

Egypt healthcare

Universal healthcare act: It's real and happening

We just came back from a one-day trip to Port Said, Egypt's first governorate to be enrolled in the new healthcare insurance scheme, to get an on-the-ground feel of where the project stands. Despite some initial delays in implementation, it seemed to us that the programme is up and running and gaining traction.

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It's real and happening

Given the wide controversy looming over Egypt's universal healthcare act and the contradictory statements we have been hearing on various news and media outlets regarding its implementation, we paid a visit 200 km north-east of Cairo to Port Said, Egypt's first governorate to witness the official implementation of the act, on 26 November 2019. The key conclusion we have reached is that it is real and happening. We met with over a dozen pharmacists and diagnostics providers and talked to as many people on the street during our one-day trip to get an on-the-ground feel of people's take on the implementation of the insurance scheme so far.

What struck us most is the number of people that have enrolled. Based on the Ministry of Health and Population's (MoHP) latest figures, which are as fresh as this week, the number of enrolled citizens on the scheme in Port Said is c. 579,000, implying a coverage ratio of c. 75%, on our numbers. This figure does not seem far-fetched to us and is congruent with what we saw. From the sample we met, the number of unregistered individuals is marginal. Also, the ratio looks pretty decent in contrast to the previous healthcare insurance scheme, under which only c. 56% of the population had health insurance and only 6% used the services. While a few individuals suggested that the process, from diagnostics to treatment, may sometimes become lengthy due to internal inefficiencies, the majority praised its implementation and pointed out that their experience was largely smooth.

Universal Healthcare Act

Rationale and implementation timeline

Egypt's healthcare sector remains one of the least penetrated sectors globally, at per-capita spending of \$106 in 2017, according to World Health Organisation data. This is 10x lower than the average spent in the UAE and Kuwait of \$1,350 and c. \$1,500, respectively, and well below the OECD average of \$4,000. The pharmaceutical sales market stood at \$5.2bn in 2018, implying per-capita spending of only c. \$54 in 2018, well below the average spend in the wider MENA region of \$160. The Universal Health Insurance Law aims to make healthcare more accessible to Egyptians and to reduce the cost of healthcare for individuals. Implementation is to take place over six phases to end by 2032, after which all Egyptians should be covered. While the system is expected to shake up Egypt's entire private health insurance system, it is still unclear if the role of private players, the likes of AXA and Allianz, will fade away as the coverage expands its outreach.

Initial setbacks are understandable. The programme has only just kicked off and Port Said is the very first governorate for which the scheme has come into force. Obviously, it will be a learning process, yet we sense the administration's commitment to ensure the programme's success. The universal healthcare insurance system is a homegrown program that aims to reshape Egypt's ailing healthcare sector. There is immense political will and media attention to ensure its success, and the one lesson we have learnt so far with the incumbent administration is that when there is political will, success will follow.

Summary sector ratings and TPs

Integrated Diagnostics Holdings

Bloomberg	IDHC LN
Target price, \$	5.93
Current price, \$	4.45
Upside potential (%)	33.1
Rating	BUY
MktCap, \$mn	668
Average daily volume, \$mn	0.16

Cleopatra Hospitals Group

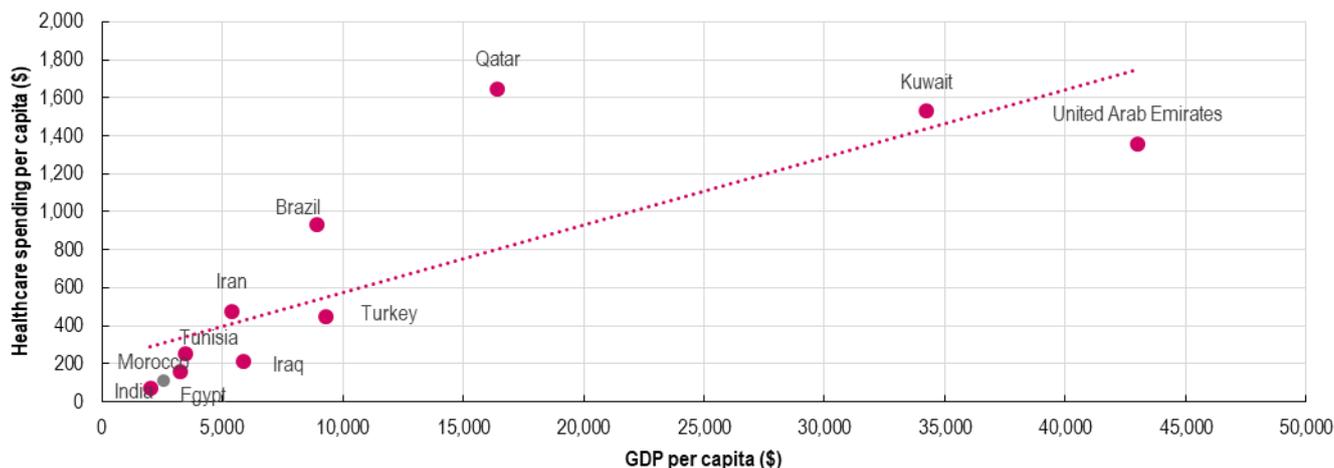
Bloomberg	CLHO EY
Target price, EGP	6.17
Current price, EGP	5.50
Upside potential (%)	12.8
Rating	BUY
MktCap, EGPmn	8,975
Average daily volume, EGPmn	15.4

Prices in this report are as of market close on 23 February 2020.

Source: Bloomberg, Renaissance Capital estimates

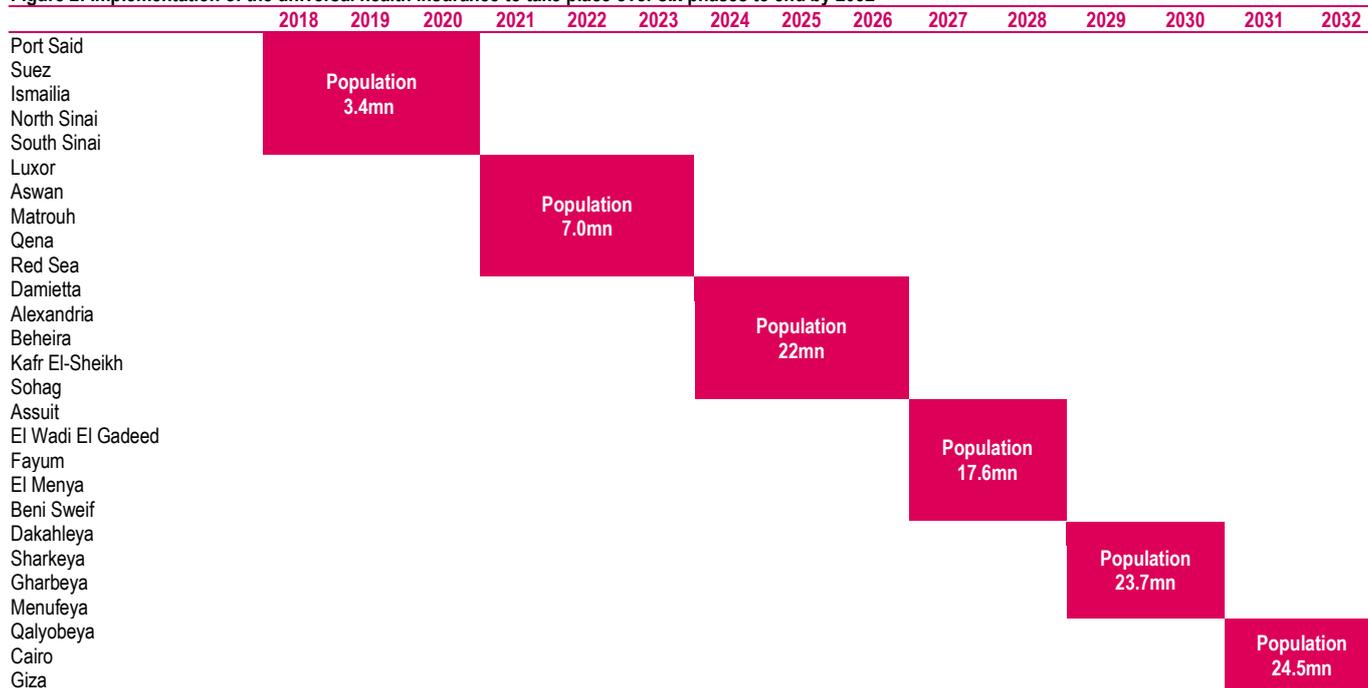
At present, diagnostics service providers' branches in Port Said have already enrolled to the programme, including IDH's Alborg and Al Mokhtabar, Alfa Lab and Astra Lab. Private pharmacies, on the other hand, are yet to register, but what we understood during our talks with pharmacists is that enrolment may be happening soon, which could imply that the MoHP is in the final stage of concluding a drugs price list specific to the act.

Figure 1: Egypt's healthcare expenditure among the lowest vs EM and global peers, \$/capita



Source: World Health Organisation, www.countryeconomy.com

Figure 2: Implementation of the universal health insurance to take place over six phases to end by 2032



Source: CAPMAS, State information service

Funding

The government is funding the programme from multiple sources, including the enrolment fees of covered members, nominal fees against medical services provided (see Figure 3)

and enrolment of service providers (pharmaceutical companies, pharmacies and clinics, among others). In addition, 0.25% of corporates' revenue will be deducted to fund the programme, as well as levying additional fees on certain products and services (e.g. EGP0.75 per cigarette pack to be raised in increments of EGP0.25 every three years until it reaches EGP1.5), and additional fees on the renewal of driving and vehicle licences, among others.

Figure 3: Medical services fees

Medical service	Fee
Home visits	EGP100 per visit
Pharmaceutical drugs	10% of drug price to be raised to 15% by the 10th year of the program launch capped at EGP1,000 (excludes pharmaceuticals for the treatment of chronic conditions and oncology)
Radiology	10% of price with a cap of EGP750 (excludes those for the treatment of chronic conditions and oncology) per patient
Pathology	10% with a cap of EGP750 per patient
Internal transfers	5% with a cap of EGP30 per visit (excludes treatment of chronic conditions and oncology)

Source: Universal Healthcare Act

Disclosures appendix

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