

NOVEL HEALTHCARE (HOSPITALS) – CREATION AN INDIAN PERSPECTIVE

G. NAGARAJAN*; DR. J. KHAJA SHERIFF**

*ASSISTANT PROFESSOR,
DEPARTMENT OF MANAGEMENT STUDIES,
INDIRA INSTITUTE OF MANAGEMENT & RESEARCH,
PANDUR, THIRUVALLUR . TAMILNADU.

**ASSISTANT PROFESSOR,
DEPARTMENT OF MANAGEMENT STUDIES
UNIVERSITY OF MADRAS, CHENNAI . TAMILNADU.

ABSTRACT

The Healthcare sector as an industry is expanding rapidly and has not been severely impacted by the recent economic slowdown as some of the other industries. It comprises of hospital services, diagnostic services, diagnostic products, medical technology, clinical trial services and clinical research organizations. This sector is predominantly privatized and accounts for more than 80% of total healthcare spending in India with almost 75 to 80 % of hospitals being managed by private sector. Every doctor / entrepreneur will wish to start a business (hospital) in order to provide good healthcare facilities in the locality. A study on the trends of facilities available for healthcare in the locality will provide insight for starting a hospital. Also the expectancy of the population will matter a lot and the service provided will lead to the growth /decline of the new establishment.

KEYWORDS: Doctors, Entrepreneur, Healthcare Facility, Locality, Population, Hospital.

Healthcare Sector in India

The Indian hospital industry was estimated to be worth about USD 44 billion as of 2010 and is predicted to be worth around USD 280 billion by 2020. Further, the Indian hospital service industry is projected to grow at a compounded annual growth rate of more than 9%. It is undergoing metamorphosis by broadening focus of the services by using technology, deliverables and newer applications. The hospitals that were confined to a specified area with limited infrastructure and services are now expanding mainly due to the foreign investment being received by the sector.

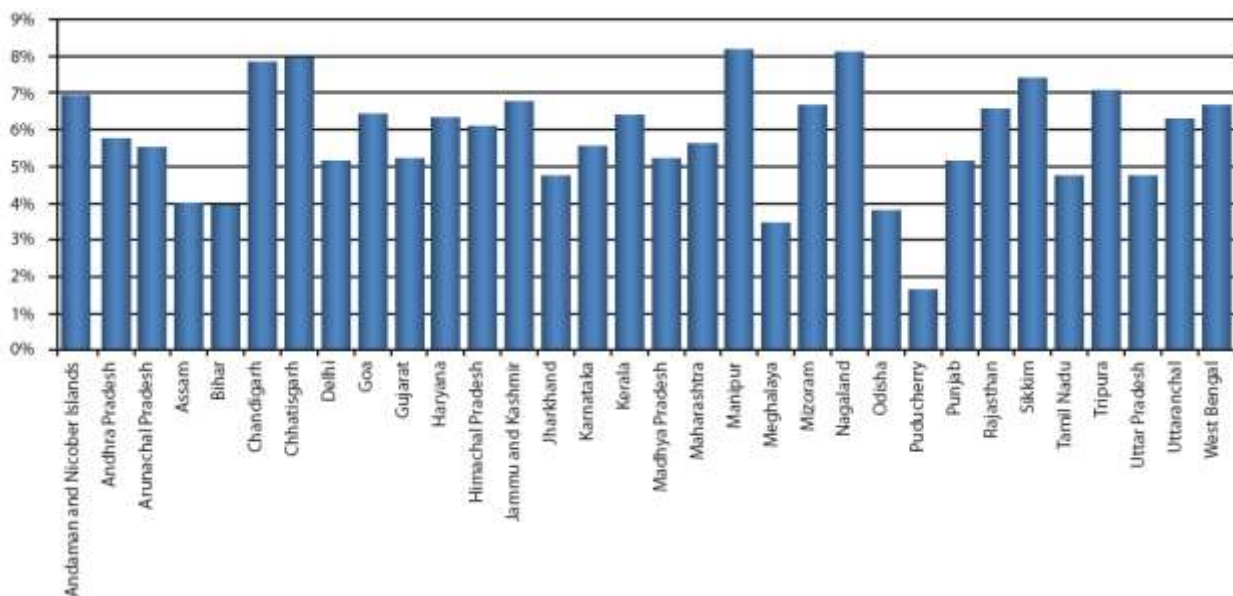
The Indian Healthcare sector is emerging as one of the fast-growing service sectors in India, contributing 6% to the country's growth domestic product (GDP).According to 2001 population norms, there was still a shortage of 4,477 primary healthcare centers and 2,337 community healthcare centers and India would require 1.75 million beds by 2025. Over 6800 more hospitals are needed in India to provide basic health facilities to people in rural areas. In the

recent past various hospitality brands such as Fortis, Apollo, Max, Global and Care have started aggressive expansion in the country.

The Indian Healthcare Sector is expected to reach US\$100 billion by 2015 from the current US\$ 65 billion, growing at around 20% a year, according to rating agency Fitch. Some of the major factors driving the growth in the sector include increasing population, growing lifestyle related health issues, cheaper cost of treatment, thrust in medical tourism, improved health insurance penetration, increasing disposable income, government initiatives and focus on Public Private Partnership (PPP) model table 1.

Private Healthcare is coming forth as one of the fastest growing sectors in India, with chain hospital explorations into various cities (such as metros and tier II cities across the country), private players seeking accreditation and developing new healthcare models in recent days. Further, various states have launched innovative initiatives to attract PPP investments into healthcare space. These Public Private Partnership initiatives may help in improving the infrastructure and healthcare provision in the country for the needs raised.

Table 1. Average annual growth rate forecast in healthcare infrastructure expenditure 2009-2013



Source: (Global Infrastructure: Trend Monitor Indian Healthcare Edition: Outlook 2009–2013, KPMG

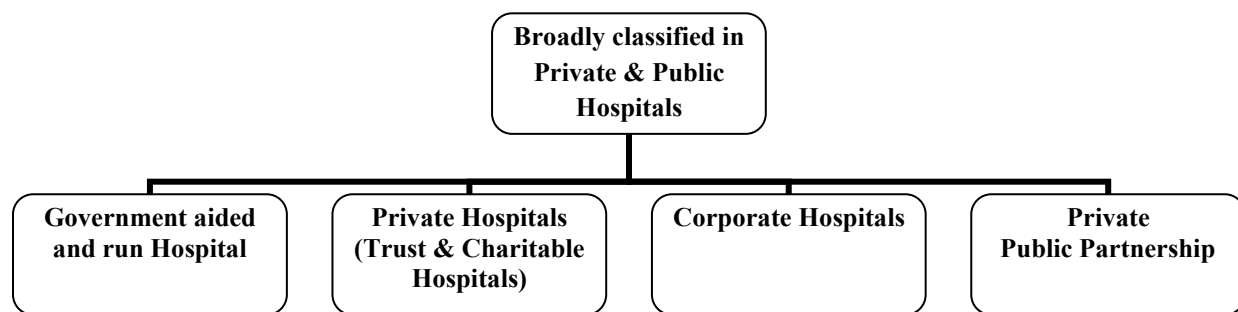
Average annual growth rate forecast in healthcare infrastructure expenditure 2009-2013)

While the above facts are staggering and encouraging, setting up a hospital has become an interesting investment option for entrepreneur in the private sector with the growing apathy of government towards. This sector for the last decade has given opportunity for private sector growth in this field. With India shining story healthcare sector has witnessed expansion in the past 5 years and even witnessing now every new development has its sets of challenges.

Sector specifics:

- Hospital and diagnostic centre’s FDI inflow was US\$ 1.3 billion during April 2000 and March 2012, according to the latest Department of Industrial Policy & Promotion (DIPP) data
- Medical and surgical appliances FDI inflow stood at US\$521.6 million during the same period, according to DIPP data
- The drugs & pharmaceuticals sector has attracted FDI worth US\$9.2 billion between April 2000 and March 2012
- Medical tourism in India has also received a boost with arrival of patients from countries with advanced medical system. This underlines the fact that India has good infrastructure and talent. According to a new report by RNCOS, titled “Booming Medical Tourism in India” India’s share in Global Medical Tourism Industry will reach around 3% by end of 2013. The report states that medical tourism is expected to generate revenue around US\$ 3 billion by 2013 growing at CAGR of around 26% during 2011-2013. The number of medical tourist is expected to grow at a CAGR over 19% during forecast period to reach 1.3 million by 2013
- The Indian health insurance market is also on upsurge providing lucrative growth avenue for both the existing players as well as the new entrants. According to RNCOS report, the health insurance market is one of the fastest growing & second largest non-life insurance segments in the country. Posting tremendous growth in last two fiscals, the health insurance premium is expected to grow at a CAGR of over 25% for period spanning 2009-2010 to 2013-2014.

According to a survey conducted by consulting firm, Grant Thornton, India is expected to witness largest number of mergers and acquisitions in the pharmaceutical & healthcare sector in 2012.



- Government aided and run Hospital
- Private Hospitals (Trust & Charitable Hospitals)
- Corporate Hospitals
- Private Public Partnership

Healthcare Delivery shapes:

- Primary Care
- Secondary Care
- Tertiary Care
- Quaternary Care and Home & Community Care

Competition for a new Hospital

Nearby Established Hospital -The hospitals (Private or Public Set ups) have been from many years and have established its independent identity or an extension arm of established chain. Have Drs established repute among the nearby GP fraternity and won patient's trusts and confidence with competent staff and care for patient in set ups operating.

Nursing Homes -Smaller set ups as 5-50-100-200 bedded nursing homes in neighborhood offering convenience of treatment and associated established full time or visiting consultants.

Visiting Consultants -Good nexus of referral patient's base from among Dr Fraternity and allied referral community centre's for effective PR practiced from many years.

Polyclinics -Concept in practice for years, providing convenience and specialist availability at one place. Generally located in important areas carefully selected by owners with chemist in-shop facility optionally/selectively.

Satellite Clinics- Concept gaining fast acceptance for convenience of patients and internet prevalence with electronic medical records facility and connected to group hospital and major consultants visiting with consultation at site or telemedicine facility at such centre's

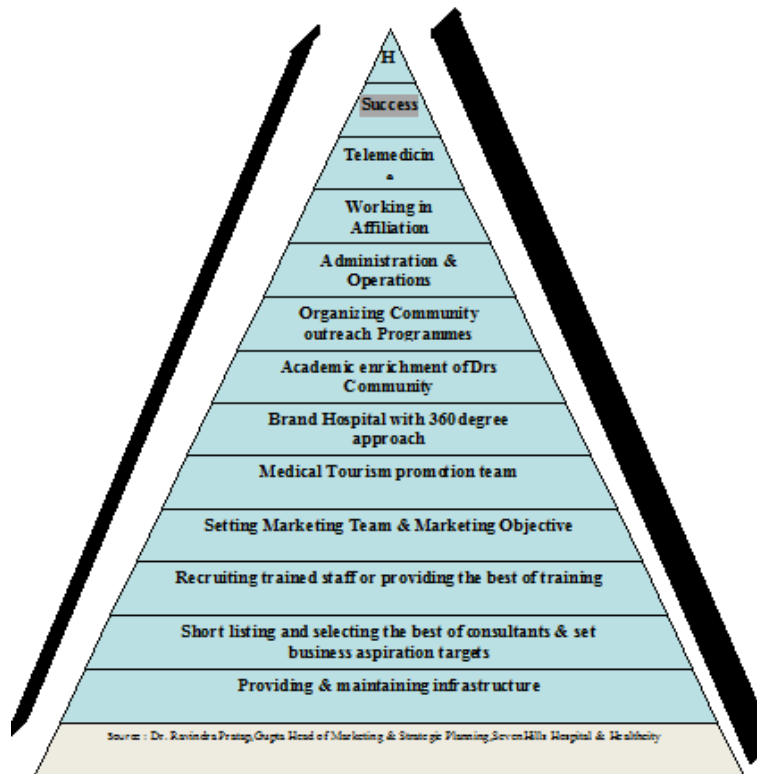
Diagnostic & Imaging Centre's -Mushrooming self managed and part of reputed chains gaining faster acceptance being in neighborhood with giving services as home sample collection & priority report facility.

Physiotherapy Centre's -Individual centre's at important locations or becoming important by way of publicity and quality services offered from time to time.

Trauma & Burn Centre's -Specialized centre's run by government and private operators doing a good service for needy patients requiring assistance

Telemedicine -With development of ICT (Information Communication Technology) as internet this branch is developing and connecting healthcare to far flung rural or less developed healthcare facility regions/areas.

A Hospital set up coming with all forms of healthcare delivery or chosen healthcare delivery (primary, secondary, tertiary healthcare) has to view all above competition in a positive way and work in synergy for providing an effective framework then only the community can benefit and cost of investment can be justified and recovered in few years, than wait for a decade and continue to be a loss making venture for years together.



Success a new hospital factors:

1. Providing & maintaining infrastructure

with all facilities planned/operational matching infrastructure, best of equipments, maintaining of the facilities etc new setups come with best of infrastructure equipped with the latest machines to excellent maintained of the facilities initially with the passage of time and less business they start deteriorating and this has become a concern. This shall be largely observed by hospital staff or by people visiting the hospitals that when hospital started its operations or expanded its services the faults in infrastructure or services were rare and hassle free operations of services was there, but

with passing times each service linked to maintenance has deteriorated. In long run providing and not maintaining Hospital infrastructure or services has impacted hospital businesses. No patient wants anything lesser in service and quality where they afford and pay than government run hospitals which provide free or subsidized treatment.

2. Short listing and selecting the best of consultants

Short listing and selecting the best of consultants & set business aspiration targets- with a will to make the brand success. Selection of Consultants is an area which is crucial to hospital success. Mix of experienced and fresh talents can be a recipe for success along with a will for succeeding for self and hospital that every consultant must emulate. The consultant's first and foremost behaviour towards his patients in terms of patiently listening the patient, educating him about his disease and the time approximation of care along with proper medication prescribed and explained to patient will make a difference in patient's outcome of treatment and choice of hospital.

Thus a consultant behaviour and attitude towards the patient apart from his clinical knowledge has a lot to do with success for any hospital he is affiliated. Consultants as well have to participate for all efforts hospital makes to promote them, most consultants attached to big hospital set ups feel their job is to see patients and marketing or marketing activity planning is not their area or left to marketing teams. Thus through hospital management business aspiration targets should be made clear to consultants with respect to new patients expected every day, so that they start thinking in that direction and support initiatives to develop the business.

3. Recruiting trained staff or providing the best of training & Motivation

To technical & and technical staff, Technical & non technical staff at all levels again can be a breed of experienced and fresher's. Skilled jobs should be filled with right matching profiles and compromise should not be made on such fronts. Then hospital must have an endeavor to see that whichever areas they are operating recruited manpower is familiar with rules and regulations. Constant training, supervision and on job mentoring is required.

Hospitals should mandatorily have a training manager to ensure the technical and non technical trainings are constantly done including soft skills as this is a service industry the best of treatment given to patients from entry in hospital to exit will make his experience worthwhile to come back again for his healthcare need. Timely appraisal and rewarding the performers will a motivation once a year. Instead best performers in the month certified by their HOD should be rewarded or acknowledged in front of all so that others to feel the need for the same. Timely promotions and increments should be based on merits as performance targeted and met.

4. Setting Marketing Team & Marketing Objective

for ensuring hospital branding & support from all healthcare providers as GP's, VC's, ensuring patient welfare activities & working partnering with all healthcare facilities in area for optimum utilization of resources.

All new hospital have to have aggressive marketing for initial few years before they get established. Marketing will always remain important as completion is brewing up with time hospital even old in system have started realizing this fact. Hospitals need to choose people very selectively largely from Pharma domain and already experienced healthcare professionals will make a difference. Hospitals need to train marketing team on various aspects of hospital in term of infrastructure, consultants and services offered. The marketing team should be always clear on competitive edge hospital has and competitive advantage if any in industry, a detail competitive intelligence data should be either available or worked out.

This aspect along with constant training will give confidence for marketing to make in roads and see success fast. Branding a part of marketing again has to have clear insight from self experience and management direction what aspects of hospital need to be focused with time. Complete branding calendar with branding budgets has to be worked strategically and ensured with 360 degree approach and see the perspective "knowledge is information rightfully given to the customers internal and external at right time". The hospital has to target patient referrals through Doctors, Corporate, Direct to customer activities, International Patients, Staff Referrals, Government Subsidy Schemes, Health/Privilege Membership card Schemes, Insurance/TPA tie-ups. The teams have to be selected based on target patient referrals and trained according

5. Medical Tourism promotion team

For giving "atithi devo bhava" ideology depiction to all international patients coming to the hospital choosing India a preferred destination for their treatment as getting international business as India being one of preferred destinations internationally.

As India is becoming one of preferred destination for medical tourism and as it generates high value business for Indian Hospital Set-ups this area if properly focused with setting up of inpatient care hospitality and marketing can be an indomitable area for success of the hospital. Hospitals should focus on getting patients from countries as US, UK, Africa, UAE etc where

people would prefer India for Health and Tourism being cost affordable. Hospital need to work budgets and plans of developing the area of Medical Tourism seriously.

Health facilitators with time if appointed in those countries along with developing relations with health and tourism departments of those countries endorsing India as preferred destination and hospital among preferred listing hospitals can make a difference. Hospital website has to be continuously updated as required with providing timely details to international patients and giving them the best of hospitality and medical care with treatment outcomes will prove as a better testimonial for next patient through marketing or word of mouth publicity.

6. Brand Hospital with 360 degree approach

Print & Digital Media Usage, internet branding exploration as update website, blogs, PR. Effective use of all promotion mix. All forms of promotion mix as advertisement (print & digital), Personal Selling (Dr's/specialist/Hospital concept Selling to GP's & consultants), Public Relations (press releases, company literature, videos, websites and annual reports), Sales Promotion (Participation in exhibitions, setting up competitions with attractive prizes, temporary price reductions, door-to-door calling, telemarketing, personal letters on other methods), Direct Marketing (direct communication with Dr's and patients) have to be used.

Appropriate branding material has to be designed based on promotional mix. For a hospital basic branding as Hospital Brochure with Department details, Consultant details is a must. Specific handouts or brochure for departments or patient awareness material as required should be planned as a part of branding calendar target.

7. Academic enrichment of Drs Community

CME's, Conference Participation, Panel Discussions. CME's, Conference Participation, and Panel Discussions will make Dr's strengths and facilities offered by the hospital exposed to larger audience of medical fraternity for improved referrals. Marketing departments should ensure this as a regular feature with proper calendar focusing Dr's and Departments to develop fast and generate increased revenues for hospital. This also serves as updating the advances in field of medicine to Dr Fraternity for improved patient outcomes.

8. Organizing Community outreach Programmes

As health camps-free & subsidized health checks, awareness talks and opinions sharing. Establishing direct patient connect with hospital community outreach programs as health camps-free & subsidized health checks, awareness talks and opinions sharing will help hospital brand name & services awareness fast in corporate (Companies) and non corporate affiliations (Housing Societies, Communities). Hospital need to have a calendar of these events with proper alignment of paramedic staff including Dr's team and support teams. Marketing team should focus regularly Organizing Community outreach Programmes as a part of marketing Calendar to ensure hospital has more direct walk-in customers.

9. Administration & Operations Effectiveness

As clarity on tariffs, competitive rates, effective patient services for IPD & OPD patients, as clarity on tariffs, competitive rates, and effective patient services for IPD & OPD patients will help gain momentum for hospital from start to long road ahead. Best of hospitals in vicinity to be monitored for competitive intelligence and benchmarking along with each and every hospital visiting patient experience should be a learning curve to prove the standards and trust of patients. Biggest hassles are faced in areas of operational inefficiencies which detaches the patient from hospital to competition. Patient feedback should be a part of audit process and necessary improvements in areas should be implemented in time bound manner. To bring patient in hospital can be one challenge but retaining patients would be other challenge which can be overcome by developing operational expertise.

10. Working in Affiliation

Polyclinic Clinic, Nursing Homes, Diagnostic Set-ups & Satellite Clinics concept. Association of hospital consultants with Polyclinic Clinic, Nursing Homes, and Diagnostic Set-ups & Satellite Clinics will help initially as well as in long run for any new set-up in a big way by getting patients from targeted areas fast than any big branding initiatives planned. Tie-up with existing Nursing Homes, Diagnostic Set-ups not having all facilities can be good referral spots for providing complete healthcare to all patients with associated bigger hospital set-ups.

Polyclinics can be a solution for cost effective way of reaching to masses in targeted areas. Setting up a satellite clinic in chosen destinations away from hospital can help as referral centre's for any new hospitals as a prolong strategy. The consultants attached to hospital should be willing to take this route to help them and hospital establish fast. Local GP, consultant & Chemist support shall be crucial along with patient awareness in Polyclinic & Satellite Clinic chosen areas.

The Hospitals taking route of affiliation with Nursing Homes, Diagnostic Set-ups or Polyclinic or Satellite Clinic set-up and working in association healthcare fraternity will develop patient base & business faster based on concept of reaching out to masses with convenience.

11. Telemedicine-For distant destinations or rural areas, concept for distant destinations or rural areas is catching up and any new hospital should not be way from this ICT revolution. Working in alliance with other providers could be an initial solution and gradually establish the technology self can help hospital becoming a national & in international player fast in this booming industry.

Challenges and Opportunities

The Industrial challenges are many owing to the fact that the healthcare sector in India is one of the largest service segment, as well it has emerged as one of the most challenging sectors in India. For the healthcare segment, the challenges are assumed to be and all major healthcare players are now targeting to new segments such as primary care and diagnostics. Demographics, health awareness and increasing capacity to spend are the key drivers of the preventive and creative healthcare segment in India. Many players are, targeting at Computer-based bio-surveillance projects, which are generating data about diseases and creating databases on healthcare in rural areas. These new implications are gaining popularity in India now.

Details of Challenges and Opportunities keys

1. To control cost of treatment
2. Access to insurance and also bring in more clarity to cashless treatment options
3. A severe shortage of qualified professionals and the workforce is concentrated in urban areas. Many Indian people, especially those who living in rural, semi urban areas, still receiving services from unqualified are providers. The migration of qualified doctors, nurses, and other medical professionals is from rural , semi-urban areas substantial.
4. The training resources, other infrastructure providing to nurses/other medical professionals in India are still inadequate. The policy a designer from government body urgently needs to address these issues maintains quality norms.
5. India would require another 1.75 million beds by the end of 2025 to reach a ratio of two beds per 1000 population.
6. According to some reports, “Quantifying the need gap taking into account the year 2020, leaves us with a shortfall of 2 million (Doctors/Physicians), 3.5 million (Nurses), 8 million (Paramedics) and bigger number of other support medical professionals in India. Going by WHO norms for developing countries, India has an acute shortfall of Doctors/Practitioners, Nurses (1.4 million and 2.8 million respectively) and also there is a acute shortage of paramedical and administrative professionals.
7. Although the health insurance sector is growing in impressive manner, the health insurance penetration rate still has a lot more scope to grow with only 2 % of the total population being insured at present.
8. In the area of diagnostic service centers, there is an acute insufficiency of good healthcare and medical service partners in most areas (semi urban and rural). These areas are isolated in terms of medical infrastructure. Few providers have already started setting up their centers; however, these initiatives would not meet primary end criteria. Another challenge would be to create a good pipeline of management resources, radiologists, sonologists, other technicians, and it needs to implement specific plans to meet elective objectives.
9. The Paramedical education system in India is seemingly the most neglected area in terms of quality and quantity, in contrast to Medical education which has produced the best of talent out comes. This situation has in fact exacerbated due to lack of focused training infrastructure, education, stringent policies, defined regulating body, several paramedical institutions that are running in the nation are unregulated with a lack of uniformity in the training imparted from them.
10. The technology advancements (i.e. the introduction of 3G), and its impact on the Indian healthcare industry will be exponential, it can change the face of current healthcare delivery models. The implementation/ availability of 3G technology will enable video broadcast, and telemedicine through wireless communications which will help accessibility of good medical care to patients in neglected/ semi urban and rural areas as well. Also, with the number of cell phone users currently at 600 million and rapidly increasing by 20 million every month, some telecom operators and value-added service developers are considering usage of mobile phones for diagnostic and treatment support, remote disease monitoring, health awareness and communication.

Conclusion

We have discussed the various factors leading to the successful operation of the new hospital industry business with good results. The neglect shown by the Indian healthcare industry policy makers needs to re-visit as this has shown a negative impact on the growth of new hospitals in this industry. We conclude that there is further scope for research in this area with the advancement of economy and technology playing a vital role.

Reference:

1. Dr. Ravindra Pratap, Gupta Head of Marketing & Strategic Planning, Seven Hills Hospital & Healthcity
2. Northbridge Capital, Hospital Sector Research, November 2010, available
3. [http://northbridgeasia.com/ResearchReports/HOSPITAL%20RESEARCH%20REPORT%20\(1\)%20\(1\).pdf](http://northbridgeasia.com/ResearchReports/HOSPITAL%20RESEARCH%20REPORT%20(1)%20(1).pdf), last visited on December 27, 2010.
4. http://myiris.com/shares/research/firstcall/HEALTHCA_20100424.pdf The Venture Intelligence survey of leading PE and VC players
5. FDI Statistics, Department of Industrial Promotion & Policy, Government of India available at http://dipp.nic.in/fdi_statistics/india_FDI_April2011.pdf last visited December 31, 2010.
6. www.health.report-mohfw@nic.in
7. www.harneedi.com