IN THIS ISSUE : **STEPHEN M SAMMUT** AND **LAWTON R BURNS** CALL FOR INNOVATIVE SOLUTIONS TO MEET INDIA'S HEALTHCARE CHALLENGES **DR DEVI SHETTY** ON HIS SUCCESSFUL MODEL OF HEALTH CITIES **NANDINI RAJAGOPALAN** DISCUSSES THE MERITS OF HIRING AN OUTSIDER CEO

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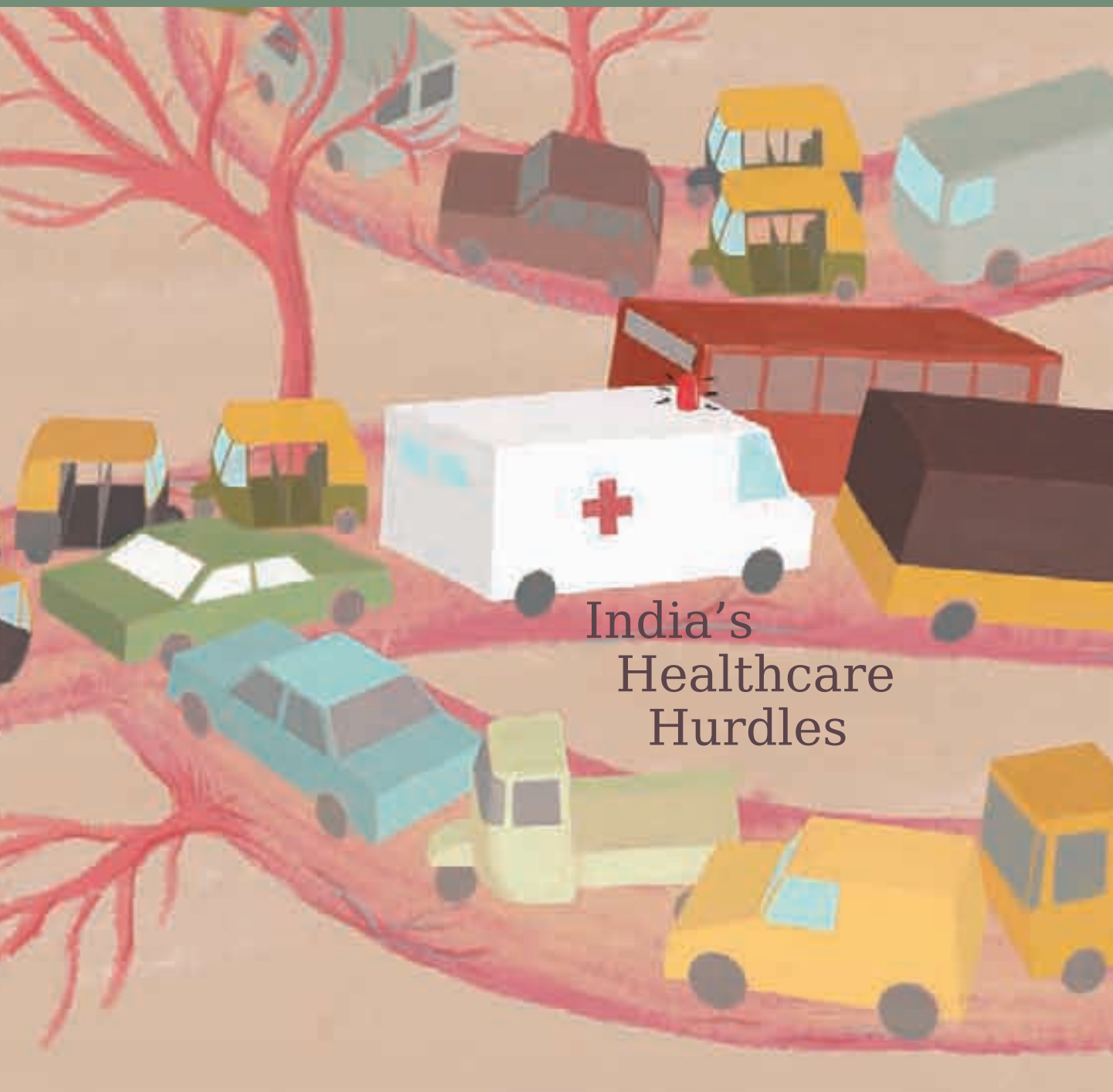


India's Healthcare Hurdles

from the editor's desk

Dear Reader,

These are exciting times for us at ISB – not only are we celebrating the tenth year of the school, we are also vigorously preparing for the start of our new campus in Mohali, Punjab in April 2012. Apart from offering the flagship Post Graduate Programme in Management, the Mohali campus will have specialist institutes in areas critical to India's development - Healthcare, Infrastructure, Manufacturing and Public Policy. Over the next few issues, we will highlight each of these areas in the ISBInsight, beginning with this issue on Healthcare. I thank Professors Stephen M Sammut and Lawton R Burns of The Wharton School, our academic partner for the Max Institute for Healthcare Management in Mohali, for kindly collaborating with us on this issue.

India needs a healthcare system that can meet the demands of over a billion people, most of whom are unable to bear the burden of healthcare costs – each year 39 million people are pushed into poverty because of their inability to meet healthcare costs. The challenges are gargantuan, as our cover stories point out: India leads the world in terms of maternal deaths; there is a dearth of qualified medical professionals in rural areas; health insurance covers only about a fifth of the population while unorganised private sector accounts for almost 80% of outpatient healthcare. But even in these bleak circumstances, some medical entrepreneurs have crafted solutions within their limited resources – Dr Devi Shetty is one such person, and we present an interview with him in this issue. Our feature stories demystify some long-held beliefs: Outsider CEOs might not be the superheroes that will save your firm, and blogging, even if it's sometimes negative, can help your company.

I hope you find this issue interesting and insightful. Do send me your feedback at editor_insight@isb.edu. I look forward to hearing from you.

Sriram Gopalakrishnan

Meeting the Challenges of Healthcare Needs in India: Paths to Innovation

BY STEPHEN M SAMMUT AND LAWTON R BURNS

How does the quality and availability of healthcare services keep pace with a vastly improving standard of living in a rapidly developing country? And to what extent can access to that quality care be available to all socioeconomic levels? These questions have a special relevance to India because progress in healthcare availability – or the lack of it – will accelerate or deter growth as well as determine the future of political leaders.[1] This article explores the particular challenges to medical professionals in the industry of wellness and healing, and to national policy-makers in meeting the needs of the growing Indian population.

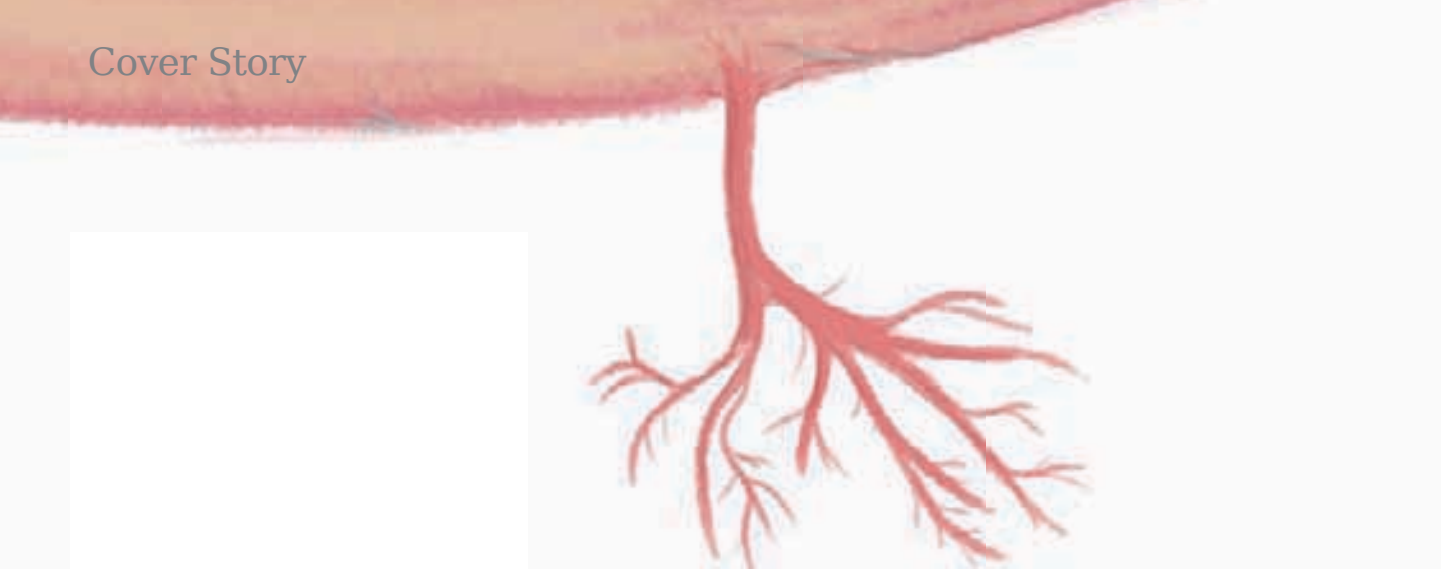
What are the key goals of healthcare in every country? We can summarise them as follows:

- Improved quality of care and population health as measured by life expectancy and other measures of wellness.
- Cost containment and pooled risk-sharing by the population to allow financial access to care as well as avoid catastrophic ruin.
- Provide access to care in an equitable manner for all citizens.

It is not our purpose here to grade India on its performance on these goals. Many studies have addressed these quantitatively and qualitatively.[2,3,4] The particular challenges should be inventoried so that their impact may be assessed, the interventions described, and innovations prescribed.

The Structure of the Indian Healthcare System

The public side of the Indian healthcare system has different roles for the national government and individual states. The Government of India addresses health policies, regulatory matters and disease control. The states address healthcare delivery, financing, and the training of personnel. The national Ministry of Health has several functional departments: Health Services, Family Welfare, Health Research, and Traditional Medical Systems. The state ministries typically have departments of Medical Education and, similar to the national ministry, Health Services and Family Welfare.[5] Despite this large infrastructure and attention to need, the public sector actually provides only about 20% of actual care services. The



balance of care is provided by private hospitals and practitioners.

Challenges in Healthcare

The ministries must address several prevailing challenges, as described in a recent series on India in The Lancet:

- Continuing burden of infectious diseases in health.
- Reproductive and child health and nutrition
- Chronic diseases and injuries
- Universal access to care and health equity
- Healthcare human resources
- Healthcare fi nance

The series offers one of the most coherent and thorough analyses of these factors and provides a provocative framework for this article. The six topics are abstracted and for each, we will describe the situation, an innovative intervention, and the business and organisational challenges that they represent.

Continuing burden of infectious diseases

The Situation: John et al [6] point out that several infectious diseases and vaccine-preventable childhood diseases still contribute 30% of the disease burden in India as measured in "disability adjusted life years lost." The economic impact of this is enormous. The consequence is also an overloaded public hospital care network that must address the primary care needs of infected patients.

Innovative Intervention: The traditional approach of a national government intervention programme for each disease is not likely to be effective or cost-effi cient according to John et al. They recommend the creation of a "functional public health infrastructure that is shared between central and state governments, with professional leadership and a formally trained cadre of personnel who manage an integrated control mechanism of diseases in districts for infectious and non-infectious diseases and injury."

Business and Organisational Challenges: The formation of an integrated national/state public health system represents a new category of costs for the government. Historically, in other countries, public health policies and laws have had to fi nd a balance with personal privacy and civil liberties. Is the timing right for India to undertake such efforts? What is the role of a business school in this transformation?

Reproductive and child health, and nutrition

The Situation: India has the world's greatest burden of maternal, newborn and childhood deaths. India also has the greatest number of undernourished children.[7] The pace of improvement has been slow and falls short. "Among the reasons is that coverage for priority interventions remains insuffi cient, and the content and quality of existing programmes is suboptimum, further complicated by unacceptable inequities" is the conclusion drawn by Paul et al.[8]

Innovative Intervention: Paul et al cite other reasons but also provide a solution. They offer that the health system has to be rethought with decentralised planning in districts, effective service delivery in communities and health facilities, a reasoned approach to demand-side fi nancing, a sustained programme to change household behaviours, and creation of centres of excellence for health and nutrition policy research.

Business and Organisational Challenges: Proposals for change and improvement must be abetted by input from policy-makers and the private sector. There are specifi c challenges that academics may consider in order to have equitable and sustained improvements. These cut across the entire spectrum of a major business school curriculum.

Chronic diseases and injuries

The Situation: According to Patel et al, "Chronic diseases and injuries are the leading causes of death and disability in India and there will be pronounced increases in their contribution to the burden of disease

during the next 25 years. Most chronic diseases are equally prevalent in poor and rural populations, and often occur together. . . Much of the care for chronic diseases and injuries is provided in the private sector and can be very expensive. . . India has already passed the early stages of a chronic disease and injury epidemic; in view of the implication for future disease burden and the demographic transition that is in progress in India, the rate at which effective prevention and control is implemented should be substantially increased."[9]

Innovative Interventions: In the West, more than two-thirds of all healthcare costs are consumed by patients with five or more concurrent chronic diseases. In the West, public or private insurance systems dominate healthcare finance. Beyond interventions for potentially catastrophic financial impact on patients and their families, are the interventions for prevention and management of risk factors. For example, cardiovascular diseases present with tangible risk factors such as hypertension, high body-mass index, high blood glucose and cholesterol, and tobacco use.

Business and Organisational Challenge: The principal challenge with respect to chronic disease and injury is to provide care at a cost that will not bankrupt the national economy or households. A key to this problem is avoiding onset of the diseases or limiting their severity. The role of businesses in this dimension of intervention is one of cooperation and collaboration, that is to say, receptiveness to behaving in accordance with the public good. The medicinal interventions can leverage the commanding position that the Indian generic pharmaceutical industry has established.

Universal access to care and health equity

The Situation: Balarajan et al report that inequalities are related to socioeconomic status, geography, and gender and are compounded by high out-of-pocket expenditures, with more than three-quarters of the increasing financial burden of healthcare being met by households. Healthcare expenditures exacerbate poverty, with about 39 million people falling into poverty every year as a result of such expenditures. Balarajan identifies key challenges for the achievement of equity in service provision, and equity in financing and financial risk protection. These include an imbalance in resource allocation, inadequate physical access to high quality health services and human resources for health, high out-of-pocket health expenditures, inflation in health spending, and behavioural factors that affect the demand for appropriate healthcare.[10]

Innovative Interventions: There are principles of health equity that Balarajan promotes: "Equity metrics, as applied to data for health and health systems, needs to be integrated into all health system policies and implementation strategies at every stage of the reform process. An equity-focused approach is needed to gather, use, and apply data for health outcomes and processes of healthcare, and during monitoring and assessment of health systems performance."

Business and Organisational Challenge: Any data-driven approach and analytic system must be driven by systems analysis and software development undertaken by the private sector. The quest for health equity presents an ideal opportunity for a series of public-private partnerships directed at definition, data capture and analysis, and transfer and implementation of the conclusions into practice. As much as 80% of Indian healthcare is privately provided, and that care is increasingly funded by insurance programmes; the mechanism for a fully integrated system is falling into place.

Healthcare human resources

The Situation: India has, according to Rao, a severe shortage of qualified health workers and the workforce is concentrated in urban areas. Many Indians, especially those living in rural areas, receive

care from unqualified providers. The outmigration of qualified physicians and nurses is substantial. The resources to train nurses are still inadequate. The rapid privatisation of medical and nursing education has implications for its quality and governance. Such issues are a result of underinvestment in and poor governance of the health sector – two issues that the government urgently needs to address.[11]

Innovative Interventions: There are numerous interventions and Rao highlights steps taken in Tamil Nadu. Among them, new positions were established in primary healthcare settings. Nurses, in particular, were expanded from one to three. The nurses are set up with a team of two medical officers to provide round-the-clock service. Tamil Nadu has also made provision for education of physicians and nurses in the public sector. Incentives and policies are in place to attract and retain personnel. In return for education, professionals have three years of mandatory rural service. This strategy can be duplicated in other states.

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Business and Organisational Challenge: Service in small cities, remote villages and rural settings remains an unmet need. It is not necessarily a function of income; physicians and nurses prefer to develop their knowledge base and practice within a community of providers. Nevertheless, packages of incentives, both financial and less tangible, must be developed and supported, perhaps in concert with the development of rural health insurance programmes.

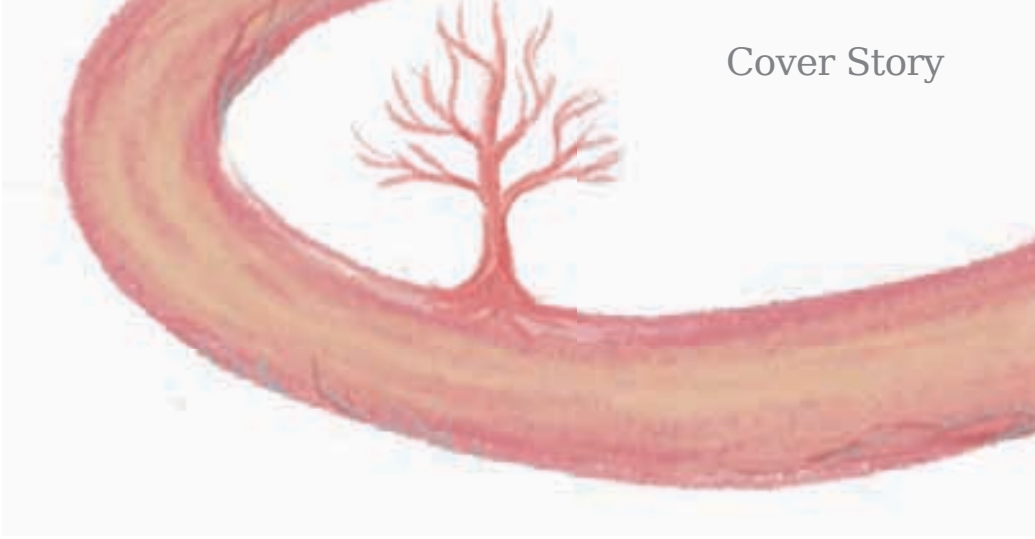
Healthcare finance

The Situation: Kumar et al observed that "India's health financing system is a cause of and exacerbating factor in the challenges of health inequity, inadequate availability and reach, unequal access, and poor quality and costly health care services. Low per-person spending on health and insufficient public expenditure result in one of the highest proportions of private out-of-pocket expenses in the world. Financial protection against medical expenditures is far from universal with only 10% of the population having medical insurance. (See the article in this issue on healthcare access.) The Government of India has made a commitment to increase public spending on health from less than 1% to 3% of gross domestic product during the next few years."[12]

Innovative Interventions: Kumar et al outline six policy responses:

- "Ensure achievement of government's commitment to increase public spending on health from less than 1% to 3% of GDP.
- Improve quality, performance efficiency and accountability of public and private health systems.
- Introduce policy and legislative changes to contain the rising costs of medical care and drugs.
- Increase availability of health services through direct expansion of public health services.
- Increase insurance and risk pooling to include financial protection.
- Introduce a predominantly tax-paid universal medical insurance plan that offers essential coverage to all citizens."

Business and Organisational Challenge: The private sector should have an expanding role in the provision of care. The Lancet Series is silent on the role of the private hospital systems, such as MaxHealthcare, and the role they play for middle-class access and the provision they make for providing for the less fortunate. Moreover, the role of such efforts at the Aravind Eye Care System, Dr Devi Shetty's Narayana Hrudayalaya Cardiac Centre (See the interview in this issue with Dr Shetty), and the Vaatsalya Hospital



system strategy for delivering care in underserved areas all offer valuable and reproducible strategies. The challenge in the expansion and implementation encompasses all the above issues as well as meeting capital needs of the organisations.

Conclusion

This brief article may overwhelm readers unfamiliar with Indian healthcare, with the magnitude of the problems and their complexity. That is an appropriate response, but the problems are addressable at the level of the enterprise and are solvable with innovative thinking. The positions of many of the authors cited within do seem to favour the role of governments, national and state, as the entities with primary responsibility. This may be true, but the expansion of the Indian healthcare system will likely remain a hybrid of private providers and public providers. Convergence of these two worlds presents the challenge of all challenges. Driving this convergence and the teaching of the best principles of healthcare management will be prevailing themes in the curriculum of the new major in Healthcare Management to be launched at ISB's new Mohali Campus.

This article is an adaptation of the introductory chapter of the book based upon a course entitled "Innovation and the Healthcare Industry" conducted by Professor Burns at the Indian School of Business (ISB) in January 2010 and 2011, to combined classes of ISB and Wharton students.

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