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SECTORAL UPDATE



HEALTH SECTOR

Vital Signs

A growing economy, rising incomes and expanding markets spell cheer.

BY CHARU BAHRI

The state of India's health services sector was less-than-healthy a decade ago—before the story of economic growth began to unfold in our country. Since then, the private sector has moved in with substantial investments. “Our economy has been placed among the fastest-growing ones in the world. But it still has some way to go, as far as public health care services are concerned, especially if we consider our bed-to-population ratio,” says Vishal Bali, CEO, Fortis Hospitals. So far, the private sector has taken the lead in

“Developers must include health amenities in their plans.”

Vishal Bali,
CEO, Fortis Hospitals

expanding hospital infrastructure and reducing the demand-supply gap across the country. As the government spends

more on expanding and strengthening the health services infrastructure in the country, better hospitals and medical services will become available nationwide. Bali says he foresees that the country will take some time before the availability of such services reaches a satisfactory level.

Private initiatives

In recent years, the private sector has invested heavily in the health sector. But, the investments have so far been concentrated in the major cities. According to Sweta Mangal, CEO, Dial 1298 For Ambulance,

PHOTO: PHOTOS.COM

“Recent investments in metro hospitals have created an oversupply of beds—but only in the cities. In contrast, in rural areas the need for more beds remains.”

“India is witnessing a hospital boom, not a health care boom,” says Dr Ashok Seth, chairman and chief cardiologist, New Delhi’s Fortis Escorts Heart Institute and Research Centre. “The growing middle-class that supports our economy is yet to benefit from the expansion as far as bed strength is concerned,” he adds.

To put things in perspective, Bali elucidates the key reasons for the high cost of private health care. “The cost of creating a strong health care infrastructure in India is escalating on account of rising real estate and material costs.” There is not sufficient space for health amenities in most cities, he adds.

But he is optimistic and says he hopes that the situation will change as new townships are planned and developed. “Developers must include health amenities and infrastructure as integral components of their plans. Ideally, they should partner with a reputed health care provider right at the planning stage,” he suggests.

PPP push for new plans

It is not possible for the government to provide health care and services to everyone in the cities. Dr Seth says it is time that the government reconciles to the reality. “The government can only do so much; it should concentrate on other benefits (on sanitation and food subsidies) if space is a constraint;

“The hospital boom has taken Tier-1 and Tier-2 cities in its fold. The next wave (of investments) will be in the Tier-3 towns. That is where growth opportunities lie—as can be seen in the expansion route followed by telecom firms and MNCs”

and bring in the private sector to assist with the services. Close partnerships with the private sector would go a long way towards helping the lower-middle-class access quality health care,” he adds.

Mangal launched 1298 as a private service in Mumbai in 2004 and has recently entered into partnerships with the governments of Kerala and Rajasthan where 1298 runs 25 and 164 ambulances, respectively. Now, she is gearing up to launch ambulance services in Punjab and Bihar. Mangal says more public-private partnerships (PPPs) in the health sector can help balance the disparity in the supply and demand for health services in rural areas.

“PPPs allow the government to tap into the efficiencies of the private sector. As a result, people benefit from a higher standard of care than what is offered in primary health centres. Mobile clinics launched as PPPs in Bihar are showing good results. The model should be replicated across the country,” she says.

Community-rated insurance

Government and private sector collaborations will also help extend health insurance benefits—providing greater access to health services. Dr K. Hari Prasad, CEO (central region), Apollo Hospitals, points out that social insurance schemes have created a window of opportunity for the financially weaker sections of the society.

“Schemes such as Arogyashree have enabled health care institutions such as Apollo to serve the masses better, since the financial burden is shared by the state and insurance companies. We have treated over 6,000 patients for cardiac problems and performed over 200 cochlear (ear) implantations through the scheme. These life-saving and life-changing procedures get families back on their feet quickly, resulting in positive productivity for the economy, too.”

Effective PPPs in the health care sector could potentially benefit all sections of the society. Novel schemes by the Centre and the various state governments to insure Below Poverty Line (BPL) card-holders, where the beneficiaries make a small co-payment, also go a long way in helping underprivileged families access health services. Given the success of these schemes, Dr H.K.V. Narayan, Medical Superintendent, Tata Memorial Centre, Mumbai, says that it would be “prudent to introduce policy initiatives to extend health insurance to economically advantaged sections of the society”. “This would make health insurance community-rated rather than risk-rated. It would help distribute risks over a wider population, and ensure the viability of insurance schemes. Initiatives should include financial incentives and disincentives to encourage the youth to take health

HEALTH INDUSTRY FACT FILE

Growth estimates

The health care industry is projected to grow at 23 per cent annually, to touch US\$ 77 billion by 2012, from the current estimated size of US\$ 35 billion. Sectoral growth will be driven by health care facilities in private and public sectors, medical diagnostic and pathology laboratories, and the medical insurance sector

Diagnostics will contribute US\$ 2.5 billion to the health care industry by 2012

Health Insurance

Medical insurance to account for US\$ 3 billion

in the next three years, a rise from the estimated current size of over US\$ 1 billion

[Sources: Yes Bank and an industry body report published in November 2009]

Government Initiatives

Allocation for National Rural Health Mission hiked by US\$ 423.7 million over and above the US\$ 2.5 billion allocated in the 2009 Interim budget. Plan allocation for Ministry of Health and Family Welfare increased from the US\$ 4.2 billion in 2009-2010, to US\$ 4.8 billion in 2010-2011 (Union Budget 2010-11)

FOREIGN DIRECT INVESTMENTS

Hospitals and diagnostic centres received FDI worth **US\$ 761.18** million between April 2000 and January 2010

[Source: Department of Industrial Policy and Promotion]

Medical textiles industry projected to double and reach **US\$ 753** million by 2012

OTHER SPIN-OFFS

The medical equipment industry is worth **US\$ 2.17** billion and growing at 15 per cent rate per year. It is estimated to reach **US\$ 4.97** billion by 2012

Source: Ernst & Young and another industry body report released in 2007

Health services outsourcing sector has the potential to grow to **US\$ 7.4** billion by 2012 from **US\$ 3.7** billion in 2006

insurance cover, helping them pay for the care of the elderly and disadvantaged.

Wave-II; private sector investments

Since there are already a substantially large number of hospitals in the big cities - the primary beneficiaries of the injection of megabucks into health services - the private sector is bound to turn its attention to the smaller cities and even villages.

"The hospital boom has taken Tier-1 and Tier-2 cities into its fold. The next wave (of investments) will be in the Tier-3 towns. That is where growth opportunities lie—as can be seen in the expansion route followed by domestic firms and multi national corporations offering products and services as diverse as mobile telephony or consumer goods, to name two," says Dr Seth. As the economy develops, and the benefits of reform and opportunity percolate to the smaller towns, the demand for better medical services will spur the outward expansion of hospitals and medical centres.

Providers will increasingly factor the opportunity costs of moving into Tier-1 and 2, or Tier-3 towns, for their expansions. Tier-3 towns are likely to come across as more attractive investment options, both because of lower investment cost as well as for the greater numbers of patients that are likely to seek these services. "Establishing hospitals in smaller towns would bring down the cost of treatment for patients, who as it is, bear additional costs like travel and boarding-lodging for relatives when they travel to cities for treatment. Patients will prefer seeking standardised services closer home, if not at their doorstep," adds Dr Seth.

There is a rider, however. Bali cites the lack of trained manpower in health care across the board—encompassing doctors,

nurses, paramedics and management staff—as a challenge for health services providers. "For too long, we have not expanded our talent pool of trained health care professionals to meet the growing demands of the sector. As a result, health care providers will need to launch their own academic centres, or enter into partnerships with other training institutes," he says.

Dr Narayan welcomes the establishment of corporate hospitals that offer secondary and tertiary medical care in Tier-2 cities and villages. "This will improve access to quality health care. A good referral system and effective use of technology, including telemedicine, will help treat patients closer to residences, and pass on associated social and financial benefits," he says.

Patient-centric health care

The establishment of hospitals in cities and towns has boded well. With this, health care has extended its reach to all sections of the society, and not merely to the upper-middle and higher classes. The quality of health

care has significantly improved. In Dr Seth's perspective, "We have moved from a scenario where the patient had no choice but to approach a few private hospitals, to a situation where the emphasis is on patient care and satisfaction. Skills, expertise and ethics form the basis of this focus—in turn, it is helping patients get more value from their health expenditure."

Intense competition between leading private sector players is also raising the bar. At the end of the day, patients benefit from a wider choice.

Simultaneously, rapid technological advancements are giving medical equipment companies reasons to cheer. Hospitals are increasingly relying on technology procurements to outdo each other giving rise to what Dr Seth calls "temples of technology".

Dr Seth elaborates. "It is great to be a part of technological advancements, especially since technology makes it safer and easier to diagnose and treat patients. Ultimately, however, the availability of expensive high-end technology is not the crux of health care. Certainly, it raises the bar to some extent, and hospitals bent on one-upmanship also publicise these acquisitions to attract patients—driving away patients who may be seeking personalised care and not cutting-edge technology. Health providers must realise that patients seek standards of care that may be provided even if the hospital is not equipped with futuristic technology. As the hospital boom spreads to Tier-3 towns, this factor will come into play as hospitals weigh the cost of establishing health infrastructure against projected revenues. At the end of the day, health care must deliver its own revenues."

Medical tourism

Health care providers are increasingly see-

MEDICAL TOURISM

India's share in the global medical tourism industry will climb to around 2.4 per cent by the end of 2012.

Medical tourism is expected to generate revenue of US\$ 2.4 billion by 2012, growing at a CAGR of over 27 per cent during 2009–2012. The number of medical tourists is anticipated to grow at a CAGR of over 19 per cent in the forecast period to reach 1.1 million by 2012.

[Booming Medical Tourism in India report published by RNCOS released in September 2009]

ing medical tourism as a means to generate higher revenues. Apollo Hospitals, arguably India's first reputed private chain of hospitals, has made a name for itself as a destination of choice for patients flying in from across the world.

Initially, patients were attracted to lower cost of services offered by Indian hospitals, but Dr Prasad is pleased to observe that patients are now approaching Apollo for its clinical excellence and for the care and social support it offers to its patients who come from different cultures.

No fewer than 5,000 patients were treated by Apollo Health City, Hyderabad, in 2009 for serious health problems such as cardiac, or orthopaedic diseases. Dr Prasad sees budget hotels, local tourism, foreign exchange earnings, and novel training opportunities for doctors and clinical staff, as the major spin-offs from the growing

trend of medical tourism.

Newer hospital brands are also looking to tap into the growing opportunities presented by medical tourism, if nothing else, to build on their brand and break even faster.

Shalby Hospitals is a case in point. Three years ago, it opened its flagship 200-bed multi-speciality hospital in Ahmedabad in 2007. Now, the hospital is so packed with patients that it is facing an acute bed crunch, engendering an ambitious expansion programme. According to Raj Ahuja, Chief Operating Officer, Shalby Hospitals, "Work is in progress at an upcoming health city in Ahmedabad at a feverish pace. The health city will offer 300 super-speciality beds in its first phase, expanding to 800 in the second phase. A 200-bed hospital in Surat and three 100-bed hospitals in Jodhpur, Jaipur and Indore, respectively, are also in the pipeline." The hospital

attracts a large number of patients from Africa, Europe and USA, helped by, as well as contributing to, the growing trend of medical tourism.

"We registered over 90 per cent growth in international patients over the last three years and are confident of maintaining this pattern of growth in the next seven years. That is why we have opened a clinic with telemedicine facility in Nairobi, Kenya, and are planning to commission similar overseas clinics in Tanzania, Nigeria and Dubai in the next six months," adds Ahuja.

Perhaps partnerships with overseas health providers will emerge as the next big thing for hospitals engaged in medical tourism? While health care providers are dreaming of brand India to be seen as a global healer, the Indian masses would hope that they simultaneously focus on healing the nation. ■

GAS SECTOR

Glowing and Growing

India may experience the impact of natural gas production from its domestic fields. **BY CHARU BAHRI**

India's gas sector has a promising future. The country is the fifth-largest energy consumer on the planet, and is number two among the world's fastest growing energy markets. In the years to come, natural gas will to dominate energy supplies, fuelling further growth.

Offering greater efficiency and cost effectiveness, the "fuel for the 21st century" has spurred a sharp rise in global demand in the past two decades. The environment-friendly natural gas has inspired India into exploiting its potential. Translating this vision into a reality will call for significant efforts, already underway.



Anoop Kumar Sharma, CTO, KazStroy Engineering India, KazStroy Services, observes that natural gas has already become the preferred fuel among core industries involved in power generation, and fertiliser and petrochemical production.

Recently, the automotive sector, too, turned to compressed natural gas (CNG) to reduce chronic vehicular pollution in the cities. The demand is rising, and so is its supply. But, for natural gas to capture a larger share of the energy market, a combination of measures need to be taken.

including greater production, enhanced supply and strengthening of the supply chain. This provides significant business opportunities across the value chain.