

# UNITED ARAB EMIRATES



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**MEDICLINIC MIDDLE EAST CONTINUES TO BE WELL PLACED AMONG THE COMPETITION WITH ITS STRATEGIC PLAN TO BRIDGE GAPS IN UNDER-REPRESENTED AREAS**

## HIGHLIGHTS

**+6%**

INPATIENT  
ADMISSIONS

**+14%**

CLINIC  
OUTPATIENT  
CONSULTATIONS

**+16%**

REVENUE

**80.8%**

PATIENT  
SATISFACTION  
LEVEL

## BUSINESS ENVIRONMENT

The UAE continues to strengthen its position as a regional business hub and also, increasingly, for developing nations in Africa and Asia thanks to its strategic location and attractive trading environment. The latest published GDP figures for the UAE (December 2014) show growth of 4.3% in 2014.

Although the recent decline in oil prices has caused the IMF to lower its growth projections for the UAE's GDP in 2015 to 3.5% from 4.5%, this largely affects Abu Dhabi. Dubai, with less reliance on oil as a contributor to its GDP, is still forecast to grow at a rate of 4.5% in 2015. This is led by a growing tourism industry, increased trade activity and a strong construction sector. Infrastructure developments and service industries attracted US\$7.8bn of foreign direct investment into Dubai in 2014, demonstrating a high level of confidence in Dubai's economy. There was a slight softening of real estate prices during the second half of 2014, and the strength of the US dollar as well as the weakening euro and Russian ruble is expected to have some negative effect on the tourism industry in 2015, however the overall outlook remains positive.

Development has begun on projects associated with Dubai's hosting of Expo 2020 which is expected to attract 25 million visitors. These include the extension of the Dubai Metro through newer residential areas inland and out to the Expo 2020 site. Dubai World Central, Dubai's new airport, which opened in October 2013 with an initial capacity of up to seven million passengers per year, has also already been earmarked for expansion with approval in September 2014 of a \$32bn plan which will see its capacity increase to 120 million passengers per annum within the next six to eight years.

Inflation continues to run at more than 4% in Dubai with the resulting upward pressure on salaries remaining. Salary levels are also being driven higher by increased competition within the UAE's healthcare sector as entrants are attracted to the market because of an expected population growth of approximately 3% per year, health indicator trends related to the young population (maternity and paediatrics), as well as high mortality rates from lifestyle-related diseases and cancer.



Mediclinic Middle East continues to be well placed amongst the competition with its strategic plan to bridge gaps in under-represented areas, both medical and geographical. During the last reporting period, an opportunity for a new hospital was identified on the southern side of Dubai, in a strategic location close to the burgeoning areas of population growth which currently lack access to such a facility. The hospital, estimated to open at the end of 2018, will have an initial capacity of approximately 150 beds and will house six operating theatres along with a wide range of other in- and outpatient services. The new wing of Mediclinic City Hospital, currently under construction, will house a new oncology unit, developed in conjunction with Hirslanden. New centres of excellence in metabolic surgery, breast surgery and neurosurgery are also under development in association with Hirslanden.

The Dubai Government continues to focus on the regulatory aspects of the healthcare industry, and Mediclinic Middle East is actively engaged with them regarding this.

## BUSINESS PERFORMANCE

The 16% revenue growth was achieved through a 6% growth in inpatient hospital admissions, as well as an 8% increase in hospital outpatient consultations and visits to the accident and emergency units. Clinic outpatient consultations increased by 14%.

Mediclinic Middle East's EBITDA margin decreased slightly to 21.8% (2014: 22.0%), due to the start-up costs of the two new clinics in Abu Dhabi. The group is still learning from the challenges posed by this new market and initiatives are underway to successfully establish Mediclinic Al Hili, which opened in Abu Dhabi's second city, Al Ain, in February 2015, and to realise the potential of Mediclinic Corniche which opened in 2014.

During the reporting period, the selection process for a suitable LIS (Laboratory Information System) was initiated. Mediclinic Middle East plans significant investment in new ICT infrastructure in forthcoming years to enhance business performance

During the period under review, Mediclinic Middle East invested the following amounts:

- R227m (AED75m) (2014: R334m (AED121m) which included AED95m on the laboratory acquisition) on capital projects and new equipment to enhance its business, including AED56m on the construction of Mediclinic City Hospital's North Wing;
- R74m (AED25m) (2014: R59m (AED22m)) to replace existing equipment; and
- R60m (AED20m) (2014: R52m (AED19m)) to repair and maintain property and equipment, which was charged through the income statement.

For the next financial year Mediclinic Middle East plans to invest the following:

- AED133m on capital projects and new equipment including AED120m on the North Wing extension of Mediclinic City Hospital, as well as AED145m on the land purchase and construction of the new hospital;
- AED32m for replacing existing equipment; and
- AED20m for repairs and maintenance.

Overall patient satisfaction levels for the period October 2014 to March 2015 under the new Press Ganey system are 80.8% for inpatients and 77.7% for outpatients.

## BUILDING PROJECTS

Mediclinic City Hospital's new North Wing extension remained under construction during the reporting period. The completion date is estimated at mid-2016. Mediclinic Middle East also opened its first clinic in Al Ain, Abu Dhabi's thriving second city, in February 2015. A new outpatient centre was opened at Mediclinic Welcare Hospital to create additional space for outpatient services.

The Mediclinic Middle East corporate team also relocated from disparate locations around Dubai to a new central office opposite Mediclinic City Hospital in Dubai Healthcare City. This has streamlined operations, improved communication and also freed up space for the necessary expansion of doctors and services at Mediclinic Dubai Mall.

Mediclinic Middle East's proposed new hospital should break ground in the next reporting period.

## SUSTAINABILITY

### Patient trust

Winning patient trust is paramount to the success of Mediclinic Middle East's business. The increase in inpatient and outpatient admissions and consultations respectively is a clear indication that the group is achieving this. In October 2014, Mediclinic Middle East, along with Mediclinic Southern Africa, implemented a new patient satisfaction survey programme run by Press Ganey, a global leader in patient satisfaction measurement. This will allow Mediclinic to benchmark itself internationally and ensure that it is delivering a superior level of service to its patients. The group endeavours to communicate with patients through many other channels to ensure that information is relayed quickly, accurately and at the convenience of the patient or prospective patient. These channels include free health checks, seminars and talks and the positioning of Mediclinic Middle East doctors as figures of authority through media appearances and social media. Mediclinic Middle East's Facebook pages have witnessed overall growth in followers of over 130% during the period under review.

During the reporting period, Mediclinic Middle East also established a new Quality department, responsible for all issues relating to clinical quality, patient safety and patient confidentiality.



### People

The UAE remains attractive as an employment destination. Mediclinic Middle East has again undergone expansion in terms of employee numbers, with an 8% increase in staff during the period under review. It looks to attract and retain the very best professionals with market-related salaries and benefits, including life insurance and permanent disability benefits, comprehensive training, open communication and sound management practices.

Mediclinic Middle East organises continued medical education sessions both at an individual facility level and a corporate level for its employed and community-based doctors.

### Community

Mediclinic Middle East is involved in various social and charitable community activities which support healthcare, welfare, education and sport. The group contributed AED740 000 (2014: AED610 000) on event sponsorship and charitable activities during the reporting period which included AED400 000 of medical services for the Al Jalila Foundation, an initiative set up by the Ruler of Dubai to support underprivileged children.

Corporate social investment initiatives run by the group have included charity campaigns using Facebook, free health screenings, health talks and awareness campaigns on particular health topics.

Individual units work at a local level to support causes of their choice, but at a corporate level Mediclinic Middle East takes part in major community events such as World Health Day, World Heart Day and World Diabetes Day with free health check-ups for the general public at locations across Dubai.

Mediclinic has budgeted AED440 000 for community initiatives in the year ahead, with an additional AED500 000 in services as part of its partnership with the Al Jalila Foundation.

### Environment

Mediclinic Middle East is aware of its environmental responsibilities and during the year has begun the implementation of an environmental management plan with the intention of receiving ISO 14001 accreditation of all its facilities during the next reporting period.



## OUTLOOK

Mediclinic Middle East will continue to engage with the Dubai Government as it retains its focus on regulatory reform within the healthcare sector. These reforms are necessary for the industry and Mediclinic Middle East is positive that this active dialogue will result in a more sustainable market.

Despite increased competition from both the private and public sector with regular announcements of new healthcare projects, Mediclinic Middle East remains confident in its own strategy.

Most importantly, with current hospitals at capacity, Mediclinic Middle East is focused on growth. Completion of the new wing of Mediclinic City Hospital is a priority, as is the rapid start of the new hospital project. As Dubai grows, Mediclinic Middle East will also look to widen its clinic portfolio to service the healthcare needs of its expanding population. Mediclinic Middle East is also conscious of the challenges that have been posed by the market in Abu Dhabi and will be working to address these in order to optimise the performance of the current clinics and pave the way for future expansion there.