



Cleopatra Hospitals Group

Business Case Study

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Executive summary

Cleopatra Hospitals Group (CHG) was established in 2014 as a consolidated Group of healthcare providers with a very clearly defined strategy of building an institutionalised and integrated healthcare group within a highly underserved population, aimed at consolidating legacy facilities and enhancing the efficiencies and capacities of a very fragmented private sector that was once controlled and owned by individual doctors, businesspeople and the like.

CHG has grown through the acquisition of hospitals, either via full ownership or a majority stake, the establishment of long-term management/concession agreements with hospitals, and the launch of polyclinics and pharmacies.

The Group's service offerings range from general hospital services through to multiple specialties and subspecialties.

Critical to CHG's strategy is a strong centralised non-medical management and operational structure at head office level that encompasses strategy and growth, service delivery, business planning, supply chain, information technology, commercial, revenue cycle management, and finance teams.

Digitalisation is integral to CHG's operations and its proprietary healthcare hospital information system (HIS) and enterprise resource planning system (ERP), Clinisys, enables it to manage all aspects of the business, from internal operations (i.e. human resources, finance, etc) to hospital and patient management, through the monitoring of all data.

CHG has an omni-channel approach with all digital assets connected to the group information system.

Human capital is a primary focus, and the Group works to ensure that its people operate in a fair and safe environment; that the acquisition of talent is effective, that there is ample opportunity for development and growth within the Group, that there are succession plans in place, that there is gender parity and that communication across the business is fair and recognises the employees.

A key milestone for CHG is how they have been able to integrate health facilities with their own legacies, systems and processes into the CHG way. This is testament to the effectiveness of their centralised, 'plug and play', operational capabilities.

While there are other healthcare groups in Egypt, almost none are as integrated as CHG, or have the success record and capacity to pursue greenfield and brownfield projects, which is where the present is and the future lies.

CHG is in the enviable position of being perfectly positioned to expand on the breadth of its service offerings, to partner with the public sector to develop the healthcare sector and to partner with hospitals in the private sector to manage their facilities efficiently and effectively.

Healthcare in Egypt

Historically, the health care system in Egypt has been fragmented, with health and health-related services provided by a mixture of the government, parastatals and the private sector. Government and parastatal services providers offer minimum capacities and have not been growing at a pace that matches demand growth, which affects everything from accessibility to hospital beds. While there has been an increase in private sector hospitals, clinics, etc, this does not make up for the decreases in the public sector, creating a wide demand-supply gap in the quality healthcare services industry.

Furthermore, the private sector health care providers have traditionally been owned by individuals or individual companies, which makes for a disjointed system. This created an environment characterised by a lack of quality care, limited beds available, high out-of-pocket cost, etc. In World Health Organisation's (WHO) [Country Cooperation Strategy at a glance](#) document, it states that the key challenges for the health sector include "equity in health outcomes, equity in access to health services, and equity in the burden of health financing."

For example, at the time of the launch of Egypt's Sustainable Development Strategy: Vision 2030 in 2016, out of pocket spending was estimated at 59.6%. (The 2030 target is 28%). At the same time, there were 1.5 hospital beds per 1,000 people, when the global average was 2.7 beds per 1000 people (7 Facts About Healthcare in Egypt, <https://borgenproject.org/healthcare-in-egypt>)

In a report by the Arab Reporters for Investigative Journalists (ARIJ) titled No Hospital Beds for the Poor, it is stated that, in the period 2005 to 2018, the number of government sector hospitals decreased by 40.7% to 691 and the number of government sector hospital beds decreased by 17.6% to 95,683 while the number of private sector hospitals increased by 777.4% to 1,157 and the number of beds in the private sector increased by 90.1% to 35,320. This is based on data from the Central Agency for Public Mobilisation and Statistics' 2019 health bulletin.

In addition, there is a shortage of skills across the healthcare sector from frontline to support.

Taking all of this into consideration and that Egypt has, according to the United Nations Population Fund (UNFPA), a population of 106.2 million (2022) with a 1.8% expected average annual rate of population growth, there is an urgent need for reform of the health care system at all levels.

Reforms

In the Egypt Vision 2030, the sixth pillar is “Health All Egyptians enjoy a healthy, safe, and secure life through an integrated, accessible, high quality, and universal healthcare system capable of improving health conditions through early intervention, and preventive coverage. Ensuring protection for the vulnerable, and achieving satisfaction of citizens and health sector employees. This will lead to prosperity, welfare, happiness, as well as social and economic development, which will qualify Egypt to become a leader in the field of healthcare services and research in the Arab world and Africa.”

To achieve this, the [health programmes](#) until 2030 earmarked are:

1. Adopting inclusive healthcare coverage.
2. Improving the quality of healthcare service provision.
3. Enhancing preventive and health programs.
4. Improving health sector governance.
5. Decentralise health services provision.
6. Developing information and technological infrastructure to support health care systems.
7. Developing human resource management in the health sector.
8. Developing the pharmaceutical sector.

Embedded in the Egyptian 2014 constitution is the establishment of a universal health insurance coverage of the country and, in 2018, the Universal Health Insurance (UHI) plan, was launched.

In the WHO’s Country Cooperation Strategy at a glance document, it states:

“The constitution of 2014, article 18 has put Egypt on track for progressing towards UHC, while the new Social Health Insurance (SHI) law, recently endorsed, established the legislative structure to fulfil the constitutional mandate and will be an important instrument to make UHC a reality.

The new law reorganises the health system structure into new “Social Health Insurance Organisation (SHIO)”; a new “Public Provider Organisation”; a new “Accreditation and Monitoring” organisation, besides “the Ministry of Health and Population (MOHP)” which takes charge of oversight of the whole health system together with provision of public, preventive, ambulance, and emergency health services.”

There are a number of projects, initiatives and organisations focused on achieving the Vision 2030, including the World Bank funded [Transforming Egypt’s Healthcare System Project](#) in partnership with major private sector players such as Cleopatra Hospitals Group

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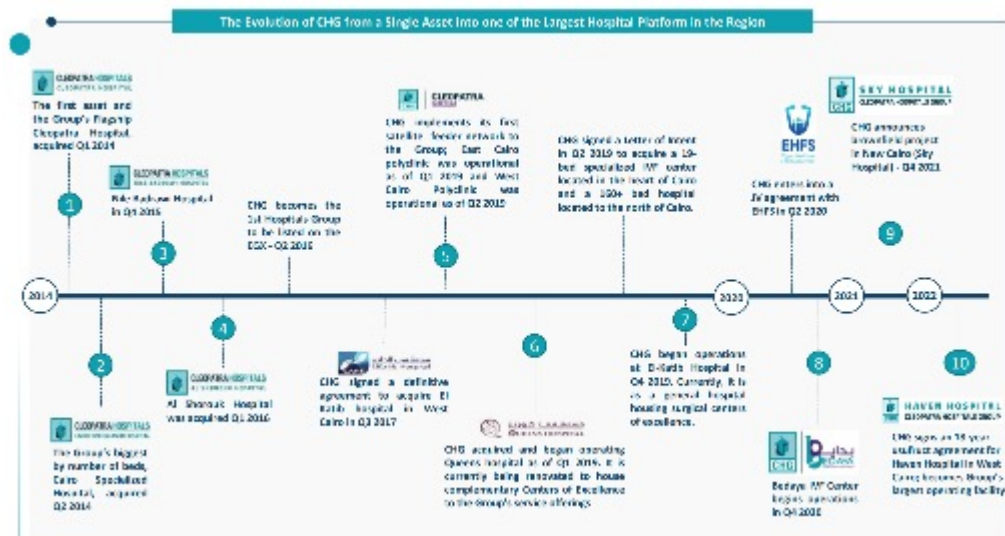
THE ESTABLISHMENT OF CHG

Cleopatra Hospitals Group (CHG) was established in 2014 as a consolidated Group of healthcare providers with a very clearly defined strategy of building an institutionalised and integrated healthcare group within a highly underserved population, aimed at consolidating legacy facilities and enhancing the efficiencies and capacities of a very fragmented private sector that was once controlled and owned by individual doctors, businesspeople and the like.

At that point Egypt did not have a healthcare company of this sort and CHG drew inspiration from strong institutionalised healthcare companies in countries like South Africa, Turkey, the United Arab Emirates and others in the Gulf.

The foundation of this strategy was the acquisition of the well-renowned Cleopatra Hospital and Cairo Specialised Hospital in 2014, both initially family-owned businesses. In subsequent years, CHG acquired either via full ownership, a majority stake or by virtue of long-term management/concession agreements, in Nile Badrawi Hospital (2015), Al Shorouk Hospital (2016), El Katib and Queens Hospitals (2019), , Bedaya (Fertility Solutions) Hospital (2020), and finally Sky and Haven Hospitals (2022).

CHG has also launched two polyclinics, namely Majarraah Polyclinic in West Cairo with 11 clinics, and New Cairo Polyclinics in East Cairo consisting of 18 clinics, along with the inauguration of CHG branded pharmacies within the premises of both polyclinics, resulting in a strong geographic presence across Cairo. This enables the Group to offer accessibility to its network across Cairo by virtue of its wide spanning presence and spectrum of service offerings, from general hospital services through to specialities and subspecialties.



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THE IMPORTANCE OF CENTRALISATION

Critical to CHG's strategy has been the building of a strong centralised management and operational structure at head office level and, very early on, prior to listing on the Egyptian Stock Exchange in 2016, brought on key skills in critical roles, including, for example, investor relations and business strategy, digital transformation and human resources, amongst others. Over the years, CHG has managed to develop professionals with unique and highly specialised skillsets that did not exist within the healthcare sector previously.

Cleopatra brought on executives early on with a wealth of experience in their specific fields, such as the current Chief Executive officer Dr Ahmed Ezz El Din, the current Executive Director of Group Corporate Strategy & Business Operations, Mr. Hassan Fikry (who started as a Business Analysis Manager within the company), Dr Amr Alashkar, the current Group Chief Information Officer, and Group Chief HR Officer, Ms Marwa El Abassiry, all of whom have been part of CHG's journey since inception.

For the initial team, working in the first company that was going to institutionalise this sector was seen as both a real challenge and a worthy societal initiative and purpose to be a part of.

At the heart of CHG is a six-pillar operational strategy, namely:

- Improving and standardising service quality,
- Integrating its new and existing facilities to achieve higher efficiencies and extract synergies,
- Enhancing utilisation as well as optimising and growing existing capacities and capabilities,
- Continuing to expand the geographical footprint and referral channels thereby increasing accessibility to quality healthcare services across the nation,
- Venturing into new high potential service offerings and business lines by introducing the latest medical and non-medical technologies as well as leveraging digitalisation throughout the process,
- Developing the concept of the one-stop shop treatment journey as well as the centres of excellence model.

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THE IMPORTANCE OF CENTRALISATION

To accomplish this effectively, it was critical to establish a centralised non-medical management that encompasses strategy and growth, service delivery, business planning, supply chain, information technology, commercial, revenue cycle management, and finance teams. This has enabled CHG to onboard medical facilities onto its network seamlessly, ensuring that the medical component of the business has the necessary support, vision, and business acumen as well as systems and processes that are clear, efficient and geared for the growth of an on-going concern. This was also facilitated by Clinisys, the first-of-its-kind in Egypt fully integrated Group-wide healthcare hospital information system (HIS) and enterprise resource planning system (ERP), which allows for accurate measuring and monitoring of key data across the Group in real-time.

Within this context, for example, Hassan Fikry's role is more of a horizontal management one, working across mergers and acquisitions, business operations, corporate strategy, and investor relations supported by Mr Waleed Hamed, the current Corporate Strategy and Investor Relations Manager. At the same time, Mr Fikry is also involved in key decisions related to project management and business planning, especially when bringing a new healthcare facility into the CHG way of doing things.

This is made smoother by the corporate office de-layering facilities' managing directors' programme. Facilities that are in close proximity to each other geographically are bundled under one management that reports directly to the corporate office to maximise synergies and integration as well as cross-asset referrals generation.

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DIGITAL TRANSFORMATION

When it comes to digital transformation which, within CHG, is defined as how to improve efficiency and effectiveness of the how the business is managed, in a number of key areas, namely:

1. Enabling their people to do their work efficiently and simply put, better
2. More efficient control of financials and management of resources
3. An efficient patient experience, which includes billing and appointment management, storing and managing universal medical records, and paving the way for big data management projects that allow for efficient and strategic decision making on the basis of solid data collection, ensuring that patients are receiving the necessary access to quality healthcare services, level of care, and quality of life they deserve. CHG serves one million patients annually and collects and utilises the patient data to enhance all aspects of the business.
4. Stakeholder enablement where doctors and patients are both receiving proper data and information in a way that is secure and private. This, for example, manifests as a patient portal where they have easy access to their medical records and where doctors can both exchange data with their patients and communicate with the laboratory and radiology departments to better help them manage patients.
5. Proper databases with analytics and insights required by management to make the right decisions at the right times.

This comes on the back of CHG's development of the unified information system across the Group, Clinisys. Clinisys connects to the various systems including the radiology imaging system, the human capital management system for hospital staff, diagnostics departments, and nursing stations across the Group. The system is also integrated with CHG's call centre operations.

In addition, Clinisys offers business analytics solutions with a variety of management dashboards for staff within the Group, and the various subsidiary companies, to enable them to manage their own departments, businesses and workflows.

From an external digital perspective, CHG has an omni-channel approach and, therefore, the website, mobile app, chat bot and other digital channels, like social media management, are all connect to the group information system.

With this level of connectivity, CHG has also developed strong security and firewalls to ensure that data is managed securely and is well protected. To get a sense of scale, as a company of close to 5,000 employees, there are at least 2,000 desktop and endpoint devices. Plus, with paperwork kept to a minimum and decreasing year on year, effective cybersecurity and protection of data is critical.

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THE IMPORTANCE OF PEOPLE

From day one, for the executive team, human capital has been their main focus. What they consider their first priority and most important asset because, the reality is, without the development of their people in terms of mindset, skills, competencies, etc, then everything else would be in vain. And this is beyond a technical or medical perspective. It is about how they treat patients, how they engage with the business side, how they interact with the culture and ensure that its upheld, etc.

As with other aspects of the business, an important tool to manage the people of Cleopatra is their integrated HR system which provides data at all levels of the business. At Group level, everything from number of employees, number of trained employees, turnover rates, the number of women in the business, etc are available. It makes it easier to monitor the fulfilment of KPIs and manage performance whether at head office or at hospital level, and this is checked regularly.

Creating a fair and safe environment

CHG has a code of conduct and an employee handbook to ensure that everyone understands the values, their rights, responsibilities and what is expected of them, what recourse they have, etc. It is important that employees feel secure in their work, knowing that they will be treated fairly, well compensated with opportunities for growth. Whistleblowing and complaint lines are also clearly defined and communicated.

The importance of people

Talent Development and Acquisition

A real challenge, not just for Cleopatra, has been high staff turnover in the healthcare sector, with people jumping between healthcare groups and hospitals. What CHG found people left because of remuneration, opportunity for self-development and career progression. To address this, which they did bit by bit, they created an organisational structure with clear job profiles and remuneration that reflected the position, not the person.

There is also opportunity for people to move between, for example, hospitals with the possibility of promotion and training and, because of the integrated approach to the business, they do not have to be retrained. In addition, all postings are shared internally before they go outside of the Group, giving priority to in house talent development, ultimately advancing the sector's skillsets as a whole.

And, when it comes to training, they have developed a range of training programmes for all tiers of the business, whether it is juniors or executives, to ensure that employees are continuously being upskilled. Training encompasses medical and non-medical programmes, aimed at further developing every member of CHG's family on various fronts.

With external hirings, CHG has developed a recruitment process in accordance with their internal standards while also being fair. Part of this is a three-interview process, one with Human Resources and two with technical managers related to that specific post.

For managerial and supervisory positions, CHG has assessment centres where candidates are taken through, amongst other things, case studies and role-playing exercises that mirror what happens in real cases, in order to ensure the candidates are a perfect fit for the role and future progression.

As a result, CHG has been able to reduce staff turnover significantly and has an estimated 80% success rate when it comes to talent acquisition.

The importance of people

Succession Planning

Tied to talent acquisition and employee development, CHG has built a succession planning process in which, each year management sits with the sector heads, hospitals MDs, etc and discuss critical jobs that need to be filled in future. They then consider potential candidates from within the business and create specific development plans for them to grow into the jobs.

While they are growing both extensively and rapidly, which creates more job opportunities, they have, so far, been able to fill most of these jobs internally, while not discounting ideal candidates that they would like to bring into the fold.

The clear succession plans are updated regularly to ensure booth business continuity and healthy staff growth within the organisation, ultimately improving employee retention rates.

Communication

There are multiple communications channels within the business, including face-to-face 'Your Coffee With HR' between HR and each hospital MD, with a random sample of employees, where any concerns can be raised.

There is also a more discreet grievance email address for anonymous whistleblowing and, on an annual basis, there is an engagement survey that goes out to all employees. And, within each hospital, there is a quarterly assessment that takes place.

Furthermore, on the back of the Group's digitalisation agenda, the HITS platform is an effective and efficient tool for management to communicate with Group staff conveniently and with transparency.

Gender Parity

In the beginning, most of CHG's management, at Group level and within the hospitals, were male. They have worked to create greater parity that reflects the demographics of the country with about 34% women, including the HR Officer, the CapEx Planning Director, the Marketing Director and one of the hospital MDs. This also creates a diverse environment with different perspectives and experiences.

Milestones/Achievements

The key milestone for Cleopatra Hospital Group has been achieving what felt impossible in the beginning, namely creating an integrated, centralised approach to the healthcare services that they provide. This has enabled CHG to avoid potential pitfalls when acquiring old hospitals with their own legacies, systems and processes and integrating them into the CHG way.

CHG is not dependent solely on growth driven by the acquisition of operating assets, and also add facilities to their network through an asset-light model, which they plan to continue to deploy in future.

With CHG having already consolidated the major legacy private hospitals in Cairo, the number of sizeable operating facilities available for sale have diminished drastically. There are, however, ample opportunities to partner with facilities. There are quite a few facilities owned or run by syndicates, governmental entities, and major corporations that are not in the business of healthcare management but, for example, built these hospitals for their staff.

Owners of these facilities would typically like to retain ownership of the assets, but also want to enhance the efficiency and performance levels of said facilities to both meet their staff needs and to contribute to addressing the current undersupply of hospital beds in Egypt.

The agreements come in various forms including revenue share agreements, as is the case with the 25-year management contract with Sky Hospital and pure rental agreements, such as the 18-year usufruct agreement with Haven Hospital). These contracts allow CHG to assume full management of these facilities, according to CHG standards and policies and consolidate these hospitals' financial performance into the Group's consolidated figures.

With the Sky and Haven hospital agreements, CHG has positioned itself at the forefront of this form of growth in the industry. With the Group's proven success record and plug and play integration and operation capabilities, CHG is currently the only viable entity to execute on this type of opportunity. They have also been able to build brand recognition for CHG that is synonymous with quality service and trust.

Challenges + Opportunities

There are a number of healthcare groups that have been established or expanded their offerings into Egypt which serve as competition to CHG like:

- The Elaj Group which was established in 1994 focused on Chronic Care Delivery in Saudi Arabia, where it is headquartered, and Egypt. It has built a presence in the healthcare sector in the MENA region, with a number of medical centres and hospitals, although these are not integrated and it does not compare in size or in reach.
- Seha Healthcare, established in 2015, like CHG, and consists of two hospitals and a number of polyclinics across Cairo. This Group is also not integrated & does not compare in size or in reach.
- Alameda Group, established in 1999, is a group of four hospitals that are well renowned in Cairo but are not integrated. They are next biggest group of healthcare facilities in Egypt after CHG.

The opportunities in the country are such that there is a space for everyone, but there is a high barrier of entry, particularly due to limited sizeable operating facilities available for acquisition. The only way to really enter the market is through greenfield and brownfield projects.

At the same time, with the current Egyptian macro-economic outlook, the ongoing devaluation of the Egyptian Pound, and the high dependence on dollar dominated medical equipment, investment costs will be difficult to recover within a reasonable payback. As a result, management/concession contracts are the main means of consolidating sizeable facilities under one entity. Success records and strong sector connections are some of the main criteria to closing such deals, which places CHG in the enviable position of being the best and, in some instances, the only viable option.

In addition to the challenges competitors bring, the comprehensiveness of CHG as a healthcare group is both a challenge and an opportunity. The challenge is in continuing to be nimble enough to expand into the subspecialties, whether it is hospital services, diagnostics, pharmaceuticals, IVF, etc, without losing their identity, the quality of service or the effectiveness of the integrated and centralised management approach.

Challenges + Opportunities

The opportunity is that, with the centralised management approach, a commitment to creating centres of excellence in each of their assets, and the fact they aren't niche means that they can evolve with the needs of the market having strong bargaining powers to support their procurement, expansion plans & growth.

In his article, [Insight into Egypt's healthcare sector](#) for Omnia Health, Mansoor Ahmed details a wide range of market opportunities in Egypt, including:

- A focus on daycare surgery
- Long Term Care/Rehabilitation
- Primary Care
- Laboratory and Diagnostic Centres
- Medical Tourism
- Beauty & Cosmetic
- Health driven wellness resorts/second home developments
- Healthcare/medical cities and parks

When you look at CHG's trajectory over the last 9 years since it was established and you consider their strategy when it comes to providing healthcare to different segments of the market and establishing itself across the full healthcare value chain, they are extremely well-poised to take advantage of these market opportunities and any that may further arise, especially taking into consideration the soon-to-be launched Public-Private Partnership model developed by Egypt's Ministry of Health, which includes a comprehensive insurance system, enhancing the pharmaceutical industry, and expanding the spread and accessibility of general hospitals.