be treated in long term care facilities. Not only is it expensive to maintain such patients in hospitals, it is also inconvenient for hospitals since such patients are only under care, and not a major revenue source as compared to someone who can occupy that bed and needs major surgical procedures, for example. Long-term care facilities, rehabilitation centers and outpatient facilities are designed to take better care of these patients, and therefore ideally suited.

Impact

For insurance players, this move will mean investing in population health stratification capabilities that can identify high-risk patients, and leverage health monitoring technology such as wearables, apps and analytics platforms to focus on wellness and prevention for this population, and better condition management for those afflicted by diseases.

Healthcare manufacturers must realign their supply chain to cater to this new segment of care facilities, as well as their costs to meet their price expectations. Value add services, that help these care facilities also connect with doctors and care teams at hospitals monitor patients will also help in the long-run.

Real estate sector could benefit from this shifting focus on hospitals and health systems to other care facilities, which will have unique requirements akin to the hospitality sector but with a care delivery focus, and a digitized and connected environment.

Prediction #2: KSA viewed as Global Hub for High Quality Cosmetic Surgery

Background

Demand for cosmetic surgery has seen tremendous boost in the Middle East region in the past few years. The stigma associated with surgery for aesthetic enhancements has decreased significantly, making it acceptable socially to 'go under the knife' for such surgeries. In the age of Instagram selfies and filters, patients have demands to become better looking versions of their own selves – naturally Millennials are driving this trend, especially as they age and look for options to enhance their looks beyond make up (Botox, for example). Advancements in cosmetic surgery allowing faster recovering and better outcomes have only helped support this trend. The Gulf region's patients are most common across the Middle Eastern cosmetic surgery hubs, with even some men opting for procedures such as rhinoplasty. About 50-60% of women's cosmetic procedures are funded by earning women, who find it "unacceptable to not look good".Frost & Sullivan therefore estimates the GCC countries to account for $1-1.25 billion of the cosmetic surgery market in 2020.

Drivers

With decreasing stigma, proportion of the younger generations electing cosmetic surgeries has increased significantly. 70% of the GCC citizens undergoing cosmetic surgeries are aged 18-34 years. Dubai has the world's highest concentration of plastic surgeons – 47 / million citizens, as compared to 24 / million in the US or 31 / million in Brazil. This translates to 236 registered plastic surgeons, operating at 277 facilities for plastic surgery in Dubai alone, per the Dubai Health Authority. Interestingly, Saudi Arabia has three times the demand for cosmetic surgery than any other GCC country. These have overall made the GCC region, a specialized hub for cosmetic surgery globally.

Prediction #3: PPP Route for Hospitals to Become the Road Ahead for Success

Background

A spike in oil production and the economic diversification plans have also meant a relook of government spending. The historic government owned and funded healthcare initiatives accounted for 70% of healthcare spending in GCC, but for only 48% of the population which are nationals (the rest being expats). This mismatch, coupled with rising demand and a shortfall of supply has added financial strain on the public healthcare systems in the region. Private and public healthcare systems are therefore required to pool resources to meet the ever increasing demand, in a public-private partnership (PPP) model.
Frost & Sullivan thus estimates that 35% of the hospital projects in the next five years would have private sector involvement, rising from the current 25% projects.

Drivers

Despite having significantly improving healthcare facilities, undersupply still affects the region. There were 1.9 hospital beds per 1,000 people in 2016, as against the Organisation for Economic Co-operation and Development (OECD) average of 4.7 beds. In addition, skilled resources are also in shortage – the GCC has 2.1 doctors and 4.5 nurses per 1,000 population, in comparison to a global average of 3.8 doctors and 7.8 nurses per 1,000. Combining this with rising population, increasing life expectancy and the prevalence of chronic conditions is further straining the GCC healthcare system. This strain affects not just the tertiary care system, but also the primary care system, which plays a crucial role in preventing and managing patients with chronic conditions.

Impact

Increasing private investment in health systems will allow them to increase infrastructure and patient touch points, thus allowing better access to care for the larger population.

Private clinics visits are expected to rise by about 1.5 million each year, thus prompting double digit growth in the investments in these clinics. These will serve the objectives of prevention and better management of chronic condition patients as well.

Overall, increasing private investments in healthcare infrastructure will also mean increased demand for vendors' products, who now must offer new business models that cater to the PPP clients.

Prediction #4: Digitization of Hospitals and Care Delivery

Background

Globally, advancements in digital technologies are now being implemented to very specific healthcare problems afflicting the region. For example, mHealth technologies leveraging the ubiquitous smartphones are making a huge impact in providing care access to the various underserved regions of Africa. In contrast, advanced analytical tools and artificial intelligence (AI) approaches are helping standardize clinical protocols and help improve care processes in the Western world, while simultaneously reducing the burden and strain on providers, all in an effort to reduce costs. The latest of technologies are driving the digital transformation of hospitals globally.Frost & Sullivan anticipates wider adoption of telemedicine to complement care access efforts in the GCC region, along with adoption of AI and analytics, in the next three years to help the GCC healthcare systems also achieve similar goals of improving access while reducing costs

Drivers

Digital tools such as robots, and AI enabled solutions are being increasingly adopted by doctors for their ability to improve precision in care, and therefore ensure faster care delivery with better outcomes for patients.

Several GCC countries already have a digital transformation framework for healthcare, and KSA as well as UAE have an AI strategy for healthcare in place. In contrast to American and European populations, 67% of patients in the GCC want to be engaged with AI-enabled healthcare delivery.

Impact

For hospitals, with telemedicine and virtual care approaches, patient interaction and management touch points to increase from the current 60% to 80% by 2023. 'Digital' budgets of hospitals will also increase, leading to digital infrastructure investments increasing by 2-3% in the coming few years.

Overall, for vendors and manufacturers in the healthcare space, this will mean a potential to build long-term partnership, and increase annual sales with newer services that leverage a digital component, and complement traditional services.

Prediction #5: Localization of Pharma Manufacturing

Background

Among the economic diversification plans of GCC countries is the focus on localized manufacturing to support domestic businesses and boost citizen employment, which has also been an area of concern for the GCC region. With only 20-30% of pharmaceutical products used in the country being manufactured domestically, the sector is an attractive area to target for local manufacturing. Biosimilars and generics can be manufactured comparatively easily, without the issues of patent protections and subsequent licensing royalty fees becoming a burden.

Drivers

The KSA and UAE have taken the biggest local manufacturing initiatives, and are expected to continue to invest in greenfield projects to support their ambitions. Government policies and incentives for local manufacturing of branded generics, biosimilars for rheumatoid arthritis, psoriatic arthritis, and cancer drugs are also supportive of this trend.

Impact

Payers and patients stand to gain the most from these initiatives. Payers would benefit with increased price stability of drugs, especially the essential ones. Patients of chronicconditions requiring a continuous supply of drugs, on the other hand will benefit from reduced out of pocket costs with cheaper, locally manufactured versions of drugs being available, especially as reimbursement for drugs is partial in most GCC countries.

Global pharmaceutical manufacturers can make the most of government policies by establishing their own manufacturing centres within free economic zones to avail local tax benefits and government incentives.

Conclusion

As the GCC region seeks to diversify beyond oil, and its citizens suffer from several chronic conditions, there are ample opportunities for growth in the local healthcare industry. A rapid infrastructural development over the last few decades points not only to the region's ability to invest, but also to a favourable outlook it maintains towards new technologies and change. The Dubai Health Authority's healthcare transformation initiatives are remarkable, and serve as an example of what is to follow in the region.

At the confluence of political will and direction, technology progress and ambition to adopt, and most importantly a clear unmet need for access to high-quality care at low costs of the patients, the GCC's healthcare industry is set to become one of the fastest growing ones globally. Opportunities are abundant, those who invest in them today will reap the most benefits in the coming few years.

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