A large need for diagnostic healthcare services in India’s Tier II and Tier III cities

As per the latest UN data, India’s population in 2019 is around 1,350,438,098 people. Almost 73% of this current population lives in 638,000 non -urban geographies that dot the length and breadth of the country, including its 26 Tier II cities, 33 Tier III cities and over 5,000 Tier IV towns. A mere 27% of the population lives in Tier I India.

Dichotomy lies in the fact that while 73% of India lives in its smaller towns and villages, 80% of the country’s avant grade healthcare delivery establishments are located in its tier 1 cities.

Reasons may have been justified in the past, but India’s present government has realised the huge need to overhaul the system. Rollout of the world’s largest healthcare program titled Ayushman Bharat is a step in this direction. To support this mega program, the government is creating an encouraging environment to establish much needed support services such as diagnostic and preventive healthcare services in the smaller cities and towns of India.

A changing landscape

In recent years, repeated reports by WHO and other domestic health industry bodies have raised awareness of the huge gap in critical aspects of healthcare in India’s smaller cities and towns. While primary healthcare and maternal healthcare – both critical for a developing nation, were given much focus, areas such as diagnostic services, preventive health screening, neo-natal care, geriatric care, organ transplant, healthcare-at-home, etc were uncommon in non-metros. Patients were required to travel to the big cities for better access to diagnostic and specialty health services.

Today, better education, greater demand for services and products, rising awareness through the digital medium, greater exposure to the outside world, financial inclusion, and rising income levels among the middle class in these geographies is changing the health services landscape.

Diagnostic Services

With health being a high involvement area, and the market being huge, healthcare is one of the fastest-growing industries in the country. India's healthcare industry is slated to reach US $ 372bn by 2022. The diagnostic market alone is expected to grow to USD32 billion by 2022. India has become a leading destination for high-end diagnostic services with large capital investment for advanced diagnostic facilities.

It is but obvious that opportunities in this industry are immense.

In the past few years, just like in tier 1 cities, tier II and tier III cities have witnessed the mushrooming of a number of diagnostic centres. While some of them may not come with dependable credentials, many of them come with the backing of better-known health centres which are headquartered in India's metros. These centres also promote regular monitoring of health, make food and lifestyle- recommendations, provide health reports and predictive analysis to customers.

New entrants such as Healthians, PurpleDocs, LifCare, Dawailelo.com and Health Potli are offering innovative services and are making their presence felt. Lybrate, an online discovery platform for doctors and patients caters to more than 60 tier 2 and 3 cities and offers regional language options for patients to communicate with doctors. Older healthcare platforms such as Portea Medical offers home visits from doctors, nursing attendants, physiotherapists and other care givers. In many of the cases, in addition to being offered home diagnostic services such as sample collection for testing, home nursing, post-operative care, elder care, chronic care and primary care for people of all ages, patients can also download an app, register on the platform with a list of medicines and take home-delivery of the medicines.

Credibility – a driving force

Since the industry is still at a fairly nascent stage, organized healthcare service providers with established credentials are encouraged to take the lead and set up centres in tier II and III cities. Apollo Reach Hospitals from the Apollo healthcare group has already begun the process of setting up tertiary healthcare centres in India's semi-urban and rural areas. Bangalore based healthcare provider Trident Diagnostics has established state-of-the-art diagnostic centres in tier II and tier III towns in Karnataka. SRL Diagnostics, Fortis, Manipal, Sahyadri Hospitals, Aster CMI a Dubai based chain, Care Hospitals Hyderabad, Max Healthcare, Sterling Hospitals in Gujarat and Vaatsayala are some of the other large players in this market. Between them they cover Batinda, Karaikudi, Erode, Kochi, Chittoor, Karimnagar, Lucknow, Ranchi, Siliguri, Ludhiana, Kangra, Ahmedabad, Moradabad, Gwalior, Mohali, Dehradun, Hubli, Gadag, Bijapur, Mandya, Raichur, Hassan, Mysore, Gulbarga

Shimoga, Vizianagaram, Narasannapeta , Ongole, Pune, Navi Mumbai, Nashik , Karad, Ahmedabad, Vadodara, Rajkot, Bhavnagar, Mundra and Mehsana to mention just a few locations.

As an initiative to encourage private sector players to establish hospitals in tier II and III cities, the government has reduced taxes on these hospitals for the first five years.

One way for Startups to launch services in the smaller towns is by partnering with one of the larger national partners. Accreditation from National and international agencies like NABL & CAP are what partners and promoters of these ventures look for. Another model, the successful public-private-partnership (PPP) of Dr Lal PathLabs with the Government of India in the state of Tripura is a first-of-its-kind venture in India.

The demand for quality diagnostic services in the non-metro geographies of India arise from factors such as sudden upsurge in lifestyle related diseases, insufficient availability of diagnostic services and the market penetration of healthcare insurance. These geographies with their lower cost of investment, and lager volumes in terms of healthcare beneficiaries form a market that is waiting to take off.