

Pre-Conference Symposium – Successful Healthcare Models

Day & Date: Friday, 6th May 2016
Time: 10:00 am to 1:00 pm
Venue: Auditorium, Symbiosis International University, Lavale campus, Pune
Speakers: Dr. Ravindra Karanjekar, CEO, Jupiter Hospital
Mr. Shushobhan Dasgupta, MD, India, Johnson & Johnson
Mr. Aniruddha Rajukar, Head India Business, Dr. Reddy Laboratory Ltd.
Mr. Kaushik Sen, Co-Founder & CEO, Healthsprings
Report prepared by: Dr. Nidhi Gagneja, Student, MBA - HHM (2015-2017)
Dr. Samrudhi Gundale, Student, MBA - HHM (2015-2017)
Dr. Rashmi Arya, Student, MBA - HHM (2015-2017)

The session was anchored by Ms. Shobha Mishra, Senior Director, FICCI. She is associated with higher education sector in FICCI. She takes care of FICCI Health Summit which brought internationalization of Indian Health Education and she is on central council of many universities. She introduced all the speakers and invited them to take their seats. The theme was “SUSTAINABLE HEALTHCARE MODELS”.

India has made a lot of progress on many areas but unfortunately we have not been able to meet Millennium Development Goals. There are multiple challenges but the biggest one is population, whatever progress we make gets neutralised because of the population explosion. In India, there is a 62% decrease in under five child mortality from 1990 against a global average of approximately 53%. This has to be further decreased to 25 per 1000 births which is a huge challenge that we are facing today. According to SDG, we have to increase our health index from 0.7 to 0.9 which includes the health status of population, the quality of health care institution and financial instrument that we need to make healthcare accessible to all. Revenue required for this is 880 Billion USD. It is a huge challenge as only 1% of our GDP is spend on public health and for this we need complete reengineering of health

systems, innovative models not only in healthcare delivery but also in fields like diagnostics, drug discovery etc. Technology has taken over the healthcare systems.

Indian healthcare system is about 100 Billion USD and is growing at CAGR of 16%. It has potential to expand to 280 Billion USD industry by 2020. For this healthcare has to become inclusive which includes tier 2 and 3 cities. We need about 1.54 million doctor and 2.4 million nurses to meet global average requirement.

No single model is perfect model. A successful model includes many factors. The first and foremost thing is financial success. A hospital which is financially successful is sustainable for longer time. The funding of the hospital can be from Government for public hospitals. In case of a private hospital or a charitable trust, the funding comes from a person or family. ESIS hospitals have limited objectives as they are meant to serve limited population i.e. only employees. The upcoming trend is short stay hospital. These hospitals will work differently and their success will be measured differently. Financial success is always measured by considering profit after tax, interest, depreciation i.e. EBITDA should be good for private hospital. The vision and mission of the hospital is important to measure its success. Any change in vision and mission of the hospital will lead to change in hospital quality, perception. This generally happens when the charge of the hospital is handed over to next generation.

Growth has to be timely. The advances in technology have to be kept at pace. Technological advancements change the way hospitals treat patients. The hospitals which don't adapt to these changes land up in situation where they have to fight for their survival and existence.

Another important factor to run a hospital is manpower retention. Skilled personnel are as asset to the hospital. You lose them, you lose everything. The majority revenue generated from hospital is mainly due to top 5 or 6 consultants that the hospital has. There is an annual increase in price of equipments, consumables, salaries of staff and there is a capping on the cost of procedures. This makes it difficult to maintain the profit margins. High attrition of staff also increases the cost and decreases the profit. So, staff should be provided and well taken care of. Important factors for successful hospital are:

- Commitment to vision
- Will to adapt to changing times and trends

- Judicial employment of resources

Short term success adds financial value to the hospital. These days' new hospitals also have a good top line as well as a good bottom line but the success may not be sustainable. Sustainability is long term so a hospital should have a good long term performance. The location of the hospital is crucial for its success. You must keep in mind that any hospital may come up in the vicinity of your hospital and may affect the patient inflow and profitability of the hospital. To combat that you must have a contingency plan.

Consultants are the ones who make or break a hospital as a brand. Others contribute to the efficiency and effectiveness of hospital. All factors together make a good hospital. Patient's perception and academic research adds to the success of the hospital. It is fine blend of all factors that lead to a formation of good, efficient hospital. The ingredients for it may change; the way to use them may also change. **THERE IS NO MAGIC FORMULA FOR SUCCESSFUL HOSPITAL.**

Only 6-7% of population of India has proper insurance. In countries which have successful healthcare model, insurance can't be small. Approximately 23% insurance has very basic insurance and avail it as a tax saving tool. Approximately 70% of the population pay out of pocket for availing medical facilities.

KPMG report says that Medical technology business is expected to grow at rapid pace. Medical technology will bring more innovation. It will become easier for clinicians to address issues in term of clinical deficiencies and that would help us in having better outcomes. Non communicable diseases like diabetes, cardiovascular problems, oncology, obesity, COPD, liver problems are entering India and awareness towards these diseases in far lower compared to diseases like diseases like AIDS, tuberculosis, polio etc.

It is important to create awareness regarding these diseases and create a value that prevention of these diseases is way better than cure. Cost of prevention is lower than the cost of treatment. 70-80% of healthcare is delivered by nursing homes. Standardization of systems, in terms of quality is required to deliver successful outcomes. The gap between the infrastructure facilities is being talked about a lot lately with the Government. The Government needs to increase spending in healthcare system. To have a strong economic

growth, the government should spend more on preventive measures rather than curative measures. Capitation model should be followed by our government. Capitation model means doctor/group of doctors should be assured a certain sum of money in term of number of people he/they serves. The Government of India needs to take step towards MAKE IN INDIA in the field of devices and technology. The healthcare system should be ethical; else it will only lead to short term success.

It is important for us to understand that whether the product that is differentiated is targeting the poor or it is targeting the rich people. To have a good healthcare model, segmentation should be done clearly. Lastly affordability and access to medical device facility has to be increased. The accessibility and consumption of the medical devices is very low in India. India's per capita spending on medical devices is \$ 4 with 1.2 billion populations whereas the per capita spending of China is \$10 with 1.3 billion populations. Whole system revolves around 4 A's and 5 P's model. Four A's are access, adoption of skills, affordability, assurance and trust.

Key trends which will define the future development:

- Development of skills of surgeons
- Home care
- Local innovative products
- E-commerce (It is not allowed in India)
- Robotic surgeries
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Government doesn't know and understand the importance of medical technology. That's where the business model will work in terms of how we are able to shape the political agenda of Government and make them understand how important it is to have good medical technology.

There is decrease in family medicine. Rate of sending a patient to a hospital is 2% and to a specialist is less than 5%. Most of the cases are handled efficiently at HEALTHSPRING.

There is only quality in healthcare and that is high quality. Healthcare has to be standard based. In primary care the number of efficient and good doctors has to be increased. Next important thing is ethics.

Last two decade has seen a great shift in trend related to people entering the profession. The trust factor of patient has declined in last two decades.

There is an increase in complexity of healthcare system. In India 95% of physician are entrepreneur. It is important to keep in mind that people who doesn't have their own setup, especially women, tends to drop this profession at some point of time because they feel that they are under paid. The attrition rate is also becoming high in medical profession.