



# GENERATIONAL CHANGE

The Apollo Hospitals Group, which pioneered the concept of corporate hospitals in India, is now embarking on an ambitious expansion plan. A report by **N.B. Rao**.

It is today one of the largest hospitals groups in the world, with a network of over 8,000 beds, staffed by 4,000 clinicians and an employee strength of about 60,000. The Apollo Hospitals Group, started by Dr Prathap C. Reddy about 25 years ago, is now entering a new phase with the founder having announced that his eldest daughter, Preetha Reddy (who has been the managing director for the last 10 years), will succeed him as chairperson.

Apollo Hospitals Enterprise Ltd (AHEL), the flagship of the group and Asia's largest healthcare service provider, recorded a turnover of over US\$300 million for fiscal 2009, a 30 per cent growth over the previous year.

AHEL's hospital division's turnover expanded by 22 per cent, while the company's net profit climbed by 20 per cent to

US\$25.38 million. "It is immensely satisfying that Apollo Hospitals has continued its quest to excel in medical innovation, treatment and research year after year," says Dr Reddy, a US-trained cardiologist. "The results are indicative of the collective efforts and endeavour of the group to provide the highest quality of health-care services in India. It is for this reason that Apollo today ranks among the best hospital groups of the world."

The group, which also runs a chain of nearly 900 standalone pharmacies, is investing over US\$30 million in the Apollo Health City at Hyderabad; it recently launched a standalone paediatric hospital in Chennai and is soon going to open a 350-bed multi-speciality tertiary hospital at Bhubaneswar in Orissa.

Expanding its bouquet of health services, the group has recently entered

# 'MANY INDIAN HOSPITALS ARE DOING TRULY WORLD-CLASS WORK'

An interview with **Preetha Reddy**, managing director, Apollo Hospitals Group:

**Will the investments being made by the corporate sector in new hospitals, sophisticated equipment and modern facilities result in high-cost healthcare in India? What are the challenges facing the sector?**

All these investments will result in high-quality, not high-cost healthcare. Our volumes are large, while infrastructure costs, mainly manpower, are much lower than in the West. The equipment might be the same, but we offer a high-quality solution.

We do have high-end, very well-appointed rooms, and these are occupied by high net worth individuals. But we also have general wards and free beds, which cater to the poor.

Two of the biggest challenges in India relate to geographical and financial access. Geographical access, because we are a huge country and the numbers are large. How do people visit hospitals from distant towns and villages? Quality healthcare institutions are centred near metros.

We are trying to ensure geographical access with our 'Reach' hospitals (Prime Minister Manmohan Singh had launched the Apollo Reach Hospitals programme in September 2008).

This is a very challenging agenda, but we are hopeful of providing geographical access. Then there is tele-medicine, which is a great solution for our country. We are one of the largest tele-medicine service providers in the world.

As for financial access, there are many people who cannot afford private healthcare. We have to find more innovative models for providing health insurance. We have come out with several solutions that we have shared with state governments and have, in fact, implemented in many states.



Preetha Reddy

We are in constant discussion with state governments and have helped in the formulation of some reforms in health policies.

As an institution, we are active in interacting with the government both at the Centre and in the states. Our experience is that governments are willing to listen and implement health programmes.

The best example is in Andhra Pradesh where the state government has implemented a programme called Rajiv Aarogyasri, a community health insurance scheme for the benefit of below-poverty-line (BPL) families. The government funds the healthcare scheme, enabling the poor to access healthcare provided by tertiary-care hospitals.

The crux of the programme is that the government allocates funds and the people are able to access healthcare in all accredited hospitals, both public and private. They get quality healthcare, which is supported and subsidised by the government.

The Central government is also looking at the scheme and other state governments are also showing interest. If you have one successful model, then other states try and replicate the same. A lot of changes are taking place in the Indian healthcare sector.

**Do you see the corporate sector investing large sums in healthcare in India?**

I don't think the public sector alone can take care of the healthcare requirements of any country. The private sector has to come in. How well can both work together and complement their work and strategy is the big question. There have to be new formulas and better ways of doing things. There is also a lot of talk about public-private partnerships in the healthcare sector.

But there are some factors, such as land costs and manpower availability, which could slow down private investment.

If the healthcare and education needs of a billion people are to be addressed, one has to think progressively. I am glad we have a progressive government that is planning to introduce reforms in both the healthcare and education sectors.

**Are Indian hospitals getting accredited to international healthcare institutions, which would enable greater flow of 'medical tourists'?**

Many Indian hospitals, including ours, have taken up the initiative of getting accredited with the US-based Joint Commission International (JCI). The government, through the Quality Council of India, has also set up the National Accreditation Board for Hospitals & Healthcare Providers (NABH) and many institutions are opting for its accreditation, which is accepted by international insurers.

**How would you compare the new crop of private Indian hospitals with international ones?**

Some of the Indian hospitals are far better than those I've seen in the US in terms of

infrastructure, quality of equipment and care, and most importantly, the clinical outcomes. Many Indian hospitals are doing truly world-class work, their clinical work is fantastic. The kind of clinical work – and the range – done at some of the centres in India is comparable to those at some of the best teaching centres in the US. Research has also started here, but we need huge investments.

### **What are your plans for the Apollo Hospitals Group?**

The group has grown rapidly over the past few years. Every vertical of ours needs a lot of nurturing – that is why we are trying to organise ourselves in such a way that we have direct responsibility. I'm spending more time on the hospitals.

We are in the healthcare space and cover the entire spectrum of healthcare activity. We are a hospital company, have clinics, pharmacies and even a business process outsourcing (BPO) operation for the US.

We also work with the Indian government and some of the state governments on healthcare policy and reforms.

We are also investing in education, knowledge management and research and development. We will be looking at setting up medical colleges, though

initially we are planning educational and training institutions for nursing, physiotherapy, pharmacy and health administration.

### **Is your group planning to diversify into other areas? Are you looking at acquisitions, overseas expansion?**

I don't see ourselves diversifying into an area unless we find something worthwhile and of high quality. We had considered the acquisition of some of the assets of Wockhardt Hospitals, but the price that was quoted was not approved by our management.

We continue to look at others and have not closed our minds to acquisitions, but the price has to be right. We are not in a situation where we have to acquire a hospital, as we are in many locations.

As for overseas expansion, there has to be a strategic fit with what we are doing. Then there is pricing and importantly, we need to have manpower to staff those hospitals. All these have to fall in place before we look at an overseas acquisition. For instance, we recently opened a facility in Mauritius.

We undertake several tele-medicine projects for Africa and have a big pan-African project. They send us the information, which we study

here. Sometimes we have live video-conferencing and we also undertake second opinions for other hospitals

Our BPO unit processes claims and does transcription work out of Hyderabad. We do not do distance diagnosis though, as all our clinicians are busy with their own work.

### **What are the lessons that India can learn from the healthcare crisis in countries such as the US and the UK?**

There are a lot of lessons to be learnt from the crises in those two countries. In the US, healthcare services are over-priced and a lot of people are not being provided healthcare.

In the UK, the public system has taken on a larger load and it has not really developed a private system. They are doing it now, so there will be a balance over a period of time.

Singapore and Malaysia are doing a good job and have evolved their own systems that take care of the needs of the people in a cost-effective manner.

India is trying to evolve its own model, which will take care of some of the mistakes made in the West. We have to evolve our own strategy to look after the healthcare needs of over a billion people, at appropriate costs.

**Sophisticated equipment:** Dr Prathap C Reddy at the launch of the Cyber Knife machine at the Apollo Hospital, Chennai





## REACHING OUT

TERTIARY healthcare facilities are generally available only in metros and large cities, and millions of people living in semi-urban and rural areas do not have access to modern hospitals. The Apollo Hospital Group last year launched the 'Apollo Reach Hospitals' initiative in an endeavour to make advanced technology and experienced medical professionals accessible to the masses. It aims to offer quality tertiary care facilities in tier-II and tier-III cities, as well as in district headquarters across the country.

Inaugurated by Prime Minister Manmohan Singh, Apollo Reach Hospitals will offer 100-150-bed multi-speciality facilities. The first few hospitals are being set up at Karimnagar and Chittoor in Andhra Pradesh, Karaikudi in Tamil Nadu and in the Andaman & Nicobar Islands.

The group is investing over US\$200 million in setting up about 25 Reach hospitals over the next two to three years. Ultimately, it plans to have a chain of about 250 Reach hospitals all over India. The hospitals, each with a staff of about



600, would offer super-specialty services such as cardiology, cardiothoracic surgery, orthopaedics, neurosurgery and emergency and trauma care.

into a partnership with Quintiles Transnational Corp – a US-based integrated bio-pharmaceutical services company offering clinical, commercial, consulting and capital solutions worldwide – to open a phase-I clinical trial unit in Hyderabad. The unit will allow customers additional options to complete integrated phase-I programmes across multiple geographies at this pivotal stage in medical research.

The Apollo Hospitals Group also operates a health insurance joint venture, Apollo DKV Insurance. "Healthcare has the potential to make our economy a lot healthier," remarks Dr Reddy. "The government should take note of the healthcare sector's potential and facilitate the early progression to an industry status, which would encourage more funding inflow, create employment opportunities and help reach healthcare to all," he adds.

Dr Reddy, who heads the national healthcare committee of the Confederation of Indian Industry (CII), recently presented to the Government of India a memorandum titled 'Imperatives for Healthcare Stimulus to Catalyse India's Economic Development' that lists out a 10-point Agenda. "We laud the progressive policies of the government in healthcare," he says, adding, "we stand equally committed to further the quality,

**Bringing the best healthcare within the reach of every patient is our mission and we are determined to make that a reality.**

**Dr Prathap C Reddy,**  
executive chairman,  
Apollo Hospitals Group

accessibility and innovation in healthcare services in line with the nation's policies and priorities towards 'health for all'".

His vision for the Apollo Hospitals Group is 'to touch a billion lives', says Dr Reddy. "And I am sure we will fulfill that dream. Bringing the best healthcare within the reach of every patient is our mission and we are determined to make that a reality".

The group has launched two initiatives to ensure that it reaches its goal. It has

launched a chain of 'Reach Hospitals,' which are speciality hospitals in tier-II and tier-III cities and clusters of towns to take speciality care to rural India. The second initiative is the 'Health HiWay', which will augment healthcare facilities across India.

"The two main challenges we face, as a country, are to build 100,000 beds per year for the next 10 years to enable India to give 2 beds/ 1,000 people, and the shortage of human resources", explains Dr Reddy.

On an urgent basis, India needs to increase the number of doctors from 700,000 to 1.5 million; nurses from 800,000 to 2.5 million; and technologists from 2.5 million to 10 million.

"If these two challenges are addressed, the Indian healthcare industry will become the largest employer and drive GDP growth by 2-3 per cent", adds the Apollo Group executive chairman.

During the 1990s, the Indian healthcare sector grew at a compound annual rate of 16 per cent. "Today the total value of the sector is more than US\$34 billion. This translates to US\$34 per capita, or roughly 6 per cent of GDP", says Dr Reddy. "By 2012, India's healthcare sector is projected to grow to nearly US\$40 billion. The private sector accounts for more than 80 per cent of total healthcare spending in India".