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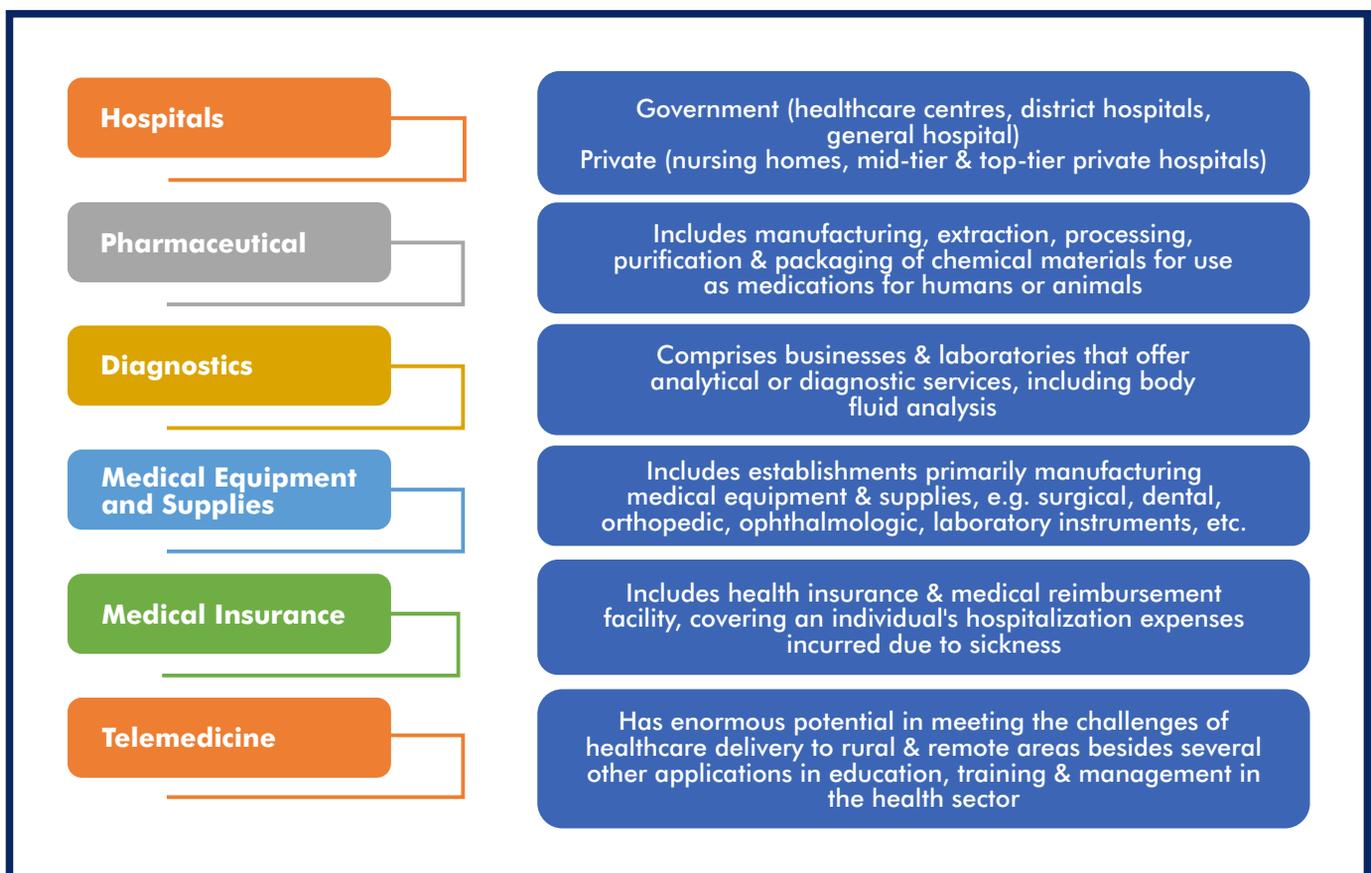
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ANALYSIS REPORT ON INDIA HEALTHCARE SECTOR (SEPTEMBER 2021 EDITION)

1. Introduction

Health is the most important aspect of human life and thus attracts major glare from everyone. The Healthcare industry thus is developing rapidly around the globe, as it is well anticipated that the Indian healthcare sector is going to hit the mark of US\$ 372 Billion by 2022. The rise in income is going to increase over time and thus will impact insurance coverage and a better lifestyle. Health is not subject to disease only but is related to the overall well-being of individuals and living their life at their full potential. The importance of healthcare is clearly understood when we find the mention of “Ensure healthy lives and promote well-being for all at all ages” as a distinct goal in the list of Sustainable Development Goals for global public authorities.

Healthcare does not only involve medical assistance but also includes preventive care and health awareness parameters. In India, an illness can drastically impact the financial position of the individuals as well as their families and thus need huge support through public expenditure within government healthcare facilities. According to an estimate, every year nearly 63 million people fall into the poverty line due to their health-related financial needs in the absence of medical insurance cover. There is a huge gap in the demand and supply of healthcare facilities as it caters to a large population and has limited quality service providers. In India, the healthcare sector involves various stakeholders such as hospitals, telemedicine, medical equipment and devices, medical research and clinical trials, health insurance, and medical tourism.



The evaluation of an equitable healthcare system can be summarised through universal access to healthcare facilities incorporating the special demands of vulnerable groups such as children, women, and old age people with co-morbidities, etc. The fair distribution of the healthcare facilities includes the financial costs associated and accountability of service providers at all levels. The growth of the healthcare market is significantly diverse and growing fast as the burden of lifestyle diseases such as blood pressure, diabetes, cholesterol, obesity are on the rise. The disease burden in the Indian healthcare system is significantly shifting from communicable diseases to non-communicable diseases in the last few years which shows higher demands of medical care in urban India.

At the policy level, the government is taking revolutionary steps to check the structural inabilities of the Indian healthcare system. It is planning to significantly increase the government healthcare spending by 3% of the GDP by 2022 which will pave the way for equitable, adaptive, and responsive healthcare in the country. The government has also liberalized the FDI rules in the sector and allowed 100% FDI through automatic routes in the hospital sector to encourage investment.



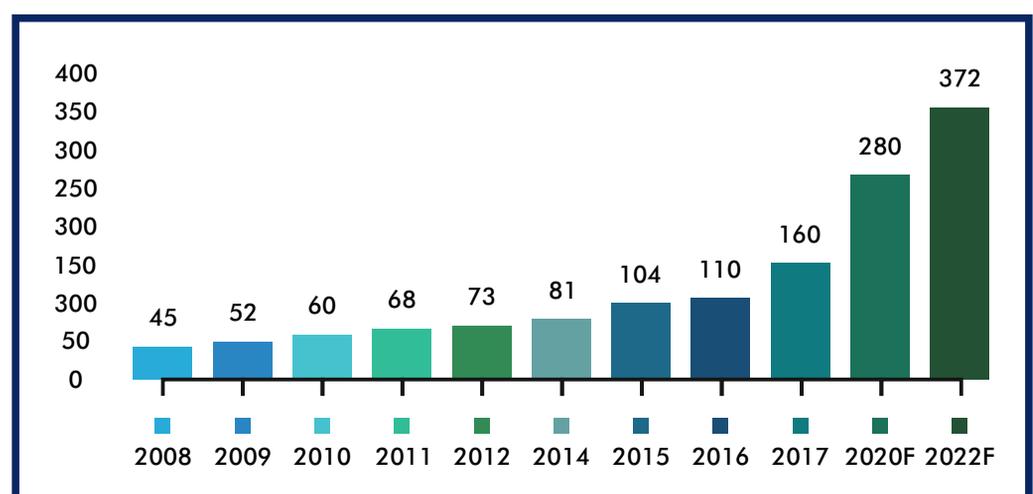
2. Progression of Indian Healthcare Sector

The Indian healthcare system after independence has evolved with the theory of welfare state which worked on the principle of free medical care for every citizen irrespective of their ability to pay for these facilities. While working on these lines, the government was not able to prioritize the adequate level of public healthcare. It also affected the investment related to allied areas such as safe drinking water and sanitization which eventually resulted in poor health and increased the burden on healthcare many folds. During this time the rural healthcare system has been neglected significantly and got down to a vulnerable position.

The quality of healthcare has never got priority over equitable access to healthcare in India. But during the last decade, there is a major shift in the state policy and governance structure. The system is now working to restrict the role of the state in healthcare and encourage private participation to cover the reduced public expenditure in the domain. The newly developed equation is envisaging a more responsible role for private players in the industry to be engaged as an additional resource for the well-being of public health.

Public awareness programs and volunteer services provided by quality healthcare practitioners and community volunteers in rural and semi-urban areas are engaging the common people well and also generating effects in minimizing the burden of communicable diseases. This is also making people aware of the importance of sanitization, nutrition, and fitness as a whole. The higher life expectancy is not only associated with the most talked-about the lower number of deaths but it also includes better medical services and cares at old age to their citizen. The overall support infrastructure is needed to facilitate the policy outcomes at the ground level.

In the last few years, India has witnessed a significant leap in healthcare delivery. The testing times of Covid19 have shown many vulnerabilities of our healthcare system but also stood clear winner through the two deadly waves of the pandemic. The healthcare sector is also emerging as the largest sector in terms of both revenue and employment in the country which is showing a great shift of momentum. This is also one of the major sectors which create more job opportunities for the female workforce. But the regional and state-level disparities are always evident in the Indian healthcare domain that needs to be



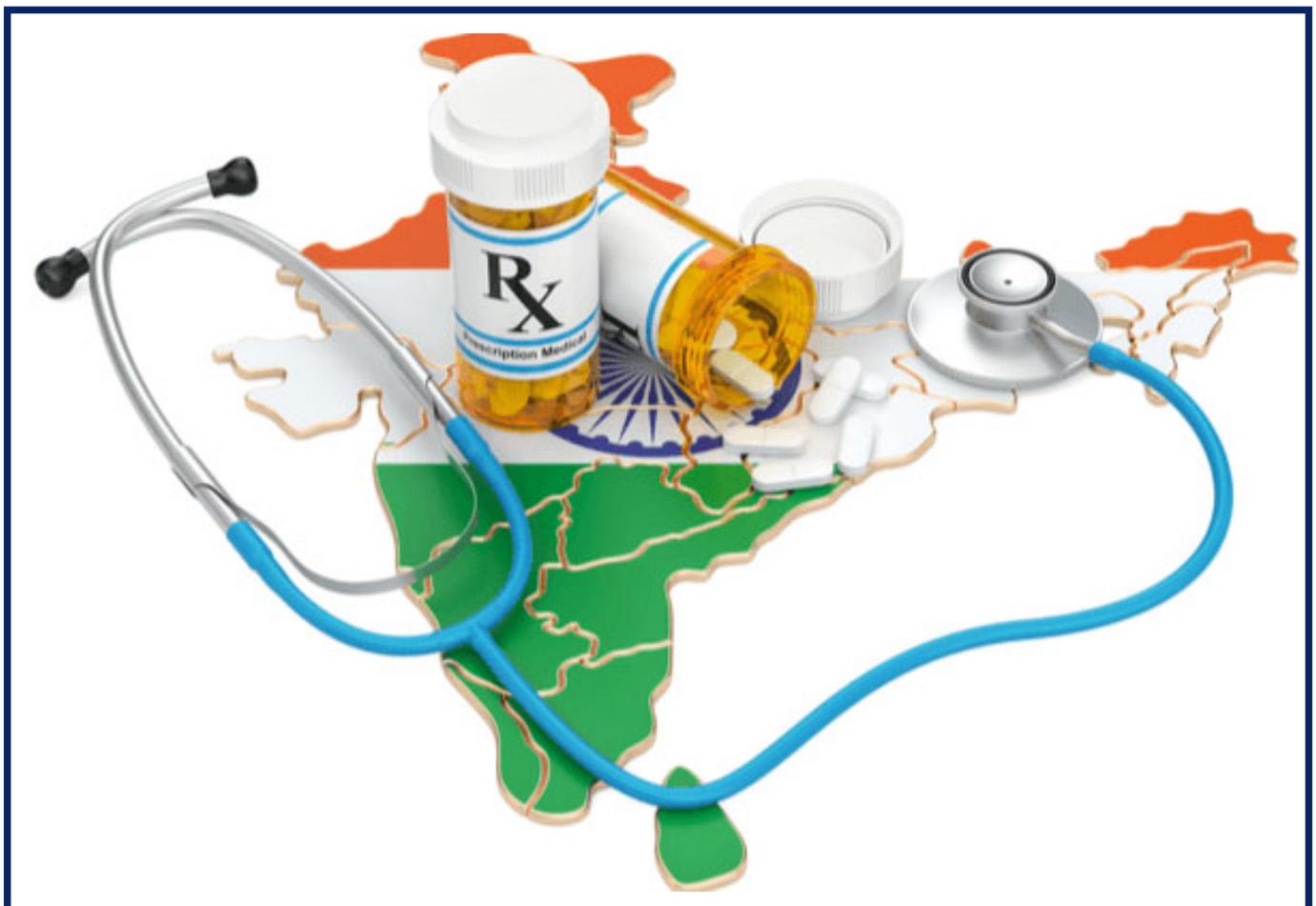
Growth Trends of India's Healthcare Sector (In USD Billion)

more inclusive and holistic in terms of equity and universal coverage at all levels.

The adoption of technology in the healthcare domain has worked as a boon for the masses. Technological advancements like Artificial intelligence, the Internet of Things, and smart healthcare is optimizing the healthcare infrastructure and facilities significantly. Wearable health devices and health monitoring equipment are also being adopted by the general public and create a push for responsible trends in healthcare.

The growth of the sector creates many direct and indirect effects like growth in healthcare infrastructure will result in the higher purchase of equipment and more appointment of the workforce. By 2025, the government is planning to operate 22 AIIMS in the country in the line of AIIMS, New Delhi, out of which 15 are already operating, which is a significant milestone for the country in public health care over the 75 years of Independence.

The recent policy and initiatives such as Ayushman Bharat Digital Mission, Pradhan Mantri Jan Arogya Yojana are creating a big impact through providing free-of-cost drugs and diagnostic facilities at Health and Wellness Centers. All these initiatives are providing health cover to various poor and vulnerable sections of Indian society. The quality of public healthcare will significantly increase through technological advancements and integrated digital health infrastructure over time. This will also ensure reliability in healthcare services and improve the well-being and productivity of individuals.



3. Key Drivers of Growth in the Indian Healthcare Industry

India is on a progressive path of developing a world-class healthcare ecosystem in the last decade. The ongoing COVID-19 pandemic has accelerated and opened up new avenues of growth. The Indian government in the same direction has allotted Rs 2, 23,846 Crore for the health and well-being of Indian citizens in the Union Budget 2021-22 which was a significant rise from the central budget allocation under the financial year 2020-21. Some of the important factors which are driving the growth story of medical care in the country exponentially are the rise in the middle class, urbanization, increasing burden of lifestyle diseases, increased FDI inflows, and public-private partnership.

Some of the major growth drivers in the sector are as follows:

- **Atmanirhar Baharat Mission by Indian Government**

Under the mission, the government has infused Rs 20Lakh Crore through a comprehensive economic package that will promote manufacturing in all the sectors of the Indian economy including healthcare. The current manufacturing capacity of 2lakhs PPE kit on daily basis from the zero production of the same before the Covid crisis is a mark of achievement of this mission.

- **A shift of Disease Burden**

Earlier to prevent and to provide healthcare facilities against communicable diseases such as Tuberculosis was a challenge for the Indian Healthcare system. But in recent times, the onus is shifted to non-communicable diseases such as diabetes, heart stroke, etc due to rapid urbanization and lifestyle issues. NCDs exclusively account for 50% of the Indian healthcare disease burden and thus account for 60% of total deaths in the country which demands strong action from authorities.

- **Demography and Epidemiology**

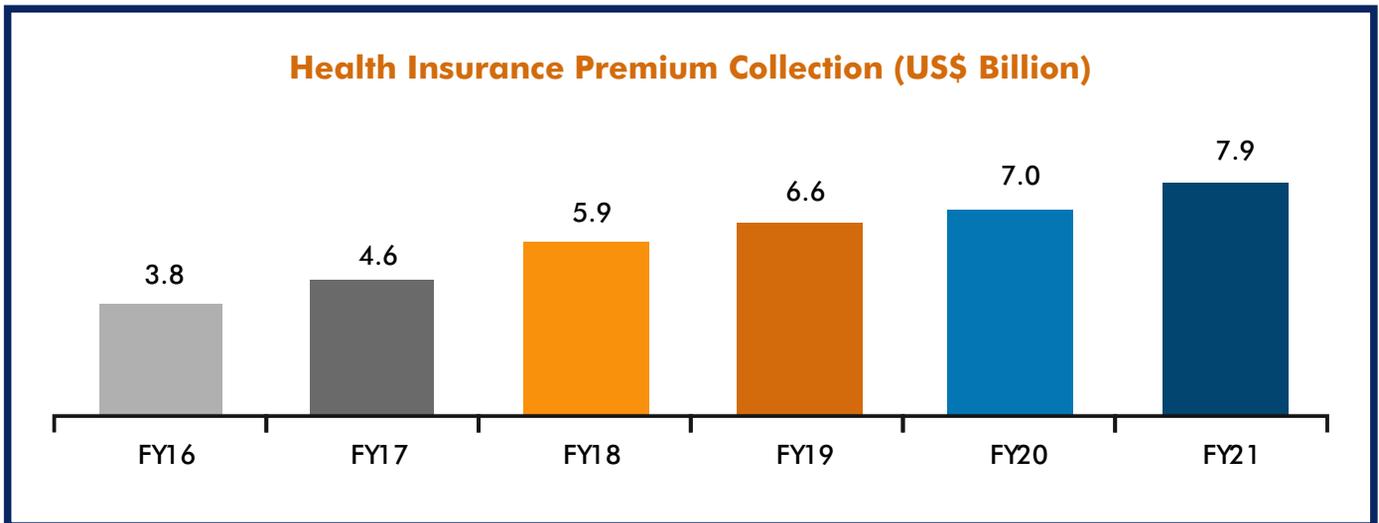
The demographic and epidemiology trends are going to play a crucial role in the growth of the healthcare sector in recent years when the country is recovering from the COVID-19 effect. The rising income level will create a new buyer in the market for healthcare and allied services too. It is expected that in the next decade there will be approximately 73 million families which will transition to the middle-class category due to their rise in income level. All these trends are happy signs to boost the health infrastructure including research, training, and development in the field of healthcare. It is also expected that the life expectancy in India is going to be 70 years by 2022. This trend will create a high growth prospect for preventive and post-hospitalization care in India.

- **Medical Tourism is Showing Upward Trends**

The relatively low cost of treatment and advancement in the field of technology and research in the healthcare system is attracting more than 22% growth in medical tourism in the country. India is evolving as a lucrative medical destination around the globe. This is going to infuse around US\$ 2 Billion in the sector and also increase the demand for medical equipment, devices, professionals, etc.

- **Medical Insurance Coverage**

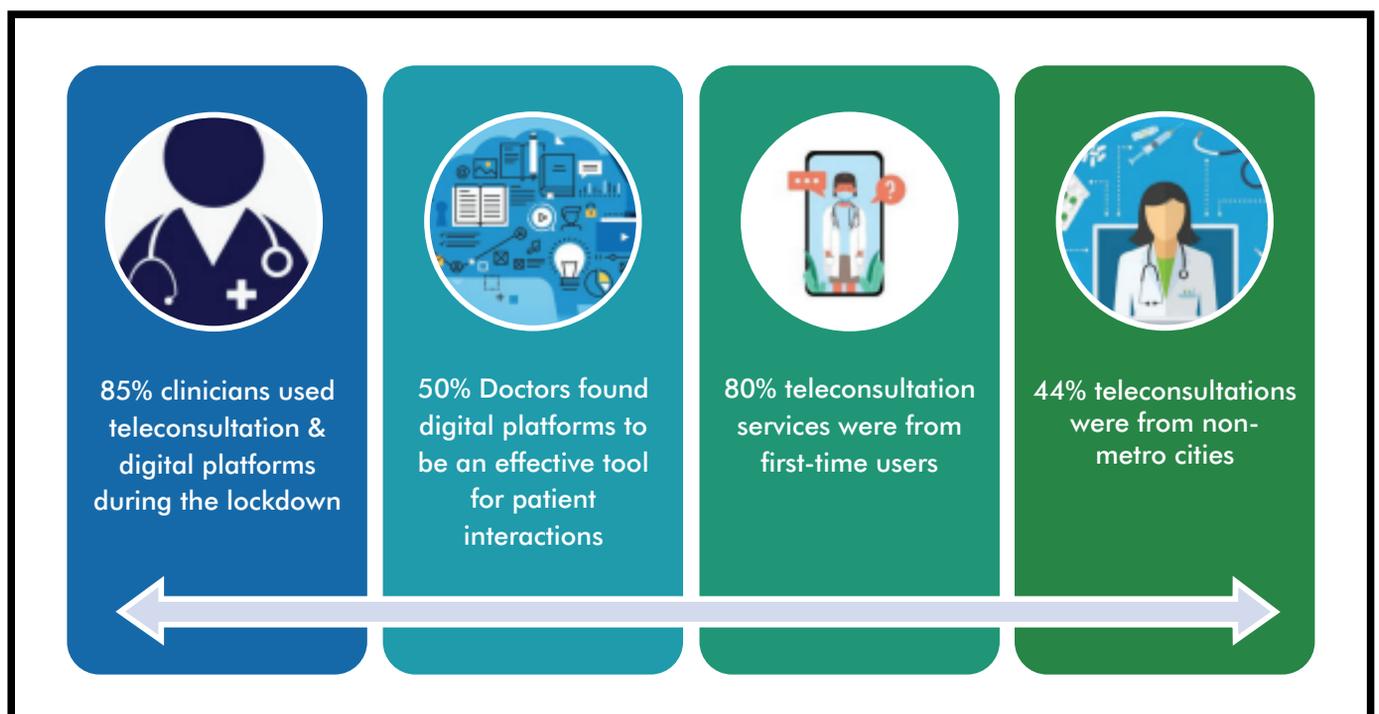
The available data on health insurance shows only around 20% of Indians are covered under any of the health insurance schemes. But due to the rise in income level, this number is going to rise significantly in the coming years which is a good trend for the growth of the medical insurance sector. The policy initiative such as PM-JAY also provides healthcare cover of 5Lakhs per family every year which covers the 10.74Crore Indian poor and vulnerable families. The inclusion of homestay care in the case of COVID-19 by IRDAI under their 2020 guidelines will develop a new trend in the field of medical insurance.



- **Exposure to telemedicine**

During COVID19, the emergence of telemedicine received a grand welcome from the Indian masses. The government initiatives in the same direction like e-health with lots of tax benefits and other incentives are proposing a rising future of telemedicine in the Indian homecare and health facilities.

- **Medical Infrastructure (Demand Supply Gap)**



India needs to travel a long way in terms of medical infrastructure right from the hospital to diagnostic care, medical devices, and many more. In this regard, the government is planning to spend nearly US \$200Billion on overall medical infrastructure. With the rising population, there will be huge demand and supply gap in the Indian healthcare sector to which the government is trying to serve through Health and Wellness Centre under the Ayushman Bharat scheme. The concentration of health facilities is also very discrete as around 60% of medical facilities are concentrated in large metro cities only. That can be made equitable through government initiatives, and public-private partnerships.

- **Acceleration Through Tax Incentives**

The government has exempted the service tax for the education and training services in the healthcare sector to give an impetus to the sector and generate skilled manpower for the future. The increased tax rebate under section 80-IB applies to private healthcare establishments that operate on 50 or more beds in non-metro areas and establishments with 100 beds or more in rural areas. The net 100% deduction is allowed for such establishments for the 5 years through the government of India to create infrastructure facilities in the regions with the support of private players. The government is also providing high-level tax deductions on operating technology-based healthcare services for example telemedicine including the 15 years exemption in income tax for medical technology devices and products hen manufactured domestically.

All these policy initiatives and the rising demand for healthcare and homecare will pave the way for the exponential growth of the healthcare sector in India. People will witness a major shift in infrastructure development such as oxygen plants, Diagnostic facilities, and many more over the recent years.



4. Impact of COVID-19 and Investment opportunities in the Indian healthcare system

The COVID-19 has worldwide exposed the weaknesses of the strongest medical healthcare systems and hence India has also seen a severe crisis in the sector during the pandemic more categorically during the second wave of COVID-19. But the Indian government under visionary leadership has institutionalized the opportunity in disguise and has shown remarkable growth in the fields like hospital care, diagnostic facilities, telemedicine, Manufacturing of PPE kits, medical equipment, etc. Not only this, the scenario has opened up new avenues of medical research with two indigenous vaccines with coverage of 100Crore vaccination dosage within approximately 9 months. India has not only provided vaccines to their neighborhood and the people in need around the globe but also shared the responsibility of mankind.

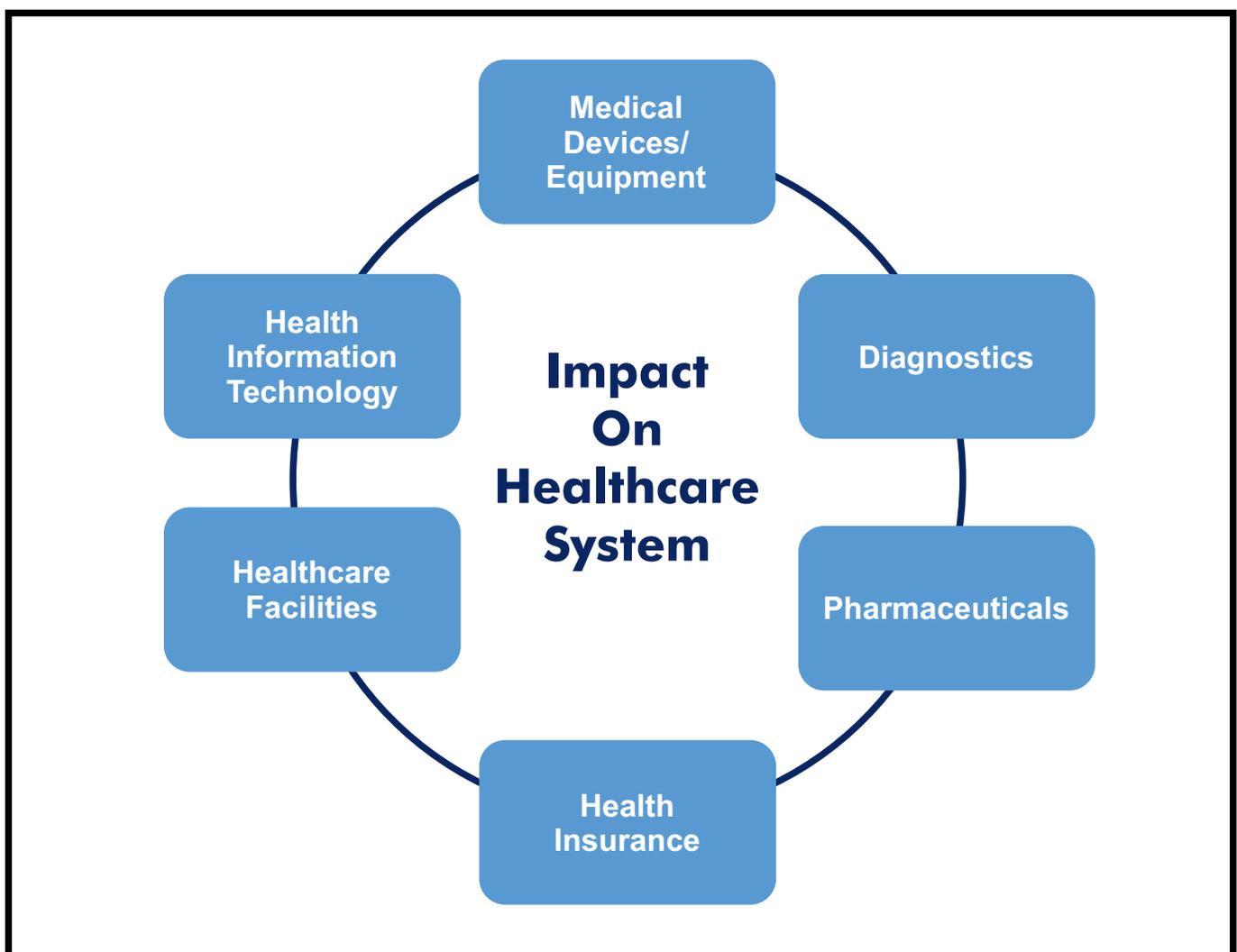
Along with all these remarkable achievements, the pandemic has highlighted some of the major structural and fundamental reforms in the sector. The mode of operation has shifted in the healthcare sector from mere universal health coverage to a more effective, adaptive, resilient, and equitable response mechanism. The constraint of the number of beds in the first wave of COVID-19 or the major oxygen crisis during the second Covid wave has highlighted the infrastructure inability along with a weak supply chain in the sector but due to responsive governance, it was well tackled in a short span through the various task forces and monitoring mechanisms.

The health subject comes under the state list as per the Constitution of India and the Union government is only responsible to design health policies and programs for universal coverage. The center is also responsible to promote research in the field of healthcare with the help of different centrally funded research bodies to support the advancement in the sector. But the pandemic has developed a strong interdependence of government and private players in the healthcare sector both in hospital and home care. The private healthcare facilities have well supported the action plan of the Indian government by contributing around handling 60% of the total inpatients. The telemedicine facilities through major private players such as Apollo has helped million of COVID-19 patients during the pandemic and shared the patient's load coming to hospitals.

But due to travel restrictions around the globe and the closure of OPD facilities as per government advisory on COVID-19 the medical tourism in India has witnessed a sharp decline. Still, the fast pace vaccination and technology-based monitoring and response mechanism have shown some positive trends in the domain once again. During the pandemic not only the medical infrastructure, allied services, and manufacturing facilities were restructured but it also inculcated a long-term change in public behavior towards hygiene, fitness, nutrition, yoga, and health insurance. Such mass awareness for health and fitness will generate long-term benefits for the society and the medical system both.

The major investment opportunities that evolved after the pandemic in **Home Healthcare solutions** will see a long road ahead as the trend of nuclear families is on the rise in urban areas of the country. There must be some interconnected linkages that should be established in the healthcare system in operations and healthcare delivery. The institutional level linkages through feedback and monitoring mechanisms are also required to create a more responsive healthcare infrastructure to cater to the need of the growing population in unprecedented medical situations. The COWIN APP in such a case has contributed remarkably and gets applauded on world forums too.

The pandemic has opened avenues of success for many start-ups that provide low-cost, quick, and responsive solutions through technological innovation. The expansion of hospitals beyond the metro cities is creating new investment and job opportunities in tier II and tier III cities in the country. The government is also pushing the use of generic medicines to which manufacturing of pharmaceuticals is getting the boost through production linked incentive schemes along with diagnostic care. The rising investment in the last decade has shown the positive trend in the field of Healthcare in India as the total medical transaction took place in the country have scene 13.5 times sharp jump between 2011 and 2016. All these factors collectively attract the major investment in the healthcare sector in India and give a major boost to technology advancements through public-private partnerships and innovations from start-ups.



5. Government Initiatives and Policy Landscape

The Government of India is committed to the fundamental and sustainable structural reform in the healthcare sector. In their last published National Health Policy in 2017 government has also planned to increase the budget spending on the sector by 2.5% of total GDP by the year 2025. Along with this, the government has also presented a lucrative FDI policy to encourage investment in the sector through private and foreign players in the field of hospital and allied healthcare services, devices and medical equipment, etc.

The Atmanirbhar Bharat Mission has also inducted many short- and long-term measures to give a major push to indigenous manufacturing of pharmaceuticals and medical equipment through a production link incentive scheme. The Ministry of Health and Family Welfare

has also released the telemedicine practice guidelines in March 2020 with NITI Aayog during COVID-19 to create a standard procedure in accessing telephonic medical consultation. The government initiatives such as e-Sanjeevani have tremendously utilized the power of technology in online OPD consultation, diagnosis, treatment, and monitoring during the pandemic.

Some of the major policy initiatives implemented by the government of India to boost the healthcare sector in the country are as follows:

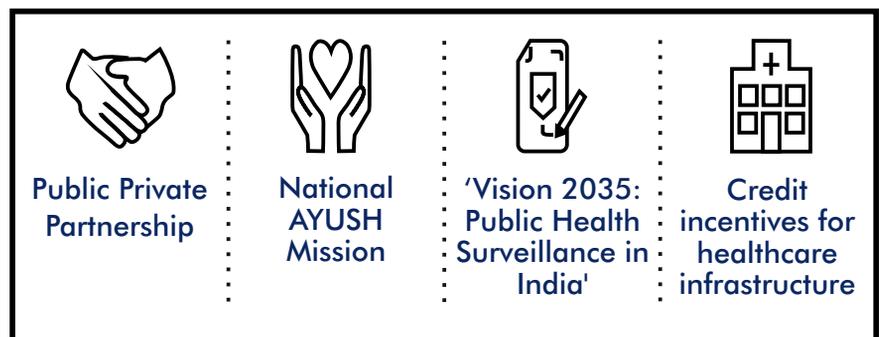
- **Ayushman Bharat**

The Initiative was launched in 2018 to provide strong policy support to the health sector from primary to tertiary level care. This scheme has the potential to generate new jobs in the sector as it was covering the large healthcare landscape in its implementation and talk about the training of healthcare professionals and nurses too. The objective of the scheme is to promote the importance of good health and fitness among the masses along with the early detection of non-communicable diseases. This can in turn help the government to ease the burden of non-communicable diseases from the healthcare system through early prevention care. Recently the government of India has also launched the Ayushman Bharat digital mission to enable the effectiveness of ideas through the introduction of technology.

- **Pradhan Mantri Jan Arogya Yojana (PM-JAY),**

This is the world's largest government-sponsored health insurance scheme which is non-contributory. This is providing the financial net to the poor and vulnerable Indian families at

Indian Government Policy Landscape



secondary and tertiary healthcare facilities. The scheme is intended to provide hospitalization cover of Rs 5Lakh per year per family.

- **National Digital Health Mission (NDHM)**

In 2020 the government has launched the mission to develop a mechanism to manage digital health data repository to facilitate the exchange of medical information among healthcare providers, diagnostic centers, pharmacies, and other stakeholders. This was done to support decision-making in the case of telemedicine and other healthcare services. This is expected to make the Indian healthcare system more resilient, transparent, and evidence-based and will also ease the process of medical and insurance claim settlement.

- **National Medical Commission Act 2019**

Medical education is one of the major aspects of the overall healthcare system and thus government through this act restructured the regulatory aspect of modern Allopathy, Homeopathy, and Indian medicinal science like Ayurveda and Yoga. Through this, the government has created uniform guidelines for medical education and training in any of the streams of medicine and upgraded the doctor people ratio in a populous country like India. The government has also envisaged a plan to provide ratings to medical education institutions including nursing, dentistry, and other allied areas of training and education through the Medical Assessment and Rating Board.

Through such robust and deep-rooted policy reforms government is making the Indian healthcare system more shock absorbent and responsive for any medical emergency in the future. At the policy level, the Department of Biotechnology under the Government of India is also encouraging innovation and research in the field of healthcare and creating a strong interface between industry and academia.



6. Conclusion

India is on the right path in creating a robust healthcare infrastructure in the wake of the COVID-19 pandemic. The country is writing the best story of the healthcare system of a populous country with all its challenges and strengths. The pandemic scenario realized the power of a responsive healthcare system along with community engagement under visionary leadership.

Today world is applauding the efforts of the Indian healthcare system and the discipline and commitment shown by the Indian masses during the crisis. The scenario has expanded the scope of medical care around the globe and India is also all set to ripe the fruit of these new avenues in the healthcare sector. The change in attitude and the prevention and early care in case of a medical emergency will prove to be beneficial in long term.

The basic approach of mankind towards healthcare has seen a significant shift and will show a continuous change in the coming years too. It has also changed the dynamics of public and private players in the ecosystem and has shown the avenues of interdependence for the best results in the long run. This pandemic has shown the path of the digital age and technological advancements through innovation and research in the field of healthcare. In the momentum, India is too all set to fulfill the health requirements of its large population through policy level structural reforms and responsive community engagement through awareness.



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