

HEALTHCARE | SEPTEMBER 2016

Healthcare in the Kingdom of Saudi Arabia — An Overview

Sector Profile

The Kingdom of Saudi Arabia is widely recognised as having the largest and fastest growing population in the Gulf Cooperation Council (the “GCC”), with over half the population under 40. Until 2014, all Saudi nationals were entitled to free healthcare. From 2014, free healthcare in Government hospitals has no longer been available to Saudi nationals working in the private sector. The growing population coupled with these new restrictions highlights the potential for rapid growth in the Kingdom’s healthcare market.

The private healthcare services market in the Kingdom comprises both public and private companies. Among the major players are:

- Al Mouwasat Medical Services (public);
- Elaj Group (private);
- Dallah Healthcare Holding Company (public);
- National Medical Care Company (public); and
- the Dr. Sulaiman Al Habib Medical Group (private).

Key Government Entities in the Healthcare Sector

The MOH and the Saudi Food and Drug Authority are responsible for the overall administration of the healthcare industry in Kingdom, while the Council of Cooperative Health Insurance oversees the insurance market. In 2015, the Kingdom enacted the Private Health Institutions Regulations.

The Ministry of Health (“MOH”) oversees healthcare service providers (including those mentioned in the section above) and currently owns the majority of hospitals in the Kingdom. The Saudi Arabian General Investment Authority (“SAGIA”) governs foreign direct investment, and provides licenses to investors. The health care sector is not fully open to foreign investment. Currently, foreign investors are only permitted to invest in hospitals with at least 100 beds. These hospitals are permitted to be 100% owned by foreign investors. The MOH is working with SAGIA to coordinate a strategy to create an effective regulatory system and cultivate a favourable atmosphere to attract private health providers and investors from abroad. This is also one of the key outcomes that Saudi Vision 2030 (discussed further below) is seeking to achieve.

Local ownership restrictions also apply to the pharmaceutical sector. Only Saudi citizens or 100% Saudi-owned companies are permitted to own a pharmacy. Both the manager and the owner of a pharmacy or one of its co-owners must be a licensed Saudi pharmacist. GCC citizens or 100% GCC-owned companies, however, may own a warehouse for wholesale trading in pharmaceutical products, but the pharmacist operating such warehouse must be a Saudi citizen.

Impact of Saudi Vision 2030

“Saudi Vision 2030” sets out the Kingdom’s future economic and social vision, involves economic diversification, promotion of private sector investment (from both foreign and domestic investors), increasing

exports and job creation for Saudi nationals. The “National Transformation Program 2020”, Saudi Vision 2030’s first implementation program, aims to:

- substantially privatise the healthcare sector, including the privatisation of one of the Kingdom’s medical cities;
- establish public private partnerships, presumably with respect to procurement of key infrastructure like hospitals and other healthcare facilities;
- develop new domestic healthcare programs; and
- incentivise the Kingdom’s partners abroad to invest in domestic healthcare.

Also, the program contemplates expenditures by the MOH of up to SAR23 billion prior to 2020 to reform and restructure primary health care.

Saudi Vision 2030 presents certain challenges to the healthcare sector, in terms of achieving Saudisation targets and reducing dependence on foreign workers. Expatriates currently make up the majority of the professional workforce, such as doctors, but Saudi Vision 2030 requires increased employment of Saudi nationals in these positions. This will mean that education standards in the Kingdom, including for medical and nursing degrees, will need to be raised to facilitate the achievement of that vision.

Currently, healthcare products, such as pharmaceuticals and medical equipment, are mostly imported. A key pillar of Saudi Vision 2030 is the development of local industries, which should translate to increasing the quantity of healthcare products, including pharmaceuticals, that are manufactured in the Kingdom. To this end, the National Industrial Clusters Development Program is working with the MOH and other relevant regulatory bodies and has already attracted leading global players such as GlaxoSmithKline, Sanofi and Pfizer.

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