





# Dynamics in healthcare post COVID-19



The coronavirus (COVID-19) pandemic changed the world as we know it, and people were obliged to change the way in which they live their lives while considering the dynamic factors continuously emerging. The pandemic required widespread fundamental change in the healthcare industry as well—from operations and supply chains, to consumer engagement and future strategies. As healthcare shifts away from an inpatient hospital revenue focus, finance chiefs have an important and growing role. Digital technologies such as virtual health (68%), and core technologies such as revenue cycle management (57%), are top areas of capital spending, according to surveyed CFOs.

The new beginning of a post-pandemic age is bringing about rigorous challenges for people across the globe significantly due to mobility hinderance and the disruption of economic activities despite critical restrictive measures. Technology is expected to play a large role in healthcare transformation; GCC countries have already started leveraging technology to streamline processes, especially in areas such as digitization of health records and telemedicine.

The global economy is projected to grow 3.6 percent in 2022 and 2023.<sup>1</sup> The region should benefit from the recent rebound in oil prices, stronger external demand, and less economically disruptive new outbreaks. Firming activity in 2022 will be underpinned by increasingly robust private consumption and investment growth, as mobility restrictions ease and vaccinations progress. Yet the outlook is still highly uncertain and tied to the course of the pandemic and vaccine rollouts.<sup>2</sup>

# As healthcare shifts away from an inpatient hospital revenue focus, finance chiefs have an important and growing role

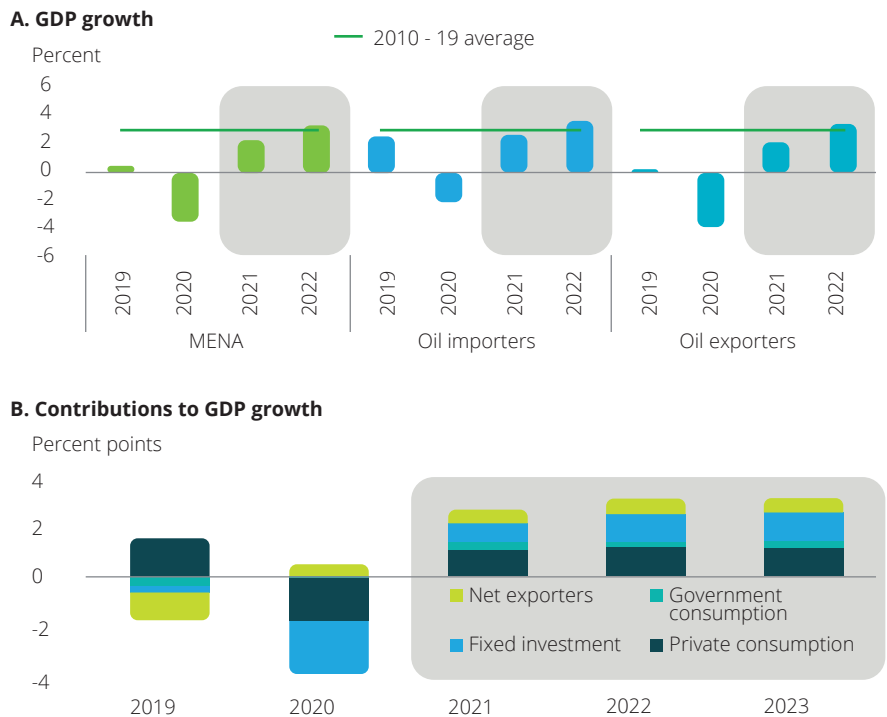


Figure 1: Pre- and post-COVID-19 GDP comparison

**Sources:** Bloomberg; BP Statistical Review; Haver Analytics; World Bank  
 Note: EMDEs = Emerging Market and Developing Economies; MENA = Middle East and North Africa  
 B. Includes countries that report expenditure components of GDP in their national accounts and excludes change in inventories and residuals

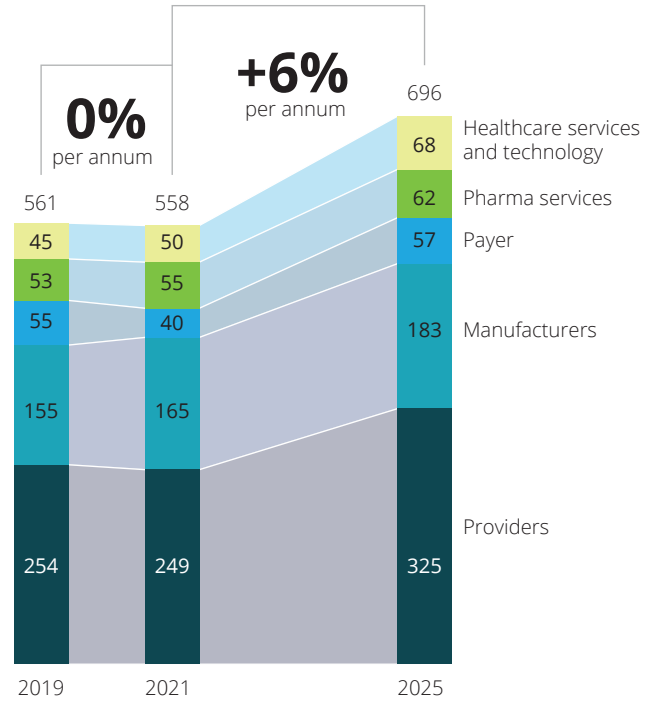
### Post-pandemic recovery

Healthcare industry earnings before interest, taxes, depreciation, and amortization (EBITDA) grew 5 percent pre-COVID-19 (between 2017 and 2019) and remained flat over 2020 and 2021. We estimate post-COVID-19 (between 2021 and 2025) growth at 6 percent. If the industry achieves this rate of growth, it could add about US\$31 billion in profit between 2021 and 2025.<sup>3</sup>

The GCC governments have already begun to lay the groundwork for recovery and rebuilding a stronger healthcare ecosystem while laying higher emphasis on economic revival. The region is expected to rebound over the next two years with the GDP likely to see 5.9% growth in 2022, as the COVID-19 situation normalizes.<sup>4</sup> Growth in the healthcare sector has been driven by the region's growing population share of senior citizens, increasing life expectancies, and rising prevalence of lifestyle diseases. To meet the rising demand, GCC countries continue to develop their healthcare infrastructure and are investing heavily on developing medical facilities.

The GCC has been reverted to pre-pandemic levels by as early as 2022, marginally surpassing projections in peer countries like the US, UK, Singapore, Japan, and Germany. It is forecasted to maintain a growth trajectory in line with peer countries up to 2025. The unprecedented reforms and effective responses to curb the rising cases coupled with strong emphasis towards economic diversification and private sector participation will aid economic growth in the long run. Engaging the private sector as a crucial stakeholder in the healthcare sector will also expand opportunities to build on local manufacturing capabilities. ➔

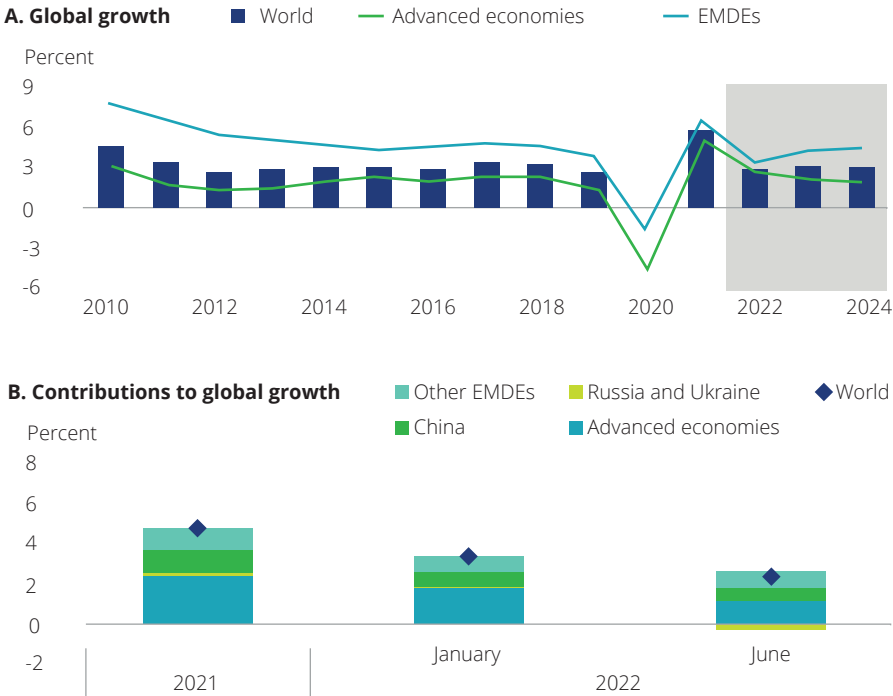
**Projected healthcare EBITDA<sup>1</sup> across segments, 2010 - 25, \$ billion**



<sup>1</sup>Earnings before interest, taxes, depreciation and amortization  
**Source:** Mckinsey Profit Pools Model

Figure 2: Projected healthcare EBITDA across segments

To meet the rising demand, GCC countries continue to develop their healthcare infrastructure and are investing heavily on developing medical facilities



Source: Global Economic Prospects - June 2022

Figure 3: Global prospect

**Note:** EMDEs = Emerging Market and Developing Economies; unless otherwise indicated, aggregate growth rates are calculated using real US dollar GDP weights at average 2010-19 prices and market exchange rates

A. Shaded area indicates forecasts

B. Figure shows the contributions to global growth forecasts in the January 2022 and June 2022 editions of Global Economic Prospects

The investment outlook is expected to be resilient for the healthcare sector, and the confluence of all above factors is likely to drive its recovery as well. In the short term, surge in demand is expected for elective procedures, especially from non-urgent surgical patients that were put on hold due to the crisis. The COVID-19 pandemic will further expedite the need for public-private collaborations and diversification of services provided by the healthcare providers. On the supply side, health systems will be better positioned to rethink their traditional models and will look to invest in digitization while increasing investments in critical care infrastructure.

“COVID-19 has dramatically changed the healthcare sector and more successful healthcare providers have evolved via improved productivity and leveraging technology - especially inpatient experience, telehealth, homecare, and revenue cycle management - to create more sustainable business models. This increased pace of change and focus on the patient will continue to drive the health sector.”

**George Kapitelli - Group CFO - Abu Dhabi Health Services Company PJSC - SEHA (The UAE’s largest healthcare provider)**

“The use of technology in the audit of healthcare is evolving and exceeding

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stakeholder expectation. Due to an increase in the complexity and high-volume data environment, the use of technology and data analytics offers opportunities for the auditor to obtain a more effective and robust understanding of the entity and its environment, enhancing the quality of the auditor’s risk assessment and response. Auditors will need to stay abreast of recent developments in this space to consider how to tailor audit procedures to take advantage of disruptive technology benefits as well as address incremental risks.”

**Mohammad Jallad - Group Audit Partner - Abu Dhabi Health Services Company PJSC - SEHA (The UAE’s largest healthcare provider)**



### Strong expected projects

Regional governments and private operators have consequently laid out plans to increase the number of hospitals, primary healthcare centers, clinics, and laboratories. The region has an estimated 161 healthcare projects with a combined value of US\$53.2 billion under various stages of development. Upon completion, these projects are expected to add more than 40,326 beds to the region's existing capacity. Saudi Arabia has the highest number of healthcare projects under construction, accounting for 19.2%, followed by Kuwait (12.9%), the UAE (10.3%), and Oman (2.1%).<sup>6</sup> The massive investment in building a robust infrastructure is in line with regional governments' agendas to transform their healthcare ecosystem and improve the quality of healthcare services.

### Medical tourism

The GCC countries continue to promote the region as a hub for medical tourism as part of their economic diversification plans. Dubai and Abu Dhabi lead the region in attracting the highest number of medical tourists. The cities were ranked as the sixth and ninth most popular medical tourism destinations in the world during 2020-21. Dubai witnessed a 4% year-over-year rise in medical tourism arrivals in 2019 to reach 350,118. Asian tourists accounted for the highest share of 34%, followed by medical tourists from neighboring Arab countries at 28%, and 17% from Europe.<sup>7</sup>

In order to attract over half a million medical tourists by 2021, the Dubai Health Authority (DHA) issued 3,397 licenses to healthcare facilities in Dubai, while 45 new health facilities, a hospital, and 10 general and specialized medical clinics were inaugurated during the first half of 2020.

In September 2019, the healthcare arm of Abu Dhabi's Mubadala Investment Co. signed a new agreement with Nirvana

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Travel and Tourism to grow medical tourists from the Gulf region, Africa, Russia, China, and India.

Saudi Arabia's ambitious eHealth strategy aims to connect all levels of care digitally and attract international patients through a five-year implementation plan.

Bahrain also holds a distinct reputation for specialized healthcare in the areas of cardiology and oncology, which helps the country attract sizeable medical tourists. As quality of infrastructure and care continues to soar, the region is expected to attract a higher number of medical tourists and simultaneously reduce outbound medical tourism.

The GCC medical tourism market is expected to reach US\$28 billion by the end of 2024, growing at a compound annual growth rate (CAGR) of 8.8% since 2018.<sup>8</sup> 

## Compulsory health insurance

The GCC healthcare sector has been primarily driven by governments, which has put significant burden on state finances and GCC countries that are at different stages of rolling out mandatory health insurance. Such factors will increase the utilization and demand for quality care to drive healthcare costs and the overall cost of insurance.

The GCC health insurance market is expected to grow at a CAGR of 11.3% between 2020 and 2025 to reach US\$25.5 billion.<sup>9</sup>

The UAE's new retirement visa scheme for expatriates lists mandatory UAE health insurance as one of its major criteria, highlighting the country's efforts to encourage adoption. In the rest of the GCC countries, mandatory health insurance is expected to be fully implemented by the end of 2022, which will significantly increase the utilization of medical services at private healthcare facilities.

## Impact and challenges post-COVID-19

The COVID-19 pandemic has had a profound impact on regular care delivery in the GCC, hampering profitability for many operators. Consequently, revenue streams for hospital chains, diagnostics centers/ laboratories, and clinics have come under increased pressure.

a) **Increase of gross medical inflation rate resulted in an increase cost of healthcare services:** The cost of healthcare services continues to rise within the GCC due to a growing demand for complex conditions amid limited availability of specialized treatment centers. Gross medical inflation rates ranged between 3.5% and 9.1% in GCC countries during 2020, with Saudi Arabia witnessing the highest rate (from 3.9% in 2018 to 9% in 2020), whereas in UAE from 5.8% in 2018 to 9% in 2020.<sup>10</sup>

b) **Limited availability of skilled**

With the arrival of COVID-19, the relevance of home healthcare services, especially remote care delivery, has increased significantly. Emergence of telemedicine is one of the effective tools for combating COVID-19, which resulted in a decrease in the cost and an increase in access to care, while also bridging the gap between patients, physicians, and health systems

**healthcare professionals:** The development of medical cities and hospitals has accelerated and the requirement for skilled medical professionals has increased exponentially. As the GCC has been largely dependent on highly skilled expatriate talent for the expansion of the healthcare sector, capacity building activities and programs aimed at cultivating nationally trained healthcare professionals are therefore essential in the GCC.

c) **The effect of technology and digital health:** The UAE's health regulators are increasingly considering the adoption of new, smart technologies to modernize its healthcare ecosystem. The countries have been investing heavily in healthcare information technology such as e-Visits, digitization of electronic medical records (EMR/EHR), chatbot service, data analytics, and mobile applications for patient engagement aimed at improved healthcare delivery and disease management. This has accelerated the adoption of e-consultation, telehealth, self-diagnostics, health monitoring devices, consumer wearables, and other digitalized offerings in the region. These technology integrations are likely to grow positively and improve inclusivity, accessibility, affordability, and growth in the GCC healthcare sector.

d) **Home healthcare services:** With the arrival of COVID-19, the relevance of home healthcare services, especially remote care delivery, has increased

significantly. Emergence of telemedicine is one of the effective tools for combating COVID-19, which resulted in a decrease in the cost and an increase in access to care, while also bridging the gap between patients, physicians, and health systems. Health authorities are also working in line with their e-Health strategy that aims to improve the accessibility and quality of remote care to citizens through utilizing telemedicine. Apart from being less expensive compared to hospital admission, it is also a preferable option for aged patients as treatment is enhanced in the comfort of home.

e) **Public - private investment:** Governments are encouraging the involvement of private investors to bridge the gap of demand and supply through public-private partnership. The Saudi Arabia government has allowed 100% foreign ownership in healthcare companies and plans to privatize several public healthcare facilities.<sup>11</sup> Dubai Health Authority (DHA) has created an investment strategy which would promote Dubai as a competitive hub for investment in healthcare and enable sustainable public-private models in Dubai.<sup>12</sup> Qatar Healthcare Facilities Master Plan (QHFM) 2013-2033 is the roadmap for the next generation's healthcare infrastructure quality standards, requirements, investment priorities, service distribution, and delivery alignments, guiding the entire continuum of healthcare capital allocation and advancing the health

vision of the nation. Kuwait's healthcare sector is in transition, with growing signs of private sector participation despite government dominance of the funding and provision of care.

The governments are actively encouraging the public-private model to meet the rising medical needs while reducing the burden of financing for greater public-private involvement for healthcare infrastructure development. Through public-private investment, the regional governments can leverage efficiencies and expertise of the private players to achieve their development goals and match international best practices.

f) **Climate changes - rising healthcare needs:**

Climate change affects many of the social and environmental determinants of health – clean air, safe drinking water, sufficient food, and secure shelter. The health effects of these changes include increased respiratory syndromes, cardiovascular disease, injuries, and premature deaths related to extreme weather events, changes in the prevalence and geographical distribution of food, waterborne illnesses, and other infectious diseases. In the GCC region, the changes in climatic conditions bring extreme heat in the summers and reduced rain throughout the year. The consequences of climate change is increasing pressure on the healthcare system to respond on inclined frequency of healthcare visitors with viral symptoms and prevent significant dilutions of the same across the region to maintain healthcare protocols.

### Looking ahead

The healthcare sector was one of the fastest to evolve and innovate to respond to the challenge, and it is likely that it will take some time post-pandemic to achieve what could be considered “business as usual.” It was during these difficult times, and especially in the lockdown, that the

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GCC governments realized the importance of making the healthcare sector self-sufficient in terms of developing the expertise and facilities offered.

Healthcare providers need to be alert, invest time in retrieving available data, make use of technological solutions, cross-train a skilled workforce, establish facilities that can cater to high-risk medical needs, ensure adequate inventory management of medical equipment and medicines, and ultimately, create a sustainable healthcare model that is ever ready to meet contingencies with minimal disturbances. Innovative solutions like telemedicine, e-ICU, remote monitoring, and online purchase of prescription medicines, will allow a significant proportion of primary care delivery to shift to the homes of people.

Further creation of healthcare infrastructure, digitization of healthcare delivery, business process automation on payment cycles, clinical decision support, and AI for medical diagnostics, will all force the industry to evolve faster than ever. ●

By **Haseeb Akram**, Director, Audit & Assurance, Deloitte Middle East

### Endnotes

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