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Healthcare: The neglected GDP driver

Need for a paradigm shift

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FICCI HEAL 2015
"India's Healthcare: Time for Paradigm Shift"





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Foreword

The United Nations has projected that India's population will reach 1.45 billion by 2028, making it the world's most populous nation surpassing China. Further, India will also be faced with the challenge of 168 million people in the geriatric age group by 2026. If India were to leverage its demographic dividend, then it is imperative that it nurtures a healthier population.

Although, India has made significant progress in the last six decades on various health parameters, the focus of our healthcare system has been mainly on curative care. However, with rising disposable incomes, changes in lifestyle and increasing population, we are witnessing a significant change in the disease pattern in the country. While we are still struggling with the communicable diseases, the disease burden of non-communicable diseases has increased to 60 per cent. India is estimated to lose USD4.8 trillion between 2012 and 2030 due to non-communicable disorders. It is therefore critical for India to transform its healthcare sector.

Healthcare is traditionally seen as a social sector in India, with less government focus and low budget allocation. India currently spends cumulatively 4.2 per cent of its GDP on healthcare, with just 1 per cent being contributed by the public sector, amongst the lowest globally.

It is high time that we realise the significance of healthcare as an economic development opportunity for national as well as state level. The Indian healthcare market is growing at a CAGR of ~16 per cent and is expected to reach USD 280 Bn by 2020. A paradigm shift in terms of our healthcare policy as well as our approach towards the sector is needed for India's economic growth.

Federation of Indian Chambers of Commerce and Industry (FICCI) as a change agent has been working diligently with the government to bring about requisite policy changes that can provide impetus to the growth of health services sector in reaching out to the masses. This joint study by FICCI and KPMG evaluates the progress of health sector in India in recent years and assesses the scope of the sector in terms of human productivity enhancer, foreign exchange generator, booster for innovation and entrepreneurship as well as employment opportunities, and hence an important driver of GDP for India.

We are grateful to Ministry of Health and Family Welfare, Government of India for supporting FICCI HEAL 2015 on the theme "India's Healthcare: Time for Paradigm Shift" on 31 August & 1 September 2015 at FICCI, New Delhi. We are sure that the deliberations in the conference will help us in coming up with concrete recommendations that will be submitted to the Government at the highest level for consideration.

We would like to take this opportunity to thank the leaders from the industry who provided their valuable inputs and contributed to this report.

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Nilaya Varma

Foreword

The last few decades have seen notable gains in the health of citizens in India. The country has added 11 years to the average life expectancy at birth in three decades; raising it from only 55 years in 1980 to 66 years by 2013.[1] Many factors, such as improved nutrition, robust investment by private players in building the healthcare infrastructure, the swelling middle class segment and innovations in medical technologies, have contributed to this improvement.

From centuries, it has been indicated and well-established that economic development has played a crucial role in improving the health indicators of a nation, as growth in economy provides opportunities for better nutrition, and greater capability to invest in healthcare infrastructure. However, there are apparent reasons to believe that improvements in the health of citizens contribute positively to the economic prosperity of a nation. Today, healthcare stands as one of the largest employers in the country.[2] The sector has successfully attracted influx of billions of dollars from private ventures, foreign investments and an inflow of equity capital through numerous deals in the last year alone. Additionally, medical tourism as a segment has seen strong emergence, owing to India's growing strength in healthcare delivery.

Recognising the eminence of this fact, this report, by KPMG in India and FICCI, aims to amend the way stakeholders view healthcare funding – from mere expenditure that eats into the gross domestic production (GDP) pie to a beneficial form of investment that propels economic growth of a nation.

1. Life expectancy at birth, total (years), The World Bank website, http://data.worldbank.org/indicator/SP.DYN.LE00.IN, accessed July 2015
2. Human Resource and Skill Requirements in the Healthcare Sector report, KPMG in India and NSDC report, April 2015

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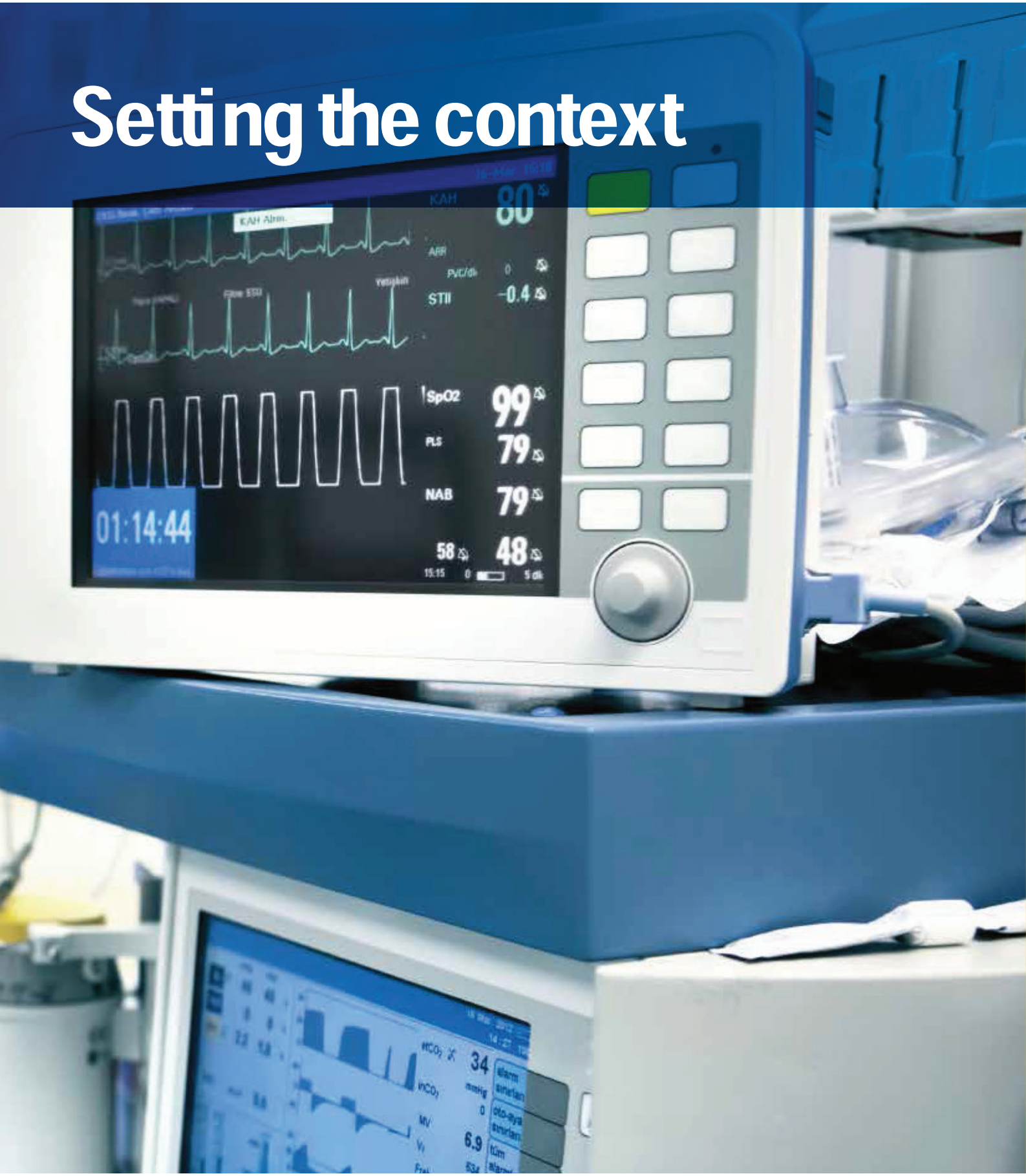
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A robust healthcare system drives GDP growth in the presence of adequate investments and a conducive environment by not only acting as a productivity and employment generator, but also as a magnet to attract foreign exchange earnings and provide opportunities for innovation and entrepreneurship.



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Setting the context



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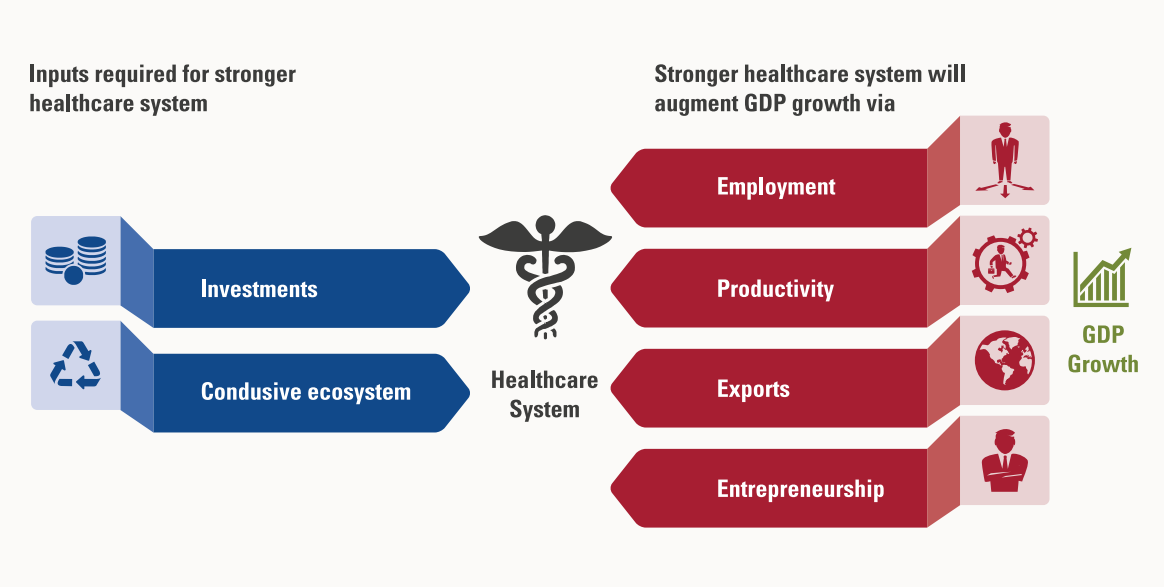
India has come a long way in the last six decades since independence, especially in terms of improving the health of its citizens. The life expectancy at birth has risen to 66 years over the past 29 years, which is more than a twofold increase since the late 1940s.[3]

While the government has taken significant measures to improve access to quality care, this sector has also seen emergence of private players due to the growing healthcare needs of the population, with an inflow of both domestic and foreign investments. Recently, the private sector has seen emergence of innovative delivery models, helping improve access to healthcare not only in metros, but also in smaller towns in the country.

However, the public sector's lackadaisical performance, due to limited investments and sub-optimal utilisation of available resources, has hampered its growth in India, which could be attributed to the prevailing perception of healthcare as more of a social expenditure rather than a growth enabler. This mindset needs to be changed, so that we can accelerate growth and strengthen our healthcare facilities.

The healthcare sector is currently multi-layered and complex, which makes it difficult to unlock its true potential and provide quality services. The onus of bringing the sector into the limelight as a Gross Domestic Product (GDP) driver now lies with the policy makers. This shall further garner the interest of private players, thereby attracting more investments and creating a conducive environment for the sector to grow.

Healthcare drives the GDP growth



Source: KPMG in India analysis, 2015

3. Life expectancy at birth, total (years), The World Bank website, http://data.worldbank.org/indicator/SP.DYN.LE00.IN, accessed July 2015

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Healthier citizens build a healthier nation. Though improving the state of healthcare in India still lags behind its international counterparts. If given due focus, the sector has the ability to propel GDP growth via multiple spokes, directly and indirectly.



Healthcare as an employment generator[4]

With a rise in ageing population and growing disease burden, the demand for healthcare services is expected to increase manifold. In order to meet this demand, the sector calls for a greater number of healthcare practitioners and skilled labour, thereby creating more direct and indirect job opportunities in the coming years.



Healthcare as a productivity enhancer[4]

Health is an important constituent of human capital. Investing in healthcare can have a positive impact across various spectrums of the economy. It can not only enhance labour productivity by increasing their physical capacities, such as endurance and strength, but also augment mental capacities, such as reasoning ability and cognitive functioning. Thus, health is expected to have far-reaching effects on productivity of both unskilled and skilled manpower.



Healthcare as a forex generator[4]

India is fast emerging as one of the leading destinations for international patients, owing to technological advancement, improvements in quality of care imparted, international accreditation programmes run by medical institutes, enhanced skill sets of medical staff, and its cost arbitrage. This has consequently encouraged the inflow of foreign exchange, helping strengthen our position in the international market. Health experts have indicated that India can grab this opportunity and target GDP share of around two per cent in 10 years from now, through medical tourism.[5]



Healthcare as a driver for innovation and entrepreneurship[4]

Innovation and entrepreneurship can be instrumental in driving the economy's growth. With the advent of alternate and innovative healthcare models, such as wellness centres, diabetes clinic, day care centres, diagnostic chains, among others, the entrepreneurial spirit in the sector has heightened. This in turn is expected to create employment opportunities, enhance productivity and increase export potential of healthcare services.

This paper aims to provide a view to help envision investment into the health of citizens, as an investment to improve economic growth of the nation, and not as a social expenditure.

4. KPMG in India analysis, 2015
5. Gulf region account for 30% of Apollo patients from abroad, Economic Times, 8 July 2015

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