Trade in Healthcare Service Sector in India

Rahul Singh*

An emerging sector in the trade in services is the healthcare sector. This sector has recently gained momentum and importance in case of India. The delivery of healthcare services have been simplified due to globalisation and technological progress. India has a large number of well-trained medical professionals along with a cost advantage for rendering medical services as compared to developed countries. This has helped India to increase trade in healthcare services under different Modes as specified by the World Trade Organisation. The article also assesses the major initiatives taken by India in liberalising trade in healthcare sector while operating within the commitments with WTO. The Government of India has introduced simplified visa regime for foreign patients, relaxed FDI limits and provides incentives for export of medical services. These initiatives have enabled India to emerge as a leader in the area of telemedicine and medical tourism.

* Doctor by Profession and is currently in the Indian Trade Service.

HEALTHCARE service sector in India today provides unique opportunities and challenges to achieve innovation and reach to meet the healthcare needs of our huge population. In the next decade, increasing consumer awareness and demand for better facilities will redefine the country's healthcare sector. With technological progress and forces of globalization, scope and extent of service delivery have crossed geographical, linguistic and cultural limitations.

India's primary competitive advantage over its peers in healthcare service sector lies in its large pool of well-trained medical professionals. India also has a significant cost advantage compared to countries in Asia and Western countries. For instance, cost of surgery in India is one-tenth of that in the US or Western Europe.

The private sector has emerged as a vibrant force in India's healthcare industry and has built India's place both nationally and internationally. The private sector's share in hospitals and hospital beds is estimated at 74 and 40 per cent, respectively.

Hospital and diagnostic centres attracted foreign direct investment (FDI) worth ₹11,272.32 crore (US$1.87 bn) between April 2000 and February 2014.[1]

The main factors behind the growth of the sector are rise in incomes, increased access to high-quality healthcare facilities as well as greater awareness of personal health & hygiene among people.

Realizing the importance of health and healthcare service sector in India's growth, Planning Commission has allocated US$55 billion[2] to the Ministry of Health and Family Welfare. This is about three times the actual expenditure under the 11th Five-Year Plan. It is in the 12th Plan that focus is given on providing universal healthcare, firming up healthcare infrastructure, promoting research and development (R&D) and enacting strong regulations for the healthcare sector.

Huge investment is required in healthcare sector in both urban and rural areas. About 1.8 million beds are required by the end of 2025. Moreover, 1.54 million doctors and 2.4 million nurses are a prerequisite to meet the growing demand.

Changing Face of Healthcare Delivery in India

A number of initiatives have been taken in India to expand the reach of healthcare services as well as to enhance medical tourism. Two such initiatives are:

First, telemedicine is a fast emerging sector in India.

Telemedicine allows the population in the interiors to access quality healthcare and at the same time, significantly increases the productivity of medical personnel. Telemedicine is one such pioneering technology, which if used effectively can double the utilization of scarce human medical resource.

Second, medical tourism is also one such sector that is redefining India's healthcare sector. The Indian medical tourism industry is pegged at US$1 billion per annum. It is developing at around 18 per cent and is expected to touch US$2 billion by 2015. With an estimated 1.7 lakh foreigners arriving in India for medical treatment annually, the country is poised to capture the fast growing market for off-shore healthcare. India's strength lies in providing world class treatment and benefits at a fraction of the cost (almost 1/10th) with no waiting time for surgeries as compared to advanced nations like UK and US where waiting period is substantially longer and cost astronomically high.

Healthcare Sector and WTO

The General Agreement on Trade in Services by WTO is applicable to all service sectors except those which are supplied under government exercise or which do not have a commercial basis. GATS allows each member country to choose service sectors and further indicate measures for it. These measures act as limitations to market access[3] and also national treatment.[4] The member countries can further indicate the modes of supply of these services. A country can supply services in any one of the following ways:

(i) *Full Commitment*: In this case there are no limitations. This implies that the country doesn't limit market access or national treatment.

(ii) *Commitment with limitations*: The country declares the measures which are inconsistent with market access or national treatment but commits to take no other such measure.

(iii) *No Commitment*: It is also expressed as unbound. In this case, the member country is free to introduce and maintain measures inconsistent with the commitments of national treatment and market access.

(iv) *No commitment technically feasible*: It is indicated as unbound*. In this case a specific mode of supply cannot be used.

The table below explains the limitations of market access and national treatment based on the mode of supply of services.

The mode of supply of particular interest for healthcare sector to India is Mode 4, i.e. the movement of natural persons. India has a large pool of well-qualified health professionals and a fairly large comparative advantage over other Member countries with regard to supply of healthcare services. Besides, for India Modes 1 and 2 are also important as Mode 1 can help to deliver healthcare services electronically across the globe and mode 2 can help us provide services such as medical tourism to people visiting India.

The main mode of supply of particular interest to developed countries is Mode 3, i.e. commercial presence since they have the financial capability required for establishment of legal presence in the territory of the trading partner.

India has been very active in GATS regarding liberalization of healthcare service sector in WTO. In fact, in almost all bilateral requests under GATS to various countries, India has requested for liberalization of healthcare

TABLE

INDIA'S COMMITMENT IN HEALTHCARE SECTOR IN WTO

Sector	Modes of Supply	Limitations on Market Access	Limitations on National Treatment
HEALTH RELATED SERVICES	Cross-border supply[5]	Unbound	Unbound
	Consumption abroad[6]	Unbound	Unbound
	Commercial presence[7]	Only through incorporation with foreign equity ceiling of 51 per cent	None
	Presence of natural persons[8]	Unbound except as indicated in horizontal section	Unbound except as indicated in horizontal section

Source: Department of Commerce, Government of India.

service. In addition, to promote the liberalization of Mode 4, India has submitted a proposal at the Special Session of the Council for Trade in Services on "Liberalization of Movement of Professionals" (S/CSS/W/12).

India is keen in enhancing its share in trade of healthcare services. Therefore, to emerge as a global player, India has suggested the below strategy. This strategy also aims at improving trade in services through Mode 4, which is especially relevant for healthcare services:

(i) *Economic Needs Test (ENT):* In order to reduce the scope for discriminatory practices in use of ENT, there is a need for multinational norms to be established.

(ii) *Exemption from Social Security Contributions:* Such contributions need not be required to be made for temporary movement as contributors are not eligible for receiving benefits of such contributions. This also affects the comparative advantage of professionals and hence they should be exempted from such payments.

(iii) *Simplification of Visa Procedures:* This helps in doing away with quantitative restrictions. Moreover, administration of visa regimes may be made more transparent.

(iv) *Mutual Recognition Agreement:* Non-recognition of qualifications by developed countries often acts as a serious barrier to market entry. It is thus necessary to work for the establishment of multilateral norms to facilitate Mutual Recognition Agreements (MRAs) among member countries.

Most members have undertaken Mode 4 commitments on a horizontal basis, i.e. applicable without distinctions to all sectors in a member's schedule. In most instances, members have scheduled an initial "unbound" (i.e., no binding of access conditions) and then qualified it by granting admission to selected categories of persons, with a marked bias towards persons linked to a commercial presence (e.g., intra-corporate transferees) which is especially true for healthcare sector

In addition, with the US, India has put up a specific demand to do away with a clause where it has put limitation under which individual Mdical doctors are allowed to enter US only for the purpose of studies or training and not for rendering professional services.

And with EU, India's demand has been to remove requirement of residency and nationality. Another demand has been to remove quantitative restrictions so as to enable health professionals to enter and deliver health services on demand.

Government Initiatives in Healthcare Sector

A number of steps have been taken by the Government of India through its various ministries and departments to increase Trade in Health Care Sector. The main initiatives are:

(i) The Government of India has recognized the economic potential of medical tourism. The Ministry of Tourism (MOT), Government of India, has further enhanced the M visa and MX visa. M visa also known as medical visa was introduced specifically to facilitate inbound medical tourism. Earlier, M visa was valid for six months but at present the validity has been extended to three years, with the condition that the tourist can furnish a recommendation and sanction for the same from the doctor. MX visa which is for attendant/family members accompanying the patient was introduced to provide further impetus to the inbound medical tourism sector. The spouse/children or blood relations of the patients are granted MX visa.

(ii) National Health Policy of Government of India recognizes the treatment of international patients as an export. This allows private hospitals treating international patients to enjoy the benefits of lower import duties and further an increase in the rate of depreciation[9] for life-saving medical equipment.

(iii) The National Accreditation Board for Hospitals and Healthcare Providers (NABH) has been set up by the Ministry of Health under the aegis of the Quality Council of India for accreditation of hospitals and other healthcare service providers, projects. This has been done to enhance India's place as a quality healthcare service provider globally.

(iv) Under automatic route, 100% FDI is approved for health & medical services.[10]

(v) Government has started NHM (National Health Mission) for providing better healthcare to people from rural and urban India. The Government has also increased health expenditure to 2.5 per cent of GDP from an existing 1.4 per cent. Moreover, this segment is estimated to witness vast development through viable partnerships between the private sector and the government through various PPP projects.

(vi) Served from India Scheme of Foreign Trade Policy provides 10 per cent duty credit script[11] to hospitals earning foreign exchange through medical tourism which can be used to pay import duty for import of medical instruments, etc. for the hospital.

Conclusion

Medicine is called a noble profession since it directly impacts people's lives. Healthcare sector becomes an even more important aspect of any economy as health indicators define the actual level of prosperity of any country. With trade liberalization and coming of new modes of service delivery, health sector is poised to take a new turn in coming decades where national boundaries will no longer limit the access to health services. And this opens up new challenges and opportunities for Indian health sector for which India has to take a stand and define its priorities.

Health tourism and telemedicine may bring in dollars, but they also take away capacity from the local population and impose cost on the entire population. This raises many questions. How prudent it is for the government to support healthcare tourism? Or should government allow unlimited medical tourism?

The entrepreneurs, the medical profession, and all the enablers such as healthcare industry, insurance companies and government need to tread carefully. Democracy will force governments to avoid unaffordable costs or access. Data show without doubt that healthcare industry in India is globally competitive and this is one sector where India can have a leading position in the world. But for that to happen domestic capacity building and access to health services is a prerequisite.

Innovative models of cross-subsidization and local capacity building should be developed with support and enabling provisions from government so that benefits of healthcare service trade liberalization could reach and benefit the person for whom the whole concept of trade liberalization started and is justified- "The poorest man in today's borderless World".

ENDNOTES

[1] According to data released by the Department of Industrial Policy and Promotion (DIPP).

[2] Under the 12th Five-Year Plan.

[3] It refers to non-discrimination between foreign and domestic services and service suppliers once they have entered the market.

[4] This means that there can be no discrimination among services and service suppliers and only scheduled quantitative and legal restrictions can be enforced by members like number of service operations, value of service transactions or assets, number of operations or quantity of output, number of natural persons supplying a service, participation of foreign capital or type of legal entity

[5] It is a normal form of trade in goods and maintains a clear geographical separation between seller and buyer. In case of services, it refers to flow of service from one territory to another.

[6] It is a situation where a service consumer comes to another country to obtain a service.

[7] It refers to the supply of a service through the commercial presence of the foreign supplier in another country. For example, establishment of branches in foreign locations.

[8] It refers to flow of foreign nationals to another country for providing services. The countries have the right to regulate the entry as well as stay of these nationals.

[9] From 25 to 40 per cent.

[10] As per DIPP.

[11] It can be used to offset Duties in the next transaction. Duty Credit Scrips are given by DGFT.

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