

The future of MENAT's Healthcare



Contents

Introduction	3
Contributors	4
State of the sector	6
Regulation	10
Technology	11
The future	12
Banking	14
Get in touch	15

A sector facing up to far-reaching change

This is a pivotal moment for the dynamic and competitive market that is the Middle East North Africa and Turkey (MENAT) region's healthcare sector.



MICHAL PERLICEUSZ
SECTOR HEAD, HEALTHCARE,
CMB MENAT – HSBC BANK MIDDLE EAST

Digital disruption, shifting demographics, the far-reaching impact of the COVID-19 pandemic, and pressure from insurers and regulators are transforming global healthcare. Each of these factors is critical in MENAT too – but the evolution of the sector here has created a unique healthcare ecosystem.

HSBC set out to take the temperature of the industry in the region. To do so, prior to the coronavirus outbreak, we spoke to key figures working in the field within government, major providers, clinical practice and consultancy.

Their candid views add up to a fascinating snapshot of a region and a sector in flux. It will provide useful insight for anyone with an interest in the future of the region's healthcare, as it – like many regions globally – come to terms with a new normal following the arrival of COVID-19.

☎ Call us to discuss how your business can benefit from HSBC's deep expertise and extensive network in MENAT.

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Contributors

HSBC interviewed industry experts across the healthcare sector to gather their insights and perspective on the most significant trends affecting the industry today.



Andrea Tithecott
Partner, Head of Regulatory and Healthcare Practices – Al Tamimi & Company

Andrea Tithecott is a Partner in the Regulatory practice in Abu Dhabi and head of Al Tamimi & Company's Healthcare Group. Andrea joined the firm in 2013 to establish the Regulatory Practice which was quickly ranked by Chambers & Partners for significant expertise in regulatory and local compliance issues. Her practice area has focused upon regulatory compliance, investigations and disputes, risk management, crisis management, trade and customs, public policy and advocacy, corporate governance, due diligence, and licensing/permit issues. For governments she has contributed to the development of new law and policy. She has been instrumental in developing the firm's Healthcare Practice Group.



M V Suresh
CEO – National Pharmaceutical Industries (NPI)

M V Suresh is the CEO of National Pharmaceutical Industries (NPI), Oman. He has been associated with NPI since its inception, initially as its CFO and thereafter as the CEO. In the initial phases Suresh contributed significantly to stabilising the operations of the company, over the past two decades, he has been instrumental in transforming NPI into the vibrant organisation it is today. As the CEO of the company, he is involved in developing and implementing a long-term strategy for the organisation including upgrading the Quality Management Systems (the facility is EU GMP approved), growing production capabilities, strengthening R&D and expanding into new markets. The Company is now poised to take advantage of emerging opportunities in the region as well as further afield.



Dr. Ibtesam Al Bastaki
Director of Investment and Public Private Partnership Department – Dubai Health Authority (DHA)

Dr. Ibtesam Al Bastaki is currently a Director of Investment and Partnership at the Dubai Health Authority (DHA), and is responsible for the development of various health-related public and private projects in the Emirate of Dubai. In addition to her main role, she also advises on best practice to ensure holistic expansion in healthcare industries across the UAE. Previously, she headed up the health strategy and performance team at the Prime Minister's Office for the UAE's Vision 2021. Her role at the organisation also led to the introduction of the national key performance indicators and the revamping of the federal health strategy.



Mansoor Ahmed
Director (MENA Region) Valuation & Advisory – Development Solutions, Healthcare, Education, Infrastructure & Public Private Partnership (PPP)

Mansoor has been the Director for Development Solutions, Healthcare, Education and Public Private Partnership (PPP) in the MENA region since 2010, working across the UAE, Saudi Arabia and Egypt offices. He has over 20 years of experience in consulting and applied economic research at Colliers International, Ernst & Young, Andersen Consulting, Manazel Real Estate PJSC in Business / Strategic / Operational Planning and Transformation, Operators Search & Selection, Market and Financial Feasibility Studies, Valuations, Due Diligence and Private Equity. Mansoor works with Colliers' international offices and centres of excellence worldwide to bring together global innovations with in-depth local knowledge to their clients.



Shehzad Jamal
Partner, Healthcare & Education – Knight Frank

Shehzad is a Partner at Knight Frank and leads the healthcare and education practice across the Middle East and African region. He has over 15 years of experience in consulting with assignments in Europe, Asia, Africa and the Middle East. From the platform of Knight Frank, he and his team advises healthcare clients on market entry, operator & investor search, business models, strategy and transaction services. In addition, he also liaises with investors seeking to invest in the care home market in the United Kingdom and North America.



Magda Habib
CEO – Dawi Clinics

With a passion for building brands, Magda has been fortunate to be involved in the launch of many promising businesses that have contributed to the development of the Egyptian market and harness the enormous potential available. During the first 15 years of her career, Magda was a key member of the executive team that created and built Raya Holdings Group, a leading technology brand in the Middle East. In 2008 she co-founded Fawry for Electronic Payments, and helped lead the company to become the largest electronics payment platform in Egypt, with more than 50 thousand payment points nationwide. Driven by the obvious need for standardised, holistic primary healthcare services in Egypt, Magda established Dawi Clinics in November 2016 – a group of medical clinics that aim to provide families with comprehensive medical services and unique check-up programmes through the implementation of internationally recognised standards.

Collaborating for change

As MENAT governments step back from healthcare provision, businesses are taking on new responsibilities.

The tilt from public towards private healthcare provision has become more marked across the region over the past decade, reflects **M.V. Suresh, CEO of National Pharmaceutical Industries.**

"Historically there were only government hospitals," he reflects. "At first, private hospitals catered largely for the expatriates."

"Now, with the advent of medical insurance, citizens have the choice to go to a private hospital. Growth will move towards the private sector."

Insurance drives demand
Magda Habib, CEO of Egypt-based Dawi Clinics, certainly sees the roll-out of universal health insurance there as a trigger for market transformation.

"The Government is very clear that it cannot fulfil the entire demand on its own, and that it needs to partner with the private sector in various forms," she notes.

In those states which have already implemented mandatory health insurance, the impact on service patterns is becoming clear.

"Since it was introduced in Abu Dhabi in 2014, the average number of times a patient visits a doctor increased from once or twice to four times a year," says **Shehzad Jamal, Partner, Healthcare & Education at Knight Frank.**

"Once insurance has kicked in throughout the region, you will find the government taking the role of healthcare administrators rather than operators, giving a massive boost to private sector operators as they take a greater role."

MENA's healthcare market will grow from
US\$ 185.5 billion
in 2019¹

to
US\$ 243.6 billion
in 2023¹

With the advent of **medical insurance** citizens have the choice to go to a private hospital. Growth will move towards the **private sector**

¹ <https://www.arabhealthonline.com/en/visit/Hospital-projects-in-the-MENA-region.html>



90%
of healthcare workers
in Dubai
and
96%
in Abu Dhabi
are
expats²

Squeezed margins, growing revenue

One effect of the insurance change is the erosion of margins, thanks to insurers' negotiating power. However, the overall revenue pool is vastly expanded, with a recent analysis suggesting MENA's healthcare market will grow from US\$ 185.5 billion in 2019 to US\$ 243.6 billion in 2023¹.

Governments have acted to prevent oversupply and there is collaboration between public and private healthcare providers so they're not always vying for the same business.

A highly rationalised licensing process also means there are not too many organisations competing for the same target market.

Existing players have the edge

The widespread adoption of new regulations is raising standards. Combined with the need for efficiency and specialisation, this is leading to consolidation. Smaller providers are being acquired or replaced by bigger, professionalised groups, better placed to achieve economies of scale.

In this environment, new players are finding it hard to gain a foothold, observes Mansoor Ahmed, Director Valuation & Advisory – Development Solutions, Healthcare, Education, Infrastructure & PPP at Colliers International

"Investors are happy to finance the first two to three years of operating

Workforce shortages

are going to be
a critical concern

losses for hospital chains already in operation, on the basis of their track record of profitability. However, it is still very challenging for new players in the market: they face a lot of problems generating funds," he says.

There are financial challenges for established players too, notably related to the current slowdown in the wider economy. A delay in payments has trickled down from insurers and governments to affect hospitals, retailers, distributors and manufacturers.

Talent is key to success

Another hurdle states must overcome is getting skilled professionals in place to meet rising demand. There has been little progress in tackling the overreliance on expatriate workers: 90% of healthcare workers in Dubai and 96%

in Abu Dhabi are expats, according to recent research².

"Workforce shortages are going to be a critical concern," warns Andrea Tithecott, Partner, Head of Regulatory and Healthcare Practices at Al Tamimi & Company.

"The UAE needs to focus on some of the key workforce issues of finding and recruiting from a diminishing talent pool. Quality is going to be king, and businesses will only deliver all the key elements through the quality of the workforce."

Ambitions for innovation

Despite these challenges, participants are upbeat about the prospects for improving healthcare through partnership.

Dr Ibtesam Al Bastaki, Director of Investment and Public Private Partnership Department at Dubai Health Authority, says: "We anticipate greater collaboration between public and private sectors across the UAE to offer value-based health services, improve delivery of specialised care, bring new and innovative models supported by technology changes, and also help address the talent needs."

"Ours is comparatively a young health system, but if you look back 10 or 15 years, the region has come a long way."

² <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6346501/>



Regulation

Pain precedes the cure

Like other sectors – and in the face of COVID-19 severely testing resources – healthcare is grappling with the impact of MENAT governments' determination to demonstrate international standards.

The drive for standardisation and quality across the region is a welcome one, with clear benefits for public health and patient outcomes.

The process inevitably presents challenges for healthcare players, however. Besides primary law, they must navigate a sea of regulatory codes of practice, guidance, and procedural documents to support the growing range of formally-licensed activities.

The region's fragmented regulatory market makes innovation especially hard for international healthcare firms. While guidelines are often common across states, providers are investing much time in dealing with the regulatory authorities in each country, and registering their products or facilities in each.

As providers seek to balance regulatory compliance, alongside patient acceptance, for new methods, it will be important for all stakeholders to work together from providers to regulators to insurance networks.

"Regulatory requirements are becoming more and more stringent. That is painful now, but will be good in the long run. For example, the Dubai Health Authority has introduced a new nursing accreditation. This puts pressure on hospitals and staff, but it means that within a year or two, as people are accredited, the quality of care will improve." – Shehzad Jamal, Knight Frank

"One of our biggest issues is commercialising a product. By the time we have registered a product, the real commercialisation takes place in year four. Developing 10 products each year would cost US\$8 million dollars over four years. And unfortunately there is no funding available for R&D here, so you have to fund it internally." – MV Suresh, NPI

"Forward-looking regulators like the Dubai Health Authority are actively amending key elements of healthcare regulation frameworks in order to make healthcare projects much easier to deliver and thereby more attractive." – Andrea Tithecott, Al Tamimi & Company

Regulatory requirements are becoming more and **more stringent**



Technology

Transformation under way

The region's thirst for new technologies gives it an edge in healthcare, but it is essential that new ideas are validated before being integrated.

Across MENAT, a host of health tech start-ups are offering digital solutions that promise new efficiencies for those with the means to invest.

Telemedicine, in particular, is poised to make a breakthrough for follow-up consultations. For example, the Dubai Health Authority's smart home care project ensures home-bound patients can be monitored without the need to visit a hospital after treatment.

Artificial intelligence, specifically voice technology, has advanced to the point where it can help physicians become more efficient through the automatic recording of patient consultations. The UAE is a leader here, with its Artificial Intelligence Strategy 2031¹ setting targets for technological transformation in healthcare and other sectors. Dubai's adoption of AI is already streamlining the process of radiology tests for residency purposes.

"A lot of young people are coming up with brilliant ideas. However, the belief that medicine can be reduced to an Uber model is an oversimplification. I believe that integrating valid technology into the business makes sense – we are launching our own mobile app, giving more control and data to patients – but you have to pick and choose between what has been validated and what is hype." – Magda Habib, Dawi Clinics

"There are a number of incubator programmes in Dubai to support health technology innovation. We are licensing telehealth companies: over the past 12 to 18 months, several new companies have established a base here and have begun to roll out patient services." – Dr Ibtesam Al Bastaki, DHA

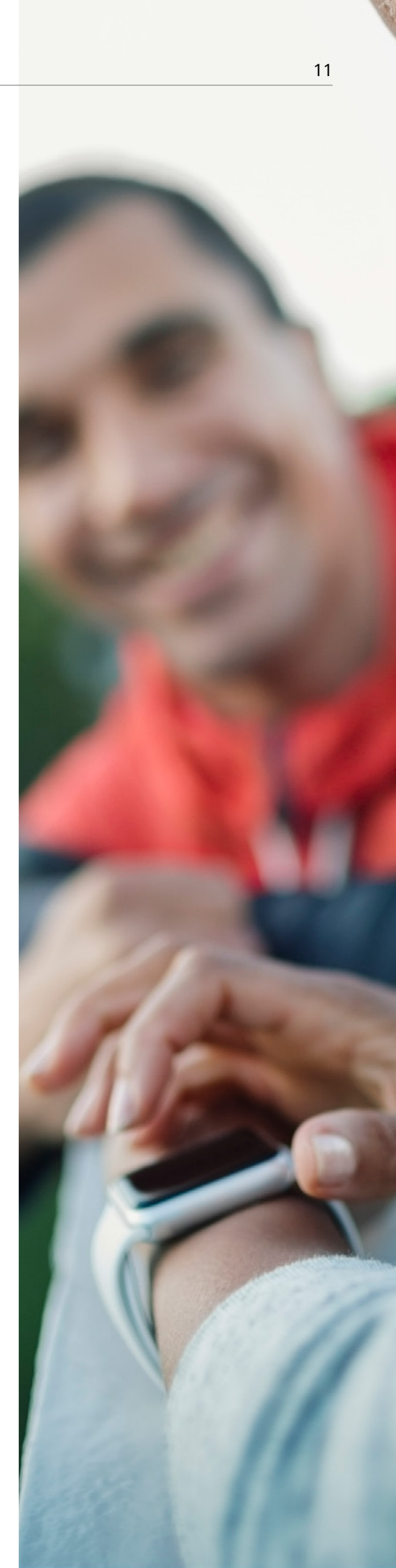
"The Dubai Health Authority has started to use AI to forecast patient conditions. Combining test results and patient history, these machines can predict potential problems and care required. Some healthcare operators have also started to design their own smart watches (development is in progress) under their membership schemes, so they can monitor their patients. This will help reduce the overall cost of care. Telemedicine, which was once used in the region to get second opinions, is now being used in primary care as well. This could have a big impact on how hospitals are designed in future." – Shehzad Jamal, Knight Frank

Artificial Intelligence Strategy¹

2031

is setting targets for technological transformation in healthcare and other sectors

¹ <https://government.ae/en/about-the-uae/strategies-initiatives-and-awards/federal-governments-strategies-and-plans/uae-strategy-for-artificial-intelligence>



The future

Growth opportunities

Lifestyle diseases, medical tourism, and the need for specialised care are some of the key challenges in MENAT. Which sub-sectors offer the greatest promise in region?

MENAT states have unmet demand for specialised care in fields such as paediatrics and obstetrics. Other specialties are also running to catch up: Dubai alone will need an extra 241 orthopaedics and rheumatology beds by 2030, and a similar number in respiratory medicine, according to analysts.

Rapid economic growth, sedentary lifestyles and unhealthy diets have contributed to soaring rates of obesity, hypertension, ischemic heart disease and other conditions. Saudi Arabia, the UAE, Bahrain, Kuwait and Qatar all feature in the top 20 countries for diabetes prevalence worldwide. Governments are starting to focus on prevention measures, but providers will be treating the consequences of 'lifestyle diseases' for many years to come.

The market for medical tourism will continue to grow, with particular impacts in fields such as dentistry, orthopaedics, cosmetic surgery and fertility treatments. Dubai is on track to achieve its goal of attracting 500,000 health tourists a year by 2021¹.

MENAT's use of generic drugs currently lags far behind that in western countries. Branded imported drugs dominate the

pharmaceutical market, with around 80% of the market share. This is a gap that the region's pharma manufacturers will be keen to exploit.

Finally, we are likely to see significant growth in areas such as mental health as a result of changes to behaviour, lifestyle and stress. Meeting these evolving demands could mean developing healthcare experiences that focus on overall wellness of mind and body rather than a purely treatment-based approach.

"Over the next two to three years, we need more centres of excellence in tertiary care; rehabilitation, physical therapy and long-term care; chronic disease management; mental health; and ambulatory care. Looking longer term, focus areas for investment include prevention, precision medicine and genetics, and population health management." – Dr. Ibtesam Al Bastaki, DHA

"Primary and secondary healthcare in Egypt are very much centralised in Cairo and in the large urban centres,

so the geographical distribution across Egypt is not optimal. They have good medical schools and no shortage of physicians, but the skills and technology require innovation, so there is a lot of opportunity." – Magda Habib, Dawi Clinics

Dubai is on track to achieve its goal of attracting **500,000** health tourists a year by 2021¹

"Pharma production in the GCC presently amounts to only about 25% of the total requirement, and there is very little research done here. As drugs come out of patency, there is huge potential for the manufacturing sector in the Middle East." – M V Suresh, NPI

"The primary healthcare system is not fully developed or embedded. Patients in the GCC go to specialists for even the basic level of care, which puts a lot of strain on the healthcare infrastructure. Abu Dhabi has started to manage this very recently, but the wider region has yet to adopt a primary care system." – Shehzad Jamal, Knight Frank

"Instead of just providing acute care, governments are now looking at preventive care – for example, in Saudi, new housing schemes need to have access to jogging tracks or swimming pools. If you're able to control lifestyle diseases, you can control future expenditure." – Mansoor Ahmed, Colliers International



Areas which are **under the radar** will also grow significantly, such as **mental health care**

¹ <https://www.strategyand.pwc.com/m1/en/ideation-center/media/private-sector-participation-in-the-gcc.pdf>



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growth
 by pairing with a bank that
 offers strong local
knowledge
 as well as comprehensive services.”

Banking

A partner for success

Ensuring a healthy relationship
 between bank and client

HSBC supports the region's healthcare businesses to address their everyday challenges, through services ranging from working capital facilities to cash management. At the same time, we help providers look to the longer term and seize the sector's growth opportunities. For example, we advise on mergers, acquisitions and IPOs, and we have recently provided finance for several new hospitals and manufacturing facilities.

Attracting new investment is critical for this capital-intensive sector. And investors benefit from the involvement of a funding institution with a profound knowledge of healthcare.

That is the role we will continue to play at HSBC – acting as a supportive partner to businesses in one of MENAT's most fascinating industries.

Bolster your growth by pairing with a bank that offers strong local knowledge as well as comprehensive services. Contact one of our regional team today to find out how we can help your business thrive and grow in MENAT.

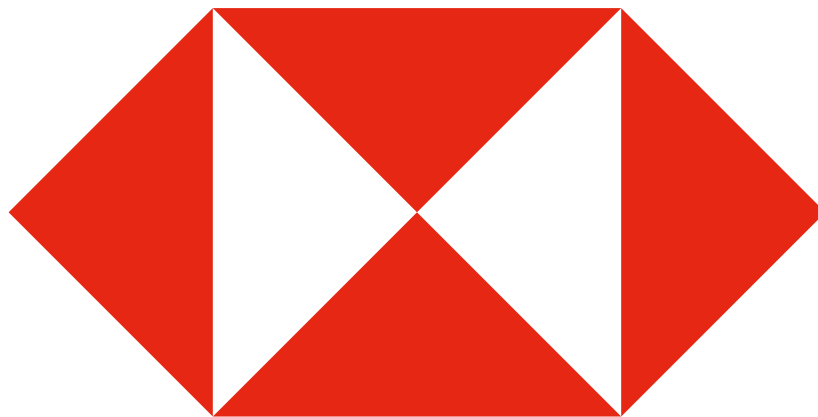
Get in touch

Contact us today to find out how we can help
 your business thrive and grow in MENAT.

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