

Private Sector in Medical Care (A Brief Survey)

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The increasing penetration of high technology equipment is making medical care a profitable venture and has provided a fillip to the expansion of the private sector, which in health care comprise clinics, nursing homes, hospitals, pathological labs and diagnostic centres. What are the factors which have led to this development? What are the implications for health care?

WHILE only a few years back there were hardly any hospitals which offered super specialist services outside major metropolitan centres, now a large number of private hospitals and diagnostic centres have come up in all major cities. Some of these organisations are corporate enterprises which are run like regular business concerns by floating shares in the market. Big business groups like Tata, Hinduja, Modi and Escorts and regional groups like Standard Organics Ltd in Hyderabad and Apollo Hospitals Ltd. in Madras have diversified into Medical care

Whether in larger hospitals, nursing homes, diagnostic centres or pathological labs, high technology medical equipment like scanners nuclear gamma camera, lithotripters, auto-analysers and the like have come to play a crucial role for diagnostic and therapeutic purposes. Nearly 80% of all medical equipment is imported through companies like Siemens of Germany, General Electric of USA, Dornier and Hitachi.¹ Although equipment costs are high, imports are rising quickly. While in 1980 alone Rs. 20 crore worth of equipment was imported, by 1986-87 it had risen to Rs. 65 crores. According to an estimate, imports are expected to rise at the rate of twenty percent annually for the next three years. The trend of increase in import of high technology medical equipment is essentially a fall out of the liberalisation of procedures by the Government on import of technology. In the case of medical equipment the government has reduced import duties from 107 per cent to a mere 40 per cent. In addition, total duty exemption has been granted to hospitals and diagnostic centres willing to treat at least 40 per cent of their patients free of cost. In the case of non-resident Indian (NRI) investors exemption from import duties is granted if at least 25 per cent of the patients are offered free treatment.

The liberalisation of import duties coupled with increase in the income of middle and upper middle classes has resulted in the demand for consumer durables and luxuries. This, naturally, has had an effect on health care as well. A number of large projects have been initiated and several existing hospitals are being expanded and upgraded by business groups and private trusts across several States in the country.

According to a market survey report by a leading pharmaceutical company, in Uttar Pradesh, the Modi group of industries is establishing a super specialist hospital in

Modinagar with emphasis on specialities like paediatric, cardiology and cancer treatment. The project is valued around Rs.200 million and is nearing completion. Apart from this several smaller projects have been initiated in major cities of North India. In New Delhi the cancer treatment facility for the 1000 bed All India Institute of Medical Sciences is being developed in cooperation with the Rotary Club of New Delhi. The estimated cost of this project is to reach over Rs. 100 million. In addition a number of large hospitals and diagnostic centres have also been set up with NRI collaboration in New Delhi.

A sizeable number of large private hospitals have mushroomed in States like Maharashtra, Kerala and Andhra Pradesh over the last few years. In Maharashtra, Bombay has three or four large projects in the offing. The Hinduja business family from London is funding the expansion and renovation of their 100-bedded National Hospital to a 300-bedded modern general hospital with the latest diagnostic equipment. The hospital proposes to offer specialised services in ophthalmic and orthopaedic surgery.

The Indian Cancer Society in Bombay has initiated the construction of a new cancer hospital which is valued at Rs. 200 million. Yet another 200-bedded hospital is being built by the Mahavir Health Foundation which is a charitable trust. The estimated cost of this project is Rs. 100.50 million and will specialise in cardiac and kidney diseases. The Bhatia General Hospital which is run by a private trust in Bombay has been expanded at a cost of Rs. 20 million with super specialist service like cardio-therapy, ultra sonic imaging and clinical analyses equipment. The mushrooming of private hospitals in Maharashtra is by no means confined to Bombay. Karad town in Satara district of Maharashtra has a 200-bed private hospital started with an investment of Rs. 30 million to provide for construction and initial costs. Since the project is located in a small town it is expecting to provide services to surrounding villages as well.

In Kerala there has been a state-wide boom in private hospitals. According to a survey conducted by the Bureau of Economics and Statistics in 1986, there were 1,953 government institutions with a bed strength of 38,133 as against 3,585 private hospitals with 50,766 beds.² While cities like Trivandrum and Cochin have their share of high technology medical centres, it is by no means restricted to the larger cities. In fact high technology medical care has

penetrated even into smaller towns and villages, in some parts of Kerala. According to a report it is not uncommon to find private hospitals in villages having scanning and diagnostic cum therapeutic equipment being used for treatment of patients.

Apart from big business groups and private trusts establishing hospitals with sophisticated equipment, regional business groups have also entered this arena. Apollo Hospitals Ltd, a Madras-based corporate concern was one of the first to establish a super specialist hospital in South India. Recently, the same concern has initiated another project in Hyderabad with an initial investment of Rs. 12 million to cover construction and equipment costs.³ Several such projects are being initiated in Andhra Pradesh by business groups and private trusts in collaboration with Non-Resident Indians. Standard Organics Ltd, a Hyderabad-based corporate concern has also made inroads into health care. The Standard Organics Ltd which is essentially a pharmaceutical concern has diversified into leasing of medical equipment and have set up diagnostic centres in several major cities in the country.⁴

In a recent announcement a group of Andhra non-resident Indian doctors based in California are initiating super-speciality hospitals project in Hyderabad, Vijayawada and Visakhapatnam. The cost of each of these projects is estimated at Rs. 30 crores and will consist of over 300-bed hospital, 200 nursing quarters, 100 physician quarters, a hundred room three star hotel, a thousand seater auditorium and four lecture halls. In addition to providing super specialist services the foundation seeks to "bring about medical and health awareness in rural and semi-urban populace through continuing medical education programmes with accent on rural health."⁵ Apart from these large projects a number of smaller ventures have already been initiated in the several major towns. In Hyderabad a local business group has initiated a super speciality hospital valued at Rs. 7.60 crores is nearing completion.⁶

Calcutta is yet another metropolis where some leading business groups from Madras have applied for permission to the government for land to build super specialist hospitals. In addition in a recent announcement the State is planning to hand over some 'sick' government hospitals to industrialists and NRIs in order to improve the functioning of these institutions.⁷

Although this brief survey is by no means exhaustive, it is certainly indicative of the emerging scenario in the private sector. While it is well known that both the state-supported medical service and private medical care have been co-existing since independence, in more recent years the latter has been growing and diversifying. The private sector in health care comprises, clinics, small, medium and large nursing homes, hospitals, pathological labs and diagnostic centres. Increasing penetration of high technology equipment is making medical care a profitable venture and has provided a fillip to the expansion of this sector. As a

result of this a number of large and regional business groups and doctor entrepreneurs are diversifying into this area. Institutions which use high-tech equipment are no longer confined to the metropolises but are penetrating semi-urban and even rural areas.

There are several reasons for the burgeoning of the private sector. Firstly, although the public sector has expanded considerably since independence, the meagre investments made by the state have been inadequate in meeting rising demand. This 'pent-up' demand is increasingly being met by the private sector. Secondly, the increase in incomes of the middle and upper middle classes, in recent years, has resulted in the demand for durables and luxuries which is reflected in medical care as well. Thirdly, advancement in medical technology has pushed up the cost of medical care making it a profitable business venture. This coupled with liberalisation of import duties on high technology equipment has led to mushrooming of medicare institutions across the country.

Quite clearly, the increase in imports of medical equipment has hiked the cost of medical care. Since most of the high technology equipment is employed for diagnostic purposes, testing has assumed an important role in treatment. As a leading specialist remarked "these days doctors depend excessively on sophisticated testing procedures which have often led to unnecessary testing". Although import of medical equipment is on the rise there has been no effort to either regulate the growth or prescribe minimum standards for the running of these enterprises. Given the profit motive of the private sector, the absence of checks and regulations relegates the welfare of the patient to a secondary position. With the increasing commoditification of medical care and the demand to treat it as an industry, it is mandatory that the government prescribe controls to regulate this sector, the absence of which, will only further distort the existing structure of medical care.

References :

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