



BADRI

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The Vitals

“

Good health is not something we can buy. However, it can be an extremely valuable savings account.

-Benjamin Franklin

Medical Newsletter

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TOPIC 1: THE GROWING MEDICAL INSURANCE SECTOR IN THE GCC

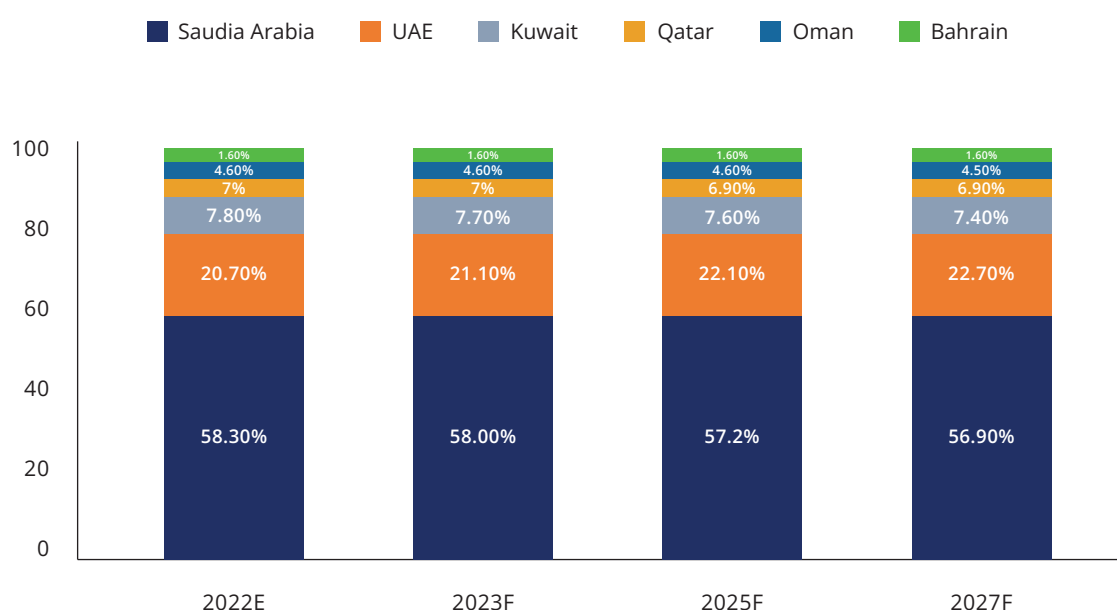
Forecasting details on the GCC insurance industry

The GCC healthcare sector has witnessed significant growth and transformation in recent years due to the COVID-19 pandemic and the subsequent investments made by industry stakeholders to strengthen the ecosystem.

The Gross Written Premium in the GCC grew at an annualized rate of 1.8% from US\$ 24.2 billion in 2015 to US\$ 26.5 billion in 2020. The annual average growth rates of Current healthcare expenditure in the GCC countries are projected to range between 4.4% and 7.4% during the forecast period. Current healthcare expenditure in the GCC is projected to reach US\$ 135.5 billion in 2027, growing at a CAGR of 5.4% from 2022. ¹

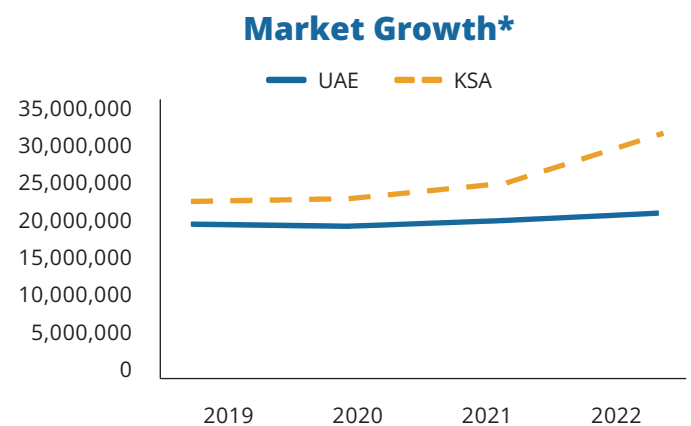
The graph shows the country-wise CHE contribution in the GCC region. The region's expanding population base, high incidence of NCDs, rising cost of treatment, rising medical inflation, and increasing penetration of health insurance are expected to augur growth. Market rankings are expected to remain unchanged, with Saudi Arabia and the UAE dominating the region's Current healthcare expenditure with a combined share of 79.6% in 2027. ¹

Country Wise CHE Contribution



Source: Alpen Capital, WHO, IMF, WTW, MOH and statistical organizations.

The graph shows the market growth rate for the years 2019-2022 for both regions, we have observed that KSA has a higher growth rate as compared to UAE. In 2022, the total Gross Written Premiums in Saudi Arabia experienced a significant growth of 27%, reaching SR 31.79 billion. Notably, health insurance emerged as the largest contributor to this growth. The UAE health insurance market size is expected to reach US\$ 14.6 Billion by 2032, exhibiting a growth rate (CAGR) of 6.4% during 2024-2032. ²

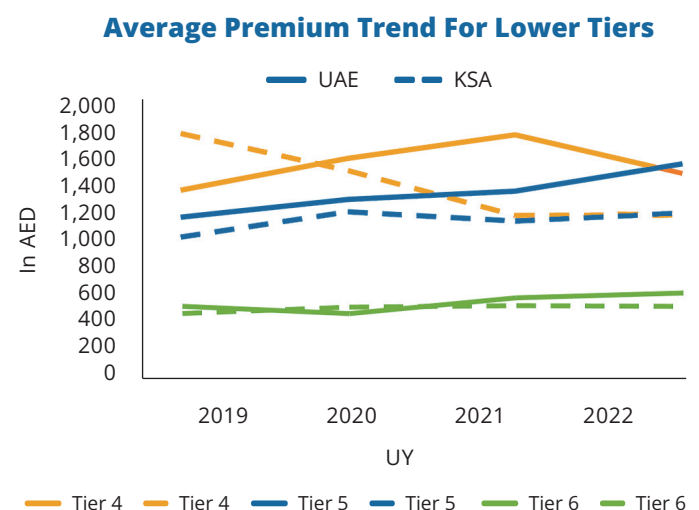


Source: Aon Reports & Badri Reports

Both regions, experiencing a rise in life expectancy including a rising aging population. Especially in KSA, according to the Ministry of Health, the age bracket of 65 years and above is expected to grow from 1.96 million in mid-2018 to 4.63 million in mid-2030. ³

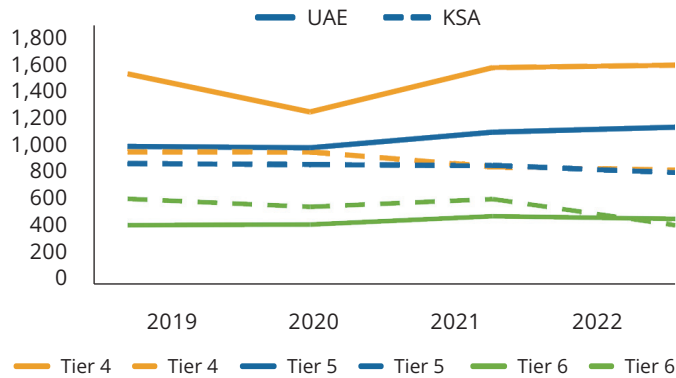
In both regions, the surge in Non-Communicable Diseases (NCDs) like diabetes and hypertension, alongside various cardiac, renal, and systemic ailments, has amplified the demand for expanded healthcare services. This is mostly attributed to an improvement in the quality of healthcare coupled with awareness programs, increased accessibility to healthcare facilities, and other governmental initiatives. The launch of healthcare hubs like Abu Dhabi and Dubai implemented policies to attract foreign investments aiming to enhance healthcare standards and bolster the health industry. Notably, the government significantly increased the healthcare budget to 8.1% of the total budget in 2021 and 2022, up from 6.9% in 2020, focusing on expanding and upgrading healthcare systems. ¹

The graph depicts the Average Premium Trends for KSA and UAE from UY 2019 to 2022. Badri has made the networks based on average gross written premium. For this analysis, we have specifically emphasized lower tiers that typically bear higher exposure levels in both the regions KSA and UAE. Despite KSA offering more substantial benefits, our analysis indicates that the average premiums in KSA are lower when compared to those in the UAE.

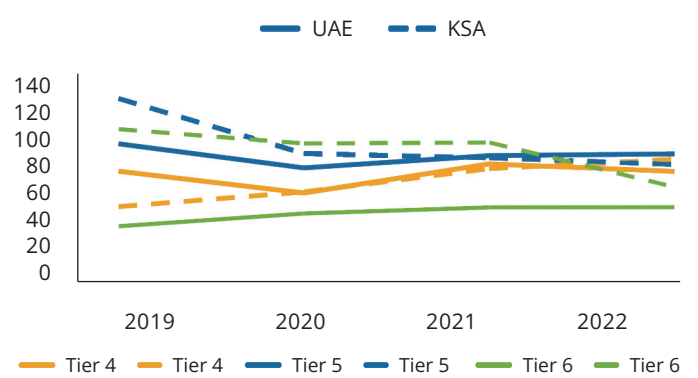


The following graph shows PMPY (Per Member Per Year) and Loss ratio by AY based on BADRI Tiers for both KSA and UAE. It can be observed that the burning cost of KSA is lower as compared to UAE.

PMPY For Lower Tiers



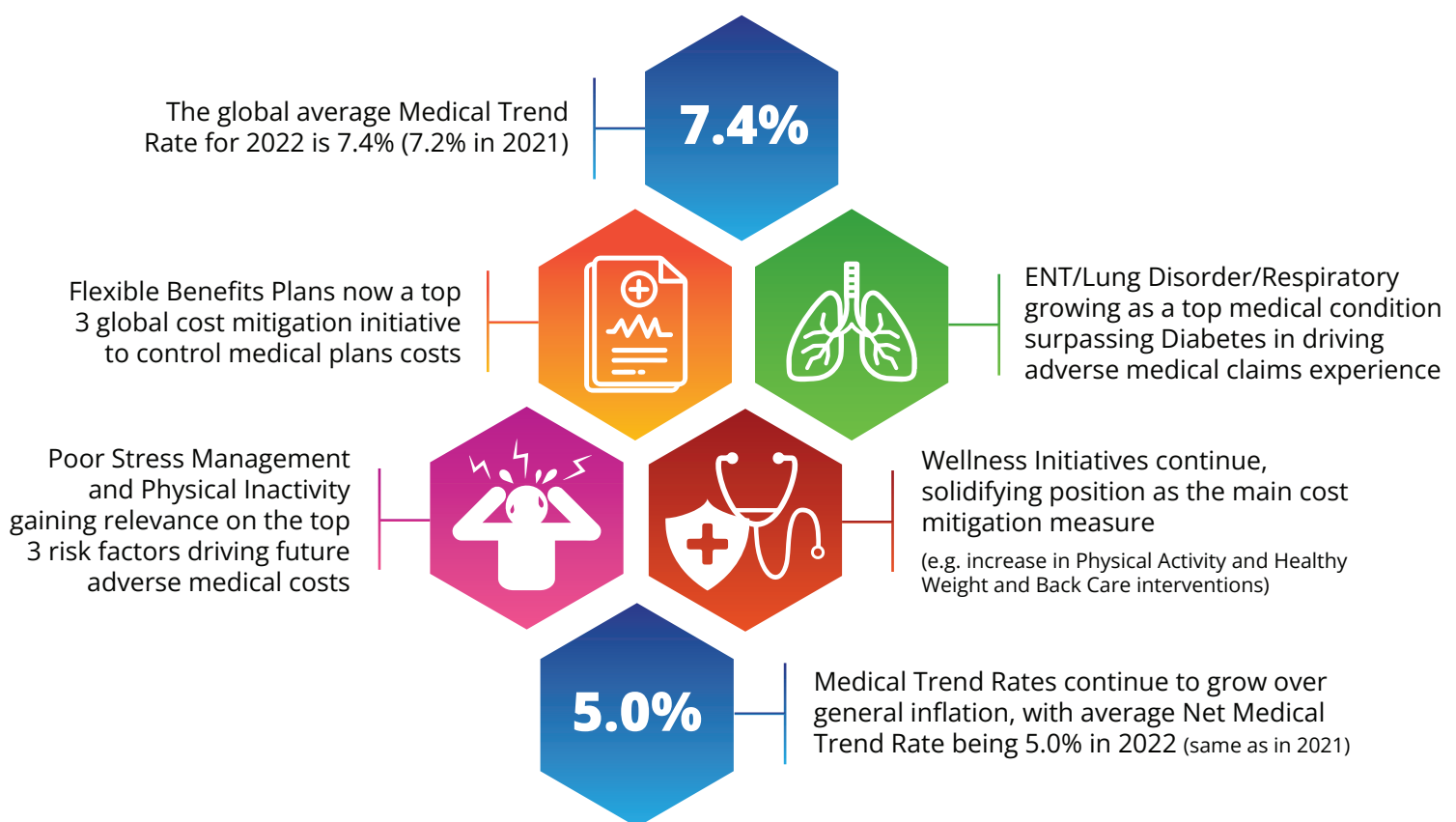
Loss Ratio Trend For Lower Tiers



TOPIC 2: CAUSES OF RISING HEALTHCARE COSTS IN GCC REGION

I. Rising Inflation in the GCC region

The prediction for global inflation is to reduce to 6.5% in 2023, whilst the forecast for medical inflation is to increase. According to the 2023 Global Medical Trends Survey, global medical costs are projected to increase to 10.0% in 2023, an increase from 8.8% in 2022 and 8.2% in 2021.



Factors contribute to driving Health care costs:



MIDDLE EAST & AFRICA (MEA)

REGIONAL AVERAGE GROSS MEDICAL TREND RATE

2022 | 11.1%

2021 | 12.0%

REGIONAL AVERAGE NET MEDICAL TREND RATE

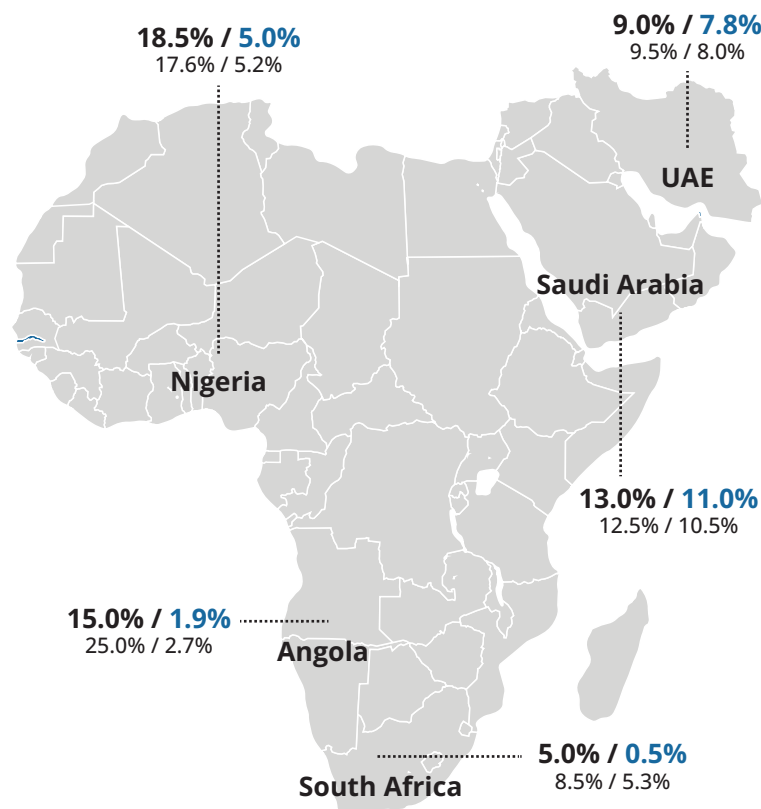
2022 | 6.1%

2021 | 7.1%

Healthcare costs in the Middle East and Africa (MEA) are rising, with the average annual increases now returning to pre-pandemic levels. In 2021, medical expenses per employee in the MEA region saw a 10.2% increase, and it was projected to experience a 15% rise in 2022, followed by a 13.8% increase in 2023. These increases were noted to be above the global average, as per the most recent study conducted.⁴

2022 Annual Medical Gross % / Net % VS.

2021 Annual Medical Gross % / Net %



The rising healthcare costs are largely related to the absence of a specialty or the quality of the available treatment in the home country. According to a poll, about 39% of UAE nationals said they would travel abroad for treatment, 47% in Bahrain and 43% in Qatar and Oman would also prefer to get treated abroad.⁵

The following percentages reflect responses from different countries, indicating the primary cost factors considered most important within their medical plans and services which are the reason of increasing their medical cost.

% of countries responding



88%

Hospitalization



83%

Clinics / Labs



73%

Prescription Drugs



74%

Physical Services



42%

Maternity

Displayed below are the percentages of countries reporting the specified cost factor within their respective regions. In the Middle east region, it is observed that laboratory, hospitalization, and Drugs are the top 3 factors for the rising medical costs.

Indicated Cost Elements in Respective Region

North America		APAC		Europe		LAC		MEA	
United States	Canada								
Hospitalization	Prescription Drugs	Hospitalization	95	Hospitalization	81	Hospitalization	96	Clinics/Labs	100
Prescription Drugs	Dental	Clinics/Labs	84	Clinics/Labs	77	Prescription Drugs	92	Hospitalization	88
Physician Services	Biologic Immunomodulators	Prescription Drugs	84	Physician Services	65	Physician Services	83	Physician Services	88
Clinics/Labs	Preventive Care	Physician Services	74	Preventive Care	48	Clinics/Labs	75	Physician Services	77
Not Additional	Vision	Maternity	42	Dental	45	Maternity	42	Maternity	62

% of countries responding per indicated region

The graph shows the annual gross inflation medical trend rates for the GCC countries for the year 2021 - 2022. It represents that the inflation rates are high in both UAE & KSA as compared to other GCC countries.

- In Saudi Arabia, employers are extending coverage to include parents as a strategic approach to attract and retain talented individuals. While this expansion offers benefits, it also introduces additional risks and places added pressure for increased costs. Consequently, the amalgamation of these factors is anticipated to lead to a Medical Trend Rate of 13%.
- Whereas in the United Arab Emirates, the negative impact on the healthcare infrastructure and the reduction in the utilization of healthcare services, particularly stemming from the cancellation of medical appointments and elective non-emergency treatments during 2020 and 2021, have exerted downward pressures on the trend rate. Therefore, it is anticipated 2022 Medical Trend Rate to be at a 9% level slightly below the rate reported last year. ⁶

Annual Medical Inflation Trend Rates



Source: Aon Reports & Badri Reports

II. Prevalence of Non-communicable Diseases in GCC countries:

NCDs

Non-Communicable Diseases



NCDs are the most underfunded global health issue relative to the billions of people impacted. 41million people die every year due to an NCD, accounting for 74% of all deaths worldwide, and annual deaths from NCDs are projected to escalate to 52 million by 2030. Globally, NCDs are estimated to cost over US\$ 30 trillion from 2011 to 2030, representing 48 percent of 2010 Global GDP. ⁷

The top reasons in the GCC countries that drive the claims in both frequency and cost are elevated incidence rates of major non-communicable diseases (NCDs) such as cardiovascular disease, diabetes, cancer, and respiratory ailments. In 2019, NCDs accounted for a substantial 78.8% of total deaths in the region, reflecting an increase from 73.0% in 2016. Fatality rates related to cardiovascular diseases, cancer, chronic respiratory diseases, and diabetes increased to 62.5% of total deaths in 2019, compared to 55.0% in 2016. Obesity and diabetes are identified as significant risk factors for cardiovascular diseases and other heart-related complications in the GCC, emphasizing the critical need for comprehensive public health measures and lifestyle interventions in the region. ¹



Saudi Arabia has a high diabetes prevalence of 7.9% among adults, with over 40% of the adult population being obese. According to the World Health Organization (WHO), the prevalence of obesity in Saudi Arabia is expected to rise above 45% by 2025.



Around 4,800 people in the UAE die every year from the four main non-communicable diseases (NCDs), which cause 55% of all deaths in the United Arab Emirates.



Obesity rates are also notably high in Kuwait (37% of adults) and the UAE (30% of adults), ranking among the highest in the Arab world.



NCDs cost the UAE AED 39.9 billion (US\$ 10.9 billion) every year, equivalent to 2.7% of GDP in 2019. As a comparison, this is equal to nearly half of the economic contraction in the UAE due to covid-19 (5.9% in 2020).



Oman had the highest NCD-related deaths in 2019 at 683.6 per 100,000 population, followed by Qatar (650.1 per 100,000 population) and Bahrain (644.3 per 100,000 population).



34% of all in the UAE are due to **Cardiovascular Disease**, which causes the most deaths every year.



Beyond health implications, these NCDs adversely affect socioeconomic development and strain the government & fiscal sustainability by increasing expenditures on healthcare, early retirement benefits, and social welfare. The economic impact includes reduced productivity due to premature deaths and health-related work disruptions. Furthermore, the interplay between NCDs and COVID-19 amplifies the challenges, as NCDs and their risk factors heighten susceptibility to severe outcomes from COVID-19 infection. ⁸

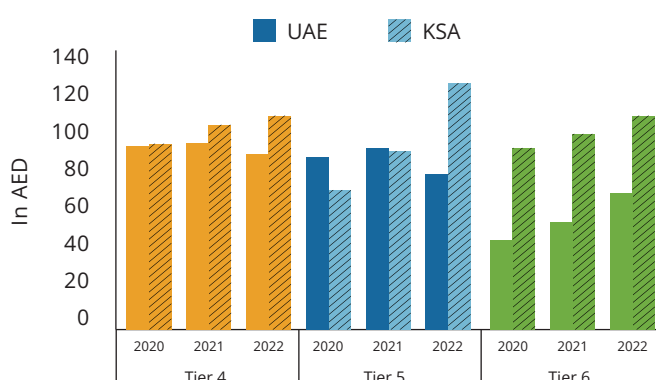
According to a STEP survey 2017-2018, risk factors for NCDs in the UAE are tobacco use, high salt intake, poor diet, physical inactivity, and the prevalence of other metabolic risk factors, including raised blood pressure, high cholesterol, obesity, and diabetes. It also includes some environmental risk factors, such as air pollution.

III. Cost Analysis of Top Outpatient Diagnosis:

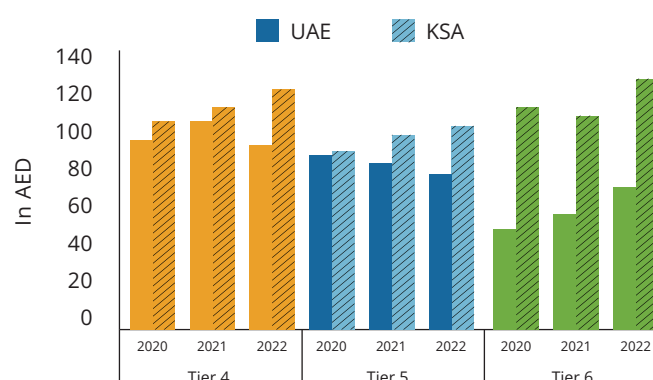
The table shows the Top 5 Diagnosis rankings for the lower tiers in AY-2022. The tiers have been formulated based on network type where the average premium is the deciding factor. For this analysis, we have compared the average cost (CPC) of these diagnoses specific to outpatient cases for both the UAE and KSA regions based on Tier 5.

S.No	Top Diagnosis
01	Acute upper respiratory infection, unspecified
02	Fever, unspecified
03	Acute bronchitis, unspecified
04	Essential (primary) hypertension
05	Acute pharyngitis, unspecified

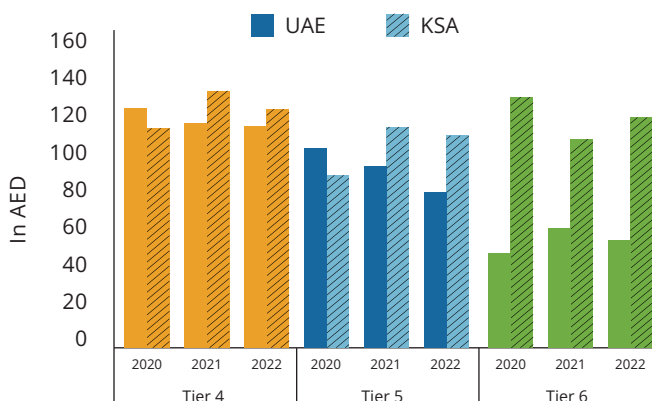
Acute upper respiratory infection, unspecified



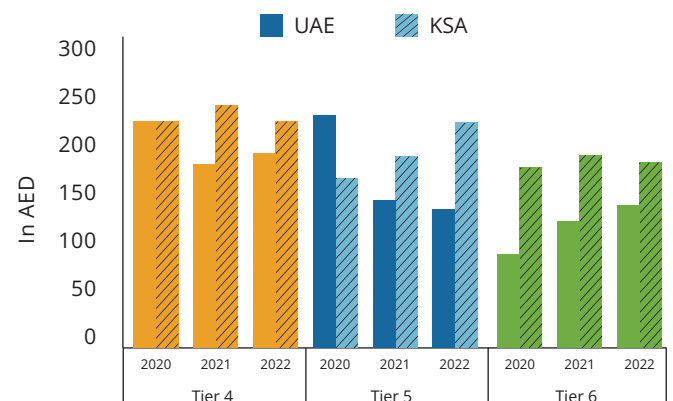
Fever, unspecified



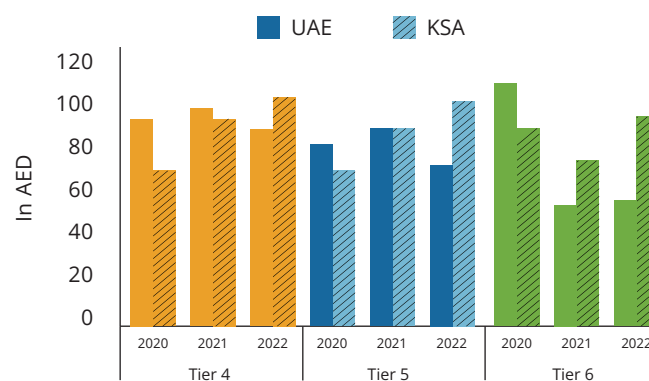
Acute bronchitis, unspecified



Essential (primary) hypertension



Acute pharyngitis, unspecified



The graphs show that the Cost per claims of top diagnosis for KSA is higher as compared to the UAE region across all the lower tiers.

- The ICD code for Acute upper respiratory infection is J06. 9. This infection includes rhinitis, pharyngitis, and tonsillitis having symptoms like cough, sore throat, etc.
- The ICD code for fever unspecified is R50.9 which is the 2024 edition of ICD-10-CM R50.9 became effective on October 1, 2023. It is a disorder characterized by elevation of the body's temperature above the upper limit of normal.
- The ICD code for Essential (primary) Hypertension is I10, it can harm the arteries and cause an increase in the risk of stroke, heart attack, kidney failure, and blindness.
- J20. 9 is the ICD code for Bronchitis, which is an inflammation of the bronchial tubes, the airways that carry air to your lungs.
- The ICD-10 code J02. 8 is for Acute pharyngitis which is a disease of the respiratory system.

Sedentary lifestyles, poor dietary habits, and unhealthy choices, particularly among the young and working-age population, contribute to the higher prevalence of non-communicable diseases (NCDs) in both UAE and KSA regions.

TOPIC 3: INNOVATION AND TECHNOLOGY TO MINIMIZE HEALTHCARE COSTS

4 TECHNOLOGY TRENDS FOR 2022-2023

The GCC countries are heavily investing in healthcare technology to drive progress. Integrating technology is set to enhance inclusivity, accessibility, affordability, and growth in healthcare. Digitalizing healthcare is a major focus for GCC governments, with regulatory bodies partnering with private institutions to invest in smart tech like e-Visits, digitized medical records, data analysis, and mobile apps for patient engagement, improving healthcare delivery and disease management.

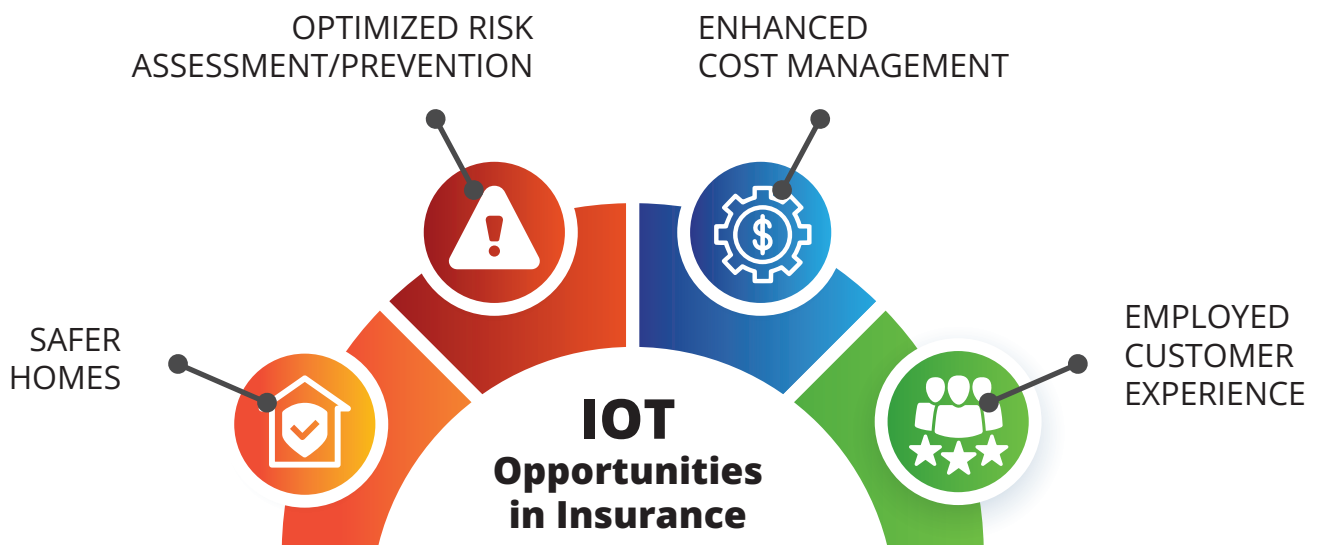
Technology trends are transforming the insurance industry into Insurtech. The four technology trends from 2022-2023 aim to enhance customer experiences, streamline services, reduce healthcare costs, and increase capabilities. These trends are projected to drive a significant 45% annual growth in the tech market, notably impacting the evolution of the insurance sector.⁹



I. AI for predictive analytics in insurance

An insurer profits heavily rely on how effectively they manage, analyze, and forecast information. To achieve this, companies are striving to implement widespread data analytics, leveraging the efficiency of technologies like artificial intelligence.

In addition, AI allows insurance companies to achieve a decent level of personalization, a preference expressed by 80% of customers. McKinsey predicts that from 2030 to 2040, AI-driven automation could cover 10% to 55% of insurance tasks like underwriting, claims processing, record keeping, and invoicing. Digital banking research suggests firms utilizing predictive analytics might reduce loss ratios by 3% to 9%. AI expedites underwriting and claims processing, for instance, insurers offer reduced premiums to careful drivers with a clean record over three to five years and provide discounts to those driving fewer than 7,000 miles annually. This personalized approach enhances customer loyalty and reinforces brand commitment.



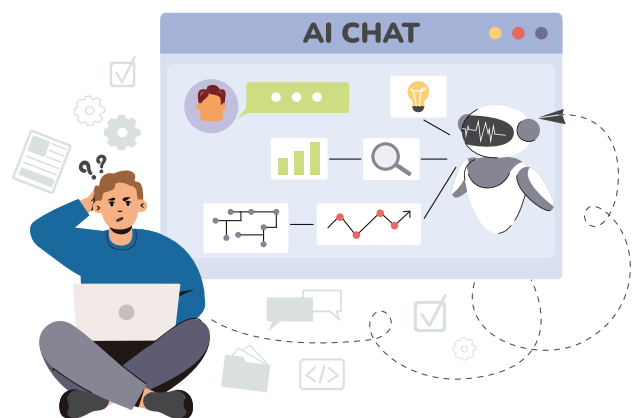
II. The Internet of things for loss prevention

Before IoT devices, insurance firms offered discounts to homeowners with security systems. Now, insurers can provide beneficial policies with IoT equipment. These devices allow insurers to monitor premises for anomalies, alerting agents in case of incidents. For instance, in a commercial building, if a faulty boiler poses a risk, the insurer is notified to prevent damage. This proactive approach warns clients before potential breakdowns or explosions, protecting them and avoiding substantial losses.

Allied Market Research predicts that the global insurance IoT market will grow from \$8.63 billion in 2019 to more than \$300 billion in 2027.

III. Chatbots for 24/7 communication with customers

A virtual assistant helps clients when an insurance agent is available. Servion forecasts that by 2025, 95% of consumer interactions will occur through virtual assistants on phone or chat. For instance, a Zurich-based insurance firm adopted Zuri, a virtual assistant, automating 84% of customer interactions, swiftly resolving 70% of issues, and boosting website engagement by 10%. Chatbots significantly impact the insurance sector. According to a market intelligence provider, the global chatbot market in banking, financial services & insurance market (BFSI) is set to surge from \$586 million in 2019 to nearly \$7 billion by 2030.





IV. Drones for risk and loss assessment

Drones, initially used in rescue and delivery, have found a place in insurance research. They aid in risk assessment before policy issuance, calculating post-incident losses, and suggesting preventive maintenance for insured items. Currently, 17% of commercial drones are employed by insurance companies, and more aerial devices will be used in the future. Drones play a critical role in insurance when hazardous conditions prevent adjusters from reaching the incident site. They ensure claim validity and prevent processing delays.

In the UAE, over 50% of hospitals use IoT-based solutions, and 90% of doctors employ smartphones and medical apps to serve patients. This digitization is expected to greatly enhance efficiency, service quality, and resource utilization in healthcare across the country. Meanwhile, Saudi Arabia is poised to be the fastest-growing digital health market in the region, allocating \$1.5 billion for healthcare IT and digital transformation programs. A Frost Sullivan survey reveals that 70% of patients in Saudi Arabia are already utilizing telehealth services.

During the COVID-19 pandemic, GCC governments swiftly embraced technology in healthcare, introducing contact-tracing apps like Tabaud in Saudi Arabia, Alhosn in the UAE, Ehteraz in Qatar, and Tarassud Plus in Oman. These nations also implemented various remote care solutions, including robotic diagnosis in Saudi Arabia, a chatbot service in the UAE, AI-driven surgery in Dubai, and virtual outpatient services in Qatar. Oman increased the production of a digital respiratory device. Abu Dhabi & ADTC was formed in 2014 and initiatives like the online health portal by Cleveland Clinic Abu Dhabi and Bahrain & Skype Telemedicine Solutions. These actions accelerated the adoption of telehealth, e-consultation, and digital healthcare services.⁹

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How we can help



**Pricing and
Predictive
Analysis**



**Fraud Waste
and Abuse**



**Cost
Containment
Alternative**



**Performance
Monitoring
and Analytics**



**Profit
Optimization**



**Provide
Network
Structure**

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