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Macro Callouts for Healthcare Investing in India

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India will have ~1.2 billion people in the middle-income segment with over 42 per cent of the population in urban cities, by 2030. Indiaâ??s healthcare and lifesciences market is estimated to reach $285 billion by 2028 implying a growth that is twice our GDP growth. These developments will lead to an estimated $30-35 billion in private capital investment getting allocated to the sector over the next 5 years.



India’s healthcare and life sciences sector is one of the fastest-growing healthcare and life sciences markets in the world. By 2030, India will have ~1.2 billion people in the middle-income segment with over 42 per cent of the population in urban cities. While on the one hand, the sector today stands at a threshold of significant supply-demand mismatch, on the other hand there are signs of improving affordability and availability of talent pool. This makes the sector a compelling investment opportunity for both private and public market players. As we see today, India’s healthcare and lifes ciences market is estimated to reach $285 billion by 2028 implying a growth that is twice our GDP growth.

This growth trajectory for the sector is underpinned by several favourable macro factors namely 1) Demographics - increasing affluence among the population; 2) Disease Burden - a dual disease burden; 3) Insurance Penetration - improving insurance penetration; 4) Infrastructure: gaps in healthcare infrastructure; 5) Government Initiatives - government’s focus on healthcare and 6) India’s competitive advantage – low cost and availability of talent.

Delving deeper into our macro callouts

1) **Demographics:** By 2030, 140 million additional households will be classified as middle-class and more than 40 per cent of the population will live in urban areas. This shift in demographics will result in 3x-4x growth in healthcare expenditure. Urbanisation and modernisation lead to significant changes in lifestyle - sedentary jobs, lack of physical activity, and unhealthy dietary habits – contributing to increased prevalence of chronic diseases. Meanwhile, India will have more than 200 million elderly (60+) population by 2036; this combined with the rising life expectancy will create an unprecedented demand for healthcare services in the country. Significant investments towards increasing hospitals and other allied services capacity will be required to address the demand.

2) **Disease Burden:** An estimated 11.6 per cent of the population suffers from some form of NCD and ~ 6 million people die from chronic diseases every year. Cardiovascular disease is the leading cause of death in the country annually claiming over 3 million lives. It is estimated that the prevalence of Diabetes, Cardiovascular disease and Cancer will reach 226 million in 2030 from 169 million currently. In order to tackle the growing NCD burden, concerted efforts from both the government and private sectors are required. This has already been demonstrated in the remarkable reduction we have achieved in communicable disease-related deaths. We believe that the country’s chronic care management space has high scope for players to offer preventive/ therapeutic services.

3) **Healthcare Infrastructure:** India has made remarkable strides in medical infrastructure over the past decade with an estimated 1.2 million beds added, almost tripling the beds in 2013 (0.6 million beds). It is estimated that India with a current bed density of 1.3 per 1000 population needs 2.4 million additional beds to meet the WHO recommended ratio of 3 beds per 1000 population. Both the government and private enterprises are investing and increasing the bed density in Tier-II and beyond regions of the country. Given the significant demand for healthcare services and rising affordability, we expect the pace of investment in healthcare infrastructure to rise over the next five years.

4) **Insurance Penetration**: India's health insurance penetration has gone up from ~25 per cent in 2013 to 65 per cent in 2023 but is still low with 35 per cent of the population uninsured (~500 million people). This clearly constitutes the "Missing Middle" that needs urgent addressing. The country is also grappling with more than 50 per cent out of pocket expenditure (OOPE) in healthcare which significantly lags the global average of 18 per cent OOPE. The government has indeed taken marquee steps such as Pradhan Mantri Jan Arogya Yojana (PMJAY) to improve the insurance coverage to the underserved, meanwhile private health insurance companies have also played a pivotal role in reducing the OOPE and ease of claiming insurance through product innovation, distribution and technology.

5) **Government Initiatives:** Healthcare is a key focus area for the government, and public spending is estimated to reach 2.5 per cent of GDP by 2025. The government has launched its marquee four mission mode projects to improve healthcare accessibility and affordability namely PM-Ayushman Bharat Health Infrastructure Mission (PM-ABHIM), Ayushman Arogya Mandir (erstwhile AB-HWCs), PMJAY and Ayushman Bharat Digital Mission (ABDM). Recently, the government has also launched the Ayushman Bhav campaign which is a comprehensive nationwide healthcare initiative that aims to provide saturation coverage of healthcare services, reaching every village and town in the country. The government has also taken several steps such as offering Production Linked Incentive (PLI) Scheme in the Active Pharmaceutical Ingredients (API), intermediaries and Key Starting Material (KSM) production where import dependence is high. Medical Devices has also been a key area of focus for the government where several med-tech parks have been set up to boost indigenous manufacturing.

6) **Competitive Advantage:** India benefits from a vast skilled talent pool across physicians, nurses, science, and engineering graduates. India is renowned for its cost-effective healthcare solutions, offering medical treatments, surgeries, and pharmaceuticals at lower costs compared to many developed countries. Estimates indicate medical services in India at 80 per cent discount to the USA, this affordability factor attracts patients from around the world, approximately 2 million patients visit India each year from 78 countries for medical, wellness and IVF treatments, generating $6 billion for the industry. Additionally, India is the largest provider of generic medicines globally, occupying a 20 per cent share in global supply by volume. Indian companies have the largest share of the United States Food and Drug Administration (USFDA) Drug Master Files (DMFs) filings annually with ~ 35 per cent market share. With 670 USFDA approved plants, India has the highest number of USFDA compliant pharmaceutical plants outside of the USA. India is also one of the biggest global suppliers of low-cost vaccines with an estimated 60 per cent of global vaccines being produced in the country.

Conclusion

In summary, we estimate the outcome of the above positive macro environment will lead to an estimated $30-35 billion in private capital investment getting allocated to the sector over the next 5 years.

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