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Patients wait for treatment in the corridor of the Acharya Tulsi Regional Cancer Treatment & Research Institute in Bikaner, Rajasthan, India. Prashanth Vishwanathan / Bloomberg News

Indians faced with overcrowded public hospitals turn to private clinics

Rebecca Bundhun

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A few days ago Arvind Jadhav visited a private clinic in Mumbai for a regular check-up. The 56-year-old ports worker and his family are in good health – but he still spends 10 to 12 per cent of his annual income of 800,000 rupees (Dh48,306) on health care.

"I don't use general hospitals," he says. "You can't get things done on time there."

With the public health care system overburdened, Indians from middle-class and low-income backgrounds are increasingly turning to private health care and companies are looking at ways of reaching the masses through affordable healthcare initiatives. India's healthcare sector is growing annually at 15 per cent and is expected to reach US$250 billion by 2020, according to PwC.

But profitability remains elusive for many of those trying to offer low-cost health care to the lower income groups.

"Addressing that particular segment is a large business opportunity for investors, for entrepreneurs, for people in the healthcare field," says Krishnan Ganesh, the chairman and co-founder of Portea Medical, a home healthcare company based in Bangalore. "The opportunity is huge. The multibillion-dollar question really is how do you address that profitably and build a commercially sustainable and viable business model?"

Public hospitals in some states are completely free for citizens, while others might charge patients nominal fees. So-called lifestyle diseases, such as diabetes and heart conditions, are rising in India with the proliferation of fast food and unhealthier lifestyles, creating more demand for treatment. Rising incomes amid economic growth also mean that people have more money to spend on health care.

"Unlike in Europe or developed countries, the public health care in India is woefully inadequate," says Mr Ganesh. "Unless you absolutely have no other choice, you don't go there. On the positive side, for all layers of society – right from wealthy individuals to middle class to lower-middle class to lower income group, there exists to some extent multiple private healthcare opportunities. People have found private solutions to something which ideally should have been a government or public solution."

Most of the healthcare infrastructure is concentrated in the larger cities.

"Because of the vast geographical diversity of India, the affordability problem is compounded by the accessibility problem," says Mr Ganesh, adding that an ageing population and chronic diseases in India are major concerns. "In many areas, we just don't have enough healthcare facilities."

He believes the answer lies in tackling these issues and generating profits lies in technology.

"Technology, tele-medicine, mobile health – these are all potentially the way to break the affordability and accessibility healthcare problem in India."

Having a centralised team of specialist doctors and sending them information on patients in remote areas through the internet, along with using computers for diagnostics, brings down costs, he explains.

"Because of smartphones, because of tablets, because of internet and broadband availability, it is possible to think of such a model."

The private sector's share of the Indian healthcare market is expected to increase to 81 per cent by next year compared to 66 per cent in 2005, according to a report by Equentis Capital.

It comes as no surprise that GNRC, the private healthcare company founded by Dr Nomal Chandra Borah in the north-eastern state of Assam, went along that route. GNRC's first two hospitals focused have been targeting the higher income groups that make up 15 to 20 per cent of India's population. This is because the model – widely used in the West – made more financial sense.

"Over a period of time, we realised that the remaining 80 to 85 per cent were not able to afford the services, which is why we started thinking about creating a format to make it affordable to the large majority of people," Dr Borah says.

To this end, GNRC this year launched an "ultra-low-cost" hospital in Assam, GNRC North Guwahati, which recently received a grant of $150,000 from the World Bank to develop its operating model. The hospital charges, for example, between 60 and 120 rupees for a consultation with a doctor and just 900 rupees for a CT scan.

Consultation fees at a private clinic vary, but they typically cost upwards of 500 rupees, while a CT scan is about 4,000 rupees.

"There is a dire need for affordable health care in India," says Dr Borah. "In almost all the private-sector hospitals, 80 per cent cannot afford to come there because of the cost. They are compelled to go to the public hospitals, which are overburdened with patients. There's a lack of quality assurance because of the load of patients in the public hospitals almost everywhere in the country. It is very, very important that we create a system of health care in the private sector too that becomes affordable to the large majority of the people."

The hospital is focusing on attracting large numbers of patients to generate revenues.

"It's a volume game," he says. "The footfall is increasing, which makes this type of model economically sustainable."

The hospital treated more than 40,000 patients within its first six months of opening and is forecasting that by the end of the year it will have received at least 150,000 patients.

But how does the hospital ensure its quality of services given the sheer volume? The answer, Dr Borah says, is through the use of quality equipment and offering services such as CT scan 24 hours a day. The hospital also tries to treat its patients through its outpatient departments as much as possible.

Eventually, he expects the model to become profitable.

"Once we create a success story and make it profitable, I'm sure many more players will come to emulate this model," adds Dr Borah.

Industry players also point to deficiencies in other areas associated with health care.

Dr MG Bhat, the medical director of Nova Specialty Hospitals, says the insurance sector is also lagging. "At the moment insurance plays a small role in India," he says. "If India can improve the insurance sector, they'll make it more affordable to people."

One of the factors behind the shortfall is because many insurance providers focus almost exclusively on more lucrative corporate deals rather than targeting individuals, he says.

Nova last month introduced an option to pay for treatment in monthly instalments of up to a year to make its services accessible.

Indus Health Plus, which facilitates preventive health check-ups, has partnered with private clinics to sell packages to customers at cheaper rates.

"We are focused on bringing the cost down so preventative health care becomes more affordable," says Amol Naikawadi, the joint managing director at Indus Health Plus. "We work as a bulk player in the segment."

Through this scheme, Mr Jadhav paid a discounted price of 17,000 rupees – about half of what the clinic would ordinarily charge for a similar package – for his comprehensive health check, which included scans, blood tests, and an eye test.

He hopes that by investing in regular check-ups he can avoid costly health care bills in the future.

"Because of old age, it's very necessary to try to prevent problems rather than get sick," he says.