

The Health Care business sector in the Kingdom of Saudi Arabia has shown remarkable growth over the past 25 years. Between the years 1978 to 1990, the Ministry of Health, the Armed Forces and private sector have made substantial investments in buildings and equipment. Statistics indicate that government invested some 5 billion dollars in health care facilities during the period and although the private sector investment level is not known (but taking available beds as a measure of outlay) it can be estimated that a further 1 billion dollars has been invested by some of the larger corporations.

The very extensive building program seen in the eighties and nineties is now over and indeed due to budget deficits and falling per capita income, capital spending is tightly controlled. The large outflow of patients seeking treatment abroad at government cost is now also largely a thing of the past.

Conditions have evolved considerably since the first Gulf War. Before 1990 there were many companies in the health care equipment agency market. There are now probably only 5 main players in the medical equipment supply business, not including pharmaceutical suppliers.

It is a matter of record that health care expenditure and consequently sales of products and services fluctuated considerably from year to year in the period 1992 – 1997, due to war repayments and other pressures on oil revenues. The war debt is now generally paid off and since 1997 an increase in spending and expansion in health care business is apparent.

In 1998, the Saudi Government prepared estimates for the next 25 year period and budgeted considerable funds for the expansion of the public and private health sectors, to meet population growth and primary health care expectations. The population then stood at around 18.5 million. The birth rate in kingdom remains at approximately 3.5 % per year. In Riyadh the population growth is 8% per year.

The quality and range of surgical and diagnostic procedures that required specialized medical equipment and expertise increased and improved dramatically during the period 1997 to 2001. To meet this demand local agents took on many more principal suppliers from all countries and sources outside the Middle East. However product training was limited and spasmodic, and entrenched ineffectual business practices created obstacles that prevented most health care supply companies from maximizing the opportunities that were presented in this period. UK health care product manufacturers also missed an opportunity to meet market requirements, due in part to a lack of business experience in Kingdom and the lack of knowledge regarding how “business deals” are done here.

The general populace now expect reasonable if not high quality treatment in Kingdom. Not only from private

establishments but also government institutions. This expectation has imposed a building and facilities expansion in the sector, which whilst not as intense as before nevertheless is on-going. For example, the Ministry of Health, has a program of 4 to 5 new hospitals being completed each year. To a lesser extent this also affects the other Armed Forces and Military health care facilities. The manning of these facilities is another problem.

This program growth is understandable when it is reported by the RKH that out-patient growth is increasing by 50% per annum, thus placing a huge strain on existing services and budgets.

The Kingdom of Saudi Arabia has an expanding medical market, Saudi Arabia has a population today of some 21 million with projected growth to 45 million by 2025. It is estimated that Riyadh City alone will have a population of 10.5 million by 2015, twice its present size. This increase in the population indicates that there must be considerable expansion in the Health Care Sector.

Health care spending, which is presently almost entirely financed from oil revenue is static, government budgets are tightly controlled and cut backs can be seen in staff and consumables. However it is clear that spending will have to increase by necessity in the very near future, and the Health Authority recognizes this.

Several factors influence the spiraling cost of health care in Kingdom, such as genetic problems, heart disease, diabetes with resultant high level of blindness, eye diseases, obesity, insufficient exercise, high birth rate, to name a few. Statistical studies show that falling per capita income, deteriorating health standards and increasing morbidity will place demands on existing services, which presently are inadequate and unable to cope with any additional load. These requirements will put further stress on the available health facilities which are already under pressure and presently totally inadequate in the rural areas.

Government recognizes the need for increased health spending. The present 6.5 billion Saudi Riyals annual budget is projected to double over the next 10 years. Private health care business is also on the increase. In the next 3 years all workers will have to hold some form of health care insurance.

In the new building program presently being studied, the Health Authorities recognize that all new hospital facilities will require a complete range of high tech. medical specialties. Graduating medical staff are receiving training in the use of equipment that is relatively new in KSA.

Examples of this concern MRI and endoscopic equipment from UK companies seriously considering this business opportunity and who accept the challenges the market offers. Companies must carefully consider how they