



USSBC Economic Brief Healthcare Market 2021 Update

Overview

Saudi Arabia's healthcare sector accounts for SAR187.6 billion (\$50 billion) in annual economic activity and has risen steadily from 3.7 percent of GDP in 2010 to 6.4 percent of GDP in 2018. The government has guided the healthcare sector's development through programs such as the National Transformation Plan (NTP) and the Ministry of Health's (MoH) Transformation Strategy to meet growing demand for health services, control the government's cost burden, and expand accessibility and quality of national healthcare. Changing lifestyles and demographics, including a growing population, a greater proportion of elderly Saudis, and a rising occurrence of non-communicable and chronic diseases have placed greater demands on the Kingdom's healthcare sector.

While the government has implemented programs to improve quality of care and expand access to healthcare facilities, additional investments are necessary if supply is to meet demand. Among emerging G20 economies, the average number of beds per thousand people is 2.85 compared to the Kingdom's current 2.24 ratio. Raising bed capacity to meet the international average of G20 emerging economies would require a total of 125,270 hospital beds in Saudi Arabia by 2030, according to USSBC estimates. While government healthcare spending has increased steadily over the past decade, the present bed-population ratio in Saudi Arabia would miss that level by 27,090 beds.

Given both rising life expectancy and high rates of chronic disease in the Kingdom, an acceleration of healthcare investment is necessary to meet market demand. Recent efforts by the government to spur the private sector's participation include signing public-private partnerships (PPPs) that lead to partial or full divestment of public health entities and fostering a business and regulatory landscape that facilitates additional private health clinics. According to the National Center for Privatization (NCP), Saudi Arabia will pursue SAR27.4 billion (\$7.3 billion) in healthcare PPPs over the next four years. These developments present robust opportunities for U.S. companies to provide advisory and project management services across a range of health industries including design and engineering, new technologies, digitization, and long-term care services.



Market Determinants

Population & Age

Demand for healthcare services in Saudi Arabia will continue to increase due to rapid population growth, a large aging segment, and the increased prevalence of long-term non-communicable diseases. The Kingdom’s population of 35 million is growing at a 2.5 percent CAGR with an increasing proportion of those 65 or older creating further strain on the healthcare system. Moreover, available care programs for the aging segment are still in a nascent stage. According to the World Health Organization, average life expectancy in Saudi Arabia rose 2.5 years to reach 74.3 over the past ten years. The largest segments of the Saudi population remain between the ages of 25 and 45 but the fastest growing segments are now 75-79 and 55-59 years old. As Saudis live longer and the overall number of elderly increases, a shift to long-term care and senior-specific health programs is expected to play a prominent role in the growing healthcare market.

Saudi Population
Compound Annual Growth Rate (CAGR)

Age	2000-2010	2010-2020
80+	-1.3%	5.6%
70-79	-1.0%	6.5%
60-69	4.5%	5.3%
50-59	6.4%	6.2%
40-49	5.9%	6.0%
30-39	5.1%	2.8%
20-29	5.3%	0.2%
10-19	1.7%	-0.3%
0-9	-2.6%	2.6%

Source: GStat, USSBC

Lifestyle Diseases

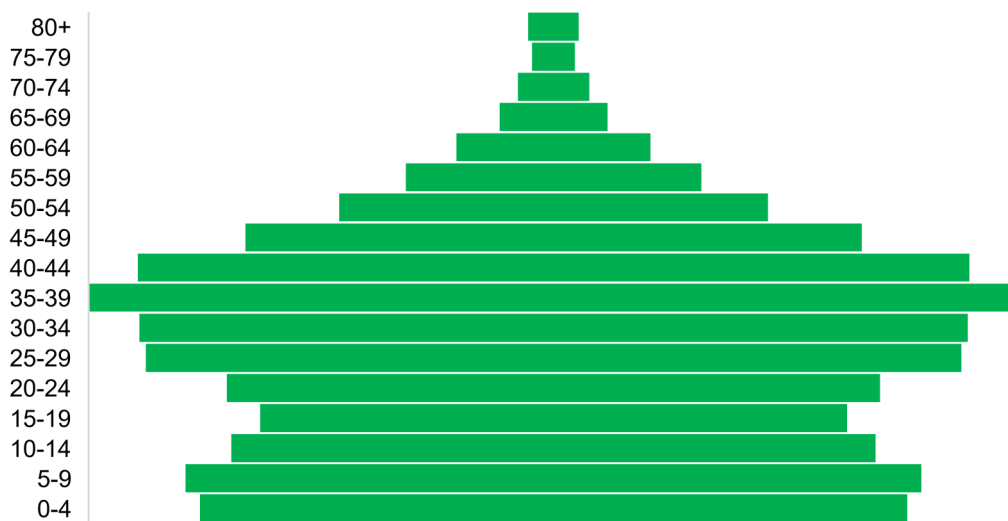
Saudi Arabia’s economic development has led to cultural shifts that includes changes in dietary habits and decreased physical activity which have driven a rapid rise in non-communicable diseases. The most prevalent chronic conditions in Saudi Arabia are hypertension, diabetes, and dyslipidemia (most often high cholesterol) which were each reported by 8 percent of residents in WHO’s most recent World Health Survey. The treatment coverage rates for hypertension, diabetes, and dyslipidemia were 83 percent, 42 percent, and 60 percent, respectively. Among Saudi residents aged 65 or older, self-reported hypertension was a remarkably high 49 percent. The rate for diabetes in the same age group was 47 percent. The number of residents considered overweight or obese was estimated at 68 percent and 35 percent, respectively. Despite rising life expectancy, obesity remains a top health concern, driving higher rates of diabetes and other chronic conditions.

There are an estimated 2.3 million Saudi residents with diabetes, 2 million with hypertension, and 320,000 with cardiovascular disease based on 2019 health statistics and 2020 population data. In a recent



government health survey, 16 percent of the Saudi population reported having a chronic disease but that figure rose to 71 percent among those 65 or older. While the government has sought to mitigate these trends by promoting healthy lifestyles and physical fitness through programs such as Quality of Life, the impact of lifestyle diseases on the healthcare system is set to accelerate given the high number of Saudis entering the 50+ age bracket over the next 5-10 years. As this segment of the population grows as a proportion, rates of chronic disease will likely increase and drive hospital visitations and therefore greater demand for health services.

Population of Saudi Arabia
(2020)



Source: GStat

COVID-19 & Consumer Spending

The COVID-19 pandemic presented unprecedented operational challenges for national health sectors across the globe. The International Monetary Fund (IMF) stated that “strict early containment and health mitigation measures limited cases and fatalities [in Saudi Arabia]” in its Article IV Consultation with the Kingdom. Daily infections peaked at nearly 5,000 in mid-June 2020, fell to around 100 in January 2021, and currently stand around 200. Testing and vaccination was made available to all residents and Saudi Arabia administered 26.3 million doses of approved COVID-19 vaccines and fully vaccinated 7.7 million residents, accounting for 22.5 percent of the population. Saudi Arabia was one of nine G20 countries to administer at least one vaccine dose to 50 percent of the population by July 2021.

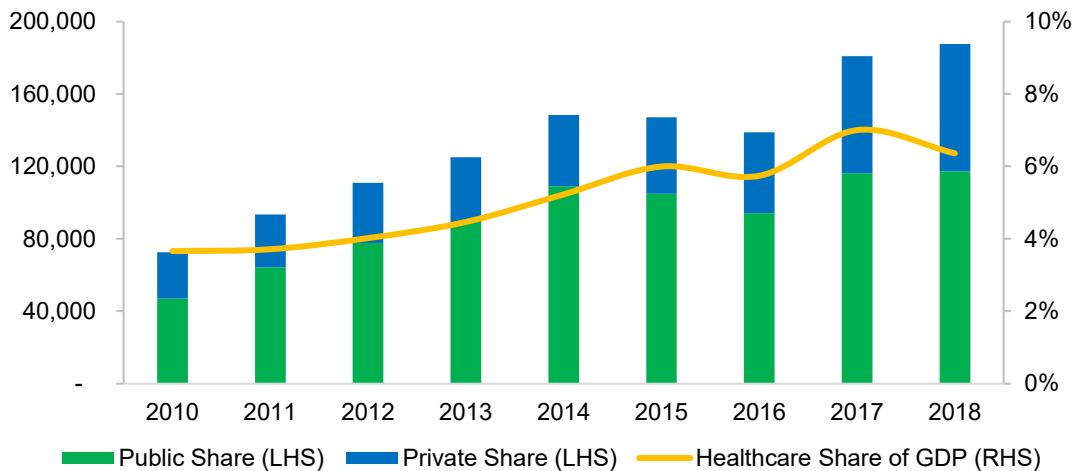
Consumer spending on health-related goods and services was strong throughout 2020 despite virus-related operational restrictions and curfews. According to SAMA’s point of sales (POS) figures, total consumer health spending in 2020 totaled SAR29.8 billion (\$7.9 billion) with pent-up demand for health services driving record consumer spending in the second half of the year. The use of telehealth and digital services, enabled by investments in comprehensive broadband and 5G coverage, allowed flexibility for both doctors and patients amid unprecedented travel and operational restrictions. The COVID-19 pandemic’s impact on oil prices also put greater strain on government expenses, emphasizing the need for Saudi Arabia to control the costs of government spending.



Market Size

Saudi Arabia’s healthcare market contributed 6.4 percent to national GDP in 2018, rising from 3.7 percent of GDP in 2010 due to increased government spending, expansion of private clinics and services, and rising foreign investments. According to the latest World Bank estimates, the public sector in Saudi Arabia accounted for SAR117 billion (\$31 billion) of healthcare GDP while the private sector accounted for SAR71 billion (\$19 billion). Prior to Vision 2030 and the NTP (2016-2020), public healthcare GDP grew at a 12 percent CAGR compared to the private sector’s 10 percent CAGR. However, since 2016, the public share of healthcare GDP remained at a 12 percent CAGR while the private sector grew at a notable 26 percent CAGR.

Healthcare GDP Contribution

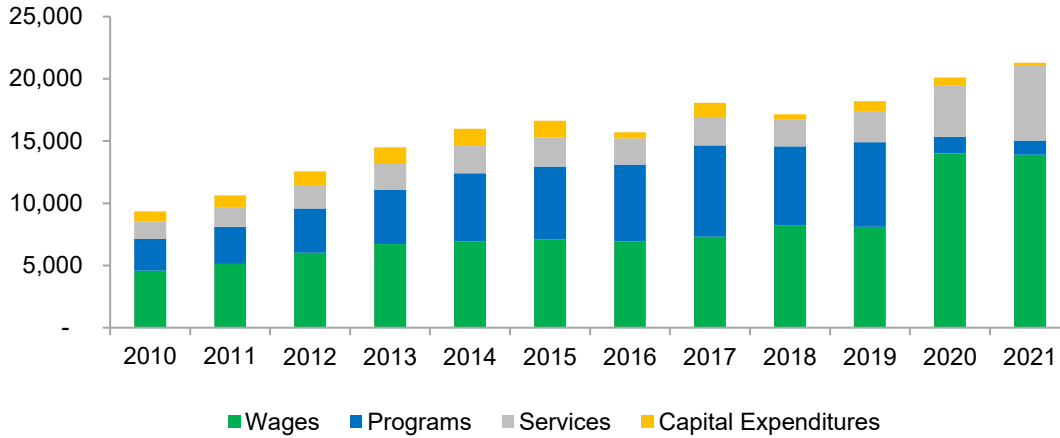


Source: GAStat, World Bank, World Health Organization

Government healthcare spending has steadily increased in Saudi Arabia with the Ministry of Finance allocating SAR175 billion (\$47 billion) for ‘Health and Social Development’ in its official 2021 budget, a 4.6 percent increase from last year. The MoH’s budget accounts for 46 percent or SAR79.8 billion (\$21.3 billion) of the ‘Health and Social Development’ sector compared to 35 percent in 2010, steadily growing both in absolute terms and as a percentage of total government spending. In 2021, MoH spending alone is expected to reach a record high 8.1 percent of total government spending, compared to 6.5 percent in 2010. Total government health and social expenditure currently accounts for 18 percent of Saudi Arabia’s budget.

The MoH’s spending grew at a 7.8 percent CAGR between 2010 and 2021, driven by higher outlays on health services and wages. By comparison, capital expenditures and program spending both declined, with program spending reducing by 80 percent due to the global pandemic. The MoH currently operates 287 of the 504 hospitals in Saudi Arabia while other government sectors (OGS) operate 50 hospitals and the private sector operates the remaining 167 hospitals. Government-owned hospitals account for 67 percent of hospitals, but 75 percent of the total 78,600 hospital beds in the Kingdom due to a higher number of beds per hospital. The average bed to hospital count in government hospitals has grown steadily from 168 in 2016 to 176 in 2020 while private hospitals remained constant at approximately 116 beds per hospital.

Ministry of Health Expenditures (USD Million)

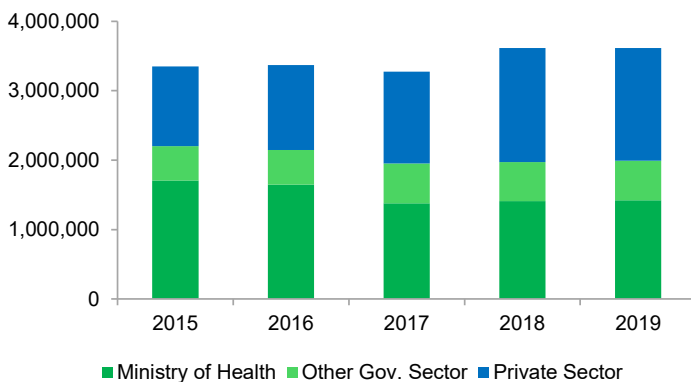


Source: Ministry of Health

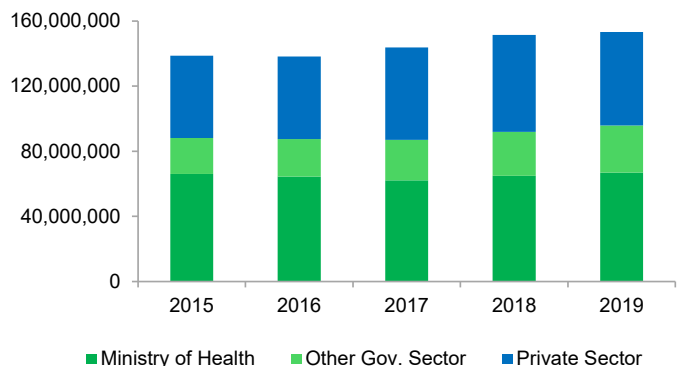
Employees working as physicians, dentists, nurses, pharmacists, and other allied health personnel in Saudi Arabia totaled 463,160 in 2020. The government accounted for 81 percent of employment in healthcare, registering 220,000 Saudis and 116,000 non-Saudis. Total employment in the health sector grew at a 3.5 percent CAGR between 2016 and 2020. The effects of Saudization and an increase in the number of medical graduates resulted in the percentage of Saudi nationals working as physicians in MoH facilities rising from 29 percent in 2016 to 51 percent in 2020. Saudization among all healthcare personnel was markedly lower in private sector facilities as they accounted for only 20 percent of staff compared to government facilities' 66 percent. However, Saudization levels still increased across all medical employment categories in both government and private hospitals over the past four years.

Inpatient visits to hospitals in Saudi Arabia totaled 3.6 million while outpatient hospital visits totaled 153 million in 2019, according to the latest available data. Outpatient visits grew at a 2.5 percent CAGR and outpaced inpatient visits which grew at a 1.9 percent CAGR over the prior four years. Notably, inpatient visits to MoH hospitals have declined since 2015 while inpatient visits to private clinics steadily increased.

Inpatient Hospital Visits



Outpatient Hospital Visits



Source: GASat, Ministry of Health



Private sector clinics accounted for 45 percent of inpatient visits in Saudi Arabia, up from 34 percent in 2015. MoH hospitals accounted for 63 percent of outpatient visits while hospitals accounted for the remaining 38 percent. Since 2015, annual outpatient visits to private hospitals rose 6.9 million while outpatient visits to MoH hospitals remained constant. Greater utilization of private clinics is a trend that is expected to continue as the trade-off between increasing the quality of care provided by private clinics outweigh their respective healthcare costs.

Government Initiatives

Government reforms in the Saudi health sector aim to improve operational efficiency, control the government's cost burden, support national employment, and meet growing demand driven by population and health trends. Following education and military, healthcare is the third largest share of the government's budget and has grown steadily in recent decades. Following the conclusion of the NTP strategy in 2020, officials are reportedly expected to launch a formal Vision Realization Program (VRP) in 2021 that is strategically aligned the MoH's Transformation Strategy.

Privatization

Private sector participation in the supply of healthcare services is seen as a key strategy to reduce pressure on public expenditures, provide performance benchmarks for corporatized providers, and facilitate opportunities to divest through partnerships with private companies. Health services is expected to be a leading sector of the government's four-year privatization plan which encompasses asset sales, management buy-outs, public-private partnerships (PPP), corporatizations, and concessions. The full scope of privatization efforts overseen by NCP is covered in our [May Economic Brief](#). The healthcare sector has nine privatization projects that have received government approval and 23 projects that are under consideration.

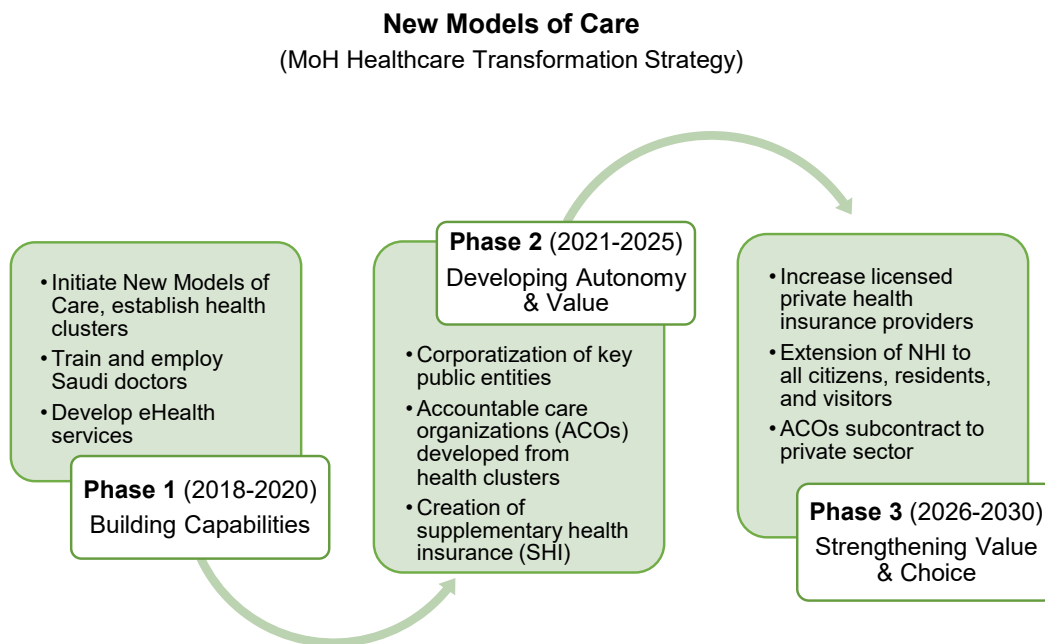
Localization

National employment policies are an important regulatory component of the healthcare industry. Due to workforce gaps in health services, qualified expatriates have played a significant role in staffing Saudi health clinics. As the Kingdom boosts investments in its domestic medical workforce and provides jobs for a high number of Saudi women entering the workforce, the percentage of Saudi nationals employed in the healthcare sector has and will continue to steadily grow. Saudi nationals now account for the majority of physicians working at MoH hospitals and the percentage of Saudi physicians at private hospitals has grown from just 3 percent in 2016 to 22 percent in 2020. Female physicians now account for more than a third of all physicians working at both MoH and private hospitals and a majority of healthcare personnel in Saudi Arabia. Under the NTP, the government committed to training 4,000 local doctors each year to boost national employment. According to MoH data, this goal was exceeded with an average of 5,590 Saudi physicians added to the workforce each year from 2016 to 2020. Saudi nationals now account for the majority of physicians and nurses at MoH hospitals, though non-Saudis still account for the majority of physicians and nurses at private hospitals in Saudi Arabia.

Vision 2030 & Healthcare Strategy

The health sector is impacted directly and indirectly by several Vision 2030 programs including the Privatization Program (PPP, corporatization, and concessions of state-owned health assets), Quality of

Life (improve physical fitness, build health-conscious culture among citizens), Riyadh City project (double Riyadh population by 2030, attract international business), and the NTP (boost private sector healthcare contribution, raise Saudization, digitize health services). In addition, the development of the sector is guided by the MoH's "Healthcare Transformation Strategy," released in 2018, which outlines the government's plans to restructure the health sector over the next 5-10 years.



Source: Ministry of Health, USSBC

The strategy introduces 'New Models of Care' (NMC) to address gaps and inefficiencies in the quality and comprehensiveness of health services in Saudi Arabia. The NMC program is envisioned as a three-phase program (Phase 1 having concluded in 2020) that develops 20 geographically defined health clusters that will then be developed into corporatized accountable care organizations (ACOs). ACOs would primarily be resourced from existing MoH services and facilities but would be able to subcontract patient services to the private sector. The development of Saudi Arabia's ACO ecosystem will provide leading international companies opportunities to bring new technologies, advisory services, and eventually operations and management to the Saudi healthcare market.

Challenges

The MoH's Transformation Strategy identifies several key challenges to navigate as these structural reforms are implemented over the next decade. For example, the high level of urbanization in Saudi Arabia has produced gaps in both quality and access to care. The population of Saudi Arabia was 83 percent urban in 2016 and that figure is expected to reach 86 percent by 2030. The roughly six million Saudi residents outside urban areas are less likely to have access to high-quality care and specialty services. The MoH also identifies demographic and lifestyle trends, workforce capacity gaps, and the growth of public expenses among other notable challenges for the sector.



Healthcare Transformation Key Challenges

- Growing and aging population
- High rates of non-communicable diseases by international standards
- Primary and extended care poorly distributed and inconsistent
- Variation in quality of services
- Resource-centered system instead of patient-centered
- Workforce capacity gaps
- Containment of public expenditure

Source: Ministry of Health

Saudi Arabia currently subsidizes most healthcare services at government hospitals for Saudi nationals. However, the government simultaneously seeks to lower its cost burden, boost quality of health services, and allow market forces (private sector competition) to play a greater role in service provision. Balancing affordability for consumers with a sustainable cost structure that allows for steady business growth is another challenge to be navigated. Prices of consumer health goods and services rose 3.2 percent YoY between June 2020 and June 2021 but underperformed general inflation, which rose 6.2 percent over the same period.

However, hospital service prices outpaced general inflation amid a sizeable increase in the cost of inpatient private rooms, which rose 10.8 percent and private dialysis services, which rose 8.8 percent. While the average price per consumer health transaction has declined steadily from SAR210 (\$56) in 2016 to SAR128 (\$34) in 2020, the tradeoff between quality and cost must be continually navigated as the MoH seeks to provide equitable access to care while reigning in public expenses. These challenges also present opportunities for private businesses to address gaps in the market by providing value to hospital operators, doctors, patients, and investors.

Opportunities

The implementation of Vision 2030 has increased business opportunities for Saudi and U.S. firms in numerous healthcare fields including long-term care, facilities management, construction, radiology services, dialysis services, and digitization. U.S. industry leaders in these fields will also find lucrative advisory services, consulting, and project management opportunities through partnerships with Saudi firms. Privately managed facilities, which have grown in stride with government initiatives and regional trends, will provide a range of business opportunities for stakeholders engaged in the healthcare industry.

Rehabilitative & Long-Term Services

Despite managing one of the most advanced healthcare systems in the GCC, a limited number of long-term care operators in Saudi Arabia relative to the size of the population remain. According to the World Federation of Occupational Therapists, Saudi Arabia has only 0.23 physiotherapists and occupational therapists per 1,000 people. By comparison, the U.S. has 1.11 physiotherapists and occupational



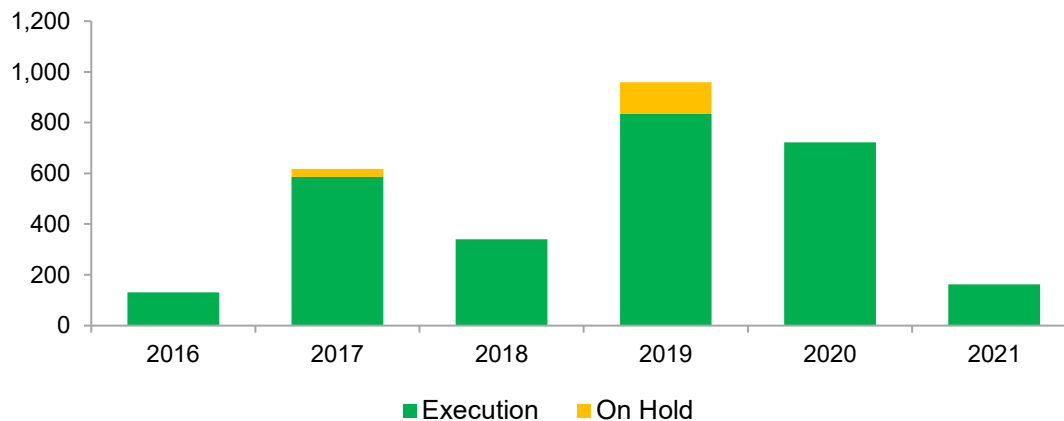
therapists per 1,000 people. While rehabilitative services are offered at King Fahad Medical City and Sultan bin Abdulaziz Rehabilitation Center, for example, there is a gap in infrastructure and workforce capacity in the field.

The MoH views the private sector as a key enabler of extended care services such as long-term disability care, rehabilitation, and assisted living. Saudi Arabia also has a high rate of road accidents relative to other emerging economies and rehabilitative care is a critical part of the recovery process. At times, over 30 percent of beds in MoH hospitals have been occupied by patients requiring these services due to a high rate of severe traffic accidents. In addition, high obesity rates and a growing share of elderly citizens will lead to growing demand for at-home health services such as dialysis and senior care. As the delivery of care is restructured in Saudi Arabia, long-term healthcare will attract substantial investments from government and private entities.

Construction

Long-term demand for hospital beds and specialty clinics is expected to support construction activity in Saudi Arabia. Health-related construction projects in Saudi Arabia awarded since the beginning of 2020 total SAR3.5 billion (\$945 million). The beginning of 2021 has seen a rebound in construction activity due to the resumption of projects delayed due to COVID-19, though health-specific projects have been slower to pick up. Main contracts for hospital construction tend to be awarded to well-established local or regional firms such as International Hospitals Construction Company (IHCC). However, U.S. companies have been active in providing design, consulting, and other professional services for the Saudi health sector. Examples include U.S.-based HDR Inc. which served as the architect for MoH's Prince Mohammed Abdul Aziz Medical City in Al Jouf and the Al Moosa Rehabilitation & Long-Term Care Hospital in Al Ahsa. California-based IDS Group served as the design consultant for the 200-bed Al Murjan Medical Center in Jeddah and U.S. engineering conglomerate AECOM recently served as the mechanical, electrical, and plumbing (MEP) consultant for the SAR1.9 billion (\$517 million), 800-bed King Khalid Medical City project.

Health Construction Projects in Saudi Arabia
(USD Million)



Source: MEED Projects



In Focus: Key Insights from Mr. Sultan Sobhi Batterjee, Chairman and CEO of IHCC

IHCC, a member of the U.S.-Saudi Business Council, is one of the Middle East's fastest growing turnkey solution providers, and one of its most innovative. Frequently ranked as one of the top construction companies in the region, IHCC offers construction solutions of high-performance buildings, and other services to clients in various sectors across the MENA region.

Vision 2030 and Private Sector Participation

"The Kingdom is now moving forward with Vision 2030, including its Quality of Life program, and is covering the anticipated increase in demand within the [construction] sector. Because the majority of the Saudi demographic is young, and the general population continues to grow, the demand for building social infrastructure such as healthcare facilities, schools, and universities will increase. We are currently working on designing and constructing more than 15 relevant contracts in the Kingdom and other MENA countries that include new hospitals, educational buildings, and medical cities as well as expanding existing hospitals.

We realize that the private sector and the government are collaborating through PPP schemes, leading us to incorporate PPPs as part of our strategy to adapt to the market's needs. An example of this is a project we are bidding on which utilizes the PPP approach and the Saudi healthcare sector's first green field hospital for the MoH - Al Ansar Hospital in Madinah. Moreover, we are looking forward to working with leading international players on offering more valuable services and introducing new, innovative and technology-driven services to the country at various levels."

IHCC Capabilities & Experience

"IHCC is a class (A) contractor that provides turnkey engineering and construction solutions for buildings, with an emphasis on social infrastructure projects such as healthcare, education, mixed-use developments (including hospitality, residential, commercial, cultural, and entertainment projects), and other facilities requiring sophisticated structures and installations across the Middle East. In addition to our engineering and construction services, IHCC has become a leading player with a wide range of in-house services covering MEP (mechanical, engineering, and plumbing), finishing and fit-out, energy efficiency, buildings sustainability solutions, facilities management, and modular construction. Our list of ongoing projects includes many unique developments in healthcare, residential, hospitality, mixed-use complexes, industrial, and other facilities – examples include medical cities in Makkah, Dammam, and Alexandria. The scope of work for each city includes hospitals, residential complexes, educational buildings, recreational facilities, commercial buildings, infrastructure, and utilities."

A Leading Solution Provider of High-Performance Buildings

"[IHCC's] Digital Transformation initiative was an important response and adaptation to the pandemic. We realized the need to invest in building-centric technologies, while many others invested in the front-end of the technology. Through this service, we now ensure that buildings are integrated through command centers and technological software that are connected to our clients' software.

Therefore, and in order to maintain our leadership position in this field and to keep our steady growth, we [have also] enhanced our internal digitization processes and tools to ensure all services are well connected and delivered to our clients' expectations. Through capitalizing on our in-house capabilities of the design, construction, energy efficiency, sustainability, MEP, fit-outs, and facilities management, our strategy is to keep up our growth and maintain our position as a leading solution provider of High-Performance Buildings."

Pursuing Opportunities with U.S. Businesses

"As a leading Saudi company with diversified business interests, IHCC was pleased to be a part of the successful virtual business development trade mission organized by the USSBC. The successful event translated into very productive virtual meetings for IHCC with various U.S. companies in different disciplines and has set a solid basis for long-term business collaborations in the Saudi market. Various opportunities have been discussed with potential partners in different fields, including healthcare services, design and engineering, energy efficiency, construction technologies, and many others. Our aim is to grow and enhance our services, which can only happen with proper partnerships and proper alliances with specialized companies. Hence, we definitely welcome U.S. partnerships in the Saudi market."

Digitization

Virtual care will increasingly serve as a point of first contact with medical care providers. Additionally, demand for digital services from both patients and providers is a necessary component of a modern and efficient healthcare system. Digitization of public services is cross-cutting theme of Vision 2030 and the government has launched several eHealth apps and platforms to increase knowledge and access to



health services. Most recently, the government utilized the Sehaty app for COVID-19 vaccination scheduling and the Tawakkalna app for COVID-19 contact tracing. In addition to mobile apps and telehealth, digital technologies such as mobile medical devices, artificial intelligence (AI) for diagnostics, and robotic surgical instruments are rapidly transforming how care is delivered in the 21st century.

The Saudi health sector will attract partnerships in health informatics, electronic medical record (EMR) management, IT, and artificial intelligence (AI) with leading international companies to maintain competitiveness with best-in-class digital healthcare solutions. Examples of U.S. companies involved in the Saudi health IT sector include Cerner which operates a joint venture, the Saudi Health Information Systems Company (SHIS), with King Saud University and the Al Zamil Holding Group delivering software and technologies to Saudi hospitals and medical cities. The MoH and General Electric also signed a partnership in 2017 pertaining to the deployment of cloud-based EMR solutions at government health clinics.

Outlook

Over the long term, MoH aims to transition to a more regulatory than operational role in the health sector. However, state-led corporatized health entities remain a critical part of the sector's future. As MoH's development plan enters its second phase, the reorganization of existing service providers into ACOs is expected to continue with a wider role for private sector firms to subcontract services. Phase three envisages the simultaneous push of licensed private health insurance providers to implement the principles of value-based healthcare while a greater number of PPPs allow MoH to offload expenses and assets to private companies. The slate of announced privatization projects through 2025 includes primary care, radiology, dialysis, laboratory services, commissioning hospital services and medical cities, rehabilitation, and long-term care.

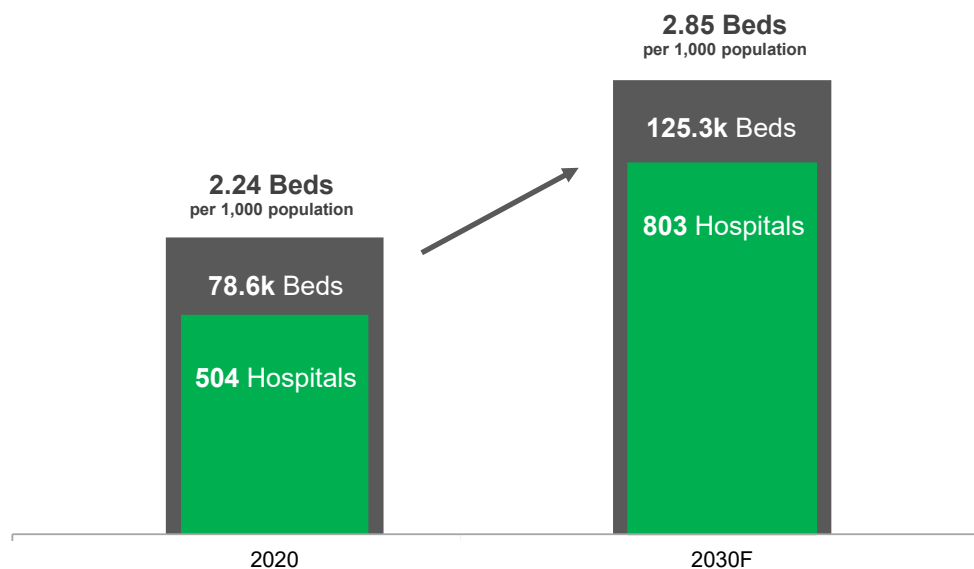
While the government has taken some action to promote healthier lifestyles such as the recent 50 percent excise tax on sugary beverages, the current rate of chronic disease in Saudi Arabia remains high among emerging economies. Additionally, the percentage of the population age 65 years and older grew at a 5.7 percent CAGR between 2010 and 2020, compared to just 0.1 percent CAGR between 2000 and 2010. While Saudi Arabia has a large youth population, the top three fastest growing age segments are now between 55 and 80 years old. Consequently, the demand for long-term care is set to increase as families seek healthcare solutions for their elders. As the Saudi population ages, these lifestyle diseases will increase in their prevalence and often require specialized care that is currently underdeveloped but presents a market opportunity in the long-term care market.

As the healthcare sector develops, the need to increase the supply of hospital beds necessitates an accelerated approach to meet growing demand. The current availability of hospital beds in Saudi Arabia falls below a number of global standards. Using G20 emerging economies' hospital beds per 1,000 population of 2.85 as a benchmark, Saudi Arabia's current ratio of 2.24 falls well below its peers. Based on the current population of 35 million, Saudi Arabia's hospital bed count of 78,600 falls 21,200 beds short of the total 99,800 beds it needs to match its G20 emerging economies' beds to 1,000 population ratio. If the current ratio of 2.24 beds to 1,000 population remains constant, the Kingdom will have a short fall of 27,000 beds compared to the 2.85 benchmark for a total of 98,200 beds by 2030, assuming total population will reach approximately 44 million by then.



However, the implementation of the aforementioned development programs in the healthcare sector will diminish the supply and demand gap and potentially bring the Kingdom's beds to 1,000 population ratio at 2.85 by 2030. To accomplish this, an additional 30 hospitals containing 4,667 beds will need to be constructed annually by 2030 to reach a total of 300 new hospitals containing 46,671 beds. This will bring the total supply of hospitals to 803 with 125,300 beds by 2030. Assuming the average number of beds per hospitals for each of the three categories for MoH, OGS, and private remain relatively constant, the proportion of hospitals is expected to shift from 57 percent for MoH, 10 percent for OGS, and 33 percent for the private sector in 2020 to 50 percent, 10 percent, and 40 percent, respectively, by 2030.

Forecasted Hospitals & Beds



Source: Ministry of Health, USSBC estimates

Although the PPP healthcare market is expected to ramp up in the years ahead, we expect MoH spending to remain at or above current levels given its predominance in the healthcare market and current pace of privatization thus far. Both inpatient and outpatient visits at government-run medical cities (non-MoH) and private sector hospitals are expected to increase in line with recent trends. The percentage of in-patient visits to private hospitals rose from 34 percent in 2015 to 45 percent in 2019.

As the government privatizes many of its hospitals and PHCs, we expect the majority of inpatient visits will be handled by private clinics by 2025. Since 2016, the private share of healthcare GDP has grown at double the CAGR of government healthcare GDP. Given the strategic importance of privatization to Saudi Arabia's long-term diversification plans, we anticipate private healthcare GDP to continue outpacing the public share over the near-term.



Conclusion

The Saudi healthcare market is undergoing significant structural and demographic changes. These developments present new opportunities for local and international firms. Saudi Arabia's healthcare sector is still new to PPPs which historically have been limited to the water, municipal services, agriculture, and transportation sectors. Outside of PPPs, the government envisages the private sector playing a greater role in operating PHCs, specialty clinics, and providing the latest in digital technologies to keep the healthcare sector globally competitive. Building on a long history of international medical partnerships between U.S. and Saudi companies, we anticipate a significant role for industry leaders in healthcare and adjacent fields to participate in the growth of the GCC's largest healthcare market, with particular emphasis on long-term care and at-home ageing services.

Saudi Arabia's growing population and the prevalence of hypertension, obesity, diabetes, and other chronic diseases necessitates the acceleration of its national bed capacity and specialized care services for citizens. These trends will also continue to raise the cost burden of the government. However, the successful implementation of divestiture plans across major services will attract a growing share of private investment placements necessary to meet this demand.

Forecasted Hospitals		
Type	2020	2030F
Ministry of Health	287	402
Other Government Sector	50	80
Private Sector	167	321
Total	504	803

Source: Ministry of Health, USSBC estimates



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