The Emerging Trends in Indian Healthcare & the Role of Franchising
Preview

- India & Indian Healthcare Industry – Key Facts
- Key Opportunities and Emerging Trends
- The Franchise Fit in healthcare industry
- The Rx for franchising a healthcare business
High growth and under penetrated markets pose substantial opportunities in emerging economies.
Our “Next 4 billion” research suggests that by 2021, India will have about 600 million people constituting the ‘emerging middle class’ segment

<table>
<thead>
<tr>
<th>Household income/year (INR)</th>
<th>$*/day per capita</th>
<th>2010</th>
<th>CAGR (%)</th>
<th>2021 (Projection)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 8,50,000</td>
<td>Upper middle +</td>
<td>&gt;$10</td>
<td>80</td>
<td>9.7%</td>
</tr>
<tr>
<td>3,00,000 – 8,50,000</td>
<td>Middle</td>
<td>$5-$10</td>
<td>170</td>
<td>6.3%</td>
</tr>
<tr>
<td>1,50,000 – 3,00,000</td>
<td>Emerging middle</td>
<td>$1.7-$5</td>
<td>470</td>
<td>1.9%</td>
</tr>
<tr>
<td>&lt; 1,50,000</td>
<td>Low</td>
<td>&lt;$1.7</td>
<td>460</td>
<td>-4.6%</td>
</tr>
</tbody>
</table>

- Strong domestic growth accompanied by a decrease in the numbers of the lower segments will drive the expansion of the emerging middle income class
- The middle will also see a far larger number of people pass through it, which implies that those who have a strong understanding and presence in the emerging middle will be able to build loyalty early
- But this middle is not monolithic, it has a number of languages and customs that make it complex

Sources: PwC Analysis, NCAER (National Centre for Applied Economic Research), CMI.
* The emerging-middle income bracket, PPP adjusted is $5 - $15 per capita per day. Alternatively $1,850 - $5,550 per capita per year
All figures are reported at 2010 constant prices
Healthcare expenditure to increase from 5% to 7.5% by end of this decade

- As the share of wallet increases for products and services such as healthcare, transport, education, durables, etc – significant opportunity exists for the companies targeting this income segment
  - Necessities like healthcare is accessed by choice in private corporate setups
  - Besides, Indian households save a considerable portion of their income for non-routine expenses such as weddings, medical, children’s education, travel, etc

Sources: Rajesh Shukla (2010), ‘How India Earns Spends and Saves’, Sage Publications; PwC Analysis;
Indian Healthcare a $65 Bn Industry and Growing at 15% CAGR

Rising disposable incomes
Increased Accessibility
Increase in disease burden
Population growth
Insurance coverage
Others*

*Increasing Government spending, Increased Health awareness, Quality of Care, Lower costs, Newer delivery formats, Demand for life enhancing procedures are among the other drivers

Source: Indian Healthcare: The Opportunity Today, PwC
Growth factors are propelling the market to an inflection point

**Increasing Coverage of Health Insurance**

- **Health Financing Sources as % of Total Population**
  - Covered under prepaid schemes: 77%
  - Others: 23%

**Health Premium Collected**

- Public GIC:
  - '08-'09: 765 USD millions
  - '09-'10: 977
  - '10-'11: 1383

- Private GIC:
  - '08-'09: 453
  - '09-'10: 470
  - '10-'11: 606

- Standalone:
  - '08-'09: 107
  - '09-'10: 214
  - '10-'11: 307

**Increasing Government Spending**

India has one of the lowest share of public healthcare spend.

**Health Expenditure as % of GDP**

- Bangladesh: 1.1, 2.3
- Brazil: 4.1, 4.9
- China: 2.3, 2.3
- India: 1.1, 3.1
- United Kingdom: 7.8, 1.5
- United States: 7.9, 8.3

Govt. plans to increase spending from 1.1% to 2.5% of GDP from 12th 5 Year Plan starting 2012.

Source: Indian Healthcare: The Opportunity Today, PwC
Rising Burden of Diseases

**Causes of Mortality 2004**

- Communicable, Maternal, Perinatal & Nutritional: 39.0%
- Non Communicable Diseases: 50.1%
- Others: 10.8%

**Changing Disease profile**

India has 17% of world population, it accounts for 21% of global disease burden.

**Death-Burden due to Diseases**

- Communicable: 72% in 1990, 68% in 1998, 60% in 2000, 47% in 2005, 40% in 2010
- Chronic: 28% in 1990, 32% in 1998, 40% in 2000, 53% in 2005, 60% in 2010

Source: Indian Healthcare: The Opportunity Today, PwC
Diabetes Distribution

Rising Prevalence of diabetes among Indian population has made India the “Diabetes Capital” of the world. The diabetes prevalence over the past 4 years have increased fourfold.

Rising incidence of lifestyle diseases in India

Key Lifestyle Diseases

<table>
<thead>
<tr>
<th>Disease</th>
<th>2005</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coronary heart disease</td>
<td>3.31</td>
<td>4.91</td>
</tr>
<tr>
<td>Diabetes</td>
<td>2.8</td>
<td>3.7</td>
</tr>
<tr>
<td>Asthma</td>
<td>2.5</td>
<td>2.7</td>
</tr>
<tr>
<td>Obesity</td>
<td>1.3</td>
<td>2.7</td>
</tr>
<tr>
<td>Cancer</td>
<td>0.2</td>
<td>0.18</td>
</tr>
</tbody>
</table>

Prevalence (% of population)

Patients (mio.)

Source: WHO Country Cooperation Strategy
Coronary heart disease presents a huge, future threat to the health of Indians

The probability of an Indian getting a heart attack is 4 times greater than an American, 6 times greater than a European, 7 times greater than a Chinese and 20 times higher than a Japanese

Source: WHO
Indian Market – Out of Pocket and Consumer Led

% of total healthcare costs

- **India**: 71% Employee reimbursements, 22% Third Party Insurance, 3% State & Local Government, 11% Individuals
- **China**: 60% Employee reimbursements, 16% Third Party Insurance, 4% State & Local Government, 18% Individuals
- **US**: 21% Employee reimbursements, 35% Third Party Insurance, 72% State & Local Government, 9% Individuals
- **UK**: 72% Employee reimbursements, 10% Third Party Insurance, 18% State & Local Government, 11% Individuals
- **Germany**: 80% Employee reimbursements, 9% Third Party Insurance, 9% State & Local Government, 1% Individuals

Source: Literature Searches
Changing Consumer Trends

Paradigm shifts

Prescriptive $\rightarrow$ Preventive

Illness $\rightarrow$ Wellness

Fast growing lifestyle disease segment – Diabetes, CAD
Dr Lal PathLabs
Creation of a Branded Platform
Typical Business Model

Types of Units
- National Reference Lab
- Regional Reference Lab
- Satellite Lab
- Collection Centers

Labs
- Delhi
- Metro
- Mini Metro
- Other Towns (1000)

Product Portfolio
- Delhi: 1,650 Tests
- Metro: 500 Tests
- Mini Metro: 300 Tests
- Other Towns: –

Activity
- Delhi: High End Tests
- Metro: High End & Routine Tests
- Mini Metro: Routine Tests
- Other Towns: Collection of Sample

Collection Centers

Dr Lal PathLabs
India’s leading and most reputed diagnostic chain
Customer Centric Innovation

Hi-Touch
One brand, one customer experience

Hi-Speed
‘Anytime, Anywhere’ services

Hi-Tech
Best in class quality

Hi-Spread
Entire range of pathology tests

Dial 4423123
Now sample collection at your door step.

Now open 24 hours
Toll Free 1800-1111-44
Dr Lal PathLabs : Leader Today
Franchising model that worked for Dr Lal PathLabs in the Healthcare space

Getting It Right – Servicing our Franchisee Partners

Hub and Spoke strategy

Convenience - Speed and Customer Service are Crucial Elements
Key Opportunity & Emerging Trends
# Healthcare Delivery Market

<table>
<thead>
<tr>
<th>Dynamics</th>
<th>Primary Care</th>
<th>Secondary Care</th>
<th>Tertiary Care</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly fragmented and localized</td>
<td></td>
<td>Fragmented and Localized</td>
<td>Organized, Mostly in Metros &amp; Tier-1 cities</td>
</tr>
<tr>
<td>Level of Care</td>
<td>First level of contact. Outpatient Consultation</td>
<td>Basic Specialty care: Medicine, General Surgery, Gynecology &amp; obstetrics, Orthopedics.</td>
<td>Cardiology, Neurology, Nephrology etc Advanced Diagnostics, Acute Care</td>
</tr>
<tr>
<td>Level of Corporatization</td>
<td>+</td>
<td>++</td>
<td>++++</td>
</tr>
<tr>
<td>Market Share</td>
<td>25% ~ 9.85 Billion US$</td>
<td>44% ~17.5 Billion US$</td>
<td>31% ~12.5 Billion US$</td>
</tr>
<tr>
<td>Major Players</td>
<td>Apollo clinics, Razi Healthcare , Wellspring Healthcare, Nationwide, Manipal Cure and Care, Star clinics, Vitalife etc.</td>
<td>Columbia Asia, Max , Vatsalaya</td>
<td>Pan India Players: Apollo, Fortis, Care, Manipal, Max</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Regional Players: Sterling, Global Hospitals, AMRI, Yashoda, Vikram</td>
</tr>
</tbody>
</table>

Source: Indian Healthcare: The Opportunity Today, PwC
Primary care market

<table>
<thead>
<tr>
<th>Major/ Emerging Players</th>
<th>Operating Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apollo Clinics</td>
<td>Pan India</td>
</tr>
<tr>
<td>Viva Sehat Clinics</td>
<td>Hyderabad</td>
</tr>
<tr>
<td>Wellspring Healthcare</td>
<td>Chennai, Bangalore, Kerala</td>
</tr>
<tr>
<td>Vitalic</td>
<td>Pune, Bangalore and Chennai</td>
</tr>
<tr>
<td>Nation Wide Primary Healthcare Services</td>
<td>Bangalore</td>
</tr>
<tr>
<td>Express Clinics Pvt Ltd</td>
<td>Pune, Maharashtra</td>
</tr>
<tr>
<td>Manappuram Health Care</td>
<td>Kochi</td>
</tr>
<tr>
<td>Manipal Cure and Care</td>
<td>Bangalore</td>
</tr>
<tr>
<td>Healthspring</td>
<td>Mumbai</td>
</tr>
</tbody>
</table>

Traditional Primary Care Centers

- Characteristics:
  - Single Doctor owned & Operated
  - Mostly Single Speciality
  - Unqualified & Untrained Staff
  - Mostly standalone units

Organized Primary Care Centers

- Characteristics:
  - Mostly Corporate Owned
  - Multi Speciality
  - Qualified & trained Staff
  - Mostly Chain/ multi location

Major/ Emerging Players

- Apollo Clinics
- Viva Sehat Clinics
- Wellspring Healthcare
- Vitalic
- Nation Wide Primary Healthcare Services
- Express Clinics Pvt Ltd
- Manappuram Health Care
- Manipal Cure and Care
- Healthspring

Services

- Consultation: 50%
- Diagnostics: 25%
- Pharmacy: 20%
- Counseling: 70%
- Referrals: 30%
- Others: 5%

*from other hospitals, diagnostic centres and pharmacies

Source: Indian Healthcare: The Opportunity Today, PwC
Eye Care has successfully made the transition from an acute care to an outpatient setting

**Burden of Ophthalmic Disorders in India**
- Glaucoma: 6%
- Cataracts: 31%
- Refractive errors: 63%

**Large Market in Unorganized Sector**
- $1.6 Bn Total Market
- $0.88 Bn Un-addressed
- $0.48 Bn Organized
- $0.26 Bn Un-organized

**Distribution of Market by Services**
- Cataract: 60%
- LASIK, Spectacles, Contact Lenses: 20%
- Retinal Diseases, Glaucoma: 20%

**Major players**

<table>
<thead>
<tr>
<th>Major players</th>
<th>Number of Units</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vasan Eye Care</td>
<td>106</td>
<td>Primarily south India. Now expanding pan India</td>
</tr>
<tr>
<td>Centre for Sight</td>
<td>15</td>
<td>North India</td>
</tr>
<tr>
<td>Eye Q</td>
<td>5</td>
<td>North India</td>
</tr>
</tbody>
</table>

Source: Indian Healthcare: The Opportunity Today, PwC
The Diagnostic market is the fastest growing segment in Healthcare

Diagnostics Market is 5% of total healthcare

A $3.4 Bn Market: Fragmented and Unorganized

MRI & CT facilities are limited to Tier I and Tier II cities.

~40,000 laboratories
90% in unorganized sector

Drivers of Growth

- Complex disease and availability of complex testing
- Growth of chronic disease which requires frequent testing
- Focus on wellness and preventive medicine
- Increasing medical liability on doctors

Future Trends

- Rise in esoteric and gene based testing
- Convergence of radiology and labs
- M&A of smaller players
- Brand awareness to facilitate growth
- Outsourcing of smaller labs

Source: Indian Healthcare: The Opportunity Today, PwC

Issues

- Higher cost of acquiring customer
- Competition from unorganized and institutional players
- Players yet to achieve significant scale
- Absence of credible reimbursement mechanism from government
Growing focus on primary and preventive care, Technology will push the delivery of care from the Hospital to home

Private Healthcare providers have been concentrating here

Source: Indian Healthcare: The Opportunity Today, PwC
Unmet demand for healthcare offers a huge potential, but its own unique challenges

India has lowest total & government per capita spending amongst BRIC nations

<table>
<thead>
<tr>
<th>BRIC Nations</th>
<th>Per capita total expenditure on health at average exchange rate (US$)</th>
<th>Per capita total expenditure on health (PPP int. $)</th>
<th>Per capita government expenditure on health at average exchange rate (US$)</th>
<th>Per capita government expenditure on health (PPP int. $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>45</td>
<td>132</td>
<td>15</td>
<td>43</td>
</tr>
<tr>
<td>Brazil</td>
<td>734</td>
<td>943</td>
<td>335</td>
<td>431</td>
</tr>
<tr>
<td>Russia</td>
<td>475</td>
<td>1038</td>
<td>306</td>
<td>669</td>
</tr>
<tr>
<td>China</td>
<td>169</td>
<td>309</td>
<td>85</td>
<td>155</td>
</tr>
</tbody>
</table>

• **Huge shortage of beds**: India has the lowest number of hospital beds per 10,000 people amongst the top 9 economies of the world

• **Huge need for physicians, nurses & paramedical staff**: India has the lowest number of physicians per 10,000 people amongst the top 9 economies

• **Heavy out-of-pocket spending**: With a predominantly unorganized healthcare sector and low government protection, 77% of healthcare costs are borne by patients themselves

Potential

- Low government spend
- Technology Adaptation
- Need to lower service costs

Challenges

- Innovative, low capex models
- Attaining operational efficiency
- Replicating & scaling success

Source: Indian Healthcare: The Opportunity Today, PwC
Information Technology leading the way for innovation and enhancement of healthcare

Check on Patients

- Smart-patient beds
- Wireless connectivity/real time monitoring
- Monitor patient information

Remote check on family

- Remote temperature sensors
- Glucose meter and insulin pumps
- Remote body monitoring

Check on parents “aging in place”

- Fall detection
- Implantable pacemaker
- Home defibrillator
- Wireless weight scale

Use of Wireless Technology for Healthcare
The Franchise Fit in Healthcare Industry
The Franchise Fit in Healthcare Industry

• Delivery through Specialized/Superspecialized Medical manpower

• Delivery through Paramedical / Non Medical Staff
The Rx for Franchising Healthcare Industry
Return on Investment

(Hypothetical Projections)

**Investment**: ~ Rs. 4 lacs

**Revenue** (15 samples x 25 x Rs.500/ sample x 12):
~ Rs. 20 lacs/annum

**Margin** (25% commission): ~ Rs. 5 lacs/annum

**Running Cost**: ~ Rs. 3 lacs/annum

**Net Margin**: ~ Rs. 2 lacs