

EMERGING TRENDS IN INDIAN HEALTHCARE INDUSTRIES

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ABSTRACT

The Indian healthcare industry, which comprises hospitals, medical infrastructure, medical devices, clinical trials, outsourcing, telemedicine, health insurance and medical equipment, is expected to reach US\$ 160 billion by 2017. Technology is rapidly changing the way healthcare is delivered across the country. The Indian healthcare sector is expected to become a US \$280 billion industry by 2020, with spending on health estimated to grow 14% annually, according to a report by an industry body.

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Key Words: Healthcare Sector, Service Quality, Customer Satisfaction, Healthcare EMERGING TRENDS IN INDIAN HEALTHCARE INDUSTRIES

Introduction

Healthcare sector is considered one of the largest sector in terms of both revenue and workforce employment. The estimated valuation of the sector was close to USD 74 billion as at financial year 2016-17. A large and growing population, a booming economy, rapid urbanization which has expanded the middle class, rising diseases and increased awareness level has enable the sector to grow at much higher rate.

Growth of Healthcare Demand

The Healthcare sector, in India, is at an inflection point and is poised for rapid growth in the medium term. However, Indian healthcare expenditure is still amongst the lowest globally and there are significant challenges to be addressed both in terms of accessibility of healthcare service and quality of patient care. While this represents significant opportunity for the private sector, the Government can also play an important role in facilitating this evolution.

India is second largest populous country (after China) in the world having a population 1.21 billion overall population grew at a rate of 1.76% per annum during the period 2001 2.13% per annum in the previous decade 1991 improvement from 926 in the year 1991 to 940 in the 2011. Similarly, the birth rate has declined from 26.10 in the year 1999 to 22.50 in the year 2009. The Infant Mortality Rate (IMR) has decline significantly from 70 in 1999 to 50 in 2009 (per 1000 person) and urban IMR of 55 and 34 respectively with the globalization of Indian demographics of urban and rural population. The recent decade grow at a higher rate with respect

to the rural popular better livelihood opportunities with regards to education, health and other modern facile urban population has resulted in an their healthcare expenditure.

With a rise in population, both infectious and chronic diseases have also increased in the recent decade. While the country has made significant advancement in reduction of diseases like polio, leprosy and tetanus other diseases like flu, malaria, dengue, he similarly life style diseases like diabetes, cancer and heart related diseases are also on the rise. According to National Commission on Macro economics and Health (NCMH) there will be a significant rise in both communicable and non growing awareness about health prevention and other precautionary measures along with proper diagnosis is resulting in higher hospitalization

Industry Overview

The hospital segment holds a major share of the healthcare industry and is outpacing the overall industry growth The size of the private hospital industry in India is estimated to be around US\$25billion as per Assoc ham and growing at a CAGR of 20% The demand for hospital services has been consistently soaring in the country, with every class of the society demanding better quality and standards of healthcare Realizing the continuous growing demand, many investors worldwide have expressed their keenness towards investing in the Indian hospital service market. The country is making strides in the right direction as evident from the 100% allowance of FDI in the hospital segment under the automatic route, since January 2000 According to “Indian Hospital Services Market Outlook” by RNCOS Industry Research Solutions, the country needs to cover the cumulative deficit of around 3 million hospital beds to match up with the global average of 3 beds per 1000 population.

Challenges in the industry

- Hospitals will always have a community / charitable angle to them, so will face constant government regulation and scrutiny and thus super-profits will always raise eyebrows.
 - Many hospitals and healthcare providers are struggling with outdated information technology in India today.
 - A major challenge for our nation and the healthcare industry would be not only to retain the healthcare workforce but also to develop an environment, which would attract those abroad to return (reverse brain drain)
 - The growing demand for quality healthcare and the absence of matching delivery mechanism pose a great challenge.
 - There is an acute shortage of faculty of medical teachers all over the country. One of the pivotal factors to sustain the projected growth of the healthcare industry in India would be the availability of a trained workforce, besides cheaper technology, better infrastructure etc
 - Another challenge will be to find good talent in India to provide the ancillary healthcare services, especially the voice based ones which require not only good English communication skills but also very good analytical skills
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20 1. The government plans to build 6 super specialty tertiary healthcare.

Drivers of Growth for the Healthcare Sector

A combination of demographic and economic factors is expected to bring about increased healthcare coverage in India which is expected to drive the growth of the sector.

Demographic Factors:

- **Increase in Population:** Expected increase in population from about 1.1 billion in 2009-2010 to 1.4 billion by 2024
- **Shift in demographics:** 60 percent of the population in the younger age bracket and an expected increase of geriatric population from current 96 million to around 168 million by 2026. This represents a huge patient base and creates a market for preventive, curative and geriatric care opportunities
- **Rise in disposable income:** Households in the above INR 200,000 per annum bracket can benefit from an increase in disposable income from 14 percent in 2009-2010E to 26 percent in 2014-2015 making healthcare more affordable
- **Increase in incidence** of lifestyle-related diseases: There is likely to be a marked increase in the incidence of lifestyle-related diseases, such as cardiovascular, oncology and diabetes, when compared to the communicable and infectious diseases
- **Rising Literacy:** Growing general awareness, patient preferences and better utilization of institutionalized care as a result of increase in literacy rates⁷ Economic factors:
- **Tax benefits:** Lower direct taxes, higher depreciation on medical equipment, income tax exemption for 5 years to hospitals in rural areas, etc. are being provided by the Government to the sector⁸
- **Medical Tourism:** India emerging as a major medical tourist destination with medical tourism market expected to reach USD 2 billion by 2019.
- **Insurance coverage:** Increase in health insurance coverage with a number of private players and foreign players entering the market to cater to increased demand. The sector is expected to see and increase in the penetration from the current 10 percent-15 percent to almost 50 percent at a CAGR of 24 percent. At an institutional level, insurance penetration is likely to continue to increase from 5 percent to 15 percent to 20 percent. In tertiary care this is almost as high as 40 percent-55 percent with the inclusion of employer paid coverage.

Government Initiatives

1. The government plans to build 6 super specialty tertiary care hospitals with research and education centers across the country. These would cater to the economically challenged sections and make high-end clinical care available to the masses (but a lot more needs to be done)
2. The government has also undertaken initiatives through its flagship programs such as the Rashtriya Swastha Bima Yojana (RSBY) and State level Insurance schemes like the Arogyashri and Chiranjeevi
3. The Central government is setting up the first specialized device center _National Center for Medical Devices _ in Gujarat to promote indigenous R&D efforts
4. Customs duty on life-saving equipment has been reduced to 5% from 25%, and is exempted from countervailing duty. Import duty on medical equipment has been reduced to 7.5% in the current budget
5. The government take on the current compulsory rural stint for medical professionals is that it should be continued; however it needs to be augmented with better facilities and support systems.

Risk Factor of the Hospital Industry

- ❖ Long gestation periods Hospitals require significant upfront investments and have a long payback period. This makes investments in the sector less attractive
- ❖ Lack of qualified staff Finding qualified staff & specialized doctors is a major challenge for hospitals in India, especially for new start ups, leading to wage inflation and inadequate quality
- ❖ Rising real estate prices Increasing real estate prices lead to higher initial outlay or higher lease payments, resulting in decreased profitability
- ❖ Lack of capital Huge capital will be required to meet the growing demand of healthcare facilities and only a few big business houses can afford such expenditures and have the patience to reap the steady returns over a long period of time
- ❖ Increasing operating cost Increasing cost of equipment and labour lead to margin pressure and lower profitability and it is also difficult to keep increasing pricing for patient care.

Developments in Private Healthcare

Evolving Delivery Models

Day Care Centers

Need: The concept of out-patient surgeries is growing worldwide as in-patient facilities can be expensive and inconvenient in some cases. A large number of surgeries can now be performed without the patient having to be admitted at all with the help of Daycare Surgery Centers. This delivery model is advantageous for both healthcare providers and consumers. It is estimated that by 2020, 75 percent of all surgical operations will be carried out in ambulatory surgery centers/units³⁴. Today over a quarter of the surgeries are contributed by ophthalmic procedures. The cost advantage of day surgery is best achieved in free-standing centers or free-functioning units within hospitals.

In India, the concept of stand-alone daycare surgery centers is currently in its infancy. Many of the major hospitals have a separate daycare surgery centre which caters to the management of ambulatory (also commonly referred to as “same day surgery”) procedures. In India, about 20 percent of all surgical procedures are performed on outpatients. Studies reveal that treatment in these centers would cost about 47 percent less than in hospitals. This model can be economically efficient for the Indian healthcare which is scarce in resources.

Potential Benefits: The range of services provided and the cost are the prime benefits of the day care services. In a hospital with the day care services the surgery department provides services for eye surgery, including removal of cataracts, eye muscle surgery, Arthroscopic surgeries, General surgery, Cosmetic surgery and removal of foreign bodies, providing the patient with plethora of services in a small time frame. An average corporate hospital on the other hand takes a minimum of 18 months in the making and a minimum of three to five years to break even. Company executives point out that even in a hospital set up around 75 percent of revenue is finally made from the surgeries. This fact further supports the growth of day care centers.

Capex and EBIDTA: Due to the dependency on the specialty and level of care that a Day Care Centre would cater to it is difficult to pen down an industry average on the Capex but a fair indicator would be INR 3.5 – 4.5 Million / bed for an international standard day care centre.

EBIDTA margins for Day Care centers range between 25 percent and 30 percent with a pay back of ~ 3 – 4 years.

Developments in Public Healthcare

Initiatives by the Government

To tackle the challenges mentioned, the Government has taken various initiatives to improve the Public Healthcare system in India. The Government launched the National Rural Health Mission (NRHM) in 2005 which aims to provide quality healthcare for all and increase the expenditure on healthcare from 0.9 per cent of GDP to 2-3 per cent of GDP by 2012. According to Union Budget 2010-11, the plan allocation for Ministry of Health and Family Welfare has increased from USD 4.2 billion in 2009-10 to USD 4.8 billion in 2010-11.

Moreover, in order to meet revised cost of construction, in March 2010 the government allocated an additional USD 1.23 billion for six upcoming AIIMS-like institutes and upgradation of 13 existing Government Medical Colleges⁴⁹. The Union Cabinet on October 20, 2010 approved the proposal of the Ministry of Health and Family Welfare to declare National Institute of Mental Health and Neuro Sciences (NIMHANS), Bangalore as an Institute of National Importance on the lines of All India Institute of Medical Sciences, New Delhi, Post Graduate Institute of Medical Education and Research, Chandigarh and Jawaharlal Institute of Postgraduate Medical Education and Research, Puducherry.

Private-Public Partnerships

The Indian Government is focused on developing the PPP model to cover the demand-supply gap prevalent in the healthcare sector. Private sector expertise coupled with efficiencies in operation and maintenance would lead to improved healthcare services delivery to the masses. This model can act as a catalyst in the creation of new capacity and improvement of efficiency in the existing infrastructure established. The Government also embraced PPP model to counter epidemics like H1N1 swine flu, HIV, etc. However, it is evident that this model be far more beneficial.

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