



# HEALTHCARE

November 2010

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# Advantage India

## Favourable demographics

- India's rising population and income levels, along with a growing preference for private health services over public services, is augmenting the growth of the healthcare delivery market

## Availability of quality and affordable healthcare

- Among countries outside the US, India has one of the largest number of Joint Commission International (JCI)-approved hospitals.
- The country has 0.5 million doctors, 0.9 million nurses and around 1.37 million beds.
- India holds the top position in the number of medical and nursing colleges — 303 and 3,904, respectively.
- The cost of surgery in India is nearly one-tenth of the cost in the US and European countries

## Advantage India

## Changing disease pattern

- India is witnessing a shift in disease patterns from communicable diseases to the high incidence of non-communicable and lifestyle-related diseases, which is driving the need for tertiary- and quaternary-care hospitals and clinics.

## Increased expenditure on healthcare

- Population growth and increased disposable income are expected to result in better healthcare awareness and more expenditure on healthcare.
- Healthcare expenditure in India is expected to increase by 15 per cent per annum.
- India has the potential to add nearly 1.74 million beds between 2008 and 2027 with an investment of about US\$ 104 billion during the same period to fulfill the unmet needs.

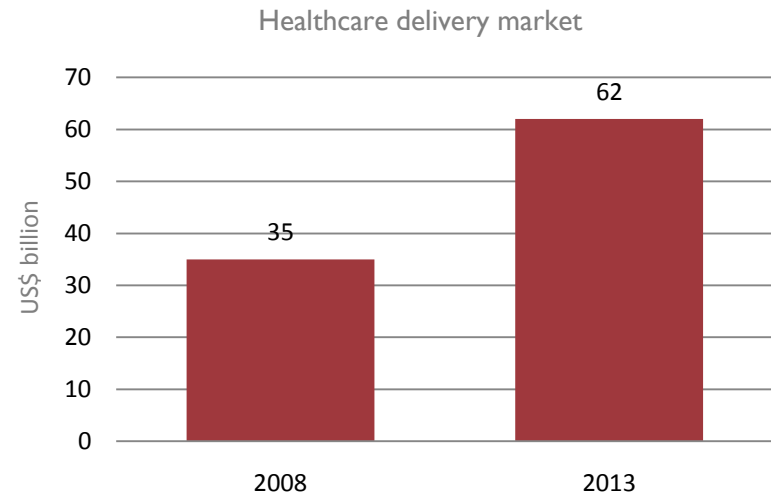
Sources: Ernst & Young research, Times of India article dated 25 September 2010  
 Opinion: healthcare industry," August 2009, CRIS INFAC

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## Market overview

- The healthcare delivery market in India is at a nascent stage with high demand and growth potential, driven by a surge in the number of treatments and the rise in cost per treatment.



Sources: "Apollo Hospitals Enterprise Limited," CRISIL independent equity research, 22 September 2009, p. 18; Ernst & Young analysis.

## Domestic demand

### Treatment

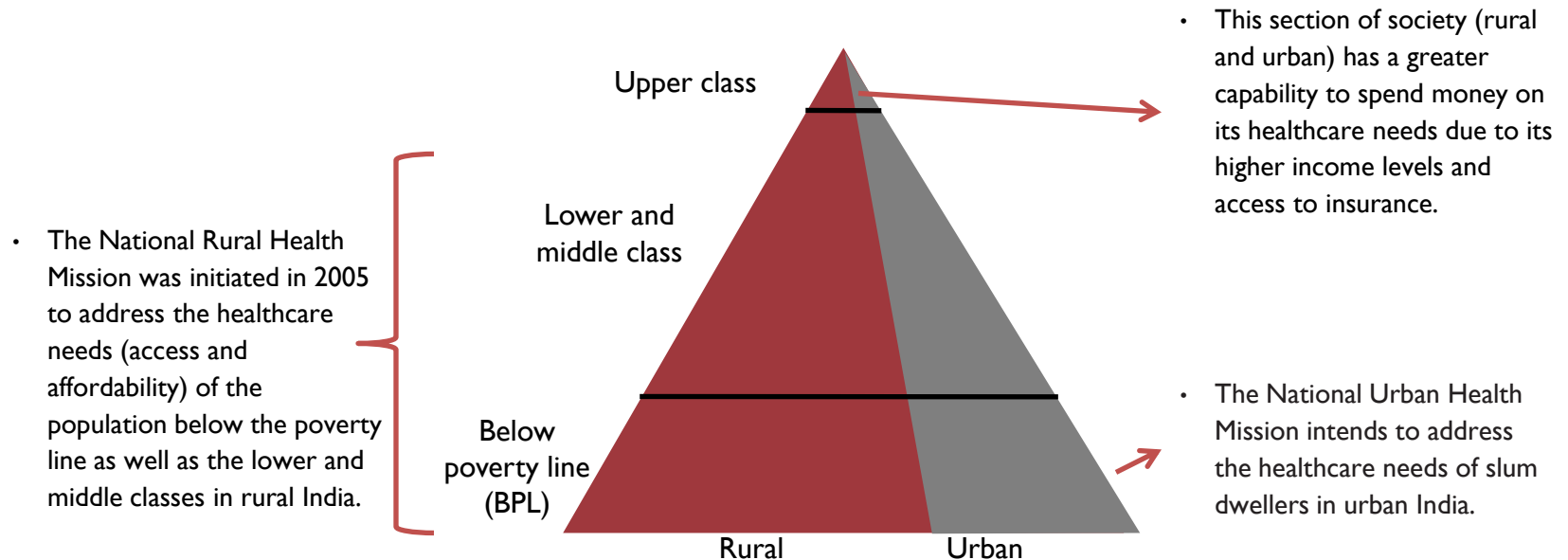
- The increase in the incidence of lifestyle-related diseases, including cardiac and related disorders, among Indians has triggered a demand for specialised treatment.
- A higher proportion of the Indian population is living in urban areas, where the propensity to seek treatment for ailments is higher. This is primarily due to easy access to healthcare facilities and higher disposable income, which make expensive treatment more affordable.

### Tertiary and quaternary care

- Lifestyle-related diseases are likely to assume a greater share of the healthcare market.
- In-patient revenues of hospitals have increased since expenditure on lifestyle-related diseases has risen substantially.

## Growth drivers — increasing expenditure on healthcare

- Healthcare expenditure in India is expected to increase by 15 per cent per annum.
- This segment is expected to constitute 6.1 per cent of the country's GDP and employ around 9 million people in 2012 .



Source: Ernst & Young research

## Growth drivers — demand-supply gap

- There is a growing demand for improved public health infrastructure due to the country’s high population and increasing disease profile.
- This highlights the need for better healthcare delivery, which addresses accessibility and affordability issues.

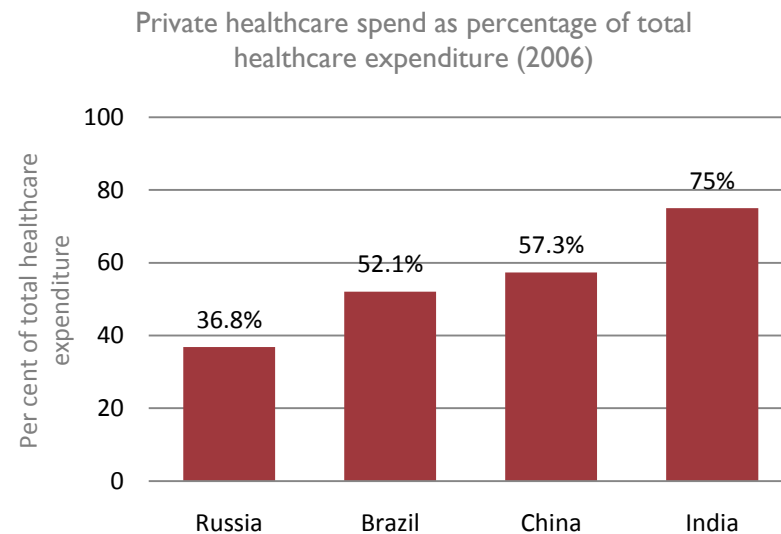
	Disease burden	Health infrastructure			
	DALY rate per 1,00,000 population (2002)	Density of doctors and nurses	Hospital beds per 10,000	Physicians per 10,000	Nurses per 10,000
India	27,536.79	1.6	7	6	13

Source: Ernst & Young research

Note: DALY: Disability Adjusted Life Years; DALY rate per 1,00,000 population is a universally accepted indicator of burden of disease. It is a measurement of the gap between current health status and an ideal situation where everyone lives into old age free of disease and disability.

## Growth drivers — preference for private treatment

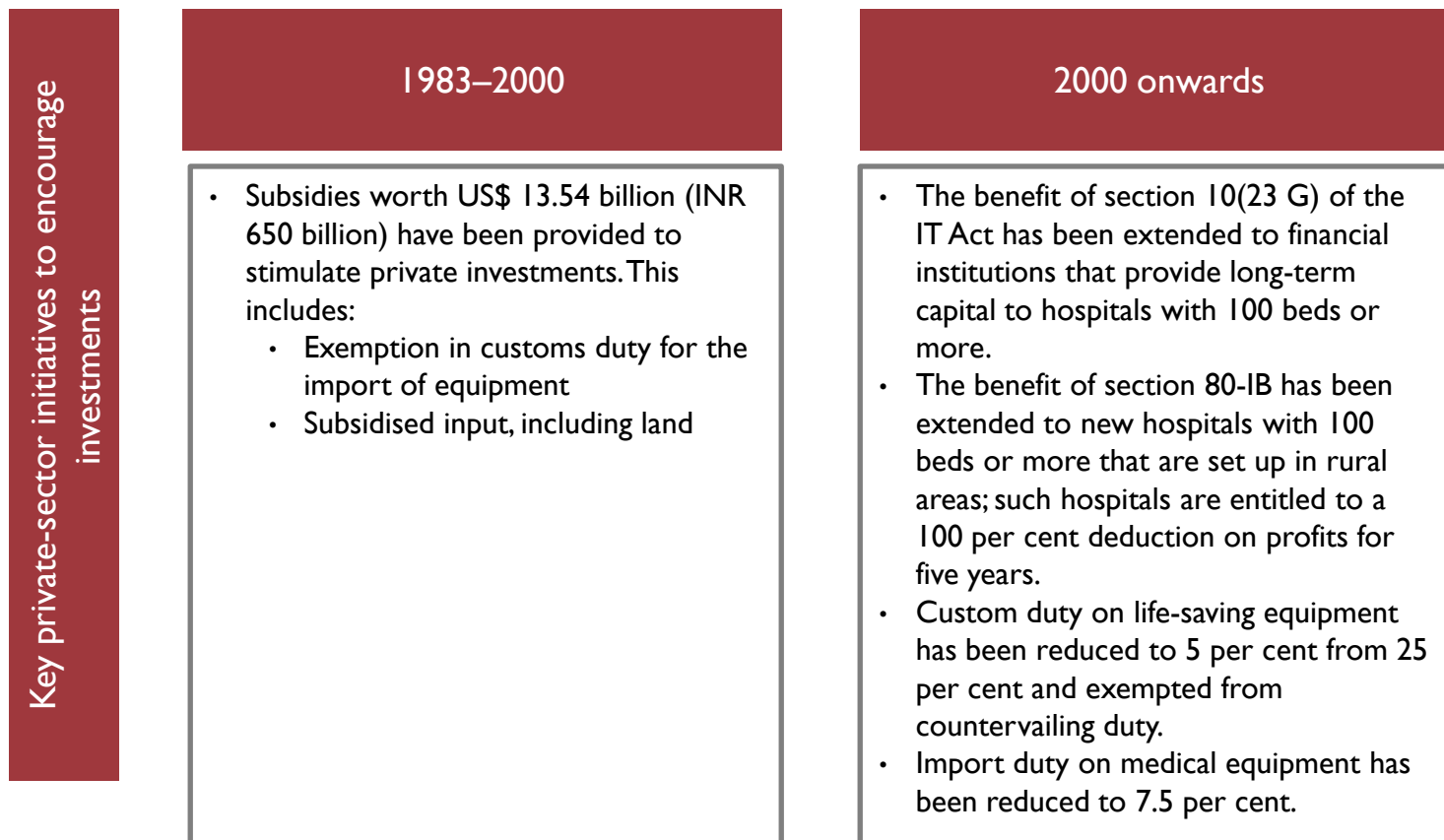
- In India, private healthcare accounts for nearly 80 per cent of the country's total healthcare expenditure, although it is more expensive than public healthcare services.
- The preference for private healthcare can be attributed to better perceived quality and accessibility.



Source: WHO Statistical Information System, 2009,  
[http://www.who.int/whosis/whostat/EN\\_WHS09\\_Full.pdf](http://www.who.int/whosis/whostat/EN_WHS09_Full.pdf),  
 accessed 30 November 2010

## Growth drivers — policy

Due to the introduction of several incentives by the Government of India (GoI), the private sector has become more active after 1983.



Source: Ernst & Young research

## Growth drivers — quality accreditation

In India, the Quality Council of India (QCI) operates the national accreditation structure and obtains international recognition for its accreditation schemes.

### Joint Commission International

- Launched in 1999, Joint Commission International (JCI) surveys nearly 20,000 healthcare programmes through a voluntary accreditation process.
- The World Health Organisation (WHO) designated the Joint Commission on Accreditation of Healthcare Organisations (JCAHO) and JCI as its collaborating centres for patient safety in 2005.

JCI-accredited organisations	First accredited	Re-accredited
Ahalia Foundation Eye Hospital, Palakkad, Kerala	24 December 2009	
Apollo Hospitals, Bengaluru	18 July 2008	
Apollo Hospitals, Chennai	29 January 2006	31 January 2009
Apollo Hospitals, Hyderabad	28 April 2006	17 April 2009
Apollo Gleneagles Hospital, Kolkata	24 January 2009	
Asian Heart Institute, Mumbai	20 October 2006	19 November 2009
Fortis Hospital, Mohali	15 June 2007	24 July 2010
Fortis Escorts Heart Institute, Delhi	20 February 2010	
Grewal Eye Institute, Chandigarh	26 May 2007	30 July 2010
Indraprastha Apollo Hospital, Delhi	18 June 2005	12 July 2008
Moolchand Hospital, New Delhi	5 December 2009	
Satguru Partap Singh Apollo Hospital, Punjab	3 February 2007	6 February 2010
Shroff Eye Hospital, Mumbai	18 February 2006	
Sri Ramachandra Medical Centre, Chennai	7 February 2009	
Fortis Hospital, Bengaluru	9 February 2008	
Fortis Hospital, Mumbai	26 August 2005	

## Key trends — players expanding to tier-II and tier-III cities, along with urban cities

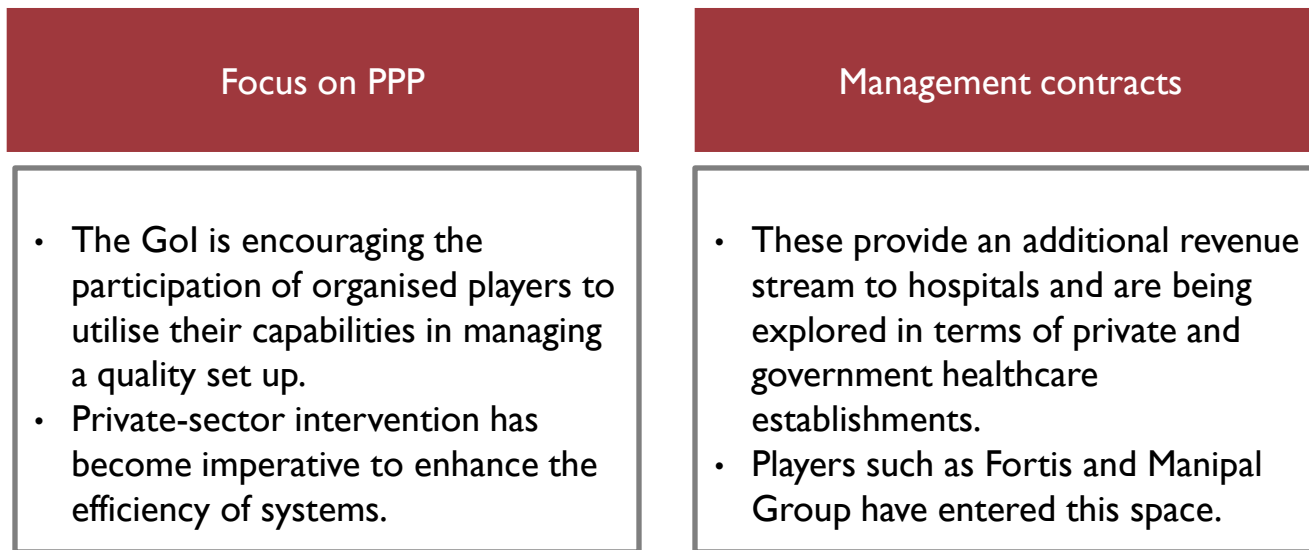
- In view of the demand for private healthcare across tier-II and tier-III cities, the GoI has allowed the private sector to establish hospitals in these cities. As an indirect benefit extended by the GoI, the tax burden on these hospitals has been relaxed for the first five years.
- There is a substantial demand for high-quality and specialty healthcare services in these cities, with two advantages for operators:
  - Low-cost model
  - High patient turnover
- Key players such as Fortis and Apollo have announced their plans to build more hospitals in urban as well as tier-II and tier-III cities in future.

Players expanding to small cities
Apollo Hospitals
Fortis Healthcare
Max Healthcare
HealthCare Global

Source: Ernst & Young research

## Key trends — players exploring new models

- Traditionally, hospitals have been considered to be capital-intensive businesses with long gestation or breakeven periods.
- Players have been exploring models such as management contracts and public-private partnerships (PPP).



Source: Ernst & Young research

## Key trends — players targeting new segments

### Primary care and diagnostics

- Demographics, health awareness and increasing capacity to spend are the key drivers of the preventive healthcare segment in India.
- There is an increasing demand for health management plans for corporate employees, which is providing organised players with an additional revenue stream.
- Players such as Apollo, Max Healthcare and Manipal Group are early entrants into the segment.

Primary care — clinics	
Apollo	27
Aravind Eye Hospital	2
Sankara Nethralaya	4
Manipal Group	9

Source: Ernst & Young research

## Key players

Company	No of beds*	Presence
Apollo Hospitals Enterprise Ltd	8,500	Chennai, Madurai, Hyderabad, Karur, Karim Nagar, Mysore, Visakhapatnam, Bilaspur, Aragonda, Kakinada, Bengaluru, Delhi, Noida, Kolkata, Ahmedabad, Mauritius, Pune , Raichur, Ranipet, Ranchi, Ludhiana, Indore, Bhubaneswar, Dhaka
Aravind Eye Hospitals	3,649	Theni, Tirunelveli, Coimbatore, Puducherry, Madurai, Amethi, Kolkata
CARE Hospitals	1,400	Hyderabad, Vijaywada, Nagpur, Raipur, Bhubaneshwar, Surat, Pune, Visakhapatnam
Fortis Healthcare Ltd	5,044	Mumbai, Bengaluru, Kolkata, Mohali, Noida, Delhi, Amritsar, Raipur, Jaipur, Chennai, Kota
Max Hospitals	800	Delhi and NCR
Manipal Group of Hospitals	+7,000	Udupi, Bengaluru, Manipal, Attavar, Mangalore, Goa, Tumkur, Vijaywada, Kasaragod, Visakhapatnam

Source: Ernst & Young research; respective company websites

\*Note: No of beds include owned, subsidiaries, joint ventures and affiliations.

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## Industry infrastructure ... (1/2)

### Service infrastructure

- India has 0.7 beds per thousand patients, as against a world average of 2.6.
- Most private hospitals operate as a proprietorship or partnership business.
- Corporate hospitals account for approximately 10.4 per cent of the total number of hospitals.\*

Source: Ernst & Young research

\*Note: Across six major cities — Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai, NCR

Service infrastructure	
Hospitals#	11,613
Beds	5,40,328
Sub-centres	1,46,036
Primary health centres (PHCs)	23,458
Community health centres (CHCs)	4,276

Blood banks	
Government-licensed	961
Private blood banks	1,386
Private hospitals	718
Private charitable centres	520

#Note: Includes hospitals run by central government, state government and local government bodies

Source: "National Health Profile (NHP) of India – 2009," Central Bureau Of Health Intelligence website, <http://cbhidghs.nic.in/writereaddata/linkimages/11%20Health%20Infrastructure8356493923.pdf>, accessed 30 November 2010

## Industry infrastructure ... (2/2)

### SEZs

A hospital with 25 beds is permitted in a sector-specific zone, while a multi-product SEZ can have 100 beds.

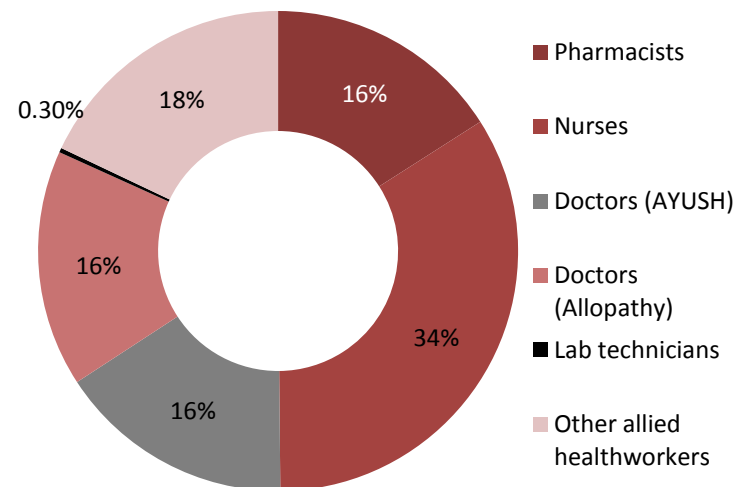
Human resource infrastructure

	No of institutes
Medical colleges	300
General nurse midwives	1,820
Pharmacy diplomas	561

Source: Ernst & Young research

“National Health Profile (NHP) of India – 2009,” Central Bureau Of Health Intelligence website, <http://cbhidghs.nic.in/writereaddata/linkimages/11%20Health%20Infrastructure8356493923.pdf>, accessed 30 November 2010.

Human resource composition of the Indian healthcare industry



Source: Fostering quality healthcare for all, Ernst & Young, 2008; Period under consideration:2000-2006; AYUSH = Ayurvedic, Unani, Siddha and Homeopathy practices Note: Numbers for ‘other allied health workers’ are for the year 2004, all other data is for 2007; other allied health workers include: dentistry personnel, environment and public health workers, community and traditional health workers, other health service providers

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## Investments ... (1/2)

- One deal (outbound) was completed in 2010.
- Fortis Healthcare Ltd acquired a 23.9 per cent stake in Singapore-based hospital company Parkway Holdings Limited for US\$ 686.1 million on 19 March 2010. However, Fortis recently divested its investment in Parkway Holdings and is currently looking to invest in other Asian markets.

M&A scenario — details		
Period: January 1, 2010 to November 19, 2010		
Deal type	No of deals	Deal value (US\$ million)
Inbound	-	-
Outbound	1	685.30
Domestic	-	-

Sources: Thomson One Banker, accessed November 12, 2010

Cumulative FDI inflow	
Period: April 2000 to August 2010	
Sector	FDI inflow (US\$ million)
Hospital and diagnostic centres	907.74
Medical and surgical appliances	363.86

Source: "Fact Sheet On Foreign Direct Investment (FDI)," Department of Industrial Policy and Promotion website, [www.dipp.nic.in](http://www.dipp.nic.in), accessed 12 November 2010

## Investments ... (2/2)

Deal summary							
Deal	Deal type	Announcement date	Announced total value (US\$ million)	Target name	Target country	Acquirer's name	Acquirer's country
Outbound	ACQ	March 19, 2010	685.30	Parkway Holdings Ltd	Singapore	Fortis Healthcare	India

Sources: Thomson One Banker, accessed November 12, 2010

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# Policy and regulatory framework

## National Health Policy 2002

- The National Health Policy 2002 focuses on the need for enhanced funding and organisational restructuring of national public health initiatives to facilitate more equitable access to healthcare facilities.
- The policy focuses on diseases that mainly contribute to the disease burden — tuberculosis, malaria and blindness from the category of historical diseases and HIV/AIDS from the category of newly emerging diseases.
- This policy aims to achieve gradual convergence of health under a single field of administration and lays emphasis on the implementation of programmes through local self-government institutions.
- The policy also aims to identify specific programmes targeted at women's health and strengthening of food and drug administration, in terms of laboratory facilities and technical capabilities.
- Under this policy, a larger contribution is proposed from the central budget for the delivery of public health services at the state level.

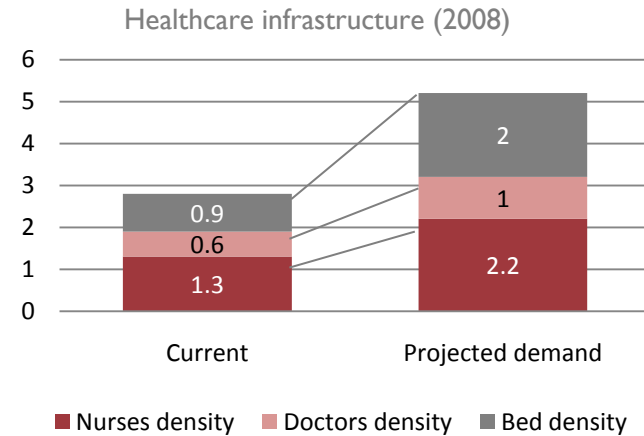
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# Opportunities

Building healthcare infrastructure

- An additional 1.75 million beds are needed for India to achieve the target of two beds per 1,000 population by 2025.
- An additional 7,00,000 doctors will be required by 2025 to reach a ratio of one medical doctor per 1,000 individuals.
- To maintain the current doctor-to-nurse ratio of 2.2, an additional 1,600,000 nurses will have to be trained by 2025.
- Achieving these targets will require a total investment of US\$ 77.9 billion.



Note:  
Estimated density of doctors, nurses and beds per 1000 population by year 2025

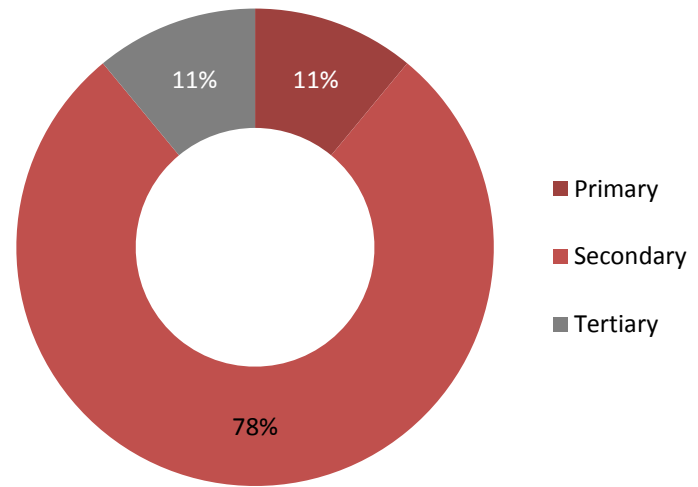
Source: Ernst & Young research

# Opportunities

Developing tertiary care units

- The market for tertiary care is expected to grow exponentially due to the rise in complex ailments such as heart diseases and cancer.
- India’s changing demographics and the increasing incidence of non-communicable and lifestyle-related diseases is expected to trigger the need for more tertiary care hospitals to cater to this demand.
- The share of tertiary care in the total healthcare market was around 11 per cent in 2008.

Healthcare infrastructure — types of service (2008)

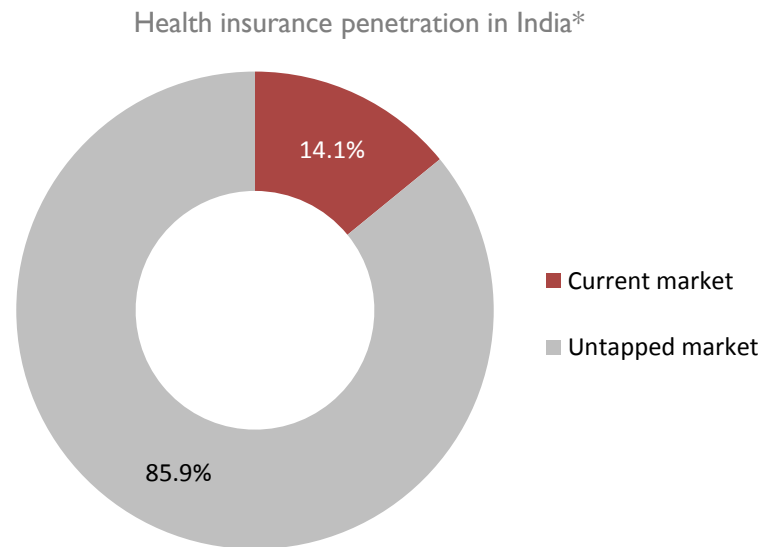


Source: Ernst & Young research

# Opportunities



- Around 14 per cent of the Indian population is health-insured.
- The health insurance industry is growing at 25 per cent annually and is expected to reach US\$ 5.75 billion in 2010.
- Several private insurance companies have entered the market and have empanelled hospitals to provide cashless treatment to subscribers of insurance companies.
- With the launch of Rashtriya Swasthya Bima Yojana (RSBY) in 2008, the Govt is currently providing annual medical care cover worth US\$ 625 (INR 30,000) to close to 20 million families across 27 states, which enhanced the market presence of health insurance.
- The potential increase in the penetration rate of medical insurance and employer plans could result in a higher demand for premium healthcare services in India and consequently increase the demand for hospital beds and medical equipment.



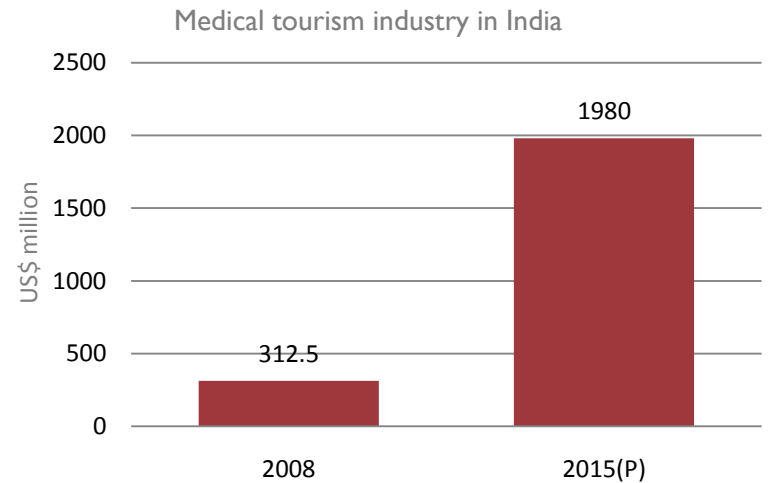
Note:  
\*Community health insurance, Central Government Health Scheme, Employees State Insurance Scheme, Group insurance, Government schemes for poor including BPL and voluntary insurance

Source: Ernst & Young research; “Govt widens ambit of rural health cover,” The Economic Times website, <http://economictimes.indiatimes.com/personal-finance/insurance/insurance-news/Govt-widens-ambit-of-rural-health-cover/articleshow/6661701.cms>, accessed 1 October 2010.

# Opportunities



- The Indian medical tourism industry is poised to grow at 30 per cent annually, primarily driven by world-class healthcare services that are offered at a fraction of the overall cost, compared with western countries.
- According to the Associated Chambers of Commerce and Industry of India (ASSOCHAM), the cost of surgery in India is nearly one-tenth of the cost in US and European countries.
- Approximately 180,000 patients visited India’s medical centres during the first eight months of the 2008–09.
- The boom in medical tourism industry is expected to complement the growth of the domestic healthcare delivery market.



Source: Ernst & Young research; “Indian medical tourism to touch Rs 9,500 cr by 2015: Assocham,” The Economic Times website, <http://economictimes.indiatimes.com/articleshow/3943608.cms>, 6 January 2009.

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## Industry association

### **Indian Medical Association**

I.M.A. House

Indraprastha Marg,

New Delhi –110 002

Telephones: 91112337 0009, 2337 8819

Fax: 91112337 9470, 2337 9178

Website: <http://www.ima-india.org/>

E-mail: [inmedici@vsnl.com](mailto:inmedici@vsnl.com)

## Note

Wherever applicable, numbers in the report have been rounded off to the nearest whole number.

Conversion rate used: US\$ 1 = INR 48

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