Chapter 1

Introduction

Health Care is undoubtedly one of the fundamental rights of all human beings. If something is a fundamental right of the citizen, then the same will be a fundamental duty of the state. No matter whether a country is developed or developing Health Care is a major concern factor. In this globalized era along with the advancement in the economic development of the country people are also exposed to numerous health hazards. These health hazards cannot be tackled by the Government alone, private sector participation is also necessary. Definition of UHC for health care is - “Ensuring equitable access for all Indian residents in any parts of the country, regardless of income level, social status, gender, caste or religion, to affordable, accountable and appropriate, assured quality health services (promotive, preventive, curative and rehabilitative) as well as service addressing wider determinants of health delivered individuals and populations, with the government being the guarantor and enabler, although not necessarily the only provider, of health and related services”. The health care industry is identified as one of the biggest industries in the world for treating patients who are injured, sick, disabled or infirm. Consuming over 10% of gross domestic product of most developed nations, health care can form an enormous part of the country’s economy. This sector is considered one of the largest sectors in terms of both revenue and workforce employment. The estimated value of the sector was close to USD 74 billion as at financial year 2011-12. This estimation is predicted as USD 280 billion by the year 2020 by IBEF report 2016. In the year 2005, the private health care providers’ share in the total share was 66%, but in 2015 it has raised to 81% (FICCI report, 2015). With such unique features and complexity, this sector attracts researchers to undertake research in the disciplines attached to health care sector. Despite acknowledgment from global researchers, limited studies have carried out to understand and appreciate the relationship between Corporate Governance and CSR activities in the health care sector. Some of the examples of avenues of research in the Health Care sector constitute Medical, Paramedical and Pharmaceuticals, or research may also be taken in inter discipline areas like Management, Governance, public relations and policy development. This research is primarily focused on two major issues of
Corporate Governance and Corporate Social Responsibility (CSR) which are noticed in Health Care Organizations i.e., Clinical Governance and Organization Climate.

Why Health Care?
The healthcare sector plays a critical role in maintaining the health and well-being of a population as well as contributing to the economic development of communities in India. With rapid population growth in the country, the need for high-quality healthcare services is expanding which will require a sufficient pool of qualified workers to provide these services. While most sectors are struggling to rebound from the recent economic distress, healthcare continues to add jobs, though at a slower pace than usual. This provides job seekers with an opportunity to enter and retain employment in a wide range of health occupations and skill levels. Many of these jobs provide good wages and opportunities for career advancement. Developing a competent healthcare workforce across the full spectrum of occupations is crucial for the sector and economic well-being of the country.

Introduction to Health Care Industry

“Yogakshemam Mahamayam” which means health and well being is the prime important factor for everyone. This health care aspect could be taken care of the individual to some extent, but for major risks related to health are to be addressed by someone who is an expert in that profession. This need of experts leads to the development of the medical profession. Now we have variety of doctors who are experts in Allopathic Medicines, Ayurvedic Medicines, Unani Medicines and Homeopathic Medicines. Today Health Care is provided by professional experts in Medicine, Dentistry, Pharmacy and Nursing and other related health.
1.2: HEALTH CARE INDUSTRY WORLDWIDE

Table No1.1

Global Healthcare Outlook

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount in $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>$6,110</td>
</tr>
<tr>
<td>China</td>
<td>$367</td>
</tr>
<tr>
<td>India</td>
<td>$61</td>
</tr>
<tr>
<td>Japan</td>
<td>$3,966</td>
</tr>
<tr>
<td>Southeast Asia (Singapore)</td>
<td>$2,507</td>
</tr>
</tbody>
</table>

Source: Global health care outlook, Deloitte report, 2016

From the above table it could be noticed that still per capita spending of India on health care is less as compared to other Asian countries. The reason for this may be other countries spend more on preventive healthcare along with curative whereas India still less focused on preventive healthcare.

The ecosystem spending by hospitals, physicians, pharmaceutical companies, and insurance providers was in excess of $2 trillion (Advertising Industry Newswire, 2006). For the better part of the 1990s, health care costs rose at a slower rate than they had throughout the 1980s. Between 1960 and 1997, the percentage of GDP spent on health care by 29 members of the organization for Economic Cooperation and Development (OECD) nearly doubled from 3.9% to 7.6% (PricewaterhouseCoopers, 1999).

The percentage of GDP spent on health care by the United States was among the most among the OECD members, about 13.6% in 1997. According to the US government, this percentage increased approximately 16% during 2010. Another study conducted by the Commonwealth fund revealed that the UK spent at least 6.7% on health care (PricewaterhouseCoopers, 1999). The healthcare landscape has once again changed. PricewaterhouseCoopers's latest estimate is that premiums rose by 8.8 percent from 2004 to 2005 (PriceWaterhouseCoopers, 2006).
As for the per capita spending, health care spending has grown significantly across the world. From 1960's to 1999, it has increased from less than $500 per capita to $1800 in Japan, $2100 in Australia and Europe, and $2,400 in Canada. In the U.S., per capita spending has increased from $144 per capita in 1960 to almost $4,400 by 1999 (Altera Corporation, 2006).

Private health spending increases per capita were the lowest in several decades during the period 1994-1998. Industry observers generally attributed this slower growth in health care costs to the successful managed care health plans had with network-based health care. Yet in the late 1990s, per capita health care spending costs began to increase again, peaking around 2002, when PwC estimated that premiums were increasing 13.7 percent (PricewaterhouseCoopers, 1999).

Healthcare spending in the US has reached mammoth proportions with the nation spending about $1.65 trillion a year on health care. While health care costs have skyrocketed on one hand – healthcare represents 15% of gross domestic product and consumes one-fourth of the federal budget, more than defense (Cranberry Corporations). During the period 2000-2003, the average annual increase in personal health care expenditures was 8.2 percent. This equates to $4,866 per capita in 2003 as compared to $2.398 in 1990 (Silverstein, 2006). The U.S. per capita spending is projected to grow to $7,500 by 2008. Equipment suppliers understand that in order to be successful in the medical market, they have to be focused and successful in the U.S. (Altera Corporation, 2006)

Healthcare is on an upward track where there is about a ½% increase in health care cost for each percentage increase in wealth. There are downward cost pressures through increasing automation and technology but these are offset by the upward pressures of an aging society, consumerism, biotechnology and medical breakthroughs. The result is an increase in the costs of health care of between 2 ½ to 3 ½ per year (PricewaterhouseCoopers, 1999).

1.3: INDIAN HEALTH CARE INDUSTRY

India rightly brands itself as incredible. The country’s remarkable political, economic and cultural transformation over the past few decades has made it a geopolitical force. Healthcare is one of the industries that marks this strengthened global presence. The Indian healthcare dates back to the Vedic system of health care (Ayurveda) in 5000 BC. Ayurveda proliferated the most during the Vedic period. The Ayurvedic principles of positive health and therapeutic measures relate to physical, mental, social and spiritual welfare of human beings. During the early Vedic
period, Ayurveda was perhaps the only system of overall healthcare and medicine. It enjoyed the unquestioned patronage and support of the people and their rulers. Thereafter, the long medieval history was marked by uncertain political conditions and several invasions. This was when Ayurveda faced utter neglect and its growth was stunted. The Unani medicine entered India during this time and gained momentum with the extensive support of Mughal emperors. Later with the British invasion, Allopathy made an entry into India. It was widely accepted because of its swift results. The mechanics of the Indian health care system are predominantly based on two levels: Public and private healthcare setting. The public domain accounts for 20% of Indian health care even though it is accessible to more than half of the total population (De Costa & Diwan, 2007).

### Table 1.2

**Disease Burden over the Years (1990-2020)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Communicable</th>
<th>Non communicable</th>
<th>Injuries</th>
</tr>
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<tbody>
<tr>
<td>1990</td>
<td>54%</td>
<td>29%</td>
<td>15%</td>
</tr>
<tr>
<td>2020</td>
<td>24%</td>
<td>57%</td>
<td>19%</td>
</tr>
</tbody>
</table>

*Source: FICCI Health Initiatives Emerging out of FICCI-HEAL 2008*

The above table shows the drastic increase in non communicable disease over a period of time. Although the private car is two to three times more expensive than the public healthcare, yet 60% of inpatients opt for treatment in private hospitals primarily due to Lack of access to public hospitals, inconvenient timings and facilities, Absence of Healthcare personnel, longer waiting period, Poor quality of care in the public hospitals. More than 80% of the health care providers in this country comprise of the private sector of which 63% are registered and 37% are not registered entities. A decade ago, it was seen that the Health Care sector was a bit unorganized but the scenario is totally different now. It quite organized and moderately regulated.

The Indian health care sector is dominated by private players capturing about 80% of the total delivery in the market. Although the government has taken several steps in eliminating health care related issues, but it still remains insufficient and a lot is needed to be done. Giving due importance to the sector the share of health care in 12th five year plan allocation of total funds is increased to 2.5% of the GDP. The current plan is a step ahead in the journey towards quality health care for all.
As per industry reports, healthcare is poised to grow at an estimated annual rate of 19 per cent to reach USD 280 billion by 2020 with India being recognized as a destination for world class healthcare. During the last decade the private sector grew to become the major provider of healthcare services. Its share of beds increased from 49 per cent in 2002 to 63 per cent in 2010. As per NSSO 2008, the private sector accounted for 60 percent of all in-patient admissions and 78 percent of out-patient consultations. Private diagnostics market is growing at 20 per cent and the pharmaceuticals market at around 15 per cent per annum. Total hospital bed density in the country (0.9 per 1000 population) was well below the global average (3.0) and the WHO guideline of 3.56.

Total healthcare expenditure in India was only 3.9 per cent of GDP, compared to 8.9 percent for Brazil, 6.2 percent in Russia and 5.2 per cent for China. Out of this amount, out-of-pocket expenditure was 61 per cent, and only 26 per cent of Indians are covered by health insurance with share of private being only 3-5 per cent.

Source: KPMG health care industry in India report, 2012

The World Health Organization (WHO) defines health as “not merely the absence of disease or infirmity, but rather a state of complete physical, mental and social well being”. The WHO also defines a health system to include all the activities whose primary purpose is to promote, restore or maintain health. Taking this integrated view of health care, the sector would include:

Contract research organizations (CROs)

- Pharmaceutical manufacturers

- Medical equipment manufacturers

- Diagnostic service centers and pathology laboratories
· Medical care providers: specialist clinics, nursing homes and hospitals
· Third-party support service providers (catering, laundry)

The healthcare system consists of multiple stakeholders, including the government, providers, payers, pharmaceutical and medical device firms. Each plays a vital role in the health care system in India. However, interactions between various stakeholders have remained limited.

Healthcare in India has assumed a more dynamic form over the last few years – offering exciting opportunities for new reforms and improving stagnant indicators addressing concerns of access, affordability and quality across different population groups. Given that market failures in health are inevitable, it is important that health care organizations are modulated by good regulatory and corporate governance mechanism. It is important to note that private health sector in India has grown without any appropriate regulations in place. Hospitals which have raised funds from the market and which are listed on stock exchanges are required to follow certain corporate governance mechanisms and ensure transparency of their financial performance and results. The hospital organizations which have not been listed on stock exchanges would be mostly closely held and owned by doctor managers. Since most hospitals in India are owner managed, they operate at the local level only and therefore, are not bound by stringent rules and disclosure norms.

Corporate hospitals mushroomed in the late eighties. The boom remained short-lived and out of the 22 listed hospitals scrip’s, most are being traded below par. An increasingly fragmented market, lack of statistics, capital intensive operations and a long gestation period are all wise reasons to shy away from investing in the healthcare industry. Government and trust hospitals dominate the scene. Many of the trust hospitals suffer from poor management. Good corporate hospitals are still too few to amount to a critical mass.

Corporate hospitals failed a decade ago because they emerged in isolation and were not part of a larger phenomenon. However, now, there are the insurance companies, the hospital hardware and the software companies that have come together to create the boom.

1.4: Factors Attracting Corporate in the Healthcare Sector Recognition as an industry:

In the mid 80’s, the healthcare sector was recognized as an industry. Hence it became possible to get long term funding from the Financial Institutions. The government also reduced the import duty on the medical equipment’s and technology, thus opening up the sector. Since the National Health Policy (the policy’s main objective was “Health for All” by the Year 2000) was approved
in 1983, little has been done to update or amend the policy even as the country changes and the new health problems arise from ecological degradation. The focus has been on the epidemiological profile of the medical care and not on comprehensive health care.

Socioeconomic Changes: The rise of literacy rate, higher levels of income and increasing awareness through deep penetration of media channels, contributed to greater attention being paid to health. With the rise in the system of nuclear families, it became necessary for regular health checkups and an increase in health expenses for the bread-earner of the family.

Brand Development: Many family run business houses have set-up charity hospitals. By lending their name to the hospital, they develop a good image in the markets, which further improves the brand image of products for their other businesses.

Extension to Related Business: Some pharmaceutical companies like Wockhardt and Max India, have ventured into this sector as it is a direct extension of their line of business.

Opening of the Insurance Sector: In India, approx. 60% of the total health expenditure comes from self paid category as against Government’s contribution of 25-30%. A majority of private hospitals is expensive for a normal middle class family. The opening up of the insurance sector to private players is expected to give a shot in the arms of the healthcare industry. Health Insurance will make health care affordable to a large number of people. Currently, in India only 2 million people (0.2% of total population of 1 billion), are covered under Mediclaim, whereas in developed nations like USA about 75% of the total population are covered under some insurance scheme. General Insurance Company never aggressively marketed health insurance. Moreover, GIC takes up to 6 months to process a claim and reimburses customers after they have paid for treatment out of their own pockets. This will give a great advantage to private players like Cigna, which is planning to launch Smart Cards that can be used in hospitals, patient guidance facilities, travel insurance, etc. The Consultants, Financiers and Insurance Agencies are to benefit from this boom. The insurers will use PPOs, that will grow into HMOs, to assume insurance risks on client’s behalf. Medical Equipments, Medical Software and Hospitals will see the biggest boom.

1.5: Highlights of Twelfth five year plan

The 11th plan had set six health outcome indicators as time bound goals. These included lowering maternal and infant mortality, malnutrition among children, anemia among women and girls, and
fertility, and raising the child sex ratio. Though there has been progress on all these fronts, except child sex ratio, the goals have not been fully met.

Low public spending on health (1% of GDP), high out pocket payments (71%) leading to impoverishment, high levels of anemia (56% ever married women aged between 15 to 40 years), high levels of malnutrition among children (wasting-22.9%, stunting 44.9%), high infant mortality (47/1000 live births) and maternal mortality (212 % live births). Hence India trails behind its south Asian Neighbors like Sri Lanka and Bangladesh, which have comparable per capita income (source-SRS Bulletin, Dec 2011, SRS MMR Bulletin 2011, NFHS-3, and World Health Statistics 2011). Equally worrying is the growing reliance on private providers, which currently service 78% outpatients and 60% of inpatients. For those who cannot afford private services, illness translates into high out of pocket expenditure as a proportion of total household expenditure, reaching catastrophic proportion of total household expenditure, reaching catastrophic proportions at times (i.e., Equal to or greater than 40% of a household non subsistence income).

With a rising trend in non-communicable diseases, even as we try to conquer conventional, communicable diseases, India are facing a dual burden of disease, presenting a difficult challenge to the health system. Meanwhile, the strategies for provision of inputs and creation of health infrastructure under the National Rural Health Mission (NRHM) have not yet fully translated into assuring health care services for the people.

**Health expenditure in India:**

In the year 2008-2009 total health expenditure was 4.1% of GDP. Public funds contributed only 1.1% of GDP on health and the rest 3.0% of GDP health expenditure was contributed by the private sector. Per capita health expenditure in 2008-2009 was 1904 rupees (source: National Health Accounts).

**Commitment to Public Health:** The Directive Principles of State Policy in Constitution of India mandate ‘improvement of public health’ as one of the primary duties of the state. The central and state Governments have been taking proactive steps to promote health of the people by creating a network of public health care facilities, which provide free medical services and, also proactively control the spread of diseases. While preparing the 12th plan Prime Minister promised that the funds won’t be the constraint in the important areas of education and health. The government has decided to increase its total health expenditure to 2.5% of GDP by the end of 12th plan.
GOALS SET IN 12TH PLAN: Responsiveness of the health system are assessed by WHO on users’ perception of services on seven parameters, namely choice, communication, confidentiality, dignity, basic amenities, prompt attention and autonomy.

**Goals for the 12th plan area:**

1. **Reduction of Maternal Mortality rates (MMR):**
   a. At a historical rate of decline, India is projected to have an MMR of 149 by 2015 and 127 by 2017,
   b. An achievement of Millennium Development Goal (MDG) of reducing MMR TO 109 by 2015 would require a further acceleration of this historical rate of decline. At this accelerated rate of decline, the country can achieve MMR of 75 by 2017.

2. **Reduction of infant mortality rate:**
   a. At a historical rate of decline, India is projected to have an IMR of 38 by 2015 and 34 by 2017,
   b. An achievement of MDG of reducing IMR 27 by 2015 would require an even further acceleration of this historical rate of decline. If this accelerated rate is sustained, the country can achieve an IMR of 19 by 2017.

3. **Reduction in total fertility rate:** India is on track for the achievement of a TFR target of 2.1 by 2017, which is necessary to achieve net replacement level unity and realize the long cherished goal of the National Health Policy, 1983 and Indian Population Policy of 2000.

4. **Prevention and reduction of anemia among women aged between 15-49:**
   a. Anemia the underlying determinant of maternal mortality and low birth weight is treatable by very simple intervention.
   b. The prevalence anemia has shown a rising trend (58.8% in 2007, DLHS), which needs to be reversed and steeply reduced to 28%, which is half the current levels, by the end of 12th plan.

5. **Raising child sex ratio in the 0-6 year age group from 914 to 935:**
   a. Like anemia, the child sex ratio is showing a deteriorating trend, and needs to be targeted for priority attention,
6. Prevention and reduction of burden of diseases- communicable, non communicable (including mental illness) and injuries,
7. Reduction of households’ out of pocket expenditure of 71% to 50% of total health care expenditure.

Principles and strategies recommended by steering committee to build the health care delivery system:

A. Follow principle of subsidiarity
   1. The principle of subsidiarity demands that matters to be handled by the smallest, lowest or least centralized competent authority.
   2. The union government should focus on regulations for food, drugs, medical profession, human resource on health, vital statistics and provide support to states and Local Bodies to discharge their roles.
   3. There is a need to provide a framework that allows flexibility at the local levels within the national priorities for health, and which incorporates intervention in preventive public health.
   4. This need can be operationalized through the instrument of state specific Memorandum of Understanding (MoU) which would specify the roles and responsibilities of authorities at the national and state levels.
   5. Regarding Human resources (HR), the paramedical professionals and community health workers should be trained and equipped, and given greater authority and responsibility in managing patients’ health.

B. Target national outcome goals:
   1. Every scheme or program of health care sector should aim to address at least one of the eight national outcome goals, and link between the two should be made explicit through measurable intermediate and final indicators.
   2. The accountability of outcome should be defined a priori in location specific plans.

C. Integrate vertical disease control program with NRHM:
   1. Integrated delivery of health services through a common institutional set-up has the advantage of optimal utilization of funds and infrastructure; also, access is made easy, and it facilitates a holistic approach to health and addresses multiple determinants of disease.
2. In reality, however, most of the other 15 vertical disease control programs are administered independently of NRHM, which is focused on reproductive and child health.

3. The 12th plan prioritizes convergence among all existing National Health Programs under NRHM umbrella.

D. Strong regulation of the health sector, covering public health, drugs, food, education and medical practices

E. Promote research in national health outcomes

F. Integration of AYUSH in teaching, research and practice

G. Legal aspects of Health Care:

H. Extracts of Draft National Health Bill 2009 are briefed as below:

The Constitution of India places obligations on the Government to ensure protection and fulfillment of right to health for all, without any discrimination, as a Fundamental Right under Articles 14, 15 and 21 (rights to life, equality and non-discrimination), and also urges the State, under the Directive Principles of State Policy, to eliminate inequalities in status, facilities and opportunities (Article 38); to strive to provide to everyone certain vital public health conditions such as health of workers, men, women and children (Article 39); right to work, education and public assistance in certain cases (Article 41); just and humane conditions of work and maternity relief (Article 42); raised level of nutrition and the standard of living and improvement of public health (Article 47); and protect and improve environment (Article 48A). The Union of India has also signed various international treaties, agreements and declarations specifically undertaking to provide right to health including but not limited to: Universal Declaration of Human Rights (UDHR): Article 25 (1); International Covenant on Economic, Social and Cultural Rights (ICESCR): Article 12; Convention on the Rights of the Child (CRC): Article 24; Convention on the Elimination of All Forms of Discrimination against Women (CEDAW): Article 12; UN Convention on Rights of persons with disabilities (UNCRPD): Article 25; Declaration of Alma Ata (1978); Principles for the Protection of Persons with Mental Illness and the Improvement of Mental Health Care (1991); Declaration on the Elimination of Violence against Women (1993), Programme for Action of the International Conference on Population and Development, Cairo (1994); Platform of Action for the Fourth World Women's Conference, Beijing (1995) and the
Millennium Development Goals (2000); Declaration of Commitment on HIV/AIDS, 'Global
Crisis-Global Action' (2001), WTO Doha Declaration on TRIPS Agreement & Public Health
(2001), International Health Regulations, 58th World Health Assembly (2005); and several
other declarations and conventions on health.

It is evident from the above provisions that India has made all possible efforts to bring
equality of healthcare among citizens of the country by including above provisions in Indian
Constitution. Though legislations are framed by Government but they are implemented
through private sector players also, this necessitates private players to be socially responsible
and transparent in their operations. Hence Corporate Governance has to be linked to every
sector large, medium or small. Also the same has to be applied to every business or service
organization incorporated or operating in India to observe more social responsible behavior
from corporate sector.

1.6: Hospital – The Concept

Natural birth and death are the typical characters of all living organisms. In between this birth
and death everyone is affected by illness, sickness, disease or accidents. So such aspects are
taken by healthcare sector. Caring for the sick and infirm and nursing them back to health is not
something that one likes to associate with making money. That someone could be profiting from
another person’s ill health does, indeed, sound rather insensitive. But, it is also true that such
activities also attract huge cost by the service providers. The fact is that health care is, today, the
world’s largest industry. And this industry, comprising pharmaceuticals, hospitals, nursing
homes, laboratories, day care centers and others, is slated to become one of the most promising
businesses for India riding on the wave of a growing middle class and changing disease patterns.

With the passage of time, it is natural that a change in perception is visible. Previously, the
hospitals were considered as almshouses. They were set up as a charity institution to take care of
the sick and poor. Today, it is a place for the diagnosis and treatment of human ills, for the
education, training and research, promoting health care activities and to some extent a center
helping bio-social research. New addition to this sector is the imparting Corporate Social
Responsibility as they are no more only charity hospitals but huge corporate hospitals.

The document of the World Health Organization (WHO) makes a clear-cut exposition of the
conceptual aspect. It is stated in the document that the hospital is an integral part of a social and
A medical organization, the function of which is to provide for the population complete health care both curative and preventive and whose out-patient services reach out to the family in its home environment; the hospital is also a center for the training of the health workers and for bio-social research.

The viewpoints expressed in the WHO document have enlarged the functional areas of modern hospitals. It is against this background that the hospitals rekindle new hopes and aspirations of the people of the society. The WHO documents further consider the hospital a complex organization. It is complex in the sense that multi-faceted developments in the society have made the people of the society more conscious of their rights. Today, they demand modern and the best possible means of medical care and health education. They want everything not only within the 4 walls of the hospital, but also at their doorstep or in the vicinity of living places. This has made a hospital a complex organization.

Of late, a hospital is also considered a major social institution for delivering of health care, offering considerable advantages to both patients and society. It is considered to be the place for the diagnosis and treatment of human ills and restoration of health and well being of those temporarily deprived of.

A Healthy Business

Traditionally, healthcare has been one of the crucial sectors of any economy. For most of the developed countries, healthcare spending accounts for more than seven percent of GDP. Today, health care is the largest industry in the world with revenues of $2.8 trillion. In the US, healthcare is a $1.4 trillion industry, accounting for 13.7 percent of GDP and is estimated to expand to a size of $2.2 trillion by 2008.

In India, the industry is worth about Rs.100,000 crore and accounts for nearly five percent of GDP. Amit Bagaria, CEO of Asian Health Services says, “Not many people realize that it is close to Rs 100,000 crore industry and employs 60 lakh people directly and 20 lakh indirectly. Compare this with the Information technology, which is Rs 40,000 crore and employs only three lakh people. Another important finding is that in the development cycle of an economy, for the last 25 years before a nation reaches developed status, healthcare is the fastest growing industry.” The industry is expected to register a 17 per cent growth and reach a size of more than Rs 2,25,000 crore by 2005-06”
India’s health expenditure is 5.6 per cent of GDP, whereas most established market economies spend 7-10 per cent of GDP on health. The USA spends over 14 per cent.

US has 2,340 doctors as compared to India’s 143 doctors for every 10,000 people. On an average, 80 out of every 1,000 children die. This figure is just 9 in the US and 30 for every 1,000 in Thailand.

Life Expectancy in India is amongst the lowest at 55.5 years compared to US at 75.5 years and 66.5 years for Thailand. Compared to Brazil’s 4300 beds, India has only 1,600 beds.

**Potential**

The potential of health services sector is immense in India as there are more than 140 million upper and middle class, growing at over four per cent per annum with a combined annual income of over Rs 820,000 crore.

These people have confidence in healthcare products and services offered by private hospitals. The quality of health care has improved considerably with the availability of world class high-
tech medical equipment and information technology. However, the low penetration of health insurance is limiting the growth of these world-class services. Privatization of the insurance sector has led to spurt in health care services. Less than 10 per cent of the Indian population is covered by some form of health insurance. Insurance is expected to be the main driver for raising quality consciousness and increased demand for better standards, hospital accreditation and Patient / Management Information Systems. The voluntary health insurance market estimated at Rs 4 billion is expected to be Rs 130 billion by 2005. The healthcare business for IT services comprises of players like government, insurance companies, consumer and corporate hospitals is about Rs 500 crore, which is a pittance compared to the contribution of the healthcare industry to national GDP which is growing at a rate of about 10-15 percent annually.

The MBPO (medical business process outsourcing) will be the next boom the Indian knowledge economy will witness as it has massive potential for outsourcing within the US healthcare industry. This time outsourcing won’t be the once fashionable and now dead medical transcription, but would be more for processes like medical billing, claim processing, disease coding and forms processing which easily gives returns of USD 16-18 per person per hour, much higher than the billing rates in other BPO verticals.

According to a Frost and Sullivan Study, the Indian medical hardware market (equipment and devices) is estimated at Rs 65.32 billion in 2001, growing at 12 per cent per annum, which is almost double the market size in 1993. With India becoming a healthcare destination, Health Tourism Industry, stands at Rs 1200-1500 crores, and growing at a rate of 30 percent annually is bound to grow at a faster rate.

Lower production costs and skilled workforce have attracted multinationals to set up R&D and production centers in India. In the long run these R&D centers will help develop low-cost medicines in the Indian market.