



## HEALTHCARE & LIFE SCIENCES

# ACCELERATING PRIVATE SECTOR PARTICIPATION IN SAUDI ARABIA'S FAST-CHANGING HEALTHCARE SYSTEM

## Introduction

From expanding primary care to providing more beds and establishing medical cities throughout the country, the private sector is set to play an important role in Saudi Arabia's ambitious plans to transform healthcare provision.

One of the Kingdom's key healthcare priorities as set out in its Vision Realization Programs (VRP) is to activate private sector participation (PSP) through the privatization and the advance of the public-private partnership (PPP) model. It aims to shift the role of the Ministry of Health from provider of healthcare to regulator, whilst increasing private sector contribution in total healthcare spending from 25% currently to 35% by the end of this decade.

The growing appetite for private sector investment and expertise also reflects the government's goal to increase healthcare capacity and introduce a new model of care in response to pressing demographical and economic challenges.

Elderly population in Saudi Arabia is expected to double by 2030, a trend that is likely to increase the incidence of non-communicable diseases. An expansion in mandatory insurance coverage will also intensify pressure on service delivery in the coming years.

In light of this, the government recognizes the potential to pursue expenditure efficiency and rebalance spending in strategic public-to-private initiatives that will enhance the quality of services provided to the population.

Private sector's capability in driving operational efficiency and expertise in innovative, value-based care models are seen as one of the pathways to achieve that.

## Unlocking the public-to-private market opportunity

In recent years, the Saudi government has strived to put in place the institutional and regulatory framework to enable investment in healthcare and accelerate privatization.

### Saudi Healthcare Transformation



Saudi Arabia is rapidly transforming its healthcare system as part of Vision 2030, the country's long-term economic and social program aimed at reducing the Kingdom's dependence on oil revenues.

It strives to promote public health and prevent diseases by implementing modern healthcare practices, all while ensuring transparency and financial sustainability.

The Kingdom has introduced legislation such as a reform in 2017 that allowed 100% foreign ownership of healthcare institutions. In 2021, a long-awaited PSP law setting out changes to the regulatory environment in which PPP and privatization are undertaken also entered into force.

By positioning the healthcare industry as an attractive sector for PSP, these measures support another objective of the government's Vision 2030 plan, which is to increase the inflow of foreign direct investment (FDI) to 6% of the country's GDP by 2030 whilst diversifying its economy.



However, despite these welcoming efforts, there are still opportunities to unlock the potential for private sector participation in Saudi Arabia's healthcare system. These include focusing in areas such as:



### Market visibility

Visibility into the current and future healthcare assets in the system – as well as the scale of the commercial opportunity offered by each of them – remains scarce.



### Transparency

Transparency in commercial processes needs to be fostered to enable a consistent and reliable investment process that drives investors' interest.



### Accessibility

Existing ecosystem includes multiple structures as well as bodies with often duplicating roles, making it complex and difficult for investors to navigate it.



### Accountability

P2P needs to be managed frictionless and with transparency to avoid causing concerns in the population, requiring flexibility from the private sector.



### Digital opportunity

Identifying digital transformation priorities is key to attract the private sector players that will take healthcare provision to the next level.



### Simplicity

Existing processes need to be streamlined and simplified to respond to the sector's changing needs.



### Deal acceleration

Anticipate and adapt to deal dynamics, while creating and capturing value.

## The way forward: creating an investment platform framework

One proposed approach to address those challenges and further activate private sector investment in healthcare in the Kingdom of Saudi Arabia is the introduction of a healthcare investment platform.

The platform, which would be leveraged by the government authority, is designed to function as a hub

for regional and foreign investors looking to invest in the sector, helping evaluate the opportunity and guide them through the deal lifecycle and investment process, from start to finish.

The platform's potential lies in allowing a better understanding of investment assets to enable realistic capital budgeting and accurate valuations of each asset. This can help mitigate the risk of failure in one specific region or operation. As investments materialize, the hub



could provide other services such as ongoing monitoring of investments, performance improvement or technology support services.

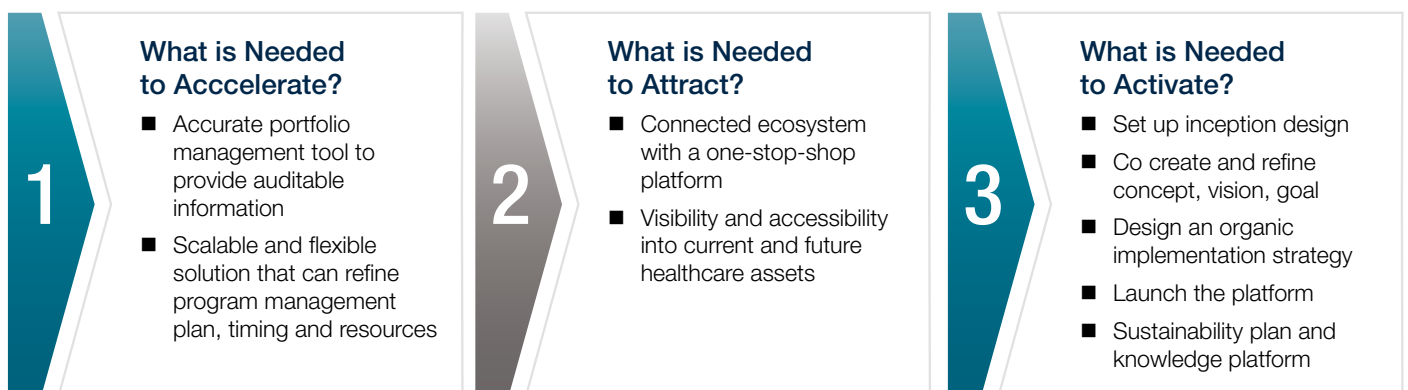
Another feature of the proposed platform is its ability to connect government decision-makers, investors and assets (such as hospitals, departments within hospitals

or PHCs) on the ground, creating more transparency and trust for all the involved parties. The dialogue between external and internal stakeholders within the structure should also help motivate performance and the collection and analysis of data.

### Some of the potential benefits of the platform are summarized below:



### Accelerate, Attract, Activate



Facilitating private involvement through a novel, dedicated platform could significantly improve care provision in the Saudi healthcare ecosystem – all while providing long-term growth prospects for investors and attracting foreign investment to the country.





If you are interested in learning more about how A&M can help unlock the private sector opportunity in Saudi Arabia's healthcare system, please get in touch with **Ali Ayach**, Senior Director with A&M's Strategy and Performance Improvement in Dubai at [aayach@alvarezandmarsal.com](mailto:aayach@alvarezandmarsal.com) and Managing Director with **Karim Benhameurlaine**, Managing Director with A&M's Healthcare Strategy and Performance Improvement in Dubai at [kbenhameurlaine@alvarezandmarsal.com](mailto:kbenhameurlaine@alvarezandmarsal.com)

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### KEY CONTACTS



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