Health care management system in India and its impact on Indian Economy

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Abstract:

With the concept of healthcare going beyond hospitals, the **health care industry** in India has witnessed remarkable growth in the past few years. According to India Brand Equity Foundation (IBEF,) the Indian health care sector, which consists of hospitals, medical devices and equipment and health insurance, is expected to reach U.S. $160 billion by 2017. Major factors driving this growth could be increasing demand of superior health care facilities, rising health awareness and health policies.

The Constitution of India makes healthcare in India the responsibility of the state governments, rather than the central federal government. It makes every state responsible for "raising the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties".

Key-Words: IBEF, FDI, MoU, PMJAY.

Introduction:

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The National Health Policy was endorsed by the Parliament of India in 1983 and updated in 2002 and then in 2017. The recent four main updates in 2017 mentions the need to focus on the growing burden of the non-communicable diseases, on the emergence of the robust healthcare

industry, on growing incidences of catastrophic expenditure due to health care costs and on rising economic growth enabling enhanced fiscal capacity. In practice, however, private healthcare sector is responsible for the majority of healthcare in India, and most healthcare expenses are paid out of pocket by patients and their families, rather than through insurance. Government health policy has thus far largely encouraged private sector expansion in conjunction with well-designed but limited public health programmes.
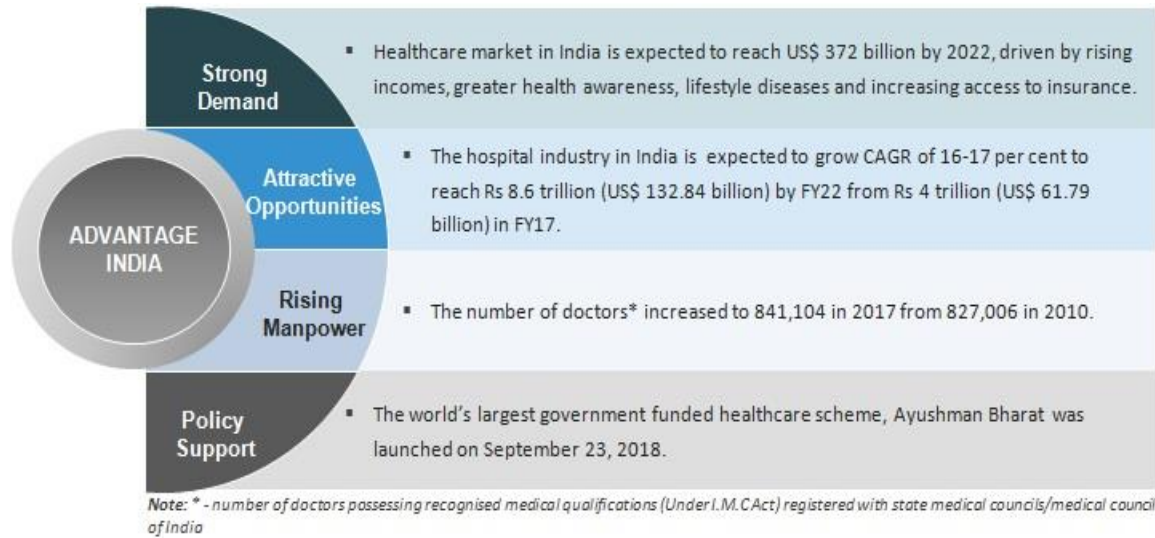
There has been an ambitious healthcare project launched in the year 2018, which is perhaps one of the biggest government funded healthcare insurance, called Ayusman Bharat.

According to the World Bank, the total expenditure on health care as a proportion of GDP in 2015 was 3.89%. Out of 3.89%, the governmental health expenditure as a proportion of GDP is just 1% and the out-of-pocket expenditure as a proportion of the current health expenditure was 65.06% in 2015.

Healthcare has become one of India's largest sectors - both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare sector is growing at a brisk pace due to its strengthening coverage, services and increasing expenditure by public as well private players.

Indian healthcare delivery system is categorised into two major components - public and private. The Government, i.e. public healthcare system comprises limited secondary and tertiary care institutions in key cities and focuses on providing basic healthcare facilities in the form of primary healthcare centres (PHCs) in rural areas. The private sector provides majority of secondary, tertiary and quaternary care institutions with a major concentration in metros, tier I and tier II cities.

India's competitive advantage lies in its large pool of well-trained medical professionals. India is also cost competitive compared to its peers in Asia and Western countries. The cost of surgery in India is about one-tenth of that in the US or Western Europe.

Note: * - number of doctors possessing recognised medical qualifications (Under I.M.C Act) registered with state medical councils/medical council of India

Market Size

The healthcare market can increase three fold to Rs 8.6 trillion (US$ 133.44 billion) by 2022.

India is experiencing 22-25 per cent growth in medical tourism and the industry is expected to double its size from present (April 2017) US$ 3 billion to US$ 6 billion by 2018.

There is a significant scope for enhancing healthcare services considering that healthcare spending as a percentage of Gross Domestic Product (GDP) is rising. The government's expenditure on the health sector has grown to 1.4 per cent in FY18E from 1.2 per cent in FY14. The Government of India is planning to increase public health spending to 2.5 per cent of the country's GDP by 2025.

Investment

The hospital and diagnostic centers attracted Foreign Direct Investment (FDI) worth US$ 5.25 billion between April 2000 and June 2018, according to data released by the Department of Industrial Policy and Promotion (DIPP). Some of the recent investments in the Indian healthcare industry are as follows:

- Healthcare sector in India witnessed 23 deals worth US$ 679 million in H12018.
- India and Cuba have signed a Memorandum of Understanding (MoU) to increase cooperation in the areas of health and medicine, according to Ministry of Health and Family Welfare, Government of India.

- Fortis Healthcare has approved the de-merger of its hospital business with Manipal Hospital Enterprises. TPG and Dr. Ranjan Pal could invest Rs. 3,900 crore (US$ 602.41 million) in Manipal Hospital Enterprise.

Government Initiatives

Some of the major initiatives taken by the Government of India to promote Indian healthcare industry are as follows:

- On September 23, 2018, Government of India launched Pradhan Mantri Jan Arogya Yojana (PMJAY), to provide health insurance worth Rs 500,000 (US$ 7,124.54) to over 100 million families every year.
- In August 2018, the Government of India has approved Ayushman Bharat-National Health Protection Mission as a centrally Sponsored Scheme contributed by both center and state government at a ratio of 60:40 for all States, 90:10 for hilly North Eastern States and 60:40 for Union Territories with legislature. The center will contribute 100 per cent for Union Territories without legislature.
- The Government of India has launched Mission Indradhanush with the aim of improving coverage of immunisation in the country. It aims to achieve atleast 90 per cent immunisation coverage by December 2018 which will cover unvaccinated and partially vaccinated children in rural and urban areas of India.

Achievements

Following are the achievements of the government in the year 2017:

- In 2017, the Government of India approved National Nutrition Mission (NNM), a joint effort of Ministry of Health and Family Welfare (MoHFW) and the Ministry of Women and Child development (WCD) towards a life cycle approach for interrupting the intergenerational cycle of under nutrition.
- As of September 23, 2018, the world's largest government funded healthcare scheme, Ayushman Bharat was launched.
- As of November 15, 2017, 4.45 million patients were benefitted from Affordable Medicines and Reasonable Implants for Treatment (AMRIT) Pharmacies.
- As of December 15, 2017, the Government of India approved the National Medical Commission Bill 2017, it aims to promote area of medical education reform.

India is a land full of opportunities for players in the medical devices industry. India's healthcare industry is one of the fastest growing sectors and it is expected to reach $280 billion by 2020.

The country has also become one of the leading destinations for high-end diagnostic services with tremendous capital investment for advanced diagnostic facilities, thus catering to a greater proportion of population. Besides, Indian medical service consumers have become more conscious towards their healthcare upkeep.

Indian healthcare sector is much diversified and is full of opportunities in every segment which includes providers, payers and medical technology. With the increase in the competition, businesses are looking to explore for the latest dynamics and trends which will have positive impact on their business. The hospital industry in India is forecasted to increase to Rs 8.6 trillion (US$ 132.84 billion) by FY22 from Rs 4 trillion (US$ 61.79 billion) in FY17 at a CAGR of 16-17 per cent.

India's competitive advantage also lies in the increased success rate of Indian companies in getting Abbreviated New Drug Application (ANDA) approvals. India also offers vast opportunities in R&D as well as medical tourism. To sum up, there are vast opportunities for investment in healthcare infrastructure in both urban and rural India.

With the World Health Organization's 2000 World Health Report ranking India's healthcare system at 112 out of 190 countries , some key questions in his mind should be: How should the country transform its healthcare system? What are its current pain points? What could be achieved during his tenure?

For those living in urban areas, healthcare is merely a political issue. They argue that the country faces bigger challenges such as economic development, infrastructure, jobs, and border disputes with Pakistan. I believe that the 2014 elections have presented India with a unique opportunity to take a fresh look at its healthcare landscape. I was happy to browse through the PM's campaign website which had a section on his achievements in this sector.

5 things about India's healthcare system.

1. Rural Versus Urban Divide: While the opportunity to enter the market is very ripe, India still spends only around 4.2% of its national GDP towards healthcare goods and services (compared to 18% by the US) . Additionally, there are wide gaps between the rural and urban populations in its healthcare system which worsen the problem. A staggering 70% of the population still lives in rural areas and has no or limited access to hospitals and clinics [3]. Consequently, the rural population mostly relies on alternative medicine and government programmes in rural health clinics. One such government programme is the National Urban Health Mission which pays individuals for healthcare premiums, in partnership with various local private partners, which have proven ineffective to date.

In contrast, the urban centres have numerous private hospitals and clinics which provide quality healthcare. These centres have better doctors, access to preventive medicine, and quality clinics which are a result of better profitability for investors compared to the not-so-profitable rural areas.

2. Need for Effective Payment Mechanisms: Besides the rural-urban divide, another key driver of India's healthcare landscape is the high out-of-pocket expenditure (roughly 70%). This means that most Indian patients pay for their hospital visits and doctors' appointments with straight up cash after care with no payment arrangements. According to the World Bank and National Commission's report on Macroeconomics, only 5% of Indians are covered by health insurance policies . Such a low figure has resulted in a nascent health insurance market which is only available for the urban, middle and high income populations. The good news is that the penetration of the health insurance market has been increasing over the years; it has been one of the fastest-growing segments of business in India.

Coming to the regulatory side, the Indian government plays an important role in running several safety net health insurance programmes for the high-risk population and actively regulates the private insurance markets. Currently there are a handful of such programmes including the Community Health Insurance programme for the population below poverty line (like Medicaid in the US) and Life Insurance Company (LIC) policy for senior citizens (like Medicare in the US). All these plans are monitored and controlled by the government-run General Insurance Corporation, which is designed for people to pay upfront cash and then get reimbursed by filing a claim. There are additional plans offered to government employees, and a handful of private companies sell private health insurance to the public.

3. Demand for Basic Primary Healthcare and Infrastructure: India faces a growing need to fix its basic health concerns in the areas of HIV, malaria, tuberculosis, and diarrhoea. Additionally, children under five are born underweight and roughly 7% (compared to 0.8% in the US) of them die before their fifth birthday. Sadly, only a small percentage of the population has access to quality sanitation, which further exacerbates some key concerns above.

For primary healthcare, the Indian government spends only about 30% of the country's total healthcare budget . This is just a fraction of what the US and the UK spend every year. One way to solve this problem is to address the infrastructure issue… by standardising diagnostic procedures, building rural clinics, and developing streamlined health IT systems, and improving efficiency. The need for skilled medical graduates continues to grow, especially in rural areas which fail to attract new graduates because of financial reasons. A sizeable percentage of the graduates also go abroad to pursue higher studies and employment.

4. Growing Pharmaceutical Sector: According to the Indian Brand Equity Foundation (IBEF), India is the third-largest exporter of pharmaceutical products in terms of volume. Around 80% of the market is composed of generic low-cost drugs which seem to be the major driver of this industry.

The increase in the ageing population, rising incomes of the middle class, and the development of primary care facilities are expected to shape the pharmaceutical industry in future. The government has already taken some liberal measures by allowing foreign direct investment in this area which has been a key driving force behind the growth of Indian pharma.

5. Underdeveloped Medical Devices Sector: The medical devices sector is the smallest piece of India's healthcare pie. However, it is one of the fastest-growing sectors in the country like the health insurance marketplace. Till date, the industry has faced a number of regulatory challenges which has prevented its growth and development.

Recently, the government has been positive on clearing regulatory hurdles related to the import-export of medical devices, and has set a few standards around clinical trials. According to *The Economic Times,* the medical devices sector is seen as the most promising area for future development by foreign and regional investors; they are highly profitable and always in demand in other countries.

The public healthcare system in India evolved due to a number of influences from the past 70 years, including British influence from the colonial period. The need for an efficient and effective **public health system in India** is large. Public health system across nations is a conglomeration of all organized activities that prevent disease, prolong life and promote health and efficiency of its people. Indian healthcare system historically dominated by provisioning of medical care neglected Public health. 20% of all maternal deaths and 25% of all child deaths in the world occur in India. 34 out of 1000 children are dead by the time they reach the age of 5.58% of Indians are immunized in urban areas compared to only 39% in rural areas. Communicable disease is the cause of death for 53% of all deaths in India.

Public health initiatives that affect people in all states, such as the National Mental Health Program, are instilled by the Union Ministry of Health and Family Welfare. There are multiple systems set up in rural and urban areas of India including Primary Health Centres, Community Health Centres, Sub Centres, and Government Hospitals. These agencies must follow the standards set by Indian Public Health Standards documents that are revised when needed.

Conclusions:

Initiatives to improve access

The Twelfth Plan

The government of India has a Twelfth Plan to expand the National Rural Health Mission to the entire country, known as the National Health Mission. Community based health insurance can assist in providing services to areas with disadvantaged populations. Additionally, it can help to emphasize the responsibility of the local government in making resources available. Furthermore, according to the Indian Journal of Community Medicine (IJOCM) the government should reform health insurance as well as its reach in India. The journal states that universal healthcare should slowly yet steadily be expanded to the entire population. Healthcare should be mandatory and no money should be exchanged at appointments. Finally, both private and public sectors should be involved to ensure all marginalized areas are reached. According to the IJOCM, this will increase access for the poor.

Public-private partnership

One initiative adapted by governments of many states in India to improve access to healthcare entails a combination of public and private sectors. The Public-Private Partnership Initiative (PPP) was created in the hopes of reaching the health-related Millennium Development Goals.It consists of three separate projects with different focuses: Fair Price shops which aim to reduce the costs of medications and treatment options; Rashtriya Swasthya Bima Yojana which reimburses those under the poverty line; and National Rural Telemedicine Network which assists with non-medical costs. This initiative was analyzed in the states of Maharashtra and West Bengal.

Fair Price Shops aim to reduce the costs of medicines, drugs, implants, prosthetics, and orthopedic devices. Currently, there is no competition between pharmacies and medical service stores for the sale of drugs. Thus, the price of drugs is uncontrolled. The Fair Price program creates a bidding system for cheaper prices of medications between drugstores and allows the store with the greatest discount to sell the drug. The program has a minimal cost for the government as fair price shops take the place of drugstores at government hospitals, thus eliminating the need to create new infrastructure for fair price shops. Furthermore, the drugs are unbranded and must be prescribed by their generic name. As there is less advertising required for generic brands, fair price shops require minimal payment from the private sector. Fair Price Shops were introduced in the West Bengal in 2012. By the end of the year, there were 93 stores benefiting 85 lakh people. From December 2012 to November 2014, these shops had saved 250 crore citizens. As doctors prescribe 60% generic drugs, the cost of treatment has been reduced by this program. This is a solution to affordability for health access in West Bengal.

The largest segment of the PPP initiative is the tax-financed program, Rashtriya Swasthya Bima Yojana (RSBY). The scheme is financed 75% by the central government and 25% by the state government.This program aims to reduce medical out-of-pocket costs for hospital treatment and visits by reimbursing those that live below the poverty line. RSBY covers maximum 30,000 rupees in hospital expenses, including pre-existing conditions for up to five members in a family. In 2015, it reached 37 million households consisting of 129 million people below the poverty line. However, a family has to pay 30 rupees to register in the program. Once deemed eligible, family members receive a yellow card. However, studies show that in Maharashtra, those with a lower socioeconomic status tend to not use the service, even if they are eligible. In the state of Uttar Pradesh, geography and council affect participation in the program. Those in the outskirts of villages tend to use the service less than those who live in the center of villages. Additionally, studies show household non-medical expenses as increasing due to this program; the probability of incurring out-of-pocket expenses has increased by 23%. However, RSBY has stopped many from falling into poverty as a result of healthcare. Furthermore, it has improved opportunities for family members to enter the workforce as they can utilize their income for other needs besides healthcare. RSBY has been applied in 25 states of India.

Finally, the National Rural Telemedicine Network connects many healthcare institutions together so doctors and physicians can provide their input into diagnosis and consultations.This reduces the non-medical cost of transportation as patients do not have to travel far to get specific doctor's or specialty's opinions.

The results of the PPP in the states of Maharashtra and West Bengal show that all three of these programs are effective when used in combination. They assist in filling the gap between outreach and affordability in India. However, even with these programs, high out-of-pocket payments for non-medical expenses are still deterring people from healthcare access. Thus, scholars state that these programs need to be expanded across India.

National Rural Health Mission

To counteract the issue of a lack of professionals in rural areas, the government of India wants to create a 'cadre' of rural doctors through governmental organizations. The National Rural Health Mission (NRHM) was launched in April 2005 by the Government of India. The NRHM has outreach strategies for disadvantaged societies in isolated areas. The goal of the NRHM is to provide effective healthcare to rural people with a focus on 18 states with poor public health indicators and/or weak infrastructure. NRHM has 18,000 ambulances and a workforce of 900,000 community health volunteers and 178,000 paid staff. The mission proposes creating a course for medical students that is centered around rural healthcare. Furthermore, NRHM wants

to create a compulsory rural service for younger doctors in the hopes that they will remain in rural areas. However, the NRHM has failings. For example, even with the mission, most construction of health related infrastructure occurs in urban cities. Many scholars call for a new approach that is local and specialized to each state's rural areas. Other regional programs such as the Rajiv Aarogyasri Community Health Insurance Scheme in Andhra Pradesh, India have also been implemented by state governments to assist rural populations in healthcare accessibility, but the success of these programs (without other supplemental interventions at the health system level) has been limited.

National Urban Health Mission

The National Urban Health Mission as a sub-mission of National Health Mission was approved by the cabinet on 1 May 2013.The National Urban Health Mission (NUHM) works in 779 cities and towns with populations of 50,000 each. As urban health professionals are often specialized, current urban healthcare consists of secondary and tertiary, but not primary care. Thus, the mission focusses on expanding primary health services to the urban poor. The initiative recognizes that urban healthcare is lacking due to overpopulation, exclusion of populations, lack of information on health and economic ability, and unorganized health services. Thus, NUHM has appointed three tiers that need improvement: Community level (including outreach programs), Urban Health Center level (including infrastructure and improving existing health systems), and Secondary/Tertiary level (Public-Private Partnerships).Furthermore, the initiative aims to have one Urban Public Health Center for each population of 50,000 and aims to fix current facilities and create new ones. It plans for small municipal governments to take responsibility for planning healthcare facilities that are prioritized towards the urban poor, including unregistered slums and other groups. Additionally, NUHM aims to improve sanitation and drinking water, improve community outreach programs to further access, reduce out-of-pocket expenses for treatment, and initiate monthly health and nutrition days to improve community health.

Pradhan Mantri Jan Arogya Yojana(PM-JAY)

Pradhan Mantri Jan Arogya Yojana (PM-JE) is a leading initiative of Prime Minister Modi to ensure health coverage for poor and weaker population in India. This initiative is part of the government's view to ensure that its citizens - particularly poor and weaker groups, have access to healthcare and good quality hospital services without facing financial difficulty.

PM-JAY Provides insurance cover up to Rs 5 lakh per annum to the 100 million families in India for secondary and tertiary hospitalization. For the transparency, the government made an online portal (Mera PmJay) for check eligibility for PMJAY. Health care service includes follow-up

care, day care surgeries, pre and post hospitalization, hospitalization expenses, expense benefits and newborn child/children services. The comprehensive list of services is available on the website.

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