Investor Confidence Grows as Kuwait Embraces PPPs in Healthcare

New model to open the door for the increased flow of PPP healthcare projects in Kuwait.

BY INGA STEVENS

With governments across the G.C.C. scrambling to act early to tackle projected future healthcare requirements in the face of budget deficits, the focus is now on finding additional revenue streams to finance the anticipated healthcare reforms. For Kuwait, a country with a small insurance-based population and with limited private sector healthcare infrastructure, there is a clear need to shift the burden of spending to the private sector by creating the right investment climate for private investment.

According to a 2016 healthcare market report by IMS Health and Kuwait Life Sciences Company, the private healthcare market in Kuwait is estimated to grow by 15-20% in the coming years. Several new private hospitals are expected to open adding 1,800 hospital beds to the 11,200 already in the pipeline, as the country accelerates its healthcare development strategy as part of the Kuwait Vision 2035.

"With a budget forecast for healthcare spending in 2015/16 close to $6.6 million, the Ministry of Health (MoH) is expected to increase private sector investment, improving the overall quality of healthcare services in Kuwait," says Amit Sadana, General Manager, Middle East and South Asia at IMS Health, a global information and technology services company and authors of the report. "The Kuwait Health Assurance Company (KHAC), the first private health management company in the country, aims to refinance the healthcare costs of the expatriate population of Kuwait, while the Kuwait Authority for Partnership Projects (KAPP), which replaced the Partnerships Technical Bureau (PTB) as the main body responsible for implementation of Public-Private Partnership (PPP) projects after the new PPP Law was passed in mid-2014, is expected to have greater autonomy and authority than its predecessor."

The IMS Health report outlines a number of ambitious PPP projects in the pipeline for Kuwait that have been announced by KAPP, including the $765 million Kuwait Health Assurance Company Hospital for Expatriates. The 36-month project is expected to deliver three 250-bed hospitals and 10 primary care clinics, as well as a one day-surgery center.

While the target market for KHAC is the growing expatriate population of Kuwait (reported figures estimating that expats make up about two-thirds of the total population of about 3.3 million), it remains unclear whether it would be mandatory for them to enroll with KHAC, which is jointly owned by the MoH, the Ministry of Finance, the Kuwait Investment Authority and the private sector.

According to Sadana, Kuwait's new PPP Law stipulates that projects already signed under the old law can continue under the existing regime; however, there is no interim legal framework for PPP projects that are already in the procurement stage but not yet signed. The procurement of PPP projects where the procurement process has already commenced, but has not been concluded, should therefore recommence and secure the approval of the PPP Higher Committee. "This may result in the redrafting and rerelease of some procurement developed under the old regime documentation," he explains, while he expects

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Kuwait's $800 million New Al Sabah Hospital project enters mobilization phase. The project involves construction of a hospital comprising two basement levels, a ground floor and seven additional floors offering a total of 600 beds.

that the new regime will open the door for the procurement, development and implementation of a greatly increased flow of PPP projects in Kuwait.

Despite the move towards the development of a more favorable investment environment for PPPs in Kuwait, adapting to a new set of rules is not without its challenges. According to Ahmed Faiyaz, MENA Healthcare Transaction Advisory Services Leader at EY, one of the key challenges is the fact that the Government is still the main payer in the healthcare system through block budget funding of MoH hospitals and medical facilities who are the main providers of care and account for majority of inpatient and outpatient utilization.

"For PPP healthcare projects to be sustainable in the long term, Kuwait needs to implement a health financing reform that provides coverage to nationals and residents, and the health facilities, whether private or public, are reimbursed for the services provided or alternatively based on performance and clinical outcomes," says Faiyaz.

As well as bringing stability in the health system, Faiyaz believes these reforms will assure investors who are a part of future PPP projects of a clear revenue stream that is driven by patient volumes at the facility for inpatient and outpatient services.

The PPP Law is hoped to help attract investments to bring high quality, best-in-class health services to Kuwait, particularly in services and specialties with capacity and quality gaps, and to manage the health risk factors and chronic disease prevalence in Kuwait, which compares poorly with other GCC countries and with OECD benchmarks.

"PPPs could also ease the Government's spending on healthcare, which was 82% of the total health spending in 2014," says Faiyaz. "In an era of low oil prices, and considering that oil contributes to approximately 80% of the Government's revenue, the private sector must step up to absorb some of the costs, and the newly announced PPP Law is one of the mechanisms that could help bring much needed investment into Kuwait's healthcare sector."

While the healthcare landscape of Kuwait remains as dynamic as the political landscape, the new PPP Law and the implementation of its regulations are a positive step for Kuwaiti PPPs and resolve a number of the challenges that were present under the previous regime, says Sadana. The new PPP Law will provide the foundation for a more investor-friendly and streamlined PPP landscape to flourish in Kuwait. F