

## An empirical analysis of trends and opportunities in the Indian healthcare services

Dr. Gaikar Vilas B

Asst. Prof., Dept. of Economics, Smt. CHM. College, Ulhasnagar, Thane, University of Mumbai, Maharashtra, India

### Abstract

The present research paper has been based on the healthcare services in India. Though the country is full of natural and human resources, poor healthcare services is one of the drawbacks of the country. Indian healthcare sector, one of the fastest growing industries, is expected to reach \$ 280 billion. The paper has focused on the Advantages of healthcare services in India. The functioning of Indian health services market and healthcare expenditure over the years has also studied. Appropriate expenses on the healthcare services in India will certainly bring an increase in the Gross Domestic Product (GDP). In the present paper Private sector and health services in India and the growth of Per Capita healthcare expenditure has been elaborated. The researcher has also gone through key companies in the Indian healthcare market. There are various trends in the Indian healthcare sector. The study has also focused on growth drivers of Indian healthcare sector and medical tourism at the same time 12<sup>th</sup> Five-Year Plan (2012–17) and health Services in India. And finally the paper has studied Indian healthcare sector and policy support, opportunities in the Indian healthcare sector. The paper concluded with the certain suggestions and recommendations.

**Keywords:** Indian healthcare services, medical tourism, growth drivers, five-year plan, opportunities

### Introduction

Good health is an integral part of wellbeing and determines economic growth of the country. India is a developing nation with abundant natural and human resources. But inappropriate use of the resources results in the socio-economic backwardness of the country. Indian health services comprises public and private healthcare. But the country with the world's second biggest population after China has inappropriate healthcare services. The present research paper synthesizes an evaluation of public and private healthcare services in India.

As per Indian constitution, health services to be provided by the States, rather than the central government. The National Health Policy <sup>[1]</sup> was recommended by the Parliament of India in 1983 and reorganized in 2002. The National Health Policy is being operated upon further in 2017 and a draft for public consultation has been released. There are great inequalities in health between states. India is the sixth largest country in the world in healthcare. Indian healthcare sector, one of the fastest growing industries, is expected to advance at a CAGR of 22.87 % during 2015–2020 to reach \$ 280 billion. There is immense scope for enhancing healthcare services penetration in India, this presents ample opportunity for development of the healthcare industry. The rising income levels, ageing population, growing health awareness and changing attitude towards preventive healthcare is expected to boost healthcare services demand in future.

According to the Health Ministry statistics, patient to doctor ratio is 1:30,000 in India. Which is well below the WHO <sup>[2]</sup> mentioned 1:1,000. The Indian healthcare Market Size is \$100 Billion. There is only one hospitals bed for every 1,050 patients in 2015. The number of hospitals in India are 1,96,312. Whereas 3601 AYUSH (The Department of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy) Hospitals and 1,56,926 Sub-centers. India has 404 Medical Colleges for M.B.B.S. with 189 Government

medical Colleges and 215 Private medical Colleges till 2015 and 2760 Blood Bank till February, 2015.

### Objectives of the research

The present research has been based on certain objectives, are as follows;

- 1) To study healthcare services and evaluate public and private healthcare services in India.
- 2) To study growth drivers of Indian Healthcare Services.
- 3) To evaluate medical tourism and the growth of private hospitals in India.
- 4) To evaluate opportunities in the Indian healthcare sector.
- 5) To suggest measures for development of health services in India.

### Advantages of healthcare services in India

- 1) **High demand:** Indian healthcare revenue is about to reach \$280 billion by 2020; an expenditure on health may also increase at a CAGR (Compound annual growth rate) of 17 % over 2011–2020, due to the increasing incomes, health awareness, lifestyle diseases and access to insurance will contribute to high demand.
- 2) **Ample of opportunities:** An investment in healthcare is set to rise, benefiting both hospitals and R&D, education. Indian exporter of formulations is having 14 % market share and ranks 12<sup>th</sup> in the world as far as export value is concerned.
- 3) **Quality and affordability:** Availability of a large pool of well-trained medical professionals in the country. India has an advantage over its peers in the West and Asia in terms of cost of high-quality medical services offered.

### Healthcare expenditure and private sector in India

Healthcare in India is providing not only revenue to the government but also lots of employment opportunities. The

growth of healthcare sector is appreciable due to its strengthening coverage, services and increasing expenses by public as well private sector. During 2008-2020, the market is expected to record a CAGR of 16.5%. The total industry size is expected to increase up to \$160 billion by 2017 and \$280 billion by 2020.

The private healthcare sector in India has shown potential and attracted international base. Huge investments by private

sector is likely to contribute significantly to the development of India’s health care industry, it is around 80 % of the total market. In India, private healthcare accounts for almost 74 % of the country’s total healthcare expenditure. Private sector’s share in hospitals and hospital beds is estimated at 74 % and 40%, respectively. There has been growth of medical tourism in India due to presence of experience and well trained doctors, diagnostic facilities etc.

**Table 1:** Share in health care spending comparison 2005 and 2015

Contents	Shares in healthcare spending in India 2005	Shares in healthcare spending in India, 2015
Government hospital	34	40
Top tier	26	11
Mid-tier	14	30
Nursing homes	26	19
Total	100	100

*Source:* A report on ‘Indian Hospital Services Market Outlook’ by consultancy RNCOS, Grant Thornton, LSI Financial Services.

**The growth of per capita healthcare expenditure and key companies in the Indian healthcare market**

Per capita healthcare expenditure is estimated at a CAGR (Compound Annual Growth Rate) of 5 % during 2008–2015 to \$ 68.6 billion by 2015, because of rising incomes, easier access to high-quality healthcare facilities and greater awareness of personal health and hygiene. Greater penetration of health insurance aided the rise in healthcare spending, a trend likely to intensify in the coming decade. Economic prosperity is driving the improvement in affordability for generic drugs in the market.

**Table 1.2:** Per Capita Healthcare Expenditure in India

Years	Per Capita Healthcare Expenditure (\$)
2011	61
2012	58
1013	61
2014	61.9
2015	68.6

*Source:* The World Bank, 2015

**Trends in the Indian healthcare sector**

- 1) Shift from communicable to lifestyle diseases:** With increasing urbanization and problems related to modern-day living in urban settings, currently, about 50 % of spending on in-patient beds is for lifestyle diseases; this has increased the demand for specialized care. In India, lifestyle diseases have replaced traditional health problems. Most lifestyle disease is caused by high cholesterol, high blood pressure, obesity, poor diet and alcohol.
- 2) Expansion to tier-II and tier-III cities:** Vaatsalya Healthcare <sup>[3]</sup> is one of the first hospital chains to start focus on Tier 2 and Tier 3 for expansion. There is substantial demand for high-quality and specialist healthcare services in tier-II and tier-III cities. To encourage the private sector to establish hospitals in these cities, the government has relaxed the taxes on these hospitals for the first five years.
- 3) Management contracts:** Many healthcare players such as Fortis and Manipal Group are entering management contracts to provide an additional revenue stream to hospitals.

- 4) Technological initiatives:** To standardize the quality of service delivery, control cost and enhance patient engagement, healthcare providers are focusing on the technological aspect of healthcare delivery. Digital Health Knowledge Resources, Electronic Medical Record, Mobile Healthcare, Electronic Health Record, Hospital Information System and PRACTO are some of the technologies gaining wide acceptance in the sector. Health Kart is an online portal started for delivering healthcare products in India.
- 5) Luxury offering:** A new trend is emerging as luxury offerings in healthcare sector. More than essential requirements, healthcare providers are making offerings of luxurious services. For example: pick and drop services for patient by private helicopters and luxurious arrangements for visitors to patient in hospital.

**Growth drivers of Indian healthcare services**

- 1) Growing demand:** Rising incomes and affordability, growing elderly population, changing disease patterns, Rise in medical tourism, Better awareness of wellness, preventive care and diagnosis.
- 2) Policy support:** Encouraging policies for FDI and the private sector, Reduction in customs duty and other taxes on life-saving equipment, NRHM (National Rural Health Mission) allocated \$10 billion for healthcare facilities.
- 3) Innovation:** Expanding research & development and distribution facilities in India, Use of modern technology, providing support to global projects from India.
- 4) Increasing investments:** Rising FDI and private sector investments, Lucrative M&A opportunities, Foreign players setting R&D centers and hospitals

**Medical tourism and the growth of private hospitals in India**

Presence of world-class hospitals and skilled medical professionals has strengthened India’s position as a preferred destination for medical tourism. Superior quality healthcare, coupled with low treatment costs in comparison to other countries, is benefiting Indian medical tourism which has, in turn, enhanced the prospects of the Indian healthcare market. Treatment for major surgeries in India costs approximately 20 % of that in developed countries.

A major portion of secondary, tertiary and quaternary healthcare institutions comes from private sector with a concentration in metros, tier II and tier I cities. Large investments by private sector players are likely to contribute significantly to the development of India's hospital industry and the sector is poised to grow to \$100 billion by 2015 and further to \$280 billion by 2020. The private hospital market in India is estimated at \$81.0 billion at the end-of 2015 during 2009–2015, the market size of private hospitals is estimated to have a CAGR of 24.2 per cent. Increase in number of hospitals in Tier-II and Tier-III cities has fuelled the growth of private sector.

### Indian healthcare sector and policy support

- 1) **Encouraging investments in rural areas:** The benefit of section 80-IB has been extended to new hospitals with 100 beds or more that are set up in rural areas; such hospitals are entitled to 100 % deduction on profits for five years
- 2) **Tax incentives:** All healthcare education and training services are exempted from service tax, Increase in tax holiday under section 80- IB for private healthcare providers in non-metros for minimum of 50 bedded hospitals, 250% deduction for approved expenditure incurred on operating technology enables healthcare services such as Tele-medicine, remote radiology, Excise duty on chassis for ambulance reduced from 24 % to 12.5 per cent, Artificial heart is exempted from basic custom duty of 5 per cent. Income tax exemption for 15 years for domestically manufactured medical technology products.
- 3) **Fund allocation by government:** In Union Budget, 2015-16, Government has allocated \$5.4 billion for healthcare sector development. Government has raised health insurance premium amount from \$ 245 to \$ 409 and for senior citizens amount has been increased from \$ 327 to \$ 49.
- 4) **Medical institution and Laboratories:** Allocation of \$ 82.6 million to set up four more institutions of the stature of AIIMS in Andhra Pradesh, West Bengal, Maharashtra and Uttar Pradesh. Creation of new drug testing laboratories and further strengthening of the 31 existing state laboratories.

### Opportunities in the Indian healthcare sector

- 1) **Healthcare infrastructure:** Additional 3 million beds needed for India to achieve the target of 3 beds per 1,000 people by 2025. Additional 1.54 million doctors and 2.4 million nurses required to meet the growing demand for healthcare. Investment of \$86 billion required to achieve these targets. Over \$200 billion is expected to be spent on medical infrastructure by 2024.
- 2) **Research:** Contract research is a fast growing segment in the Indian healthcare industry. Cost of developing new drugs is as low as 60 % of the testing cost in the US. About 60 % of global clinical trials are outsourced to developing countries. The Contract Research and Manufacturing Services industry (CRAMS) estimated at \$ 8 billion in 2015, up from \$3.8 billion in 2012. The market has more than 1000 players.
- 3) **Medical tourism:** The Indian medical tourism industry is expected to reach \$8 billion in 2020 from \$3 billion in 2015. In 2015, India is likely to see 3.2 million medical

tourists annually. Cost of surgery in India is nearly one-tenth of the cost in developed countries.

### Recommendations and suggestions

On the basis of the empirical research on Indian healthcare sector the researcher has brought certain recommendations and suggestions for the growth of Indian healthcare sector, are as follows:

- 1) Indian healthcare sector has tremendous potential for creating employment opportunities and to solve the problem of Indian economy.
- 2) Abundant revenue can be generated through the health services provided to the foreigners and accordingly the problem of balance of payment difficulties can be easily tackled by availing foreign currency.
- 3) Indian healthcare sector by adopting medical tourism may come out from the problem of healthcare backwardness and an image of the country at the global level can be easily improved by availing the world class facilities to the masses.
- 4) As the government of India is regularly providing the financial support to the healthcare sector, by which standard of living and life expectancy of the people can be easily improved.

### Conclusion

Thus, the present research paper has focused on the Indian health services. The paper has been divided and sub divided into various parts like advantages of healthcare services in India. The functioning of Indian health services market and healthcare expenditure over the years has also studied. In the present paper Private sector and health services in India and the growth of Per Capita healthcare expenditure has been elaborated. Various trends in the Indian healthcare sector also studied in an appropriate manner. And finally the paper has also studied Indian healthcare sector and policy support, opportunities in the Indian healthcare sector.

### References

1. Ajay Mahal, Bibek Debroy and Laveesh Bhandari (2010) India Health Report 2010
2. Source: WHO, IMH, Deloitte, EBAI.
3. Source: IRDA, CII, Grant Thornton, Gartner, Technopak, TechSci Research
4. Arrow KJ. Uncertainty and the Welfare Economics of Medical Care. American Economic Review 1963; 53(5):941-973.
5. Besley T, Gouveia M. Alternative systems of health care provision. Economic Policy. 1994, 199-258
6. Chalkley M, Malcomson JM. Contracting for health services with unmonitored quality. Economic Journal. 1998; 108(449):1093-1110.
7. Deaton A. Health and National Income Center for Health & Wellbeing Research Program in Development Studies, Princeton University, Princeton, NJ, 2003.
8. Newhouse JP. Toward a theory of nonprofit institutions: an economic model of a hospital, American Economic Review. 1970; 60(1):64-74.
9. Shiva Kumar AK. Budgeting for health: Some considerations" Economic and Political Weekly

10. The Future of Health Economics, Journal of Health Economics. 2005; 19(2):141-157.
11. The government of India reports. 2010-2015.
12. Watson P. Health care reform and globalization: The US, China and Europe in comparative perspective, London, Rutledge, 2014.
13. World Health Organization. Ranking of Performance of Health Care Systems, 2000.