

[India]

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

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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
- 7,000 people (in a country of 300,000) took to the streets in protest
- Its economy may shrink 10 percent this year



Source: US News

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

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 Datavision ranks Argentina as having the third most expensive credit derivatives in the world

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Big Names that got Bankrupt

- Lehman brothers
- Merrill Lynch
- Fannie Mae & Freddie Mac
- AIG
- Bear stearns



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.

The data is based on the results of a business confidence survey that was done on international business people of 24 nations to identify which countries they believe are surviving the crisis the best

What makes India Relatively Recession proof

- Amid domestic and global liquidity crunch, large domestic savings and corporate retained earnings are financing investment.
- Sluggish 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.



What makes India Relatively Recession Proof

- Credit is largely channeled by domestic banks, especially state-controlled ones, which have low loan-to-deposit ratios and little exposure to toxic assets.
- IT exports have held up despite repercussions on jobs and consumer spending.
- The oil price correction cushioned India's trade deficit and large foreign exchange reserves helped the country withstand capital outflows in 2008.
- High returns in real estate and infrastructure and planned liberalization also helped boost capital inflows and asset markets when global risk appetite revived recently.

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\$ 42bn(2001) to US\$ 250 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 5.1% 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 18%+ - Fastest in the World



Healthcare sector continues to grow

Industry	Value (in Billion USD)	Growth Rate (in %)
Pharmaceutical	10	12
Hospital/ Nursing Homes	12	20
Medical Equipment	2	15
Clinical Lab Diagnostics	2	30
Imaging Diagnostics	1	30
Other Services	2	20

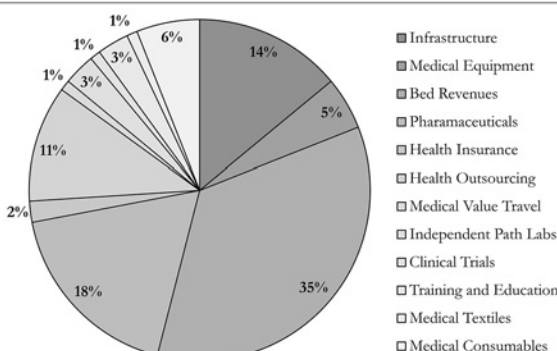
Why India is a favoured destination?

- India is one of the top 3 countries where companies plan to spend the most R&D dollars over the next 3 years.
- Favored destination ahead of countries like Israel, Philippines, Canada, China, Ireland & Russia in terms of Overall Climate (Gartner Report, January 2003)
- Home to some of the top medical/technical universities in Asia

Why India is a favoured destination?

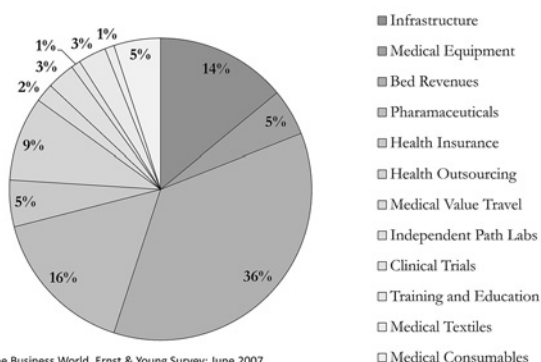
- The clinical community is populated with English speaking, western-trained graduates
- Sophisticated technological infrastructure
- 100 million plus English speaking / trained professionals (Largest outside US)
- Over 2 million science post graduates

Indian Healthcare Sector: 2006



Source: The Business World, Ernst & Young Survey; June 2007

Indian Healthcare Sector: 2012



Source: The Business World, Ernst & Young Survey; June 2007

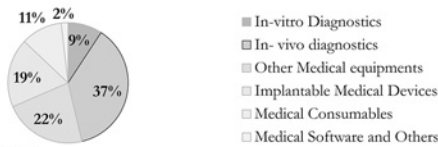
Healthcare Provider Network/ Hospitals

- 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)



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 scheme
- 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



Healthcare & Medical Tourism

Unleashing the Potential



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



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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

PROCEDURE	PROCEDURE COSTS IN INDIA & US	
	COST (US\$)	
	USA	INDIA
Heart Surgery	30,000	6,000
Bone Marrow Transplant	2,50,000	26,000
Liver Transplant	3,00,000	69,000
Orthopedic Surgery	20,000	6,000
Cosmetic Surgery	20,000	2,000

Bright Prospects For Medical Tourism: CII-McKinsey Study

OUR CORPORATE BUREAU
New Delhi, April 6

As medical costs skyrocket in the developed world, health-care tourism has "large potential" in India. It can generate Rs 5,000-10,000 crore per year for specialist tertiary hospitals by 2012, accounting for 3.5 per cent of the total health-care delivery market, according to a joint study by Confederation of Indian Industry (CII) and McKinsey.

"In comparison to most developed countries such as the UK or the US, treatment like those for dental problems or major procedures like bypass surgery or angioplasty come at a fraction of the cost of 60-80%," cardiac surgery at India's cost-one-third compared to the US," it adds. The current market for medical tourism in India is small and is mainly limited to patients from the Middle Eastern and South Asian economies.

In the light of this, the study suggested government to create medical infrastructure in the country. "India has 1 lakh per 1,000 people while China, Brazil and Thailand have an average of 4.3 beds," it said.

The project also examines demographic and disease prevalence and rising treatment costs will result in health-care spending over this doubling over the next 10 years. "Private health-care sector will be the largest component of the spending in 2012, rising to Rs 1,500 billion from the current level of Rs 600 billion."

"It may rise to around 900 billion of health insurance cover. It is available to the rich and middle class. In addition, public spending could double from Rs 170 billion if the government makes its target spending level of 2 per cent of the GDP up from 0.9 per cent today," it said.

It also highlighted major improvements faced by the sector. "There is a pressing need for qualified specialist nurses and paramedics and qualified hospital administrators. Several private hospitals have succeeded in raising education, but are concerned about long-term financial returns because India, attracted by the higher wages offered in the Gulf countries," it said.

The study also points out that India's health-care is plagued by lack of standardisation and accreditation, highlighting the need for international management expertise.

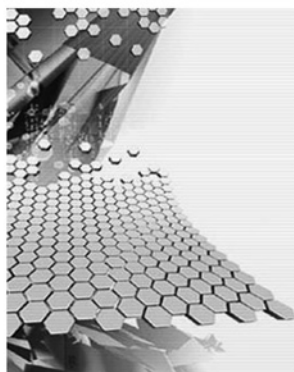
The study also points out that rapidly growing health insurance sector. "Though, less than 10 per cent of the Indian population is covered by some form of health insurance, per the coverage is increasingly rising," it said.

The voluntary health insurance market is estimated at Rs 4 billion currently but is growing fast. Industry estimates put the figure at Rs 190 billion by 2012," the study said.

Economic Times dated July 24 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 3.6x to US\$4.3bn 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



THANK YOU

