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Ayushman Bharat- Our Journey towards a healthy, caring and structured Healthcare system

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For effective participation in the scheme, the private sector also needs to focus on driving 30% plus efficiency improvement across major cost heads by redefining their business models, as recommended in the FICCI-EY 2019 healthcare report

As Ayushman Bharat completes one year of implementation, we must celebrate India's leap closer to its intended targets of Universal Health Coverage and SDG3 goal. With more than 18,000 hospitals empaneled, over 10.9 crore E-cards issued and over 54 lakh pre-authorised hospitalisations, the scheme has already benefitted numerous underprivileged families across the country. It is indeed a commendable achievement in a short span and we, as Indians, are proud of this.

As we traverse to Ayushman Bharat 2.0, it is important to consolidate and act upon learnings from the first phase. While the idea of Ayushman Bharat is well intended and supported by all stakeholders, implementation calls for improvement. The government has fast-tracked some initiatives aimed at achieving key tenets of UHC i.e, strengthening healthcare infrastructure, capacity building, enhanced use of technologies, as well as access to free medicines and screening; however, achieving the desired results seem improbable in the current landscape. The mammoth scheme, intending to cover about 40% of our population, has many barriers to be resolved. Although many states have joined the scheme, the central and the state schemes are not completely aligned with each other, bringing in anomalies in implementation.

Successful execution of Ayushman Bharat would first require a change in the government mindset to bring about massive structural modifications, substantial financial investment along with concerted effort to work with the industry in an atmosphere of faith and trust. Although, the government recognises the significance of private sector participation in the scheme, appropriate incentives for private healthcare providers have not been planned well.

Private healthcare sector- that has served as the bedrock of capacity and capability in the last few decades, accounting for nearly 60% of all inpatient care, and being responsible for radically enhancing the quality of care- is currently beset with multi-

faceted challenges. These include low profitability, highly competitive markets, decreased investor interest, unviable price caps, unpredictable regulatory environment, rising costs of human resources and many others. Additionally, rising trust deficit of people and the government on the private providers, along with increasing cases of violence against doctors are making the sector unattractive for top talent in the country.

The FICCI-EY 2019 report on 'Re-engineering of Healthcare 2.0' has observed that while major hospital chains witnessed a surge in bed capacity addition between 2014 to 2016 (at 14%), capacity addition has been significantly decreased between 2016 to 2019 (at 8%). Despite being preferred over government hospitals, the private healthcare sector is currently witnessing declining performance both for profitability and Return on Capital Employed (ROCE). It is expected that with allocation of only 25% of capacity to AB-PMJAY patients, multi-specialty NABH accredited hospitals are likely to witness upto 25% decline in ARPOBs (Average revenue per occupied bed day), upto 50% decline in EBITDA and upto 60% decline in ROCE. The recent corporate tax reduction to 22% is expected to benefit some hospitals, although full recovery from the slowdown will take time.

In case of GST, while the government has granted exemption to healthcare services, cost of care to the patients has increased owing to an increased cost incurred by providers on inputs and services consumed to deliver care in absence of provision of input tax credit. The government needs to immediately consider zero-rating of healthcare services, which will ensure that the credit chain is intact, and the input taxes are not loaded into the cost of services but are available as refund to healthcare providers.

The government also needs to concede that unviable pricing in the sector directly impacts patient safety as well as quality of care. Apart from implications of unpredictable policy changes like price caps on medical devices, non-viable reimbursement rates and delays in payments to providers under various public health insurance schemes have been adversely affecting not only financial sustainability of empaneled hospitals but their ability to deliver quality healthcare.

Although delay in payments has been rectified under AB-PMJAY, package rates remain non-viable. On announcement of increase in the rate of 270 packages, addition of 237 new packages and adoption of 43 stratified packages, the industry was hopeful for some resolution on viability. However, the new list has dropped common procedures like dialysis and some cardiology packages have been reduced. It would still be a challenge for 250 bedded tertiary care hospitals to sustain at most of these rates. Further, the approach used for calculating these rates is still unclear and does not include data from private healthcare providers. FICCI has been advocating for adoption of a scientific costing framework to derive rational reimbursement rates. To present evidence, in 2018, FICCI conducted a sample costing study based on Time Driven Activity Based Costing (TDABC)- an internationally recognised bottoms-up costing approach for estimating costs of processes used in patient care, which was submitted to the government.

It is imperative that the government formulates a rationalised reimbursement tariff that defines differential rates for stratified provider groups. Bronze, silver and gold accreditation ratings under NABH, proposed by NHA, is a welcome step; however, stakeholder sensitisation and awareness is required. Ratings should also be coupled with optimal payment models that orient away from fee-for-service (FFS) to reimbursement mechanisms that incentivise quality, efficiency and clinical outcomes.

The government must recognise that unviability in the private healthcare sector- that supports 70% of population's healthcare needs- is not in the interest of the country. The industry, which has marked India amongst prominent Medical Tourism destinations through its high quality, technologically advanced care at lower costs than global markets, is not only helping earn foreign exchange but also enhancing India's soft power status. A sick health sector will also result in huge loss in employment as healthcare is one of the largest generators of direct and indirect employment.

For effective participation in the scheme, the private sector also needs to focus on driving 30% plus efficiency improvement across major cost heads by redefining their business models, as recommended in the FICCI-EY 2019 healthcare report. Healthcare providers need to adopt a holistic approach aimed at redesigning operating cost model through a radical design to cost (D2C) approach. This will enable providers to rationalise layout design, human resource, material consumption, medical technology, utility cost and formulary design backed by an unrelenting focus on buying efficiency and commercial excellence along with clinical excellence.

Ayushman Bharat is a long-term opportunity for the country but it will only succeed when there is positive engagement and involvement from all the stakeholders to build a robust, affordable, viable and quality conscious healthcare ecosystem.

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