

## 2015 health care outlook Middle East

Rapidly growing populations and per capita incomes, rising life expectancies, a high incidence of lifestyle-related diseases, and ambitious medical infrastructure projects are driving health care industry growth in the Middle East's Gulf Cooperation Council (GCC) states of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE). Yet, even though the region is making appreciable progress in its efforts to improve health care access and quality, pressure on available capacity is increasing and closing the wide gap between current and targeted states remains a top challenge in 2015. The health care workforce, especially physicians and nurses, remains mainly expatriates, and the region has a low penetration of health care insurance.<sup>3</sup>

**Saudi Arabia**  
**Estimated health care expenditure:**  
**\$35.9 billion in 2013**  
**Health care as a share of GDP:**  
**4.8 percent in 2013<sup>1</sup>**

**United Arab Emirates (UAE)**  
**Estimated health care expenditure:**  
**\$14.0 billion in 2013**  
**Health care as a share of GDP:**  
**3.5 percent in 2013<sup>2</sup>**

GCC countries depend heavily on government funding to meet health care needs. In Saudi Arabia, for example, the government accounted for 65.8 percent of health care spending in 2012, according to the World Health Organisation (WHO).<sup>4</sup> Saudi Arabia spent an estimated \$35.9 billion, or 4.8 percent of GDP, on health care provision in 2013. Total health care spending is projected to rise by an average of 6.2 percent a year between 2014 and 2018, to an estimated \$48.3 billion.<sup>5</sup> The Saudi government funds health care both directly and indirectly through subsidies to private institutions.

GCC countries are heavily dependent on an expatriate health care workforce. Saudi Arabia, for example, has an expat physician population of around 76 percent.<sup>7</sup>

Saudi nationals are entitled to free health care, which is also available to religious pilgrims. To address increasing demand, the government's 2014 budget allocated \$28.8 billion to health and social welfare, which includes funding for 11 new hospitals, 11 medical centers and two medical complexes, on top of the 132 hospitals and health care centers already under construction. Overall, the health ministry is planning to raise hospital capacity from 38,000 to 68,000 beds in five years.<sup>6</sup> After several years of large budgetary spending increases, the Saudi government is intensifying its efforts to promote private health care, via expanded health insurance, increased loan limits to build private hospitals, and support for public-private partnerships.

<sup>1</sup> *Industry Report, Healthcare: Saudi Arabia*, The Economist Intelligence Unit, August 2014

<sup>2</sup> *Industry Report, Healthcare: United Arab Emirates*, The Economist Intelligence Unit, March 2014

<sup>3</sup> GCC healthcare sector, Alpen Capital, April 22, 2014

<sup>4</sup> *Industry Report, Healthcare: Saudi Arabia*, The Economist Intelligence Unit, August 2014

<sup>5</sup> *Ibid*

<sup>6</sup> *Ibid*

<sup>7</sup> GCC healthcare sector, Alpen Capital, April 22, 2014

Health care, education, and social services are priorities in the UAE's federal budget, as the government wants to avoid the political unrest seen in other parts of the Middle East. The WHO estimates that the UAE government funded 68 percent of health care expenditures in 2012 (latest data available).<sup>8</sup> While health care constituted a fairly small proportion of GDP in 2013, at 3.5 percent, that share is expected to rise slightly, to 3.6 percent, during 2014-2018.<sup>9</sup> Overall health care spending is expected to increase 6.9 percent a year, from an estimated \$14.0 billion in 2013 to \$19.6 billion in 2018.<sup>10</sup> UAE nationals are covered under the government-funded health care program. Expatriates, meanwhile, have to pay for private health care insurance. In 2008, the Abu Dhabi government made health insurance mandatory for expatriates.<sup>11</sup> The UAE government is encouraging more private participation in the sector; however, it will likely continue to finance the bulk of health

care spending in the near term.

Unequal access to health care facilities and a continued shortage of health care professionals across the Middle East illustrate the region's need for more private sector involvement to fill the gap between increasing needs and available capacity. Governments are responding to this imperative by introducing programs and incentives to encourage private sector growth, optimize current operations, and leverage technology to raise the quality of health care services in GCC countries.

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<sup>8</sup> Ibid

<sup>9</sup> Ibid

<sup>10</sup> Ibid

<sup>11</sup> GCC healthcare sector, Alpen Capital, April 22, 2014



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