

## 3.5 Healthcare and Pharmaceutical Production Sector

### Sector Overview

Kuwait has one of the largest healthcare expenditures in the GCC. The healthcare sector is characterized by a huge public sector and a small but rapidly rising private sector. The rising population of the country, the fast lifestyle and increasing health issues are placing huge demands on the healthcare infrastructure of the country. Kuwait is a welfare state and medical treatments are provided at extremely subsidized rates in the public sector. Kuwait's healthcare expenditure budgeted for the year 2021-2022 amounted to a massive USD 8.9 Bn.

### SUBSECTORS

#### Pharmaceutical Manufacturing

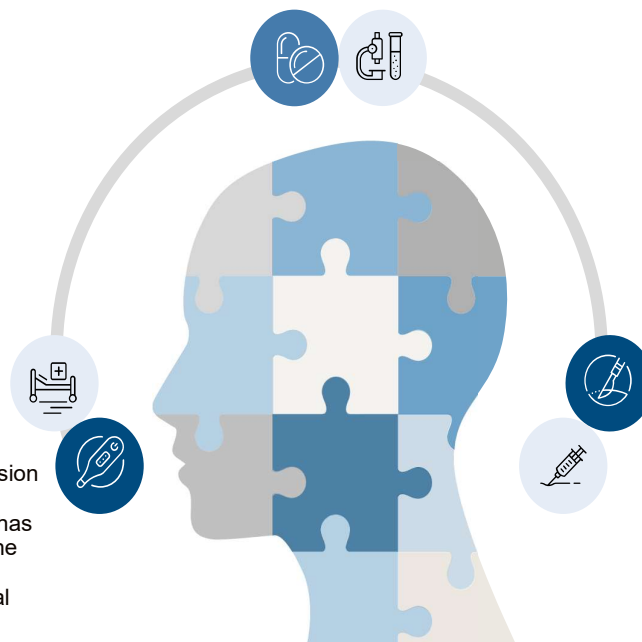
Presence of only 1 pharmaceutical manufacturer in the country. Increased opportunity for investors to produce generic drugs.

#### General Hospitals

As part of Kuwait Vision 2035 Development Plan, USD 5.04 Bn has been allocated for the development and expansion of general hospitals in Kuwait.

#### Specialty Hospitals

USD 538.2 Mn was allocated towards the development and expansion of specialty hospitals as per the Kuwait development plan.



The healthcare sector is expanding at a rapid pace based on the huge outlay of investments made by the government. The planned development of the healthcare infrastructure of the country provides an avenue for foreign investors to participate with the government in such infrastructural projects and reap attractive returns on investment.

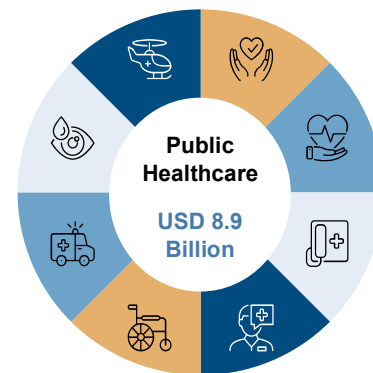
### 3.5.1 General Hospitals

General hospitals are medical centers that cater to all types of medical specialties and usually cater to patients who suffer from illnesses that are acute and that are of a short duration.

#### OVERVIEW AND FACTORS INFLUENCING THE MARKET

- Kuwait has a population of approximately 4.63 Mn people. Expatriates make up 68% of the total population of the country.<sup>1</sup> The population of the country was witnessing a steady growth rate of 1.5% to 2.5% annually until the COVID-19 pandemic of 2020 when the population witnessed a dip of 2.2%.<sup>1</sup> The main reason for the same was a drop in the expatriate population of the country who repatriated to their homelands as a direct impact of COVID-19 on their livelihood. This drop was further coupled by the government's stringent policies to correct the demographic balance in the country by reducing the number of expatriates.
- Kuwait's population will witness a gradual rise following new births in the local and existing expatriate population. It is estimated that the population of Kuwait will reach 4.9 Mn people in a decade.<sup>2</sup> Hence, the rising population of the country will drive a huge demand for healthcare services in the country.
- Kuwait is a welfare state where healthcare services in government hospitals are provided to Kuwaitis for free including catering to any ailments that need to be

treated internationally. Expatriates are also provided healthcare services in government hospitals at subsidized rates. As per the state budget for the year 2021-2022 an amount of USD 8.9 Bn was allocated towards public healthcare which was approximately 12.93% higher than the allocated expenditure for the budgeted year 2020-2021.<sup>3</sup>



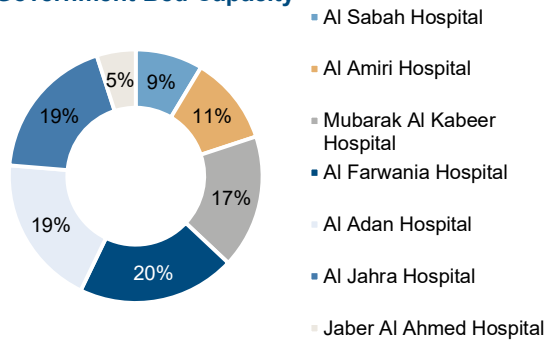
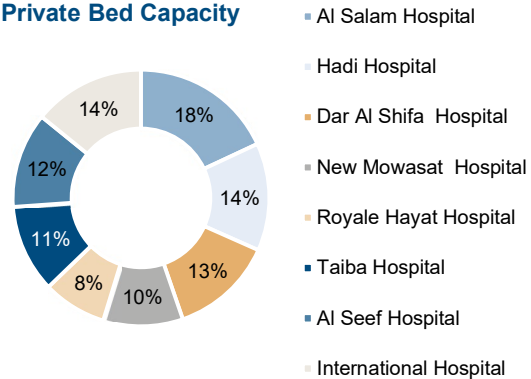
- As per the last available information in the World Bank database, the beds per 1000 people in Kuwait was 2.04beds/1000, which is considerably below a similar ratio in the OECD, which stood at 5.2beds/1000.<sup>4</sup>
- There is a number of General and Private healthcare hospitals in Kuwait including the below:

#### Government Hospitals<sup>5</sup>:

Names	Bed Capacity
Al Sabah Hospital	362
Al Amiri Hospital	478
Mubarak Al Kabeer Hospital	718
Al Farwania Hospital	849
Al Adan Hospital	810
Al Jahra Hospital	785
Jaber Al Ahmed Hospital	210
<b>Total</b>	<b>4,212</b>

#### Private Hospitals:

Names	Bed Capacity
Al Salam Hospital	180 <sup>6</sup>
Hadi Hospital	135 <sup>7</sup>
Dar Al Shifa Hospital	130 <sup>8</sup>
New Mowasat Hospital	100 <sup>9</sup>
Royale Hayat Hospital	80 <sup>10</sup>
Taiba Hospital	110 <sup>11</sup>
Al Seef Hospital	120 <sup>12</sup>
International Hospital	140 <sup>13</sup>
<b>Total</b>	<b>995</b>

**Government Bed Capacity****Private Bed Capacity**

- Public healthcare insurance is a must for all expatriates in the country. Private medical care is an expensive proposition in the country and hence, there is an extensive demand for private healthcare insurers in the country who can provide comprehensive healthcare insurance. While private healthcare insurance is accessible to all, a number of large-scale corporations in the country provide health insurance to their employees as part of their compensation and benefits.
- A number of hospitals are being developed under Kuwait Vision 2035 Development Plan to provide quality healthcare in Kuwait. Some of them include the below<sup>14</sup>:

Names	Bed Capacity	Cost (USD)	% of GDP
Sheikh Jaber Al Ahmed Hospital	1,168	1,010 Mn	0.86%
Al Jahra Hospital (Expansion)	386 additional beds	1,295.7 Mn	1.10%
Al Farwaniya Hospital (Expansion)	233 additional beds	880.7 Mn	0.75%
New Al Sabah Hospital	617	595 Mn	0.50%
Al Adan Hospital (Expansion)	637 additional beds	771.1 Mn	0.65%
Sabah Al Ahmed City Hospital	500	498.3 Mn	0.42%

- Further, two additional hospitals are being built in Ahmadi and Jahra areas with a capacity of 600 beds on a PPP basis by the Kuwait Health Assurance Company (KHAC) – also known as Dhaman. The total cost of development is expected to be around USD 538.2 Mn. Those hospitals will provide non-emergency health care for foreign nationals employed in the private sector.<sup>15</sup>

**OPPORTUNITIES AND INVESTMENT CONSIDERATIONS**

- Kuwait has faced substantial deficits in its budget over the past few years. The budget is burdened by extensive expenses related to the healthcare sector. Such expenses will no longer be sustainable in the near future as the government is constrained for funds. Hence, there is a strong possibility that a number of the health benefits provided by the government could gradually be withdrawn. Thus, it is expected that the private sector will have a more active role to play in providing healthcare services in the future.
- Further, the growing population, rising per capita income and increasing health problems as a result of an unbalanced lifestyle will cause an increasing demand for healthcare services in the country.

- Kuwait Vision 2035 Development Plan has highlighted the health sector as a high priority sector in the country with a number of projects envisaged to be developed in a PPP basis. Thus, international investors can take advantage of these arrangements and make viable investments in the sector.

Source: <sup>1</sup>PACI, <sup>2</sup>UNICEF, <sup>3</sup>MOF, <sup>4</sup>World Bank, <sup>5</sup>CSB, <sup>6</sup>Al Salam Hospital, <sup>7</sup>Hadi Hospital, <sup>8</sup>Dar Al Shifa Hospital, <sup>9</sup>New Mowasat Hospital, <sup>10</sup>Royale Hayat Hospital, <sup>11</sup>Taiba Hospital, <sup>12</sup>Al Seef Hospital and <sup>13</sup>International Hospital, <sup>14</sup>Kuwait Vision 2035 Development Plan, <sup>15</sup>OBG



### 3.5.2 Specialty Hospitals

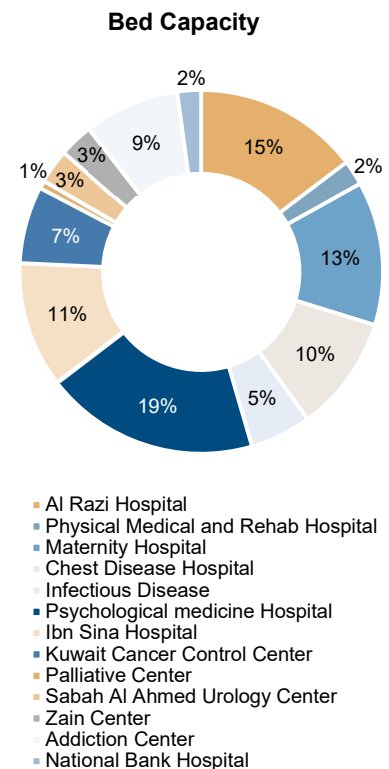
Specialty hospitals are hospitals that focus in treating specific medical conditions or ailments that require a very special set of skills from practitioners.

#### OVERVIEW AND FACTORS INFLUENCING THE MARKET

- A significant portion of the Kuwaiti population within the age group of 45 years and above suffers from a vast number of non-communicable diseases, which have been on the increasing end. Such diseases are mostly related to hereditary, lifestyle and dietary issues.
- A WHO report has noted that one in five adults is obese in the GCC.<sup>1</sup> As per the Global Obesity Observatory, Kuwait ranks 15<sup>th</sup> globally in terms of obesity among adult males, 14<sup>th</sup> globally for adult females. Obesity is also rampant among children with Kuwait raking 9<sup>th</sup> globally for obesity among male children thereby making it one of the most obese nations in the world.<sup>2</sup>
- The Kuwaiti healthcare system caters to people with specific ailments or medical conditions that require specialized treatment. Some of the specialty hospitals in the country are provided below<sup>3</sup>:

#### Government Hospitals:

Names	Specialty	Bed Capacity
Al Razi Hospital	Orthopedic	467
Physical Medical and Rehab Hospital	Physical Medical and Rehab	71
Maternity Hospital	Maternity	406
Chest Disease Hospital	Chest Disease	327
Infectious Disease	Infectious diseases	173
Psychological medicine Hospital	Psychology	607
Ibn Sina Hospital	Spinal	355
Kuwait Cancer Control Center	Cancer	218
Palliative Center	Life threatening illnesses	22
Sabah Al Ahmed Urology Center	Urology	96
Zain Center	ENT	96
Addiction Center	Addiction	270
National Bank Hospital	Pediatrics	67
<b>Total</b>		<b>3,178</b>



- The government also spends a substantial number of resources to sponsor medical tourism-based treatments for Kuwaitis with life threatening ailments. Kuwaitis can seek treatment for diseases in western countries, the costs of which are completely sponsored by the government.



- A number of private hospitals in the country have departments that cater to specialized diseases. In fact, private hospitals have witnessed a tremendous rise in the number of outpatients seeking consultancy related to cardiology, neurosurgery, and gastroenterology.<sup>4</sup>
- A number of specialty hospitals are being developed under Kuwait Vision 2035 Development Plan to provide quality healthcare in Kuwait. Some of them include the below<sup>5</sup>:

Names	Bed Capacity	Cost (USD)	% of GDP
Children's Hospital	792	863.8 Mn	0.73%
Maternity Hospital	780	727.6 Mn	0.62%
Communicable Disease Hospital	224	188.4 Mn	0.16%
New building at Kuwait Cancer Center	618	584.4 Mn	0.50%
New building at Ibn Sina Hospital	296	332.2 Mn	0.28%

### OPPORTUNITIES AND INVESTMENT CONSIDERATIONS

- Kuwait's budget is overstretched by medical expenditure sponsored by the state. The deficit is beginning to hurt and may result in the government disallowing certain medical expenses to be sponsored by the public sector including medical tourism. Hence, the demand for specialty treatment will shift directly to private hospitals. This provides an opportunity for Private hospitals to cater to the specific ailments and increase capacity in that area.
- Further, there is growing awareness among Kuwaitis on NCD's, and the lifestyle changes required to have a healthy lifespan. Hence, lifestyle hospitals are in demand that can cater to disease including cardiology, gynecology, and nutrition. The government is actively involved in setting up specialty hospitals on a PPP basis by actively seeking private participation.

Source: <sup>1</sup>WHO, <sup>2</sup>Global Obesity Observatory, <sup>3</sup>CSB, <sup>4</sup>OBG, <sup>5</sup>Kuwait Vision 2035 Development Plan

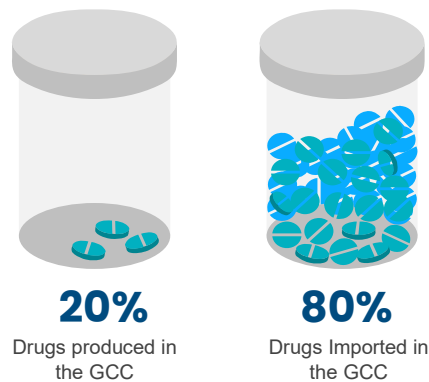
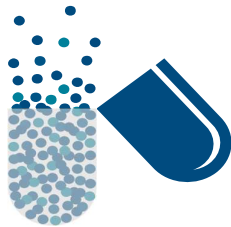


### 3.5.3 Pharmaceutical Manufacturing

Pharmaceutical manufacturing is the process of manufacturing drugs and other medical supplies through a series of operations that includes milling, granulation, coating, tablet pressing and manufacturing.

#### OVERVIEW AND FACTORS INFLUENCING THE MARKET

- The GCC market for pharmaceuticals is forecasted to grow to USD 20 Bn by 2025.<sup>1</sup> The nature of the pharmaceutical markets among GCC members is identical and it is characterized by a huge demand for patented drugs that occupy a large share of the pharmaceutical market. It is estimated that around 80% of the drugs in the GCC are imported.<sup>2</sup>



- The rising demand for healthcare facilities in the country has a direct spillover effect into the pharmaceutical sector of the country. Demand has been rising steadily for pharmaceuticals in the country preliminarily driven by Non-Communicable Diseases. Kuwait has limited manufacturing capabilities and as a result drugs are predominantly imported from the USA and the EU.
- Patented drugs are in huge demand in Kuwait as compared to generic drugs. Patented drugs are extremely expensive as compared to their generic alternatives, but sustained demand persists as they are

perceived to be of a super quality. This demand is further sustained by the fact that the Kuwaiti government covers most of the cost of healthcare in the country. In fact, patented drugs make up almost 75% of the total pharmaceutical market size in the GCC.<sup>2</sup>

- A number of international pharmaceutical giants have a presence in the country including Pfizer, AstraZeneca, Bayer, Novartis and Johnson and Johnson. However, they are only able to distribute drugs in the country through partnerships with local distributors under their current licenses.
- The only local manufacturer of pharmaceuticals in the country is the Kuwait Saudi Pharmaceutical Industries Company. It was formed based on a partnership with the erstwhile Astra Pharmaceuticals (Swedish Company). In 1994 the Company added a Saudi partner. The Company makes around 120 generic products that revolve around painkillers and antibiotics. These products are distributed locally as well as the GCC and MENA region.
- The government usually retains control on the pricing of the drugs in the market through the MOH and all private hospitals and pharmacies must abide by the pricing prescribed by the MOH.

## OPPORTUNITIES AND INVESTMENT CONSIDERATIONS

- Kuwait health system is mainly sponsored by the government and has a major impact on the budget of the country. Demand for patented drugs is also a contributing factor for the added cost in the healthcare system. The deficit faced by the government in recent years could find some relief if certain costs are lifted by the adoption and acceptance of generic drugs that are of the same quality as compared to the patented alternatives but far cheaper.
- The government is encouraging a number of private investors to invest in healthcare projects through PPP structures. Such PPP structures provide opportunities to foreign investors specialized in pharmaceutical and other medical supplies manufacturing to invest and set up manufacturing facilities in the country and supply generic drugs and medical supplies to the local and regional market.

Sources: <sup>1</sup>Globe News Wire, <sup>2</sup>OBG

