PEST Analysis – Summary of Key Factors

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The healthcare industry depends on legislation, changes in economic rates, and technological advancements. Whenever we see shifts in the government, people become worried. They wonder: *What will happen to healthcare bills? Or the services they have access to now. Will it be inaccessible shortly?*

Health will always be a concern, no matter your age. People worry about exclusivity, new diseases, less treatment, [and how much access they can have](https://pestleanalysis.com/swot-analysis-in-healthcare/). This PEST analysis of the healthcare industry provides a glimpse into how the system works, and how it could change in the future. A PEST analysis serves as a framework for scanning external environments and informing strategic business decisions. The below summarizes the relevant factors in the context of the Nigerian market for the Health Management Organizers.

**Political Factors**

1. Political uncertainty: The IMF has found that political uncertainty is a major risk in Nigeria. Due to Nigeria’s market size this will continue hampering overall economic growth for the whole of Sub-Saharan Africa (Reuters, 2017).

2. Industry policy: Nigerian economic policies are geared towards creating a free-market economy, promoting foreign direct investment. Nigerian authorities fail to provide satisfactory healthcare services – largely relies on the private sector to make up for capacity and funding shortages on all levels. It encourages investment in high-end private facilities in order to better perceived service delivery quality and to capture revenues currently lost to medical tourism.

3. Industry regulations: Private hospitals and healthcare facilities are only loosely regulated. With the introduction of the PPP policy, the government signalled its intention to give space for private firms to establish facilities. Nigerian regulations allow for 100 percent foreign ownership (except for oil and gas firms). Nigerian laws apply equally to domestic and foreign firms (ITA, 2016). Nigeria's corporate tax is relatively high, with 30 percent it lies above the global and the Africa average rates (Pomerleau, 2015).

4. Financial regulations: Loan facilities in Nigeria are rare and expensive; in 2017, the benchmark interest rate set by the central bank of Nigeria, was 14 percent (Trading Economics, 2017). International investment organizations such as the IFC provide an alternative partner in health financing.

5. National Health Insurance: The government expressed plans to provide universal healthcare coverage but the scheme introduced in 1999 has not been rolled out beyond civil servants. With the recent introduction of private insurance providers, the HMOs which are under NHIS regulations, there is hope that coverage will expand. Hospitals need to be accredited by an HMO to receive capitations.

6. Institutions: Corruption hampers the ease of doing business in Nigeria; it is one of the major obstacles for doing business in Nigeria. However, the WEF noticed an improvement of institutions.

**Economic factors**

1. Market size: Nigeria offers a large market by population size but the target market for private healthcare providers is only a small share of it, as the vast majority cannot afford. The large share of the private sector in healthcare indicates a significant potential for new entrants. The growing middle class seeks quality care and is therefore a source of organic growth potential for private hospitals.

2. Economic trend: The oil price decline has caused an economic crisis that is still ongoing but economic growth will pick up again. Pre-crisis growth levels have made the country highly attractive to foreign investors.

3. Investment environment: Capital intense investments such as the establishment of a hospital, remain a challenge given the high costs of capital when financed through a Nigerian facility.

4. Competition: there are a number of private providers, however, quality of care at the current prices do not seem to satisfy Nigerians who opt for facilities outside the country

5. Industry trend: Given the emergence of HMOs and government plans to expand health insurance coverage, hospitals can expect increasing demand. If insurance coverage increases, there will be a shift from out of pocket-payments to insured patients and the number of patients would increase.

**Social factors**

1. Demographics: High-income groups expect a longer lifespan and will consequently spend more days in hospital.

2. Change in lifestyle: Due to a change in lifestyle, high-income groups develop more noninfectious diseases and spend more on treatment of such.

3. Attitudes and opinions: Perception of hospitals in Nigeria are tinted by “low quality care” experiences. The affluent avoid pursuing services in the country. Government has understood that reversing this will benefit the economy and therefore promotes investment in the private sector.

4. Human capital: Given the low salaries and undesirable working conditions in Nigerian hospitals, half the healthcare workforce leaves the country post education. This results in a significant labour shortage.

**Technological Factors**

1. Technology access: High import costs and low levels of domestic research and development, limit access to medical technology and provision of at affordable rates.

2. Provision of power: Nigeria is in constant crisis of energy supply, which badly affects hospitals. Facilities have to rely on generators, which are prone to developing faults and are expensive. Hospitals require significant capital to establish get alternative power supply solutions and battery operated equipment. In Summary, Nigeria can be considered a high risk – high opportunity market. Major risks include economic instability, capital shortage, poor reputation of Nigerian healthcare facilities, Nigeria’s Private Healthcare. Opportunity stems from the large market size, economic growth, the large share of the private sector in healthcare, untapped potential in the medical tourism segment / high-income bracket, Government plans to rollout health insurance and partnering with the private sector. The healthcare industry is seeing positive changes in treatments because of technological advancements. Developments with medical devices allow patients to receive better care. For example, hearing aid devices have the tools to enhance performance, providing crystal clear sound, less background noise, and premium options for a better hearing experience.

We’re seeing changes in app developments, allowing patients to get care faster than ever before. More businesses are using apps to connect doctors with patients right in their homes. And the ability to ask questions about illnesses now include email and live-chat on websites. We’re heading towards a positive direction for patient care thanks to our ever-evolving technology.