

# Mandatory healthcare in the Mena region



**Michael Kortbawi**  
partner, Bin Shabib & Associates

**Michael Kortbawi and Irshied Tayeb of Bin Shabib & Associates** discuss the new mandatory healthcare scheme in Dubai



**Irshied Tayeb**  
head of insurance, Bin Shabib & Associates

**H**ealth insurance is a high priority for all developed nations; America serves as a great example with the recent enactment of Obamacare. Mandatory healthcare in the Middle East started with Kuwait; however they were faced with challenges that resulted with the postponement of the implementation of such a regime. The Kingdom of Saudi Arabia was the first to successfully implement a mandatory health regime in the Middle East, overcoming the significant challenges that an introduction of such

a broad scheme carries. These challenges were especially significant due to Saudi being a unique market in terms of the application of Sharia law and overall market awareness.

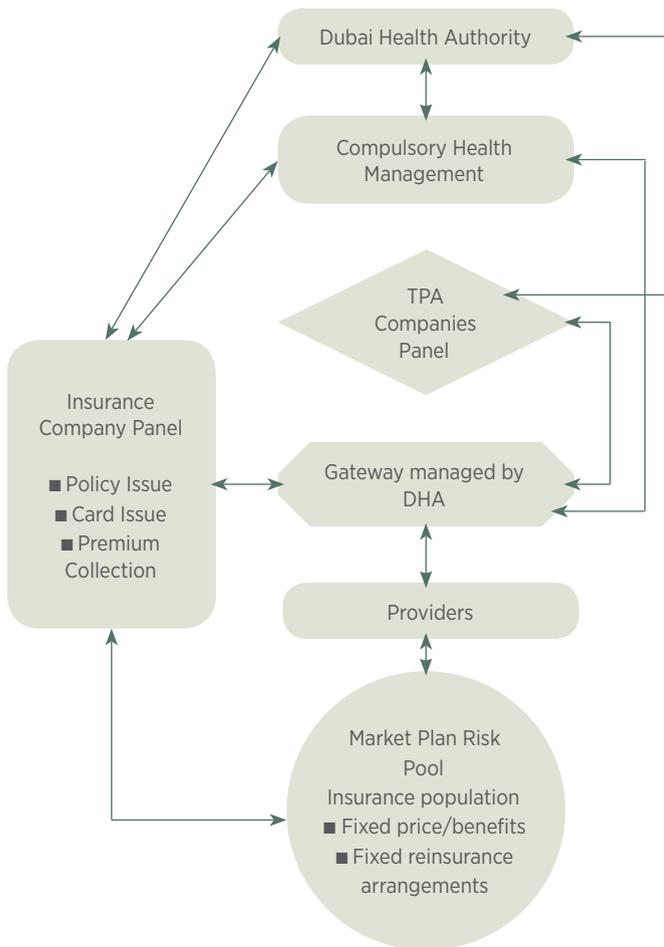
In the UAE, Abu Dhabi was the pioneer for mandatory healthcare, tackling the problem in 2007. Now, Dubai has decided to implement mandatory healthcare but with the added benefit of vicariously learning from Abu Dhabi's experience. These discussions have been going on for the last five years, and Dubai almost implemented a mandatory healthcare scheme back in 2008; however, the effects of the global financial crisis forced the Dubai Government to postpone its implementation. The legislative framework has arrived and it is an exciting time for the UAE insurance market in general.

**“ This scheme will have a huge and positive impact on the Emirate as a whole ”**

Healthcare and health insurance have a huge impact on any society as a whole and the economic health of a country. Increasing the revenue from insurance premiums will have a substantial and direct effect upon the emirate's GDP and this is something that Dubai will experience now that this scheme has been introduced. The new regime will cut costs as well as raise revenue through the introduction of the Gateway which will be the common database that will compile a record of all medical transactions within Dubai. Every insurance provider will use the Gateway in order to check the records of their current and future patients, eliminating information asymmetry and lowering the overall costs of the industry. The chart on page 11 outlines how the Gateway fits in the mandatory health insurance regime in Dubai.

## THE GATEWAY AND DUBAI

How the Gateway fits in the mandatory health insurance regime in Dubai



### Getting the price right

The price modelling approach of the Dubai Health Scheme is aimed at lowering the burning costs of the industry through the provision of a minimal health insurance package.

By using the Gateway, the Dubai Health Authority will estimate the minimum amount of healthcare needed by each working individual. However, this will merely set a price floor or a minimum standard, and will allow the

market to price anything above the minimum in the most economically viable manner. As the healthcare insurance industry is driven by the frequency of claims instead of the severity of individual claims, correctly setting the price will lead to an efficient market maximising the utility for the insured, insurer and Dubai as a whole.

The other critical factor to the success of this regime is the regulation of healthcare providers in order to ensure the provision of a valuable product. If a provider does not supply a consumer with a useful and valuable product then the pricing approach will not matter, as no value is being provided to the insured.

The Dubai Government recognised this and has restricted the provision of licences to companies that meet the minimum requirements set out by the DHA. These minimum requirements ensure the long-term sustainability of this regime by ensuring that the overall services are provided in a commercially viable manner, delivering value to the end consumer.

Abu Dhabi's experience resulted in a shortfall in coverage that the Abu Dhabi Government had to subsidise. Dubai has learnt from this experience and has decided to put into place a better system that relies on data rather than subsidies. The Gateway will allow the industry to correctly set the price of healthcare insurance by providing all relevant information needed to assess the risk of each insured individual.

Instead of subsidising, Dubai reformatted the system to control cost and reach profitability. This addresses the challenges of the system head on and is in line with international healthcare insurance standards.

### Conclusion

This is a very exciting time for Dubai; this scheme will have a huge and positive impact on the emirate as a whole. This regime will raise revenue from the healthcare insurance industry, which will contribute to the GDP of the emirate. It will also increase the healthcare standard of the industry, lower the burning costs of the provision of healthcare insurance, expand the market and create market value through precision pricing.

As in any new venture, and particularly for one as comprehensive and broad as a mandatory health regime, we believe that there will be a learning curve. However, the DHA and the government will be well prepared to handle any unforeseen challenges due to five years' worth of preparation, planning and discussion. We look forward to seeing this regime develop and mature into a robust system and a global standard of healthcare. ■