ISSN- 2394-5125 VOL 7, ISSUE 19, 2020

FACTORS INFLUENCING RISE OF CORPORATE HOSPITALS

Aparna Joshi 1 , Dr Rajesh Sharma 2

1 Research Scholar, Department of Management , Sri Satya Sai University of Technology & Medical Sciences, Sehore, M.P.

2 Research Guide, Department of Management , Sri Satya Sai University of Technology & Medical Sciences, Sehore , M.P.

ABSTRACT

As a service-oriented sector, healthcare is dynamic and expanding at a fast rate. Higher competition, greater consumer expectations, reduced operating costs, and a constant reorientation of the entire healthcare system with advances in technology and scientific breakthroughs are all issues that healthcare marketers face. This may also be linked to the healthcare system's shifting finances. Healthcare markets are currently utilizing effective marketing mix tactics to attract patients, influence their behavior, and encourage them to select their services in order to thrive in this competitive period. The goal of this research is to identify successful promotional techniques used by hospitals and their impact on patients' willingness to use their services. It also reveals whether or not patients and hospitals have different perspectives on promotion mix methods.

In modern economies, service sector plays an increasingly important role in terms of its economic growth and effective services. Above all, health care industry is growing at a tremendous pace owing to its skilled professionals, infrastructure, updated technology, various services and increasing expenditure by public as well as private players. It is something everyone needs and is also vital to human existence. Hence health care sector has become one of the largest sectors in India in terms of revenue, evolution and employment. The overall Indian health care market today is worth US$ 100 billion and is expected to grow to US$ 280 billion by 2020, a compound annual growth rate (CAGR) of 22.9 per cent. Health care delivery, which includes hospitals, nursing homes and diagnostics centers and pharmaceuticals, constitutes 65 percent of the overall market.

INTRODUCTION

Indian government became involved in health care by establishing hospitals and introducing various reforms to the Industry. Previously, there were very few government hospitals with no charge to the patients. Government hospitals mostly not run for profits but are setup to provide humanitarian services to the community and hence the patient’s expectations towards it are also very minimal. But now, the scenario has been changed. The hospitals including government have started charging the patient in the name of user charges. With the advent of Consumer Protection Act (1986), the patient’s expectation

ISSN- 2394-5125 VOL 7, ISSUE 19, 2020

has also gone very high. As a result the government of India has decided to increase health care expenditure to 2.5% of the gross domestic product (GDP) by the end of the 12th Five Year Plan (2012-17).

The central government has given priority to health care and is making significant investments to improve the infrastructure and delivery mechanism jointly with the state governments through National Rural Health Mission (NRHM). Before NRHM, the health care system in India was marked with significant disparities between urban and rural areas as well as between different states. Under NRHM, a manifold increase in the allocation for the health care sector has taken place across all Indian states. The central government has also proposed the National Urban Health Mission (NUHM) scheme to improve the affordability and accessibility of health care services for the urban poor with a focus on slum dwellers and other vulnerable groups. Several central sponsored as well as state sponsored health insurance schemes have also been introduced for the economically backward .

However, the government alone cannot meet the infrastructure, capacity and delivery shortages existing in the current health care system. There has to be increased participation of private sector in the Public Private Partnerships (PPP) schemes for infrastructure, capacity development and delivery. Challenges do exist, some of the PPP initiatives have failed and discontinued due to lack of renewal of the services by the private service provider. The PPP budget allocation under NRHM as well as a number of PPP projects varies considerably across the states. This shows that the state governments are still apprehensive about the success and sustainability of these partnerships and hence not fully committed towards this avenue of development. This makes it different from those set up by individuals, known as private hospitals.

Private hospitals perform humanitarian services but they are not considering this function as its prerogative. Considering its major focus towards profit, they do improve their service quality through its hi-tech infrastructure and offering all services at one place. In particular, multi- specialty hospitals have evolved from being an isolated sanatorium with five star facilities. They are well equipped with the most advanced diagnostic and treatment facilities. They try for total health care – preventive and curative. The patients coming to the hospital not only expect world-class treatment, but also other facilities to make their stay comfortable in the hospital. Such an evolution changes attitude and expectation and paves the way for tremendous growth in medicine, its exposure, commercialization and improvement in the facilities.

Nearly all hospitals in metropolitan cities like Chennai have grown to a truly world class stature over the years. Considering its heavy competition and increased number of customers, forces and insists them to give more importance for quality and promotional strategies such as word of mouth, demonstrations, media interview, service package, free services, doctor’s profile and advertisement. Upholding high service quality with

ISSN- 2394-5125 VOL 7, ISSUE 19, 2020

effective promotional strategies paves the way to gain competitive advantage, customer loyalty and positive word of mouth.

FACTORS INFLUENCING RISE OF CORPORATE HOSPITALS

Influence of the British

The British favored socialist philosophy and free health caré and private sector were only supposed to have a residual role in serving the wealthier urban population or providing supplementary services. Accordingly, as much as 92% of the financing came from public expenditures with only 8% of it from private sources. However, it failed due to the lack of finance and the lack in government will and the public sector showed signs of failure. Indian public policy makers introduced the Mudalier committee in 1961, which endorsed the failures of the public healthcare system and became the official gateway for the prominence of the private sector.

Inadequate public health infrastructure

There is a great rural-urban divide in terms of access to quality healthcare facilities, much of the population resides in rural areas but the better healthcare facilities are located largely in urban areas. This is further proven by the fact that only 25 per cent of the Indian population has access to allopathic medicine which is mainly practiced in urban areas. With the rapid economic development, increasing urbanization and the rise in living standards, there is a shift in the disease profile from communicable diseases to chronic or lifestyle-related diseases. However, the inadequate public infrastructure could not cater to the changing disease profiles in the Indian population and this has led to the rapid establishment of private healthcare services in the last decade.

The government resource crunch

In 1991, there was a cut in budgetary allocation for healthcare by the central government which crippled the development of rural health infrastructure. However, this approach of the Government seems to have been favorable for the establishment of private hospitals in India. Further, in 1994, the Government created a list of private hospitals that could be used to avail specific services that were not available (or whose availability was delayed) in Government hospitals or healthcare facilities, as a supplement to the Central Government Health Scheme (CGHS). Currently, many of the State Governments are also reimbursing the cost of services availed in selected private hospitals, under various schemes. This indicates that the Government would look at the private sector to fund the development of quality secondary and tertiary healthcare facilities. The resource crunch was evident since India has not met the financial allocation of 5% of the GDP on healthcare as recommended by the Bhore committee Mathiyazhagan, 1999; Berman, 1998). This financial constraint is further compounded by the economic recession in the 1970s. The GDP spent on healthcare dropped to an appalling proportion of only 1.25%, making it completely insufficient for the public health sector (Berman, 1998).

Support by government

ISSN- 2394-5125 VOL 7, ISSUE 19, 2020

Government has taken several measures for wooing the private investors to the healthcare sector in the 1980s and 90s through various mechanisms.

The nationalization of the banks in 1969 and recognition of medical care as an industry (Baru, 1998) paved way for bank lending to hospitals.

The reduction in the import duties on high technological medical equipment allowed equipping hospitals with latest equipment.

Special concessions to the NRI doctors to set up corporate hospitals. For example, total tax exemption as long as they treated 40% of their patients for free gave incentive to private sector practitioners.

Implementation of the National Health Policy in 1982, stating the need to open up medical care to 'for profit' and 'non-profit' institutions. All these government efforts allowed the corporate hospitals to contribute to more than 70% of India's urban healthcare service market.

Rising middle class

The middle class in India, increased to be 40 to 50 million people with higher purchasing power. They were able to demand and lobby for hi tech hospitals, of international standards. Since the corporate hospitals are often believed to be capable of meeting the international standards and offer the flexibility in location and timing to suit the conveniences and the needs of the middle income groups, the demand for the corporate hospitals, became strong.

Rising Grey population

Furthermore, the government efforts in encouraging family planning to control the population since the 1950s, has led to decline in the younger population. By the year 2050, the aging population would increase, mounting even more pressure on the public and private healthcare sector.

Preference to paid and better services

By 1999, the people started showing preference to private paid services. By that time, almost 85% of the services are being paid out of the pocket. About 20% of the patients in the OPD nationwide have indicated that they prefer go to the private 19 hospitals despite higher out of pocket payments. In fact, more than 50% of the urban population in Mumbai has expressed their preference for the corporate hospitals for their higher efficiency.

New diseases

The poor rural migrants living in the slums or pavements become public health hazards, bringing in new diseases and illnesses into the cities. As a result, the urban population will see a more complex epidemiological pattern and more advanced medical technology would be required to treat those diseases. Besides the epidemiological pattern there is rise in the occurrence of lifestyle diseases. The disease like cancer, cardiovascular diseases and diabetes, are beginning to rise rapidly because of the increasingly latent lifestyles of the urban middle class, which came with the conveniences that modernization and wealth

ISSN- 2394-5125 VOL 7, ISSUE 19, 2020

brought for the middle class. As treatment facilities will only be available at the corporate hospitals, the demand for the corporate hospitals has grown substantially.

Encouraging industry

The government has encouraged the development of other medical related industries, like pharmaceutical and medical equipment industries, to set up businesses in India. The government does it through the industrial policy statement, which proclaimed that India gave no discrimination on foreign and Indian undertakings. This gave the private sector more leverage in the hospital industry, since corporate hospitals are so dependent on the use of foreign-based and modern technologies and diagnostics with high obsolescence rate.

The development of the medical related industries lowers the cost of this IT architecture tremendously, enhancing the emergence of the corporate hospitals further. The corporate hospitals, with a rising demand, attracted more business groups, like Apollo Tyres, to collaborate with medical institutions like, Artemis Health Institute, to form conglomeration of medical cities, like the Medi City in Bangalore.

Private entrepreneurship

Until the 1980s most of the hospitals in India were either run by the government or by private charities and trusts. The concept of corporate hospitals has come into existence with the advent of Apollo Hospitals Enterprise Limited as a public company in the year 1979. The 'corporatisation' of hospitals gained momentum only during early 1990's with the liberalisation of the Indian economy.

Foreign Direct Investment

The liberalization of foreign investment policy in January 2000, allowing Foreign Direct Investment (FDI) through automatic route in hospitals in India and mobilisation of capital through other forms like American Depository Receipts (ADRs) and Global Depository Receipts (GDRs), upto 49 per cent, have stimulated the establishment of corporate hospitals. Some of the examples of the hospitals established through the FDI route include Apollo Gleneagles, Columbia Asia and Max Healthcare.

Insurance support to health care

Opening up of the insurance market for private players in 2000 was a major initiative by the Government that will further drive the growth of corporate hospitals in the long run. Later in 2002, the Insurance Regulatory Development Authority (IRDA) allowed Third-Party Administrators, which made medical insurance more attractive with cashless hospitalisation. De-tariffing of general insurance in 2007 that allowed creation of customised medical insurance products further accelerated the growth and enhanced the acceptance of medical insurance in India.

Network Hospitals and Medicities

This decade (2001 - 2011) is slated for increased activity in the 'corporatisation' of hospitals in India. Corporate hospitals are focusing on a pan-India basis to have economies of scale in their operations. Most of the corporate hospitals have focused on

ISSN- 2394-5125 VOL 7, ISSUE 19, 2020

the hub and spoke model of networking and some players like Apollo Hospitals 21 have a dual, 'horizontal-cum- vertical' model that constitutes wider presence across the country and also vertical integration in terms of its healthcare service offerings, attempting to cover the entire spectrum of services. This decade is likely to see the rise of leading corporate hospitals as major players because of the large expansion plans that are in place. Currently, the Apollo hospitals network includes about 26 hospitals while Fortis Healthcare runs 13 hospitals and 16 satellite centres.

CONCLUSION

Hospital is a sub system of a larger social system. The hospital subsystem again consists of various sub systems, like clinical services, diagnostic services, therapeutic services, support and utility services. The present day hospital is not the same as it used to be during early ages. The present day hospital is not only a centre for medical care but also takes care of the various aspects of hospitality management. A star hospital of today provides high-tech medical care and beyond that the star facilities of a star hotel. The hospital is very labor intensive organization that mobilizes the skills of widely divergent group of professionals, semi-professionals and non-professionals to provide highly personalized services to individual patients.

The hospital is an integral part of social and medical organization, the function of which is to provide for the population complete health care, both curative and preventive and whose outpatient services reach out to the family and its home environment; the hospital is also a centre for the training of health workers and for biosocial research.

REFERENCES

1. James Ndambuki (2013), “The Level of Patients’ Satisfaction and Perception on Quality of Nursing Services in the Renal Unit, Kenyatta National Hospital Nairobi, Kenya”, School of Nursing Sciences, The University of Nairobi, Nairobi, Kenya, Vol. 3, pp. 186-194.
2. Md Rajib Rahman and Shawgat S. Kutubi (2013), “Assessment of Service Quality Dimensions in Healthcare Industry - A Study on Patient’s Satisfaction with Bangladeshi Private Hospitals”, International Journal of Business and Management Invention, Vol. 2, Issue 4, pp. 59 - 67.
3. Merkouris, A., Andreadou, A., Athini, E., Hatzimbalasi, M., Rovithis, M. and Papastavrou, E. (2013), “Assessment of Patient Satisfaction in Public Hospitals in Cyprus: A Descriptive Study”, Health Science Journal Vol. 7, Issue 1, pp. 28 – 40.
4. Abro, Z and Ali, A. Jalban (2012), “Health Care Facilities and Patients Satisfaction: A Case Study of Civil Hospital Karachi”, Interdisciplinary Journal of Contemporary Research in Business, Vol. 4, Issue 1, pp. 781 – 799.
5. 8 Khattak, A., Ismail, M. Alvi, Awais, M. Yousaf, Zain-ul- Abideen, S. Shah, Turial, D., and Akhter, S. (2012), “Patient Satisfaction - A Comparison between

ISSN- 2394-5125 VOL 7, ISSUE 19, 2020

Public and Private Hospitals of Peshawar", Vol. 4, No. 5, pp. 713 – 722.

6. Mahmoud, A. Zamil, Yousef, A. Areiqat and Tailakh, W (2012), "The Impact of Health Service Quality on Patients' Satisfaction over Private and Public Hospitals in Jordan: A Comparative Study", International Journal of Marketing Studies, Vol. 4, No. 1, pp. 123 – 137.
7. Mao Vadhana (2012), "Assessment of Patient Satisfaction in an Outpatient Department of an Autonomous Hospital in Phnom Penh, Cambodia, Dissertation, Higher Degree Committee of Ritsumeikan Asia Pacific University, pp. 1 – 86.
8. Vigdis Abrahamsen Grondahl (2012), "Patients' Perceptions of Actual Care Conditions and Patient Satisfaction with Care Quality in Hospital, Dissertation, Karlstad University Studies, pp. 1 – 94.
9. Iragaraju, Nageswara and Krishnamacharyulu, C.S.G., Marketing Strategies of Corporate Hospitals (November 18, 2013).
10. Hassan Elsan Mansaray 2019," Relating Marketing and Corporate Strategy- An Overview," International Journal of Innovative Studies in Sciences and Engineering Technology (IJISSET) ISSN 2455-4863 (Online) www.ijisset.org Volume: 5 Issue: 11 | 2019