

COVID-19: A CATALYST FOR THE UAE'S HEALTHCARE SECTOR



INTRODUCTION

The year 2020 has brought with it an unprecedented challenge in the form of COVID-19 putting a strain on the healthcare and economic pulse of the entire world. It has challenged global healthcare systems in terms of infrastructure, mode of delivery, financing and much more.

However, if we are to look at this as an optimist, it has allowed each country to carefully examine the infrastructure gaps, consider alternative mediums such as telehealth, a old yet not mainstream concept, and has led to conventional investors to take a closer look at funding this sector.

Keeping the above in perspective, looking ahead we at Knight Frank believe that activity in the healthcare sector will be driven through consolidation, public private partnership opportunities, international operator interest and the introduction of highly specialised healthcare services.

With this in mind we have authored this report to provide an overview of the rapid changes occurring in the sector and the opportunities that this may bring about.

I do hope you find the contents of this report interesting and valuable and if our specialised healthcare strategy and consultancy team can be of any help, please do not hesitate to get in touch.



Shehzad Jamal
Partner - Healthcare and Education

COVID-19: A CATALYST FOR THE UAE'S HEALTHCARE SECTOR?

Over recent times, the healthcare sector in the UAE has undergone a considerable number of infrastructure and procedural changes in order to position itself as a leading healthcare provider both for its residents and as a medical tourism destination.

These improvements have been particularly apparent and lauded throughout the on-going COVID-19 pandemic. As a result of the continuous investments which have been made to improve the sector's hard and soft infrastructure, the UAE has been recognised as being one of the safest locations in the world in the fight against COVID-19.

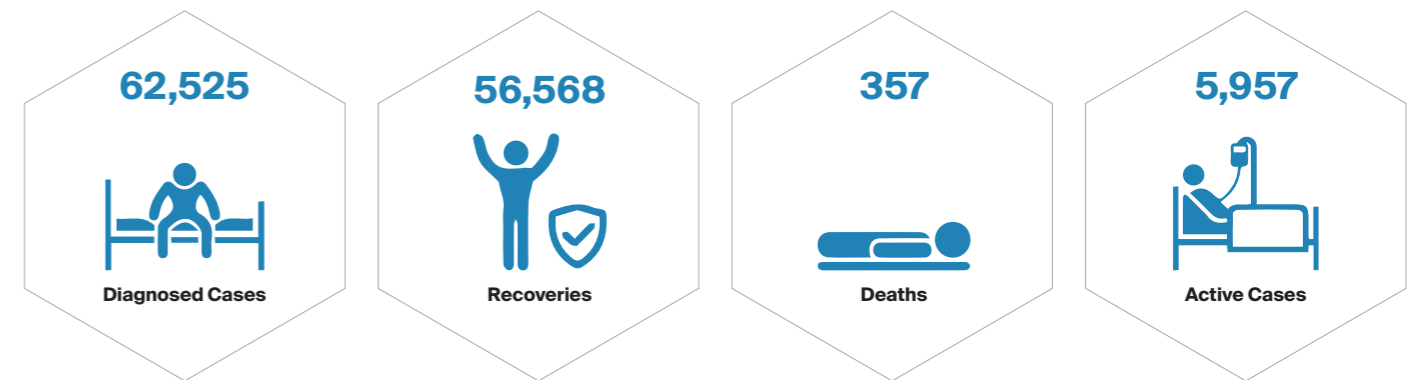
With many countries beginning to lift lockdown measures and gradually return

to some form of normality, the scale of the pandemic's economic impact will be realised over the coming months, with fundamental structural changes expected to occur in many economies. Alongside this, the COVID-19 pandemic has also raised many questions as to the future structure of the healthcare sector both in the UAE and globally.

To start this process, in this report we will examine the development of the pandemic in the UAE and the responses taken to manage risks and limit the mortality rate. The report also considers the potential economic impacts of this pandemic and what the new normal may look like in the UAE's healthcare sector with a particular focus on the role of telehealth technology.

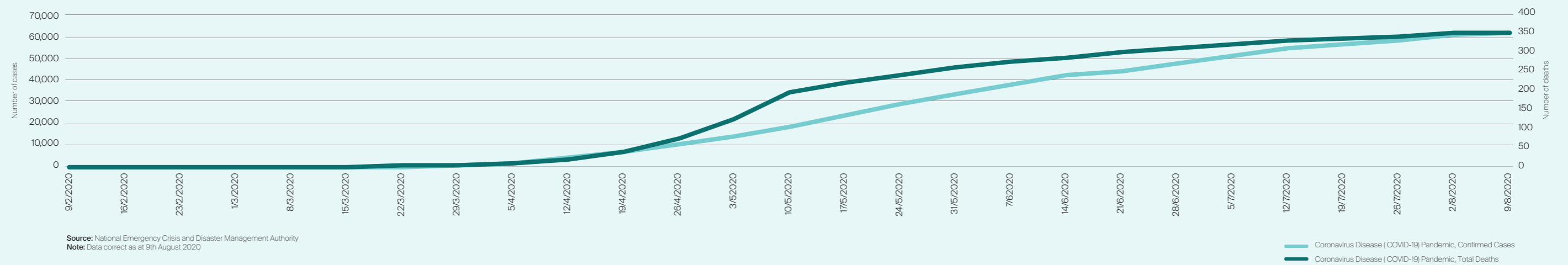


THE DEVELOPMENT AND RESPONSES TO COVID-19 IN THE UAE



Source: National Emergency Crisis and Disaster Management Authority
Note: Data correct as at 9th August 2020

COVID-19 Timeline



March

- March 8th:** All schools, universities and nurseries across the UAE were closed
- March 10th:** Dubai government initiated a work-from-home policy for selected federal departments with 100% of government workers from these departments expected to be working from home by the 17th March
- March 12th:** Dubai Government announces a AED 1.5 bn economic stimulus package
- March 12th:** Abu Dhabi orders selected government employees to work from home
- March 15th:** UAE Central Bank announces AED 100bn stimulus
- March 16th:** Abu Dhabi announces a 16-point economic stimulus package
- March 17th:** Temporary suspension on issuance for most visas
- March 23rd:** Malls and markets were given 48 hours to shut, UAE residents given 'stay at home orders' and inbound and transit flights were set to be suspended within 48 hours of the announcement
- March 25th:** All private sector organisations were asked to implement remote working for 80% of their workers

April

- April 6th:** Emirates Airline and Etihad Airways resume limited passenger flights primarily for repatriation
- April 18th:** Sheikh Hamdan opens field hospital at Dubai World Trade Centre
- April 22nd:** Field hospitals were set-up at Abu Dhabi National Exhibition Centre and in Mohamed bin Zayed City
- April 29th:** UAE opens four field hospitals in Northern Emirates - Hospitals raise bed capacity to 5,000 total in Sharjah, Umm Al Quwain, Ras Al Khaimah and Fujairah

May

- 4th May:** Dubai Expo 2020 officially postponed to 2021
- 31st May:** New National Disinfection Program announced

June

- June 2nd:** Sharjah rolls out AED 4bn stimulus support package
- June 10th:** Etihad Airways resumes transit flights
- June 15th:** Emirates Airline resumes transit flights
- June 22nd:** UAE residents outside of the UAE were given permission to return

July

- July 7th:** Dubai to open borders to tourists
- July 11th:** Dubai Government announces a new AED 1.5 bn economic stimulus package

ECONOMIC IMPACTS OF COVID-19: THE UAE'S HEALTHCARE SECTOR

Whilst the pandemic has had an almost unfathomable but calculable impact on many individuals' health and countries' healthcare resources, the scale of its economic impact is yet to be fully understood. With the global economy stalling, many firms have reacted by reducing headcount, furloughing staff, decreasing remuneration packages, or a combination of the three. In a few countries, this reduction in employment will have a notable impact on their respective private healthcare sectors, the UAE being one of these countries.

Demographics and General Health

For the majority of the expatriate population in the UAE, residency is underpinned by employment. Given the scale of the economic fallout anticipated in the UAE, the total population is expected to decline for the first time in five decades.

Whilst it is still too early to predict a precise contraction in population with certainty, initial forecasts indicate that employment will contract by 7.8% in 2020 and is not expected to return to its 2019 level before 2022. This initial decline in employment suggests that population is likely to fall by 5% to 10% in 2020, with recovery ensuing in late 2020 to early 2021.

As a result of this decline in population, we expect that there will be a proportional decline in patient volumes, which will have a trickle-down effect within the healthcare value chain.

The lockdown and the ensuing breakdown of social norms has led to an increase in requirements and utilisation of certain healthcare

services such as preventive care, home healthcare and psychological care.

Below we show some of the key factors underpinning the stronger levels of demand in these segments:

Home Healthcare:

Patients are exercising caution, especially the elderly and those with chronic conditions, in order to avoid the risk of nosocomial infections while visiting healthcare facilities.

Preventive Care:

Forced sedentary lifestyles during the lockdown period has resulted in increasing enquiries for internal medicine, paediatrics, nutrition management and proactive care services to ensure that immunity levels are maintained.

Psychological Care:

Certain healthcare operators have provided psychological care services free of charge during the lockdown period to encourage greater awareness of such conditions and their broad ranging impacts.

Dr. Shajir Gaffar
CEO - VPS Healthcare, Dubai
and NE

The anxiety and sedentary lifestyle due to the lockdown has resulted in increased demand for mental health and specialities pertaining to lifestyle diseases, both in the outpatient setting and digital platform. As the situation is getting back to normal, healthcare providers need to focus on these segments with immediate effect to help patients return to their pre-COVID lifestyle.

The slowdown in economic activity and resultant cost saving measures employed by firms will mean the UAE's healthcare sector is likely to face significant headwinds in the short to medium term, despite its status as a defensive sector.

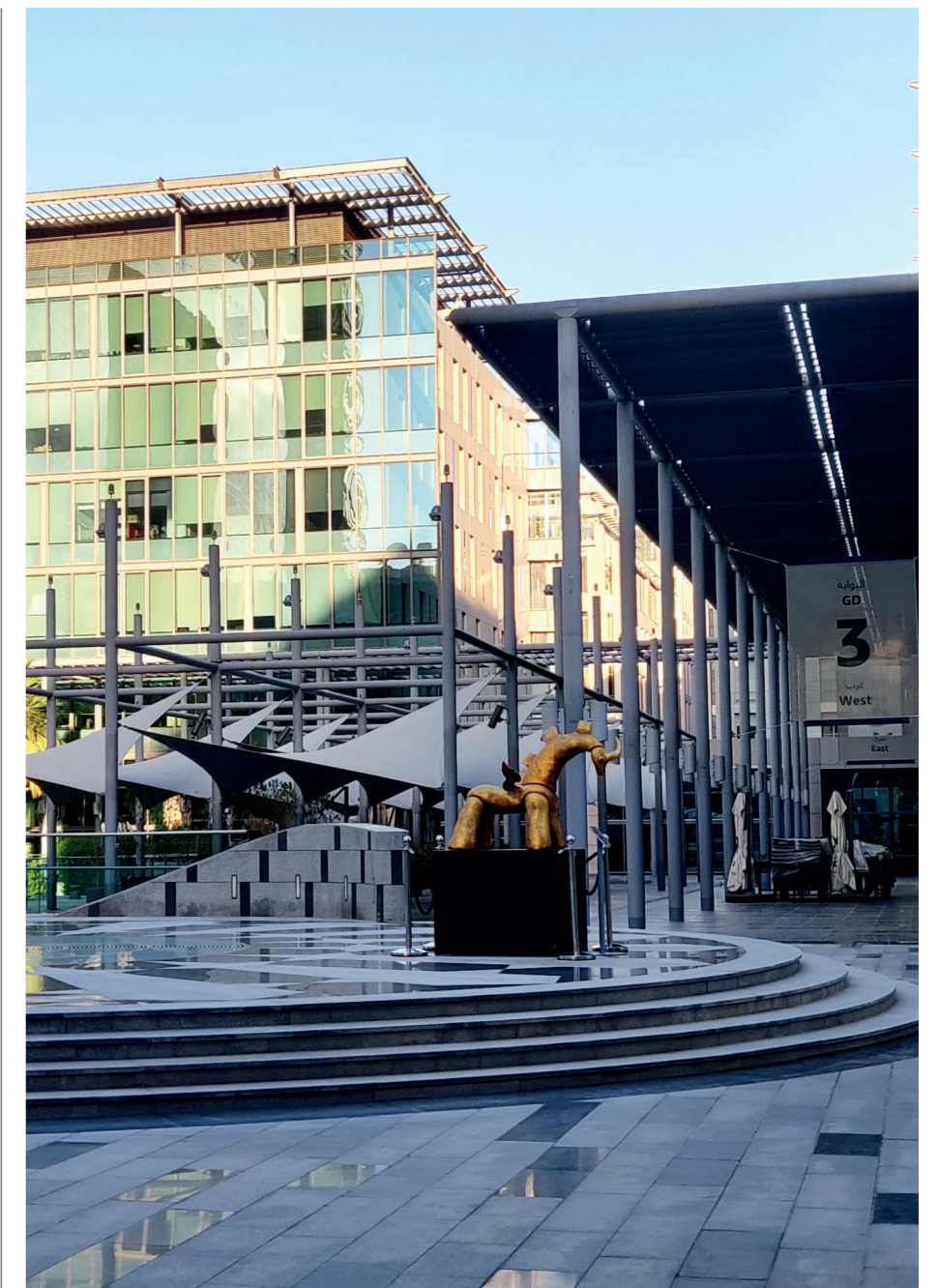
Financial Implications:

The slowdown in the sector has and will not only be driven by the weaker economic backdrop but also as a result of the various measures enacted to slow the spread of the pandemic.

First, with elective surgeries and unnecessary hospital visitation being suspended – although this suspension has now been lifted – as part of the containment measures enacted to slow the spread of COVID-19, many service providers have and continue to face a marked decline in financial resources as a result of reduced demand.

There may be further financial implications for healthcare providers as the population, which has been impacted by austerity measures or faces income uncertainty, reconsiders undergoing elective surgeries such as aesthetic related medical treatments. This trend may stretch to low income workers with co-pay insurance, who may now forgo visiting a medical professional or begin to utilise alternative, cheaper remedies. More so, changes in demographics and remuneration packages may also lead to a lower quantum of individuals insured to the required level to support certain specialities.

With demand likely to soften and the financial position of operators likely to deteriorate, we may experience consolidation in the sector with cash-rich firms undertaking M&A activity to strengthen their market position.



DISRUPTIVE TECHNOLOGIES - HERE TO STAY?

Whilst terms such as digital transformation and telehealth have been regularly used for over a decade we have not seen these market segments gain much traction over this period

COVID-19 has acted as an accelerator, where now telehealth, teleradiology and online pharmacy retail are now truly emerging and being adopted by leading healthcare providers in the UAE.

This concept of remote consultation with a physician has historically not appealed to the vast majority of patients. Even in many developed countries, where telehealth has been available for a long time, it never made it to the mainstream due to ambiguities in payment mechanisms. However, with limited physical access to healthcare facilities

during the pandemic, most healthcare facilities and patients have more readily adopted telehealth.

Historically, whilst telehealth may have appealed to many, the ambiguities around payment mechanisms has long held back its growth

Dr. Ibtesam Al Bastaki
Director of Health Investment & Partnership
Dubai Health Authority

Telehealth has been embraced during this crisis situation and it is a great tool to build the rapport between patients and healthcare professionals in various fields to ensure the right quality of services towards the patients.

Our primary research compares the acceptance of telehealth pre-lockdown to its current levels of acceptance:

	Pre-Lockdown	Current Status
Patient Growth	1x	3x
Patient Profile	<ul style="list-style-type: none"> Chronic care Primary care 	<ul style="list-style-type: none"> Specialty care Mental health Chronic care Primary care
Income Segment	<ul style="list-style-type: none"> High-income segment 	<ul style="list-style-type: none"> High-income segment Mid-income segment
Insurance Acceptance	<ul style="list-style-type: none"> Premium segment 	<ul style="list-style-type: none"> Accepted for all segments as per the directive of health authorities

Key factors that have been instrumental in fast-forwarding the introduction and utilisation of this technology include:



Patient safety

Given the high probability of contracting nosocomial infections during the lockdown period, telehealth was considered as a preferred service. With growing levels of comfort in such service provisions, this trend is expected to form part of the new normal even as mobility returns to pre-COVID levels.



Direct billing

With a growing number of insurance providers accepting telehealth as a paid service, healthcare providers are revisiting the idea of telehealth as a frontline service in order to improve their outpatient volumes.



Time saving

Typical face-to-face consultations with a doctor could take between 2-3 hours when accounting for travel, registration, waiting and consultation times. However, with telehealth, this total time can be reduced to as little as 20-30 minutes.



Millennial population

Such service provisions suit well with the lifestyles of the millennial generation, who are very comfortable with adopting technological solutions.

Although telehealth has its own set of limitations, patients now have first-hand experience of the convenience it offers and it seems that it will be an important medium for delivering care if supported by adequate regulations going forward.

If telehealth starts becoming more mainstream, we foresee that in the short to medium term telehealth will challenge the traditional hub and spoke model that healthcare groups have adopted. This

may result in some healthcare groups revisiting their customer reach strategy as well as evaluating the sizes of clinics in various locations. In addition, in the long term, telehealth may affect hospital sizes, designs and configurations as hospitals may not physically see the same volume of patients daily.

Joe Hawayek
Senior Director - AETNA
Head of vHealth (MEA)

Telehealth is here to stay. We saw the take-up in the region during COVID-19 because people wanted to stay at home but still needed to speak with a doctor. The benefits of telehealth such as convenience, safety and cost will continue to be recognised even after COVID-19.

Dr. Gireesh Kumar
Senior Manager
Healthcare & Education
Knight Frank

The adoption of telehealth as a mainstream service, has been beneficial for healthcare providers during the lockdown as they were able to provide services to their patients with minimal disruption. This has also led to patients overcoming their age old reluctances associated with telehealth services. In addition to this, given the wider acceptance of telehealth by insurance providers, this service line is expected to experience greater demand going forward.

FUTURE GAZING

This pandemic has been unlike any crisis the world has seen in recent times and is the first experience for the young healthcare system of the UAE

Government and private stakeholders have pulled together to ensure that the impact of the COVID-19 is as restricted as possible and held human life and health as its utmost priority.

It is important to take stock of the lessons learned from this pandemic, where it will be critical to revisit the current strategy of healthcare provisions by both the public and private sectors to factor in operational readiness and allow temporary expansion of the workforce and infrastructure as and when required. In addition, it will also be critical to devise mechanisms to ensure

the frequency of health testing to identify, limit and prevent diseases from spreading.

The successful utilisation of telehealth during the lockdown has provided us with

A robust regulatory framework will be required to support telehealth in the UAE.

alternative medium of healthcare services delivery. However, this segment should be further supported by a robust regulatory framework and guidance, akin to the traditional healthcare delivery model.

More so, increased efforts are required to be fully self-reliant in terms of healthcare related human capital as well as the provision of medical equipment and consumables. This will help insure the nation's readiness and efficacy against any forthcoming pandemics or similar situations.



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