Why tomorrow seems brighter than today?

There is no better time, than today, for India to reap a rich harvest from the emerging lucrative opportunities, coming both from within and across the world in its healthcare space. This will help the country to effectively align itself with the key global healthcare need of providing reasonably affordable healthcare to all.

Healthcare industry of the world as a whole with a size of several trillion dollars is growing at a fast pace for different reasons. The industry can be broadly divided into six categories as follows:

- Managed healthcare/universal health coverage
- Medical equipment and devices
- Pharmaceuticals
- Bio-pharmaceuticals
- Health insurance
- Health support services

Although BRIC countries and other emerging markets are showing promising growth potential, US still remains the largest entity within the global healthcare industry, followed by European Union (EU) and Japan.

Success requirements

The most important success requirements for the global healthcare industry may be considered as follows:

- Proficiency in early capturing of key market trends
- Leveraging technology in all areas of business
- Continuous product/service innovation
- Meeting customer needs even before they feel for it
- Cutting-edge, well-differentiated and well-executed market and marketing strategies
- Always in touch with customers with win-win business objectives
- Outpacing competition with continuous proactive moves

The success factors for excellence in the healthcare sector of India are no different from other emerging markets. However, some key components of this sectoral space, such as optimal infrastructure and efficient delivery mechanisms, especially in the hinterland and rural areas of the country, are still in the 'work in progress' stages of development.

Healthcare growth drivers

According to the Investment Commission of India, the healthcare sector of the country has registered a robust CAGR of over 12 per cent during the last four years and the trend is expected to be ascending further.

Quite in tandem, other important areas of the healthcare sector have also recorded impressive performance as follows:

Areas	Growth (per cent)
Hospitals/nursing homes	20
Medical equipment	15
Clinical lab diagnostics	30
Imaging diagnostics	30
Other services (training & education; aesthetics & weight loss; retail pharmacy, etc)	40

In addition, from the allocation made for health (2.5 per cent of the GDP) in the 12th Five-Year Plan of India, it appears that the country will clock a mid to high-teen growth in healthcare spending during this period, mainly due to the following reasons:

- Economy to turn stronger
- Massive public healthcare expansion through projects like, Universal Health Coverage, expanded National Rural Health Mission, new National Urban Health Mission to improve access to healthcare
- Expanded *Rashtriya Swasthya Bima Yojana* for below poverty line (BPL) population
- Growing middle income households both in the urban and rural areas
- Increasing lifestyle-related health issues
- Improving penetration of health insurance

Key challenges

The path ahead will not really be strewn with the beds of roses. The rural healthcare infrastructure will continue to pose a key challenge, at least in the near term, some of the facts being as follows:

A. Status of rural healthcare infrastructure

Infrastructure and services	Villages (per cent)
Connected with roads	73.9
Having any health provider	95.3
Having trained birth attendant	37.5
Having '*Anganwadi*' workers (child care centre in rural areas)	74.5
Having a doctor	43.5

(Source: Ministry of Health and Family Welfare)

B. Hospital beds per 1000 of population

Country	Hospital beds per 1000 population
India	> 0.7 [urban: 2.2 and rural 0.1]
Russia	9.7
Brazil	2.6
China	2.2
World average	3.96

(Source: Kshema)

Need for innovative business models

Being supported by the monetary and other fiscal incentives of the government, tier II and III cities of India will continue to attract more investors for their future growth potential. At the same time, anticipated lower profit margins from these areas, predominantly due to relatively lower affordability threshold of the local population and inadequate health insurance penetration in these areas, is expected to make these healthcare providers to plan for no-frill innovative business models, like the much talked about 'the hub-and-spoke model', as practiced in many other industries.

Areas of caution

While looking at the big picture, the following factors should also be taken note of:

- At least in the short to medium term, it will be unrealistic to expect that India will be a high margin/high volume market for the healthcare sector in general
- The market will continue to remain within the modest-margin range with marketing excellence driven volume turnover
- The government focus on reasonably affordable drug prices may get extended to medical devices/equipment and other related areas, as well

Job creation in healthcare sector

The trend of new job creation in the Indian healthcare sector is also quite encouraging, as supported by the following details:

- The healthcare sector in India recorded a maximum post-recession recruitment to a total employee base of 36, 21,177 with a new job creation of 2, 73, 571, according to 'Ma Foi Employment Trends Survey 2012'
- Despite slowdown in other industries, in the healthcare sector the new job creation continues at a faster pace.
- With many new hospital beds added and increasing access to primary, secondary and tertiary/ speciality healthcare, among others, the ascending trend in job creation is expected to continue in the Indian healthcare sector in the years ahead

	Initiative	2010	2011
1.	No of districts with mobile medical units	363	442
2.	No of Village Health, Sanitation & Nutrition Committees (VHSNC)	4.67 L	4.95 L
3.	Healthcare Staff (HR)		Additional
	(a) Specialists		2003
	(b) MBBS doctor		1334
	(c) ANMs		14711
	(d) Staff nurses		4892
	(e) *AYUSH* doctors		3079
	(f) *AYUSH* paramedics		1113

Pharmaceutical industry

McKinsey & Company in its report titled, 'India Pharma 2020: Propelling access and acceptance realising true potential' estimated that the Indian pharmaceutical market will grow to $ 55 billion by 2020 and the market has the potential to record a turnover of $ 70 billion with a CAGR of 17 per cent.

Current Indian situation

- Ranks 4th in the world in terms of pharmaceutical sales volume
- Caters to around a quarter of the global requirements for generic drugs
- Meets around 70 per cent of the domestic demand for Active Pharmaceutical Ingredients (API)
- Has the largest number of US FDA-approved plant outside USA at 175
- Files highest number of ANDAs (144) and DMFs (404)
- One of most preferred global destinations for 'Contract Research And Manufacturing Services (CRAMS)'

Despite all these, the healthcare industry of India is still confronted with many challenges while striking a right balance between public health interest and expectations for a high margin 'free market' business policies by a large section of players in the healthcare sector of India, across its sub-sectors, both global and local, quite unlike many other emerging sectors, such as telecom and IT.

Moreover, pharmaceuticals come under the 'Essential Commodities Act' of the country, where government administered pricing is common.

That said, without further delay, all stakeholders, along with the government, should now join hands, to collectively resolve the critical issues of the healthcare sector of the nation, like:

- Creation and modernisation of healthcare infrastructure leveraging IT
- Universal health coverage
- Win-win regulatory policies
- Creation of employable skilled manpower
- Innovation friendly ecosystem
- Reasonably affordable healthcare services and medicines for the common man through a robust government procurement and delivery system
- Right attitude of all stakeholders to find a win-win solution for all issues, instead of adhering to the age-old blame game in perpetuity, as it were, without conceding each other's ground even by an inch.

In pursuit of this 'Holy Grail', the nation has all the success ingredients in its armory, as mentioned above, to play a key role in the global healthcare space, not just as a facilitator to help achieving reasonable corporate business objectives of the healthcare players, but more importantly to alleviate sufferings of a vast majority of the ailing population, living even beyond the shores of India. MM

(tapan.ray@indiaoppi.com)

Tapan Ray
Director General,
Organisation Of
Pharmaceutical Producers
Of India (OPPI)