

Health Care in India : Opportunities, Challenges and Concerns (A Case Study)

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Abstract

The paper presents an overview and brief of health care scenario in India. There has been great transition in the health care sector in India since the structural adjustment programme followed by the Indian economy. While India has made significant gains in terms of health indicators still demographic, infrastructural and epidemiological factors continues to grapple with newer challenges. The paper looks at the challenges faced by health care segment as well as the strategies to overcome these challenges. In the coming times, health care sector is expected to grow more because of a number of factors such as growing population and economy, expanding middle class, rise of diseases, emergence of a robust pharmaceutical industry, deteriorating infrastructure, lack of insurance, etc. However, there is an urgent need for focusing on health care, stimulating investment in health care infrastructure, creation of cost effective facilities, facilitate adequate supply of manpower and a balanced approach by the regulators.

Key words: *Compounded Annual Growth Rate, Community Health Care Centers, Health insurance and Primary Health Care Centers.*

1. INTRODUCTION

The growing integration of economies around the world has been one of the most hotly-debated topics in international economics over the past few years. Opening up of the world economies and their greater assimilations had both positive and negative repercussions. One of the sector that was largely fragmented and privatized as a part of structural adjustment programmes was the health care. The result of this transition is an increase in privatization in the health sector.

Although, the policy of liberalization, privatization and globalization have helped to infuse more capital, better technology and skills however, at the same time there have been some negative ramifications at the social end also, particularly on the health care.

Table 1 : Region Wise Comparison of Expenditure on Health

	Total expenditure on health as % of Gross domestic product	General government expenditure on health as % of total expenditure on health	Private expenditure on health as % of total expenditure on health
Region	2012	2012	2012
African	5.6	50.8	49.2
Americas	13.6	49.0	51.0
South-East Asia	3.7	37.9	62.1
European	8.9	72.9	26.8
Eastern Mediterranean	4.6	50.7	49.3
Western Pacific	6.6	63.5	36.5
GLOBAL	8.6	57.6	42.3

Source : World Health Statistics 2015

Firstly, in health care, there has not been even development in different parts of the world. **Table 1** depicts that in the year 2012, the total expenditure on health as percent of gross domestic product has been maximum in case of America (13.6%) followed by European Region (8.9%) and Western Pacific Region (6.6%). The total expenditure on health as percent of gross domestic product has been lowest in case of South-East Asia Region. The other observation revealed by table 1 is that general government expenditure on health as percent of total expenditure on health is highest in case of European Region (72.9%) followed by Western Pacific Region (63.5%) and African Region (50.8%). General government expenditure on health as percent of total expenditure on health is again lowest in case of South-East Asia Region (37.9%).

It has also been observed that private expenditure on health as percent of total expenditure on health is maximum in South-East Asia Region (62.1%) followed by American Region (51.0%), African Region (49.2%) and East Mediterranean Region (49.3%). The minimum Private expenditure on health as percent of total expenditure on health has been in European Region (26.8%).

2. HEALTH CARE SYSTEM IN INDIA

The health care system in India is characterized by multiple systems of medicine, mixed ownership patterns and different kinds of delivery structures. Public sector ownership is divided between central and state governments, municipal and Panchayat local governments. Public health facilities include teaching hospitals, secondary level hospitals, community health centers (CHCs or rural hospitals), dispensaries; primary health centers (PHCs), sub-centre, and health posts. The primary health centers are the keystone of rural health care. There are also public facilities for selected occupational groups like organized work force (ESI), defence, government employees (CGHS), railways, etc. The private sector accounts for more than 65% of total healthcare spending in India (Source: India Health Care Industry Report 2014). While India has made significant gains in terms of health indicators still demographic, infrastructural and epidemiological factors

continues to grapple with newer challenges. The country is now in the midst of a dual disease burden of communicable and non communicable diseases, neglect of women's health, considerable regional variation and threat from environment degradation. It is estimated that at any given point of time 40 to 50 million people are on medication for major sickness in India. This is coupled with spiraling health costs, high financial burden on the poor and erosion in their incomes.

Healthcare is one of the largest sectors of India, in terms of revenue and employment and the sector is expanding rapidly. Health care sector is expected to grow more because of a number of factors such as growing population and economy, expanding middle class, rise of diseases, emergence of a robust pharmaceutical industry, deteriorating infrastructure, lack of insurance, etc. The most significant driver of growth in the healthcare sector is India's booming population, currently 1.2 billion and increasing at 2% annual growth rate. By 2030, India is expected to surpass China as the world's most populous nation. By 2050, the population is projected to reach 1.6 billion (Source: Indian Business Chamber, IBCHAM). The health care industry in the country, which comprises hospitals and allied sectors, is projected to grow at 14% per annum, according to Indian Health Care Industry Analysis-Indian Brand Equity foundation, March 2015. During the year 2011 to 2020 Indian healthcare industry is expected to grow at a compound annual rate of 17% (Source: The economic times-The health care, March 2015). By 2015, Indian health care sector is projected to grow nearly \$88.7 and is expected to become a US\$ 160 billion by 2017 and US\$280 billion industry by 2020 (Source: Indian Health Care Industry Analysis – India Brand Equity foundation, March 2015).

3. HEALTH CARE EXPENDITURE

Table 2 reveals that total expenditure on health as % of gross domestic product is maximum in case of USA (17.0%) followed by Japan (10.3%), China (5.4%) and India (3.8%). The table also reveals that in India, total expenditure on health as % of gross domestic product has decreased to 3.8% in 2012 as compared to 4.3% in 2000. Although, the general

government expenditure on health as % of total expenditure on health is minimum in India, but it has

increased from 27% in the year 2000 to 30.5% in the year 2012.

Table 2: Cross Country Comparison of Expenditure on Health

Member State	Total expenditure on health as % of Gross domestic product		General government expenditure on health as % of total expenditure on health		Private expenditure on health as % of total expenditure on health	
	2000	2012	2000	2012	2000	2012
India	4.3	3.8	27.0	30.5	73.0	69.5
Japan	7.6	10.3	80.8	82.1	19.2	17.9
China	4.6	5.4	38.3	56.0	61.7	44.0
USA	13.1	17.0	43.0	47.0	57.0	53.0

Source : World Health Statistics 2015

However, Private expenditure on health as % of total expenditure on health is maximum in India (69.5%). In case of USA and China almost half of the total expenditure on health is as general government expenditure and half of the total expenditure on health is private expenditure.

4. HEALTH ISURANCE IN INDIA

In India only about a meager amount for health expenditure is funded by public/social health insurance while in many other low and middle income countries, contribution of social health insurance is much higher. In light of the fiscal crisis being faced by the government at both central and state levels, in the form of shrinking public health budgets, escalating health care costs coupled with demand for health-care services and lack of easy access of people from the low-income group to quality health care, health insurance is emerging as an alternative mechanism for financing of health care (Source: Regional overview in South East Asia on social health insurance, WHO, 2004).

Health insurance is very well established in many countries but in India it is a new concept except for the organized sector employees. The year 1999 marked the beginning of a new era for health insurance in the Indian context. With the passing of the Insurance

Regulatory Development Authority Bill (IRDA) the insurance sector was opened to private and foreign participation, thereby paving the way for the entry of private health insurance companies. Global insurance companies have already entered into health insurance business in India. Market research, detailed planning and effective insurance marketing is likely to assume significant importance. However, it requires careful and significant effort to tap Indian health insurance market with proper understanding and training (Mavalankarand and Bhat, 2000).

Table 3 shows that health insurance premium in case of non life public, non life private and Standalone Health Insurers is increasing constantly from 2004-05 to 2013-14. In totality during the last ten years health insurance premium has grown from Rs 1670 crore to Rs 17495 crore in 2013-14. The table also reveals that Compounded Annual Growth Rate (CAGR) of total health insurance premium is 29.82% for the period 2004-05 to 2013-14 and CAGR is maximum in case of standalone health insurers i.e. 112.77% for the period 2004-05 to 2013-14 followed by Non life private insurers CAGR i.e. 34% and non life public insurers CAGR is 25.88%.

Table 3 : Health Insurance Premium form the Year 2004-05 to the Year 2013-14

Insurers	Non-Life-Public Insurers (Rs. Crore)	Non-Life- Private Insurers (Rs. Crore)	Standalone Health Insurers (Rs. Crore)	Total (Rs. Crore)
2004-05	1366.00	304.00	N/A	1670.00
2005-06	1683.00	539.00	N/A	2222.00
2006-07	1974.00	1224.00	11.00	3209.00
2007-08	3136.00	1832.00	156.00	5125.00
2008-09	3824.00	2266.00	535.00	6625.00
2009-10	4883.30	2349.80	1072.10	8305.20
2010-11	6689.00	2850.00	1491.00	11031.00
2011-12	8015.00	3446.00	1608.00	13070.00
2012-13	9580.00	4205.00	1668.00	15453.00
2013-14	10841.00	4482.00	2172.00	17495.00
CAGR (%)	25.8	34	112.77	29.82

Source : IRDA Annual Report (various issues)

5. HEALTHCARE INFRASTRUCTURE

During the last 50 years, India has developed a large government health infrastructure including medical colleges, district hospitals, Community Health Centers, Primary Health Care Centers and Sub-Health

Centers. On top of this, there is large number of private and NGO health facilities and practitioners scattered though out the country. **Table 4** shows that the number of primary health care centers has increased from 945 (6th plan) to 25020 as on 31st March 2014.

Table 4 : Health Centers as Per Different Five Year Plans in India

Period	Primary health care centers	Sub centers	Community health centers
6 th plan(1981-85)	945	84376	761
7 th plan(1985-90)	18671	130165	1910
8 th plan(1992-97)	22149	136258	2633
9 th plan(1997-02)	22875	137311	3054
10 th plan (2002-07)	22370	145272	4045
11 th plan(2007-12)	24049	148366	4833
12 th plan(2012-17) (up to 31st march, 2014)	25020	152368	5363
CAGR (%)	72.64	10.35	38.46

Source : www.nrhm-mis-nic.in

There were 152368 sub centers and 5363 community health centers functioning in the country as on 31st March 2014. The table also reveals that compounded annual growth rate (CAGR) is maximum in case of primary health care centers from the 6th plan to 12th plan i.e. 72.64% followed by community health centers i.e. 38.46% and in case of sub centers CAGR is 10.35%. As on 31st March 2014, number of sub divisional hospitals was 1024 and number of districts hospitals was 755 and Mobile Medical hospitals was 1458.

According to the Investment Commission of India the vast majority of the country suffers from a poor standard of healthcare infrastructure which has not kept up with the growing economy. Despite having centers of excellence in healthcare delivery, these facilities are limited and inadequate in meeting the current healthcare demands. Nearly one million Indians die every year due to inadequate healthcare facilities, 700 million people have no access to specialist care and 80% of specialists live in urban areas. India faces a huge need gap in terms of availability of number of hospital beds per 1000 population. With a world average of 3.96 hospital beds per 1000 population, India stands just a little over 0.7 hospital beds per 1000 population. Based on the population of census 2011, number of nurses & midwives shortfall in case of PHCs and CHCs has come out to be 12956 (Source: www.nrhm-mis-nic.in). Moreover, India faces a shortage of doctors, nurses and paramedics that are needed to propel the growing healthcare industry. While under-funding is the prime reason for the current state of healthcare scenario, many experts have opined that poor healthcare management practices in the public healthcare delivery especially at the primary level are other important reasons for the low quality.

6. CHALLENGES IN THE HEALTH CARE SECTOR

Hence Indian health care industry is grappling with innumerable challenges which slow down the growth and development of this sector. Some of the prime challenges being faced by health care industry have been enumerated as below:

- (a) **Imbalanced Growth :** Healthcare infrastructure indicators of India vis-à-vis developed countries highlight the disparity and areas for improvement. Within the country, the difference between rural and urban India as also the inter-state comparison show the existence of differences across regions. According to industry estimates, over three fourth of the country's healthcare infrastructure is in urban areas compelling the rural Indians move to urban areas for health care solutions. Another reason for shortage of healthcare professionals in domestic market is international mobility of professionals. In addition, there is also mobility of skilled personnel from public sector hospitals to private sector, which imbalances India's health care system.
- (b) **Health Care Infrastructure :** According to the figures of population based on 2011 population Census, the shortfall in the rural health infrastructure comes out to be 4628 Sub Centers and PHCs. As on March 2014, about 2225 PHCs were without a doctor, about 9825 PHCs were without a lab technician and about 5739 PHCs were without a pharmacist, 4427 CHCs without surgeons and 4106 CHCs without gynecologist, 4432 CHCs without physician. However, total shortfall of the specialists was 17371 as on 31st March 2014 (Source: www.nrhm-mis-nic.in). There are estimates that India would be required to increase its bed capacity with an addition of nearly 1.7 million beds. Another estimate has put the need for India to increase its bed capacity by at least 600,000 to 700,000 per annum for the next five to six years (Source: India Business Ministry of External Affairs, Govt. of India Investment and Technology Promotion division). The need for hospital beds is also significant to meet the growing demands from population.
- (c) **Low Spending on Health Care :** The primary reason for low level of health care

infrastructure in India is low level of healthcare expenditure as a percentage of GDP. The per capita total expenditure on health in India was US\$ 61 in the year 2013 while per capita government expenditure on health was US\$ 2013(Source: World Health Organization). Government's health expenditure accounts for less than one-fourth of total health expenditure in India, and thus do not drive the private sector to increase its investment. With limitations in public healthcare spending, private sector has a major role to enhance the healthcare infrastructure in India.

- (d) **Low Level of Health Insurance Coverage:** Penetration of health insurance in India is low. The organized sector provides healthcare insurance to only 17 percent of population. However, majority of them are covered under the social health insurance or community-based insurance. The penetration of commercial health insurance in India is estimated at around 1 percent only. Major reasons for low penetration of commercial health insurance include low level of innovation in health insurance products, exclusions and administrative procedures governing the policies, chances of co-variate risks, such as epidemics, which keep the premium level high.
- (e) **Unwillingness of Foreign Insurance Companies :** The foreign insurance companies are not willing to extend their coverage for treatments in low cost countries, such as India, as they have concerns about the quality of health services offered. The insurers are of the opinion that insurance coverage for treatments in low-cost countries could prove expensive if the treatment worsens the health conditions and the insurer is obliged to cover the costs of subsequent treatment, at home country.
- (f) **Increasing Burden of New Diseases and Health Risks :** India is also having an increasing burden of diseases, both communicable and infectious. Projections of

disease burden also show a grim picture with a large number of persons with infections, such as HIV, diabetes, cancers and cardio-vascular diseases by 2020.

7. STRATEGIES TO DEVELOP HEALTH CARE SECTOR

In order to counteract the above mentioned challenges, there is an urgent need to ponder over the strategies for developing the health care sector in India. Some of the relevant points of discussion are mentioned as below:

- (a) **Focusing on Country Health Care :** In order to raise the overall health situation in India, we need to set up universally acceptable healthcare system with adequate quality that would grow along with the future healthcare demand. This would call for better-defined policies to attract significant investments in this sector. In addition, associated activities such as research and development, human resources development are required to ensure realization of equitable and efficient healthcare system.
- (b) **Stimulating Investment in Health Care Infrastructure :** In the absence of an appropriate social health insurance, the only option available for insuring the poor against health-associated risk is by providing good quality care in the public hospitals. This would require sizeable investments for strengthening, upgrading and expanding the public health infrastructure in India. Further, experts have opined that India needs to transform itself from an 'illness-based healthcare model' to a 'wellness-based model', wherein healthcare is linked to improving sanitation standards, health awareness, availability of safe drinking water and nutrition. The wellness model, which is linked to so many associated socio-economic indicators, requires significant funds and the onus lies equally on the private and public sectors to work out innovative models leveraging the respective strengths.

(c) **Creation of Cost Effective Facilities :** Low cost solutions are the prime driver of flow of healthcare for developing countries, such as India. Hence, it is important for Indian players to remain cost competitive, vis-à-vis other developing countries, while improving quality of healthcare services, leveraging technology. Tie-ups with different players of healthcare would help in offering cost effective facilities. In addition, outsourcing of medical logistics in major areas like housekeeping, food and beverages, diagnostics, supply on medicines / medical equipments and other process services including medical coding, billing, claim processing and transcription would bring down the cost significantly. Such measures would also pave the way for concentrating in the core activity of patient care.

(d) **Facilitate Adequate Supply of Manpower:** Health care is a labour-intensive service industry. Hence development of quality healthcare workers as also motivating them is one of the essential components for achieving our national healthcare objectives. It may thus be emphasized that, more than mobilization of monetary resources, to meet the investment requirements of the healthcare system, it is important to address the issue of shortage of healthcare human resources in India. In order to cope with the demand for healthcare professionals, it is necessary to increase the number of medical colleges and nursing schools in India. Further, it is also essential to increase the intake of students in healthcare educational institutions, devising schemes that would bring back the serving Indian healthcare personnel to home country and reemployment of retired health personnel.

(e) **Role of Regulators :** The government has established Insurance Regulatory and Development Authority (IRDA) which is the statutory body for regulation of the whole Insurance industry. As the health insurance is in its very early phase, the role of IRDA will be very crucial. It has to ensure that the sector develops rapidly and the benefit of the insurance goes to the consumers. But it has to guard against the ill effects of private insurance. The main danger in the health insurance business we see is that the private companies will cover the risk of middle class who can afford to pay high premiums. Unregulated reimbursement of medical costs by the insurance companies will push up the prices of private care. So large section of India's population who are not insured will be at a relative disadvantage as they will, in future, have to pay much more for the private care. Thus, checking increase in the costs of health care will be very important role of the IRDA.

8. CONCLUSION

There is an urgent need to look after the problems of imbalanced growth of the health care sector, rural health care infrastructure, increasing burden of communicable and non-communicable diseases, etc. There should be allocation of funds to the regions and population groups and for specific types of health care in order to have balanced growth of the system. . Health insurance can also improve access to good quality health care institutions with adequate facilities and skilled personnel at affordable cost. Better policy regulations and the establishment of public private partnerships are other possible solutions to the problem of manpower shortage.



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