GLOBAL HEALTH CARE MANAGEMENT - NEW CHALLENGES AND OPPORTUNITES

BAJAJ RAJKUMAR D
BUSINESSMAN (DEALING IN SPONGE IRON),
MASTERS IN BUSINESS ADMINISTRATION,
BELLARY, KARNATAKA.

BAJAJ R KOMAL
HOUSEWIFE,
BACHELOR IN COMPUTER SCIENCE
BELLARY, KARNATAKA

Abstract: To address global challenges and opportunities, health care organizations are employing two different strategies: (1) building and marketing a world- class health care facility internationally, and (2) organizing and integrating multinational health care operations. The first strategy exploits the medical – tourism market. The second strategy requires either multinationals health care networks or transnational health care organizations. One of the lessons to be learned from international health care management is that organization can create a mete-national competitive advantage. Another lesson is that by examining best practices from around the world, health care organizations can obtain new insights and become more innovative within their home markets. A corollary and third lesson is that while health care organizations can learn a great deal from examining international best clinical practices, sometimes the most important management lessons are lost in clinical translations. The fourth and last lesson is that worst cases- serious international management failures- offer perhaps the most valuable insights into the role of culture, complexity, and leadership for health care organizations.

Keywords : Multi lingual, International Standards, Foreign Collaboration, Outpatient & Inpatient, Health Insurance, Medical Tourism, Improvisation.

1. INTRODUCTION:

A global strategy is one in which a health care organization targets patients across national borders and employs some type of integrated health care management. Comparative advantage, when applied to health care, refers to significant differences in one nation's cost, quality. Or access such that health activities or services could be offered elsewhere in the world. Porter argues that "the global competitor can locate activities wherever comparative advantage lies, decoupling comparative advantages from the firm's home base or country of ownership."Doz and his co-workers (2001) have identified a three- phase evolution of global strategies. Phase one is to build on the innovations and the financial success of a high-performing domestic organization. During phase two, organizations leverage their domestic success on a global scale, first by offering low-cost services to nearby culturally homogeneous markets to maximize revenue and minimize costs. Gradually they expand and move production to countries with lower factors costs as their products mature. The third, and final phase, is to expand into more markets by

balancing local responsiveness with global integration, generating both economies of scale and scope, where being local accommodates cultural and customer desires.

The belief that health care is a local is being swept away by an emerging international market. If global organizations organize their services for world markets, how international is health care?

2. Two Global Health Care Delivery Strategies

There are two global health care delivery strategies: (1) build a world-class health care facility domestically and market it to international patients; or (2) organize multinational health care operations with varying degrees of integration. If we measure a global health care organization by geographic distributions of sales (i.e., patient care delivered outside the country), some health care organizations would qualify as more internationally developed. Although most hospitals that promote international patients have less than 10% of their patients from foreign countries, there are some interesting exceptions. One example is Shouldice Hospital in Canada, where only 56% of the patients are Canadian; most of the rest are from nearby, English-speaking United States (42%), while the remaining 2% come from Europe. Another example is Bumrungrad Hospital in Bangkok, with five-star hotel services and accreditation from the Joint Commission for International Accreditation; it treated 300,000 international patients from 154 countries in 2002, accounting for 37% of its patient revenues (Intel Corporation, 2004).

Moreover, global medical-tourism business is beginning to blossom. For many years, patients from the Middle East, Latin American and Asia have come to the United States, Canada, Germany, France and Belgium for health care.

One of the leading providers of health care in developing countries is the Apollo Hospital Group of India.

3. Understanding the Demand for International Health Services

Why would people from England, Canada, and other parts of the world go to Thailand, Singapore or India for health care? Apollo's service concept is to offer low cost and immediate access for people who want to avoid lengthy waits

and high cost alternatives. Lengthy waits can be psychologically and physically damaging to older patients.

These patients experienced great pain, mobility restrictions, an inability to go out or climb stairs, and one-fourth had been forced to retire. Patients can seek treatment across borders unless the same treatment can be provided conveniently within their own country.

Figure:1 Three Successful Approaches to

Global Organization

There are three basic approaches to global organization, based on the degree of standardization versus customization. This model can be adapted to health care organizations. In Above fig. , each quadrant is a response to the integration-adaptation dilemma. The strategy represented in the bottom left quadrant would only require a health care organization to buy or build a health facility in another country. This strategy would not draw on the health care organization's domestic advantages through sharing services or transferring clinical or non-clinical knowledge. If the hospital or facility was successful, the international organization would hold it; if it was not, the international organization would divest it. However, several hospital chains that have tried this low-intensity international strategy have not been successful.

The upper left quadrant emphasizes scale efficiency with a high degree of coordination. This may be where most health care organizations are today that engage in international services. For instance, Phuket International Hospital (2005) advertises that it provides "high quality and cost efficient hospital services, coupled with the warmth and caring nature that only true."

The multi-national network form in the bottom right quadrant emphasizes a high degree of local adaption. Multi-lingual help is available 24 hours a day, along with air ambulance services and medical advice from English-speaking physicians.

The transnational form in the upper right quadrant emphasizes both domestic integration and a high degree of local adaptation. Galbraith argues that international development occurs when an organization "creates more assets and employees outside the home country, thereby enlarging the role that its subsidiaries can play in contributing and leading in the creation of the firm's advantages". By this measure there are just a few examples of global health care organizations that have begun to uncover the value of a transnational approach. Two well examples: Apollo Hospital of India and Sweden's Capio.

3.1 Eg.-1 Apollo Hospital

The website for Apollo now states: "Our mission is to bring health care of international standards within the reach of every individual… we are committed to the achievement and maintenance of excellence in education, research and healthcare for the benefit of humanity" (http://www.apollohospitals.com/company-overview.php). This mission statement has become a credible threat to domestic health care delivery in Asia, where Apollo has become one of Asia's largest private health care providers.

3.2 Eg.-2 Capio

Capio has become Europe's leading independent provider of hospital services, speciality hospitals, and diagnostic clinics. Capio's global strategy blends European standardisation (large-scale efficient hospitals and clinics) with local labor/local services. By applying a rigorous business model based on putting people first, standardized care processes, benchmarking best practices, performance aimed at the "right quality" at the lowest price, redesign of clinical jobs, medical, operational and financial scorecards and management of patient and employee satisfaction, Capio has been both efficient and profitable (see http://www.capio.com).

4. HEALTH CARE IN INDIA

4.1 Health Care Sector in India

Health administration in India is governed by the Ministry of Health and Family Welfare. The central administration provides co-ordination and direction to a network of state health ministries for actual implementation.
The healthcare sector constitutes: a) Medical care providers.b) Diagnostic service centres and pathological labs. c) Medical equipment manufacturers. d) Contract research organizations e) Pharmaceutical manufacturers f) Third party support service providers.

4.2 Current Scenario

* The healthcare industry is estimated at USD 23 billion.
* Estimated growth at 15% annually assures a return of 15-20% for the healthcare providers.
* Healthcare sector at present employs 4 million people directly and indirectly
* Private healthcare market currently estimated at Rs 690 billion (USD 14.8 billion).
* 85% private sector establishments have less than 25 beds.
* Speciality and super speciality hospitals account for 5% of total institutes.
* Corporate hospitals constitute less than 2% of all institutes.
* Private sector accounts for 82% of all out-patient visits.
* Private sector accounts for 52% of all hospitalization.

4.3 Healthcare Issues & Concerns

* Small hospitals – 80% < 25 beds.
* Specialised services available in only 4% hospitals.
* Good healthcare available only in metros.
* Lack of infrastructure.
* Mismanaged Public hospitals.

* Inadequate remuneration for public hospital staff.
* Lack of commitment.

4.4 Growth Drivers

"Physicians, Nurses, Medical Technicians and Other Scientific Occupations will Become Growth Industries to Rival the IT Sector within the Next Decade"

- *India Vision 2020 Report*

Corporates are sensing a huge untapped opportunity in delivery of quality healthcare to the Indian masses. Policies and budgetary considerations towards pharmaceutical as well as biotech organizations are now favorable. De-regulation of health insurance has paved the way for the entry of foreign health insurance companies. Medical equipment industry too being opened to foreign collaboration for manufacturing high and middle-level technology medical equipment. Global Private Equity players and Venture Capital companies also actively exploring opportunities.

4.5 Healthcare Snapshots

* 0.5 million major surgeries carried out.
* Over a million surgical procedures carried out.
* Cardiac bypass – 98.7% success rate.
* Bone marrow transplant – 80% success rate.
* Renal transplant – 95% success rate.

4.6 International Recognition

* As per NHS of UK - India is a favored destination for surgeries.
* British Standards Institute has accredited Delhi-based Escorts Hospital.
* Wockhardt Hospital has an exclusive association with Harvard Medical International, global arm of Harvard Medical School.
* US-based Joint Commission on Accreditation of Healthcare Organisations has certified:
 Indraprastha Apollo Hospital (New Delhi), Apollo Hospital (Chennai), Apollo Hospital (Hyderabad), Wockhardt Hospital (Mumbai),
 Shroff Eye Hospital (Mumbai).

4.7 Healthcare - Private & Public

4.7.1 Public sector

Public sector focus is on prevention and elimination of infectious diseases and accessibility of basic healthcare facilities to the rural and urban masses.

4.7.2 Private sector: Initiatives

Private sector offers tertiary-level, preventive and diagnostic healthcare.
At Rs 690 billion, private spending accounts for 80% of the health care market. 61% is spent on outpatient care. Over 50% of outpatient spend is on acute infectious diseases. Over 80% of inpatient spend is in five areas: cardio, cancer, accidents, acute infections and maternity. Urban Indians and rich account for a disproportionate spend.

Private equity in healthcare:major healthcare deals:

* George Soros' fund Quantum and Blue Ridge bought 10% in Fortis Healthcare.
* Manipal Health Systems Private Limited raised over USD 20 million of equity from IDFC Private Equity Fund.
* Bangalore-based HealthCare Global Enterprises Limited (HCG) raised over USD 10 million in equity from IDFC Private Equity Fund.
* Metropolis Health Services Ltd. India's leading Corporate Diagnostics Chain raised over USD 8 million in equity from India Advantage Fund-I managed by ICICI Ventures.

4.8 Governtment Policies & Incentives

(Steps forwarded in last 5 Years)

* Infrastructure status conferred on healthcare industry.
* Budgetary allocation to healthcare – Rs 89 billion.
* 40% depreciation limit on medical equipment imports.
* Income tax exemption for the first 5 years, to 100 bed hospitals set up in rural areas.
* All ambulance services provided to patients. Excise duty on chassis for ambulance reduced from 24% to 12.5%.
* Reduced duties (between 5–8%) on certain medical equipment and devices.
* Customs duty exemption on specific personal medical aids like crutches, wheel-chairs, walking frames, artificial limbs.
* Customs duty, excise duty and CVD exemption on specific medical devices such as talking books, Braille computer terminals, etc.

4.9 Major Players

4.9.1 Government Institutions

Major Government institutions in healthcare
"All India Institute of Medical Sciences (AIIMS), New Delhi (Central Government)", "Armed Forces Medical College (AFMC), Pune (Ministry of Defence)", "JIPMER, Pondicherry (Central Government)", "Madras Medical College (MMC), Chennai (State Government)", "Maulana Azad Medical College (MAMC), Delhi (State Government)", "Stanley Medical College, Chennai (State Government)", "Grant Medical College, Mumbai."

4.9.2 Private Sector Institutions

Leading Hospital Chain: Apollo, Manipal, Fortis, Max Healthcare, Wockhardt.

4.9.3 Foreign Collaborations

* Global real estate major Emaar Properties and its Indian partner MGF group to set up 50 hospitals across India.
* Pacific Healthcare Holdings, Singapore – Vitae, Healthcare Pvt Ltd for setting up medical centre in Hyderabad (Andhra Pradesh).

* Parkway Group, Singapore – Apollo Hospitals set up a 325-bed super-speciality Apollo Geneagles Hospital, Kolkata.
* Prexus Health USA's through its Indian subsidiary is planning state-of-art hospitals around Delhi.

4.10 Future Growth

* By 2015, revenues estimated to reach USD 52-69 billion, 6.2 to 8.5% of GDP; employment will double.
* The pattern of healthcare spending will also change
  >> The share of outpatient spend will decrease from 61% to 53%.
  >> Lifestyle diseases will drive the growth of outpatient spend.
  >> Cancer and heart diseases will drive most of the growth of inpatient spend.
* 100,000 additional hospital beds required every year for the next 3 to 4 years to meet growing demands.

5 CHALLENGES

* The growing demand for the quality healthcare and the absence of matching delivery mechanisms pose a challenge and certainly a great opportunity.
* Several barriers need to overcome to attract sizeable private investment in healthcare…
  >> Unwillingness of lending institutions to finance healthcare projects due to failures in early '90s
  >> Capital intensive industry with long gestation period
  >> Poor availability of doctors, nurses and paramedic personnel
  >> Inability to lower prices to attract required number of patients because of fixed cost of setting up a facility
  >> Low availability of qualified practitioners in rural areas.
* No clarity within various government departments and ministries about issues faced by the healthcare industry.
* Low consumer awareness about differences in quality of care across different provider types.
* By 2014, Doctor nurse density per 10000 persons of the Indian population is an absymal 20 (7 Doctors + 13 Nurses) (WHO report 2012) will be required by the Indian Healthcare Industry, which is both a big challenge and an opportunity.

6 OPPORTUNITIES

* India needs an investment of USD 280 billion to meet the 'Health for All' target by 2020.
* Significant requirement in increase in number of beds per 1000 population – from 5 beds per 1000 population to 15 beds per 1000 population by 2015 (in both private and public).
* This translates to an addition of 2.2 million beds requiring investment of USD 77.9 billion, majority of which will come from the private participation.
* Increasing preference for private medical care amongst the urban population.
* High growth domestic market arising from increasing health awareness:
  >> Rapid growth in private sector companies owning and managing hospitals.
  >> Cost of advanced surgeries in India is about 10% of that in USA.

>> Service Providers: Curative and preventive in primary, secondary and tertiary care.

6.1 Medical Equipment

* Market size estimated at USD 2 billion in 2006.
* Growing at a rate of 15%, expected to touch USD 5.3 billion in 2014.
* 65% of equipment is imported.
* Major suppliers include Siemens, GE, Philips, Toshiba, Hitachi, Boston Scientific.
* Cardiology equipment – 20% of total market Imaging systems – 15% of total market.
* Driving forces:
  >> Investments in specialty hospitals and diagnostic centres
  >> Competition
  >> Up gradation of equipment
  >> Favorable government policies-reduction in import duties
  >> Expanding market boundaries.

6.2 Health Insurance

* Health insurance market is estimated at USD 2.8 billion.
* More than 80% of the expenditure on healthcare is out of pocket.
* Only 3% of country's population is covered by insurance.
* Expected growth rate of 15% per annum.
* Swiss Re estimates a potential of USD 7,700 million in health insurance premium by 2015.
* Affluent middle-class population willing to pay for higher standards of healthcare.
* Foreign Direct Investment (FDI) limit in health insurance may be raised from 26% to 49%.
* Limit of deduction of health insurance premium increased from Rs 15000
to Rs 25000, for senior citizens limit increased from Rs 20000 to Rs 30000.
* Senior citizens above the age of 80 years, who are not covered by health insurance, to be allowed deduction of Rs 30000 towards medical expenditures.

6.3 Medical Tourism

* Attracts patients from South East Asia, Africa, Middle East, UK and US.
* Number of tourists visiting India increased from 150,000 in 2005 to 3.2 million in 2015.

6.4 Laboratory & Diagnostic Services

* India becoming a competitive outsourcing destination for highend laboratory and diagnostic testing.
* Dr Lal's Pathlabs, Metropolis Health Services, SRL Ranbaxy – some diagnostics chains catering to the high-end services for hospitals in the UK, the US and West Asia.

6.5 Healthcare BPO and IT

* Healthcare industry under pressure due to regulations and the need for cutting costs.
* Huge potential for Indian IT companies to tap this market.
* BPO opportunities in more advanced sectors such as imaging, disease management and claims processing.

* Need for transformation into paperless and film-less environment by corporate hospitals and big trust hospitals.

6.6 Radiology Outsourcing

* Indian corporate hospitals are in talks with hospitals in US and UK, who are interested in outsourcing radiology work.

* Radiology images can be transferred to Indian hospitals through a dedicated line, which can be analysed by the Indian doctors and sent back.

* Radiology outsourcing to Indian hospitals can cut down cost by 50% or less.

* The 12 hour time difference with India enables the hospitals in the US to work 24x7.

6.7 Upcoming Projects

Naresh Trehan's Medicity

* Rs 12 billion project in Gurgaon (near Delhi), spread over 93 acres.

* Will consist of 1600 beds, with a complete biotechnology backup and R&D facility.

* Will have major institutions for cardiology, oncology, bone and joint, neurosciences, regenerative medicine and trauma care.

Fortis Medicity

* Rs 12 billion project in Gurgaon, having 2 campuses.

* Hospital campus will have high end multi speciality hospital and research centre.

* College campus will have a medical college, a dental college, nursing college and facility for primary and applied research in medicine along with a 600-800 bed hospital.

Madras Institute of Orthopaedics and Traumatology (MIOT) Medical City

* MIOT Hospitals plans to set up a multi speciality medical city near Chennai.

Apollo Health City

* Rs 10 billion project in Hyderabad, spread over 33 acres.

* Has a postgraduate college for doctors, a nursing school and college, college of physiotherapy, institute of hospital administration, institute of medical informatics, institute for emergency medicine and institute for paramedics.

Dhirubhai Ambani Health City

* Reliance Anil Dhirubhai Ambani Group interested in building a 60 acre health city in Kolkata.

CMC Ajit Singh Lottery Medicity

* Rs 500 million medicity project in Ludhiana by the Christian Medical College and Hospital.

* Will have a general and a speciality hospital and an education institute.

6.8 VALUE PROPOSITION

* Some options for investment are
  >> Medical Infrastructure
  >> Clinical Research
  >> Healthcare BPO.

* Indian medical institutions can commit assured supply of manpower - *doctors, nurses, paramedics.*

* Conduct joint research in medical delivery, clinical trials etc
– *Ability to generate large volumes and an easier regulatory regime.*

* Access Indian capability in IT in the medical arena.

* Set up medical equipment manufacturing base in India.

* Leverage cost advantage for Medical Value Travel.

7 CONCLUSION

7.1 Learning From International Health Care Management

Health care managers and policy makers have an opportunity to find, mobilize and transfer medical knowledge, clinical knowledge and expertise, and management practices from the best in the world. Moreover, medical innovations have always been scattered around the world.

7.2 Limits to Learning and Transfer

The opportunity to access and exchange skills, expertise, technology, and new information at a distance has never been easier. New alliances and collaborations are possible through the internet, electronic workshops and symposiums and telemedicine. Consequently, the costs associated with time-space have been reduced, so innovative health care management practices could be adapted to any local health care setting. On the other, sharing medical care knowledge and expertise worldwide is limited.

7.3 Sharing Best Practices

Clinical practice allows each provider, whether a nurse, a physician, or a therapist, to evolve somewhat independently of the organization. A care process binds people to a routine or a "one best way;" however, collaboration and improvisation can also lead to new ideas and innovations. As Brown and Duguid (2002) argue, there needs to be a balance between practices and processes. By looking at international examples of best practices, health care organizations and systems can obtain new insights.

8. Conclusion

International health care management is a newly emerging field with much unexplored territory. However, throughout the world, the managers of health care organizations face similar issues. Health care organizations appear to be among the most complex organizations to manager; however, the apparent complexity of health organizations may be merely a reflection of the complexity of the environment in which health care takes place. Hence, we believe it is advantageous to learn from comparative, international health care management research. Health care organizations can create a global advantage both by acquiring new technologies and medical knowledge dispersed worldwide and by performing clinical activities in novel or unique ways.

"If the world has something to teach us, why would we not learn?" We believe that if managers and scholars can draw on the lessons from international health organizations, they can advance the field of health care management in ways that will have the most far reaching and profound impact.

9. REFERENCES

[1] Bateson J., ―Managing Services Marketing‖ , The American Marketing Association, Chicago, p 15, 1998.

[2] Kotler Philip, ―Marketing Management‖ , Prentice Hall, pp 142, 1983

[3] Arabi U, "Online Tourism Services in Developing Countries: Need for the website marketing infrastructure", Indian Journal of Marketing, August, 2007.

[4] Arora Suneel, "Indian Hospital Industry-Changing Horizons", ICFAI Reader, July, 2007.

[5] Ross Kim, "Health Tourism: An Overview", HSMAI Marketing Review, December 27, 2004.

[6] Sankaranarayanan G, "Medical Tourism Is Becoming Common Form of Vacationing", Express Healthcare Management, March, 2005.

[7] The Hindu Business Line : Apollo Hospitals to invest Rs 3,000 cr for expansion

[8] www.amityedumedia.com

[9] Health care sector in India – wikipedia.

[10] Martha Lagace (17 December 2007). "The Rise of Medical Tourism – HBS Working Knowledge". Hbswk.hbs.edu. Retrieved 2011-09-16.