



# Healthy, Wealthy and Wise

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*In the intricate global tapestry of health and wellness, Benjamin Franklin's insights into early habits still resonate, yet today, 133 million Americans grapple with chronic illnesses, unveiling the intricate link between lifestyle and health. Beyond mere philosophy, this discourse delves into the pivotal role of the healthcare industry in cultivating a healthier population. Leveraging extensive consulting experience at Crowe, we explore how entrepreneurs can accumulate wealth amidst challenges confronted by healthcare giants. The exploration of the UAE's healthcare sector unveils a flourishing entrepreneurial environment sculpted by health priorities and economic influences. Achieving success necessitates strategic planning, effective management, and adept navigation of compliance challenges. It addresses the crucial role of private sector engagement, the influence of emerging technologies, and the financial constraints post-pandemic. This piece illuminates the compliance intricacies within the UAE's healthcare regulatory framework, emphasizing the significance of adhering to legal, technological, and governance frameworks for establishing a reputable healthcare business—serving as a guide for navigating this dynamic sector adorned with growth opportunities.*

**F**ew proverbs are as universally recognized as the one often attributed to Benjamin Franklin, a Founding Father of the United States, appearing in his annual almanac, The Poor Richard: 'Early to bed and early to rise, makes a man healthy, wealthy, and wise.' Ironically, in today's context, approximately 133 million Americans, nearly half the population, grapple with chronic illnesses such as hypertension, heart disease, and arthritis, according to 'Health for Life: Focus on Wellness' report by American Hospital Association. This number has surged by 15 million in the past decade and is projected to reach 170 million by 2030.

However, the essence of Franklin's wisdom goes beyond the surface interpretation. It underscores the significance of embracing a healthy lifestyle. Over the years, this adage has become a household saying, rich in meaning yet often challenging to internalize.

In the world of healthcare, there are always two sides to the story. In this discussion, we delve into the healthcare industry's mission to foster a healthier population, how it can turn astute entrepreneurs into wealth-builders, and why even the mightiest healthcare giants can falter. Drawing from our extensive experience in healthcare consulting at Crowe spanning decades, we have observed wise healthcare entrepreneurs amassing wealth through savvy business management while witnessing massive healthcare conglomerates with a global reach face adversity. Read on, as we explore the opportunities that lie ahead for healthcare businesses and evaluate those factors that determine success or failure.

# Healthy and Wise: the UAE Way

The allocation of budget and focus on healthcare is a critical determinant of a country's economic well-being. The UAE stands out as a global example where prioritizing healthcare has fostered a thriving healthcare entrepreneurship environment. This underscores the broader impact of healthcare decisions on a nation's economic landscape.

The UAE's healthcare system is globally renowned, offering comprehensive medical coverage to its diverse population, including both nationals and expatriates, through both public and private channels. Despite the challenges posed by the COVID-19 pandemic, the UAE has reaffirmed its commitment to healthcare investments, recognizing their potential for driving economic growth.

In addition to expanding healthcare infrastructure, the UAE is focusing on developing its healthcare workforce to create a robust and holistic healthcare system. The government's dedication is evident in rising healthcare expenditure, which has increased from 3.8 billion dirhams (\$1.03 billion) in 2016 to 4.8 billion dirhams in 2023. Projections indicate that healthcare spending will reach 4.6% of the country's GDP by 2026, up from 4.27% in 2018. The future outlook for the UAE's healthcare sector is highly positive.

Multiple indicators confirm the ongoing enhancement of healthcare quality in the UAE. In 2020, the Legatum Institute's Legatum Prosperity Index ranked the UAE 42nd globally and second in the Middle East and North Africa for healthcare quality. Additionally, according to BMI Research, a subsidiary of the Fitch Group, the UAE boasts the most favorable healthcare access in the Middle East.

## Healthcare in UAE: A Promising Enterprise

The growth of the healthcare sector in the UAE is driven by several factors:

**Demographic Shift:** The aging population, along with retirees choosing the UAE for its lifestyle and long-term visas, is increasing the demand for healthcare services, particularly in geriatric care.

**Unhealthy Lifestyle:** Poor nutrition, sedentary behavior, and high rates of obesity and tobacco use contribute to the prevalence of chronic conditions like cardiovascular diseases, cancer, and diabetes.

**Medical Tourism:** Abu Dhabi and Dubai have become top global medical tourism destinations, attracting international patients and enhancing the UAE's position in the industry.

**Economic Factors:** Above-average medical inflation rates, mandatory health insurance implementation, increasing disposable income, and affluence drive demand for high-quality healthcare services, ensuring continuous sector growth.

**Regional Hub:** The UAE's strategic location and advanced logistics infrastructure make it an ideal regional hub for accessing neighboring markets and offering medical goods and services.

**Stability and Business-Friendly Environment:** Political stability, favorable business regulations, and ongoing economic reforms solidify the UAE's reputation as a preferred destination for conducting business in the region.

These factors collectively contribute to the ongoing expansion of the healthcare sector in the UAE, with healthcare expenditures expected to rise in the coming years, fostering both local and international healthcare industry growth.

## Not a Bed of Roses

While the UAE's healthcare sector presents numerous advantages and opportunities for businesses, it is not without its challenges. The relatively small market size of around 10 million people, by global standards, leads to intense competition among domestic healthcare and insurance providers, making it challenging for certain healthcare enterprises to maximize profitability. This competition intensifies as more international players, including those from China and Israel, enter the market, diversifying what used to be a dominantly American and European business landscape.

Additionally, the healthcare industry faces the pressure of tighter budgets and a more stringent approach to pricing, driven by lower oil prices and rising healthcare costs. These factors create a dynamic and evolving environment for healthcare businesses in the UAE.

## Top Challenges in the Healthcare Industry

- 1 Quality Standardization:** Establishing healthcare quality standards is a financial and operational challenge. Poor quality healthcare can lead to legal penalties in countries like the UAE, making it essential to invest in technology and staff training for clinical excellence.
- 2 Optimizing Workflows:** Efficient clinical workflows are vital for delivering quality care. Incomplete information due to suboptimal workflows can jeopardize patient safety and quality, necessitating investments in information systems.
- 3 Staff Shortages and Turnover:** Staff shortages are a global concern, affecting healthcare systems. Competitive markets and burnout contribute to high turnover, especially among nurses. Nursing shortages are predicted to persist, impacting the quality of care.

- ④ **Advances in Medical Science:** Rapid advancements in medical science pose a challenge for healthcare leaders. Staying updated with innovations like digital medicine, gene therapy, and mRNA research is crucial for cost-effective patient care.
- ⑤ **Financial Constraints:** Increasing demand for healthcare, longer life expectancy, and rising chronic diseases strain healthcare budgets. Financial concerns include insurance and procurement of equipment.
- ⑥ **Skilled Workforce:** A skilled workforce is essential for safe patient care. Healthcare businesses, especially in the UAE, must navigate diverse training backgrounds and licensing requirements for a qualified staff.
- ⑦ **Cyberattacks and Data Breaches:** Healthcare is a prime target for cyberattacks, with hospitals experiencing significant data breaches. Protecting sensitive patient data from malicious hackers is a critical concern.
- ⑧ **Payment Process and Invoicing:** Inefficient invoicing processes can frustrate both employees and patients. Timely communication and clear billing are essential, especially in regions like the UAE, where insurance settlements can be time-consuming.

These challenges underscore the need for strategic planning and investments in technology, training, and security to ensure the delivery of high-quality healthcare services while addressing financial and operational constraints.

## Effective Management is Key

Private sector engagement in healthcare is a global trend with significant contributions to societal well-being and economic stability. In the UAE, private healthcare businesses play a crucial role, encompassing providers, insurers, pharmaceutical manufacturers, medical equipment suppliers, IT support for electronic health records, telemedicine, and more. Managing a healthcare business is complex, with both rewards and challenges.

Well-managed healthcare businesses thrive, generating revenue and customer loyalty. Poorly managed ventures face challenges in a competitive landscape, including financial concerns, staff shortages, cyber threats, and operational issues. The healthcare industry's connection to people's well-being necessitates addressing the impact of emerging technologies and the new economy promptly.

Moreover, there's pressure to control healthcare costs due to factors like staffing shortages, the end of COVID-19 relief funds, supply chain disruptions, and rising inflation, indicating persistent financial challenges from the pandemic era.

# Maneuvering the Compliance Landscape

Building a reputable healthcare business in the UAE necessitates a deep understanding of and strict compliance with the country's stringent regulatory environment. Failure to comply can result in hefty penalties or even business closure. At Crowe, we specialize in navigating this complex landscape, offering expertise in legal, technological, and governance frameworks that help our clients mitigate compliance-related operational risks.

The UAE's healthcare services fall under the jurisdiction of various federal and emirate-level regulatory authorities, including the Ministry of Health and Prevention, Health Authority-Abu Dhabi (HAAD), the Dubai Health Authority (DHA), and the Emirates Health Authority (EHA).

In February 2019, the President of the UAE enacted Federal Law No 2 of 2019, also known as the Health Data Law. This law governs the use of information technology and communications (ITC) in the healthcare sector and marks the UAE's first federal legislation addressing data protection principles. It introduces concepts similar to GDPR, such as purpose limitation, data accuracy, security measures, and consent for data disclosure.

The Health Data Law applies to all entities operating within the UAE, including Free Zones, that provide healthcare, health insurance, healthcare IT, or other services related to the healthcare sector, involving electronic health data.

To ensure compliance, entities in the healthcare sector must conduct a data discovery exercise to inventory data covered by the law. They will also need to adapt their policies, procedures, controls, and systems. Conducting a gap assessment against the Health Data Law is a crucial initial step in building an implementation roadmap.

Know more about our services and expertise at [www.crowe.com/ae](http://www.crowe.com/ae)

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