

Hospital and Healthcare Industry Analysis

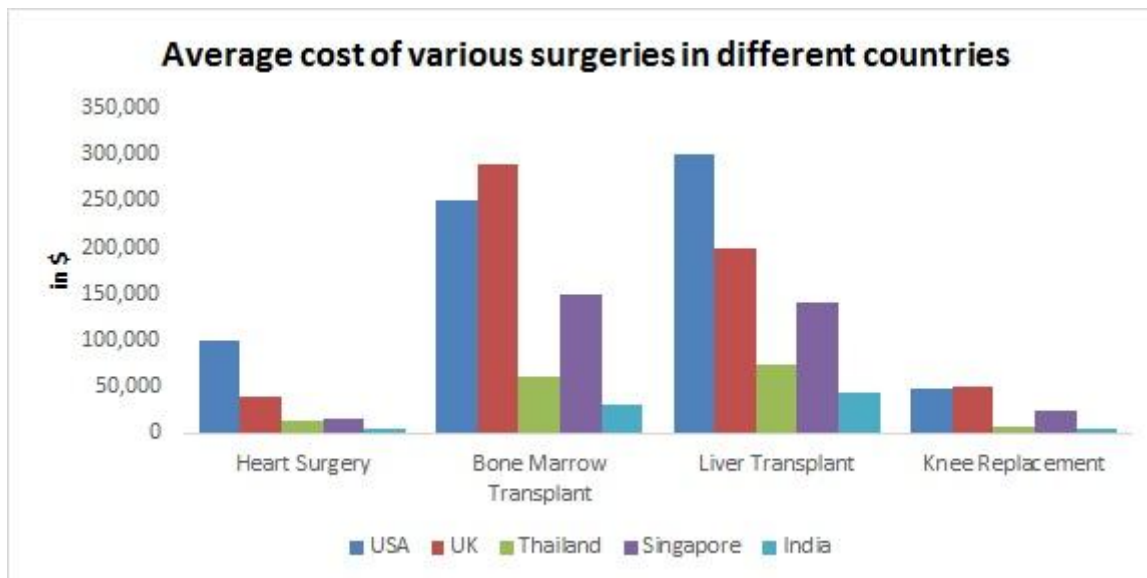
Healthcare has emerged as one of the most progressive and largest service sectors in India. India's healthcare industry is one of the fastest-growing sectors. Healthcare has become one of the largest sectors of the Indian economy, in terms of both revenue and employment. In 2015, the healthcare sector became the fifth largest employer, employing 4.7 Million people directly. India's healthcare industry comprises hospitals, medical devices and equipment, health insurance, clinical trials, telemedicine and medical tourism. These market segments are expected to diversify as an ageing population with a growing middle class increasingly favours preventative healthcare. Moreover, the rising proportion of lifestyle diseases caused by high cholesterol, high blood pressure, obesity, poor diet and alcohol consumption in urban areas is boosting demand for specialised care services. In addition to these demographic and epidemiological trends, COVID-19 is likely to catalyse long-term changes in attitudes towards personal health and hygiene, health insurance, fitness and nutrition as well as health monitoring and medical check-ups. The pandemic has also accelerated the adoption of digital technologies, including telemedicine.

Healthcare spends in the country

Following the Covid-19 pandemic, India's health expenditure saw a rise of nearly 73 per cent - from Rs 2.73 lakh crore in 2019-20 (pre-Covid19 days) to Rs 4.72 lakh crore in 2021-22. This includes the Rs 35,000 crore that the Centre allocated on the Covid-19 vaccination scheme. Bringing it close to the government's policy aspiration, India's health expenditure to 2.1 per cent of GDP for the first time. This was supported by a significant budgetary increase for the healthcare sector in the wake of the Covid-19 pandemic. The central and state governments' budgeted expenditure on the health sector reached 2.1 per cent of GDP in 2021-22, against 1.3 per cent in the previous fiscal. This is within a touching distance of the government's target of reaching a health expenditure of 2.5 per cent of GDP by 2025 as envisaged in the National Health Policy, 2017.

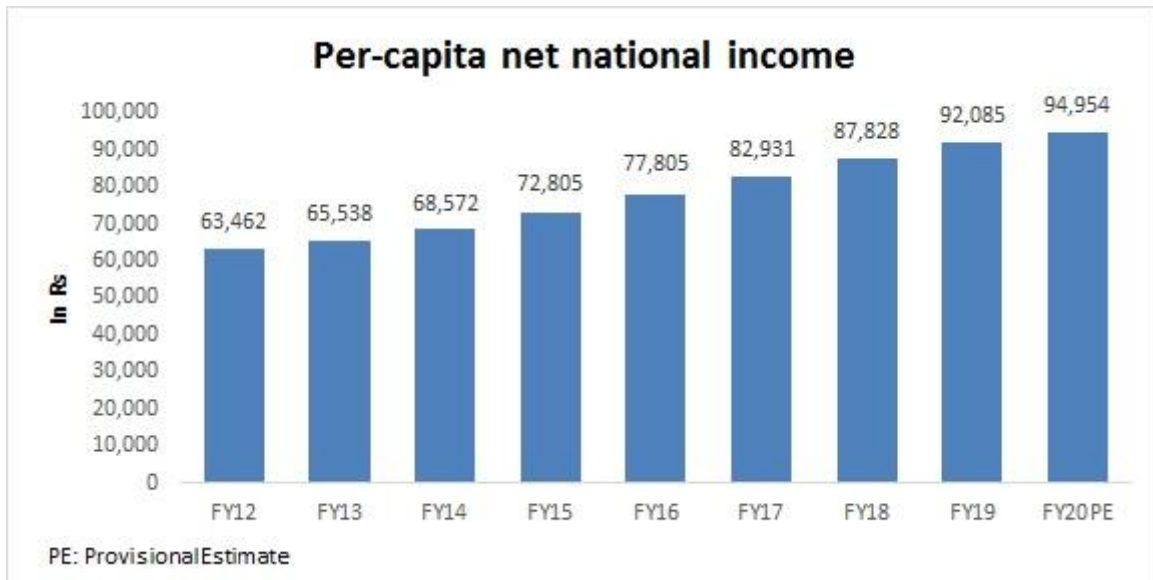
Medical tourism

India has several advantages in favor of medical tourism like infrastructure, technology, cost effective medical care and hospitalization qualified and skilled doctors. Medical tourism is a growing sector in India. India's medical tourism sector is likely to grow to \$13 billion by 2022. According to India Tourism Statistics at a Glance 2020 report, around 697,300 foreign tourists came for medical treatment in India in FY19. India has been ranked 10th in the Medical Tourism Index (MTI) for 2020-21 out of 46 destinations by the Medical Tourism Association. Several factors make India a popular medical tourism destination. These include presence of world-class hospitals and skilled medical professionals; superior quality healthcare; low treatment costs in comparison with other countries; credibility in alternative systems of medicine as well as increased global demand for wellness services like Yoga and meditation. Besides, the cost of surgery in India is about one-tenth of that in the US or Western Europe. Most of the foreigners comes to India for treatments. The most popular treatments sought in India by medical tourists are alternative medicine, bone-marrow transplant, heart surgery, liver transplant, and hip/ knee replacement etc.



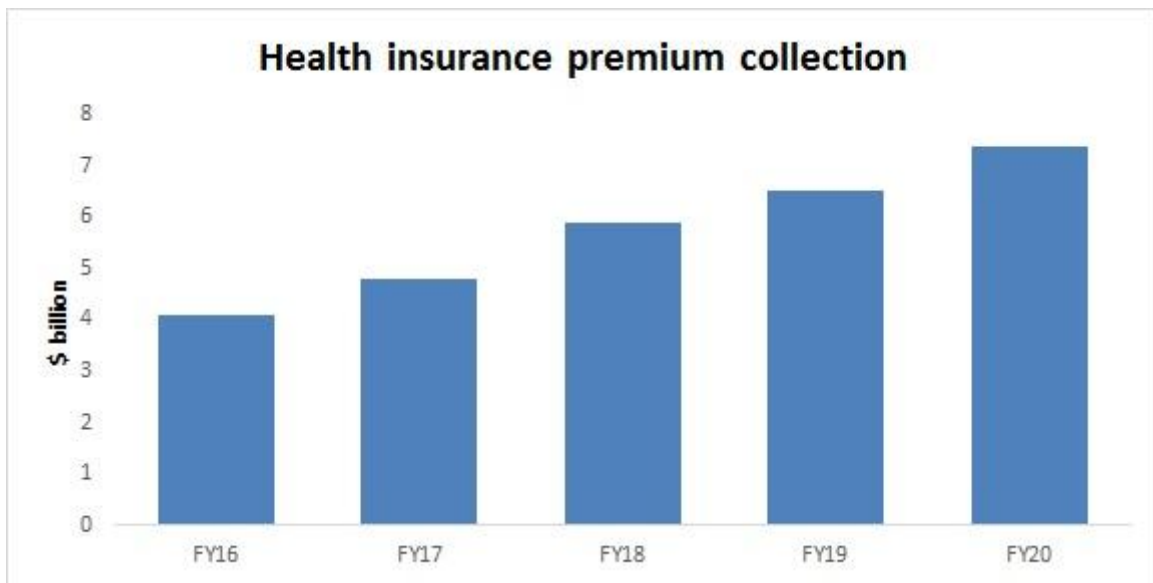
Increase in per capita income

With the country already witnessing a steady economic growth, the per capita income of its population as well as the economic stability of the expanding middle class Indian, is on the rise. This changing scenario and the accompanying demands, has improved affordability and access to better healthcare facilities for millions of upwardly mobile Indians. India's per-capita income, a broad indicator of living standards, clocked a healthy growth from Rs 63,462 in fiscal 2012 to Rs 94,954 in fiscal 2020 (Provisional Estimate). Growth in per-capita income has been led by better job opportunities, propping up overall GDP growth. Due to increasing affordability, consumers are demanding and willing to pay for superior healthcare services.



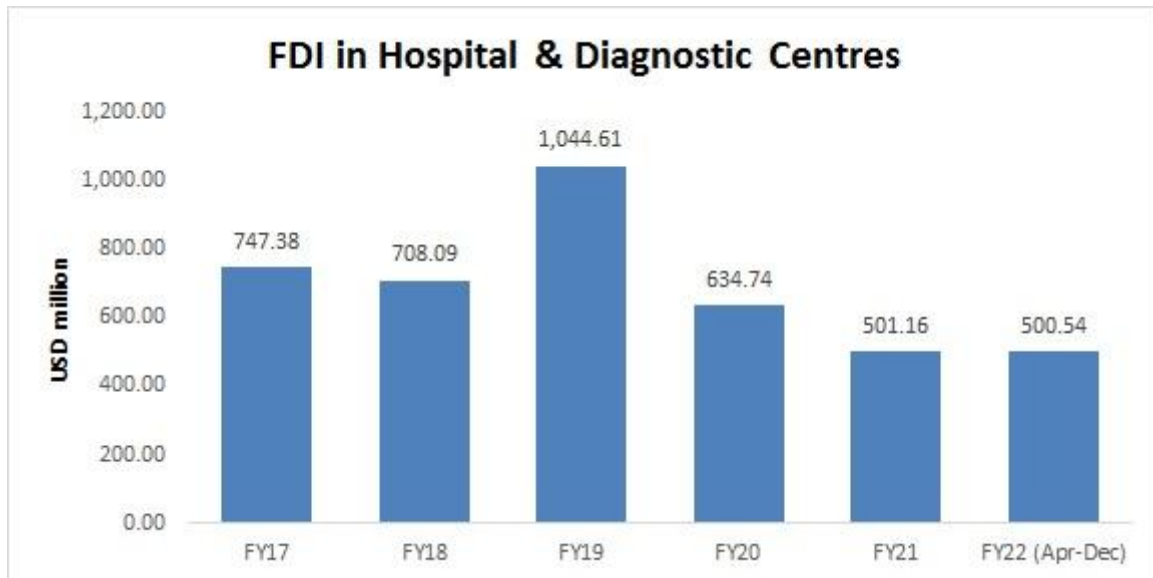
Trend in Health Insurance Premium

Health insurance usually cover expenses made towards doctor consultation fees, costs towards medical tests, ambulance charges, hospitalization costs and even post-hospitalization recovery costs to a certain extent. Therefore, an increase in health insurance market will drive the demand for healthcare services. During the FY20, General & Health Insurance Companies collected \$7.39 billion as Health Insurance Premium (excluding Personal Accident and Travel Insurance Business) registering a growth of 13.52% over the previous FY19. Health insurance premium continues to grow during the past four financial years. In FY16, Health Insurance Premium was \$ 4.08 billion, the increased to \$4.78 billion in FY17, \$5.88 billion in FY18 and \$6.51 billion in FY19.



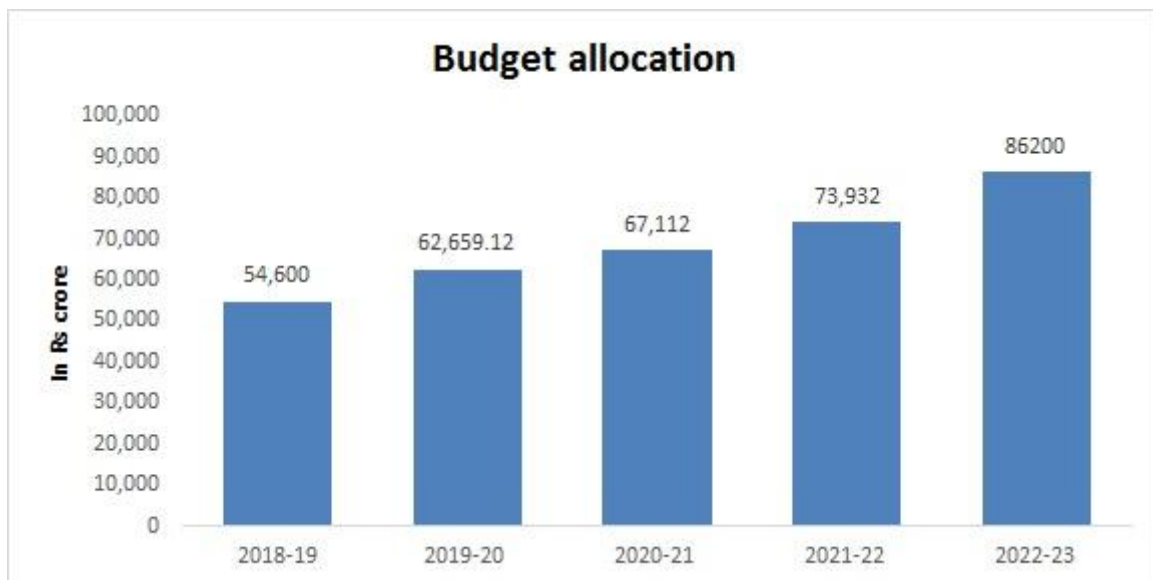
FDI in the sector

Foreign direct investment (FDI) in Hospital & Diagnostic Centres showed some volatility in past two years amid restriction due to Covid-19. FDI in the sector fell by 39.24 per cent to \$634.74 million in FY20 from \$1,044.61 million in FY19. It continued downtrend in FY21 as well by falling 21 per cent to \$501.16 million over previous year. Prior to this, FDI inflows was \$708.09 million in FY18 and 747.38 million in FY17. Besides, the industry attracted FDI worth \$ 500.54 million during April-December period of current fiscal year 2021-22.



Budget allocation

The government has increased budget for healthcare sector by 16% to Rs 86200 crore for 2022-23 as compared to Rs 73,932 crore in 2021-22. The spending on 'medical and public health' has been reduced from Rs 74,820 crore in 2021-22 to Rs 41,011 crore in 2022-23 due to lower requirement of vaccination. The expectation of the sector was much higher than that, as Covid-19 still exist and the sector needs huge infra to fight with this pandemic. The planned increase in capital expenditure is likely to boost economic growth and employment. Moreover, the outlay in Pradhan Mantri Ayushman Bharat Health Infra Mission (PMABHIM) has been pegged at Rs 4177 crore as against Rs 585 crore. As part of National Health Mission, the government has allocated Rs 37,800 crore vs Rs 35,000 crore last year. Under Livestock Health and Disease Control Programme, the government allocated Rs 2,000 crore as against Rs 886 crore previous year.



Global Health Security Index

The 2021 Global Health Security (GHS) Index indicated 'all countries remain dangerously unprepared for future epidemic and pandemic threats, including threats potentially more devastating than Covid-19'. It measures the capacities of 195 countries to prepare for epidemic and pandemic. The GHS Index assesses countries across six categories -- prevention, detection and reporting, rapid response, health system, compliance with international norms and risk environment. Among 195 nations, India ranks overall at 66 with a score of 42.8 and a decline of 0.8 points since 2019 in the GHS index. The study underlines that India has improved in detection and reporting category, but there has been no enhancement of its prevention protocols, health system or rapid response processes. The study noted that although countries built new capacities during the Covid pandemic, many of them are temporary. India scores 29.7, slightly above the global average at 28.4 out of 100 in the prevention category. The detection and reporting category that shows major gaps in the reporting capacities for epidemics of potential international concern, India scores 43.5, 11 points above the global average. India scores 30.3 in the rapid response category which is below the global average of 37.6. India scores 15 points above the global average in the Health Category system at 46.1 and ranks 56 in the list. India scores at 47.2 and ranks 92 in the Commitments to improving national capacity, financing and global norms category. However, in the risk environment category, India scores slightly above the global average in this category at 60.2 and ranks 73 in the list.

National Digital Health Mission (NDHM)

The Prime Minister announced the launch of the NDHM. The Mission aims to create a management mechanism to process digital health data and facilitate its seamless exchange; develop registries of public and private facilities, health service providers, laboratories and pharmacies; and support clinical decisionmaking as well as offer services like telemedicine. NDHM has the potential to make the health system more evidence based, transparent and efficient. The digitisation push by the Government will not only enable patients to share their health profiles with providers for treatment and monitoring purposes, but also access accurate information about the credentials and pricing of services offered by various health facilities, providers and diagnostic laboratories. It is anticipated that over the next 10 years, an incremental economic value of over \$200 billion can be unlocked for the health sector through rigorous implementation of the NDHM. Three major shifts can enable this: greater demand for health services, especially seeking early care for NCDs; improvement in quality of care enabled by digital health (shift from volume-based to value-based healthcare), and streamlining of multistakeholder processes and interactions through use of an integrated health data system. All of these elements together will lead to greater efficiency, cost savings and ultimately improve health outcomes and productivity.

Recent developments and government initiatives

- Mansukh Mandavia, Union Minister for Health and Family Welfare launched the National Polio Immunization Drive for 2022 by administering polio drops to children below five years of age in the Ministry of Health and Family Welfare.
- The National Regulator, Drugs Controller General of India (DCGI), has given nod to market authorization of two COVID19 vaccines, Covaxin and Covishield subject to certain conditions, on January 27, 2022.
- The Government has sanctioned 1563 Pressure Swing Adsorption (PSA) oxygen generation plants of which 1463 have been commissioned. These include 1225 PSA plants which have been installed and commissioned under PMCARES Fund in every district of the country.
- The Union Cabinet has approved the national roll-out of Central Sector Scheme, Ayushman Bharat Digital Mission (ABDM) of Ministry of Health and Family Welfare, Government of India, with a budget of Rs 1,600 crore for five years.

Outlook

The long term outlook of the Healthcare industry is promising for near term with the pandemic opening up several opportunities. The Indian healthcare sector has transformed after the COVID-19 pandemic as the unprecedented crisis not only presented challenges but also presented several opportunities to grow. The healthcare market in India is likely to reach \$372 billion by 2022, driven by factors like better health awareness after pandemic, rising income, lifestyle diseases and increasing access to health insurance. The hospital industry, which accounts for 80 per cent of the healthcare industry in India, is likely to increase to \$132.84 billion by FY22. This growth will be fuelled by rising incomes, increased demand for better healthcare, diseases induced by lifestyle changes, wider insurance cover and rising health awareness among consumers. With overburdened hospitals, personalized homecare is likely to grow in the 2022 as India continues to be amid the Covid pandemic.

Meanwhile, the government is also planning to increase public health spending to 2.5 per cent of the country's GDP by 2025. The Covid-19 pandemic has reinforced the health sector's importance and the need to strengthen efforts. The oxygen-crisis led devastation which India witnessed during the second Covid surge has shown that the nation needs to be better prepared for the health emergencies. Therefore, there are many opportunities in the sector. Other important drivers of growth for India's healthcare sector will be enhanced adoption of telemedicine and other digital technologies in the post-COVID era as well as the emergence of PPP models in healthcare. Also, rising FDI in the sector likely to support the industry to grow.