

Disclaimer

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Snapshot: Healthcare Sector in India

Introduction

Healthcare is a crucial service sector in India and is significant in terms of market size and employment generated. The Indian healthcare sector is competitive both in cost and quality, which has led to the emergence of new formats such as tele-radiology, outsourcing of laboratory and pathology testing.

Trends in Average life expectancy & Per Capita Healthcare Expenditure in India (2004 - 2008)

Details	2004	2005	2006	2007	2008
Average life expectancy in years	62.5	62.7	63.1	63.4	63.7
Per capita healthcare expenditure (INR)	1,215	1,330	1,500	1,600	1,750

Source: [World Bank](#), eRPI

Healthcare is one of the vital sectors of the Indian economy and is expected to be the most promising service sectors, after IT and BPO. Healthcare delivery sector essentially comprises of hospitals, private clinics and diagnostic labs. The sector has witnessed immense growth in the last decade and is now on par with developed countries in terms of quality of service and availability of high-end diagnostic treatment facilities. Along with allopathic treatment, the country now offers a variety of traditional treatments such as ayurveda, siddha and homeopathy. With these service offerings, the country has become a sought after destination for many foreigners to avail healthcare treatments.

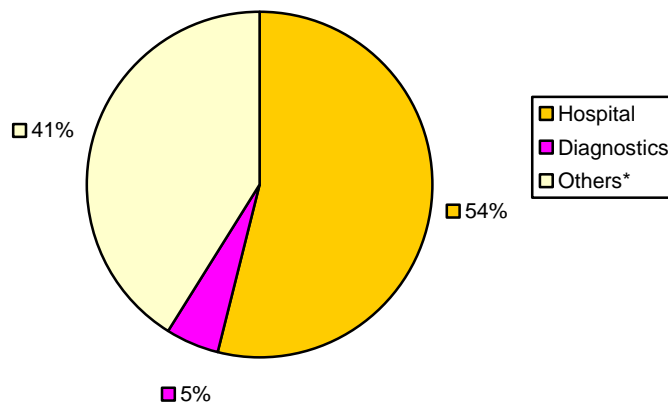
With increased thrust from both public and private sectors, the overall healthcare sector is expected to account for about 8% of GDP by 2012 and provide employment for around 9 million people.

Overview

- The healthcare sector in India is valued at around INR 1.4 trillion and registered a growth of over 10% during 2000 - 2009; it is expected to grow at 12-15% per annum over the next decade
- Private sector investment accounts for around 80% of the overall investment in healthcare and is among the highest compared to other countries of the world
 - Private sector investment on healthcare accounts for around 4.5% of the country's GDP
 - Private hospitals form 60% of the total hospital infrastructure in India
- Public sector investments in healthcare are low in India and account for around 1.2% of the GDP
- Due to low penetration of insurance and limited coverage of healthcare by public schemes, out-of-pocket spending by individuals on healthcare was estimated at around 94% of the total healthcare spending in India
- Hospitals and diagnostic services account for over 59% of the total healthcare sector

Healthcare market break-up (%), 2009

Total: INR 1.4 trillion



Source: eRPI

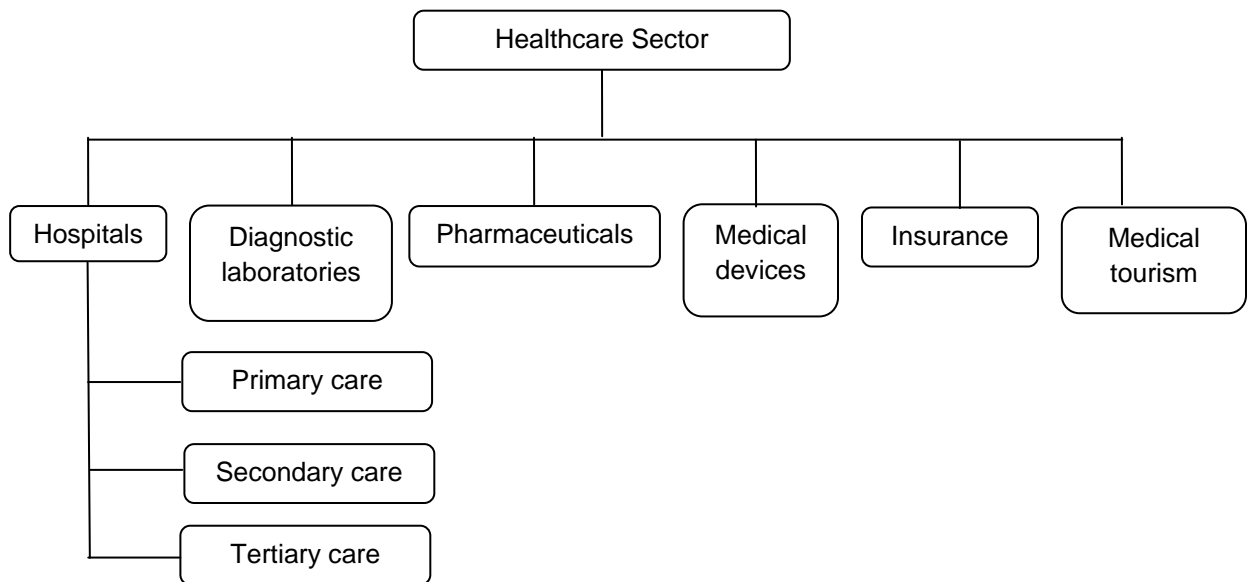
*includes medical tourism, insurance, medical equipment, pharmaceuticals

- Hospital and related infrastructure account for around INR 750 billion of the overall healthcare market and are expected to grow at around 15% over the coming years
- Diagnostic services have been growing at over 15% p.a since 2006 and the market is valued at around INR 60 billion
 - The sector has seen the entry of a number of private players who are establishing nation-wide networks
 - Players have begun establishing labs focused on specific types of illness such as testing for diabetes and thyroid

Market Structure

Highly service oriented healthcare sector can be broadly classified as under:

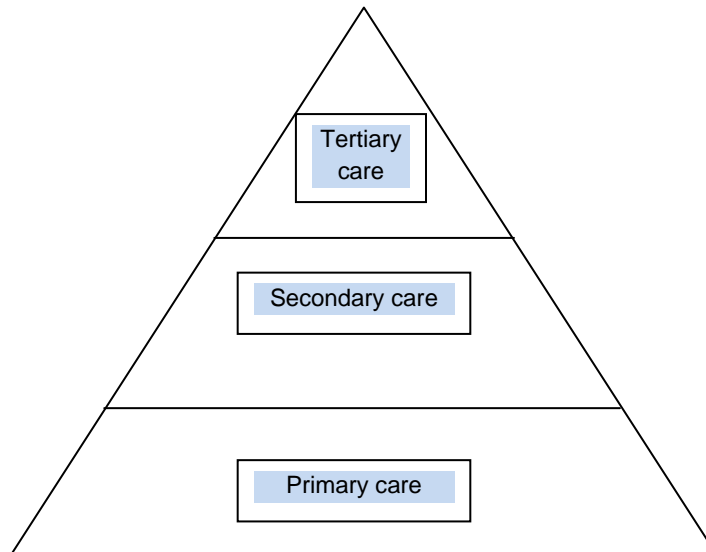
Exhibit : Structure of Healthcare Sector



Source: eRPI

Based on the nature and complexity of the treatment offered, combined with infrastructure facilities provided, healthcare sector can be further classified as primary, secondary and tertiary care centres.

Exhibit : Healthcare sector: Classifications



Source: eRPI

- Primary care centres are usually Government-funded basic health maintenance centres for providing preventive care;
 - Rural and semi-urban population mainly depend on primary healthcare centres (PHC)
 - PHC's are equipped with basic diagnostic facilities like blood / sugar / urine testing, etc
- Secondary care centres comprise of hospitals equipped with advanced & modern diagnostic facilities like CT scan, MRI, etc
 - The segment is highly fragmented and includes private nursing homes and clinics
 - Secondary care facilities are capable of providing constant medical attention through short periods of hospitalisation
 - Mid-sized private nursing homes with less than 30 beds are expected to grow at around 10% per annum over the next 5 years

- About 10% of the total number of patients require tertiary care; Tertiary healthcare facilities offer specialized, highly technical level of health care including complete diagnosis and treatment of illness
 - Tertiary care facilities include well-equipped intensive care units, advanced diagnostic services, and highly specialized personnel and are capable of offering highly centralized care
- This segment is well organised with the presence of large corporate players and includes super-speciality hospitals and medicities
- Tertiary healthcare facilities with over 100 beds are expected to grow at over 12% per annum and account for close to 1.5 million hospital beds by 2015

Issues and concerns

Despite vast developments, the healthcare sector has its share of issues and concerns:

- India is among the least spending countries on healthcare, accounting for less than 6% of the country's GDP
- Per capita healthcare spending was estimated at around INR 2300 in 2009
- Low bed-population ratio (1.5:1000)
- Low doctor-population ratio (0.6:1000)
- Low penetration of insurance (~ 1.4 % of total population)

Healthcare is a manpower intensive sector and shortage of healthcare professionals has been an impediment to growth. To address this, the Government has taken proactive measures such as permit corporate sector into medical education, recognition of foreign degrees and encouraging doctors to practice in rural areas.

Low bed density has been another serious concern and with increased thrust on healthcare infrastructure from both Government and private players, the bed-population ratio is set to reach around 1.9 beds per 1000 population.

Key Drivers & Trends

Growth in population and the economy are key factors that are driving the demand for Indian healthcare services. The other key drivers and trends are:

- Increased awareness about healthcare, leading to growth in preventive medicine as opposed to the earlier curative care
- Rise in personal disposable income to spend on healthcare

- Increasing demand for quality care and higher service levels
- Increased prevalence of infectious and chronic degenerative diseases
- High incidence of lifestyle diseases, such as hypertension, diabetes, etc., owing to westernised lifestyles and urbanisation
- Increasing average life expectancy requiring specialised geriatric care for the aged
- Increased penetration of medical insurance owing to the entry of private players
- Availability of quality healthcare at affordable prices compared to the developed countries
- Increased demand for healthcare from tier II and tier III cities across the country
- Introduction of employee welfare schemes by a large number of corporates with special emphasis on mandatory health check-ups

Key Players

The hospital sector has witnessed the entry of a number of private players and corporate chains in the recent years. The top 10 players had a total sales turnover of around INR 25 billion in 2008-09. Apollo hospitals enterprise, with its flagship hospital in Chennai, is the market leader in the health care sector. In the diagnostics services sector, Piramal Diagnostic Services Pvt. is the leading player with a turnover of around INR 1.5 billion in 2008-09.

Key players and sales turnover (Rs. Bn), 2007-09

Key Player	Sales Turnover (Rs. Bn)	
	2007-08	2008-09
Apollo Hospitals Enterprise	11.3	14.6
Wockhardt Hospital	3.6	4.4
Indraprastha Medical Corporation	3.2	3.9
Quality Care India	1.9	2.4
Max Healthcare Institute	1.8	2.2
Fortis Healthcare	1.5	1.7
Piramal Diagnostic Services Pvt.	1.0	1.6
MIOT Hospitals	0.8	1.2
Kovai Medical center & Hospital	0.7	1.1

Source: CMIE 2010

Some of the other noted players include Columbia Asia Group, Asian Heart Institute, Aditya Birla Memorial Hospital, All India Institute of Medical Sciences, Global Hospitals, Manipal Health Systems, and PD Hinduja National Hospital and Medical Research Centre.

The diagnostic services sector has also recently seen the entry of many corporates who are establishing chains of labs across the country. Some of the key players in this segment are Dr. Lal's Pathlabs, Lister Metropolis, SRL Ranbaxy, Thyrocare Technologies Ltd.

Recent Developments

- Apollo Hospitals Enterprise Limited is developing a 350-bed multi-specialty tertiary care hospital in Bhubaneshwar, Orissa
- Fortis Healthcare, in early 2010, acquired a 23.9% stake in the Singapore-based Parkway Holding Ltd. for around INR 31 billion and has also announced pan-India expansion plans at an investment of INR 2.4 billion
- The Columbia Asia Group has announced plans to set up eight more multi-speciality hospitals across the country with a total capacity of 800 beds by mid-2012
- The Bengaluru-based Narayana Hrudayalaya Private Limited is setting up the Narayana Hrudayalaya Health City in Jaipur with an investment of INR 1 billion
- The Tata Group has announced plans to set up a Tata Medical Center, a comprehensive cancer hospital and research establishment, in 14 acres of land near Kolkata
- The Visakhapatnam-based Seven Hills Group is setting up a health city, Seven Hills Health City, at Andheri, Mumbai at a cost of INR 10 billion
- The New Delhi-based Rockland Hospital Limited is developing a 350-bedded multi-specialty Rockland Hospital at Manesar, Gurgaon over five acres of land
- Sahyog Foundation, a non-profit organisation based in Orissa, is setting up a Medicity in Jagatpur, near Cuttack, spread over 300 acres at an investment of INR 11 billion
- Super Religare Laboratories (SRL) has bought Piramal Healthcare's diagnostic chain for INR 6 billion, which will make SRL the largest diagnostic player in the country with 170 laboratories and 1500 collection centres

Government Initiatives

- The Government has in recent years launched flagship programmes like the Rashtriya Swasthya Bima Yojana (RSBY) scheme and the National Rural Health Mission to enable affordable healthcare for the masses
- State-funded insurance schemes have been introduced to support healthcare delivery to the poorer sections of the society
- The Government is contemplating private-public partnership models to improve healthcare provisions and infrastructure across the country

Future Outlook

- Focused capacity building, especially in rural and semi-urban areas, is expected to propel growth of the healthcare infrastructure
- Emerging sectors, such as diagnostic services and medical equipment manufacturing, are expected to witness double digit growth rates over the coming years
- Medical care targeting the premium segment is expected to become popular with an array of facilities including air ambulances, hospital retail clinics, boutique hospitals, presidential suites and bar-coded smart cards

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