Symposium
Impact of Global Financial Crisis to the Health System

[India]
The Impact of Global Financial Crisis to the Health System—Indian perspective

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GLOBAL RECESSION STRIKES

The case of Iceland

- Its biggest banks failed
- Its government fell
- Its central banker was sacked
- The country was bailed out with a $2.1 billion IMF loan
- 7,600 people (in a country of 309,000) took to the streets in protest
- Its economy may shrink 19 percent this year

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Five Countries in Deep Trouble

**Mexico**
- Economists predict a 3.3 percent contraction of the Mexican economy this year
- In April, it asked the International Monetary Fund for a $47 billion loan

**Pakistan**
- The country has already almost gone bankrupt once in the past twelve months.
- An emergency $10 billion in support from the World Bank, the Asian Development Bank, and others prevented Pakistan from defaulting on its debt

**Ukraine**
- The Institute for Economic Research and Consulting is forecasting a GDP contraction of 12 percent
- The Ukrainian stock market has fallen 25 percent so far this year

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Five Countries in Deep Trouble

**Venezuela**
- Many economists are predicting negative growth for Venezuela this year, such as the 4 percent drop predicted by Morgan Stanley
- From June to September 2008, the cost for an investor to buy insurance against Venezuela’s debt almost doubled

**Argentina**
- The Organization for Economic Cooperation and Development gives Argentina a seven, its riskiest classification rating
- CMS Datavisien ranks Argentina as having the third most expensive credit derivatives in the world

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Big Names that got Bankrupt

- Lehman brothers
- Merryl Lynch
- Fannie Mae & Freddie Mac
- AIG
- Bear streams

Relatively Recession - Proof Economies

Countries that are least affected by the Economic Crisis

- Australia takes the top spot
- India and Singapore in equal third place.
- Qatar is the only gulf nation that figures in this “relatively” recession-proof list.

What makes India Relatively Recession Proof

- Amid domestic and global liquidity crunch, large domestic savings and corporate retained earnings are financing investment.
- Soggy labor market and wealth effects have hit urban consumption. But low export dependence, a large consumption base and the high share of employment (two-thirds) and income (one-half) coming from rural areas has helped sustain consumption.
- Pre-election spending, especially in rural areas, and high government expenditure, are also pluses.
- Timely monetary and credit measures have played a key role in improving private demand, liquidity and short-term rates and reducing the risk of loan losses.

Advantage India

- Largest democracy in the World
- 4th largest economy by PPP index; 3rd largest economy by 2050 Goldman Sachs
- 6th largest energy consumer
- For Ex reserves skyrocket from US$ 42 bn(2001) to US$ 200 billion (November 2008)
- GDP growth to continue between 7-8%
- Leading in IT, Knowledge, Process Outsourcing (KPO) and Business Process Outsourcing (BPO)
- Oil & Gas, Healthcare and Biotechnology sunrise industries

Indian Healthcare Industry: Largest Service Industry in India

- Size of the Indian Healthcare Industry - US$35 billion – contributes over 5% of GDP and offers employment to over 4% population
- By 2012 industry size is expected to increase to $60 billion
- India spends 4.3% of GDP on health – government spending is increasing
- Two thirds of healthcare spending is out of pocket, i.e. about US$20 billion is private spending
- Indian Healthcare Industry – Growing at Rapid pace of 15%+ - Fastest in the World
### Healthcare sector continues to grow

<table>
<thead>
<tr>
<th>Industry</th>
<th>Value (in Billion USD)</th>
<th>Growth Rate (in %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmaceutical</td>
<td>10</td>
<td>12</td>
</tr>
<tr>
<td>Hospital/Nursing Homes</td>
<td>12</td>
<td>20</td>
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<tr>
<td>Medical Equipment</td>
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<td>15</td>
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<tr>
<td>Clinical Lab Diagnostics</td>
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<tr>
<td>Imaging Diagnostics</td>
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<td>30</td>
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<tr>
<td>Other Services</td>
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<td>20</td>
</tr>
</tbody>
</table>

### Why India is a favoured destination?

India is one of the top 5 countries where companies plan to spend the most R&D dollars over the next 3 years.

Favored destination ahead of countries like Japan, Philippines, Canada, China, Taiwan & Russia in terms of Overall Climate (Ernst & Young, January 2008).

Home to some of the top medical/technical universities in Asia.

### Why India is a favoured destination?

- The clinical community is populated with English-speaking, western-trained graduates.
- Sophisticated technological infrastructure.
- 1.5 million plus English-speaking/trained professionals available N.
- Over 2 million science post graduates.

### Indian Healthcare Sector: 2006

- Infrastructure
- Medical Equipment
- Bed Revenues
- Pharmaceuticals
- Health Insurance
- Health Outsourcing
- Medical Value Travel
- Independent Path Labs
- Clinical Trials
- Training and Education
- Medical Devices
- Medical Consumables

### Indian Healthcare Sector: 2012

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### Healthcare Provider Network/Hospitals

Major corporate hospital groups in India are making significant investments in setting up state-of-the-art Health Cities in major Indian cities.

Around 15-20 Health Cities are expected to come up in India in the next 5 years.

Health Cities are looking at catering to larger populations by offering facilities such as hotels, residential facilities, recreational facilities of spa, gym and even golf courses.
Medical Technology

- The medical technology market was valued at US$ 2.7 billion in 2006 and growing at a rapid pace it touched US$ 3 billion in 2007.
- With a CAGR of 20%, it is likely to reach US$ 8 billion by 2012.

Breakup of the US$ 3 billion medical technology industry (2007)

- In-vitro Diagnostics: 37%
- Other Medical Equipments: 35%
- Implantable Medical Devices: 22%
- Medical Consumables: 19%
- Medical Software and Others: 11%

- Source: Ernst & Young

Pharmaceutical / Consumer Healthcare

- Accounts for two percent of the world’s pharmaceutical market.
- The Indian pharmaceutical sector has an estimated market value of about US $8 billion.
- It is at 4th rank in terms of total pharmaceutical production and 13th in terms of value.
- It is growing at an average rate of 7.2%.
- It is expected to grow to US $12 billion by 2010.

Health Insurance

- Less than 15% of population is covered through pre paid insurance schemes.
- Medical Claim schemes has less than 3.5 million members.
- 3.4% Population is covered through ESI Scheme.
- 5% Population is covered by Employer Schemes.
- 5% Population is covered through Community Insurance Schemes.
- 85% Population pays out of pocket, known as private spending.
- Slow entry of Health Insurance companies, due to regulatory issues and market dynamics.
- In the last two years growth of insurance cover is 100%.

Healthcare IT

- Hospitals and other healthcare businesses are realising that IT can be a great tool to increase efficiencies.
- IT companies are offering wide ranging solutions.
- Indian IT market is poised to be US$ 250 million by 2012.

INDIAN HEALTHCARE CAPABILITY

- Over 60,000 cardiac surgeries done per year with outcomes at par with international standards.
- Multi organ transplants like Renal, Liver, Heart, Bone Marrow Transplants, are successfully performed at one tenth the cost.
- Patients from over 55 countries treated at Indian Hospitals.
India’s Gift: Traditional System of Medicine

- Unique medical value services to foreign patients that supersedes the competition:
  - Yoga
  - Meditation /Spiritualism
  - Ayurveda healing

- “India offers a unique basket of services to an individual that is difficult to match by other countries” (CII)

- Less regulatory & legal problems

HEALTH CARE....THE SUNRISE INDUSTRY

“Physicians, Nurses, Medical Technicians and Other Scientific Occupations will Become Growth Industries to Rival the IT Sector within the Next Decade”

India Vision 2020 Report

COST ADVANTAGE

<table>
<thead>
<tr>
<th>PROCEDURE</th>
<th>COST (US$)</th>
<th>USA</th>
<th>INDIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heart Surgery</td>
<td>30,000</td>
<td>6,000</td>
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<tr>
<td>Bone Marrow Transplant</td>
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<tr>
<td>Liver Transplant</td>
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<tr>
<td>Orthopedic Surgery</td>
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<tr>
<td>Cosmetic Surgery</td>
<td>20,000</td>
<td>2,000</td>
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</tbody>
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Bright Prospects For Medical Tourism: CII-McKinsey Study

Economic Times dated July 34 2003

Clinical Research And Medical Services(CRAMS)

- CRAMS industry in India is at a nascent stage and set for multi year secular growth trend

- Penetration level of CRAMS in India is just 2.7% of global outsourcing

- Expect Indian outsourcing market to grow 3.6% to US$4.2bn by 2011

Stronger India after Global Recession

- With India entering the growth cyclical phase, Indian industries have grown fast and high to attain world scale

- Major driver is the cost advantage India enjoys in terms of employee cost, comparatively lower rentals for space etc.

- The reduction of import duties on medical devices/equipment: an incentive for companies to export their products
Stronger India after Global Recession

- There are several agents and distributors for these products in India
- Robust growth opportunities in outsourcing
- India’s recognition on the global stage as a quality provider in healthcare which is responsible for driving the booming medical tourism business