

UAE Health Sector Pulse

May 2021

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Quarter 1, 2021



Contents

01

Foreword



02

Authors



03

UAE Health Sector: At a Glance



04

Market Overview – Patients



05

Market Overview – Providers



06

Market Overview – Payers



07

Market Overview- Digital Health



08

Opportunities



Foreword

Alvarez & Marsal Middle East Limited (A&M) is delighted to publish the Q1'21 edition of the UAE Healthcare Sector Pulse (“The Pulse”). In this quarterly series, we share results from our research examining the UAE Healthcare Sector and highlight key trends. The Pulse aims to provide healthcare executives and board members a thorough overview of current industry trends.

In this edition, there is a focus on patient population trends and a review of the impact of Covid-19 on demand trends. Moreover, we highlight an overview of the current provider market and corresponding supply capacities. The Pulse also reviews funding trends and the payer market. Current healthcare trends suggest growth opportunities will focus more on diversification of revenue streams, leveraging operational efficiencies, strategic partnerships, and increased adoption of digital health.

All the data used in this report has been obtained from publicly available sources and the methodology for the calculations is explained in footnotes, where applicable.

We hope you will find The Pulse useful and informative.

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UAE Health Sector: At a Glance

Patients



- UAE has one of the world's highest prevalence rates of diabetes and obesity, amongst other lifestyle diseases.
- UAE healthcare spend per capita increased over the last few years, while healthcare spend as % of GDP remains relatively low as compared to other nations.
- Covid-19 has shifted UAE healthcare patient trends and demands toward telehealth services.

Providers



- Number of hospitals in the UAE has been steadily growing year on year, leading to an increasingly competitive healthcare provider market landscape.
- UAE number of beds are also growing, compromising occupancy rates to below 60%.
- Bed occupancy and utilization rates in Dubai are on a downward trend, due to mismatched supply and demand.

Payers



- In parallel, the UAE rise of insurance premiums remain high at 8%, exceeding inflation rate.
- Dubai healthcare expenditure is on the rise, with employers taking the burden.
- Majority of healthcare expenditure is allocated to hospitals, while drug and ancillary spend represented a sizeable portion of healthcare spend.

Trends & Opportunities



- Healthcare patient trends indicate a growing demand for telehealth amidst Covid-19 health concerns and regulatory elective restrictions.
- The need to 'Collaborate and Innovate' poses opportunities in the current environment in revenue diversification, strategic partnerships, increased digital health adoption and operational efficiencies.

Healthcare Market Overview

Patients

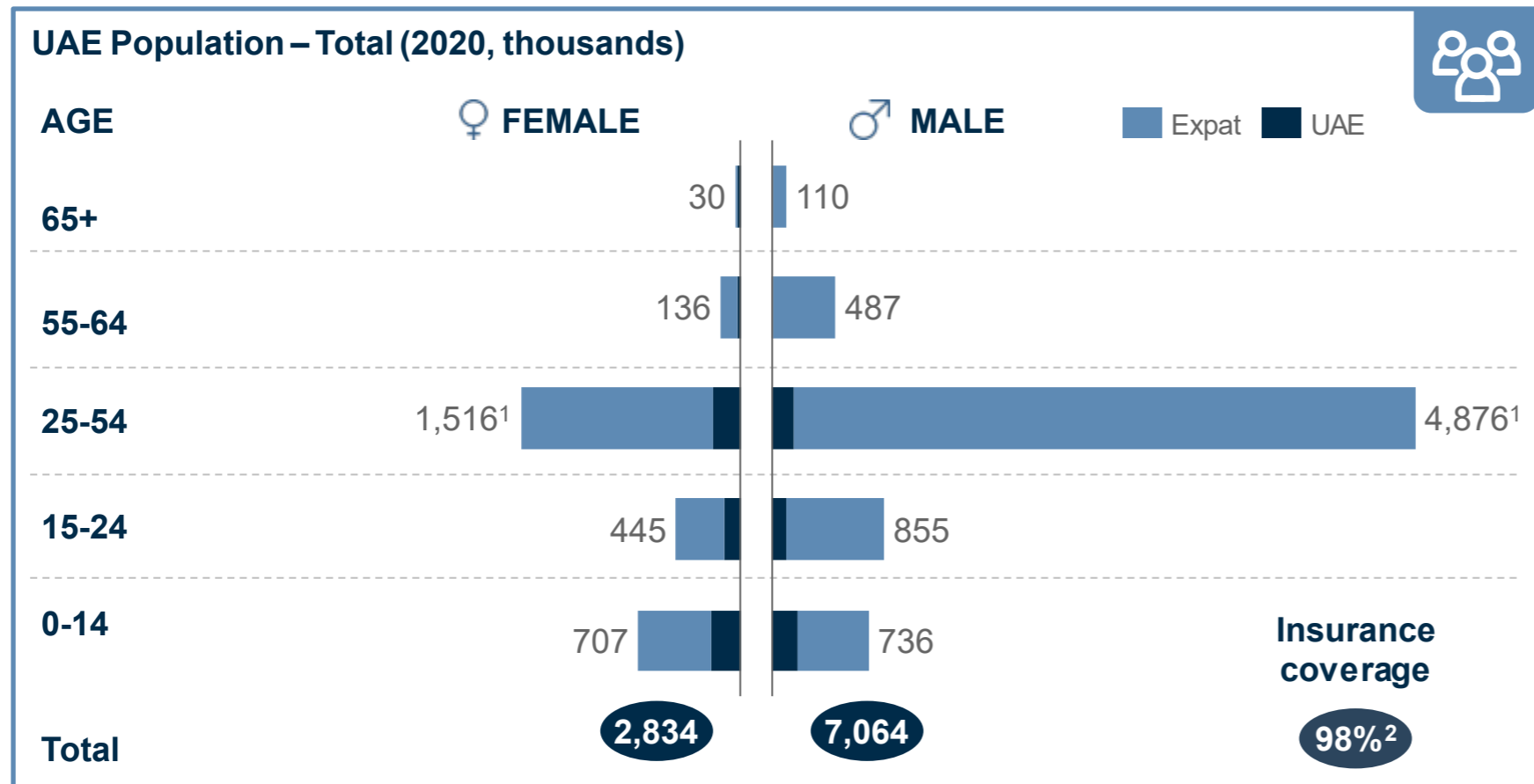


UAE has a total population of 9.9M, nearly half of which are males in the age group 25-54; population is skewed toward younger age groups



KEY TAKEAWAYS

- **Overall:** The country had an estimated population of 9.3 million in 2015, which has grown to ~10 million in 2020, and expected to rise to ~16 million by 2050.
- **65+:** The 65+ age group represents ~1% of the overall population, and is the smallest age group in the UAE by size.
- **25-54:** The 25-54 age group represents ~65% of the population, and is the largest age group in the UAE by size.
- **Gender:** Males represent 71% of the UAE population, and the 25-54 age male group represents ~50% of the population, while females represent 29% of the UAE population.¹
- **Nationality:** Total UAE national count is 1.05M, representing 11% of the UAE population; expats 89%.

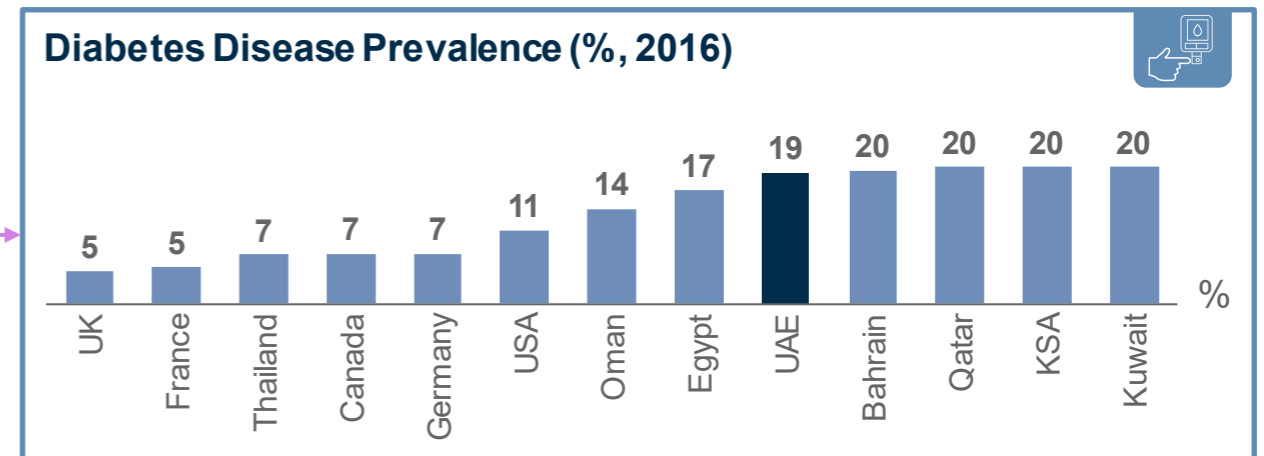
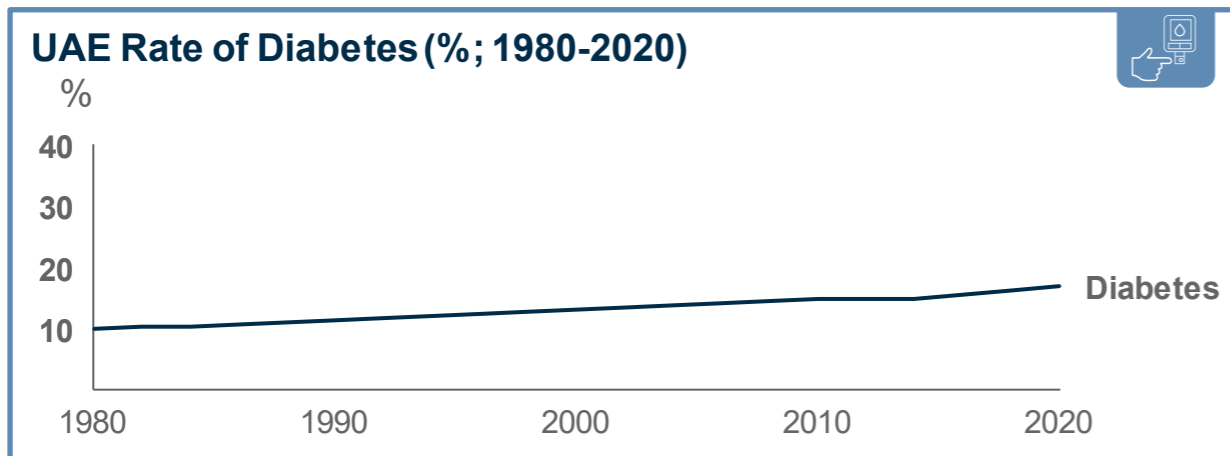
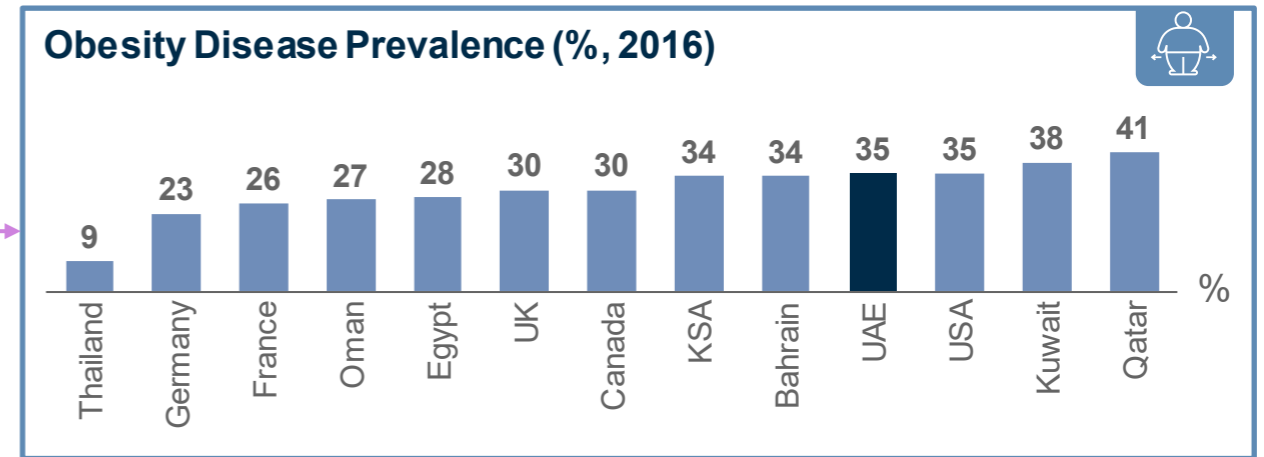
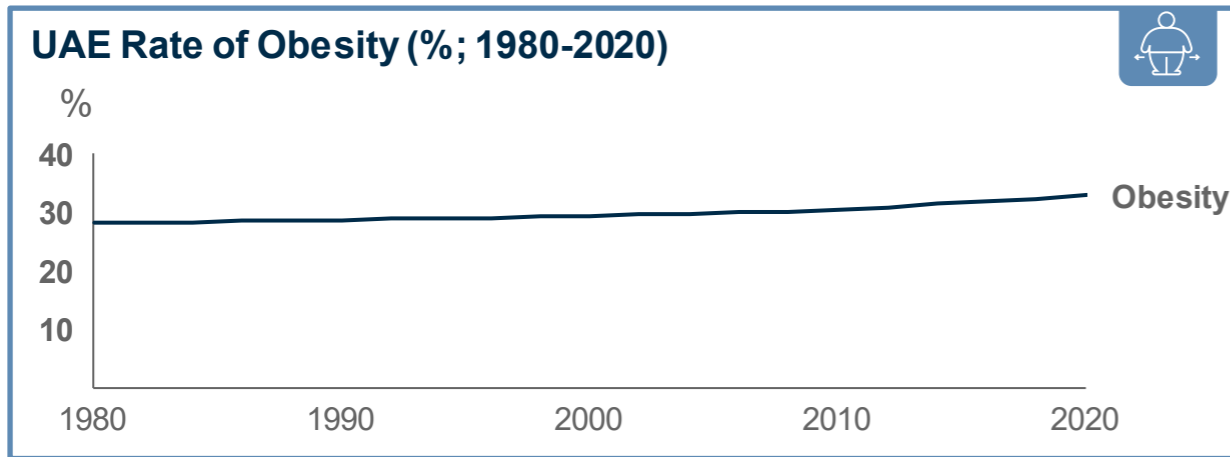


1: Includes 2.3m blue collar workers and 0.3m domestic workers falling under basic insurance plans

2: Insurance coverage percentage pertains to emirates of Abu Dhabi and Dubai

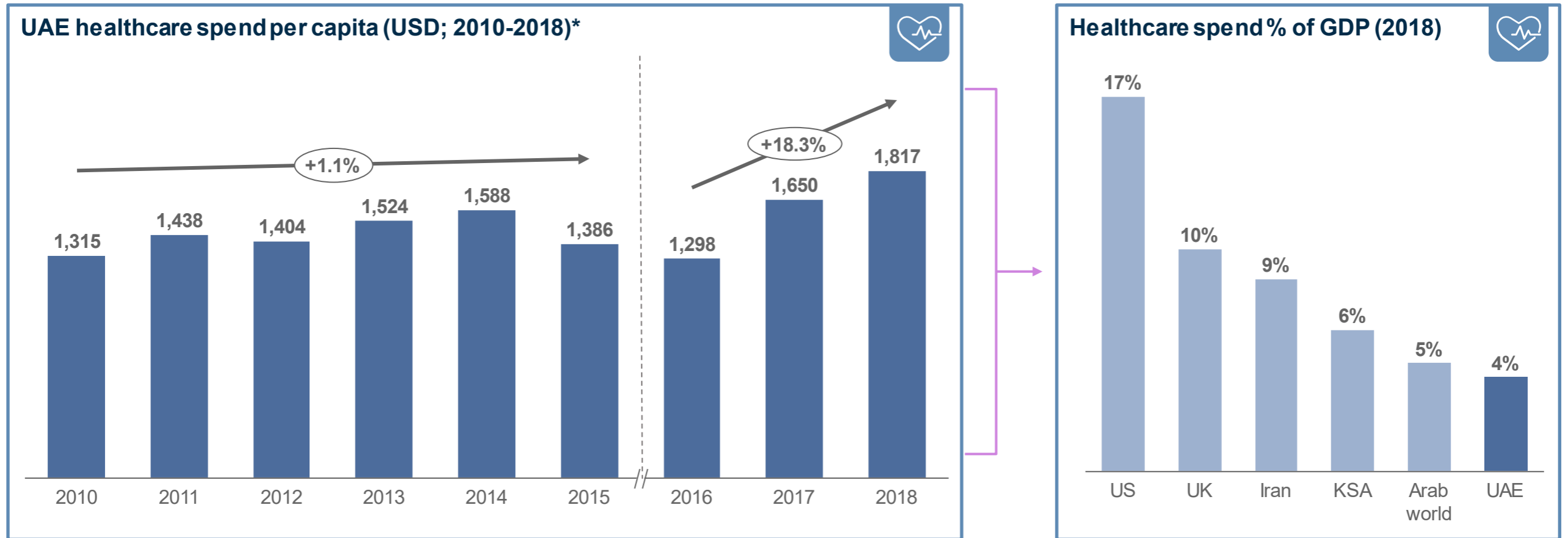
Source: World Bank, GMI, HAAD, DHA, A&M analysis

UAE has one of the world's highest prevalence rates of diabetes and obesity, amongst other lifestyle diseases





Source: World Bank, A&M analysis

UAE healthcare spend per capita increased over the last few years, while healthcare spend as % of GDP remains relatively low as compared to other nations



(*): The amount that the UAE government spends for healthcare services per individual, calculated as total govt. healthcare expenditure / UAE population
 However, healthcare spend by individuals and employers will be covered in Payers section
 Source: World Bank, A&M analysis

Covid-19 has shifted UAE healthcare patient trends and demands, while disrupting existing healthcare models

Key trends 	Details 
01 Covid-induced Demand Changes	<ul style="list-style-type: none"> • Mental health: 4 in 10 surveyed providers in the UAE predict mental health conditions will be among the three most common conditions over next 18 months. • Pediatrics: Downward shift in pediatric demand due to online learning and lockdowns.
02 Deferral of Non-essential/Elective Surgeries	<ul style="list-style-type: none"> • Globally, 28 million elective surgery interventions have been cancelled. Each week of deferral leads to 2.4m elective cancellations - backlog recovery up to 45 weeks. • In the UAE, impact of elective surgery deferral is still under examination.
03 Patient Behavioral Shifts	<ul style="list-style-type: none"> • In the UAE, most diabetic and chronic disease patients have increased adoption of online consultations, in a bid to avoid Covid-19 exposure.
04 Rise of Digital Health and Disruption of Existing Models	<ul style="list-style-type: none"> • UAE telehealth market is expected to grow at a rate of 25% p.a. from 2020-2025. • At present in the UAE, 91% of insurers have claimed their patients have used telehealth services recently, as opposed to 31% pre-Covid.
05 Talent Gap	<ul style="list-style-type: none"> • The UAE currently has a high dependency on a foreign, revolving healthcare workforce; 82% of physicians and 96% of nurses in the UAE are expatriates.
06 Covid-19 Vaccination	<ul style="list-style-type: none"> • More than 10.5 million COVID-19 vaccine doses have been administered in the UAE, which is the second-highest per-capita inoculation rate in the world after Israel.

Source: DHA, Willis Towers Watson, AON, MOHAP, Alvarez & Marsal

Healthcare Market Overview

Providers



Market Overview: Providers



Abu Dhabi

	Population	3.5M
	Regulator	DOH
	Number of hospitals	66

- 50% public sector vs 50% private sector bed capacity
- ~5.5k beds and occupancy at ~55%
- Strong public and private sector presence with few dominant players
- Mandatory insurance introduced in 2006



Dubai

	Population	3.4M
	Regulator	DHA/DHCCA
	Number of hospitals	45

- 38% public sector vs 62% private sector bed capacity
- ~5.4k beds and occupancy at ~50%
- Relative strong and fragmented presence of private sector
- Mandatory insurance introduced in 2014



Northern Emirates

	Population	3.0M
	Regulator	MOHAP
	Number of hospitals	47

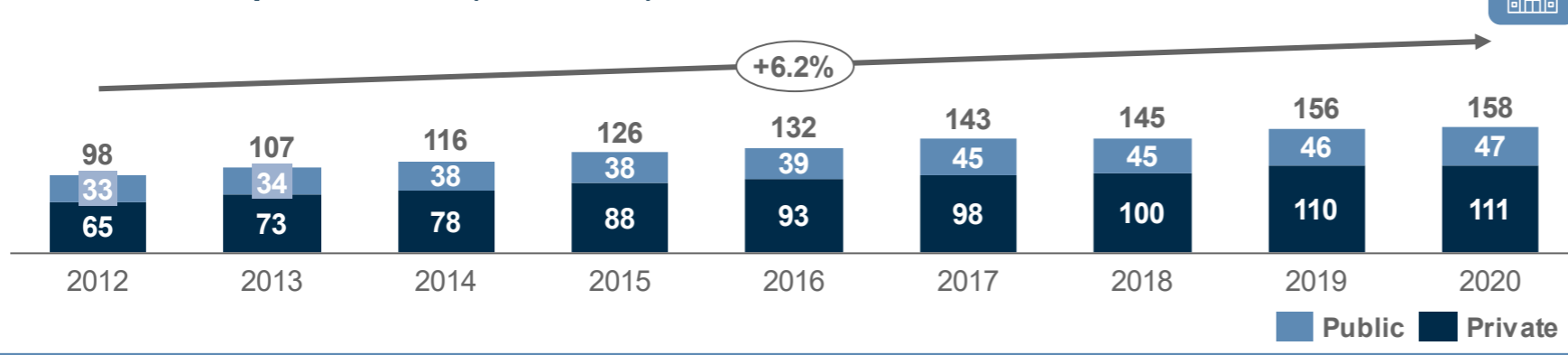
- 74% public sector vs 24% private sector bed capacity
- ~4k beds and occupancy at ~47%
- Strong public sector reliance due to lack of mandatory insurance

Source: DHA, DOH, MOHAP, A&M analysis

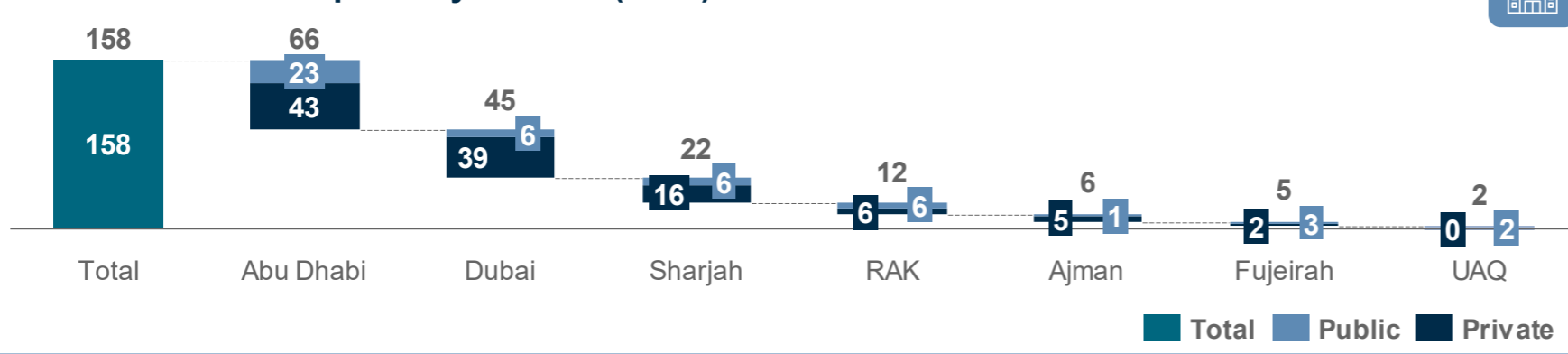


Number of hospitals in the UAE has been steadily growing year on year, leading to an increasingly competitive healthcare provider market landscape

Number of Hospitals in UAE (2012-2020)



Number of UAE Hospitals by Emirate (2020)

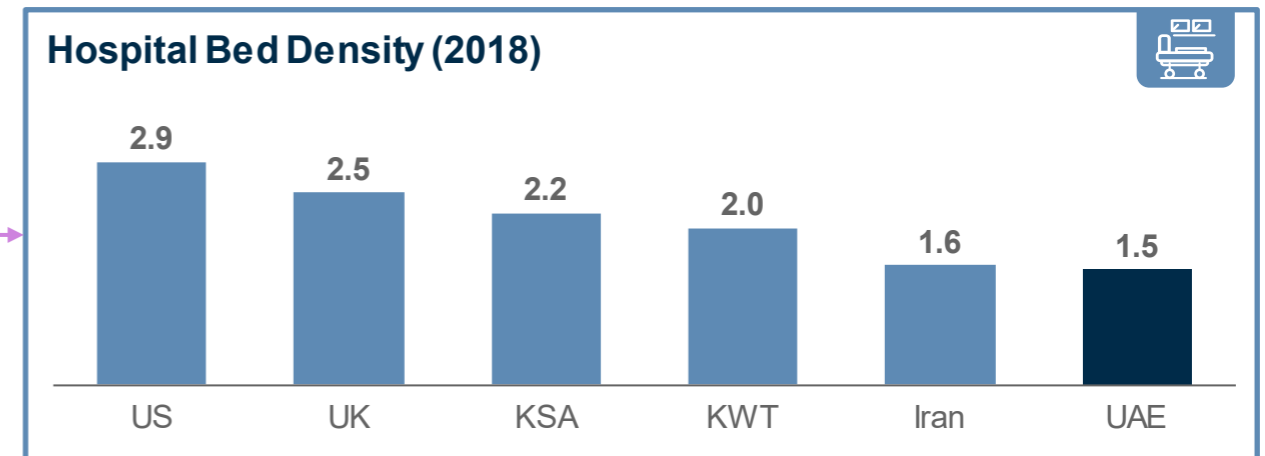
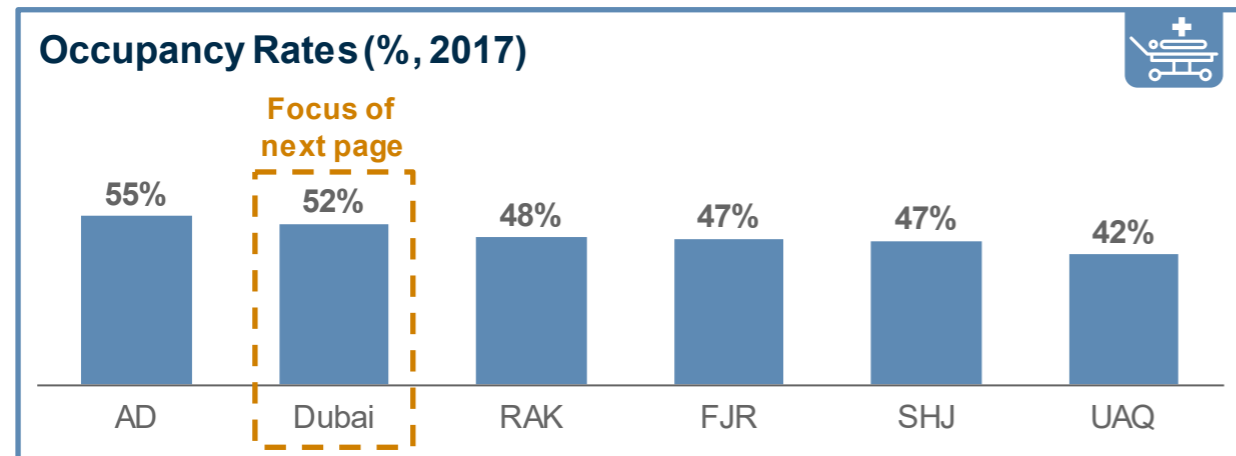
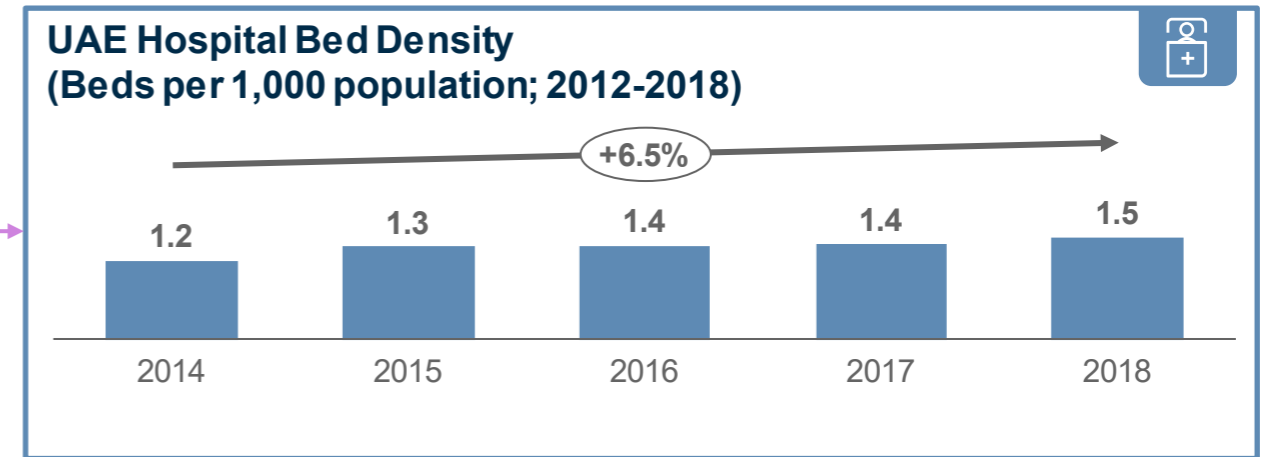
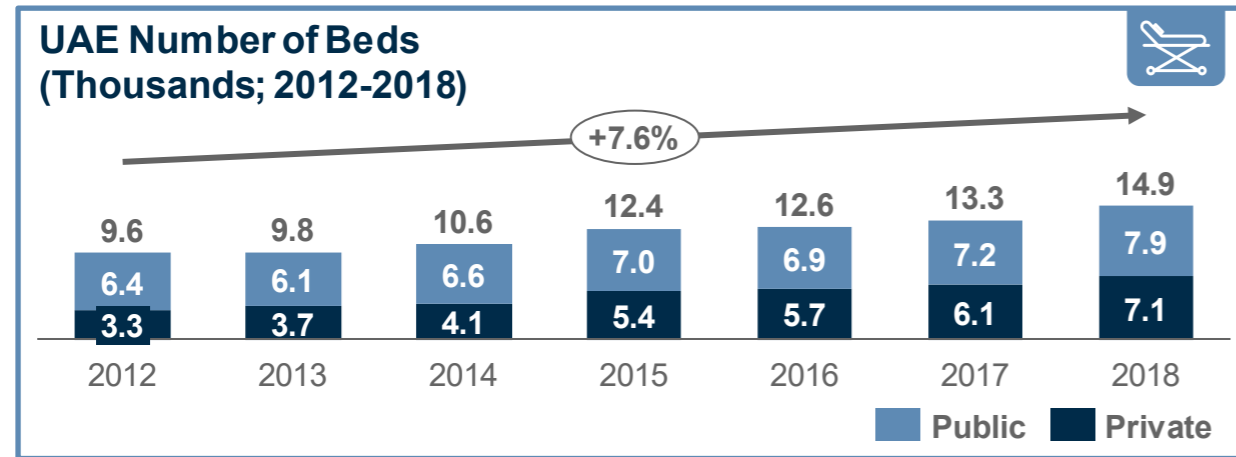


Source: Federal Competitiveness and Statistics Authority, DHA, DOH, MOHAP, A&M analysis

KEY TAKEAWAYS

- Number of hospitals in the UAE has seen a steady increase of 6.2% p.a. over the last decade, increasing competition in the market.
- As of 2020, public vs private number of hospitals are split into ~30% public and ~70% private.
- However, number of bed capacity in public sector is higher than private sector.
- Increase in market supply has resulted in increased competition in the healthcare provider market, shifting focus to operational efficiencies and revenue diversification

Number of beds is also growing, compromising occupancy rates to below 60%

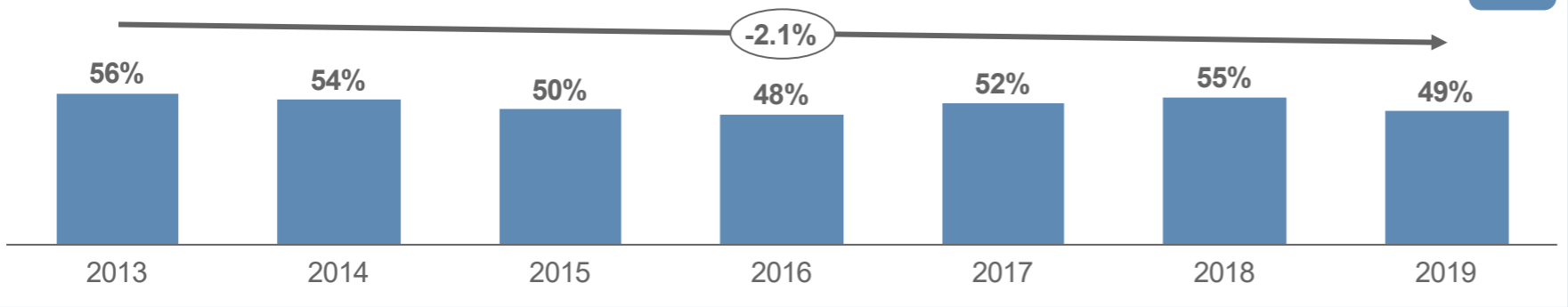


Source: MOHAP, DHA, DOH, OECD, Statista, A&M analysis

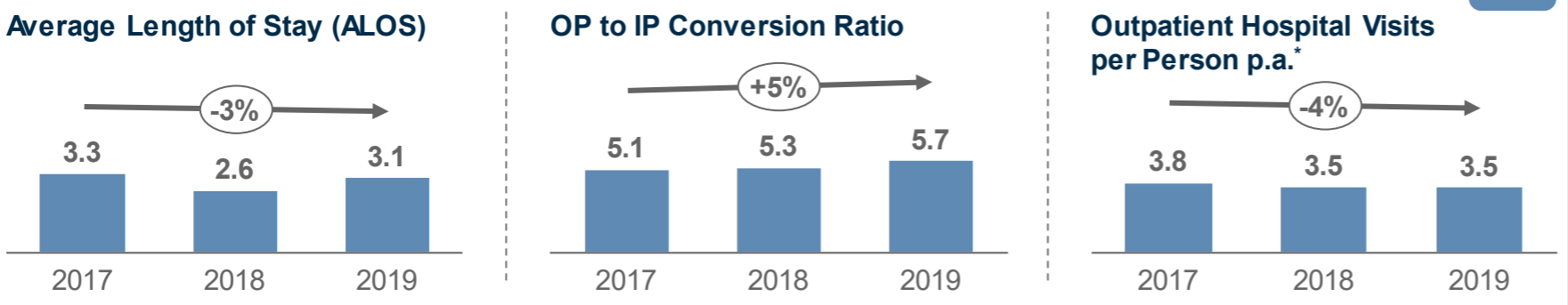


Bed occupancy and utilization rates in Dubai are on a downward trend, as a result of mismatched supply vs demand

Dubai Bed Occupancy Rate (%; 2013-2019)



Other Utilization Ratios in Dubai (2013-2019)



KEY TAKEAWAYS

- The hospital **Bed Occupancy Rate (BOR)** in Dubai was **49.3%** in 2019, down from **55%** in 2018.
- **Average length of stay** is reducing slightly, suggesting outmigration of care trends.
- **OP to IP conversion ratio increased 5% p.a. since 2017**, indicating increased efficiencies.
- **Outpatient hospital visits per person p.a.** have slightly decreased **4% p.a.** over the period **2017-2019**; this does not factor outpatient clinic visits.
- Downward trend of occupancy rates, ALOS, and other utilization rates suggest **mismatched supply vs demand**.

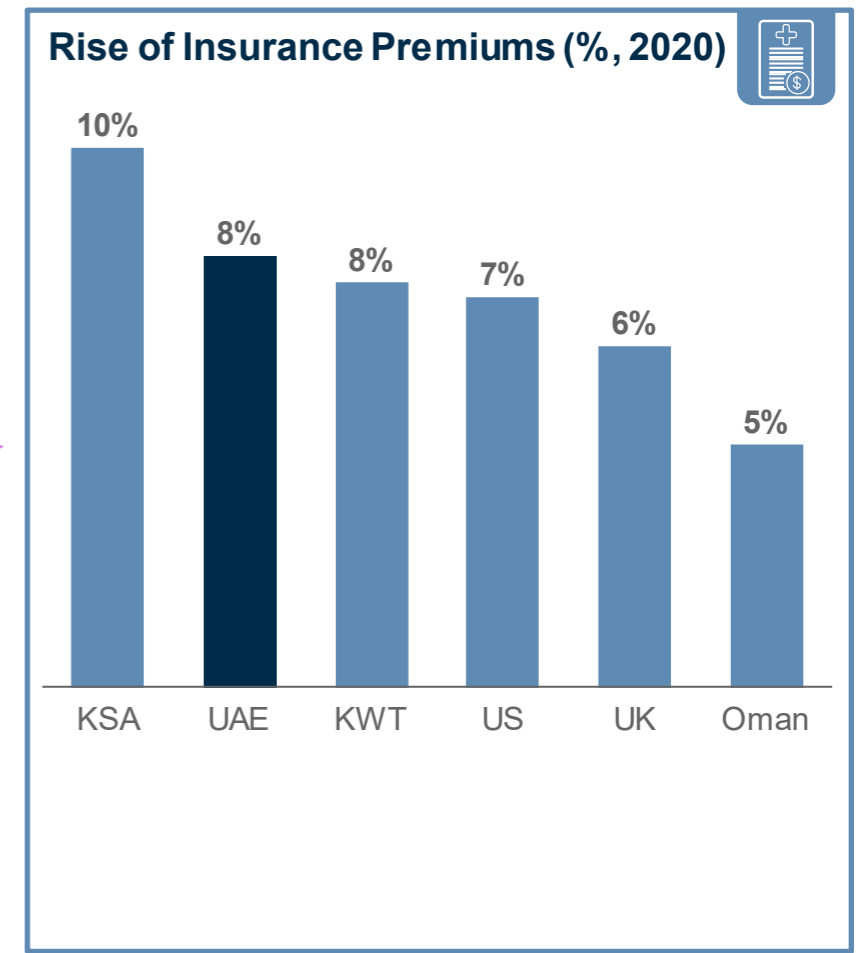
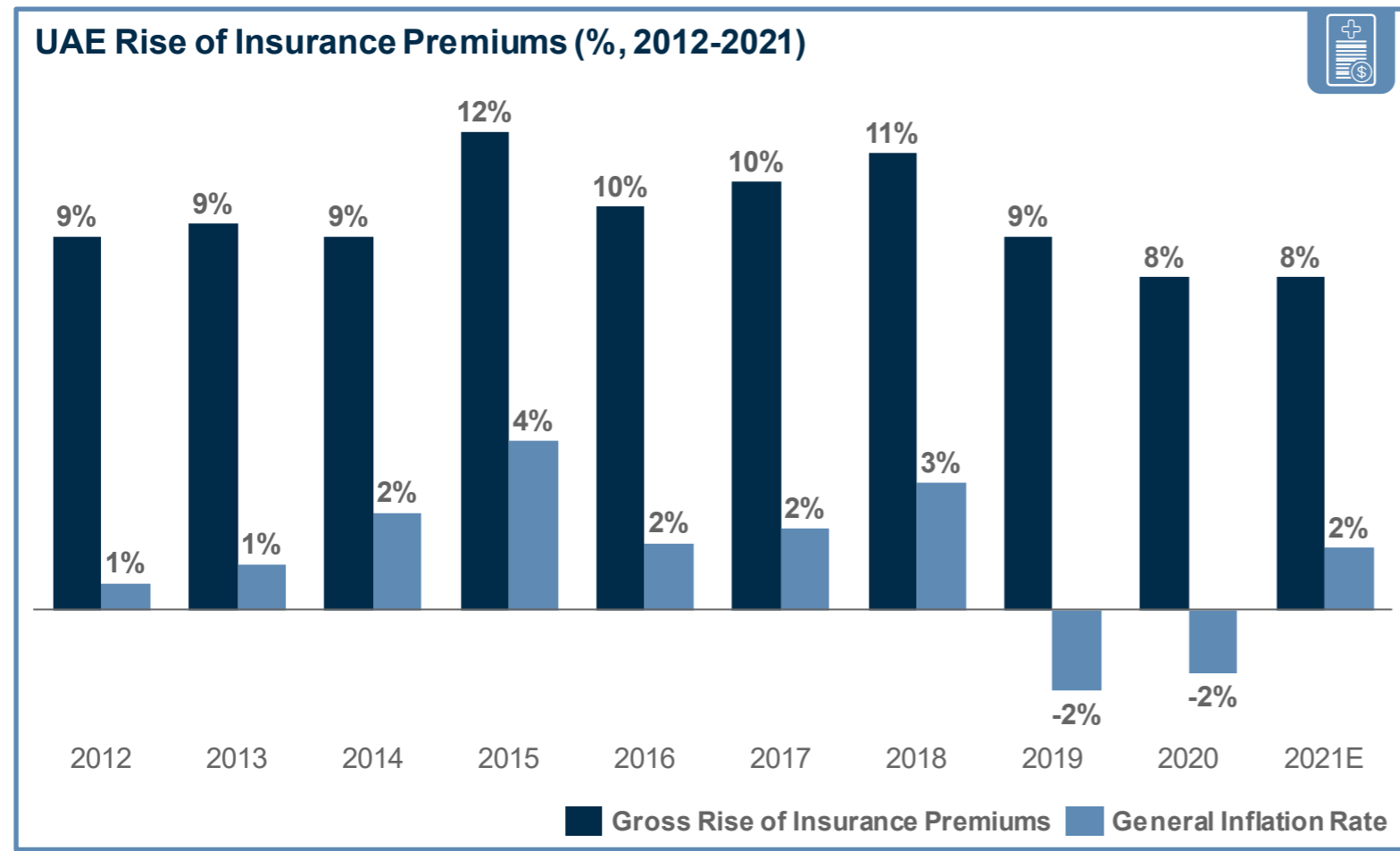
(*): Estimate pertains to hospital encounters only and excludes clinics
 Source: DHA, A&M analysis

Healthcare Market Overview

Payers



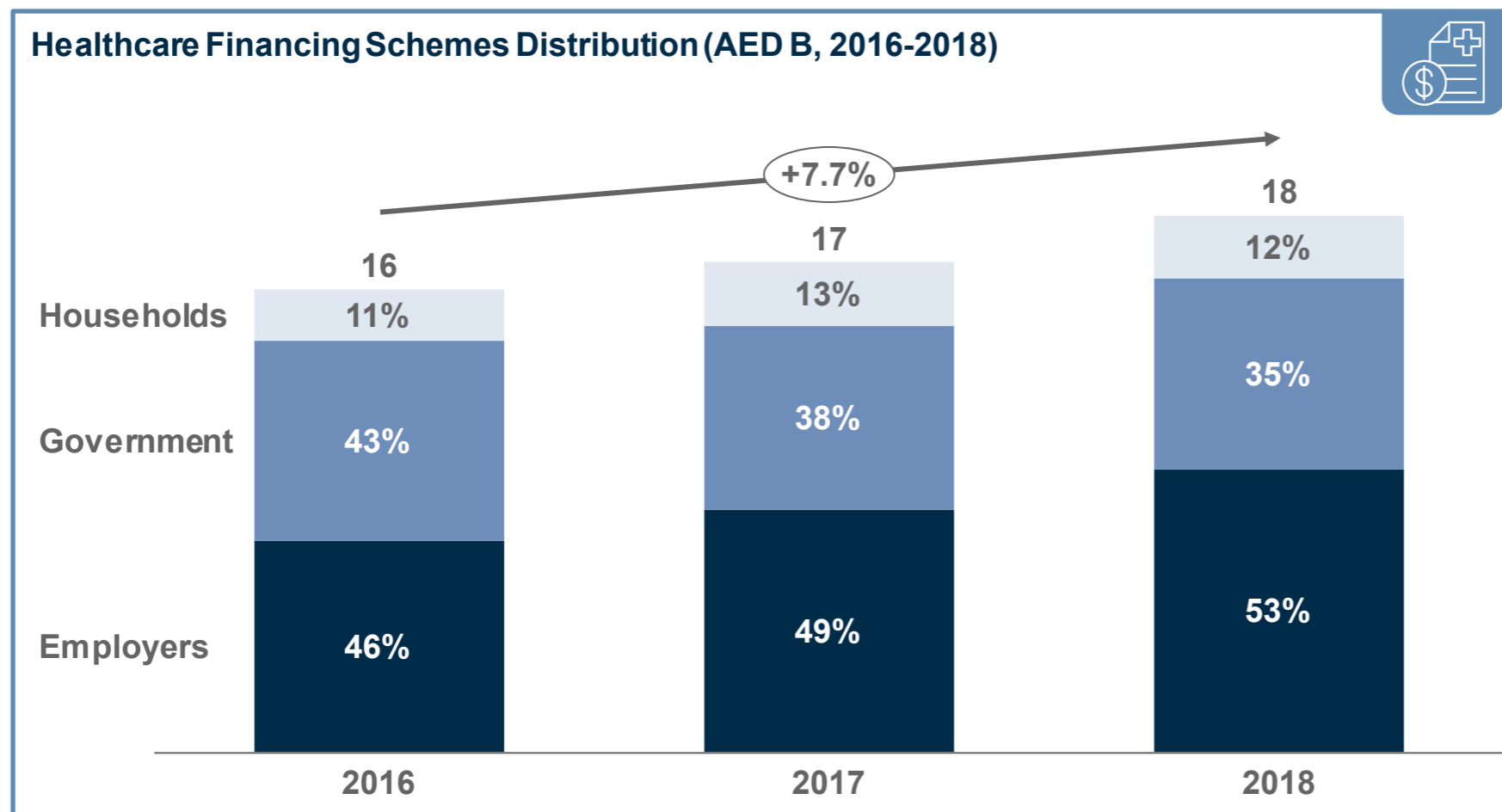
UAE rise of insurance premiums remains high at 8%, exceeding inflation rate; UAE percentage rise of insurance premiums in '20 exceeds that of some developed nations



Source: World Bank, Willis Towers Watson, A&M analysis



Dubai healthcare expenditure is on the rise, with employers taking the burden



KEY TAKEAWAYS

- **Overall:** Dubai healthcare expenditure increased at a rate of 7.7% p.a. between 2016 and 2018.
- **Employers:** Private employers were the major source of funds, estimated at AED 9.7B (53%) in 2018.
- **Government:** The government financing schemes accounted for AED 6.5B (35%) in 2018.
- **Households:** Household out-of-pocket spend was estimated at AED 2.2B (12%) in 2018.
- **Payers:** In Abu Dhabi, Daman has a majority market share of >65%. In Dubai, NAS/Neuron and NextCare are the dominant players with 35%-45% market share. The rest of the insurance market is highly fragmented with over 65 players.

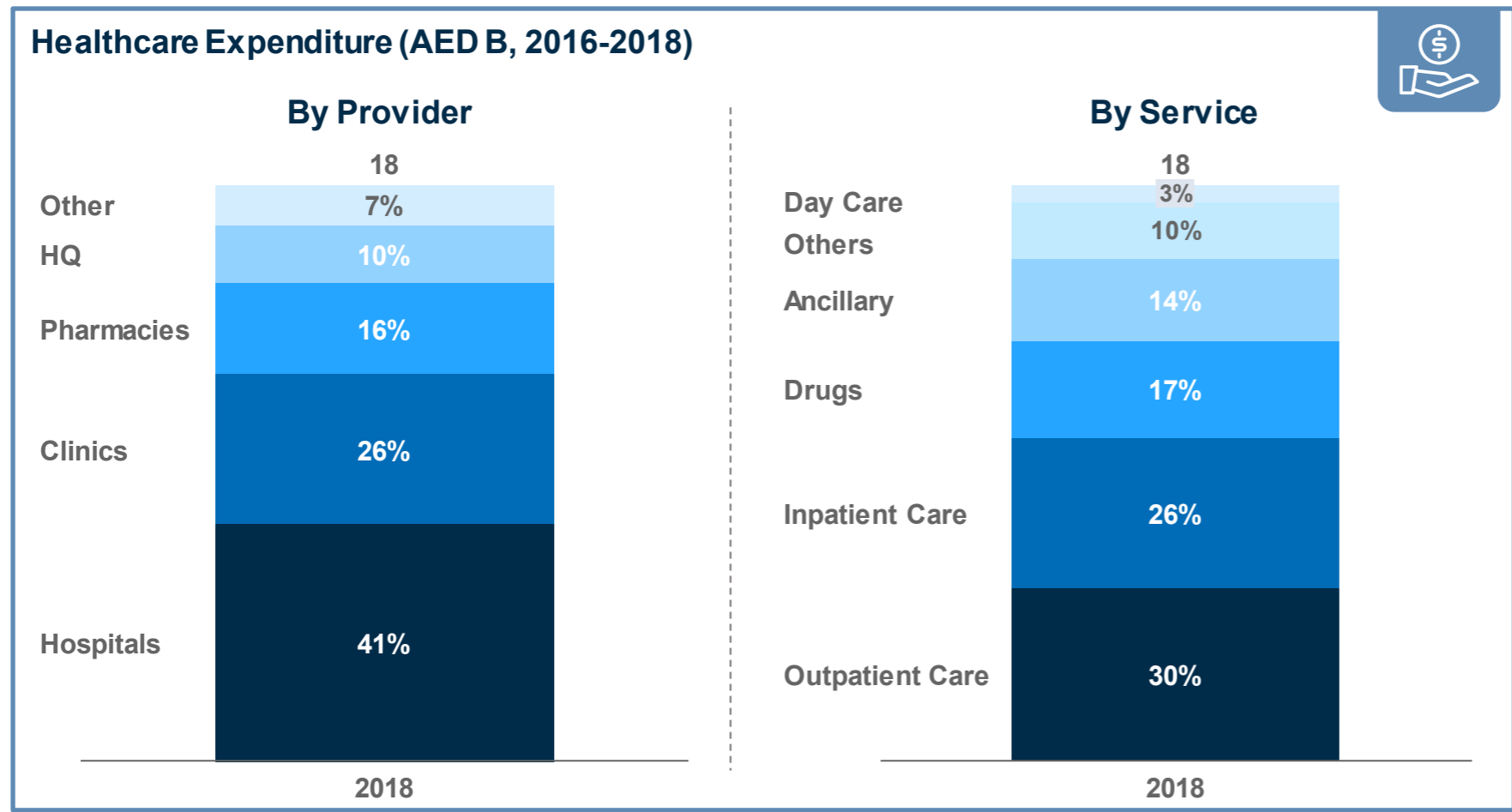
Source: DHA, A&M analysis

In Dubai, a majority of healthcare expenditure for 2018 went to hospitals, while drug and ancillary spend represented a sizeable portion of healthcare spend



KEY TAKEAWAYS

- **By Provider:** Majority of healthcare expenditure for 2018 went to hospitals amounting to AED 7.6B (41%), followed by the primary health centers AED 4.9B (26%).
- **By Service:** Curative care represented the largest portion of healthcare spend by service, at AED 10.8B (59%) in Dubai.
- **By Service:** Drug spend in Dubai represented the second largest portion of Dubai Healthcare spend, at AED 3.1B (17%) in 2018.
- **By Service:** Ancillary spend in Dubai represented the third largest portion of Dubai Healthcare spend, at AED 2.6B (14%) in 2018.





Source: DHA, A&M analysis

Healthcare Market Overview

Digital Health



Covid-19 has accelerated the adoption of digital health by about a decade; disrupting existing healthcare models

Key trends 		Details 
01	Regulatory Support	<ul style="list-style-type: none"> Regulatory authorities have greatly supported UAE's digital transformation; Malaffi is the region's first Health Information Exchange that safely and securely connects all public and private healthcare providers in the Abu Dhabi Emirate. DHA has recently published their Digital Health Policy that governs safety, privacy, security and ethical use of e-health in the healthcare service delivery.
02	Telehealth Market	<ul style="list-style-type: none"> Globally, the telehealth market is expected to grow at a CAGR of 37.7% from an estimated \$38.7 billion in 2020 to reach \$191.7 billion by 2025. The UAE Telehealth market is expected to grow at a CAGR of 25% from 2020 to an estimated \$536.5 million by 2025.
03	Digital Health Players	<ul style="list-style-type: none"> In the UAE, there has been a boom in digital health players that entered the market, providing a broad range of services including telehealth (remote care), mobile health, tele-consults, prescription refills, remote monitoring, service coordination, appointment booking and health information.
04	Adoption of Digital Health	<ul style="list-style-type: none"> Given the UAE demographics, the adoption of digital health services spiraled. At present in the UAE, 91% of insurers have claimed their patients have used telehealth services recently, compared to 31% pre-Covid. Over 50% of UAE expats are likely to use telehealth for primary care (14% more than global averages).
05	Disruption of Existing Care Delivery Models	<ul style="list-style-type: none"> New disruptive telehealth players have begun taking market share. Payers have also started rendering telehealth through third parties, to increase competitiveness and contain costs. Providers have either collaborated with digital health players, payers or delivered their own solutions, paving the way for future hybrid care models.

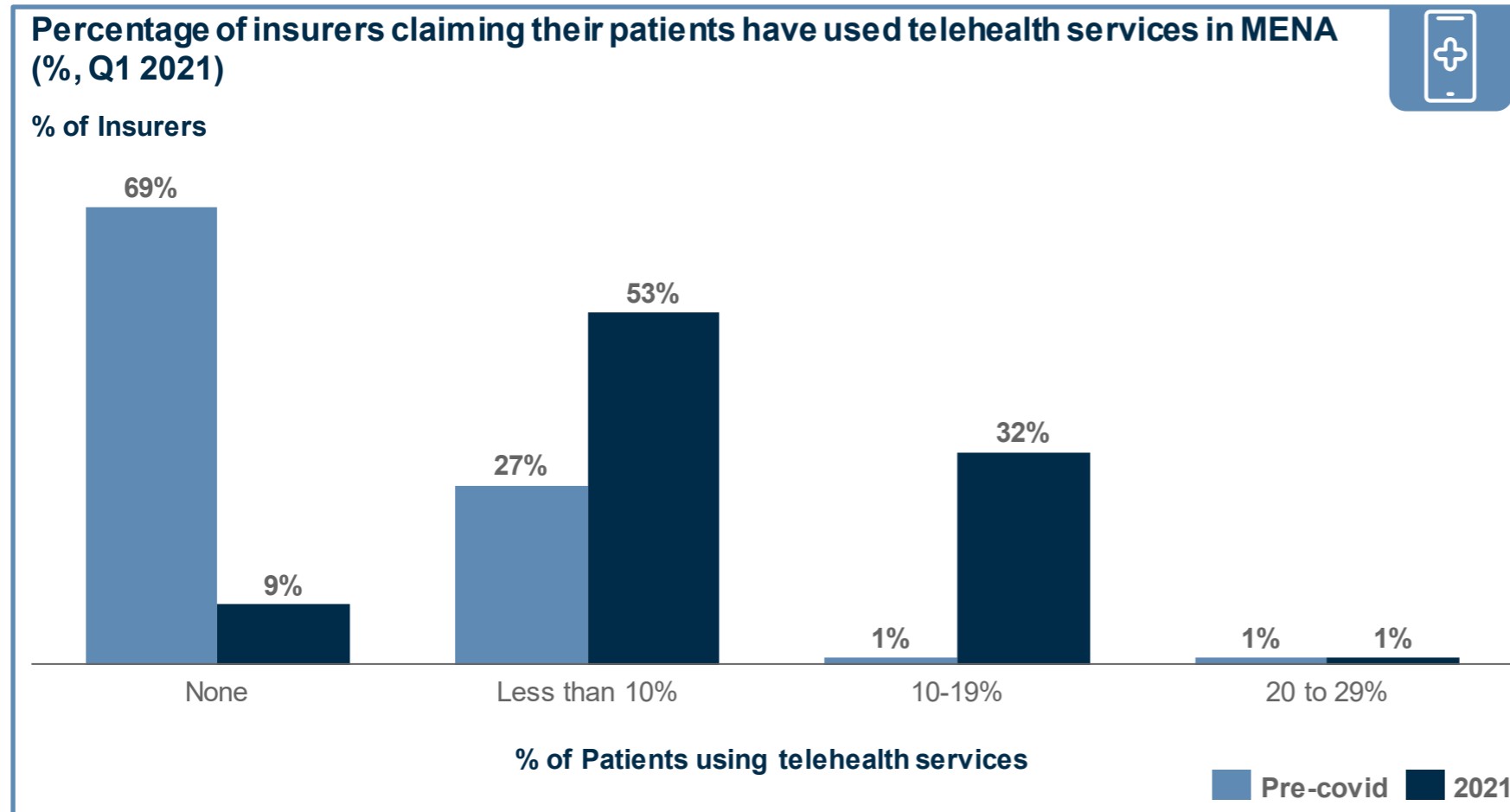
Source: DOH, DHA, Markets and Markets, Aetna, A&M Analysis

MENA healthcare patient trends indicate growing demand for telehealth services amidst Covid-19 health concerns and regulatory elective restrictions



KEY TAKEAWAYS

- Use of telehealth in the Middle East and Africa is on the rise, accompanied by emergence of new telehealth tools in the market.
- Pre-Covid, 69% of insurers reported that none of those covered under their health plans were using telehealth. Today, only 9% claim that none of their customers are using telehealth.
- At present, 53% of insurers claim that less than 10% of their insured patients in MENA use telehealth, and almost a third (32%) of insurers say that 10% to 19% are using telehealth.
- By end of 2021, more than a quarter of insurers (29%) expect that 20% to 29% of those covered under their plans will use telehealth services.




Source: Willis Towers Watson, A&M analysis

Opportunities



‘Collaborate and Innovate’ as a theme for opportunities in the current environment

Key trends 		Details 
01	Revenue Diversification	<ul style="list-style-type: none"> The healthcare sector is being disrupted with new non-traditional entrants threatening existing market share. Coupled with the pandemic impact and a shift in consumer behaviors, organizations are challenged with diversifying revenues to survive and thrive, which could include expanding into other segments of the care continuum.
02	Strategic Partnerships	<ul style="list-style-type: none"> The current climate emphasizes the need for ‘outside the norm’ strategic partnerships. Vertical and horizontal integration partnerships will help access new market segments in innovative ways. Cross collaboration between entities will help leverage operational efficiencies in procurement, manpower and increase revenue.
03	Increased Adoption of Digital Health	<ul style="list-style-type: none"> The pandemic has accelerated the adoption of digitization by about 10 years, with a strong focus on telehealth services. Innovation of existing operating models, to include apps, wearables and other digital health solutions will be vital to be integrated into the overall care offering, to maintain and grow market share.
04	Operational Efficiencies	<ul style="list-style-type: none"> With revenues impacted due to increased competition and the global pandemic, operational efficiencies are vital. Some opportunities include collaborating on sharing manpower resources, consolidated procurement between entities, or optimization for elective backlog recovery and optimizing patient flow.

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