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# Investment Needs to Achieve Sustainable Healthcare Goals in India

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**Abstract** *United Nations formulated Sustainable Development Goals focusing from education to water and sanitation, from child mortality to maternal health. The responsibility of member nations is to focus on the goal related to partnerships. The partnership between different actors is necessary to finance developmental projects at global and local level. In this earnest, this paper is an attempt to discuss the avenues which can channelize finances and foster partnership between public and private for the much neglected health care system in India.*

**Key words** Health care, investment, sustainable

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## 1. Introduction

Development is a life in peace. Development is a life without poverty and without inequalities. Development is respect of human rights, and the belief in governance and in good and strong institutions (Eliasson, 2015). Therefore, it can be said that, there is no peace without development and there is no development without peace, and none of the above without respect of human rights. There are challenges to achieve peace, upheld human rights and sustain development, but as rightly said by Hammarskjöld (1954) “to deal with challenges there should be vision and horizon.” and “"the future is also the step you take tomorrow." In this context, to achieve the vision set by United Nations (2015) in terms of Sustainable development goals, there is a dire need to take steps in terms to address its financing.

Generally, at International level the top down approach exists to finance developmental goals through multilateral development banks like World Bank and IMF, in the form of developmental assistance, grants, concessional loans, regular loans, guarantees, to name a few. Similarly, at National level to finance developmental goals at local level, same method exists (i.e., top down approach). In fact, at local level the regional banks assist governments in developmental projects. Unfortunately, the other developmental assistance (ODA), public money banks are now under pressure and it is no surprise i.e., the new regulatory framework is constraining the growth of banks (Badre, 2015). Similarly, in their recent meeting, G20 members suggested that developing countries will need to invest an additional $1 trillion a year up to 2020 to keep pace with the demands of urbanization, and better global integration and connectivity. Therefore, it becomes imperative to search new avenues for financing developmental goals that are sustainable.

In 2012, a McKinsey study estimates that the share of total infrastructure financing in GDP will need to increase from around 3.8% to 5.6% in 2020 worldwide. Usually, infrastructure often comprises natural monopolies such as highways or water supply, and hence governments mostly retain the ultimate control to prevent an abuse of monopoly power. Also, Infrastructure investments entail complex legal and financial arrangements, requiring a lot of expertise and require complex arrangements to ensure proper distribution of payoffs and risk-sharing among all parties involved. That is, early investment risks, the time profile of cash flows, and illiquidity make purely private investment difficult and costly. Infrastructure is therefore special because investments are potentially hugely profitable for the economy as a whole, but the rationale for State intervention in financial sector usually centers market failures (World Bank, 2013a), because an infrastructure project would not be profitable on its own, or because the associated risks are too large or too costly to insure. The quality of institutions and the rule of law are often determining factors in the supply of infrastructure finance, even when a project by itself appears to be financially viable. The borderline between the international and national is slowly disappearing, because the goals that United Nations have to reach into sectors which are classically considered domestic affairs.

In terms of population, 40 percent of world population lives in BRIC countries (Brazil, Russia, India and China) and the growth of these countries is such that its combined share of GDP is almost the size of GDP of the United States (World Economic Outlook, 2015). Similarly, on the developmental front specially related to trade, the BRIC countries have been successful in establishing new developmental bank where each country holds equal voting rights. In fact, researchers (see for example, Harmer and Buse, 2014) argued that the role of BRIC nations may represent a "paradigm shift in global health" because these nations play an increasingly important role in funding cooperative health projects in developing countries (Fan *et al.*, 2014). Therefore, it is imperative to observe health care indicators as sign whether among BRIC Countries especially India have been successful on the commitments being made to achieve universal health coverage health care system (WHO, 2011).

## 2. Rationale for the Present Study

In 2015, United Nations set 17- Sustainable Development Goals on the pattern of Millennium Development Goals. The UN- member countries agreed to reach these goals with a view that these goals reflect peace, development, and sustainable clean environment for future generations. India being listed by World Bank under lower middle income country where IBRD wing finances most of the developmental projects under various financial variants, for example – grants and developmental assistance. To achieve Millennium Developmental Goals formulated by UN in the past, India received significant aids from donors (see for example, Organization for Economic Co-operation and Development - OECD), ranking it the eighth largest recipient in the world. However, a number of OECD donors have planned to reduce or cut aid to some BRIC (Brazil, Russia, India and China) countries. In fact, the UK bilateral aid review report outlined that in order to improve the allocation of aid, it would end bilateral aid programmes in 16 countries by 2016.Similarly, the European Union also announced that under Multi annual Financial Framework 2014–2020 , it will end bilateral aid to two large low-income countries whose gross domestic product (GDP) is larger than 1% of global GDP i.e., India and Indonesia.

Therefore, to achieve new developmental goals the main issue concerning for lower middle income countries is its financing, where India is no more different. Because, the moment member countries became signatories of the SDG's, the responsibilities have been taken by nations, by local communities, and they have to mobilize finances for the people in the world who get affected if this vision is not being reached. In this regard, in India certain economic measures were initiated by newly formed government to increase GDP and achieve the SDGs simultaneously. But the government support is limited, same as it was in past, because of paucity of finances. Therefore, the need to recognize the different modes of financing especially Blending Finance and PPP in health sector of the economy can be a factor to improve efficiency and impact of services.

## 3. Objectives

To observe the healthcare indicators of BRIC countries and recognize the main factors affecting Indian healthcare system.

To suggest some reforms that can foster relationship between public and private especially in Indian Healthcare system.

## 4. Health (National Level)

India's gross national income (GNI) reached US$2.049 trillion, ranking it the seventh largest economy in the world and by 2020 India is expected to be the third largest (Wikipedia, 2015). Despite this rapid growth India accounts for 40 percent (217 million) of the worlds malnourished children (World Bank, 2015). Although, Indian pharmaceutical market is expected to reach $48.5 billion by 2020, but observation of certain statistical aspects lead that national health scenario is mostly under-developed.

*Table 1.* Selected Health Indicators of BRIC Countries

| HDI Rank (2015) | Countries | Life expectancy at birth 2014 (years) | Infant mortality rate (per 1000 live births) 2013 | Under-five mortality rate (per 1000 live births) 2013 | Public Health expenditure (% of GDP-2013) |
|---|---|---|---|---|---|
| 130 | India | 68.0 | 41.4 | 52.7 | 4.0 |
| 90 | China | 75.8 | 10.9 | 12.7 | 5.6 |
| 50 | Russia | 70.1 | 8.60 | 10.1 | 6.5 |
| **75** | **Brazil** | **74.5** | **12.3** | **13.7** | **9.7** |

***Source:*** Human Development Report: 2015

From Table 1, it can be observed that that spending on health care in India is only four percent of gross domestic product, and as per the Industry report (2014) it is expected to remain at the same level through 2016. The recent report of United Nations Developmental on Human development index has ranked India as 130$^{th}$ country, also the grim picture of India on health index in comparison with our BRCS member countries seems dismal (see Table 1). Similarly, in their recent survey, Deloitte (2015) group found that India's public health system is patchy with underfunded and overcrowded hospitals and clinics, with inadequate rural coverage. The reason is that building up the necessary expertise is costly, and investors are willing to incur these fixed costs if there is a sufficient and predictable pipeline of infrastructure investment opportunities.

Therefore, it can be argued that a major reason for the apparent mismatch between infrastructure investment demand and the supply of infrastructure finance is the lack of a pipeline of properly structured projects. For instance, India's public sector largely depend on capital intensive solutions like building new hospitals, which unfortunately locks a lot of capital, thus leaving less for running these hospitals leads to bad performance. Notably, structural changes are the need of the hour i.e., there is dire need to find alternative ways of increasing the reach of the masses. In other words, the Public-Private Partnership model is the need of hour.

*Table 2.* Selected Health Indicators of BRIC Countries

| HDI Rank (2015) | Countries | Physicians (per 10, 000 people-2001-2013) | Psychiatrists (2014) | Psychiatric beds (per 100 000/2014) | Nursing and midwifery personnel (2007-2013) |
|---|---|---|---|---|---|
| 130 | India | 7.0 | <0.05 | 2.1 | 17.1 |
| 90 | China | 14.6 | 0.2 | 16.8 | 16.6 |
| 50 | Russia | 43.1 | 1.1 | 102.8 | NA |
| **75** | **Brazil** | **18.9** | **0.3** | **13.0** | **76.0** |

***Source:*** WHO Report 2015

From Table 2, it can be observed that India lacks with other emerging economies on numbers especially related to physicians, psychiatrists, psychiatric beds and nurses. The percentage of physicians (i.e., doctors including generalists and specialists) in India is 7 percent. Public-private partnerships (PPPs) will gain traction provided the government shows private investors both stability and a professional transactional capacity. The government has to encourage private sector to invest and improve the healthcare of nation. First, supporting them to take equity risk by giving tax benefits. Second, at State level, the government can donate the land to private sector, which in turn can build and operate hospital and providing healthcare to poor people at subsidized rates. Third, maintenance contracts to be awarded for the upkeep and running of already established healthcare centers, which should also include hospitals, primary health care centers, and chronic disease control centers.

Notably, the concept of impact investment comes into picture and is defined as "Investments made into companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return." In fact, India is the biggest market for Impact

Investment Funds after European countries. However, around 70% of these investments go to microfinance sector and healthcare receives around 9-10 percent. Therefore, an opportunity available for government is to facilitate more impact investment funds i.e., by setting up of new impact investment funds which will invest specifically in healthcare sector. For instance, the examples is that of investment done by Acumen in Vaatsalya Hospitals which a chain of hospitals operating in South India.

## 5. Recommendations

In order to improve healthcare the government need to make medical professional more accountable and need to devise strategies which attract trained doctors for working in rural areas, for example, this could involve giving tax breaks to such doctors, etc. Notably, India's current Tax-GDP ratio is at a low of 17% compared with 25% as average for OECD nations (World Bank, 2015). Unfortunately, in India Out-of- pocket health expenses are high (on average accounting for 70 percent of total health spending) which considerably affect poor household. Therefore, incremental funds arising from higher taxes could be diverted to fund public sector healthcare expenditure. It is pertinent to mention here that Indian Government recently introduced "Swachh Bharat Cess" to accumulate funds for running programs across country aimed at cleaning the garbage. Therefore, in this earnest, a similar "Healthy India Cess" could be levied to accumulate funds for healthcare sector. Also, India needs stricter laws to control "Brain drain" particularly with regard to medical students.

## 6. Global Level

Notably, not only in India, but globally it can be observed that severe health-care crisis have substantially affected the nation countries, see for example- Ebola outbreak in Africa, Swine flu in India, and SARS in China. These diseases have created challenges and pointed gaps in healthcare system of countries, which they failed to tackle as earliest. However, these pandemic diseases are difficult to understand because of the issue where it starts, how it starts. Therefore, the focus of governments to improve public health in very poor or resource-poor settings is to alliance with global players. As proposed by Schmidt-Traub (2015), globally an incremental 1.5-2.5% of world GDP needs to be invested each year by the public and private sectors to achieve the SDGs in every country. Among the leading financing institutions in health i.e., the Global Fund to Fight AIDS, Tuberculosis and Malaria, Gavi, and tGlobal Finance Facility have all used needs assessments an found that there is a dire need to mobilize vast increases in domestic and international resources for the sector. But researchers (see for example, Jamison *et al.,* 2013 ) argued that it should start first with proper private and domestic public resources is necessary before turning to international public finance to fill remaining investment gaps (c.f. UNESCO 2015a for education, Jamison et al. 2013 and Chatham House 2014 for health).

Notably, Multilateral Investment Guarantee Agency is the largest single component of blended finance solutions in the world. For instance, Citigroup in cooperation with Overseas Private Investment Corporation (OPI) has done $2.6 billion worth of some 16 different programs (Collins, 2015). In other words, OPI takes risk and guarantees some component of the funding structure, and then Citi as well as other banks participate. Similar pattern of partnership can be initiated between developmental banks of India and private businesses, well as philanthropists. In the recent past, several initiatives have been taken to tackle severe health care crisis at global level. The Global Alliance for Vaccines and Immunization, started by a substantial investment from the Gates Foundation and from others, including the UK and the United States and so on. However, there is a need to expand Global Alliance for Vaccines and Immunization into a Global Fund for Health to provide financing that strengthen healthcare system, requires some $15 billion per year by 2015 (Traub and Sachs, 2015).

## 7. Challenges

The regulatory landscape for debt will continue to evolve as *Basel 3* works its way through the markets (Economist, 2015). In fact, the regulations are likely to increase the price and reduce the supply of long-term debt in banking industry. The key to successfully raising enough investment for tomorrow's essential infrastructure will rest in finding the optimum balance between public and private money. The key sources of increasing infrastructure demand, such as the large infrastructure gap in emerging economies will therefore require additional sources of financing from the private sector. The, emerging economies need to adequately plan an appropriate mix of sustained finance to build infrastructure such as sanitation, potable water and drivable roads, healthcare, to name a few (Schmit-Traub and Sachs,2015).

## 8. Conclusions

Generally, a key issue for the public sector is the development of a predictable pipeline of well-structured projects. Notably to think that financial returns and social returns are two separate things is no truer i.e., the government and private investors should recognize that financial returns and social returns can coexist (Collins, 2015). Similarly, the budget constraints of the government will not allow them to solely fund the development objectives. In other words, there is a dire need that the public sector should embrace the private sector, in such a way that enables the private sector to achieve risk-adjusted returns in many of these objectives. Similarly, the collaboration between government and private sector to use revolutionary technology can change everything from the environmental paradigm to the healthcare paradigm. Currently, we are living in the era of sophisticated technology which can help to overcome the obstacles faced by State to provide timely healthcare. In other words, it is the ability of nation to apply horizontally as well as vertically the technologies like telemedicine, teleradiology, to name a few. Therefore, Blended finance as well as PPP Model can act as a multiplier to improve Indian healthcare.

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