

Private and public healthcare in Saudi Arabia: future challenges

Nadia Yusuf

King Abdulaziz University, Jeddah
Saudi Arabia

Keywords

expenditure; government; healthcare insurance; healthcare economy; investment opportunities; healthcare structure; Saudi Arabia

Abstract

Saudi Arabia was a poor and isolated country prior to the discovery of oil within its borders. The Saudi healthcare sector has seen major progress in recent decades, with local hospitals receiving international recognition. The Public Health Department was established in 1925 following a royal decree by King Abdulaziz. The department became responsible for free healthcare for citizens. The private healthcare sector is growing quickly. In Saudi Arabia, people are increasingly relying on private health care organizations to manage their healthcare needs. This trend will persist because of the essentials that drive demand, such as increased life expectancy, population growth, and patients' need for treatment. Therefore, the private sector in Saudi Arabia offers attractive incentives to investors from commercial and social perspectives. The government is the dominant force in the healthcare sector. The increasing population and health expenditures are forcing the government to enact considerable changes in the healthcare system. The private sector offers healthcare services in a number of cities and large towns. The key players in private sector healthcare in Saudi Arabia are the Almanac Healthcare Group, the Saudi German Hospital Group, and the Al-Hammadi Hospital.

Introduction

The 21st century has seen the global transformation of human health, enabling people to live longer and healthier lives. Despite having a deep influence on population size and structure, better healthcare has improved economic growth rates all over the world. The average human life span has gradually but progressively increased since the second half of 19th century, increasing particularly rapidly in the 20th century (IMF, 2004, p. 10). Saudi Arabia is a vibrant country that enjoys economic growth and political stability. This country is an Islamic kingdom. With current advances in the healthcare economy, Saudi Arabians have become more productive and healthy. The intensity of healthcare achievements in Saudi Arabia is a signal of the success of the country. Good health enables Saudi Arabians to benefit from industrious and meaningful lives. The excellent health of its citizens contributes to the wealth and general social stability of a country (Mufti, 2000, p. 12).

With Saudi Arabia's population of more than 26 million people and an annual growth rate of 2.2 percent, the Saudi Arabian healthcare sector provides for a rapidly growing population and simultaneously increasing demands on the healthcare sector. Healthcare facilities are struggling to match the burgeoning population. The government of Saudi Arabia has become aware of this situation and has devised initiatives to support the private sector to match the deficit and increase profit from the potentially rewarding sector. The healthcare sector is under the management of the government through the Ministry of Health. Additionally, the private sector plays a key role in offering quality healthcare services. The healthcare sector has

been structured in such a way that it provides an essential platform for healthcare services to every citizen with specialized treatment facilities provided at public and private organizations, which operate medical facilities (Mitchell, 2009, p. 110). The paper will discuss the public and private healthcare economy in Saudi Arabia in the 21st century.

Background of Healthcare in Saudi Arabia

Prior to the discovery of oil within its borders, Saudi Arabia was an under-developed and isolated country, implying that the way of life was retrogressive. During this period, there was no standardized healthcare system, and healthcare services were largely based on traditional practices and medicines. In 1926, King Abdulaziz Al-Saud, a notably visionary leader, issued a declaration for the establishment of the Health Department. The quality of health in Saudi Arabia has steadily increased since the implementation of the first five-year development plan in 1970. According to the Saudi government, all citizens have access to unrestricted medical care. In 2006, the Ministry of Health was operating 62 percent of the country's hospitals and 53 percent of its non-urgent care centers (Mufti, 2000, p. 3).

Expenditure for health services accounted for 13 percent of the government's 2006 budget. In Saudi Arabia, there is a two-tiered health care system. The first tier consists of clinics that offer preventive healthcare, basic services, emergency services, and mobile clinics in inaccessible rural areas. The second tier is made up of hospitals with specialized treatment facilities that are found in urban areas. A number of doctors in Saudi Arabia are not Saudi. Saudi Arabia's medical advances can be clearly observed in the increasing number of specialized service providers (Altuwajiri, 2008, p. 172).

Healthcare Economic Outlook in Saudi Arabia

Saudi Arabia is in the midst of an exciting transition to a more open and market-driven economy. The Saudi government is encouraging a number of changes that can make Saudi Arabia a more profitable place to do business (Shoult, 2005, p. 420). The government has created a market-driven healthcare system. The fully state-owned system that existed previously is no longer appropriate for the dynamic nation that Saudi Arabia has become. For economic and healthcare reasons, the Saudi government is dedicated to a course of change to a system that is responsive to the health demands of Saudi consumers (Gough, 2011, p. 159). The transition to the market-driven healthcare system is beneficial for the Saudi economy and for international healthcare providers and investors. The liberalization of the sector means that more investors will be able to venture into the largest healthcare market in the Middle East. This liberalization is also an exhilarating prospect that will help millions of Saudis access quality healthcare (Kirsten & Karch, 2012, p. 219).

Investment Opportunities in Saudi Arabia's Healthcare Sector

The government is the dominant force in the healthcare sector of Saudi Arabia. Private sector expenditures in healthcare account for 25% of the total expenditures of the healthcare sector. Increased private participation is necessary because it will aid Saudi Arabia in increasing the efficiency and availability of healthcare. This private participation will also decrease the burden of spending by the government. The common opportunities in the sector are the following (Barrage, Perillieux, & Shediach, 2007, p. 6 & 7):

- *Medical Device Manufacturing* – opportunities for investors locally.
- *Generic Pharmaceuticals* – insurance law will promote locally manufactured products.
- *Education* – additional medical schools and residency programs have to be developed.

Demographics And Economic Patterns Of Saudi Arabia

The last official census in 2010 places the population of Saudi Arabia at 27.1 million. In 2004, the population was 22.6 million. Between 2004 and 2010, the annual population growth was 3.2 percent per annum. Saudi citizens make up 68.9 percent of the population, with 50.2 percent being male and 49.8 percent being female. Of the total population, 67.1 percent is under the age of 30, and 37.2 percent is under the age of 15. The population of those aged 60 and above stood at 5.2 percent. The United Nations projects that the population of Saudi Arabia will be 39.8 million in 2025 and 54.7 million by 2050. This population growth is a natural product of a high birth rate (23.7 per 1,000 people), increased life expectancy (74.7 years for women and 72.5 years for men), and a declining mortality rate among infants and children. This unparalleled growth will augment the demand for indispensable services and facilities, including those for healthcare. At the same time, this growth will create economic opportunities for investors (Almalki, Fitzgerald & Clark, 2011, p. 785).

Saudi Arabia is among the richest and fastest-growing countries in the Middle East. This country is the largest producer and exporter of oil in the world. In fact, the oil industry accounts for a major fraction of the country's revenues. In the past few decades, Saudi Arabia has expanded its economy; currently, it exports diverse industrial goods to various parts of the world. The industry base and sound economy increased the per capital income from US\$22,935 in 2007 to US\$24,726 in 2008 (Almalki, Fitzgerald & Clark, 2011, p. 785).

Current Healthcare Structures

Currently, the Ministry of Health is the key government provider and financier of healthcare services in Saudi Arabia. There are total of 244 hospitals with 33,277 beds and 2,037 primary health care centers. These hospitals makes up 60 percent of the total healthcare services in Saudi Arabia. The government operates 115 hospitals, which have a capacity of 10,822 beds. The private sector offers healthcare services in cities and large towns with 125 hospitals (11,833 beds) and 2,218 clinics and dispensaries. The key players in private sector healthcare are the Almanac Healthcare Group, the Saudi German Hospital Group, and the Al-Hammadi Hospital. Public hospitals provide care to hospital employees or employees of certain organizations that are allowed to obtain treatment from these institutions. In addition, public hospitals offer treatment to every patient without cost. Public and private healthcare institutions have a transnational workforce that cares for patients (Almalki, Fitzgerald, & Clark, 2011, p. 786; Aldossary, While, & Barriball, 2008, p. 127).

Health Insurance in Saudi Arabia

The constant increase in the demand for healthcare and the decrease in the involvement of the private sector has made the Saudi government devise a variety of measures that help finance the healthcare sector in the country. The government has enacted insurance policy reforms and measures that can encourage the private sector to work closely with the government. Insurance reforms require employers (companies) to obtain private health insurance for their employees. The implementation of the policy has faced a myriad of challenges because there are no effective insurance regulations. In addition, the insurance industry is made up of a limited number of companies (IBP, 2007, p. 199).

The insurance plans that are offered by insurance companies limit the cost of treatment in a given year. The insurance companies have different insurance plans for various sets of individuals and organizations. Individuals and organizations need to buy a specific insurance plan in accordance with their needs. Usually, organizations are required to record the number of

insurance plans on a yearly basis. Individuals have the option to deposit funds on a monthly or an annual basis. Whenever the need for healthcare services arises, individuals or employees visit one of the hospitals or clinics that are on the list provided by a particular insurance company (O'Kane, 2011, p. 26).

Private health insurance is characterized by voluntary and profit-viable coverage. Currently, the Saudi Arabian government is funding healthcare capital and operating expenses. However, the government will not be in a position to meet the escalating demand for healthcare services and has devised a strong institutional system and effectual regulatory structure to promote private sector investment in healthcare. The private sector provides care for lifestyle diseases that are currently increasing among the Saudi population (Ahmad, 2012, p. 49).

Challenges and Future Concerns for Saudi Healthcare

The major cost for healthcare providers is related to the employment of competent medical staff. Numerous doctors, nurses, and paramedical staff in Saudi Arabia relocate to Western nations after several years to take advantage of more stable work opportunities and training facilities in those countries. In addition, the existing Saudi regulations regarding enrollment and Saudization continuously increase the cost of staff because of inadequate resources (Weinstein et al., 2007, p. 241). The increasing population and health expenditures are forcing the government to come up with considerable changes in the healthcare system. It is estimated that the total number of people aged 60 and above by 2020 will be over 2.5 million. This aging of the population will increase the demand for and expenditures on healthcare. The percentage of overweight people in Saudi Arabia is increasing. Obesity has been linked to numerous diseases that will increase the demand for healthcare. The cost of healthcare is increasing rapidly and it will further exacerbate these conditions (Oxford Business Group, 2007, p. 186).

Conclusions

The current healthcare system in Saudi Arabia is not prepared to address the evolving healthcare needs of its citizens. The government is burdened with healthcare expenses. Therefore, private sector participation is essential because it will boost the development of the healthcare system in the country. The near future will see an increase in the demand for healthcare because of the increasing population and surge in affluence-related illnesses. To withstand the growth in the population, policymakers are encouraging the development of the private sector. This development will create tremendous opportunities for foreign healthcare companies to take part in the largest healthcare market in the Middle East.

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