Health Economics As An Important Element in Healthcare Reform In Saudi Arabia

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Outline

- Healthcare System in Saudi Arabia: The Past, Present and The Future
- Healthcare Expenditure in Saudi Arabia
- Challenges Facing The Healthcare System in Saudi Arabia
- Health Economics in Saudi Arabia: Opportunities And Barriers
- Conclusion

The History of Healthcare in Saudi Arabia

- Public Health Department → 1925
- Ministry of Health (MOH) → 1950
- Five-year development plan → 1970
- MOH expanding operations → 2006

Source: Private and public healthcare in Saudi Arabia: future challenges

Health Care System Indicators

Total Population (2016)	32,158,000
Population 65 Years Old & Above	3 (%)
Gross National Income Per Capita (PPP Int. $)	53,640
Gross Domestic Product per Capita GDP/capita $	24,362
Total Expenditure On Health As A Percentage Of Gross Domestic Product	4.7 (%)
General Government Expenditure On Health As A Percentage Of Total Expenditure On Health	68.93 (%)
Private Expenditure On Health As A Percentage Of Total Expenditure On Health	31.07(%)
Private Prepaid Plans As A Percentage Of Private Expenditure On Health	19.37(%)
Percentage of government budget allocated to Health Service	6.84(%)
Out-of-pocket Expenditure As A Percentage Of Private Expenditure On Health	58.06(%)
Governmental Insured Population	71(%)
Population Insured by Private Health Insurance	29(%)
Life expectancy at birth M/F (years)	73/76

Healthcare System in Saudi Arabia

- Ministry of health (MOH) is the primary provider of healthcare services (60%)
- More than 2037 health care centers serves Saudi citizens for free under the umbrella of MOH(60%).
- Private sector contributes (20%) to the delivery of healthcare services mainly to expatriates.

Source: Almalki M, Fitzgerald G, Clark M. Health care system in Saudi Arabia: an overview

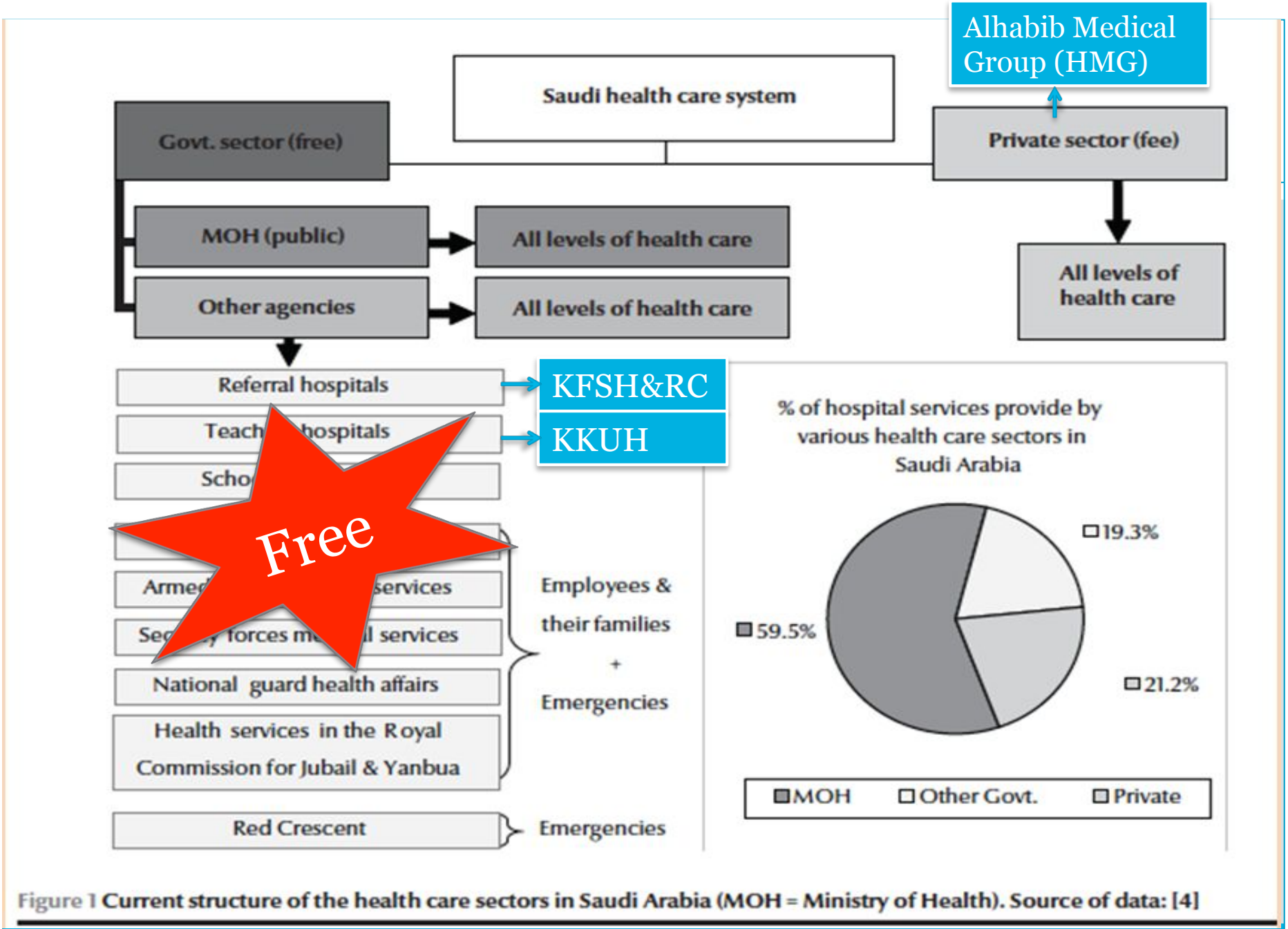
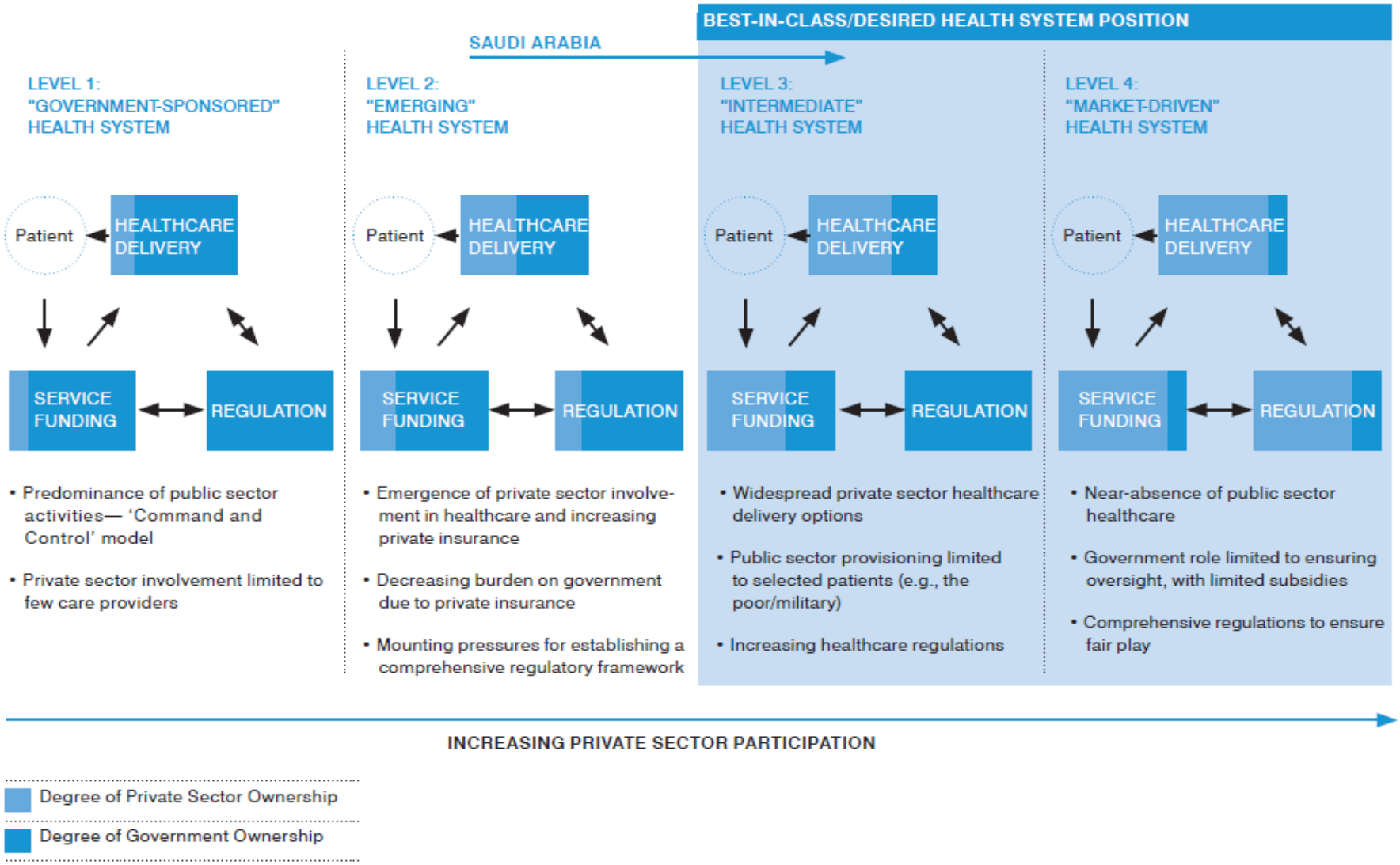


Figure 1 **Current structure of the health care sectors in Saudi Arabia (MOH = Ministry of Health). Source of data: [4]**

Source: Almalki M, Fitzgerald G, Clark M. Health care system in Saudi Arabia: an overview

Evolution Planned for the Saudi Healthcare Sector



Source: Investing in the Saudi Arabian Healthcare Sector

Changes will involve the following

MOH

- Primary and preventative care ONLY.

General Organization for Hospitals

- Separate governmental entity
- Promote for public private partnerships in healthcare provision

National Health Fund committee

- National reimbursement program (separate budget from MOH)
- Operate under the ministry of finance
- Fund directly healthcare services provided to patients

Objectives of privatization

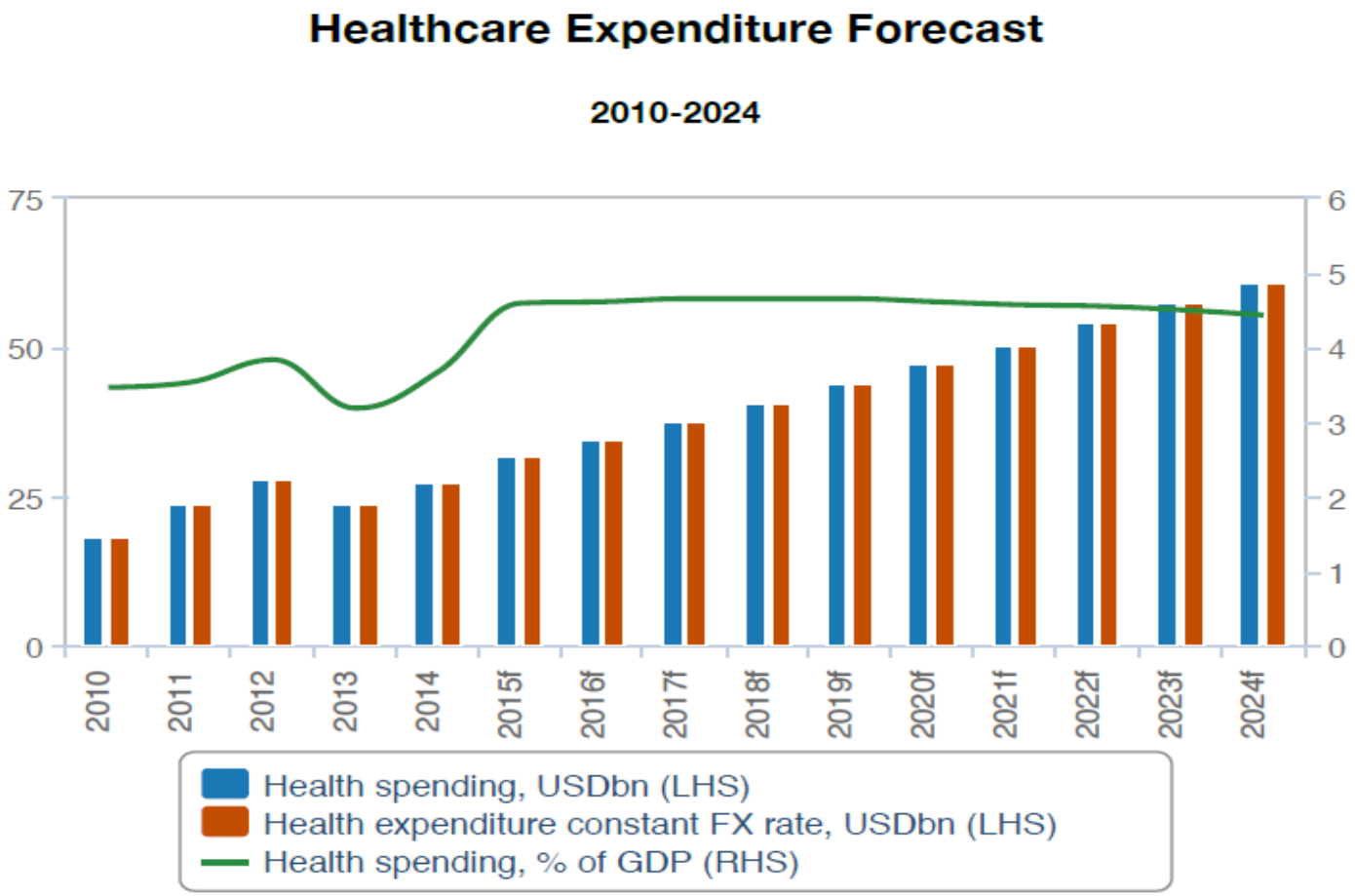
- Enhance effectiveness of national economy and promote competition.
- Create investment opportunities for the private sector.
- Broaden participation of citizens in producing sectors of the economy.
- Promote local and foreign investment.
- Create employment opportunities for nationals.
- Improve the quality and cost effectiveness of services provided to citizens.
- Reduce public spending.
- Increase Government revenues.

Headline Expenditure Projections in Saudi Arabia

- Healthcare: SAR102.6bn (USD27.4bn) in 2014 to SAR118.8bn (USD31.7bn) in 2015; +15.8%
- Pharmaceuticals: SAR28.4bn (USD7.6bn) in 2014 to SAR31.8bn (USD8.5bn) in 2015; +11.9%
- Government healthcare spending will increase from SAR66.3bn (USD17.7bn) in 2014 to SAR139.5bn (USD37.2bn) in 2024.

Source: World Health Organization (WHO), Business Monitor International (BMI) Ltd

Healthcare Expenditure Forecast in Saudi Arabia



Year	2011	2015	2019
Cost Per capita	SAR 918.7 (US$821)	SAR3,768 (US$1,005)	SAR4873 (US$1,299)
Total (Billions)	SAR88.5 (US$23.6)	SAR118.5 (US$31.7)	SAR165 (US$44)

Source: Business Monitor International (BMI) Ltd

Challenges for Healthcare Reform

- Health workforce
  - Saudis constitute ONLY 38% of this total workforce.
- Financial
  - MOH is the major financer
  - Few insurance companies in the market (25 companies)
- The Saudi population will:
  - Grow: population expected to grow by more than 20%
  - Age: people over 60 will INCREASE from 4-7 % of the total population by 2020
- Accessibility to health care services
- Lack of disease management plans and preventative care programs

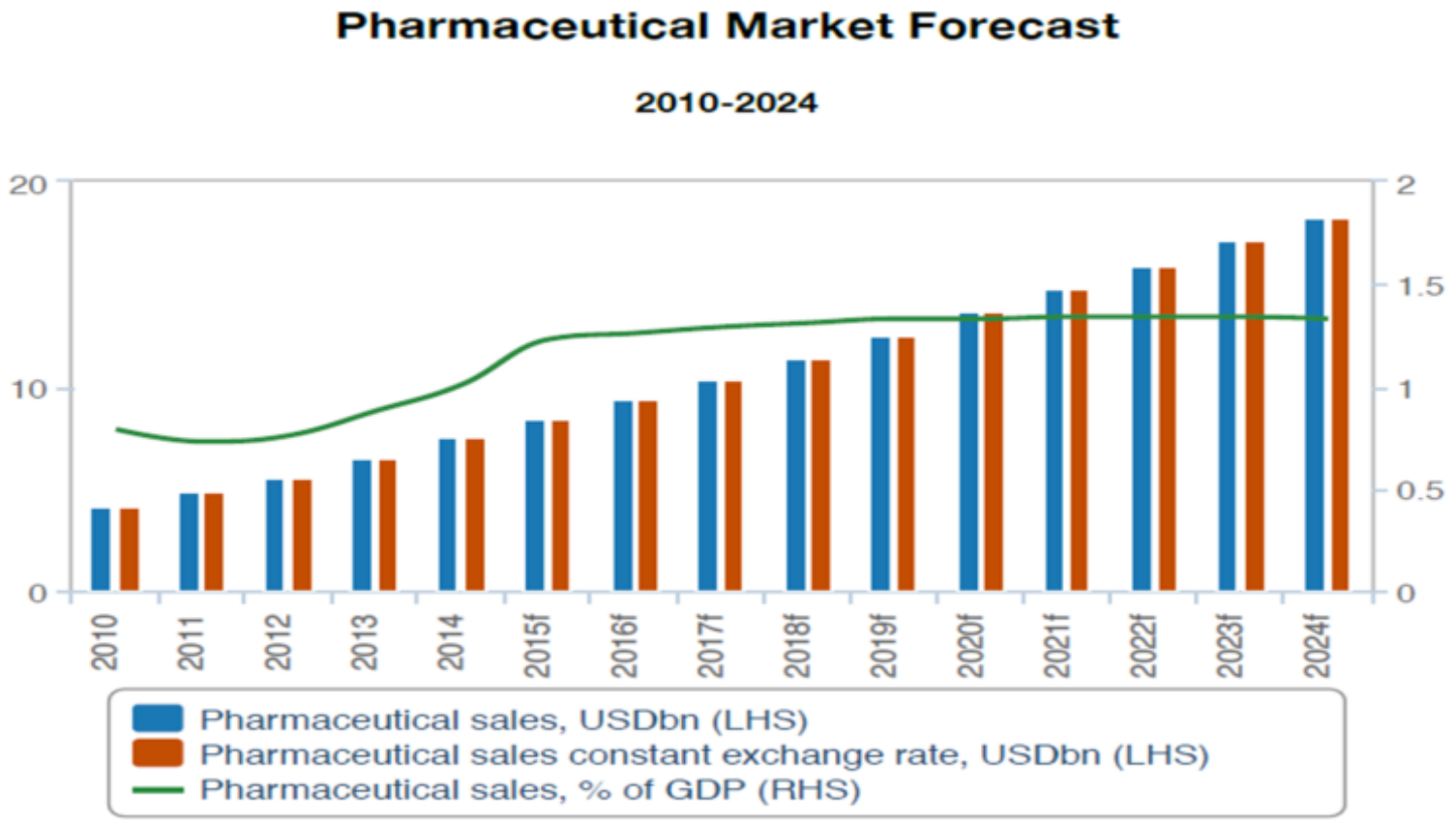
Source: Almalki M, Fitzgerald G, Clark M. Health care system in Saudi Arabia: an overview, Investing in the Saudi Arabian Healthcare Sector

Challenges for Healthcare Reform, Cont.

- Lack of a national electronic health information system.
- Health insurance market is underdeveloped
- Decentralization of health services and autonomy of hospitals
- High cost of medical and pharmaceutical care

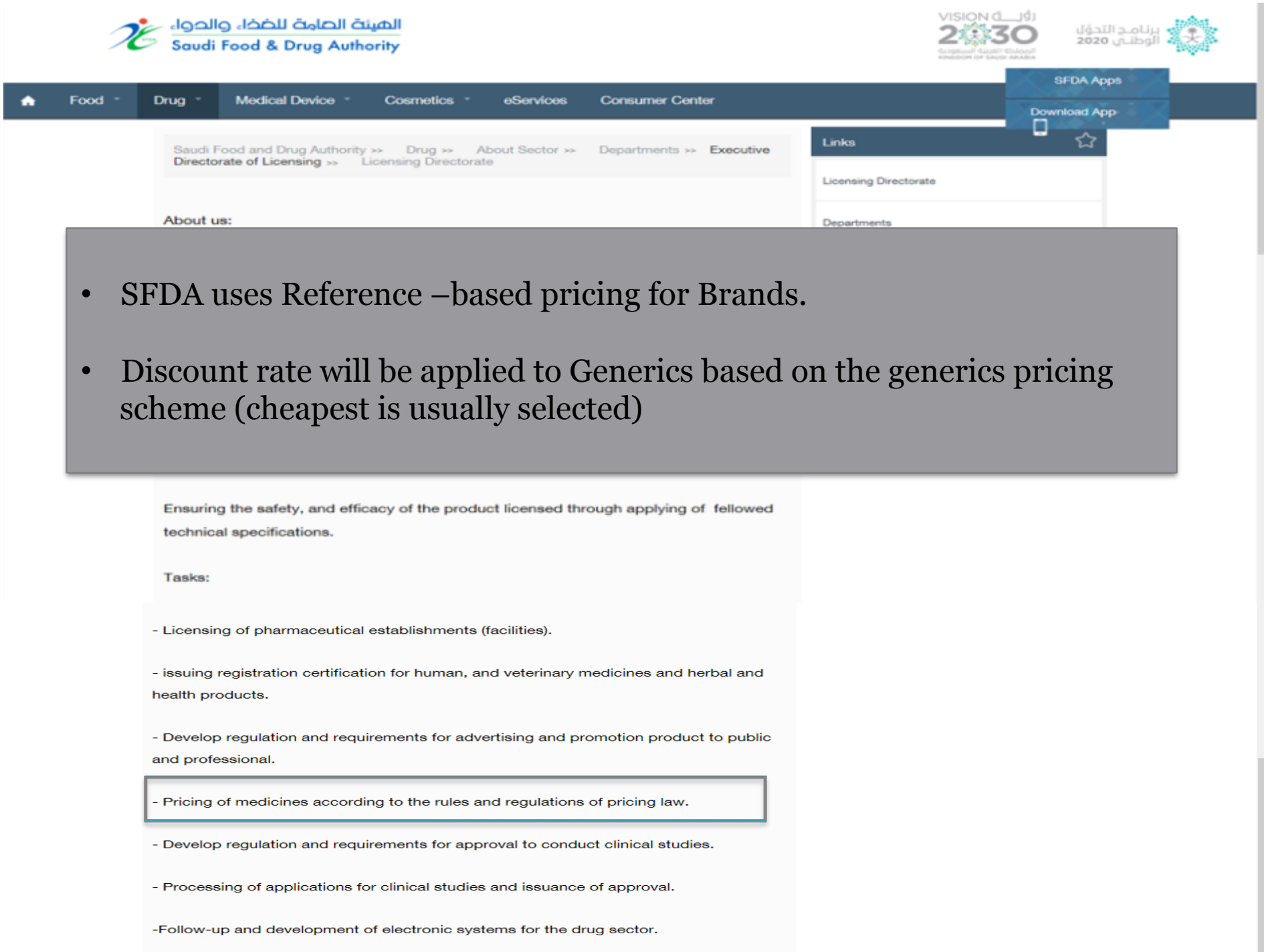
Source: Almalki M, Fitzgerald G, Clark M. Health care system in Saudi Arabia: an overview

Pharmaceutical Market Forecast in Saudi Arabia



Year	2014	2019	2024
Cost Per capita	SAR 918.7 (US$245)	SAR1,391 (US$371)	SAR1,890 (US$504)
Total (Billions)	SAR24.7 (US$6.6)	SAR42.4 (US$11.3)	SAR63.9 (US$17)

Source: Business Monitor International (BMI) Ltd



- SFDA uses Reference –based pricing for Brands.
- Discount rate will be applied to Generics based on the generics pricing scheme (cheapest is usually selected)

Regulatory measures

- Implement guidelines for the promotion of local production
- Establish a mandatory personal insurance plan for individuals in KSA
- Establish and monitor a tight pricing control for local and international products

Pharmcoeconomics Research Center

- Identify, measure and compare pharmaceuticals costs and outcomes
- Allow efficient allocation of healthcare resources within constrained budget
- Guide and monitor cost-effectiveness usage of medications on a national level

Notional unified procurement company for medical supplies (NUPCO) (established)

- Handle government tenders
- Facilitate procurement, storage and distribution of medical supplies
- Allow bundled procurement thereby achieving operational efficiency, inventory effectiveness and economies of scale

Types of formularies

Provider Affiliation	Providers	Eligibility	Type of Drug Formulary
Governmental	MOH	Saudi citizen and Resident	Closed
Semi –governmental	M.O. Defense	Employees & their dependents	Closed & More Generous than MOH
	National Guard		
	Ministry of Interior	Referred Cases Free Of charge, FFS for self referral	
Referral hospitals	KFSH&RC	Employees & their dependents, Referred Cases Free Of charge	Open (no out of pocket) costs incurred by eligible patients
Private	HMG	Fee-For-Service (FFS)	Open formulary Out of pocket

Economic Downturn in Saudi Arabia

- "Every Saudi citizen has the right to have access to free medical services and no one should be denied medical attention because of economic reason"
- Saudi healthcare system faced budget cuts in 2015 due to a sustained slump in oil prices.
- The budget of health and social development was ultimately decreased from SR 160 bn to SR 105 bn in 2016.

http://www.eiu.com/industry/article/663813450/health-cuts-in-2016-budget/2015-12-29

Health Economic (HE) in Saudi Arabia (SA)

- HE is still an immature discipline in Saudi healthcare sector.
- No national authority is responsible of applying HE in the Kingdom.
- Efforts are now taking place to establish and implement this science in all healthcare sectors and departments to ensure safe, effective and cost-effective use of medications and resources.
- Workshops, conferences and lectures are being conducted from experts in the field to help practitioners understand the concept and apply it in their settings.

Experts opinion



The role of pharmacoeconomics in formulary decision making in different hospitals in Riyadh, Saudi Arabia

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The use of pharmacoeconomic evidence to support formulary decision making in Saudi Arabia: Methodological recommendations

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perspective

Pharmacoeconomic Analysis in Saudi Arabia: An Overdue Agenda Item for Action

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Ann Saudi Med 2011; 31(4): 335-341

Experts Opinion, Cont. (Dr. Alsultan)

- Survey-based study in 2007
- Examined the role of PE evaluation in formulary management among P&T committee members in 11 hospitals in Riyadh.
- ~ 50 % response rate
- > 80 % of respondents had a fair knowledge about PE science.
- 80 % of respondents agreed that PE should be applied to help professionals to take value-based decisions regarding formulary management and resource use.

Experts opinion, Cont. (Alaqeel et. al)

- This paper explained the concept, methodology and the applicability of PE analysis.
- The aim was to aid policy-makers, healthcare providers and stakeholders to understand PE discipline.
- Authors proposed to establish a national agency responsible for conduction PE evaluations.

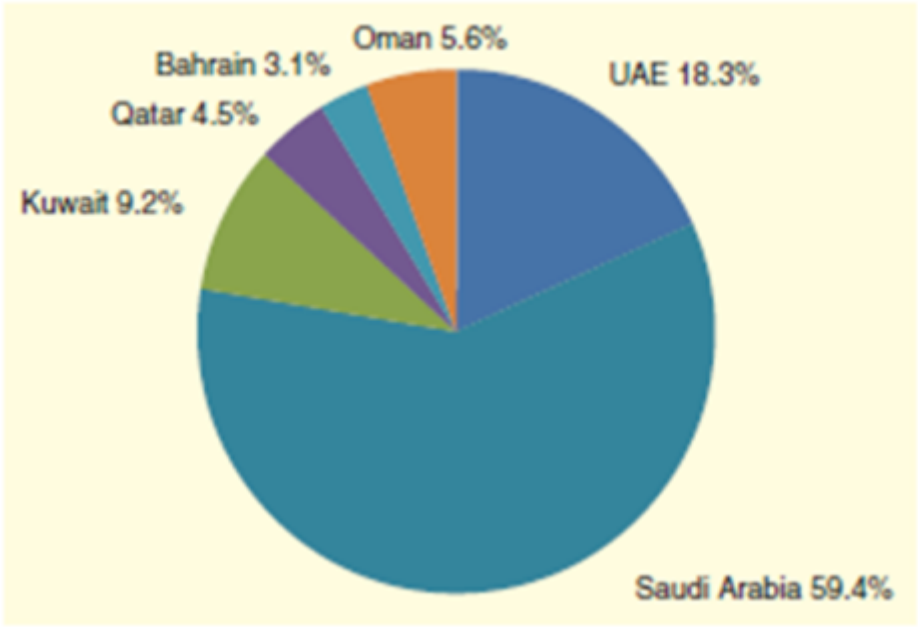
Experts opinion, Cont. (Aljazairi et. al)

- Overview of PE concept
- Types of PE analyses
- Barriers to implement PE analysis in Saudi Arabia
- Strategic planning to overcome most of the challenges in applying PE in Saudi Arabia.

Opportunities in Implementing HE in SA

- Budget constrains all over the kingdom
- High demand of medical services
- Huge market share among other GCC (59%)

Pharmaceutical market in the Gulf Cooperation Council

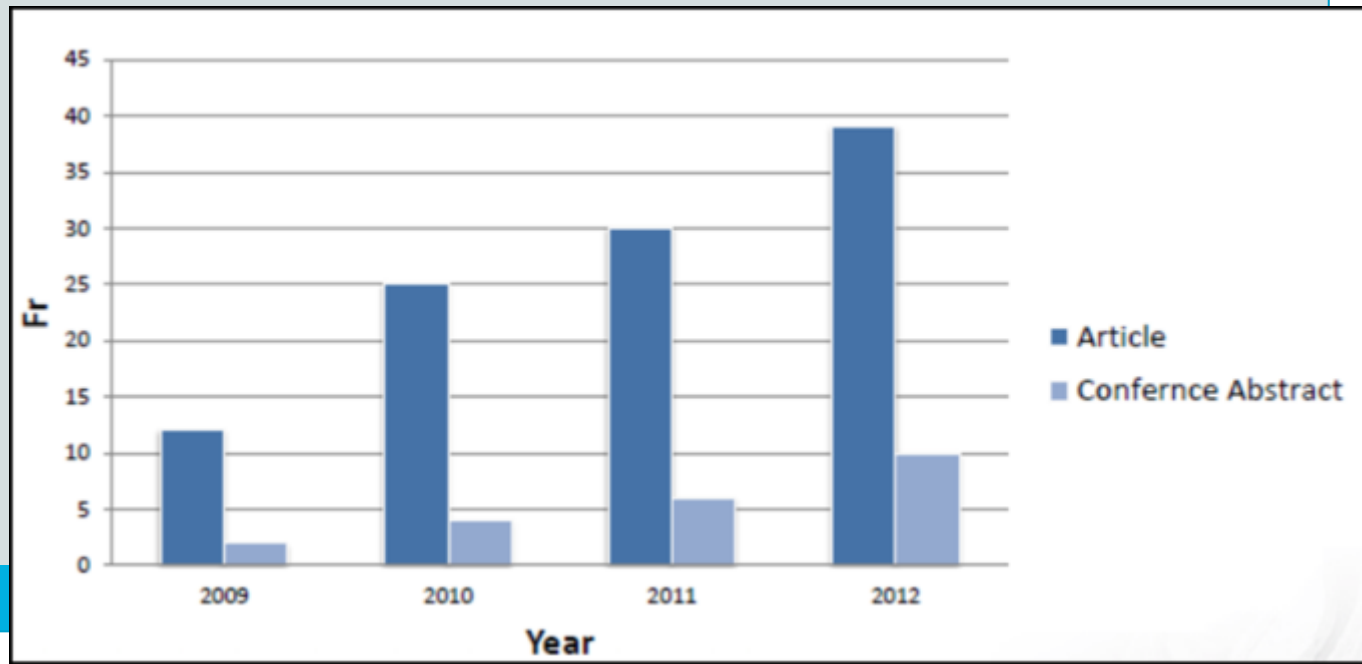


Alkhenizan, A. (2014). The pharmacoeconomic picture in Saudi Arabia. Expert Review of Pharmacoeconomics & Outcomes Research

Opportunities in implementing HE in Saudi Arabia, cont.

- Rising needs of patent and generic drugs.
- Create a competing pharmaceutical market environment.
- Trend towards patient-reported outcomes (PROs).

Publication Trend of QOL related Studies in Saudi Arabia



https://www.ispor.org/meetings/neworleans0513/releasedpresentations/FORUMArabicNetwork.pdf

Barriers to implement HE in Saudi Arabia

- Lack of data on:
  - local clinical (efficacy) data: registries, hospitals
  - Quality of life (humanistic outcomes): registries, observational studies
  - Costs of medical services are not comprehensive.
  - Epidemiological studies (Outdated)
- WTP is not established
- PE research:
  - Institutionalization: No national entity responsible for PE research (one local research unit in KAMC)
  - Human capacity: No local educational programs
  - Integration: No local database for PE research

Conclusion

- Saudi health sector reform will require strategic and systematic planning.
- SA is facing an economic downturn in which it affected the healthcare budget.
- Budget constrains and rising cost of pharmaceuticals are the main challenges facing the government for health reform.
- PE science is evolving in SA by the efforts of leaders in the field and the support of our health sector administrators.

THANK YOU