

Diagnostic Laboratory Market

Increasing participation by the private sector in healthcare services is stimulating change in the Indian healthcare industry. The in-vitro diagnostic (IVD) industry is experiencing rapid technological developments. The need for a highly accurate and wider test menu has resulted in the introduction of new test parameters. The majority of diagnostic laboratories are restricted to routine biochemistry tests (e.g., enzymes and substrates) due to the low level of automation. Though the demand for these tests is high, laboratories remain subject to low profitability and intense competition. Laboratories are trying to differentiate themselves by offering specialized tests such as drug screenings, extended lipid profile, and therapeutic drug monitoring.

According to a 2005 ICRA report on Indian Medical Care Industry, India spends 5.10 percent of its GDP on healthcare. While India's overall expenditure on healthcare is comparable to most developing countries, India's per capita healthcare expenditure is low due its large billion-plus population and low per capita income. This scenario is not likely to improve because of rising healthcare costs and India's ever-growing population (estimated to increase from 1 billion to 1.2 billion by 2012). According to a 2002 McKinsey & Co. report on Healthcare, only 14 percent of the population is covered through prepayment because of poor healthcare coverage. Of total healthcare spending, 64 percent is out of pocket expenditure or direct household spending. There is ongoing government and private support to develop basic health infrastructure.

Both the government and private sector provide healthcare in India, but patients increasingly turn to private hospitals and clinics for quality treatment and better facilities. According to estimates provided by industry sources, there are approximately 30,000 laboratories that service 1 to 1.25 million patients per day. This includes specialized laboratories, laboratory facilities in hospitals and nursing homes, and small testing centers with basic facilities. The quality of services and facilities provided by these laboratories varies widely. The National Accreditation Board of Laboratories (NABL) has been established to accredit the laboratories, yet the number of accredited laboratories remains minimal. Currently, there are only a few large national players including SRL Ranbaxy, Max Healthcare, Dr. Lal's Laboratory, Metropolis, Thyrocare and Apollo Clinics.

It is estimated that the total market for IVD equipment and reagents is Rs. 6.75 billion (\$147 million). Equipment constitutes 40 percent of the total IVD market while reagents account for 60 percent of the market. The market for IVD is segmented into biochemistry (including microbiology), hematology, immunoassays, hispathology and cytology, and consumables. (Source: Medical Buyer)

The IVD market is estimated to grow 25 percent annually. Contributing factors to the growth of the IVD market are: increasing health awareness and demand for quality healthcare; changing demographics and prevalence of disease; increasing corporate presence in healthcare including establishing diagnostic laboratories; the expansion of pathology diagnostic market to towns and rural areas; the growing number of insured lives; changes in medical liability legislation; and a developing clinical research market.

Over past years the diagnostic market has undergone a change. Though stratification exists in the laboratories, there are a growing number of corporate players. The high-end laboratories, which offer automated chemistry and hematology systems, cater to approximately 30 percent of the national workload while the second tier regional laboratories cater to 40 percent of the patients. The manual laboratories account for the remaining 30 percent patients.

The emerging trend of corporate players establishing diagnostic centers in small towns and rural areas will provide opportunities for the import of automated systems and imported reagents. The market for diagnostic equipment is highly competitive. Equipment is often leased or rented, and revenue is generated through consumables. The vendor is assured of the sales of reagents for a 5 to 7 year period while the hospital and laboratories do not have to incur major capital

expenditure for equipment. Increasing competition pressures the laboratories to continuously improve quality and provide rapid results; this demand drives the need for equipment and reagents that perform multiple functions efficiently. There are opportunities for technologically superior products. With growing competition laboratories are trying to distinguish themselves by using better reagents and instrumentation.

Several Indian and foreign companies are active in the equipment and reagent market: Transia Bio Medical, Roche Diagnostics, Accurex, Bayer Healthcare, Becton and Dickinson, bioMerieux India, Nicholas Piramal, Wipro Biomed, Johnson and Johnson, Olympus Diagnostics, Sigma Aldrich, Hitachi, Ortho Clinical Diagnostic, Ranbaxy Dignostics, and Bio-Rad Laboratories.

The Government of India does not require a license to import equipment and reagents. In fact, imports provide approximately 60 percent of the diagnostic medical equipment and supplies market. In cases where government hospitals directly import equipment, the government levies a 5 percent duty.

Government laboratories procure equipment and supplies through tenders where price plays a major role in the decision making process. Private hospitals and laboratories, however, make their own purchase decisions and consider both quality and price while making procurement decisions.

In India, medical equipment is distributed through regional distributors who have a network of sub-distributors. Use of a local well-qualified distributor helps to establish good relationships and often influences buying decisions. The distributor should have a sales network and provide after sales service.

Source

The U.S. Commercial Service in India at the American Center