PRAXIS GLOBAL ALLIANCE
Build together. Win together.

HEALTHCARE

Outpatient Healthcare Market in India

August 2021

Contents

Foreword

 

Indian families spend more than 60 percent of their family healthcare expenditure on primary care. Urban India, which has access to private healthcare, including clinics, nursing homes, etc. can avail primary care treatment with much ease as compared to rural India where there are fewer doctors and healthcare facilities. We have estimated the outpatient healthcare market basis doctor consultation volumes by specialty and associated pharma and diagnostic prescriptions.

Further, we have also deep-dived into the online consultation market and how it has grown pre-COVID vs post-COVID. These estimates are based on various discussions with doctors and industry experts. This report is intended to provide various industry stakeholders including business leaders an overall perspective on the market.

We, at Praxis, look forward to continuing the discussion with our friends across sectors and exchanging notes.

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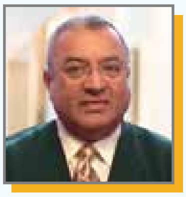

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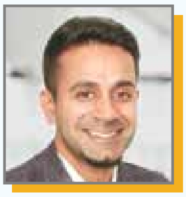

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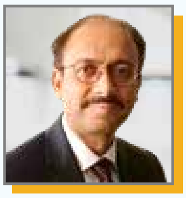

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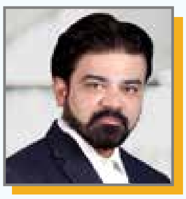

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Context

Outpatient Healthcare Market in India

Medicines prescribed by doctor or specialist during the consultation

Diagnostics test prescribed by doctor or specialist during the consultation

Doctor or specialist consultation and associated fee spent during visits in clinics, hospital OPD, teleconsultations

Key takeaways

- The number of doctor consultations crosses 4 billion in India in FY21, spending a total of US$26 billion on outpatient prescriptions
- On average, Indians do **three doctor consultations** in a year; each consultation leads to one pharma prescription, and a diagnostics test is prescribed in every 3.5 consultations
- **General physicians** show the highest number of consultations and associated pharma prescriptions
- Penetration of OPD insurance is at the nascent stage in India due to scalability issues and high premiums. Insured OPD (non-hospitalization) spend is less than **0.1% of total OPD spend**
- Online consultations record significant uptick during COVID-19, recording **0.8% penetration (by volume) and 1.6% penetration (by value) of total consultations** till March 2021. 1 in 35 consultations will happen online by FY24
- **Convenience and safety during COVID-19** emerges as the major reason behind the use of teleconsultations
- **Difficulty in understanding the patient's symptoms over call** emerges as the major challenge behind teleconsultations. Further, delayed payments and high service charges caused the highest sense of dissatisfaction among doctors

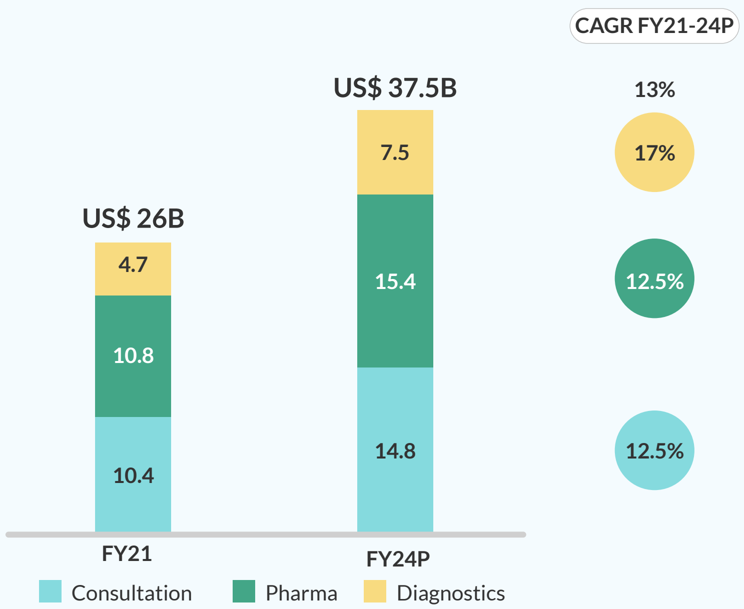
Executive summary

Number of doctor consultations cross 4B in India in FY21 spending a total of US$ 26B in outpatient prescriptions

- Overall, the outpatient healthcare market is valued at US$ 26B in FY21 in India and is likely to grow at 13% over the next three years
  - Consultation fees spend - US$ 10.4B, CAGR 13%
  - Pharma prescriptions spend - US$ 10.8B, CAGR 13%
  - Diagnostics test prescription spend - US$ 4.7B, CAGR 17%
- Outpatient doctor consultation spend is valued at US$ 10.4B with general physicians having the highest share as more than 60% of the consultations happen with general physicians
- Indians did 4.3B consultations overall, which means three consultations per capita in a year. For each consultation in India, an associated pharma prescription is generated, whereas typically one in every 3.5 consultations a diagnostic test prescription is generated
- Volume of consultations is expected to grow at 6% and per capita consultations expected to be 3.6 per person per year in FY24

Total outpatient healthcare market in India FY21 (in US$ B)

Includes the consultation spend and prescription value generated to purchase medicines (pharma market) and conduct diagnostic test (diagnostic market)



# consultations	4.3B	5.1B	5.9%
# consultations per capita	3.1	3.6	5.1%

Source: Praxis analysis

Key insights

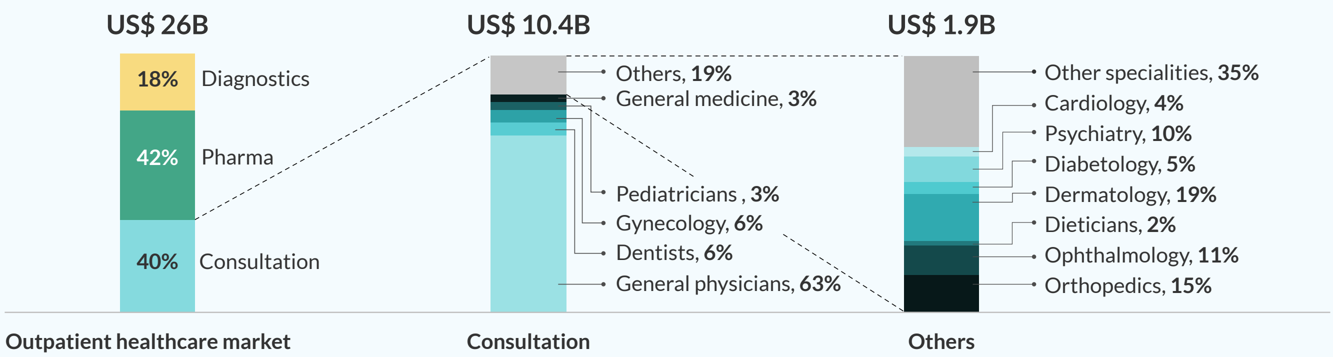
Indians spent US$ 10.4B on doctor consultations across 4.3B consultations

More than 60% of the consultations were with a general physician

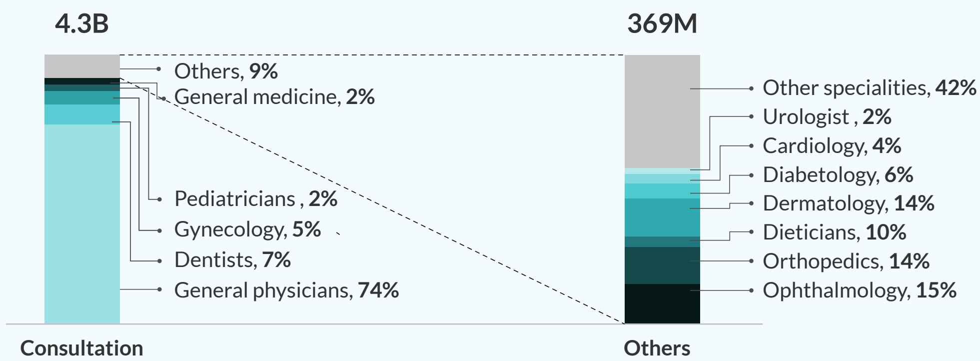
General physician forms the largest share of the consultation spend (63% by value and 74% by volume). Other top specialties are Dentists, Gynecologist, Pediatricians, General Medicine, Orthopedics, and Ophthalmology leading to a high number of consultations

Average consultation charges per visit across all specialties and city types is around INR 180-200

Total doctor consultation market – by value (%)



Total doctor consultation market - by volume (%)



Notes: Others include: Dermatology, Nephrology, Diabetology, Endocrinology, Cardiology, etc.
Source: Praxis analysis

Outpatient consultation prescriptions

Outpatient consultation prescriptions generated pharma and diagnostics test spend was US$ 10.8B and US$ 4.7B respectively

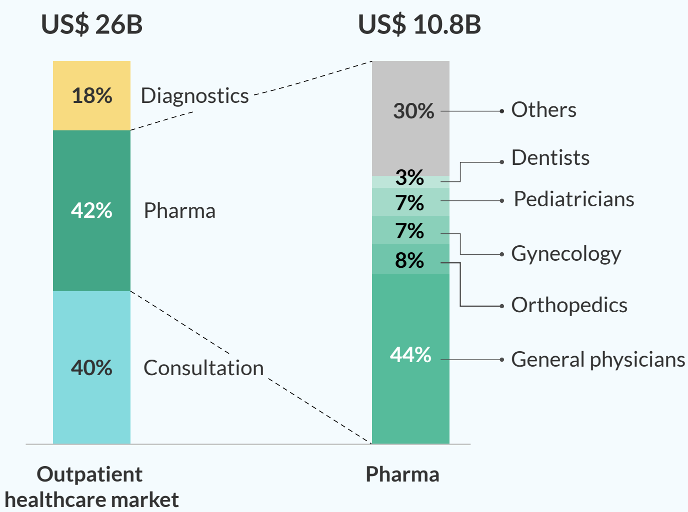
Pharma prescription spend

- For each consultation, an associated pharma prescription is generated. Each prescription results in an average spend on medicines close to INR 180 – 200. Prescription spends generated through general physician consultations is the highest at 44% of the overall pharma prescription market
- 40% of the total pharma spend in India happens through OPD prescriptions

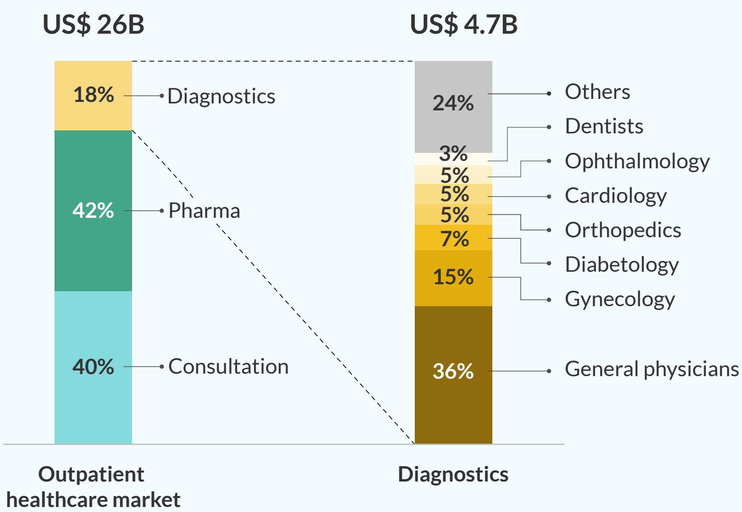
Diagnostics test prescription spend

- Typically, on an average for every 3.5 consultations one diagnostic test prescription is generated with an average spend of around INR 350 – 400. Spend generated through general physician consultations are the highest at 36% of the overall diagnostics test prescription spend
- 45% of the overall diagnostics tests spend in India happens through OPD prescriptions

Total pharma prescription market – by value (%)



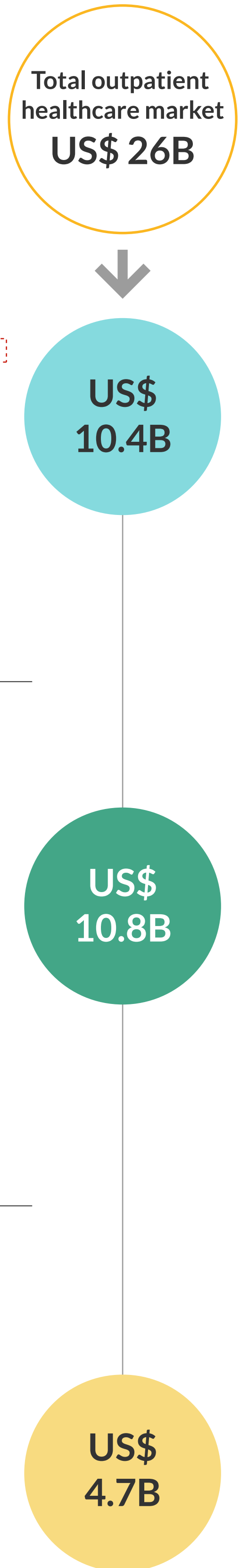
Total diagnostics test prescription market – by value (%)



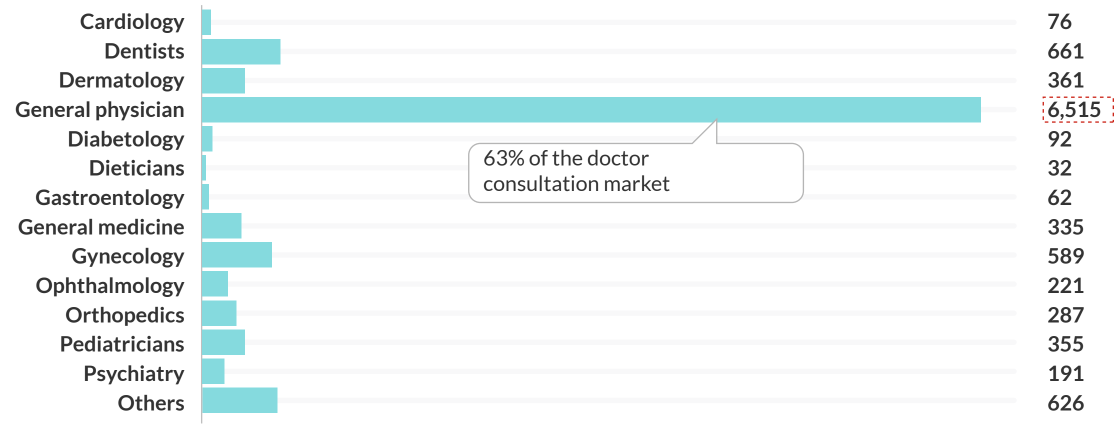
Notes: Others include: Dermatology, Nephrology, Diabetology, Endocrinology, Cardiology, etc.
Source: Praxis analysis

OPD spend by specialties

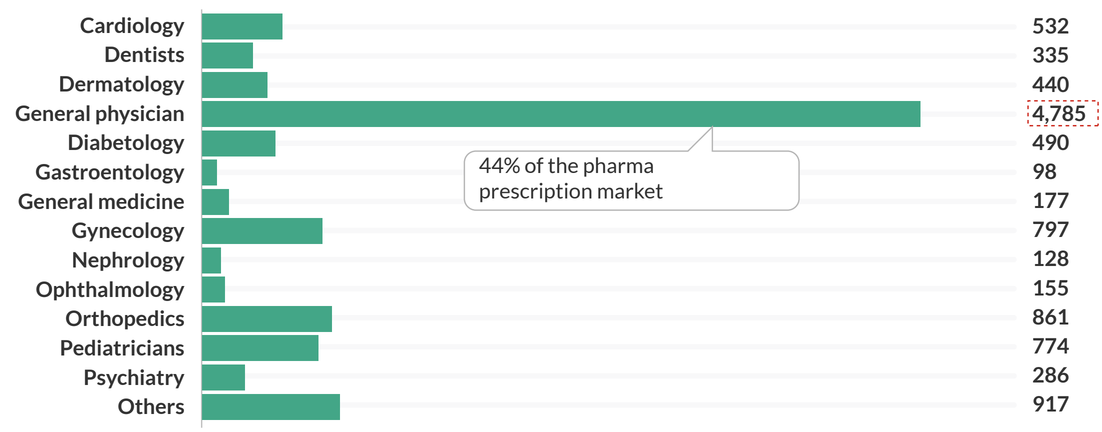
Spend by specialties: General physician is the largest contributing specialty across all three spend categories



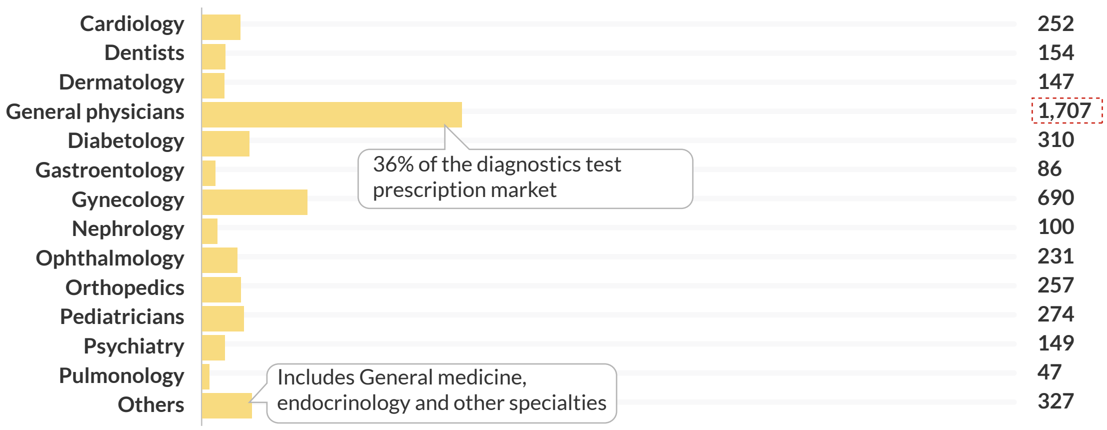
Doctor consultation market (US$ M)



Pharma prescription market (US$ M)



Diagnostics test prescription market (US$ M)

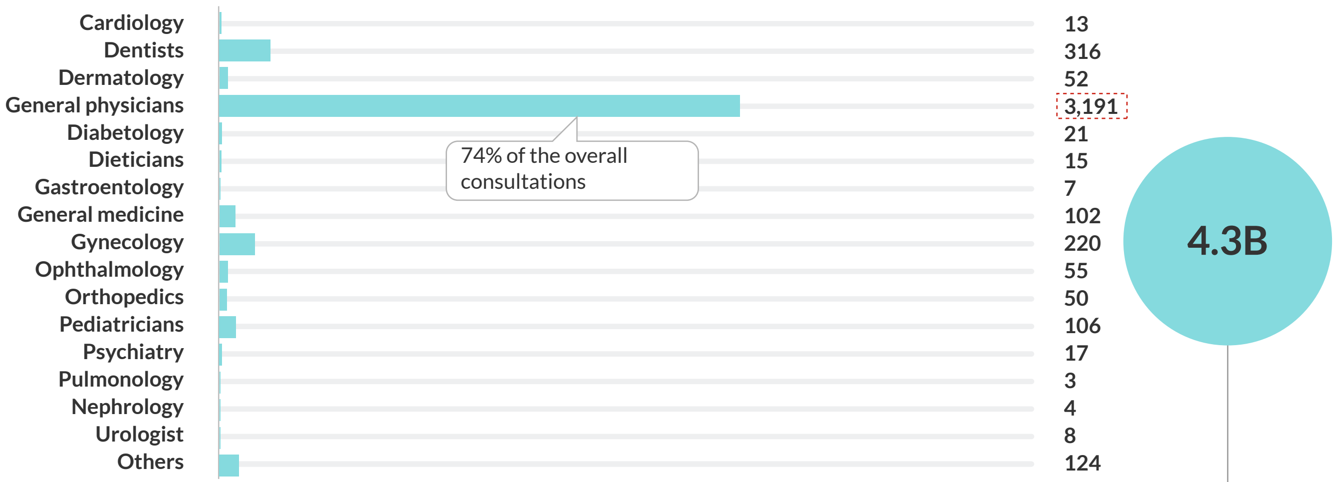


Source: Praxis analysis

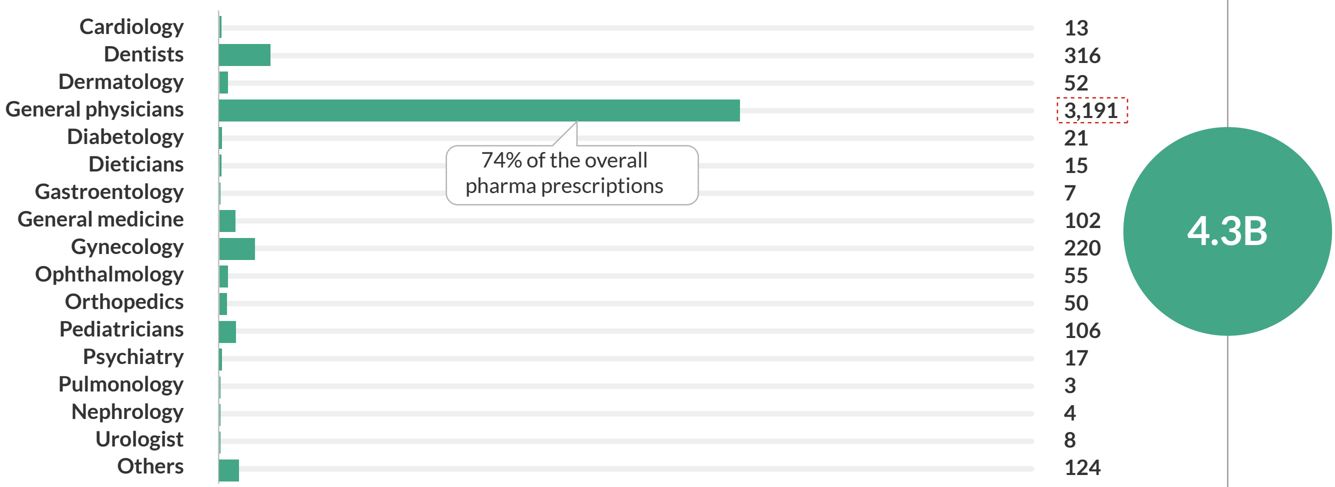
OPD consultations by specialties

General physician shows the highest number of consultations and associated pharma prescriptions

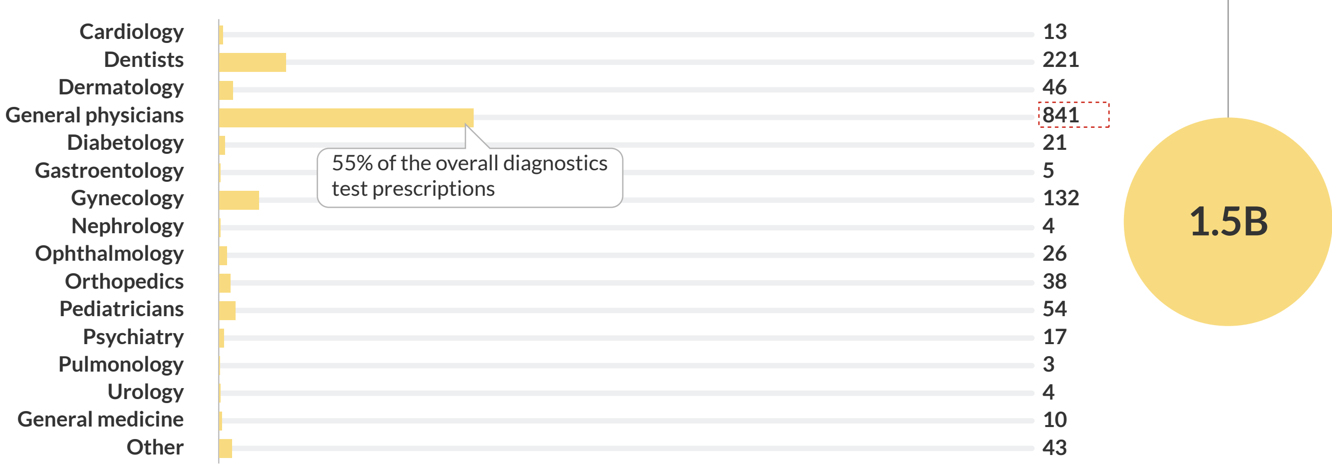
Number of consultations (# in M)



Number of pharma prescriptions (# in M)



Number of diagnostics test prescriptions (# in M)



Source: Praxis analysis

Top specialities by value

General physicians followed by gynecologists account for the largest outpatient healthcare market

Deep dive into the top specialties by value

Parameters	Estimated number of doctors (K)	Top 5 use cases	Doctor consultation spend (US$ M)	Associated pharma prescription market (US$ M)	Associated diagnostics prescription market (US$ M)	Outpatient healthcare market (US$ M)
General physician	637	• Persistent high fever • Bad cold or sore throat • Shortness of breath • Chest, abdominal or pelvic pain • Bowel movements	6,515	4,785	1,707	13,007
Gynecologists	36	• Irregular menstruation • Pregnancy • Preventive examinations • Fertility issues • Birth control	589	797	690	2,076
Pediatricians	23	• Cough & cold in babies • Vaccination	355	774	274	1,403

Source: Praxis analysis

		• Motion problems in toddlers during summer • Child development • Ear infections				
Orthopedics	11	• Spinal issues • Lower back pain • Painful joints • Trouble climbing stairs • Shoulder pain	287	861	18	1,166
Dentist	180	• Tooth ache • Puffy gums • Dry mouth • Sores or spots • Trouble eating	661	335	154	1,150
Ophthalmology	15	• Dry eyes • Blurred vision • Sore eyes • Headaches • Color blindness	221	155	231	607
General medicine	22	• Respiratory concerns • Injury • Infections and parasitic diseases • Hypertension or high blood pressure	335	177	34	546
Others (includes Cardiology, Dermatology and all other specialties)	76	• Cardiac diseases like heart attack etc. • Constipation, ISB issues • Other ailments like acne, diabetes etc.	1,458	2,922	1,639	6,019

Source: Praxis analysis

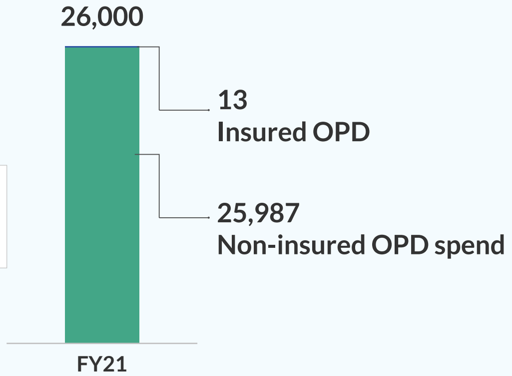
OPD cover in health insurance

Penetration of insurance in OPD is at a nascent stage in India

OPD insurance coverage (non-hospitalization) is less than 0.1% of total OPD spend

OPD spend
(US$ M)

OPD insurance coverage as % total OPD spend	**0.05%**



Factors for ground level prevalence of OPD insurance

Scalability

High volumes and cost of claim processing: OPD visits are much more frequent as compared to IP admissions, thus raising claim processing costs

Fragmented OP set-up: Absence of national brands in the OP space create challenges in dealing with matters related to creating a network of OP service providers, billing, ensuring quality of service, and uniformity in claim processing

High premiums

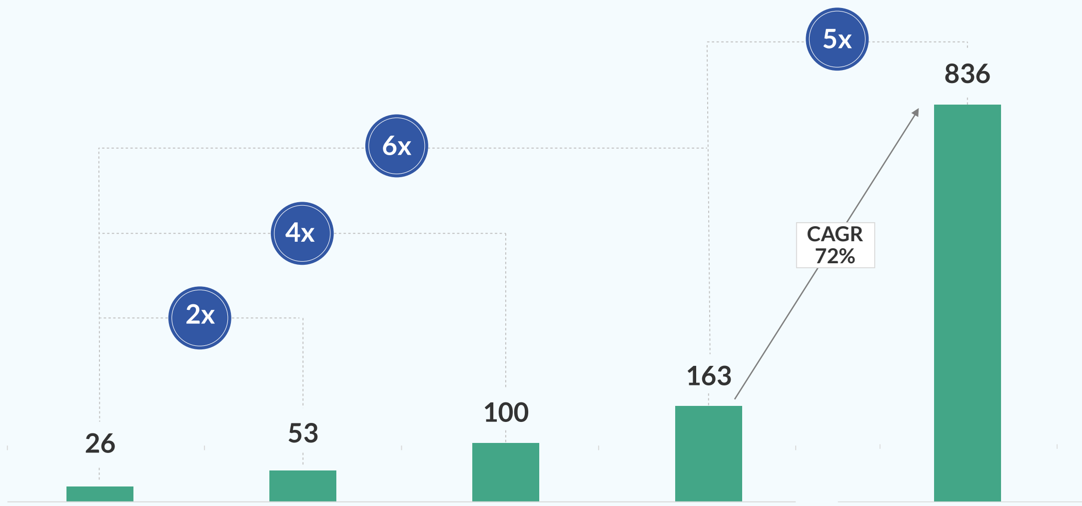
High OPD premium: Unlike IP admissions, risk of overuse of OP services is much higher and hence insurance companies keep the OPD rider (add-on) at a high premium along with limits

Source: Praxis analysis

Teleconsultation market opportunity

Online consultations record significant uptick during COVID-19; 1 in 35 consultations will happen online by FY24

Teleconsultation market size
Annualized Run Rate (ARR), US$ M



ARR	Mar-2020 ARR	May-2020 ARR	Nov-2020 ARR	Mar-2021 ARR	Mar-2024P ARR
# monthly online consultations (M)	1	1	2	3	12
# monthly offline consultations (M)	341	347	353	359	420
Volume penetration (%)	0.1%	0.3%	0.5%	0.8%	2.8%
Annual consultation spend ($M)	9,090	9,469	9,847	10,402	14,811
Value penetration basis ARR (%)	0.3%	0.6%	1.0%	1.6%	5.6%

Notes:*Annualized market size based on monthly run rate
Source: Praxis analysis

Teleconsultation for doctors: Opportunities and challenges

Convenience is the major reason for doctors to go online; Difficulty in understanding symptoms is the major challenge

Key reasons for using teleconsultation

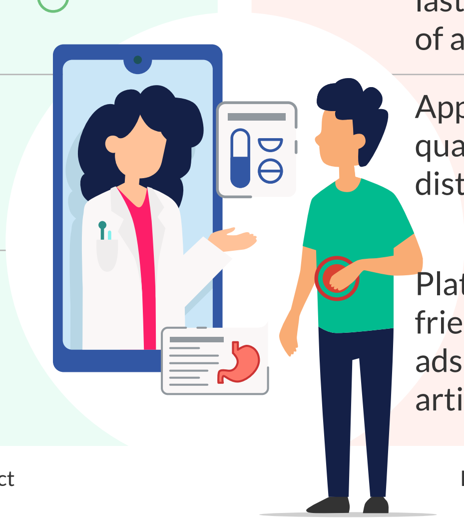
Convenience: No travel needed to a clinic; consultations can be done from a remote location	●
Safety during COVID: To avoid crowd outside clinic which also helps in reducing the spread of the virus	◕
Doctors can reach more patients even from the remotest part of the world	◑
Easier follow up with the patient, no need to visit a clinic after being physically examined	◑
Platform has a good library, that can be used for regular health-related news and updates	◔
Patient's previous records and medical history, documentation can be recorded on the platform	◔
Earnings continue even when a doctor is not able to visit the clinic	◔
Flexible working hours (MBBS graduates can provide consultation while pursuing higher studies)	◔
Access to software solutions to generate and send an e-prescription	◔

Low impact ○ ◔ ◑ ◕ ● High impact

Key challenges in using teleconsultation

Difficulty in understanding patient symptoms and problems over a call	●
Physical examination can be difficult leading to difficulty in diagnosis	●
Payment delays from teleconsultation platforms	◕
Consultation time can be relatively high as patients ask multiple questions after the consultation	◑
Heavy commission or service charges on consultation fees by the platforms	◑
Problem with devices, network (wifi), due to which video conversations are interrupted	◑
Patients' no show: last-minute cancellation of appointment	◔
App instability (low quality of audio/video, distortion)	◔
Platforms are not user friendly, including disruptive ads and irrelevant marketing article recommendations	◔

Low impact ○ ◔ ◑ ◕ ● High impact



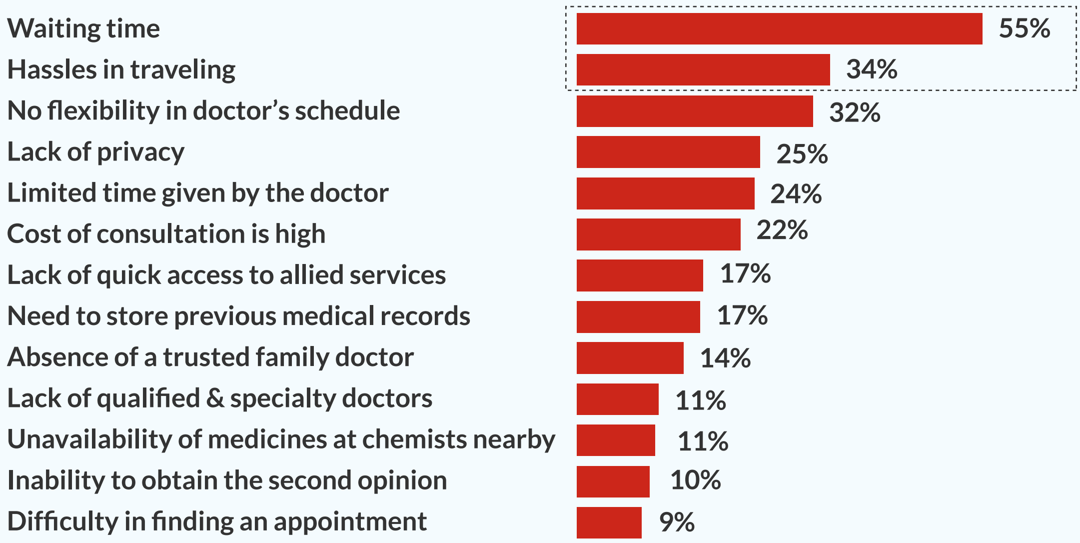
Sources: Primary conversation with doctors (N = 36), PGA Labs analysis

Challenges in offline consultation

Waiting time and traveling are the top challenges in offline consultation that can be resolved through teleconsultation

What are the key challenges you faced while using offline consultation? (N = 550)

Challenges in offline consultation



Sources: Customer survey (N = 550), Praxis analysis

Factors driving teleconsultation adoption

Factors such as comfort and hectic schedule are driving teleconsultation adoption

	Drivers of growth	Barriers to adoption
Behavioral	Inability to travel during lockdown and safety-related reasons due to need for social distancing	Preference for in-person visits to a clinic
	Rising paucity of time among millennials due to longer working hours in urban areas	Preference to only consult the family doctor for all types of ailments
	Increasing preference to consult experienced doctors even if they do not practice in the city where the patient lives	Lower awareness among people in tier 3 cities or remote areas
	Avoidance of the need to travel to the doctor clinic for consultation	General resistance to change among people
Technical	Reduction in data charges and improving infrastructure leading to increased internet penetration in cities	Quality issues in audio and video calls
	Increasing number of healthcare- related services on the platform leading to increased usage	Lack of technical know-how, especially among senior citizens, along with concerns of data usage and privacy
	User friendly interface of the platforms leading to increasing adoption among less tech-savvy people	Low usage of AI technology leading to a lower level of innovation in the services - expected to change going forward

Source: PGA Labs analysis

Financial	Availability of all types of doctors (less to highly experienced)	High cost of consultation as compared to general OPDs in tier 2 and tier 3 cities
	Availability of free chat option and first-time usage discounts enabling people to try out the services	Lower trust level in getting quality consultation through online medium while paying similar or higher price as compared to a doctor visit
Regulatory	Recent guidelines on teleconsultation usage providing enhanced clarity to companies regarding offering of services	Lack of trust among people on validity and quality of online prescriptions
Doctor availability	Unavailability of good doctors (especially specialists) in tier 3 or tier 3 cities and rural areas	Unavailability of general physicians from tier 2 or tier 3 cities who can provide consultation at a lower cost for price-sensitive users
	Increasing adoption by hospitals leading to top doctors of those hospitals to be available	General resistance to change among physicians, especially those who are not tech-savvy
	COVID-19 leading to increasing tendency of doctors to serve non-serious cases online	Unwillingness of top-notch doctors to onboard themselves on the platform due to paucity of time

Low impact High impact   Low impact High impact

Source: PGA Labs analysis

Opportunities

Opportunities and road ahead for outpatient consultation market in India

Growing EHR penetration within hospitals - Push by the Government to capture healthcare data as per NDHM initiative

Growth in doctor base - As per NITI Aayog, plan to meet the WHO criteria of 1:800 patients by 2030 from the current's 1:1120

Growing teleconsultation penetration - Per capita consultation volumes expected to increase with more access, affordability, and changing patient sentiment to health

Integration with pharma and diagnostics - Growing adoption of integrated care play by healthcare providers and startups

Increased adoption of AI/ML technologies in healthcare - Startups focusing on AI/ML based diagnostics

Increasing number of hospitals - Government's FY21 healthcare budget focused on increasing the healthcare infrastructure

HealthTech regulations - New guidelines for teleconsultation to push online adoption

Increasing OPD insurance penetration - Increased awareness about the importance of healthcare insurance driving OPD coverage

COVID-19 impact on patient behavior - Ongoing pandemic making people realize the importance of health and managing safety hence using more technology

Who we are

Full stack 'Knowledge services' provider: Consulting + Research + Data science + Talent

Unique 'expertise oriented' Domain Partner led model - scaling aggressively

We are thought leaders across

- **Hospitals**
- **Medical Devices**
- **Specialty Care Providers**
- **Pharma & Life sciences**
- **Diagnostics**
- **HealthTech**

Cutting-edge Healthcare focused IP

How we help our Healthcare clients?

- **Strategy & Transformation:** Portfolio strategy, Go-To-Market strategy, Growth strategy
- **Growth & Scale up:** Revenue Maximization, Micro-market Assessment, New Market Entry
- **Cost & Performance Excellence:** Cost reduction, Operational & Process Excellence
- **Customer & Loyalty Experience:** Patient Experience, Doctor Model and Experience, Patient Retention
- **Organization Productivity:** Staff Model and Productivity, Staff NPS, Attrition Defence
- **Enablement & Implementation:** New Business Incubation, Program Management Office
- **Investment Advisory** Commercial Due Diligence, Post Deal Value Creation, Exit Thesis

What we do in the HealthTech sector?

Strategy and transformation

- International strategy
- Category strategy
- Go-to-market strategy
- Organization strategy
- Program management and CEOs office

Growth and scale-up

- New market entry
- Micro-market evaluation and market share improvement
- Adjacencies and new business opportunities
- Offering design and validation
- Retail, institutional and KAM

Cost and performance excellence

- Unit economics improvement
- Operational and process Excellence
- Ground, other operations design and pilot
- Playbook creation (supply, demand, categories, internal ops, expansion)

Customer loyalty and experience

- Customer loyalty and NPS improvement
- Customer experience
- Retention management and churn reduction
- Supplier experience and SOPs
- Segmentation, journeys, experience, and personas

Investment advisory

- Commercial due diligence
- Target scan
- Exit thesis development
- Post deal value creation; 100-day plan
- M&A

Enablement and Implementation

- New business incubation
- MVP or pilot implementation
- Post-merger integration
- Program management office

Brand and marketing

- New channels & sources identification
- Brand perception analysis and diagnostics
- Lead qualification, pitching, conversion

Organization productivity

- Organization role span design
- Customized L&D programs development
- Employee NPS and people value creation
- Attrition defense

What we do in the Healthcare Delivery sector?

Strategy and transformation

- Digital health
- Digital transformation
- Design to cost
- Center full potential realisation

Growth and scale-up

- Revenue maximization
  - Footfall improvement
  - New opportunities
  - Pricing optimization
  - Digital patient acquisition
  - Revenue mix optimization (payer, specialty mix)
  - Leakage prevention and conversion optimization
- Micro-market evaluation
- Sales and marketing effectiveness
- International patient

Cost and performance excellence

- EBITDA improvement
  - Procurement optimization
  - Consumptionn optimization
  - Manpower efficiency
- Service costing
- Performance excellence
  - KPI cascade: 'Board to Ward' alignment of KPIs

Customer loyalty and experience

- Patient NPS
- Patient experience
- Doctor NPS and loyalty

Investment advisory

- Hospital commercial due diligence
- Corporate M&A
- Target screening

Enablement and Implementation

- Playbook creation
- Post-merger integration
- Program management office

Brand and marketing

- Doctor referral and network building
- Digital marketing

Organization productivity

- People value creation
- Staff NPS and improvement

What we do in the Medical Devices sector?

Strategy and transformation

- Digital transformation
- Portfolio and growth strategy
- Go-to-market strategy

Growth and scale-up

- Portfolio expansion and white space analysis
- Digital GTM, selling, distribution
- Distribution model design and effectiveness
- Ecommerce selling and enablement
- International markets and export
- Post-COVID demand
- Network expansion and scale-up
- Micro market expansion

Cost and performance excellence

- Cost transformation
- Process transformation
- Automation and RPA
- G&A Cost Reduction

Customer loyalty and experience

- Digital customer experience and engagement
- Specialist and doctor engagement
- Doctor digital training
- Remote and digital customer care
- Digital customer acquisition

Investment advisory

- Corporate M&A advisory
- Market entry
- Target and sector screening
- Commercial due diligence

Enablement and Implementation

- New business incubation
- Playbook creation
- Program management office
- Post-merger integration

Brand and marketing

- B2B digital marketing and professional education
- Marketing planning
- Brand perception analysis and diagnostics

Organization productivity

- Staff model and productivity
- Talent management post-restructuring or post-COVID-19

What we do in the Pharma & Life Sciences sector?

Strategy and transformation

- Portfolio strategy
- Growth strategy
- Go-to-market strategy
- Organization strategy
- Sustainability and CSR

Growth and scale-up

- New market entry
  - Geographies
  - Therapeutic Areas (TAs)
  - Finished Dosage Forms (FDFs)
  - Novel Drug Delivery Systems (NDDS)
  - Digital ecosystem
- Pipeline development
- Pricing & forecasting
- Product rights & supply
- Business development & technology licensing

Cost and performance excellence

- Cost reduction
- Operational and process excellence
- Digital adoption
- Product mix optimization
- Working capital & cash management
- Resource optimization
- Make vs. buy
- Risk management
- Product cost & audit
- Process audit, design & restructuring

Customer loyalty and experience

- Voice of patient & engagement
- Health economics & outcome analysis
- Doctor or practitioner engagement model & experience
- Doctor/practitioner loyalty, retention & NPS
- Patient loyalty, retention & NPS
- Doctor/practitioner LTV assessment & growth
- Digital interventions

Investment advisory

- Sector scan
- Commercial Due Diligence (CDD)
- Operational Due Diligence (ODD)
- Techno-commercial due diligence
- Exit thesis development
- Post deal value creation or 100-day plan
- M&A
- Post-acquisition integration

Enablement and implementation

- Digital adoption
- Change management
- Metric movement
- New business incubation
- Overall
- Playbook creation
- Post merger integration
- Program management office

Brand and marketing

- Marketing planning
- Doctor referral and network building
- Brand perception analysis and diagnostics
- Patient assistance programs & CSR

Organization productivity

- Sales effectiveness & territory management
- Staff NPS and improvement
- Attrition defense
- Therapeutic-area wise KPI cascade

What we do in the Diagnostics sector?

Strategy and transformation

- Digital transformation
- Growth strategy
- Portfolio and growth strategy
- Go-to-market strategy

Growth and scale-up

- Business expansion
  - Domestic and International expansion
  - Micro-market evaluation
- Revenue enhancement
  - White space analysis of portfolio offerings
  - Pricing, bundling & discounts
- Data monetization
  - Online and Ecommerce enablement

Cost and performance excellence

- Reduction in cost per reportable test
  - Procurement cost reduction
  - Consumption optimization
- Channel profitability
- Network optimization
- Control tower transformation
- Efficiency – Automation & RPA
- Product cost and product profitability

Customer loyalty and experience

- NPS: LTV maximization through loyalty and engagement
- Customer experience and engagement
- Institutional customer experience and NPS
- B2B customer experience enhancement

Investment advisory

- Commercial due diligence
- Corporate M&A advisory
- Target screening

Enablement and implementation

- New business incubation
- Playbook creation
- Post-merger integration
- Program management office

Brand and marketing

- Digital customer acquisition
- Brand perception analysis and diagnostics
- Marketing diagnostic, planning, and implementation

Organization productivity

- Staff model and productivity
- Board to lab alignment of KPIs
- Pathologist or radiologist productivity and availability
- People value creation

Connect with us

We will be happy to share perspectives

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