

THE GLOBAL ECONOMIC SLOWDOWN AND ITS IMPACT ON THE INDIAN HEALTH CARE INDUSTRY

Mrs. Reeti Debnath

Lecturer, NSHM College of Management and Technology, Kolkata

Article No: 179

ISSN 0974 – 9497

Year: August 2009

Volume 3, Issue 3/4

Abstract: After several years of robust growth, the world economy is facing some serious challenges in sustaining its brisk pace. As every business sector is affected by the present global meltdown and everybody is talking of slowdown in business, still in India there are few sectors which are expected to grow in this adverse situation and health sector is one of them. Healthcare is one of the largest sectors, contributing substantially to the increase in the GDP and urban employment, and this sector is expanding rapidly. Opportunities in the sector are growing vertically and horizontally. Interest from private players, investors and government encouragement are making the sector extremely lucrative. This article will study the Indian Healthcare Industry in details with a view to reflect the opportunities that exist, the challenges faced, emerging trends and the future scenario of the healthcare service sector in India.

Key words: Indian economy, financial, healthcare, private, growth.

Introduction

The worst ever financial crisis to have ravaged the United States since the Great Depression of 1930s, has taken a heavy toll on the world's largest economy. After several years of robust growth, the world economy is now facing some serious challenges in sustaining its brisk pace. The first half of 2008 saw the economies grappling with high global prices of essential commodities while the second half was witness to unprecedented financial distress in the major economies which precipitated highly disruptive capital outflows from emerging markets followed by global slowdown of unusual severity and speed. There is a rise in the number of job layoffs and cost cutting. The trajectory of the deceleration in global measures of trade,

industrial production and financial flows has been extraordinarily rapid. The key difference from previous global slowdowns is in the substantial weakening of the financial sectors in the United States and Europe, with consequent damaging implications for credit extension in the global economy. Although there are increasingly vigorous measures being taken in the United States and Europe to repair the financial institutions and re-start the flow of credit, these have been partial, patchy and incomplete

The global economic slowdown though has its epicenter in the United States (US), the contagion is being witnessed in all major economies of the world. In fact, all the economies of the world are facing crisis to tackle this global meltdown. The meltdown

has led to shock waves across the world, with economy after economy gasping for breath to survive this financial tsunami. Several countries are experiencing rapid contraction in their Global Domestic Product, rising unemployment levels and an overall slowdown in the pace of investment activity. No economy that is open to global trade, finance and other international flows such as remittances can escape the damaging effects of such a slowdown..

Globalization has resulted in massive economic changes viz. trade liberalization, expansion of the global market place, technological changes, improved global telecommunications and improved transport links across borders. A large part of the growth in India's economy is dependent on the "outsourcing" or "off shoring" of key business processes and software development activity and related services by large global corporations and other organizations. Hence, the global slowdown has affected the business climate within India and the growth rate of the every sector is experiencing the tremors of the global recession. IT industries, financial sectors, real estate owners, car industry, investment banking and other industries as well are confronting heavy loss due to the fall down of global economy. The Federation of Indian chambers of Commerce and Industry (FICCI) found that, faced with the global recession, inventories industries like garments, gems, textiles, chemicals and jewellery had cut production by 10 per cent to 50 per cent.

As every business sector is affected by present global crisis and everybody is talking of slowdown in business, still in India there are few sectors which are expected to grow in this adverse situation. IKON Marketing Consultants reports that in

India, the following sectors will grow inspite of this adverse situation.

I. Health care

The Indian healthcare industry has grown manifold during the last few years. Healthcare, which is a US\$ 35 billion industry in India, is expected to reach over US\$ 75 billion by 2012 and US\$ 150 billion by 2017. The healthcare industry is interestingly poised as it strives to emerge as a global hub due to the distinct advantages it enjoys in clinical excellence and low costs. The healthcare sector has been playing a key role in fuelling the Indian economic performance which has been stellar with robust GDP growth.

II. Luxury products

The high and affluent class of society will not be affected much by global crises even if their worth is reduced significantly. They will not change their lifestyle and will not stop spending on luxurious goods. So luxurious product market will not be affected and in fact to maintain the lifestyle those affluent will spend more for it.

III. M & A & Marketing Consultants

As in the current business slow down survival will be the main focus, the marketing and management consultants will be called for to reduce the costs and to show the ways to survive and stay in market. Others may join hands to fight with this situation together will call for the Marketing & M&A consultants. In a booming market there are growth strategies and M &A opportunities to advise on. When businesses are cutting back, consultancies will be right there to help clients decide where to wield the axe.

According to Ministry of Commerce and Industry's estimation, the current size of consulting industry in India is about Rs 10000 crores including exports and is expected to grow further at a CAGR of approximately 25 per cent in next few years.

IV. Media and Entertainment

According to a report jointly published by the Federation of Indian Chambers of Commerce and Industry (FICCI), and audit firm PricewaterhouseCoopers, the Indian M & E industry is expected to grow at a compound annual growth rate (CAGR) of 18 per cent to reach US\$ 23.81 billion by 2012.

According to the PWC report, the television industry was worth US\$ 5.48 billion in 2007, recording a growth of 18 per cent over 2006. It is further likely to grow by 22 per cent over the next five years and be worth US\$ 12.34 billion by 2012.

The current global economic slowdown has made it a roller coaster ride for the world economies. Asia / Pacific is experiencing a deferred impact due to the "domino effect" of the current crisis. While many other industries have been impacted by the global slowdown, the health care industry has displayed resilience and tenacity in countering the unpredictable conditions and reiterating the viability of India's fundamental value proposition.

As a case in point, let us analyze this opportunity that India is most likely to significantly benefit from, during this phase of economic slowdown i.e. the health care sector.

The Structure of Indian Health Care Industry

Healthcare is one of the largest sectors, in terms of revenue and employment, and this

sector is expanding rapidly. According to Technopak Advisors in their report – 'India Healthcare Trends 2008', Healthcare, which is a US\$ 35 billion industry in India, is expected to reach over US\$ 75 billion by 2012 and US\$ 150 billion by 2017.

The industry has today become a growth engine for the Indian economy, contributing substantially to the increase in the GDP, urban employment, to achieve the vision of a powerful and resilient India. The increase in the number of affordable middle class, rise in insured population, widening demand supply gap, growing number of life style diseases especially cancer, cardiovascular diseases, diabetes and chronic respiratory diseases, are some of the factors which are fuelling this growth in Indian healthcare industry. Others like wellness programmes, fitness programmes, health management, and preventive medicine- synonyms of healthcare are growing more and more familiar with each passing heart beat. A growing elderly population and rise in income levels are also pushing for better facilities in the country.

To meet this growing demand, the country needs US\$ 50 billion annually for the next 20 years, says a Confederation of Indian Industry (CII) study. India needs to add 3.1 million beds by 2018 to the existing 1.1 million, and requires immediate investments of US\$ 82 billion, as per the Technopak Advisors report.

The healthcare sector seen at an infrastructural level covers the providers of healthcare at the primary level consisting of facilities for preventive care and basic diagnostic care; secondary care with diagnostic centres equipped with advanced facilities like CT scan and tertiary care. However, the entire picture of Indian health issues is not at all satisfactory. India, in case

of health care facilities still lacks the adequate supply and there is a huge gap between demand and supply at all the levels of society. There is a yawning divide between healthcare facilities available in rural and urban India and in the demand and supply of healthcare services across the country.

Table 1 given below gives a comparison of important health indicators of India and the United States and clearly shows that good medical facility still remains beyond reach for most of the middle class.

Table 1: Comparison of Health Indicators of USA and India

Indicators	USA	INDIA
No. of physicians per 10,000 population	26	6
No. of nursing and midwifery personnel per 10,000 population	94	13
No. of dentistry personnel per 10,000 population	16	1
Infant mortality rate (both sexes) per 1000 live births	6	54
Total expenditure on Health as % of GDP	15.3%	3.6%
No. of hospital beds per 10,000 people	31	7

Source: World Health Statistics, 2009

Though the quality of health care for the poor in India is undeniably low, the entry of private players has spurred the development of the healthcare sector. The private facilities offer advanced technology and procedures on par with hospitals in developed nations. The entry of many foreign players like Columbia Asia Group, Singapore's Pacific Healthcare, Wockhardt and collaborative ventures like that of Max Healthcare and Singapore General Hospital (SGH) has contributed for the growth of this sector. Overall it can be said that the Indian healthcare infrastructure is fast improving with initiatives by the government and the local bodies

Areas of Opportunity and the Impact of Global Recession on Indian Health Care Sector

Healthcare is said to be the industry of the 21st century. And a golden harvest awaits the players in the field even in this time of financial crisis. And it is this midas touch of the healthcare industry, which prompts many new investments to be finalised in this sector even in the current economic slowdown. Opportunities in the sector are growing vertically and horizontally. Besides hospitals, other emerging associated segments like healthcare retail, medical equipment manufacture, diagnostic chains, assisted living centres, clinical research, day-care ambulatory surgery clinics and centers for alternative medicine are increasingly attracting investments.

The opportunities presented by the healthcare sector have made it a major draw for potential investors. The healthcare sector attracted US\$ 379 million in 2006 - 6.3 per

cent of the total private equity (PE) investment of US\$ 5.93 billion.

The following areas discussed below are the major areas in the healthcare sector where we could expect growth and revenue generation even during this phase of economic slowdown.

1. Medical tourism:-

Medical tourism seems to be the new buzzword today in the healthcare delivery market. In India, medical tourism is growing at the rate of 30% a year and is expected to generate revenues of Rs.100 billion by 2012 as per the study conducted by CII and McKinsey, (CBC News, 2004).

As patients throughout the world, cope with rising healthcare costs, the relatively low costs of surgery and critical care in India is projecting India as a favoured destination for medical tourism. Indian corporate hospitals excel in cardiology and cardiothoracic surgery, joint replacement, orthopedic surgery, gastroenterology, ophthalmology, transplants and urology to name a few. Apart from that, India's age old tradition provides a holistic health care by connecting mind, body and spirit with yoga, meditation,

ayurvedic and other Indian systems of medicine. Such unique value propositions attract a large number of foreign tourists here. According to the Confederation of India Industries (CII), approximately 1, 50,000 patients arrived in India in 2005 from across the globe for medical treatment and this is expected to increase by 15% each year.

India has some of the best hospitals and treatment centers in the world with the best facilities. Naresh Trehan, executive director of Escorts Heart Institute and Research Centre, a leading private healthcare provider, says India has established world-class expertise in practices such as cardiac care, cosmetic surgery, joint replacements and dentistry. The Indian government is trying to promote the concept of medical tourism which will not only serve as revenue earning but also make India as a "global health destination".

Table 2 summarizes the cost of some medical procedures conducted in India and the US and gives an idea as to how procedures conducted in India are cheap and affordable compared to other advanced countries of the world.

Table 2: Cost Comparison of Various Medical Procedures–USA and India (US \$)

Procedure	COST IN USA (US\$)	COST IN INDIA (US\$)
Bone Marrow Transplant	2,50,000	69,000
Liver Transplant	3,00,000	69,000
Heart Surgery	30,000	8,000
Orthopedic Surgery	20,000	6,000
Cataract Surgery	2,000	1250

Source: - www.medical-tourism-india.com

Even if one includes the airfare costs of a patient plus a companion and five star accommodation costs in India, the cost of getting treated in India is still significantly lower. Hospitals such as Apollo, Escorts, Hinduja, Max Healthcare, Manipal Hospital and Fortis Heart Institute are already becoming premier destinations for foreign patients from Bangladesh, Mauritius, Egypt and other middle-eastern countries. Additionally, Indian hospitals are beginning to offer combined and complete packages that include medical treatment, health recuperation, relaxation, recreation and some amount of tourism within India. Hence, many foreign patients who are now coming to India for treatment are beginning to spend 2-3 weeks at various tourist destinations, after their medical treatment.

Healthcare in India is expected to continue to grow strongly and reach newer heights even in the wake of the global meltdown. Some experts comment that economic slowdown is actually turning a boon to India considering the patient inflow from other countries, while others feel that there can be a negative impact too because of recession.

A national survey conducted by the American Academy of Family Physicians (AAFP) confirms the negative and potentially serious impact the recession is having on Americans' access to health care. The national poll of AAFP members shows that nearly 90 percent of the family physicians surveyed reported their "patients have expressed concerns recently over their ability to pay for their health care needs." In fact, 58 percent said they had "seen an increase in appointment cancellations." Furthermore, 60 percent reported they had "seen more health problems caused by their patients forgoing needed preventive care." The survey found that patients are canceling or deferring important preventive screenings

such as pap smears, mammograms and colonoscopies," said Ted Epperly, MD, AAFP president. "They also are failing to return for recommended follow-up visits or refill medications that are vital to managing their chronic conditions.

Mr. Verma, Vice President of the Medical Tourism Council of Maharashtra, feels that as a consequence of recession many people in the West will no longer be able to afford insurance, and thus medical tourism will also take a beating as people will try and prioritize their healthcare needs and wait for economic conditions to get better. However, Dr. Hari Prasad, CEO, Apollo Hospitals, Hyderabad feels that medical tourism will not have any negative impact on Indian healthcare. "We believe that there will be no impact in the Indian environment and on the global platform, the impact will be positive. With the dollar strengthening against the rupee we see more patients coming into the country for advanced healthcare," he predicts.

A whole previously untapped market of insured US patients has opened up for Indian hospitals giving medical tourism a whole new value. Previously, foreign patients were traditionally not covered under medical insurance outside their home countries but now with the recession well under way and corporate America seeking to cut costs by outsourcing treatment overseas, India has occupied centre stage. A recent report by Deloitte Center for Health Solutions on medical tourism highlighted the fact that health care costs in the US are increasing at 8 percent per year. It also says with a growing number of healthcare facilities in other countries now accredited by Joint Commission International (JCI), perceptions about quality have undergone a radical shift. In November 2008, Wellpoint, the largest health benefits company in the

US, announced a new international medical tourism product aimed at helping recession-struck American corporates cut their healthcare costs. The significant thing about this product is that members can opt for elective procedures at healthcare facilities in India. Another significant event that occurred was the recent tie-up between South Carolina-based Companion Global Healthcare, a medical travel facilitator, with Wockhardt Hospitals in Bangalore and Mumbai which ensured that those insured with BlueCross, Blue Shield who is tied up with Companion Global Healthcare, can now exercise an option of getting treated at Wockhardt Hospitals.

According to Ankur Bharti, consultant, Technopak Health, “Cost-cutting would be the main reason why more international patients would come to India, especially from the US as medical costs are four to five times lesser here,” he said.

2. Medical infrastructure:-

Medical infrastructure forms an important portion of the healthcare pie, and according to the World Health Statistics Report 2009, the number of hospital beds per ten thousand population for India in 2008 stood at 7 as against an average 22 of comparable countries (like China and Thailand). The report thus points out that in India, an enormous amount of private capital will be required in the coming years to enhance and expand India’s healthcare infrastructure to meet the needs of a growing population and an influx of medical tourists. It is estimated that 450,000 additional hospital beds will be required by 2010—an investment estimated at \$25.7 billion. The government is expected to contribute only 15-20% of the total, providing an enormous opportunity for private players to fill the gap. In addition to participating in infrastructure public private

partnership (PPP’s), opportunities are emerging for foreign companies to create super-specialty hospitals in collaboration with Indian corporations.

For instance, Wockhardt Hospitals Group has partnered with Harvard Medical International to create a chain of super specialty hospitals in India. There also is strong demand for tertiary care hospitals, which emphasize the treatment of lifestyle diseases, focusing on specialties such as neurology, cardiology, oncology and orthopedics.

In addition to the need of physical infrastructure, India faces a huge shortage of trained medical personnel, including doctors, nurses, technicians and even healthcare administrators, who may be more willing than doctors to live in rural areas where access to care is limited. Such challenges present an opportunity for both domestic and foreign players in the form of “medical training & education”. This could provide additional opportunities for private sector providers or public-private partnerships. The communications technology that enables telemedicine could also be used to deliver training courses.

3. Medical equipment:-

Another area of opportunity is medical equipment. A recent FICCI-Ernst and Young (E&Y) report titled, “Opportunities in Healthcare Destination India,” stated that currently the medical equipment industry is around \$2.2 billion and is growing at 15 per cent per year. It is estimated to reach \$5 billion by 2012. 65 per cent of the medical equipment is imported; hence this is a key area for forging partnerships across borders.

The lack of liquidity resulting from the current economic slowdown may perhaps affect the market for medical devices

(particularly those that are very expensive) because hospitals may not wish to commit large funds which could be better utilised in creating patient pull. However, the effect hasn't percolated yet as most medical equipment companies deny feeling any recession blues. K. Mohanlal, Managing Director, Esaote India, a leading manufacturer of ultrasound imaging, insists, "We have not seen the impact yet. But if this recession period continues then there will be some impact in this industry." However, the company does admit to strategically changing its growth plans wherein it will now focus on cost sensitive products instead of high end products. "As we have been growing by almost 30 per cent per year, probably there will be a drop of 10 per cent. However, this is not merely because of recession, but because of Indian consumer needs."

Maquet also denies any dramatic change, but does admit delays in sales of its new projects. Says Ashim Purohit, CEO, Maquet, "Though there is no immediate setback on our sales at the moment, we definitely foresee delays in some projects. However, it is likely to be a passing phase. Knowing the grit and determination of the Indian industry, it's not hard to visualise an even stronger rebound. But for sure, it's going to be a different marketplace from now on." For being seemingly unaffected by the current tide, Michael Rieder, Getinge Medical Systems, Vice President, Sales and Marketing, reasons, "Maquet is interacting with acute care hospitals on a global scale with more than 30 subsidiaries and over 200 distributors. We do see a high potential for growth for medical device companies, especially in emerging markets, such as India."

The key to success will be differentiation through use of relevant technologies coupled

with the ability to have a strong sales, distribution and support network. In addition to this, engineering excellence, cost effective labour, increasing emphasis on intellectual property rights and most importantly a fast growing domestic market makes India an ideal manufacturing base. Also this is the perfect opportunity for a number of local players to evolve and establish themselves due to cost advantages.

4. Health Insurance

Currently only 10 per cent of the Indian population has health insurance, which means that there is tremendous scope for growth in this area. The Indian health insurance business is growing at 50 per cent. The sector is projected to grow to US\$ 5.75 billion by 2010, according to a study by the New Delhi-based PHD Chamber of Commerce and Industry. This increase is largely supposed to be a result of the proposed stipulation that would increase Foreign Direct Investment (FDI) limit in standalone health insurance companies from 26 percent to 51 percent.

Pulling out of FDI from India coupled with rising unemployment during the recession and simultaneous decrease in number of insured people could affect growth of this sector. Corporate insurance programmes that were off to a jump start have slowed down with companies reducing health insurance coverage and increasing the co-payment expected from employees.

5. The pharmaceutical market

With increasing lifestyle-related ailments, improvement in life expectancy rate and soaring healthcare spending worldwide, the global pharmaceutical market is projected to generate revenue of nearly US\$ 1043.4 Billion by 2012, said RNCOS new research report "Global Pharmaceutical Market

Forecast to 2012". The growth in the global pharmaceutical market will create immense opportunities in different areas such as clinical trial market, pharmaceutical packaging market, medical devices, logistics devices and health insurance.

According to the RNCOS latest report "Booming Pharma Sector in India", in near future, the potential and opportunities within the Indian market will increase by several folds. The market, presently driven by over a billion population, an expanding GDP, and rapid epidemiological transitions, is expected to be the major player in the global pharmaceutical market both in terms of its large domestic market and also as a pharmaceutical export hub.

In these turbulent times, the Indian pharma sector has shown comparative resilience and has been relatively less impacted. There are two reasons for this:

- ✓ the domestic pharma market continues to experience healthy growth and
- ✓ Secondly the demand for generic (a biological equivalent of an originator pharmaceutical product) medicines is on the rise in international markets.

Japan, the world's second largest pharma market, has a low penetration of generic medicines and Indian companies are looking to make the most of this opportunity as the Japanese market for generics opens up. These fast growing branded generics markets offer higher profit margins and sustainable earnings.

The US (world's largest pharmaceutical market) posted the slowest growth in several decades, whereas the BRIC countries (Brazil, Russia, India and China) along with some eastern European countries registered

sustained double-digit growth. Thus, pharmaceutical manufacturers are focusing on these countries to keep rolling their businesses. According to a survey by the Federation of Indian Chambers of Commerce and Industry (FICCI), pharmaceutical exporters are expected to record 16% increase in 2009-10 whereas many industrial sectors are expecting negligible growth or shrinking of exports, as reported by Business Standard.

6. Clinical trials

India presently occupies a very small pie of this global opportunity. The total number of clinical trials in India stood at 221 in 2007, which equates to less than 2% of the global clinical trials. With all major pharmaceutical/biotech companies and CROs establishing their presence in India, the number of clinical trials in the country is expected to grow several folds in the next five years. The country is projected to conduct nearly 5% of the global clinical trials by 2012. However, to achieve its goal of becoming a global hub of clinical trials, the country has to overcome challenges like unethical trials, delay in trial approval, inappropriate protection of clinical data, and lack of Good Clinical Practice (GCP), certified sites and investigators. Surging clinical trials market in India will create enormous opportunities for a number of associated industries, including IVD market, education sector and clinical data management.

India has already established herself as a valuable source for outsourcing drug development and clinical trials and it is anticipated that more business in this area will be driven towards her as exemplified by recent deals done by Astra Zeneca and GSK in the country. The \$200 million Indian clinical research outsourcing market is

forecast to reach \$600 million by 2010 according to a joint study by KPMG and Confederation of the Indian Industry (CII). While the cost of clinical trials vary on the basis of complexity and disease segment, a simple trial in India can cost 15-20 percent of the US price, while a more sophisticated trial-involving imaging systems-may be 50-60 percent of the US price. According to RNCOS' report, "Booming Clinical Trials Market in India", India promises to be one of the hottest destinations for conducting global clinical research, owing to a huge patient pool representing both chronic and infectious diseases, easy recruitment of patients, and high cost savings.

The Indian clinical research organisation (CRO) seems not to have been affected by the global recession. In fact more opportunity has been created as large pharma companies are forced to cut down on expenditure of R & D. Studies suggest that R&D expenditure is increasing by 15 percent per year, making global biopharma companies look for cheaper options. India would be an obvious choice.

7. Medical transcription

Recession-proof, Medical Transcription is one of the fastest growing fields in healthcare industry. Medical Transcriptionists are in demand in Western countries especially in the US where the entire healthcare industry is based on insurance and detailed medical records are needed for processing insurance claims. It estimated the size of the US MT industry, which is in the range of around \$ 12 million in 2005, would reach \$ 16.8 billion by 2010. The work off-shored was expected to be in the region of \$ 860 million in 2010, of which India is expected to capture \$ 647 million. India remained a preferred offshore destination primarily due to availability of

manpower and industry maturity. Also, India provides an ideal location for conducting medical transcription with the large population of educated English speaking people and the comparative low cost which encourages companies abroad to outsource their work to the Indian Medical Transcription field.

From an outsourcing perspective from US, the recession has not affected the field of Medical Transcription in any meaningful way and is, in fact, burgeoning with more and more career opportunities. By improving the work standards and quality of service, India has a wide scope for capturing the huge clientele in the US and provide employment opportunities to the huge mass of English speaking and computer literate people in the country. Despite the global economic downtrend, the Medical Transcription industry is looking for a further growth buoyed by a report of the NASSCOM stating that recession has not hit the healthcare industry.

Another related field, Healthcare IT, with help from India's thriving IT industry, has begun to grow faster than that of any other Asian country. Hospitals have realised that information technology (IT) can be an effective tool towards efficient systems. According to a report by Springboard Research, India has the fastest growing healthcare IT market in Asia, with an expected growth rate of 22 per cent, followed closely by China and Vietnam. In fact, the Indian healthcare technology market is poised to be worth more than US\$ 254 million by 2012.

Is the healthcare industry relatively insulated from the current economic crisis?

Many believe that healthcare is a necessity and is therefore not likely to be sacrificed, unlike certain consumer goods or services. Hence, the healthcare industry is relatively insulated from the current economic crisis. The industry should be able to weather the current economic storm because ill health always prompts people to seek medical care, irrespective of the state of the economy. As Suyash Borar, COO, BM Birla Heart and Research Centre, Kolkata, points out, "When someone needs cardiac care, they would not worry about recession or market conditions. In fact, due to rise in stress levels, the need for immediate healthcare would escalate further."

In spite of the economic slowdown, healthcare majors in eastern India, such as Calcutta Medical Research Institute (CMRI), BM Birla Heart Research Centre, Medica Synergy Limited (MSL) are on track with expansion plans. BM Birla Heart Research Centre, a super speciality hospital dedicated exclusively to the diagnosis, treatment and research related to cardiovascular diseases, have plans of expanding its reach in the eastern and north eastern regions.

Apollo Hospitals is also going ahead with its planned expansion – setting up new hospitals, clinics and pharmacies as well as separate centres for cosmetic surgery. The group expects that the slump will have a positive impact on medical tourism. "Healthcare is insulated from economic ups and downs, as it is not possible to postpone medical needs. Our plans are moving in their usual pace," K Padmanabhan, group president of Apollo Hospitals, told Financial Chronicle. The slowdown will bring in patients from the developed world who are looking out for cost-effective healthcare options, he said.

A slowdown is the best time for healthcare to consider growth, avers G.S. Rao, Executive Director at Yashoda Hospital in Hyderabad. He has set up an integrated and advanced cancer treatment center involving investments to the tune of Rs 100 crore; this includes over Rs 17 crore on installation of Asia's first Rapid Arc Linear Accelerator, which is used for radiotherapy. Rao also plans to invest Rs 250-300 crore on super-speciality services by 2010. His growth plans are driven by the fact that there is constant demand and it is only during a slowdown or recession that input costs come down. Funding isn't an issue either, with Rao claiming that banks are vying with each other to offer good rates.

However, some are of the opinion that the "insulated" healthcare industry is also facing the heat. The impact is mainly noticed in a funds crunch in new projects or expansion plans. Reportedly, many hospital groups have either postponed or put their expansion plans on hold. Except for ones which are 75 per cent complete, projects have definitely slowed down.

"The new hospital projects coming up will definitely be affected because of the liquidity crunch in the market, as debt funding has become more expensive," opines Anupam Verma, CEO, DM Healthcare, a healthcare-specific PE firm. The anticipated liquidity crunch is making banks cautious about lending to newer ventures. Thus, the impact of this on the hospital segment is a likely slowing down of the expansion projects that were being vigorously pursued in the last few years. Analysts say groups who are dependent on debt funding are already feeling the heat. Dr Vivek Desai, MD of HOSMAC India, a leading hospital consultancy firm concurs, "Those who were planning higher debt equity ratios to fund the project will perhaps

delay the commencement date till interest rates soften."

The Manipal Group, too, has slowed down expansion of projects due to the liquidity crunch. Dr. Ranjan Pai, CEO, Manipal Education and Medical Group, claims, "There has been no real impact other than fund availability for expansion. Hence expansion capital will be constrained."

The economic slowdown also has had a telling impact on hospital occupancy rates, especially for higher-end rooms. Many of these rooms have been going empty during the last few months. Hospitals have taken several steps to cope with the slowdown through resource utilisation by organisational restructuring and cost-cutting strategies, including cutting down on expenses like branding. Measures to improve the bottomline through operational efficiency include increasing multi-tasking, going slow on recruitments with the exception of extremely important positions, cutting down on new projects and expansion plans and strengthening existing operations.

Apollo Hospitals Group is a case in point. It has already taken certain steps to soften the blow of global meltdown by restructuring its internal cost framework and bringing in operational efficiency. The Group has restricted its recruitment. Says Dr. K. Prabakar, VP, HR, Apollo Hospitals Group, "Unit heads have to justify requirements for replacements and all new recruitments will have to go through clear sanctions for the next six months." The Group is banking upon multi tasking of human resource at the second level like managers and supervisors. It has cut down on travel expenditure unless very essential. "We are doing most of our management review meetings through video conferencing rather than travelling," shares Dr. Prabakar.

Conclusion

But amidst all the gloom and panic, the good news is that even as the "world is in an era of slower growth and recession", India's economy is set to expand 5.1 per cent in 2009 and by 8.0 per cent in 2010, the World Bank forecasted in its Global Development Finance 2009 report. An analysis of the Indian health care industry reveals that in the current situation of foreboding financial crisis, the opportunities are massive. Lessons need to be learned from the recent financial turmoil to reduce vulnerabilities to future financial stress. Some feel that the current slump in real estate prices due to the battered market is good news for healthcare. Srinivasan of Arvind Eye posits, "As real estate prices have corrected now we can probably think about newer projects. We can negotiate better. Now land is available at a more reasonable rate."

While the major driver is the cost advantage India enjoys in terms of employee cost, comparatively lower rentals for space etc., western outsourcers opt for India for various other reasons like better management, focus on core areas where they specialise, quality of treatment, service etc. It is in fact India's recognition on the global stage as a quality provider in healthcare which is responsible for driving the booming medical tourism business. Murali Nair, Partner, Ernst & Young, believes that the current time is an excellent opportunity for Indian healthcare industry players to come together and exploit the opportunity of drawing overseas patients where there is true recession through targeted marketing initiatives. Like the NASSCOM for IT, healthcare also needs to adopt a collaborative approach to win the overseas market, he says. These areas, if tapped intelligently, would enable the sector to ease the blow of this financial crisis and help India tide through the tough times. If

played right, there is a strong possibility that India could be more resilient to the global downturn.

pharma, *The Economic Times*, 2nd January, 2009.

REFERENCES:-

1. Bhadury, N. Healthcare expansion plans on track despite slowdown, *The Business Standard*, 15th April, 2009.
2. Booming Clinical Trials Market in India , RNCOS Industry Research Solutions, Jan, 2009, <http://www.rncos.com/Report/IM564.htm>
3. Booming Pharma Sector in India, RNCOS Industry Research Solutions, Aug, 2008, <http://www.rncos.com/Report/IM131.htm>
4. BS Reporter, Pharma exporters to buck trend, to grow 16% in 2009-10, 6th April 2009.
5. Emerging market report 2007: Healthcare in India. Pricewaterhouse Coopers.
6. Global Pharmaceutical Market Forecast to 2012, RNCOS Industry Research Solutions, Oct, 2008, <http://www.rncos.com/Report/IM149.htm>
7. McKinsey–CII Study, “Healthcare in India – The Road Ahead”, Mckinsey & Company, 2002.
8. Medical Transcription sector to boom despite recession: report, 5th February, 2009, IBEF.
9. Singh, M.M. Some sectors still immune to global recession- Indian

URLs

1. <http://www.business-standard.com>
2. <http://www.expresspharmaonline.com/20090430/expressbiotech03.shtml>
3. <http://www.ibef.org>
4. <http://www.indiahealthconclave.com/IHC.pdf>
5. <http://www.indianbusiness.com/article/indian-healthcare-industry>
6. <http://www.medical-tourism-india.com>
7. <http://www.rncos.com>
8. <http://www.who.int/whosis/whostat/2009/en/index.html>
9. www.aafp.org/media/economy.
10. www.economictimes.indiatimes.com
11. www.ficci-heal2008.com
12. www.nasscom.org
13. www.technopak.com

