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London hospitals calling, but Middle East patients are looking elsewhere

By Katherine Hensley

Blame it on oil.

Patients from oil-rich countries are not flocking to London's private hospitals like they used to. As a result, hospital operators including [HCA Healthcare Inc.](#) have seen a downturn in revenue from their facilities in the U.K.

Admissions from the Middle East, an important part of HCA's London business, were down 33% in the second quarter, Samuel Hazen, president and COO, said on the company's [earnings](#) call. "This business has been trending down over the past year, but was down even more in the quarter," Hazen said.

Along with difficulties in the energy economy, competition from hospitals in Germany, Singapore and the U.S. also contributed to the decline in the U.K. business, he said.

HCA is seeking to reduce its reliance on patients from abroad by drawing more local business, he said. Most Britons use the government-run National Health Service, which is generally free at the point of care. HCA declined to comment further when contacted by S&P Global Market Intelligence.

Pressure on Gulf economies

The Gulf Cooperation Council nations, which include Qatar, Kuwait and the United Arab Emirates, have been under a constant and continuous economic pressure due to multiple causes, including oil prices and regional conflicts, according to Dhiraj Joshi, PwC Middle East Partner in Healthcare and Life Sciences Strategy.

Patients from the Middle East typically come from Qatar, Kuwait and the emirates of Abu Dhabi and Dubai, said Ted Townsend, author of the "Private Acute Medical Care in Central London" report from LaingBuisson, a healthcare market intelligence provider.

In the past, these countries would have sponsored their citizens to travel abroad for medical care, Townsend said. But with oil prices struggling to recover since plunging from their June 2014 peak of more than \$100 a barrel, the mostly oil-dependent governments are looking to cut expenditures.

Oil prices have languished around \$50 a barrel for much of 2017, according to data from the U.S. Energy Information Administration. The EIA in its August short-term energy outlook forecast Brent crude spot prices to average \$51 a barrel in 2017 and \$52 a barrel in 2018, and West Texas Intermediate, or WTI, crude \$2 a barrel less than Brent in 2017 and 2018. The front-month September WTI contract traded on NYMEX settled at \$47.09 a barrel on Aug. 17, up 31 cents day over day.

The low oil price environment has spurred Gulf nations to cut back on their spending, and some are now charging for healthcare, which once used to be a free service for the citizens, said Townsend.

The countries have also started developing their domestic healthcare facilities in earnest, he added.

For instance, the Mubadala Development Company partnered with the Cleveland Clinic in 2006 to launch the 364-bed Cleveland Clinic Abu Dhabi facility that is served by North American board certified, or equivalent, physicians. The facility is part of the Abu Dhabi government's goal to develop a world-class healthcare sector in the emirate by 2030.

But it is hard to get doctors, nurses and other clinical staff to relocate to the Middle East. Doctors typically practice in the region at the beginning of their career for the money or at the end of their career, but not during the height of their career, Townsend said.

International competition

The Middle East patients are also looking at destinations in Asia, such as India, South Korea and Thailand, which offer similar quality of healthcare as the developed nations but at lower costs, Joshi said in an email.

The governments in these Asian countries have also been promoting medical tourism, making it easier for the foreign patients to access quality healthcare, Fiona Booth, chief executive of the Association of Independent Healthcare Organisations, said.

The Asian countries offer cheaper non-clinical services when compared to the U.K., U.S. and Germany, which typically make up a significant portion of the overall budget of sponsored and non-sponsored medical tourists, Joshi said.

But for specialist care, medical tourists from the Middle East still prefer the developed countries. For example, patients seeking orthopedic care typically go to Germany, while those looking to treat cancer prefer the U.S., Townsend said.

Vying for London patients

The medical tourists who go to the U.K. and London private hospitals typically seek treatment for cancer, heart disease, diabetes and orthopedic problems,



Dhiraj Joshi, PwC Middle East Partner in Healthcare and Life Sciences Strategy

Source: PwC

said Townsend.

"HCA probably has about or just under 25% of its patients at its London hospitals coming from the Middle East and the London Clinic has about 15%," he said.

More hospital groups on the outskirts of London, such as BMI Healthcare and Aspen Healthcare, are also promoting and increasing their services for overseas patients, said Booth. "You are probably finding HCA is getting a little bit more competition, which is going to be a healthy thing for patients in general," she said.

The U.K.'s National Health Service also attracts patients from overseas with its private patient units. The revenue generated by overseas patients admitted in NHS hospitals in London have grown at a rate of 8% to 9% per year over the last few years, according to Townsend.

The NHS is also viewed as a better option for many travelling from the Middle East because its facilities are involved in medical research for new types of drugs and treatments, whereas little research is performed in private hospitals generally, Townsend said. The NHS's private units are also typically cheaper than the private facilities, he added.

"London will continue to have that and turn that into an advantage compared to other places that may not have that academic side of things," Townsend said.