A Study on Effect of COVID-19 on Revenue of Private Hospital Sector

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Introduction

The Coronavirus has greatly impacted the Indian Economy including healthcare sector. The research is being carried out by different organizations and researchers to predict the financial and economic condition of the private hospital sector soon. The private hospital sector in the country is witnessing a record slowdown due to the outbreak of Covid-19 in India and the resultant lockdown.

The sector is expected to witness short term operating losses for a quarter. The pandemic has caused an adverse impact on the private healthcare sector resulting in 70-80 percent drop in footfall, test volumes and 50-70 percentage drop in revenue. [1] The health as well as wealth is both important pillars for the economy to survive and grow and hence, steps are being taken to improve the health conditions and financial conditions by launching support schemes and booster plans for the private hospitals and healthcare sector. Through this paper, my aim is to study the effect of COVID-19 i.e. Coronavirus on private hospital revenue in India.

1. Data source: NATHEALTH report highlighted COVID-19 pandemic has left Indian private healthcare sector in acute financial distress.

Literature Review

Mr. Kaivaan Movdawall, 2020 report highlighted the impact of COVID-19 on the revenue of the private healthcare sector by comparing the situation before the crisis and after the crisis. This paper especially talked about, how the private hospitals economy coping with the spread of the corona virus and calculate the estimated revenue in FY21. Highlighted the Government announced various policies to handle the situation of crisis and how these policies are successful

Mr. Arun M. Kumar, report 2020 analyses the current and potential impact of the hospital sector and highlighted the health-burden carrying ability of systems, forcing governments to rethink and increase funding, manpower and infrastructure allocated to health. It also concludes that apart from all the challenges, it has made a major recommendations for private hospital to improvise their health sector

Oliver Wyman report, 2020 had highlighted the COVID-19 impact on healthcare sector across the Asia. The report shows that measures taken by the Asian countries and it also highlighted the short term and long-term impact on the private healthcare sector across the Asia.

National Herald and NATHEALTH report,2020 show that 90 per cent of the healthcare facilities are facing financial challenges with 21 per cent facilities facing an existential threat

Healthworld.com, 2020 article highlighted the impact of COVID-19 on medial tourism. This article shows the fact that medical value travel, which includes patients travelling to India for treatment both in modern medicine and AYUSH sector, is estimated to be $3 billion market for India. The report analyses the impact on medical tourism market and the revenue loss by the private healthcare which depended on medical tourism.

Research Question

1. What is the current scenario of the private hospital sector during COVID-19 crisis?
2. What is the effect of the COVID-19 crisis on revenue of the private hospital sector?

Objectives

1. To study the effect of coronavirus on revenue of private hospital sector.
2. To highlight the estimate and project operating losses, for the sector during COVID-19 crisis, based on secondary literature review.

Methodology:

Research Design:

Descriptive study

Data Sources:

This research study based on the review of the secondary literature.

Data Collection for review:

Journals, articles, reports and organizations websites

Data Analysis:

Data were analyzed using Microsoft Excel.

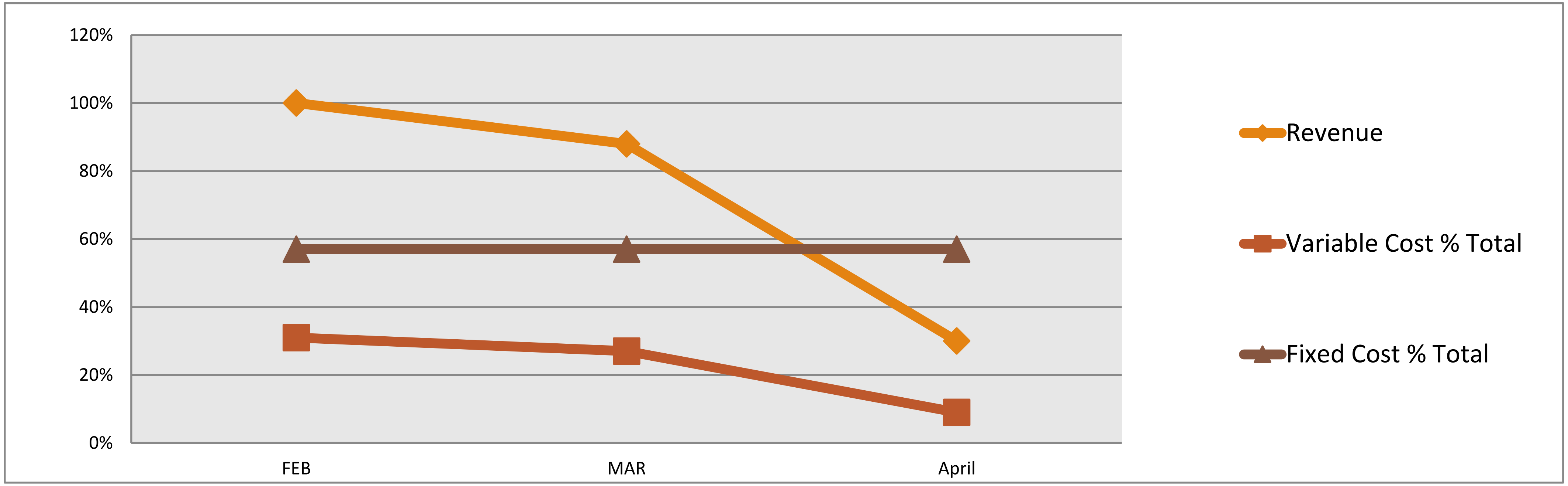
Observation

The effect of COVID-19 on Private Hospitals shows in the table which highlight that with strict lockdown actions being imposed to cover the epidemic of COVID 19, mostly hospitals are seeing a drop in both domestic and international patient footfalls by 70-80% and also drop in elective surgeries which resulting in occupancy levels to fall to a mere 60-70%by April and the figure also show an average fall in revenue by as much as 80% [2]

	Decrease %
Footfall	70-80%
Occupancy	50-60%
Revenue	50-60%
EBITDA	60-70%

2. Data Source: NATHEALTH report 2020

This figure show that Drop in Revenue after the announcement of lockdown i.e. in Feb there is no lockdown that's why the revenue was 100% but at the end of the march lockdown was announced and from March end drop in revenue show in the fig. [3]



3. Data source: Mr. Kaivaan Movdawall, 2020 report "Private healthcare sector is witnessing an unprecedented slowdown due to COVID-19 outbreak and lockdown announced by the government"

Estimated Performance of FY21: The above table shows the data for hospital future and options for the upcoming year and also highlight the sector expected to be lower by 20-35% in terms of revenue (compared to FY 20) and have early single digit or negative EBITDA in FY 21 and occupancy is expected to be lower by 10-15% (compared to FY20) for Scenario 1 in the table

From above table Scenario 2 column shows that the sector is also expected to be lower by 35-40% in terms of revenue (compared to FY 20) and have early single digit or negative EBITDA in FY 21 and occupancy is expected to be lower by 20-25% (compared to FY20)[4]

			Scenario 1	Scenario 2
Metric	FY20		FY21	FY21
Revenue	100		75-80	60-65
Occupancy%	70%		55-60%	45-50%
EBITDA%	13%		(5)-5%	(15)-(10) %
ROCE	7%		(10)-(5) %	(15)-(10) %

4.Data Source: Report by FICCI on "COVID-19 pandemic leaves the private healthcare sector in financial distress" this report highlighted the impact of COVID-19 on the revenue of the private healthcare sector by comparing the situation before the crisis and after the crisis.

Observed short-term and long-term effect of COVID-19 on Private Hospital

	Short-term impact and possible long-term impact
Hospitals	• Lower footfall in private hospitals • Different rostering of staff • Rearrangement of hospital wards & rooms to create vacant isolation areas • Restricting patient mobility (e.g., online drug delivery) • Delaying non-essential surgeries/treatments • Risk assessments as board/senior; SOPs for outbreaks • New focus on health prevention & promotion & monitoring • Investments around epidemic control • Greater coordination with government, payers, other stakeholders • Repurposing of space to screen and triage

Actions taken by the Government to give some financial support for the private hospitals [5]

Key Themes	Action taken by the Government
Clearance of outstanding dues of CGHS, ECHS	Ministry of Finance has approved clearance of outstanding dues with Government to be taken up immediately, especially outstanding of CGHS and ECHS
Basic customs duty and Health Cess exemption	Considering immediate requirement of ventilators and other items, the Central government has granted exemption on basic customs duty and Health Cess, on the import of following goods with immediate effect - Ventilators - Face Mask, Surgical Mask - Personal Protection Equipment (PPE) - Covid-19 Test Kits - Inputs for manufacture of above items - Basic custom duty exemption shall be available up to 30th Sept

5. Data Source: Report by FICCI on "COVID-19 pandemic leaves the private healthcare sector in financial distress" this report highlighted the impact of COVID-19 on the revenue of the private healthcare sector by comparing the situation before the crisis and after the crisis. And also highlighted the govenrments actions for private hospital sector

Suggestions

1. Private hospital should start providing digital therapies, remote monitoring, and home hospital procedures because of hike in demand of digital service and home healthcare services

2. Private hospital should start consulting Ayurvedic and Homeopathic services in hospital because according to the AYUSH department report, in future patient will look for Ayurvedic service.

3. Hospital should provide training to the nonclinical staff to take on some basic activities such as temperature measure, basic screening methods etc.

4. Hospital should prepare separate SOPs and guideline for the crisis

5. Hospitals should more focus on infection control

Conclusion

In the present study the effect of Covid-19 on private hospital sector is studied. This study reported about the Covid-19 effect on the revenue of the private hospitals in India. COVID-19 affected the operations of the private hospital with large reduction in patient footfall and increasing operating losses. Now the hospital sector looking at the government to revive from this crisis by announcing some measures to provide short-term relief and improve cash flows of the hospitals.

Thank You