



## PHARMACEUTICALS EXPORT PROMOTION COUNCIL

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### How affordable healthcare relies on R&D

**Vishal Gandhi**

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The government's share in the healthcare delivery market is approximately 20%. Currently, the health expenditure by the government is 0.9% of GDP. The expenditure is divided into a contribution of 0.34% of GDP by the central government and 0.56% by state governments. Public participation in the field of healthcare research is present in the form of institutions such as AIIMS and other integrated centres of medical education, research and patient care. These centres of excellence, although completely dedicated to the objective of innovation in healthcare research and delivery, require a significantly larger support infrastructure to achieve the objective of 'affordable healthcare for all'. Since the aim of the government is to keep low mortality levels, it becomes essential to provide impetus to innovation so as to create an affordable and highly efficient healthcare system.

Innovative healthcare research and affordable delivery to all is an essential need of all developing countries, especially India because it has diverse climatic conditions and is prone to new agents and diseases. Furthermore, the healthcare industry provides professional employment to a large chunk of our population. Many innovative initiatives are already being attempted by research institutions, medical universities, NGOs, start-up ventures and individuals in healthcare and allied sectors. However, the absence of resource support to such is a major bottleneck to the speedy development of these sectors. Although the conceptualisation and ideation of these ventures exist, it is because the financial burden of commercialisation, creation of IP, regulatory compliance and approval that these innovations have not reached the market. With this backdrop, we believe the government should set up a separate fund titled 'healthcare research promotion fund' to encourage innovation, specifically in healthcare and biomedicine with a view to address the key challenges of delivery in Tier-II and III cities.

A large gap exists between the invention of a new medical product and its introduction in the market. The nature of the research is such that it takes a large amount of time and capital to develop products for human use. Consequently, realisation of proceeds takes place at a much later stage. Thus, the risk capital involved leads to a limited number of ventures reaching the human clinical testing stage. Government resource allocation is the ideal solution to this scarcity.

In the current domestic scenario, the development of innovative medical technology is dominated by multinational companies. For example, most of the medical devices used in India are imported—out of the total market size over 85% of the equipment is imported. Although many indigenous companies have begun manufacturing equipment for the Indian market, most are a replications of devices that already exist. This primarily due to the inability of Indian companies to dedicate as much capital for the development of new devices. Internationally, medical devices constitute one of the fastest growing industries. The Indian market

for medical equipment and supplies has been ranked among the world's top 20 in 2009. This is in spite of the fact that a majority of these companies do not have the requisite capital to obtain the necessary regulatory approvals to market their products in the developed world. Hence, financial support will facilitate the ascent of the Indian medical device industry onto a world stage as the leading innovators and manufacturers.

Moreover, India has huge untapped supporting resources in the form of numerous public and private hospitals. These institutions host a large patient pool, diverse in diseases as well as genetic make-up. This provides an ideal platform to conduct healthcare research and effectively utilise existing infrastructure for the dissemination and sharing of medical knowledge.

Allocation of resources develop existing innovative ideas has the potential to not only facilitate the introduction of revolutionary therapies to the market, but will also give impetus to the invention of new products. With Indian companies and academia at the forefront of domestic healthcare research, we can expect to see many more therapies, diagnostic and other medical devices catering to specific endemic diseases. Therefore, this presents a huge opportunity to not only encourage innovation, but also to directly facilitate the development of affordable healthcare services in India.

*The author is vice-president , corporate & institutional banking, YES BANK...*