HEALTHCARE – SECTOR BRIEF

Healthcare has emerged as one of the largest service sectors of the economy, with 15% CAGR growth since 2011, and is expected to reach USD 280 billion by 2020. However, providing access to quality healthcare for 1.2 billion plus population is a huge challenge.

We house 16% of world's population and 21% of world's disease burden equaling loss of ~6% of India's GDP due to premature deaths and preventable illnesses. It is estimated that the increasing NCD burden will cost India USD 4.58 trillion due to loss of productivity. At the same time, our total health spend has been only ~4.7% of GDP in the recent past and out of pocket expenditure (OOP) is 62% of the total health spend. This is very high when compared to other countries such as Brazil 25%, China 32%, South Africa 6%, USA 11%, UK 9%.

Advances are underway on several fronts, from expanding health insurance coverage for the poor and building hospitals in smaller towns, to using technology for safer drinking water and improving treatment outcomes. However, solving India's healthcare affordability and accessibility problems is possible only if we bring in a complete paradigm shift and re-engineer our healthcare ecosystem. Today, we cannot just focus on building hospitals and follow the traditional methods of caring for the ailing through treatment. We need to move beyond. We need to prioritize our focus to move towards integrated care through robust primary and promotive care with comprehensive screening for prevention of ill health, and promotion of healthy living.

Key highlights of the sector:

Human Resources & Skills: The shortage of qualified medical professionals is one of the key challenges facing the Indian healthcare industry. The workforce requirement of healthcare sector alone is expected to grow from 3.59 mn in 2013 to 7.4 mn in 2022.

High Disease Burden and Low Healthcare Infrastructure: For 16% of the world's population we have a disproportionately high share of global disease burden at 20% coupled with one of the fastest growing non-communicable disease incidence. At the same time, we have one of the weakest health infrastructures at around 1.3 beds per 1,000 people. Further, around ~70% of our hospitals are in urban areas where only ~30% of the country's total population resides.

Investment opportunities: Indian healthcare sector offers investment and business opportunity in both urban and rural India receiving significant attention from PE and VC, govt. and social investors. According to FICCI-KPMG Report, the total FDI received in India since 2000 is approx. USD 288 billion, out of which, 1.3% has been received by hospitals and diagnostic centres. We need about ~7 Lakhs additional beds over the next 5-6 years indicative of an investment opportunity of USD 25-30 billion.

Quality & Accreditation: The hospital and lab accreditation bodies (NABH & NABL) formed in 2006 are working towards increasing awareness on quality in healthcare. Indian government and the private sector have become increasingly conscious of 'quality' in healthcare in the past decade. But there is a

long way to go. Out of more than 20,000 hospitals in India, only 19 are accredited by JCI and ~400 by NABH.

Healthcare Technology: The technology reforms throughout the world have brought in a technology transformation in healthcare too. We've witnessed breakthrough innovations like wearable gadgets and fitness apps have become ubiquitous. In addition, there have been significant enhancements in back-end healthcare applications and platforms in hospitals and clinics, supporting better capture and sharing of patient health information. Digital innovations can help to create patient-centric healthcare systems that can improve response times, reduce human error, save costs, and impact the quality of life.

India's healthcare information technology market is expected to hit USD 1.45 billion in 2018, more than three times the USD 381.3 million reached in 2012. Healthcare technology solutions have been able to modernise medical care, reduce costs, avoid redundant or duplicate tests, procedures and mechanise manual processes. Healthcare informatics, telemedicine, HIS, electronic health records, remote diagnostic and therapeutic tools have pivoted the first step towards tech enabled healthcare and can be further leveraged to effect new modalities of healthcare.

Health Insurance penetration, standardization: insurance penetration still at ~30% though Govt. Social Health Insurance Scheme (GSHIS) is starting to make impact; standardization and innovation are key to sustainable health insurance business

AYUSH - India has a huge potential to integrate its traditional systems of medicine, whether allopathic or AYUSH, with the new age clinical and biotechnological advancements to bring in a completely reformed outlook on holistic healthcare.

Healthcare Innovation - India also has the potential to become the powerhouse of healthcare innovations. Innovation holds the capacity to both accelerate healthcare through more effective, safer and more affordable products and services, as well as through improved design of health programmes and delivery of healthcare services. With an ever evolving Indian healthcare landscape, there is immense need for innovations that are not only unique in addressing the current healthcare challenges but are cost effective, scalable and easy to deploy. "Start-up India, Stand-up India", launched by the Hon'ble Prime Minister is a welcome initiative of the Government of India to foster innovation and entrepreneurship in India.

Key concerns of the Industry:

Long gestation period for private healthcare leading to the need for long term financing - Healthcare was included in the harmonized master list of Infrastructure sub sectors by the RBI in 2012. This includes hospitals, diagnostics and paramedical facilities. Also, IRDA has included healthcare facilities under the social infrastructure in the expanded definition of 'infrastructure facility'. In spite of this, long term financing options are still not available for healthcare providers. This is hampering the expansion of healthcare providers in the country. Hence, government intervention is needed.

There is also a need to increase the tax exemption from 5 yrs to 10 consecutive years and lower the rate of interest on loans from the banks.

Universal Healthcare - FICCI through its UHC series has recommended the financing imperatives for a sustainable UHC plan & evolving a framework for healthcare reimbursement methodologies. Based on this a Task Force on 'Costing in Healthcare' was set up by the Health Ministry with FICCI as the coordinating member.

PPP Framework - Private sector participation needs to be encouraged in promotive, preventive & primary care with appropriate tax incentives to primary health care chains operating beyond Tier II towns. PPP models for screening and detection programs, medical education, NCD have been developed and submitted to the Health Ministry and NITI Aayog. FICCI is a member in both the Committees.

Service Tax on Health Services – 'Health services' needs to be kept out of the service tax net and the proposed GST regime. Any intervention that will help in containing the cost of healthcare will be passed on to the patient. All healthcare education and training services, especially life-saving ones, should be exempted from service tax

Incentives for encouraging health insurance penetration, preventive health check-ups & other healthcare services - There is a need to move from curative care to preventive care to keep the disease burden under control