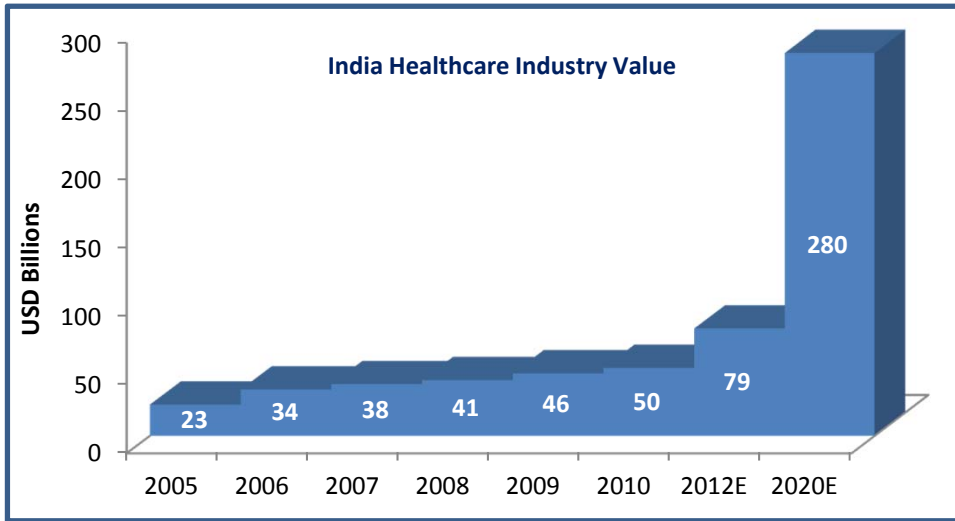


# **HEALTHCARE INDUSTRY IN INDIA:**

***TRENDS & GROWTH DRIVERS***

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# The Indian healthcare industry is perched for high growth given the opportunities present in the current landscape

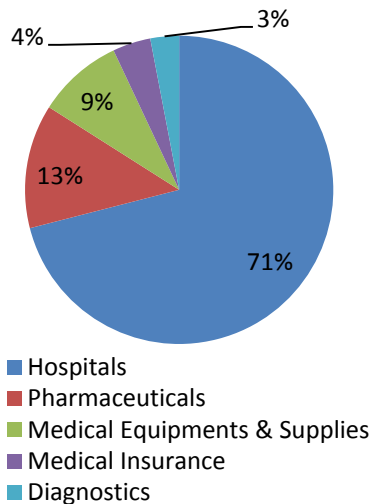


Source: IBEF, Accenture

The Indian Healthcare Industry is at a vital juncture, perched for considerable growth till 2020. Healthcare expenditure in India being among the lowest globally, offers tremendous scope and opportunity to the industry stakeholders, especially in the private sector. The key drivers shall be:

- Conducive demographics
- Per capital spend on healthcare
- Rising incidences of lifestyle diseases
- Increasing penetration of health insurance
- Growth of medical tourism

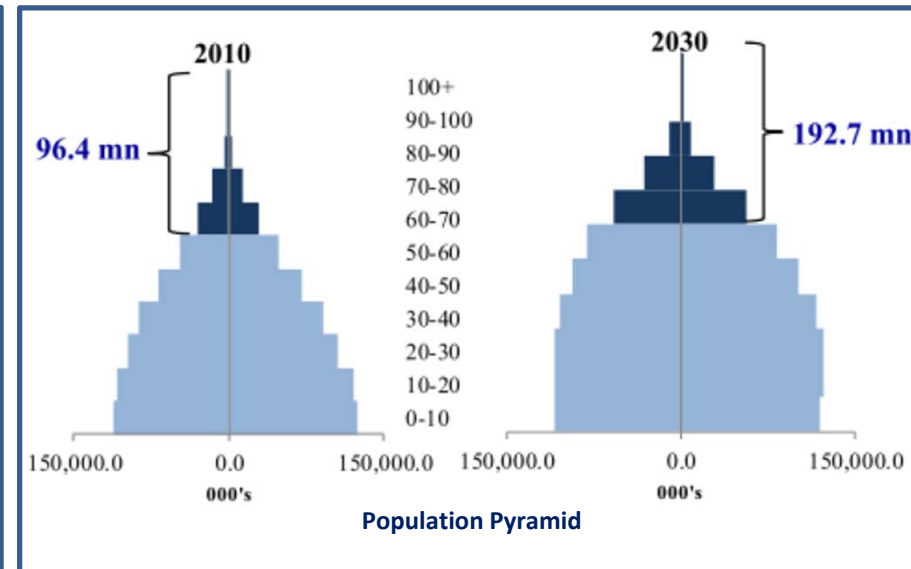
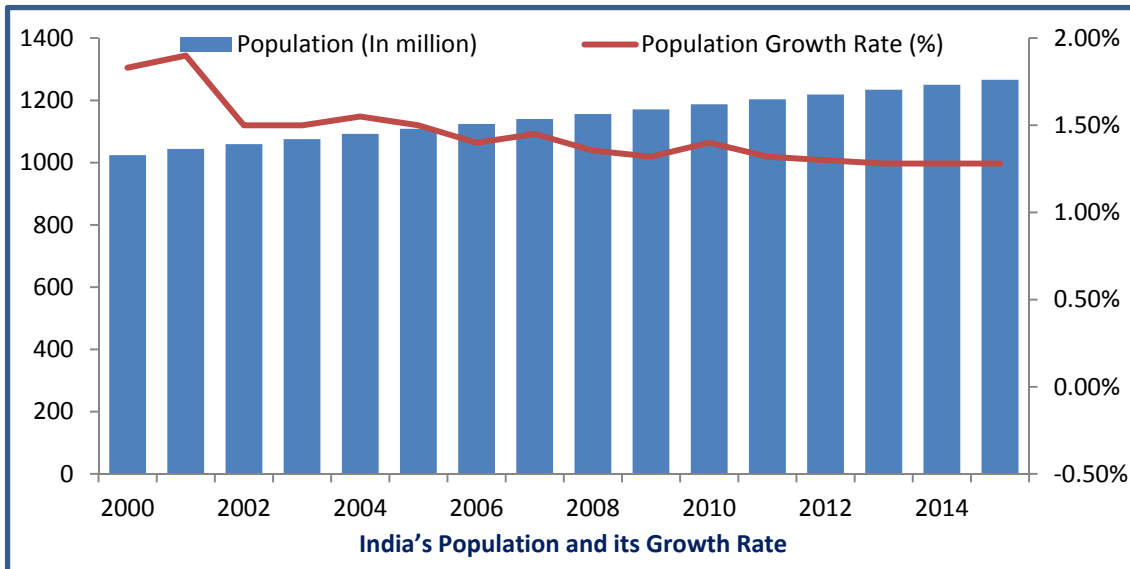
Market Break-up by Revenues (2012E)



Healthcare					
Hospital		Pharmaceuticals	Diagnostics	Medical Equipment & Supplies	Medical Insurance
Government hospitals include healthcare centers, dispensaries, district hospitals and general hospitals	Private hospitals including nursing homes, mid-tier and top-tier private hospitals	Manufacture, extrication, processing, purification and packaging of chemical materials to be used as medications for humans or animals	Businesses and laboratories that offer analytical and diagnostic services including body fluid analysis	Establishments primarily engaged in manufacturing medical equipments and supplies, such as surgical, dental, orthopedic, ophthalmology and lab rotary instruments	Health insurance that covers an individual's hospitalization expenses and medical reimbursements facility incurred due to sickness

Source: IBEF, Accenture

# The conducive Demographics of India will fuel the growth of the healthcare demands in the country



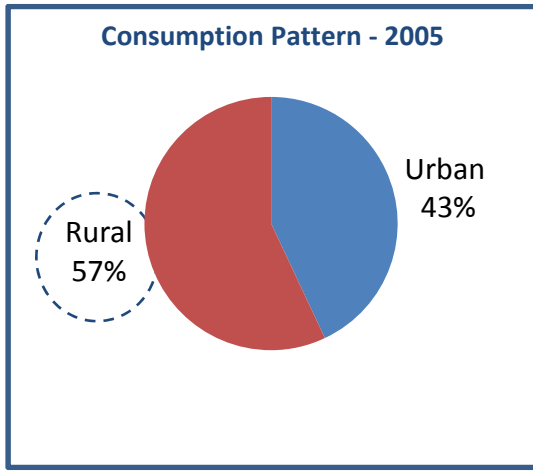
Source: Census bureau, IMF

## Population Growth

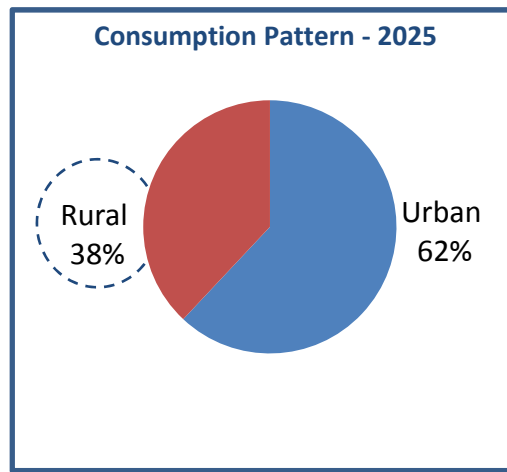
- The Indian population has grown from 1,024 million in 2000 to 1,191 million in 2010 and is expected to reach 1,266 million by 2015 at a CAGR of 1.3% over 2010-2015
- Increasing population will impose pressure on the already inadequate health care infrastructure, creating a severe need for more hospital beds
- India's average life expectancy has increased from 57 years in 1990 to 65 years in 2009. This, coupled with a declining population growth rate, implies that the number of people in old age groups (> 60 years) is likely to increase
  - Population above the age of 60 is likely to double from 96.4 million in 2010 to 192.7 million in 2030

**A rapidly growing and ageing population shall boost the demand for healthcare services**

# India's growth is increasingly being driven by tier-2 cities having burgeoning demands



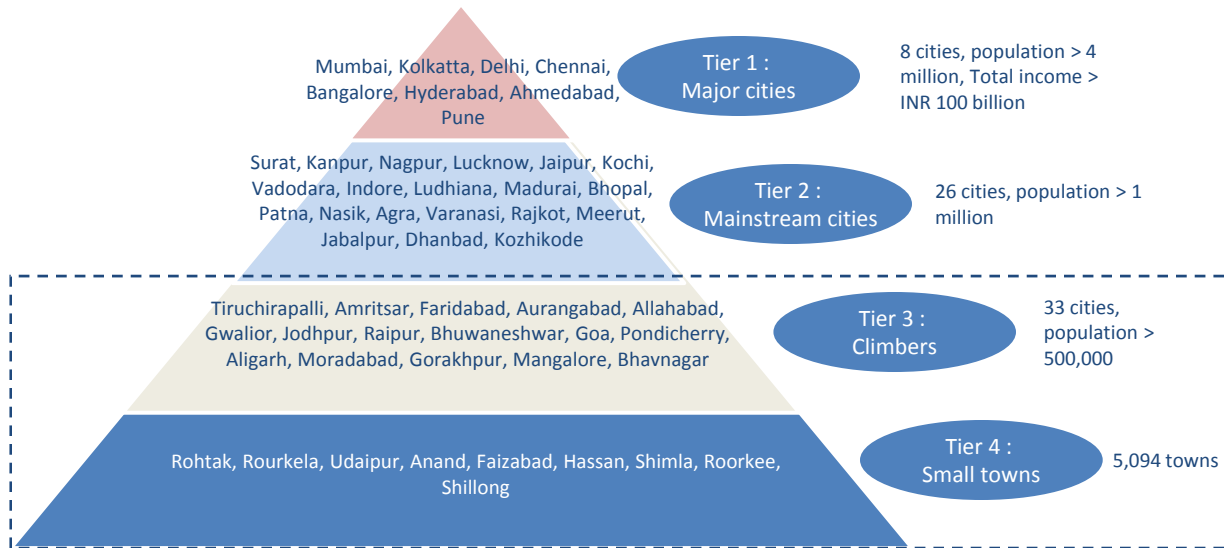
Source: McKinsey



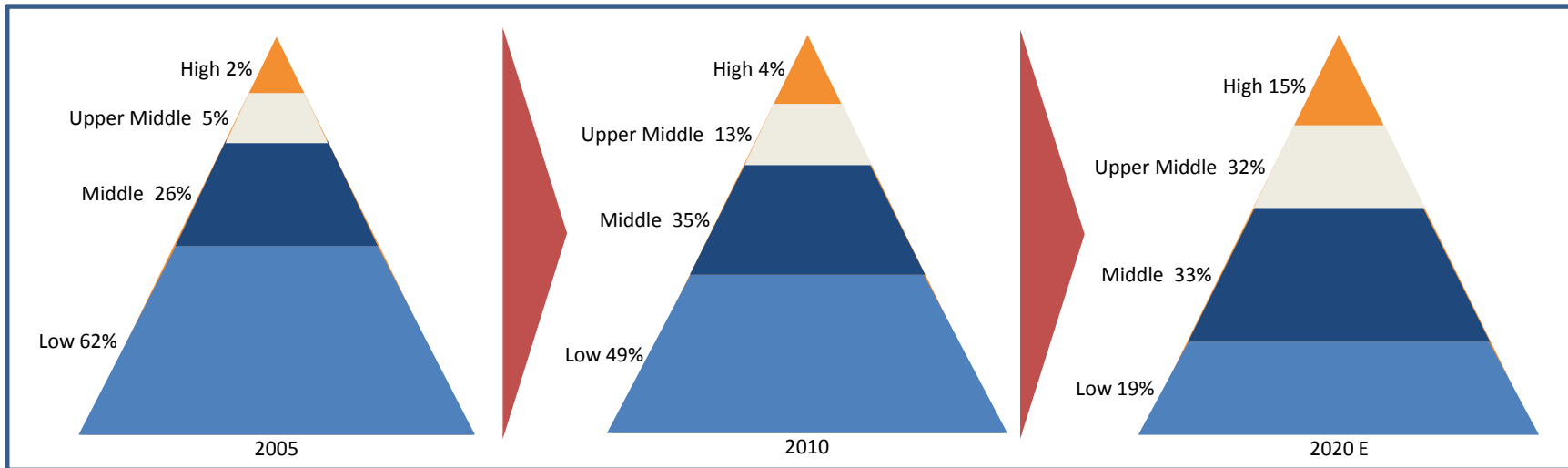
Source: McKinsey

## Growth beyond top tier cities

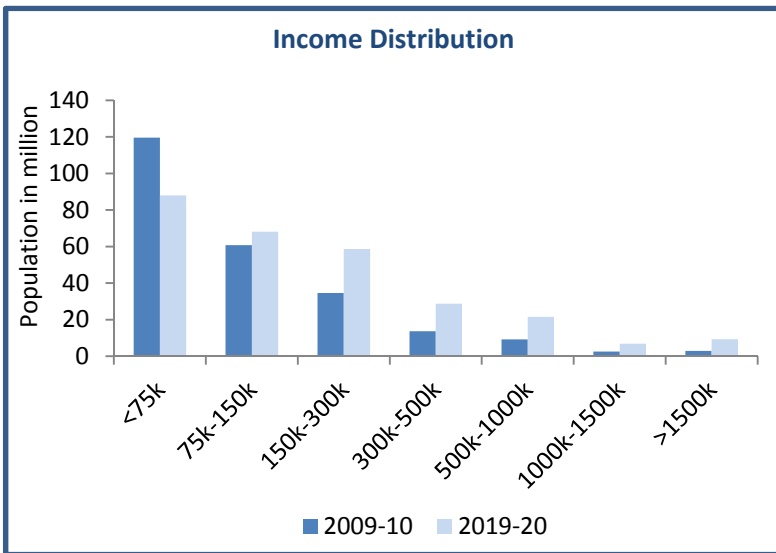
- Rural households constitute 70% of the population. Therefore, despite lower incomes, rural households account for 57% of the consumption
- As enumerated earlier, incomes are expected to rise at a faster pace in urban areas. Accordingly, by 2025, 62% of the consumption would be attributable to urban households
- Within urban areas, the top 8 cities will remain dominant locations for upper income global consumers. However, middle tier and smaller cities are expected to emerge as attractive markets due to population numbers and middle class customers



# The rising affluence in India will propel demand for more goods & services including healthcare services



Source: Morgan Stanley

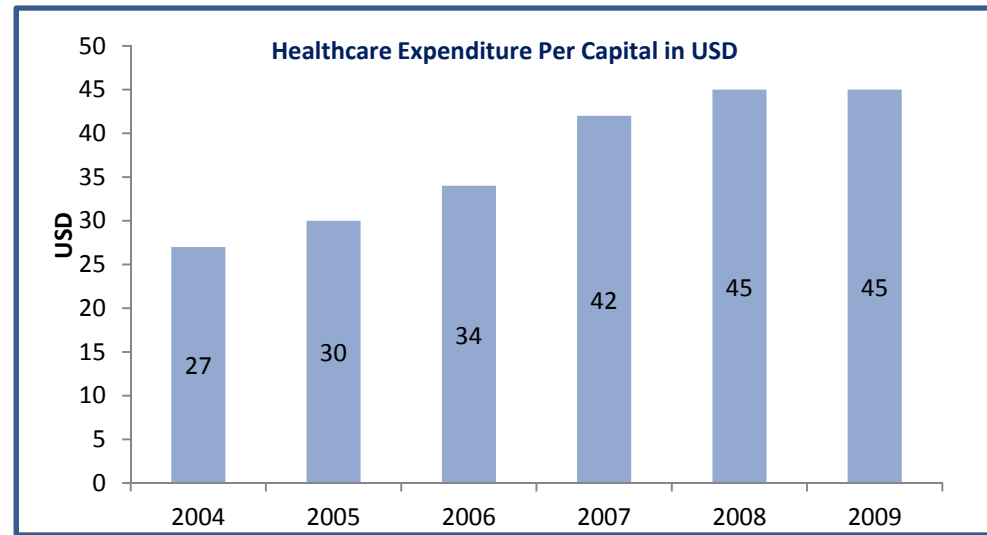
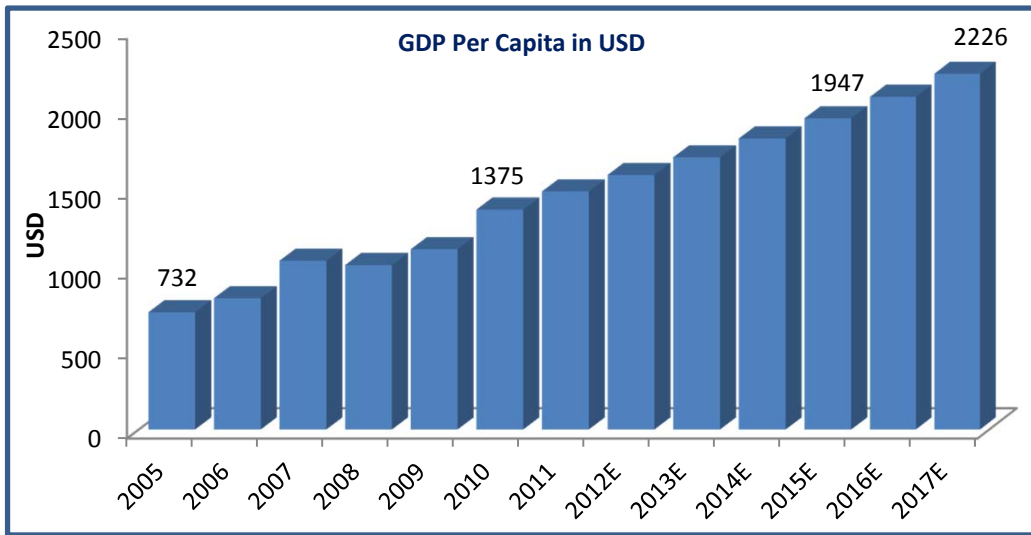


Source: Indicus Analytics, 2010

## Rising incomes

- With an increase in GDP growth, income distribution is also expected to show a positive trend. **15% of the population is expected to be in the high income bracket (>USD 10,000)** in 2020 as compared to 4% in 2010 and 2% in 2005
- **The middle class in India is also expected to increase** along with the growing household income. Around 65% of the population is estimated to be in the middle class (USD 2,500 – USD 10,000) by 2020 of which 32% are expected to be upper middle class (USD 5,000 – 10,000)
- Currently 5.4 million households have an income of higher than INR 1 million while 119.6 million households have an income less than INR 75,000 per annum. By 2019- 2020 the number of households in the former category are expected to increase to 16.1 while those in the latter category are expected to dwindle to 88 million

## The rising incomes will lead to greater affordability of healthcare services



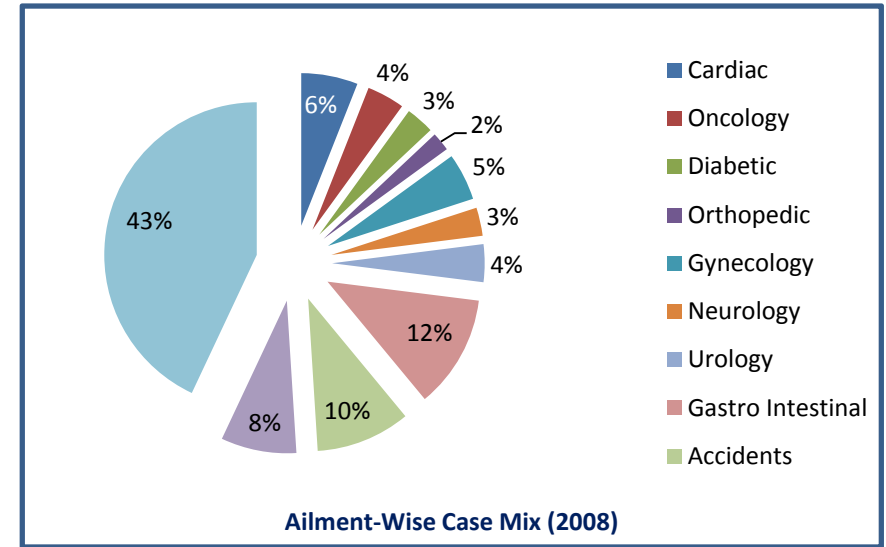
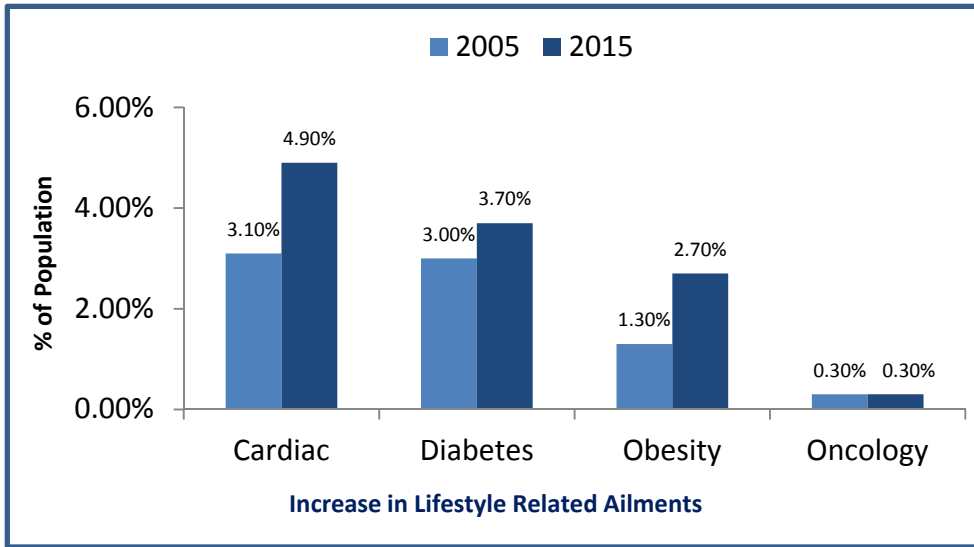
Source: World Bank

### Affluence Leading to Health Consciousness

- In the recent decade , India has witnessed rapid growth in income levels and wealth
  - GDP per capita has grown from USD 729 in 2005 to USD 1,375 in 2010 and is expected to reach USD 2,226 by 2015
- Increase in wealth and standard of living has led to greater health awareness. resulting in healthcare spending
  - Health care expenditure per capita has increased from USD 27 in 2004 to USD 45 in 2009
- Rising affordability and the resultant quality consciousness along with increasing healthcare spending is a major factor that will drive the demand in the health care industry

**Increasing ability to pay and a growing attention to quality of life is expected to increase health expenditure per capita**

# The increase in lifestyle diseases will trigger additional need for specialized treatments



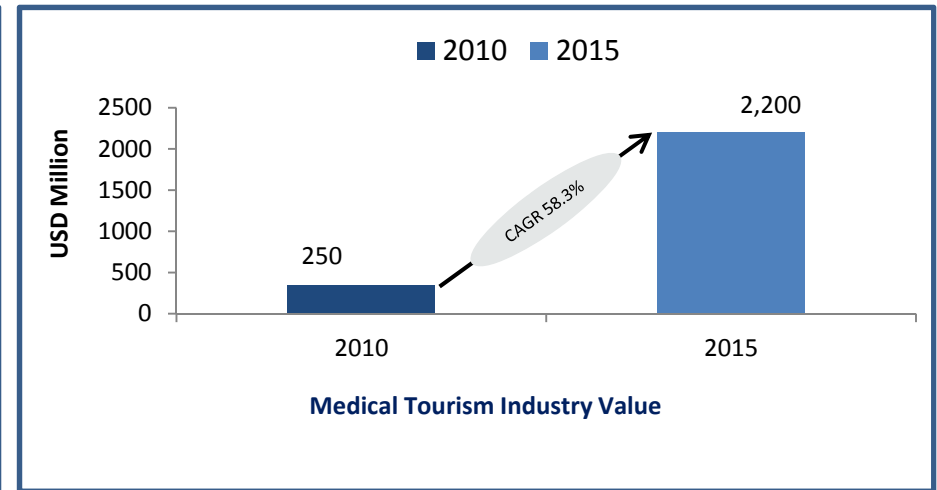
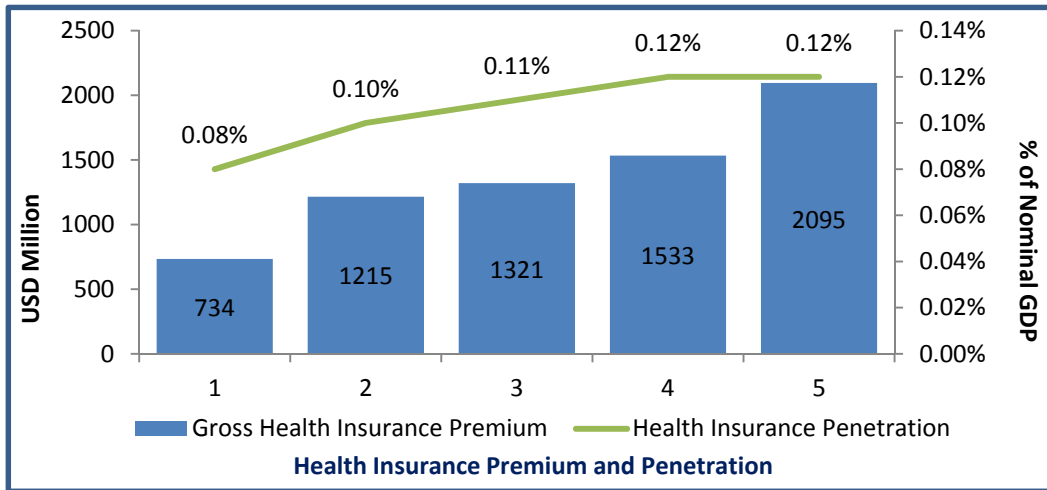
Source: Edelweiss

## Accelerating Incidence of Lifestyle Diseases

- India is experiencing fast growth in number of people suffering from lifestyle related diseases
  - Percentage of population suffering from cardiac diseases, diabetes, obesity and cancer are expected to rise from 7.7% in 2005 to 11.6% in 2015
- As of 2008 lifestyle related diseases comprise 13% of total ailments in India, which is expected to increase to 20% by 2018
- This increase will trigger an additional demand for specialized treatment
- This will lead to increasing margins for hospitals since these are high margin of the disease spectrum

**Increase in ailments requiring super speciality treatment shall increase margins for private hospitals**

# The growing health insurance spend and the comparative cost advantage of healthcare services in India will lead to an increase in the value of the healthcare industry



Source: IRDA, WHO, Morgan Stanley

## Rising Health Insurance

- Health Insurance is gaining high momentum in India
- Reduction in out-of-pocket expenses on health from 92.2% (in 2000) to 74.4% (in 2008) clearly indicates the increase in health insurance
- Penetration of health insurance will significantly increase affordability of health care services, ultimately resulting in improving the quality of healthcare

## Medical Tourism – Lower Cost to Enable Growth

- Treatment for major surgeries in India cost approx. 20% of that in developed countries; further, the Indian tertiary and specialty hospitals boast of high level of quality
- Medical tourism is attractive for patients from developed countries (cost advantage) and emerging countries (better quality). India's huge expat population in itself is an important target market

**Increase in health insurance is projected to increase affordability resulting in higher healthcare expenditure.**

**Medical tourism shall augment existing revenue for hospitals**

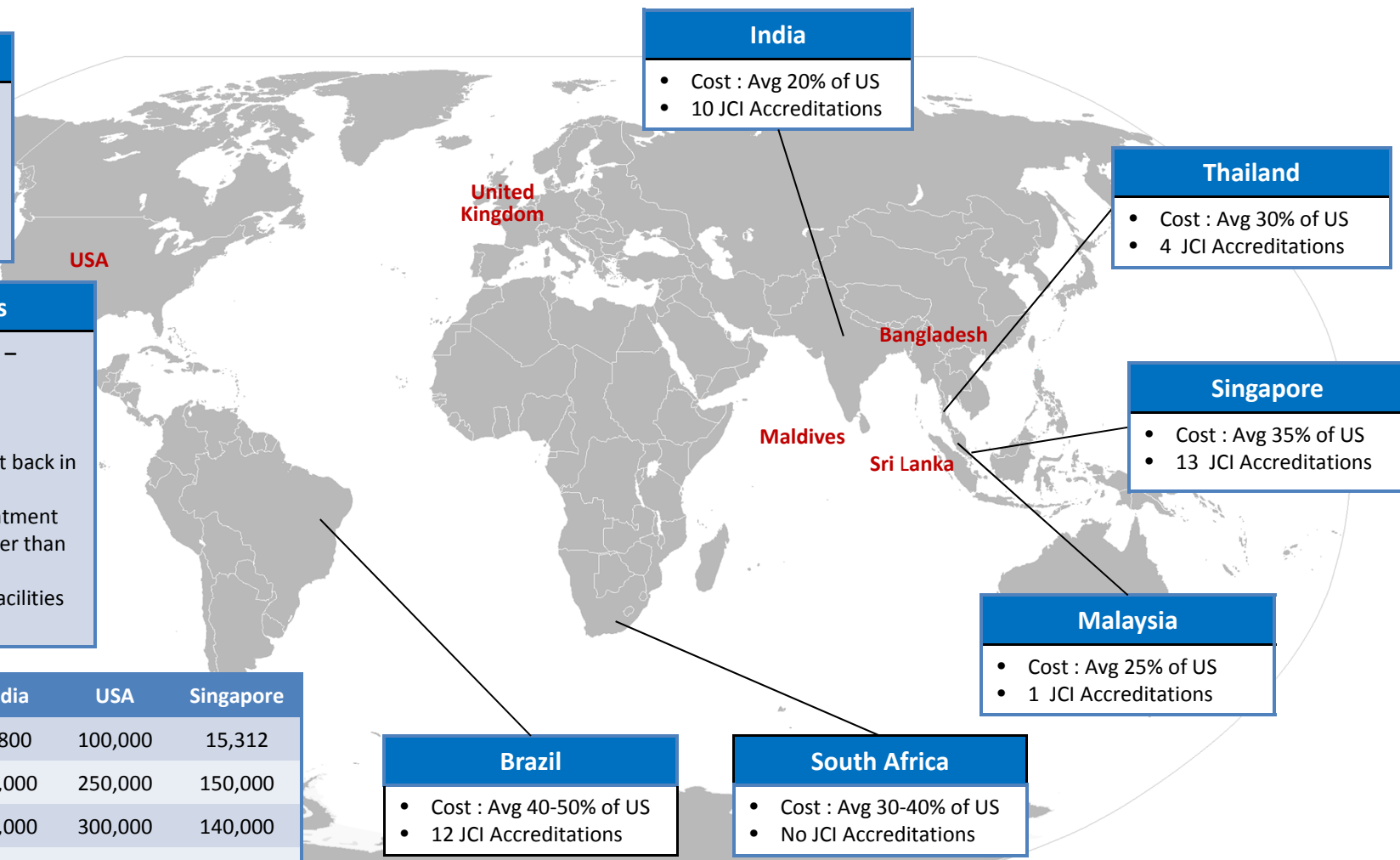


# India's Medical Tourism Industry is burgeoning due to its significant cost advantage as compared to its neighbors and other nations

- Types of diseases**
- Cardiology
  - Cancer
  - Orthopedics
  - Diabetes
  - Dental
  - Cosmetic

- Category of Travelers**
- **Lack of Procedural Insurance** – Seeking care for non covered procedures
  - **Lack of Insurance**
  - **Diaspora** – Seeking treatment back in their native country
  - **Cost Advantage** – Cost of treatment in the inbound country is lower than that in their own country
  - **Quality** – Better healthcare facilities than in own country

Treatment Cost (USD)	India	USA	Singapore
Heart surgery	4,800	100,000	15,312
Bone marrow transplant	30,000	250,000	150,000
Liver transplant	69,000	300,000	140,000
Knee replacement	5,000	48,000	25,000
Hip replacement	5,200	38,000	12,000



Source: Deloitte

# The inadequacy of the public sector in meeting healthcare demands is being severely felt and there is a case for new investments by the private sector in the healthcare industry

The penetration of healthcare infrastructure and manpower in India is lower than that of developed countries and even lower than other developing countries

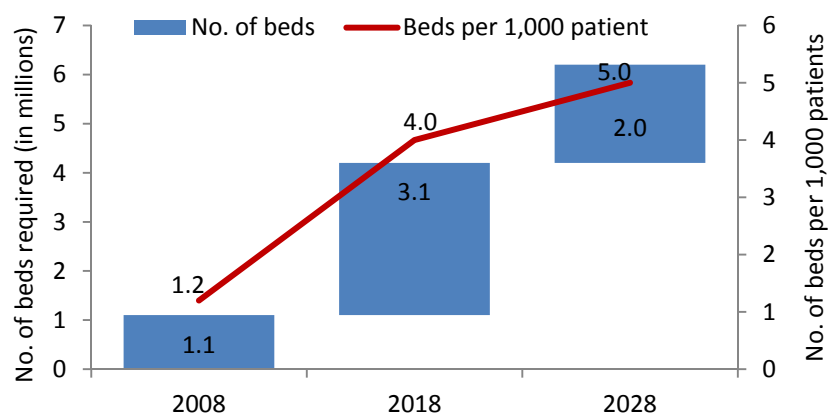
Indicators	Year	India	USA	UK	China
Hospital Bed Density (per 10,000)	2009	12	31	39	30
Doctor Density (per 10,000)	2009	7	27	21	14
Births attended by skilled personnel (%)	2009	47	99	NA	98

1 per cent of India's GDP is spent on health, whereas France spends 10.4 per cent and Japan spends 8 per cent.

Infrastructure / Services	% of Villages
Having any health provider	95.3%
Having trained birth attendant	37.5%
Having a doctor (private or visiting doctor)	43.5%
Having a private doctor	30.5%
Having a visiting doctor	25.0%

Data as per 2011

Parameter	Total Requirement	Gap
Physicians	1,024,058	993,500
Nurses	2,624,468	2,510,250



The Requirement Going Forward

## Inadequacy of Public Sector – An opportunity for Private Sector

- Healthcare has received inadequate attention from the government in India
  - Indian government spends 4.1% of its total budget on healthcare, compared to a Global average of 13.9%
  - The government contributes only 32.8% of total healthcare costs, compared to 60.5% globally
- Government run healthcare facilities are not well managed, and are known to have poor quality of services and inadequate infrastructure
- The shortage is more severe in rural areas, where only 43.5% villages in the country have a doctor
- Bridging the gap requires high investments; this opportunity can be capitalized by private players to expand operations into smaller towns which lack good quality private hospitals

Source: IMF, KPMG, Intel Case Study

## The current state of healthcare infrastructure in India needs improvement and the private sector has to play a key role in this development

- The private sector accounts for more than 80% of total healthcare spending in India. Also, nearly 75 per cent of all the hospitals and 40 per cent of hospital beds in the country are in the private sector.
  - The private sector provides 60 per cent of all out-patient care in India and as much as 40 per cent of all in-patient care.
  - Most private hospitals operate as a proprietorship or partnership business.
  - Corporate hospitals account for approximately 10.4% of the total number of hospitals.
- According to 2001 population norms, there is still a shortage of 4,477 primary healthcare centre and 2,337 community healthcare centre. India would require 1.75 million beds by 2025.
  - Over 6,800 more hospitals are needed in India to provide basic health facilities to people in rural areas.
  - There is a shortage of 350,000 nurses in India, partly because many qualified nurses leave for better prospects abroad.
  - The nurse-doctor ratio in India is 1.5, compared to 3:1 in developed countries.
  - During the last five years rural health sector has been added with 15,000 health sub-centre and 28,000 nurses and midwives.
  - As per records of 2010, as far as rural health infrastructure is concerned maximum number of District Hospitals (21.1%), Community Health Centers (11.4%) Primary Health Centers (15.6%) and Sub-Centers (13.9%) are in Uttar Pradesh.
- There is an increasing trend for the number of allopathic medical colleges and the number of admissions in 1st year of MBBS course since 2000-01 to 2009-10,
  - Number of admissions in 1st year of MBBS course increased from 18.17 thousand to 34.60 thousand during the same period.
  - Similar trend can be seen in the number of colleges imparting BDS courses (increased from 135 in 2000-01 to 290 in 2009-10), the number of admission therein increased from 8.34 thousand to 23.52 thousand,
  - The number of colleges imparting MDS course increased from 49 to 122, the number of admission therein increased from 859 to 2365 from 2000-01 to 2008-09.

Source: ITCOT Consultancy



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