



2019 Healthcare Market Insights: India

Report by:

India Health 
By Informa Markets

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Market synopsis

“India has adopted a multi-sectoral approach towards the health sector. The country is focusing on four main pillars of universal health. These are preventive health, affordable healthcare, supply-side interventions and mission mode intervention.”

Narendra Modi,
Prime Minister, India

According to a recent report from the India Brand Equity Foundation (IBEF), healthcare has become one of India's largest sectors, both in terms of revenue and employment. The industry is growing at a remarkable pace owing to its strengthening coverage, services and increasing expenditure by the public and private sector.

Factors driving the healthcare market in India Include:

- Growing incidence of lifestyle diseases
- Rising demand for affordable healthcare delivery systems due to the increasing healthcare costs
- Technological advancements,
- Emergence of telemedicine
- Rapid health insurance penetration and government initiatives like e-health
- Tax benefits and incentives

There are also strong growth indicators in Indian healthcare expenditure over the coming years. Between 2008 and 2022, the market is expected to record a Compound Annual Growth Rate (CAGR) of 16.28% and the total industry size is estimated to touch \$372 billion by 2022. Similarly, the hospital

industry in India stood at \$61.79 billion in 2017 and is expected to increase at a CAGR of 16-17% to reach \$132.84 billion by 2022.

According to KPMG, the healthcare sector in India offers a potent mix of opportunities and challenges. The significant gap between 'required' and 'actual' healthcare infrastructure has driven considerable investment into assets like hospitals and other facilities over the years. In turn, the growing availability and affordability of healthcare is spurring demand for other services like diagnostics, pharmacies, equipment etc.

The growth story of the healthcare industry is also contributed to by many non-healthcare corporates and private equity firms infusing (capital and non-capital) resources. Due to the lower cost of procedures, India has become an attractive destination for medical tourism and a base for clinical trials.

KPMG highlights the challenges that the Indian healthcare sector faces on its way up as the optimal utilisation of resources, minimising operational costs, maximising performance and efficiency, scaling of business, rapidly evolving technology and globalisation of healthcare delivery quality and standards.

Topline healthcare stats for India

- Healthcare industry to reach \$372 billion by 2022
- 4th largest medical device market in Asia
- Public health spending to grow to 2.5% of the country's GDP by 2025
- The value of medical tourism is forecast to reach \$9 billion and generate 40 million jobs by 2020
- Over \$200 billion to be spent on medical infrastructure by 2024
- The hospital industry in India is expected to have a CAGR of 16-17%, reaching to \$132.84 billion by 2022
- The medical devices market is expected to reach \$11 billion by 2022
- Non-communicable diseases account for 7 out of the top 10 causes of deaths in India
- 70% of the population live in rural areas with access to less than 30% of the healthcare infrastructure

In recent years, increased investment and expenditure from public as well as private investors have contributed to the rapid growth of the healthcare sector in India. The emergence of reputed global players investing through Foreign Direct Investment (FDI) played a pivotal role in the growth of the healthcare sector.

The IBEF predicts that the rise in investment in healthcare infrastructure is set to benefit both 'hard' (hospitals) and 'soft' (R&D, education) infrastructure and the hospital industry in India is expected to grow CAGR of 16-17% to reach \$132.84 billion by 2022. The Government of India aims to increase healthcare spending to 3% of the Gross Domestic Product (GDP) by 2022. Meanwhile, hospital and diagnostic centres in India attracted FDI worth \$5.25

billion between April 2000 and June 2018, according to data released by the Department of Industrial Policy and Promotion (DIPP).

According to Export.gov, both the Indian government and the private sector are planning several new specialty and super-specialty hospital facilities, as well as modernisation of existing hospitals. India currently faces a chronic shortage of healthcare infrastructure, especially in rural areas and Tier II and Tier III cities, and it is expected that India will have a potential requirement of 1.75 million new beds by the end of 2025. The hospital services market, which represents one of the most important segments of the Indian healthcare industry, is currently valued at \$80 billion and accounts for 71% of the industry revenues.

Growth drivers

Infrastructure

\$200 billion is expected to be spent on medical infrastructure by 2024

Medical tourism

Visas for international patients and attendants introduced to ease medical tourism

Rising disposable income

Growing middle-class and increased insurance penetration would lead to a steep rise in annual earnings of Indians

Demographics

Home-based care services to gain popularity as average life expectancy will cross 70 years by 2022

Health & wellness centres

150,000 centres with a budget of \$1.8 billion will make the healthcare system more accessible

Robotic process automation (rpa)

RPA to improve the efficiency of healthcare workforce; reducing costs and creating value proposition

Source: National Investment Promotion and Facilitation Agency of India

Investment opportunities in healthcare



77
Projects



USD 890.39mn
Opportunity



47
Promoters



69
Districts



6
Private projects



71
Govt. projects

Source: National Investment Promotion and Facilitation Agency of India

Invest India, the National Investment Promotion and Facilitation Agency of India highlights some of the upcoming hospital projects in the country:

- \$243.74 million setting up of a 500-bed multi-speciality hospital in Dharamshala
- \$139.28 medical equipment manufacturing project in West Sikkim
- \$96.52 million super-speciality hospital project in Mumbai
- \$87.75 million medical centre project in Guwahati

Invest India also outlines some of the latest FDI projects in India:

- Japanese venture capital firm SBI Investment has invested \$ 17.2 million in Bengaluru-based health-tech AI startup mfine. mfine will use the funds to expand its hospital network across the country and build its AI technology
- Amway India to invest up to \$4.17 million to ramp up its digital platform
- World Bank extends help to develop 7,500 health centres in Andhra Pradesh
- Aster DM group plans to invest \$59.6 million in Chennai to launch a 500-bed multi-speciality hospital
- Metropolis Healthcare plans to add 800 centres and ten labs by the end of 2019

Health insurance

In September 2018, India’s Prime Minister Narendra Modi launched a nationwide health reform called Ayushman Bharat. Ayushman Bharat marks a significant step towards universal health coverage, but the government should ensure that it is sustainable and delivers high-quality care required in India. Commonly referred to as “Modicare,”

Ayushman Bharat has two pillars:

1. Pradhan Mantri Jan Arogya Yojana (PMJAY) is a government-sponsored health insurance scheme that provides “poor and vulnerable” families with financial coverage for hospital expenses for secondary and tertiary care.

2. The establishment of a national network of Health and Wellness Centers focusing on primary care.

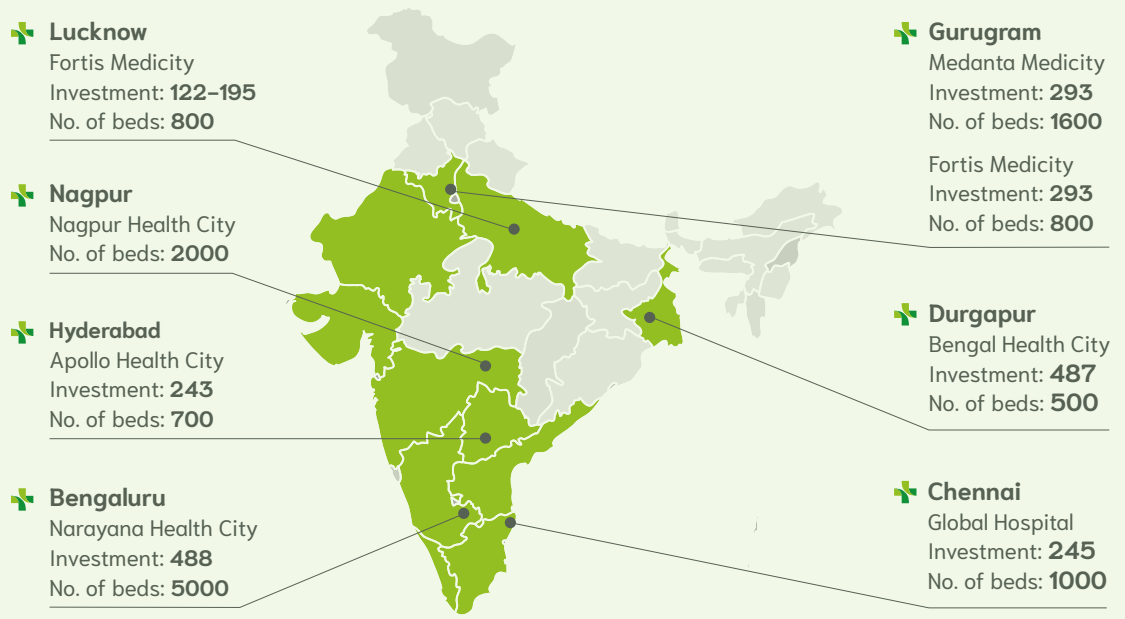
Families in the poorest 40% of India’s population – an estimated 110 million families or 500 million individuals – will be automatically enrolled in PMJAY. The programme entirely replaced the government’s previous national insurance program, Rashtriya Swasthya Bima Yojana (RSBY) and will cover up to 500,000 rupees in hospital expenses without any Out of Pocket (OOP) costs for beneficiaries. PMJAY will cost the central government and state governments approximately \$1.54 billion annually.

According to Export.gov, health insurance is gaining momentum in India. Currently, government health insurance companies cover 15% of the population, and 2% are covered by private health insurance. The penetration of health insurance will significantly increase the affordability of healthcare services for the population. Several private insurance companies have entered the market and have empowered hospitals to provide cashless treatment to subscribers of insurance companies.

Medical tourism

According to Ministry of Tourism figures, India’s medical tourism industry could grow by 200% by 2020, hitting \$9 billion. In 2015, India ranked as the third most popular destination for medical tourism, when the industry was worth \$3 billion. The number

Health Cities / Medicities in India



Source: National Investment Promotion and Facilitation Agency of India

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of foreign tourists coming into the country on medical visas sat at nearly 234,000 that year. By 2017, the number of arrivals more than doubled to 495,056, government figures show.

Driving this growth is the low cost of surgery in India, nearly one-tenth of the cost in developed countries and there are 21 Joint Commission International (JCI)-accredited hospitals in India with numbers expected to grow in the future.

The boom in medical tourism in the Indian healthcare sector is also encouraging hospitals and hoteliers to strike alliances with each other, says Export.gov. The presence of world-class hospitals and skilled medical professionals has strengthened India's position as a preferred destination for medical tourism, and the healthcare industry is now proactively creating standards for the medical tourism industry with the help of credit rating agencies, insurance companies, and others involved in the self-regulation of the sector.

Medical devices & equipment

The Indian medical device market is worth an estimated \$9 billion and is expected to exceed \$14 billion by the end of 2025, according to figures from Export.gov. India imports nearly 50% of its medical devices and barriers to entry are low compared to other industries. The country remains highly dependent on imports for many types of medical devices, particularly higher-end products that include cancer diagnostics, medical imaging, ultrasonic scans, and PCR technologies

In view of the relatively low customs duty rates (9.2% -15%), combined with an increasing number of healthcare centres specialising in advanced surgery, India offers opportunities for the direct supply of high-technology, specialised medical equipment, products and systems.

To ensure quality healthcare, in October 2005, the Government of India increased the list of medical devices covered under the Drugs and Cosmetics Act of 1940, bringing several categories of implantable devices under regulatory control. This list was further

revised in October 2018, bringing several additional categories of implantable devices under regulatory control. The new rules have eliminated the need for constant re-approval of manufacturing and import licenses, and these licenses have now been made valid for perpetuity unless the license is suspended, terminated or surrendered.

The increasing role of technology

A recently published EY report titled 'Life Sciences 4.0: transforming health care in India' highlights how technology is disrupting the healthcare ecosystem in India as we are entering the Fourth Industrial Revolution (Industry 4.0). Technological ubiquity and adoption of emerging technologies and tools by healthcare stakeholders have the potential to offer realistic solutions to meet increasing demand by improving affordability and accessibility.

According to EY, India has an opportunity to adopt technologies of Industry 4.0 to deliver, at scale, improved outcomes to its people. Digital technologies hold the potential to improve quality, affordability and accessibility of health care solutions, thus reshaping healthcare delivery across the patient pathway.

While the healthcare industry in the country has started showing early signs of disruption, it is critical that the life sciences companies get ready to lead the change. Indian life sciences companies have started taking small, experimental steps on their 4.0 journey. Some of the key areas where the companies have started adopting digital technologies include patient engagement, physician engagement, field force effectiveness, R&D efficiency and supply chain management.

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Healthcare has become one of India's largest sectors both in terms of revenue and employment. India Health presents an opportunity to all stakeholders in search of a platform that facilitates business interaction, learning and development, and access to the right healthcare entities, authorities and associations in a fast-emerging economy.

Brought to you by the organisers of Arab Health, India Health will take place from **9-11 September 2020** at Pragati Maidan, New Delhi, India.

For more information, visit indiahealth-exhibition.com