

# **Value Chain for Health Insurance sector In Saudi Arabia 2025**

# Table of Contents

**Introduction**

3

**Upstream, Midstream, and Downstream Framework**

4

**Upstream**

5

**Midstream**

6

**Downstream**

7

**How the Flow Works in Saudi Arabia**

8

**Strategic Recommendations**

9

**Summary**

12

**Conclusion**

13

**Contact us**

14

## Overview

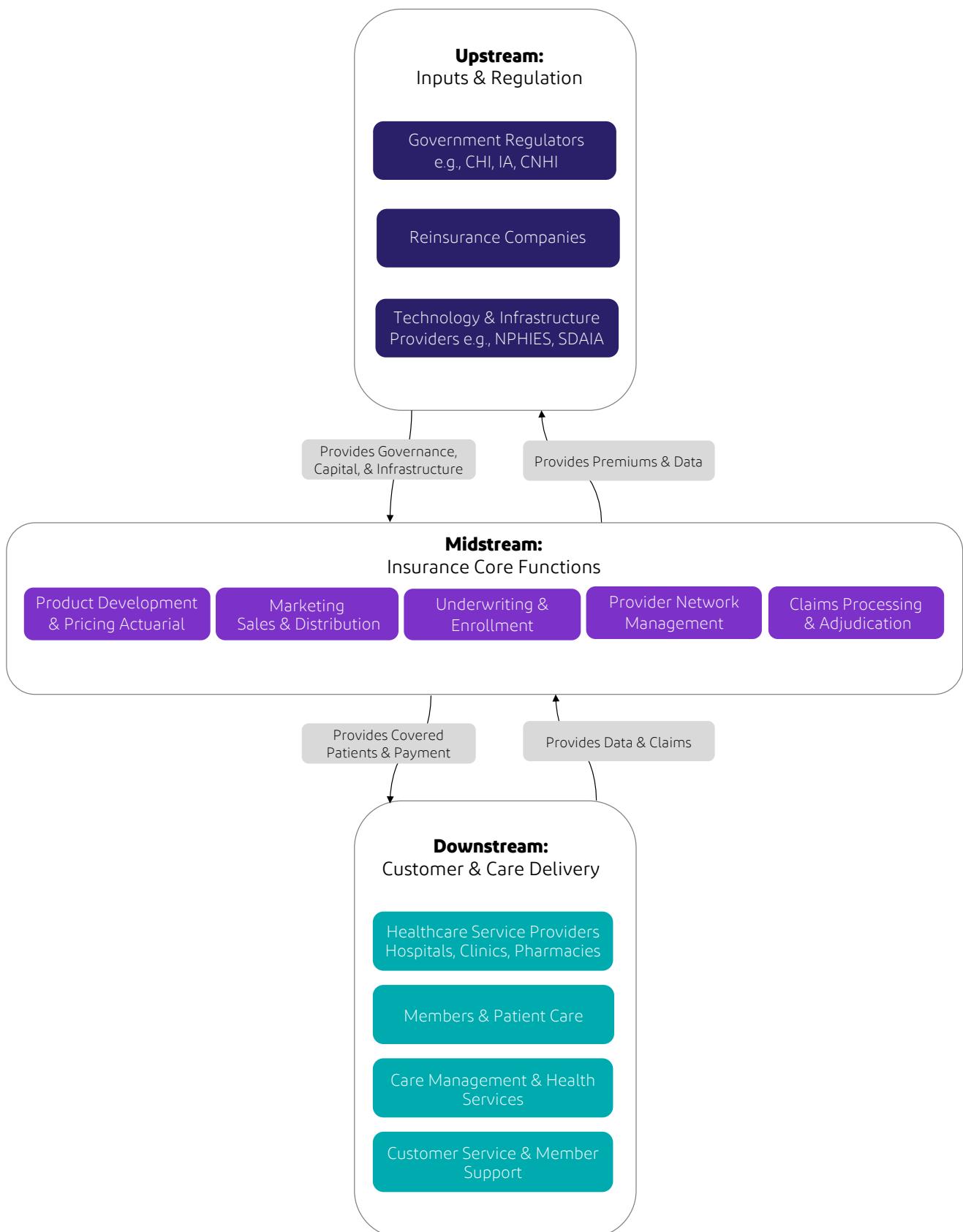
For many years, the Council of Health Insurance (CHI) has been at the heart of regulating Saudi Arabia's health insurance market, shaping policies, setting standards, and ensuring that beneficiaries receive fair and transparent coverage. In recent years, the landscape has evolved with the creation of the Insurance Authority (IA), now the unified body responsible for overseeing all types of insurance in the Kingdom, including health insurance. The IA's mission goes beyond regulation. It seeks to strengthen governance, maintain the financial health of insurers, protect policyholders, and encourage innovation and digital transformation across the insurance sector. Together, these efforts aim to build a more resilient, transparent, and customer-focused insurance ecosystem that supports Saudi Arabia's Vision 2030 goals.

The structure of the health insurance value chain in Saudi Arabia retains the core components of the traditional model. However, it comprises distinct characteristics designed by the Kingdom's regulatory environment, market dynamics, and cultural considerations. The Council of Health Insurance (CHI) and The Insurance Authority (IA) play a pivotal role in regulating the market, while The Center for National Health Insurance (CNHI) aims to provide public insurance coverage to its beneficiaries and purchases health care services. The following analysis deploys the value chain framework to the Saudi context, examining how each component operates and creates value within this unique market environment.



## Upstream, Midstream, and Downstream framework

This framework is particularly powerful for the Saudi market due to the strong governmental and regulatory influence at the upstream level. The value chain, in the following diagram, outlines the Saudi health insurance market in a way that is structured according to the **upstream, midstream, and downstream** concept:



## Upstream: The Foundational Inputs and Rule-Setters

This segment includes the entities that provide the essential inputs, set the rules, and create the infrastructure upon which insurers operate. They are not directly involved in day-to-day insurance operations but have immense influence



### Government Regulators:

- **Council of Health Insurance (CHI):**

The primary regulator setting policy, benefits (Essential Benefit Package), pricing rules (e.g., Circular #156-2023 on premium caps), and standards.

- **Insurance Authority (IA):**

Regulates the financial solvency and market conduct of insurance companies.

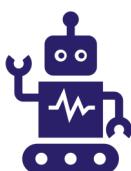
- **Center for National Health Insurance (CNHI):**

Will act as a single-payer upstream entity, channeling state funds and covering the entire citizen population.



### Reinsurance Companies:

Provide critical capital and risk transfer mechanisms to local insurers, allowing them to underwrite larger risks and protect themselves from catastrophic claims.



### Technology & Infrastructure Providers:

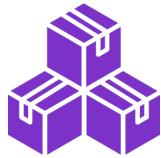
- **NPHIES:** The National Platform for Health and Insurance Exchange Services. The platform is intended to support interoperability, secure data exchange, and standardized messaging between providers, payers (insurers), and regulators.

- **IT Firms & InsurTechs:**

Provide software, platforms, and algorithms for CRM, claims processing, data analytics, and digital distribution.

## Midstream: The Core Insurance Functions (The Insurers)

This is the core value-creation engine where the insurance product is created, developed, sold, and administered.



**Product Development & Actuarial Pricing:**  
Designing plans, benefits, and pricing data.



**Marketing, Sales & Distribution:**  
Acquiring customers through brokers, digital channels, and direct sales teams.



**Underwriting & Member Enrollment:**  
Assessing risk (for applicable products) and onboarding members onto their systems and the NPHIES platform.



**Provider Network Management:**  
Contracting with and managing relationships with healthcare providers (hospitals, clinics), including negotiating rates and terms.



**Approval requests, Claims Processing & Adjudication**  
The critical operational function of approvals requests processing — receiving, checking, and paying (or denying) claims — is heavily reliant on NPHIES.

## Downstream: Customer Touchpoints and Service Delivery

This segment involves the delivery of the actual healthcare service and the ongoing management of the customer relationship.



### Healthcare Service Providers (Hospitals, Clinics, Pharmacies):

These are the downstream partners that deliver the actual medical care to the insured members.



### Members/Patients:

The ultimate beneficiaries of the value chain. They interact directly with the downstream providers for care and with the insurer for support.



### Care Management & Health Services:

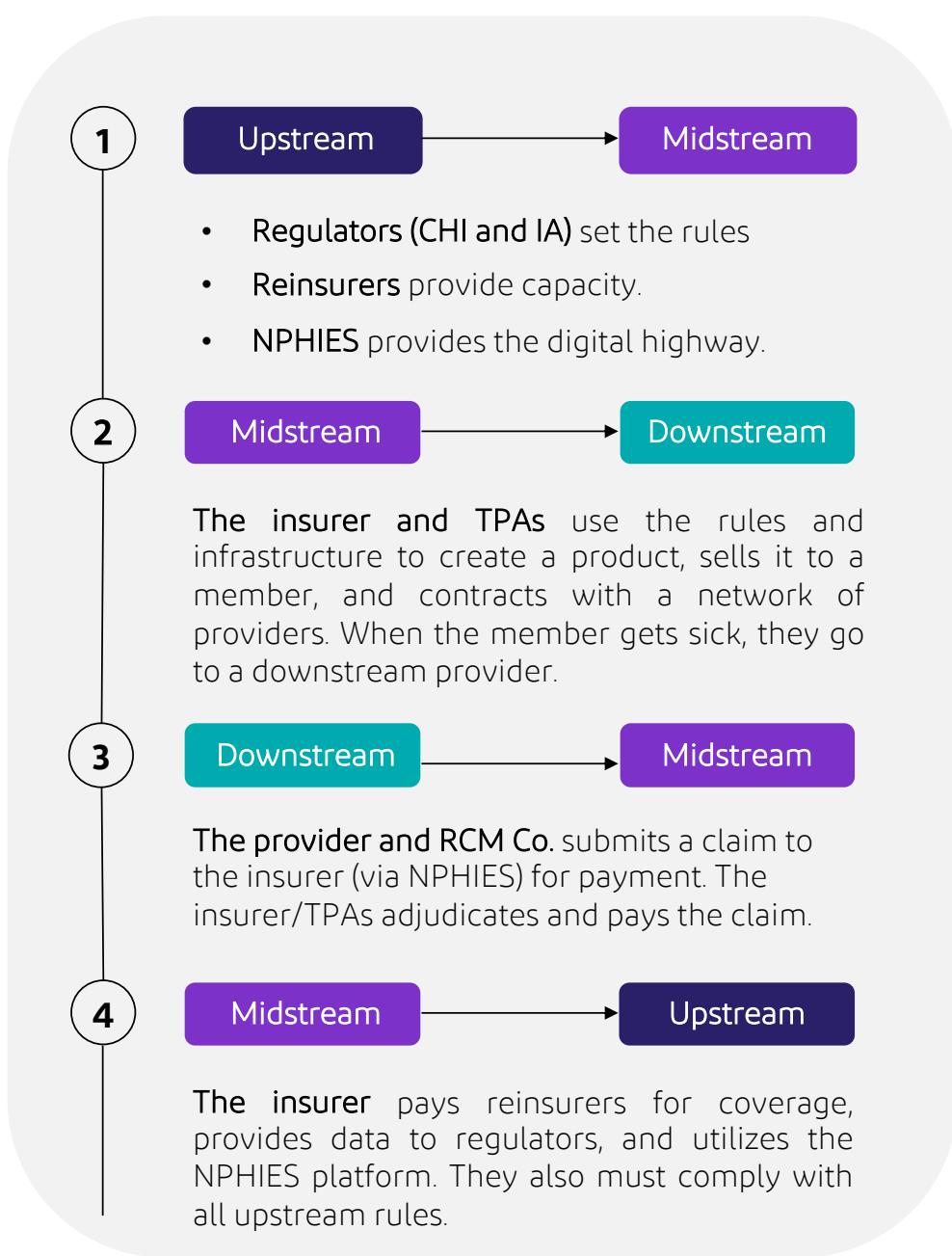
Insurers operate these programs (wellness, disease management, and care management) to improve engagement and health outcomes.



### Customer Care & Member Support:

The ongoing support function for members, including helplines, complaint resolution, and digital service needs.

## How the Flow Works in Saudi Arabia



This framework shows that an insurer's success in Saudi Arabia is not just about its internal efficiency (midstream) but also about its ability to:

- Navigate and influence the Upstream (regulatory compliance, leveraging NPHIES).
- Manage and integrate the Downstream (building high-quality provider networks, ensuring member satisfaction).

The Saudi's government powerful upstream (esp. regulatory through CHI, IA and the CNHI) makes this framework particularly relevant for understanding the market's dynamics.

## Strategic recommendations

Our all-inclusive analysis into the Saudi Health Insurance market value chain revealed a number of critical insights, which are detailed within this report. The recommendations presented are not merely a response to these findings; rather, they are a holistic and data-driven strategy. The evidence gathered serves to both justify and reinforce the validity of each proposed action, creating a cohesive and mutually supportive framework for achieving concrete investment decision making.

### For insurance companies:

#### 1 Strategic Planning & Investment Decisions:

This model is another call-out for insurers who seek to identify where to invest resources and build capabilities. The clear immense upstream influence of NPHIES and CHI justifies further major investments in compliance and IT integration teams. On another note, insurers should consider how InsurTech, a downstream distribution channel, is growing. Accordingly, insurers could prioritize developing their own digital sales platform or acquiring a tech startup and/or healthcare providers.

#### 2 Risk Management:

The definition of this value chain pinpoints another spot-on source of risk across the entire ecosystem, not just internally. Here, a key risk lies Upstream (e.g., a new regulation enforcement on capping premiums) and Downstream (e.g., hospitals not being ready for DRG coding, leading to claims disputes). Proactive strategies can be developed for each.

#### 3 Partner Selection & Relationship Management:

The model clarifies who the critical partners are at each stage. For instance, an insurer looking to expand its network would know that partnering with downstream providers who are already proficient in DRG coding and NPHIES compliance would lead to fewer administrative headaches and faster claims processing.

#### 4 Competitive Advantage Identification:

Companies can analyze where they excel compared to rivals at each stage. Here, a company should address: is our advantage in Midstream operational efficiency (lower cost of claims processing)? Or in Downstream care management (better wellness programs that reduce costs)? Or in Upstream regulatory lobbying?

## For New Market Entrants (Foreign Insurers, Insurtech Startups)

### 1 Market Entry Strategy:

The model provides a clear map of the entire market landscape, showing all the players and gatekeepers. This is invaluable for due diligence. For instance, a foreign insurer can use it to define critical barriers to entry (e.g., Upstream regulatory approval from IA/SAMA) and key partners needed (e.g., Downstream provider networks, Upstream reinsurers).

### 2 Niche Identification:

Our framework could help entrants find underserved parts of the value chain to target. Here, an Insurtech startup might see an opportunity to provide a specialized software platform that helps Midstream insurers manage their Downstream provider contracts more efficiently.

## For Healthcare Providers (Hospitals, Clinic Groups)

### 1 Strategic Positioning:

This report could support providers in understanding their role and power in the ecosystem. They are the critical Downstream service delivery point and a large hospital chain, for example, can leverage its position to come up with better settlement rates from Midstream insurers, especially if it can demonstrate better health outcomes (a key focus of value-based care).

### 2 Readiness & Investment:

The model shows what insurers and regulators (Upstream and Midstream) need from them. The report demonstrates how DRG coding and NPHIES integration are critical for getting paid quickly. Here, a hospital can invest in training its staff and upgrading its IT systems accordingly.

## For Investors & Analysts

### 1 Investment Thesis Development:

The value chain outlined, in this report, provides a framework for analyzing a company's strengths and weaknesses within the broader context of the sector. For example, an analyst can assess an insurer not just on its financials, but on how well it is managing its Upstream regulatory risk and its Downstream provider network costs. A company heavily invested in proprietary Downstream telehealth services might be seen as more future-proof.

### 2 Identifying Growth Sectors:

The framework highlights which segments of the value chain are experiencing the most growth and innovation. For instance, the model clearly shows that Digital Distribution (Midstream) and Telehealth (Downstream) are high-growth areas (estimated in some reports as 25% and 18% CAGR, respectively), making companies focused on these areas attractive investment targets.

## For Government & Regulators (CHI, IA, CNHI)

### 1 Policy Design & Impact Analysis:

This report allows regulators to visualize the potential ripple effects of a new policy across the entire ecosystem before implementing it. In this instance, before launching an initiative by CNHI, other regulators can use the model to anticipate how it will impact Midstream private insurers (will they lose customers? shift to supplemental plans?) and Downstream providers (will patient volume increase?).

### 2 Identifying System Bottlenecks:

The framework helps pinpoint where inefficiencies are occurring. For instance, if claims are processing slowly, the model helps diagnose the problem: is it a Midstream insurer IT issue, or a Downstream provider coding error, or a failure in the Upstream NPHIES platform?

Finally, this report presents a series of recommendations designed to address all relevant components in the value chain of the health insurance market in Saudi Arabia. The analysis of our findings not only substantiates these recommendations but also provides additional evidence of their significance and strategic importance.

## Summary: The Power of the Model

In essence, the Upstream-Midstream-Downstream value chain model is a strategic map. Its primary use is to:

### For insurance companies:

#### 1 Provide Clarity:

It makes a complex system understandable by breaking it down into logical parts.

#### 2 Facilitate Strategic Decision-Making:

It helps stakeholders identify risks, opportunities, and dependencies.

#### 3 Improve Communication:

It gives all players a common language and framework to discuss the market, whether they are an insurer, a doctor, a regulator, or an investor.

Our proposed value chain model offers a comprehensive and verifiable framework for the Saudi health insurance sector. Unlike a simple list of components, the model's structure is designed to highlight critical interdependencies and reveal strategic implications. While some of these implications may appear intuitive, this report provides robust data and analysis to substantiate and confirm their validity. Our model demonstrates a clear and verified understanding of the sector's dynamics, supporting evidence-based decision-making. Our model strongly highlights:

#### 1 Dependencies

#### 2 Power Dynamics

#### 3 Bottlenecks

#### 4 Opportunities for Innovation

## 1 Dependencies

- **What the Value Chain Shows:** Downstream providers (hospitals) rely on Midstream insurers for payment, and insurers rely on Upstream regulators (CHI and IA) for the rules of payment.
- **The Implication:** A change in Upstream regulation (e.g., new DRG codes and value-based healthcare) will immediately create a dependency challenge for Midstream insurers and Downstream providers, who must now adapt their systems.

## 2 Power Dynamics

- **What the Value Chain Shows:** In Saudi Arabia, the Upstream segment (Government, CHI, IA, NPHIES) is incredibly powerful and sets the rules for everyone else.
- **The Implication:** The success of any Midstream company is heavily dependent on its ability to manage its relationship with and compliance to the Upstream entities. This is a critical business risk.

## 3 Bottlenecks

- **What the Value Chain Shows:** All claims flow from Downstream providers through the NPHIES (Upstream) platform to Midstream insurers.
- **The Implication:** NPHIES serves as a single point of efficiency or vulnerability in the health insurance value chain. Any system failure could disrupt claims, reimbursements, and eligibility checks nationwide. Conversely, when operating smoothly, NPHIES enhances interoperability, transparency, and fraud control. This central role highlights the need for strong governance, cybersecurity, and system resilience.

## 4 Opportunities for Innovation

- **What the Value Chain Shows:** The connection between Midstream (insurer) and Downstream (member) for customer service is often traditional and inefficient.
- **The Implication:** There is a massive opportunity for a company to innovate here with AI-powered chatbots, seamless apps, and digital wellness programs to gain a competitive advantage.

## Conclusion:

The value chain is the diagnostic tool. It identifies the anatomy of the industry. The implications are the prognosis and treatment plan. They determine what the diagnosis means for the health and strategy of the organizations within it. No company can draw meaningful implications without first understanding the value chain structure. The value chain provides the "what," and the implications explain the "so what" and "now what."

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