WHITE PAPER

Indian Healthcare Industry: Sustainable Growth

Indian healthcare industry is on a robust growth curve with enormous scope for investing in new specialty/multi specialty hospitals (or) expansion of existing facilities in recent days and installation of advanced equipments/technology up gradation. According to industry experts, definitely these factors will enable healthcare players to serve the increasing patient population to access qualitative diagnosis and treatment at affordable price models.

> "**3G technology** impact, enable video broadcast, and telemedicine through wireless communications which will help accessibility of **good medical care** to patients in semi urban and rural areas."

Industry Snapshot

According to a report by an industry body, The Indian health care sector is reckoned to be the engine of the economy in the coming years.

Health care industry in India is predicted to reach US $150 billion by 2017 and approx. US $ 250 billion by 2020, contributing an expected Gross Domestic Product spend of 8 % by 2012 from 5.5 % in 2009. The segment from dedicated pharmacies to medical colleges, gives up bigger investment avenues and competitive advantages, modern facilities with highly technology oriented and good skill development in the Indian healthcare space in near future.

Driving factors

- Increase in patients population, increasing lifestyle related health issues
- Faster diagnosis leading to early treatment, awareness on preventive healthcare disorders
- Affordable treatment costs
- Thrust on medical tourism
- Improving health insurance penetration
- Increasing disposable income
- Medical insurance and mandatory wellness checks by corporate houses
- Government initiatives and focus on Public Private Partnership (PPP) models are some of the driving factors for the industry growth

Key Developments

- Semi-Urban, Rural healthcare sector in the country is also seeing an upsurge. According to the Ministry of Health (Rural Health Survey 2009) Report, The rural healthcare sector has added around 15,000 health sub-centers and 28,000 nurses and midwives during the last 5 years, The number of primary health centers has increased by 84% , taking the number to 20,107.

- Health insurance market (in India) is one of the fastest growing, 2nd largest non-life insurance segment in the country, according to RNCOS report,The health insurance premium is expected to grow at a CAGR of over 25 % for the period spanning from 2009-10 to 2013-2014.

- Additionally, India's share in the global medical tourism industry is estimated to be around 3 % by the end of 2013, by the RNCOS report and is expected to generate around US$ 3 billion in revenue by 2013.

- Indian medical technology industry is expected to reach US$ 14 billion by 2020 from US$ 2.7 billion in 2008, a report by PwC.

- The total healthcare infrastructure expenditure is expected to reach US$ 14.2 billion in 2013, registering an increase of 50 per cent as compared to the 2006 figure, a report by KPMG.

  Majority of healthcare players are now, expanding to tier-II and tier-III cities, also with semi urban areas, due to significant demand for high-quality, specialty healthcare services and quick treatment modalities.

- All major healthcare players are now targeting to new segments such as primary care and diagnostics. Demographics, health awareness and increasing capacity to spend are the key drivers of the preventive healthcare segment in India.

- Many players are, targeting at Computer-based bio-surveillance projects, which generating data about diseases and creating databases on healthcare in rural areas, these new implications are gaining popularity in India now.

"A shortfall of **2 million Physicians, 3.5 million (Nurses), 8 million (Paramedics)** and bigger number of other support medical professionals would required in India."

Public Private Partnership (PPP) models

Private healthcare is coming forth as one of the fastest growing sectors in India, with chain hospital explorations into various cities (such as metros and tier II cities across the country), private players seeking accreditation and developing new healthcare models in recent days. Further, various states have launched innovative initiatives to attract PPP investments into healthcare space. These Public Private Partnership initiatives may help in improving the infrastructure and healthcare provision in the country for the needs raised.

Average annual growth rate forecast in healthcare infrastructure expenditure 2009-2013
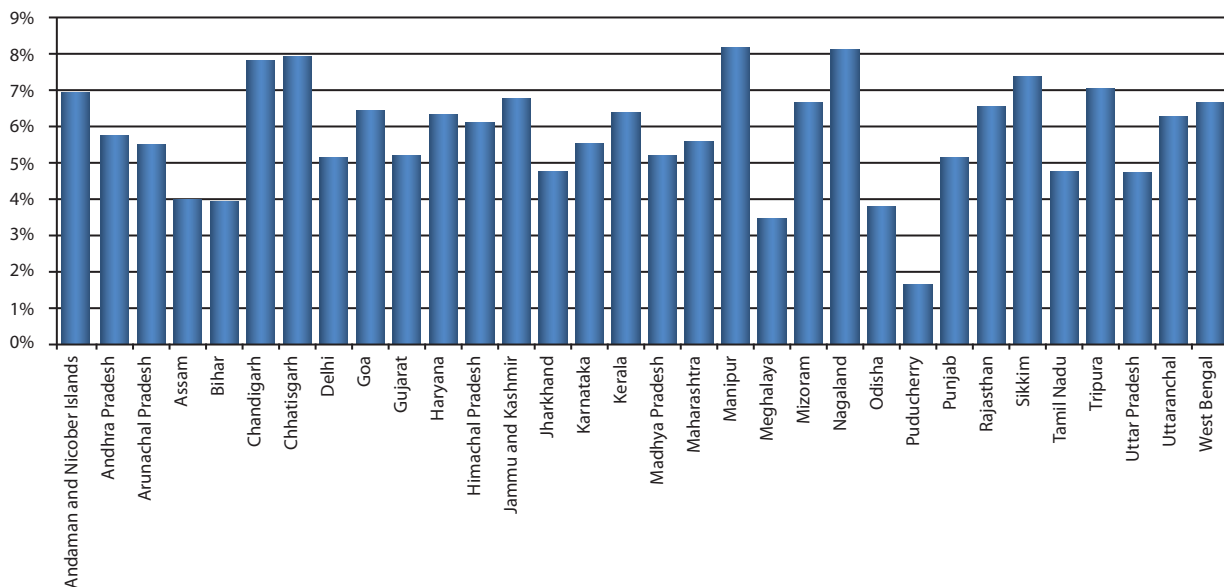
Source: Global Infrastructure: Trend Monitor Indian Healthcare Edition: Outlook 2009–2013, KPMG

Challenges and Opportunities

The Industrial challenges are many:

Owing to the fact that the healthcare sector in India is one of the largest service segment, as well it has egressed as on the of most challenging sectors in India. For the healthcare segment, the challenges future that are assumed to be:

- To control cost of treatment

- Access to insurance and also bring in more clarity to cashless treatment options

- A severe shortage of qualified professionals and the workforce is concentrated in urban areas. Many Indian people, especially those who living in rural, semi urban areas, still receiving services from unqualified providers. The emigration of qualified doctors, nurses, and other medical professionals is substantial.

- The training resources, other infrastructure providing to nurses/other medical professionals in India is still inadequate. The policy designers from government body urgently needs to address these issues maintain quality norms.

- India would require another 1.75 million beds by the end of 2025 to reach a ratio of two beds per 1000 population.

- According to some reports, "Quantifying the need gap taking into account the year 2020, leaves us with a shortfall of 2 million (Doctors/Physicians), 3.5 million (Nurses), 8 million (Paramedics) and bigger number of other support medical professionals in India. Going by WHO norms for developing countries, India has an acute shortfall of Doctors/Practitioners, Nurses (1.4 million and 2.8 million respectively) and also there is a acute shortage of paramedical and administrative professionals.

> "Time to create a good pipeline of **management resources, radiologists, sonologists, other technicians**, and industry to implement specific plans to meet effective objectives."

- Although the health insurance sector is growing in impressive manner, the health insurance penetration rate still has a lot more scope to grow with only 2 % of the total population being insured at present.

- In the area of diagnostic service centers, there is an acute insufficiency of good healthcare and medical services partners in most areas (semi urban and rural). These areas are isolated in terms of medical infrastructure. Few providers have already started setting up their centers, how ever, these initiatives would not meet primary end criteria. Another challenge would be to create a good pipeline of management resources, radiologists, sonologists, other technicians, and it needs to implement specific plans to meet effective objectives.

- The Paramedical education system in India, is seemingly the most neglected area in terms of quality and quantity, in contrast to Medical education which has produced the best of talent out comes. This situation has in fact exacerbated due to lack of focused training infrastructure,eduction, stringent policies, any defined regulating body, several paramedical institutions that are running in the nation are unregulated with a lack of uniformity in the training imparted from them.

- The technology advancements (i.e. The introduction of 3G, and its impact on the Indian healthcare industry will be exponential, it can change the face of current healthcare delivery models. The implementation/ availability of 3G technology will enable video broadcast, and telemedicine through wireless communications which will help accessibility of good medical care to patients in neglected/ semi urban and rural areas as well. Also, with the number of cellphone users currently at 600 million and rapidly increasing by 20 million every month, some telecom operators and value-added service developers are considering usage of mobile phones for diagnostic and treatment support, remote disease monitoring, health awareness and communication.

Conclusion

To summarize, though the industry is giving us good results, challenges faced by the industry should not be neglected to maintain its growth. It's a wake-up call for Indian healthcare industry policy makers. The current challenges should be addressed holistically at the level of various organization, can be solved with innovative thinking.

Also, Indian healthcare players should control their cost, quality and diagnose existing problems to solve in a futuristic way. Also they should draw comfort from the fact that at least some potential solutions to that already exist. Indian healthcare policy makers should analyze the initiatives that are taken around the globe, which have demonstrated effective new ways to reach interact with patients and treat them at significantly lower cost with improving quality. The real challenge here is how to implement, not how to invent. Given the pressure on health systems everywhere, players should do everything possible to help organizations adopt successful innovations and thereby reap the benefits the industry can provide.