Emerging economies in healthcare

By

The emerging markets with their populations in the billions have become a potent source of revenue. The representatives of companies in India, Brazil and China have made it clear they do not plan to leave these emerging markets to the Western industrial giants.

Some twelve months ago, practitioners and business leaders alike were discussing at INSEAD’s first Alumni Healthcare Summit how to provide low-cost drugs and care to so-called emerging markets and still keep shareholders happy.

Recently, at the second Summit, the whole picture has changed – some of those 5.7-billion new patients in emerging markets have become a potent source of revenue, and representatives from companies in India, Brazil and China made it clear they do not plan to leave these emerging markets to the Western industrial giants.

Harpal Singh, Chairman Emeritus of Fortis Healthcare and Chairman of Impact Senior Living Estates (whose family is among India’s billionaire elite), explained to INSEAD Knowledge the promise of the Indian market. “The total

Indian market is currently estimated in healthcare delivery at about 38 billion dollars," he says. "It is supposed to grow to a 300-billion-dollar market by 2020."

Indeed, with a population of some 1.2 billion people and an average household savings rate of over 30 per cent, India represents a formidable market opportunity. According to government statistics, healthcare is the single largest sector of spending in the Indian economy, and the country's largest employer.

When asked to comment on an on-site conference participants' poll, Singh said he was not surprised that the overwhelming majority chose India as source of the next big wave of innovation. Given his recent success, he has reason to be optimistic.
Singh grew Fortis Healthcare from a five-man team to become India's second-largest health delivery company in just over 10 years. Founded in 1996, Fortis opened its first hospital in 2001 and now counts 48 fully-fledged facilities providing comprehensive health services including high-end surgical procedures such as cardiac transplants.

By way of comparison, Singh told INSEAD Knowledge that a cardiac procedure in one of his Indian hospitals costs only five thousand dollars, compared to 100 in the US. He explains this staggering difference by citing lower staffing costs, faster project development and outstanding gains in productivity. But not everything can be explained by lower costs. Singh also cites the serious challenges the US faces concerning liability and malpractice that push prices beyond what many people, or medical insurers are able and willing to pay. "How much should a system pay which is ultimately to be paid by the patient?" he asks. "You want to create a very good balance between what is good for the patient and what is good overall."
Indeed, cheaper medical costs in places such as India have spawned a whole 'medical tourism' industry with people from the industrialised world travelling to India and elsewhere for elective surgery often not covered by standard medical insurance – cosmetic surgery, for example – with a bit of sightseeing on the side. Singh believes the next step is 'medical value travel' and says India could soon become a leading destination.

"If you are thinking of chest pain, or if your knee gives you pain to no end, you couldn't really much care about seeing the Taj Mahal; what you want is your knee to be fixed. So you want to make that journey, because you think

... you will get very high-quality, value medical service, hence ‘medical value travel’”, says Singh. He believes that India is probably unique in being able to provide cutting-edge procedures at competitive prices because of the high quality and international experience of many Indian doctors, coupled with lower operating costs.

But even with lower prices, not everyone has access to healthcare. The stark reality is that hundreds of millions of people in India and China are still excluded from very basic healthcare facilities, and it’s not only in emerging markets that this disparity prevails. According to another of the speakers at the Healthcare Summit, Dr **Roch Doliveux** (MBA ‘81J), CEO of the Belgium-based, global biopharma company, UCB, which specialises in treating severe central nervous system disorders such as epilepsy, “the issue of access to medicine is an issue surprisingly both in the developed market and in the so-called emerging market. I call it ‘so-called’ because we can’t talk about China, the second largest economy in the world, as emerging. I would say it has emerged already. The key is everybody is rushing to this so-called emerging market because it is predicted that high growth is going to come and there is bound to be growth in healthcare.”

“I would argue that in the US it’s still the case - even with healthcare reform – that not everybody has access, and in Europe not everybody has access to the innovation or the best medicine. But it’s clearly by an order of magnitude -- you are talking about hundreds of millions of people that have zero access to healthcare.”

“Rushing to the so-called emerging market for growth is only sustainable if we collectively do something about the person who has no access today. Even the biggest company today cannot find the answer by itself, so this is an answer that we will find collectively together with people that know each country extremely well and live in each country, very much like microfinance (was developed) in the emerging world for the emerging world.”
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Healthcare Management

The **Healthcare Management Initiative** at INSEAD was founded on the belief that many of the systemic challenges of the healthcare industry globally can benefit from the application of principles that stem from rigorous, evidence-based thought leadership.