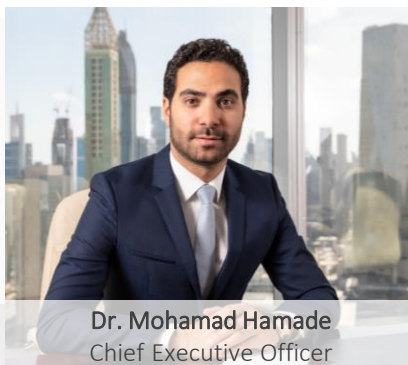


# CEO MONTHLY

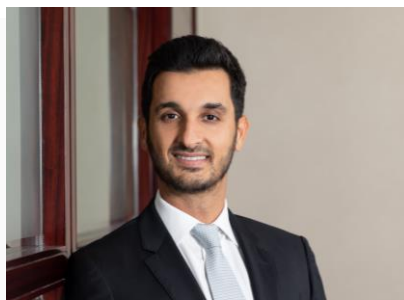
DR. MOHAMAD HAMADE

> CO-AUTHORED BY AMER JEAMBEBY



Dr. Mohamad Hamade  
Chief Executive Officer

Follow me  



Amer Jeambey  
Head of Healthcare & Acting CFO

Follow me 

Post-Acute Care (“PAC”) is still at its infancy in the region and has long been an area of interest for Amanat given the demographics and fundamentals that drive this specialized healthcare sub-sector. There are opportunities to develop and grow PAC into a more established specialization regionally with the right input from the public and private sectors combined. In this month’s letter we will look to address:

- The fundamentals of PAC in the region and the supply-demand gap.
- The maturity of PAC in the region and how it can evolve.
- Key success factors of PAC in the region.

Friends,

As most of you already know, in 2015 we invested in **Sukoon**, a Saudi-based healthcare business focused on post-acute care (PAC). It was our first investment in this sub-sector, and we have been keen followers ever since. This article aims to discuss the regional supply-demand gap, the maturity of regulatory framework and reimbursement systems, as well as the underlying growth opportunity for PAC in the region.

**The Economic Rationale for Post-Acute Care Providers**

Post-acute care (“PAC”), or as it is sometimes referred to as, **long-term care** or step-down care, is continued post-hospitalization that provides care and rehabilitation services to patients recovering from surgery, chronic illness, mental illness, or disability. PAC is categorized under specialized healthcare and may be rendered as inpatient or outpatient therapy, or even provided at home.

Furthermore, PAC providers aid the transition of patients from hospitals to more specialized offerings. In turn, this process **streamlines** the transfer of care to a more dedicated service offering to the patient and reduces the requirements of acute-care and ICU beds, improving healthcare outcomes.

Now let us delve deeper into the macro economic benefits and output of such service providers and why this is an important area of growth for the region. Today, patients categorized as long term in nature, are most likely occupying an acute care or ICU bed in a hospital, a bed that from an economic perspective is not ideal. Consequently, this puts a strain on the healthcare system by blocking beds required for post-operative and acute care patients. In effect, this means that the payors incur substantially higher costs per bed for each ICU bed occupied by a post-acute care patient than what a specialized PAC provider would be charging. Additionally, the provision of care and **rehabilitation** services at a specialized post-acute care facility will be geared towards PAC patients with specialized medical staff and equipment to meet the needs of long-term patients and improve quality of life and assist recovery. This creates a solution that satisfies both the public and private sectors alike.

Post-Acute Care systems in the UAE and Saudi Arabia are still in their infancy. However, regionally, we can argue that Abu Dhabi has one of the most established PAC models in operation from a reimbursement and regulatory standpoint. Therefore, we see an opportunity for local and regional authorities to replicate such a model.

### The Post-Acute Care Opportunity

Demand for UAE post-acute services is expected to reach c.4,000 beds by 2024, a growth of 4% annually. In KSA, however, the **demand** is even greater for post-acute care beds and is estimated to reach c.20,000 beds by 2025, c.50% of which is anticipated to originate from Riyadh, Jeddah and the Eastern Province driven by aging populations in addition

to the rising incidence of non-communicable diseases, congenital disease, and road accidents.

This clearly signals the need for **stakeholder alignment** to bridge the supply-demand gap. Although we see a series of providers in this space including Sukoon, Amana Healthcare, Provita International Medical Centre and Cambridge Medical & Rehabilitation Center to name a few, there is clearly growing demand and an opportunity to optimize healthcare systems in the region and improve government healthcare budgets across the GCC that are currently covering, at the very least, the cost of national patients.

“

This sub-sector of healthcare can relieve public healthcare systems, and if properly governed, significantly grow at a time where efficiency, optimization and synergies play a key role in operational survival

”

By **replicating** similar PAC models to those in Abu Dhabi and KSA, this sub-sector of healthcare can relieve public healthcare systems, and if properly governed, significantly grow at a time where efficiency, optimization and synergies play a key role in operational survival.

### Regional PAC Key Success Factors – Partnerships, Expertise and Scale

Firstly, on **partnerships**, the public and private sectors need to work closely at assessing and evaluating a more permanent solution to the rising demand and economic burden it will have as populations in the region continue to grow and age. The public sector can benefit significantly by creating clusters of partnerships to develop healthcare service line integration where post-acute care services and

other synergistic services are provided to address market demand. These partnerships will enable the transition from a transactional partnership built on patient referrals, between the public and private sector, into a more systematic relationship that offers long-term cost-effective synergies. On the other hand, insurers will need to agree on the most efficient and transparent system to reduce the cost on the public sector.

Secondly, ensuring the right management, know-how and **expertise** is crucial to delivering this service offering due to the nature of its specialized care requirements. Not only do post-acute care providers have a different cost structure compared to conventional hospitals, but they also require a different staffing structure.

Lastly, **scale** is an important success factor, as it provides transfer of knowledge from one market to another and benefits providers by creating economies of scale, strategic synergies, and operational leverage.

In short, PAC is a specialized sub-sector ripe for **public-private partnership** growth that will aid governments to diversify their healthcare budgets and optimize their specialized care offering. As a result, the public sector in the region will be better prepared for the increasing demand envisioned in the coming years. With the right **governance** framework and reimbursement systems in place, private operators regionally and globally will want to be a part of this segment's **growth** trajectory. PAC clearly needs to be developed further across the region and with the right partnerships and know-how this can be replicated and scaled at a much faster pace.

“

PAC is a specialized sub-sector ripe for public-private partnership growth that will aid governments to diversify their healthcare budgets and optimize their specialized care offering

”