

ROLE OF HEALTHCARE INDUSTRY IN INDIA

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Introduction

Healthcare has become one of India's largest sectors - both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare sector is growing at a brisk pace due to its strengthening coverage, services and increasing expenditure by public as well private players.

Indian healthcare delivery system is categorised into two major components - public and private. The Government, i.e. public healthcare system comprises limited secondary and tertiary care institutions in key cities and focuses on providing basic healthcare facilities in the form of primary healthcare centres (PHCs) in rural areas. The private sector provides majority of secondary, tertiary and quaternary care institutions with a major concentration in metros, tier I and tier II cities.

India's competitive advantage lies in its large pool of well-trained medical professionals. India is also cost competitive compared to its peers in Asia and Western countries. The cost of surgery in India is about one-tenth of that in the US or Western Europe.

Market Size

The overall Indian healthcare market is worth around US\$ 100 billion and is expected to grow to US\$ 280 billion by 2020, a Compound Annual Growth Rate (CAGR) of 22.9 per cent. Healthcare delivery, which includes hospitals, nursing homes and diagnostics centres, and pharmaceuticals, constitutes 65 per cent of the overall market. The Healthcare Information Technology (IT) market which is valued at US\$ 1 billion currently is expected to grow 1.5 times by 2020.#

Deloitte Touche Tohmatsu India has predicted that with increased digital adoption, the Indian healthcare market, which is worth around US\$ 100 billion, will likely grow at a CAGR of 23 per cent to US\$ 280 billion by 2020.

Over 80 per cent of the antiretroviral drugs used globally to combat AIDS (Acquired Immuno Deficiency Syndrome) are supplied by Indian pharmaceutical firms.

There is a significant scope for enhancing healthcare services considering that healthcare spending as a percentage of Gross Domestic Product (GDP) is rising. Rural India, which accounts for over 70 per cent of the population, is set to emerge as a potential demand source.

India requires 600,000 to 700,000 additional beds over the next five to six years, indicative of an

investment opportunity of US\$ 25-30 billion. Given this demand for capital, the number of transactions in the healthcare space is expected to witness an increase in near future. The average investment size by private equity funds in healthcare chains has already increased to US\$ 20-30 million from US\$ 5-15 million

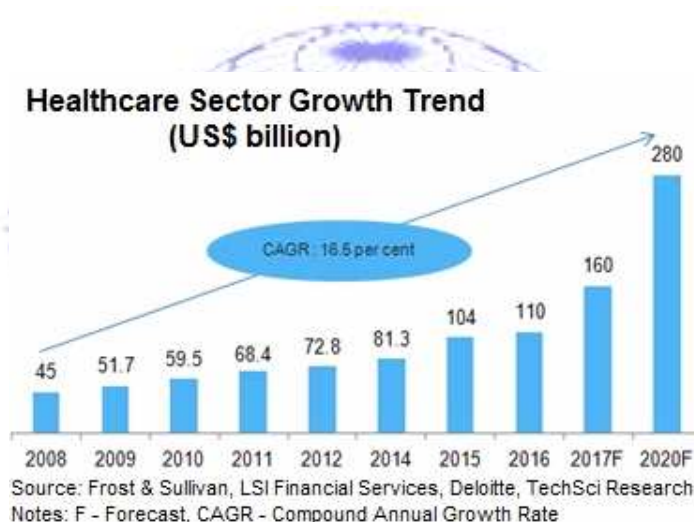
Investments

The hospital and diagnostic centres attracted Foreign Direct Investment (FDI) worth US\$ 4.09 billion between April 2000 and September 2016, according to data released by the Department of Industrial Policy and Promotion (DIPP). Some of the major investments in the Indian healthcare industry are as follows:

- Max Healthcare, a healthcare institute based in New Delhi, has plans to invest Rs 320 crore (US\$ 48 million) to build a cancer care hospital in Delhi, being a part of Max's larger plan to develop its hospital in Saket.
- Thyrocare Technologies, a diagnostic laboratory chain, plans to expand its lab centres from 7 to 25 and franchisees from 1,200 to 5,000 to achieve a target revenue of Rs 1,000 crore (US\$ 150 million) by 2020.
- OrbiMed, a healthcare-dedicated investment firm, plans to invest around US\$ 40 million in Kolkata-based pathology and radiology services chain Suraksha Diagnostics for expanding the diagnostics chain's laboratory network across India and enhancing its equipment technology backbone.
- International Finance Corporation (IFC), the investment arm of World Bank, has invested around Rs 450 crore (US\$ 67.5 million) for a 29 per cent stake in Healthcare major Apollo Group's subsidiary Apollo Health and Lifestyle Ltd for funding Apollo's expansion activities.
- Abraaj Group, a Dubai-based private equity investment firm, is in advanced discussions to acquire a controlling stake in south India's leading diagnostics services provider Medall Healthcare Pvt Ltd, at an enterprise value of around Rs 1,500 crore (US\$ 225 million).
- Practo Technologies Pvt Ltd, a digital healthcare start-up, has raised US\$ 55 million in series D round of funding led by Chinese investment holding company, Tencent Holdings Ltd, which will be used for expanding its product portfolio.
- Bengaluru-based health technology start-up SigTuple Technologies Pvt. Ltd. has raised US\$ 5.8 million in series A round of funding led by existing investor Accel Partners.
- Japanese financial services firm Orix Corp. is in talks to buy a minority stake in Bengaluru-based fertility clinic chain Nova IVI Fertility, from the company's promoters and existing private equity investors for Rs 250-300 crore (US\$ 37.5-45 million).
- UAE-based Gamma Group has outlined plans of investing around Rs 3,000 crore (US\$ 449.68

million) in the infrastructure, health and education sectors of Kerala, which is expected to generate around 2,000 indirect and direct jobs in the state.

- TPG Growth, the growth equity investment platform of TPG Global, has acquired a majority stake in Rhea Healthcare, which runs a chain of mother and child care centres under the brand Motherhood, for Rs 220 crore (US\$ 33 million).
- Aster DM Healthcare, one of the leading healthcare group headquartered in Dubai, plans to invest Rs 600 crore (US\$ 88.94 million) in various Kerala-based healthcare projects over the next three years



Strong growth in healthcare expenditure

- Healthcare industry is growing at a tremendous pace owing to its strengthening coverage, services and increasing expenditure by public as well private players.
- During 2008-20, the market is expected to record a CAGR of 16.5 per cent.
- The total industry size is expected to touch US\$ 160 billion by 2017 and US\$ 280 billion by 2020.
- As per the Ministry of Health, development of 50 technologies has been targeted in the FY16, for the treatment of disease like Cancer and TB.

Government Initiatives

India's universal health plan that aims to offer guaranteed benefits to a sixth of the world's population will cost an estimated Rs 1.6 trillion (US\$ 23.72 billion) over the next four years. Some of the major initiatives taken by the Government of India to promote Indian healthcare industry are as follows:

- In the Union Budget 2017-18, the overall health budget increased from INR 39,879 crore (US\$ 5.96 billion) (1.97% of total Union Budget) to INR 48,878 crore (US\$ 7.3 billion) (2.27% of

total Union Budget). In addition, the Government of India made following announcements in the Union Budget 2017-18:

- Harmonise policies and rules for the medical devices industry to encourage local manufacturing and move towards improving affordability for patients.
- Modify the Drugs and Cosmetics Act to promote generics and reduce the cost of medicines.
- Set up two new All India Institute of Medical Sciences (AIIMS) in Gujarat and Jharkhand.
- Convert 1.5 lakh sub centres in Indian villages to health and wellness centres
- Set short and medium term targets for key health indicators and bring down the Maternal Mortality Rate to 100 by 2018-2020 and Infant Mortality Rate to 28 by 2019.
- Prepare action plans to eliminate Kala Azar and Filariasis by 2017, leprosy by 2018, measles by 2020 and tuberculosis (TB) by 2025.
- The Government of India plans to set up a single window approval system for innovation in medical research, in order to grant permission/approvals within 30 days from the date of application to Indian innovation projects who have applied for global patent.
- Mr Shripad Naik, Minister of State with Independent Charge for AYUSH, has verified that the AYUSH Ministry is working with various agencies, institutions and Ayurveda researchers and practitioners across the globe to turn India into a global hub for knowledge, research, practice and developmental projects on traditional medicines.
- The Government of Assam has launched the Atal-Amrit Abhiyan health insurance scheme, which would offer comprehensive coverage for six disease groups to below-poverty line (BPL) and above-poverty line (APL) families, with annual income below Rs 500,000 (US\$ 7,500).
- The Government of India and the Government of the State of Nagaland signed financing agreement and project agreement respectively with The World Bank, for the 'Nagaland Health Project' for US\$ 48 million, which aims to improve health services and increase their utilisation by communities in targeted locations in the state.
- The Union Cabinet has approved signing of an agreement with the World Health Organisation (WHO) under which WHO will develop technical documents on traditional medicines which is expected to lead to better acceptance of Indian systems of medicines at an international level.
- The NITI Aayog (National Institute for Transforming India) seeks to bring reforms in India's public health system like outsourcing primary healthcare to private doctors and promoting competition between government and private hospitals at the secondary level.\
- Government of West Bengal has introduced G1 Digital Dispensary, which aims to provide people from rural areas access to primary healthcare services.
- A unique initiative for healthcare 'Sehat' (Social Endeavour for Health and Telemedicine) has been launched at a government run Common Service Centre (CSC) to empower rural citizens

by providing access to information, knowledge, skills and other services in various sectors through the intervention of digital technologies and fulfilling the vision of a 'Digital India'.

- Under the National Health Assurance Mission, Prime Minister Mr Narendra Modi's government would provide all citizens with free drugs and diagnostic treatment, as well as insurance cover to treat serious ailments.
- Mission Indradhanush launched by Mr JP Nadda aims to immunise children against seven vaccine preventable diseases namely diphtheria, whooping cough, tetanus, polio, tuberculosis, measles and hepatitis B by 2020. Government has set a target of 95 per cent immunisation cover by end of 2016.

Road Ahead

India is a land full of opportunities for players in the medical devices industry. The country has also become one of the leading destinations for high-end diagnostic services with tremendous capital investment for advanced diagnostic facilities, thus catering to a greater proportion of population. Besides, Indian medical service consumers have become more conscious towards their healthcare upkeep.

India's competitive advantage also lies in the increased success rate of Indian companies in getting Abbreviated New Drug Application (ANDA) approvals. India also offers vast opportunities in R&D as well as medical tourism. To sum up, there are vast opportunities for investment in healthcare infrastructure in both urban and rural India.

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