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HEALTH SECTOR TRANSFORMATION IN INDIA ON THE EVE OF GLOBALISATION - OPPORTUNITIES AND CHALLENGES

KEY WORDS:

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ABSTRACT

The article discusses the structural changes that are taking place in Indian health care sector in the emergence of globalisation process in general and changing scenario of health care financing in particular. Provision of affordable and quality health care services to billion-plus population is a greatest challenge and itself is a significant opportunity to the medical community and other service providers. However, India, despite being a signatory to the Alma Ata Declaration of 1978, which aimed at achieving "Health for All" by 2000, is still lagging behind from realising this target, even in 2019. Issues related to accessibility, affordability, availability, efficiency and quality of health care service delivery continue to pose threat to the policy makers. Multinational players at present are trying to enlarge their presence through partnerships and investments. Since January 2000, FDI is permitted up to 100 percent under the automatic route in hospitals in India. Therefore, there is growing interest among foreign investors to enter India's healthcare sector through capital investments, technology tie ups and collaborations across various fields, including diagnostics, medical equipment, hospitals and education and training. In this regard the paper tries to analyse the sectoral changes taken place in Health Care sector in general and Health Care financing in particular and to identify some of the challenges and opportunities in this sector. The study is descriptive in nature and based on the secondary data that are gathered from the books, various articles from journals, reports various Departments and other valid online sources.

INTRODUCTION

Policy of globalisation focuses on the international aspects of economic activities. The dynamics of various aspects of globalisation often drive in different ways towards changes - structural, technical, economic and social - in an economy. Health care is one of the fastest growing sectors in India. Since independence in 1947, the improvement in the status of public health has been considered to be the priority area for social development. Structural changes are taking place in the health sector at a time when the world economy is also changing rapidly with the globalisation policies. However, India, despite being a signatory to the Alma Ata Declaration of 1978, which aimed at achieving "Health for All" by 2000, is still lagging behind from realising this target, even in 2019. In this regard the Indian health care sector has been opened up to the international market by 2000. Multinational players at present are trying to enlarge their presence through partnerships and investments. There is growing interest among foreign investors to enter India's healthcare sector through capital investments, technology tie ups and collaborations across various fields including diagnostics, medical equipment, hospitals and education and training. In this regard the paper tries to analyse the sectoral changes taken place in Health Care sector in general and Health Care financing in particular and to identify some of the challenges and opportunities in this sector.

variety of macro-economic changes in different sectors of Indian economy, and health sector is not going to be an exception of this. Important among these are briefed as under:

CREATION OF NECESSARY INFRASTRUCTURE: FDI helped to increase physical capacity in the health sector, such as increasing number of hospital beds, diagnostic facilities and increasing the supply of speciality and super-speciality centres in India. Some leading hospital players like Apollo are very eager on raising funds for their expansions. India is also witnessing growth of advanced diagnostic equipments and excellent infrastructure. Apart from this, foreign investment is also useful in raising the standards and quality of health care, in upgrading technology and enlarging employment opportunities.

TECHNOLOGY-DRIVEN SERVICES: Foreign investment to some extent has reduced the rural-urban disparity in accessibility of health care services. Telemedicine is one of the most important instruments to bridge the gap between demand for and supply of health care services in rural and semi-urban areas. Growth of IT sector plays a crucial role in the provision of telemedicine in India. Tele-radiology has emerged very fast with increasing number of foreign hospitals active in this sector.

OBJECTIVES

1. To discuss the structural changes that are taking place in Indian Health Care sector in the emergence of the process of globalisation in general.
2. To analyse the changing scenario of health care financing in particular.
3. To understand the challenges of FDI in Indian Health Care sector.
4. To find out the opportunities of FDI in Indian Health Care sector.

HEALTH-SEEKING BEHAVIOUR OF THE PEOPLE: A tremendous changes can be observed in health seeking behaviour and expectations of the public. Growing awareness and concern with regard to health is to some extent due to the globalisation.

DEVELOPMENT OF TERTIARY CARE HOSPITALS: Demand for tertiary care hospitals tremendously increased in these days. Government is also encouraging this sector through the provision of certain incentives like lower import duties, higher depreciation on medical equipments and expedited visa for patients from foreign countries. As a result private providers are setting up of additional facilities to provide critical or super-speciality health care.

METHODOLOGY

The study is descriptive in nature and based on the secondary data that is gathered from the books, various articles from journals, reports of various Departments, and other valid online sources.

HEALTH INSURANCE: In 2005, the World Health Organization (WHO) passed a resolution that social health insurance should be supported as one of the strategies used to mobilise more resources for health, for risk pooling, for increasing access to health care for the poor and for delivering quality health care in all its member states and

IMPACT OF GLOBALISATION

Globalisation process has its deep impact in bringing about a

especially in low income countries (WHO 2005). The strategy is also supported by the World Bank (Hsiao and Shaw 2007). By 2000 Indian government has opened the sector to private and international players. Since then the companies are trying to improve the affordability of health care of consumers through offering attractive packages and quality services.

EMERGENCE OF INTERNATIONAL DONORS: Another significant impact of globalisation is the emergence of new and extremely well-resourced multilateral and bi-lateral donors. Their main objective is to fight particular health problems. For example, the Bill and Malinda Gates Foundation, the Global Fund to combat AIDS, TB and malaria and George E Bush's Presidential Emergency Plan for AIDS Relief (PEPFAR)

GLOBAL GOVERNANCE: Globalisation resulted in a shift from national to global governance which compelled the economies to enforce international policies, rules, standards and structure. Here, the WTO agreement on TRIPs especially with regard to pharmaceuticals is a good example. (Guljit K. Arora, 2005) Intellectual Property Rights like patents etc. make some special treatment inaccessible to the poor. For example, the cost of standard treatment of AIDS is so high. Absence of competition to the reputed international firms and rise in drug price make the health care services out of reach of the needy poor. The opening of health sector to free trade under WTO agreements has affected adversely the equitable distribution of healthcare services.

MEDICAL TOURISM: India has recently become a significant destination for medical tourism. The Indian government predicts that India's health-care industry could grow at 13% in each of the next six years, boosted by medical tourism, which industry watchers say is growing at 30% annually. Medical tourism is limited to going to large specialist hospitals run by corporate entities. Medical tourism is thus promoting an internal brain drain of health professionals into private corporate hospitals which are located at large metropolitan cities. (National Coordination Committee, Jan Swasthya Abhiyan)

MIGRATION AND HEALTH RISKS: Globalisation induced the international mobility of labour which has benefited the workforce to upgrade the economic condition. But at the same time has made the communities to expose to various health shocks. The good example is of the spread of HIV/AIDS – a deadly infectious disease which was intensified by the transnational travel and migration.

CHANGE IN THE LIFESTYLE: Globalisation has also led to the demographic transition. Change in the lifestyle and food-habit which is the impact of globalisation causes stress-related diseases and which in turn increasing the consumption of alcohol, tobacco and narcotic drugs.

REDUCTION IN THE FISCAL CAPACITY: Globalisation induced market-driven national economic policies have reduced the fiscal capacity of the Centre as well as State Governments. The governments are supposed to reduce and remove a number of taxes like import duties and export duties, rationalise the system of public finance – all had squeezed the size of public revenue.

In this regard we can say that health gains from globalisation are likely to be positive only if economic inequalities are reduced, equality in the access to healthcare infrastructure is promoted, regulatory policies are effective and strong, social safety nets are well placed, and the provisions to enter the global markets are more inclusive.

CHALLENGES

Reforms and policy changes have led to uncertainty in the health care industry which has restricted the potential foreign

investors to enter into the sector. The Indian government does not have a clear guideline policy with regard to the health sector. Moreover, in-depth knowledge and information about the local market, health care set-up, needs and requirements of the people is very much necessary to an overseas institution to enter into the domestic health care industry. (Mr. Ramaiah Itumalla and Dr. GVRK Achutaryulu)

India's healthcare infrastructure is poor and inadequate. The physical infrastructure and availability of personnel in hospitals is highly insufficient. While India has several centres of excellence in healthcare delivery, these facilities are limited in their ability to drive healthcare standards because of the poor condition of the infrastructure in the vast majority of the country which acts as an impediment to foreign investment.

India has become unattractive to the foreign investors due to bureaucratic problems like license and red tape, issues of income flow, difficulties in developing business, financial control and corruption.

High set-up cost of Rs. 50 lakh per bed and very high gestation period is another challenge faced by the sector. Land procurement in big city is a great challenge. Apart from this the import of medical equipments and tools also raise the cost of hospital set-up. Due to the heavy set-up cost it takes more than five years to reach break-even and few more years to earn profit.

Depreciation of Rupee is another hurdle for the growth of foreign investment in hospital sector. Depreciation of Rupee has resulted in a rise in the price of imported equipments by 30% (despite of recent reduction in import duty) which in turn shifted the focus to adding beds in existing facilities than full-fledged expansion. (Ujjwal Kumar, IICA, 2012)

Thin spread of insurance has limited the accessibility and affordability to health care to the poor and middle income people. It is estimated that less than 5% of the total population are insured against health risks. Low penetration of health insurance limits the consumer base to the hospitals which makes investment risky.

Supply of quality medical personnel at all levels is hampered by the restriction and inadequate regulation on medical education and training providers. Human resources - doctors, nurses, paramedics etc. - are becoming a major challenge for all public or private hospitals, both in terms of quantity and quality. (Ujjwal Kumar, IICA, 2012)

OPPORTUNITIES

The Government of India through its fiscal and foreign trade policy reforms has facilitated the entry of foreign investors into the economy. In addition to this there are a number of unexplored opportunities which need to be utilised.

There is a huge gap between the demand and supply conditions in health care sector. Demand for tertiary care and speciality service is increasing tremendously (Dr. R Sarvamangala). Moreover the existing health care provisions, say, physical infrastructure, personnel, is far below the international standards. It is estimated that over a million beds have to be added to attain this 1.85 ratio, which translates into a total investment of \$78 billion (Rs. 350,830 crore) in health infrastructure. An additional 800,000 physicians are required over the next 10 years, which translates into huge investments in training facilities and equipment. In order to reach even 50-75 percent of the present levels of other developing countries, the sector will require an estimated investment of \$20-30 billion. Thus, India's healthcare sector needs to scale up considerably in terms of the availability and quality of its physical infrastructure as well as human resources. (Mr. Ramaiah Itumalla and Dr. GVRK Achutaryulu)

Poor performance of the public hospitals has made people to look into the private sector care. Empanelment of private hospitals under various private and social health insurance schemes also led to an increase in the demand for private care. Growing demand for private care is providing ample opportunity to the foreign health care providers.

Health insurance is another potential area. Percentage of population come under the umbrella of health insurance is very insignificant. Micro insurance is the most suitable model to the developing nature of Indian economy which remains unutilised/ underutilised so far.

Growing middle class and changing demography is another potential area for foreign investors. Changing life-style, outlook, tastes and preferences not only increased the demand but also changed the pattern of demand for health care. Demand for non-essential services like cosmetic surgery etc. is expanding the ground for foreign players.

Significantly low presence of physicians in rural and semi-urban areas has led to the limited access to proper healthcare facilities for the people living in these areas. Telemedicine is considered to be one of the solutions to this lacuna in accessibility to health care services in rural and semi-urban areas. Many hospitals have adopted the approach of public – private partnerships (PPP) to render services through telemedicine. India has tremendous potential in this area. (Mr. Ramaiah Itumalla and Dr. G V R K Achutaryulu)

Even investment into the sector of manufacture of medical equipments is one of the most attractive areas for investment. The medical equipment manufacturing industry is expected to grow in tandem with hospital sector which is expected to grow to US\$ 60 billion by 2016. The medical and surgical appliances industry is clearly a high growth segment in the healthcare sector and hence greater opportunities are there for foreign investors. (Mr. Ramaiah Itumalla and Dr. G V R K Achutaryulu)

Medical tourism is another potential area. Medical tourism market has grown at a rate of more than 27% between 2009 and 2012 and has generated US\$ 2.4 billion by 2012. (Mr. Ramaiah Itumalla and Dr. G V R K Achutaryulu) There is a need to upgrade the service standard to the international-level so as to increase the value of this sector.

CONCLUSION

“Globalise or be globalised”

The countries which seek growth must start to look beyond their own borders. Globalisation can promote the growth leaving the benefits of comparative cost advantages. But economists often describe globalisation as a 'double-edged sword'. There are both positive and adverse impacts on the economy which enters the global stage. Health sector in India is also not an exception to this. Benefits of globalisation would only be realised under proper and efficient regulatory environment. Global investors can materialise the 'Alma Ata' Declaration (Health for All) by examining the challenges first and by utilising the opportunities next.

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