Narayana hrudayalaya

Q1 &2 Would you describe this heart hospital as successful? Explain why. If successful, what were the elements that made it successful? If not yet successful, what else should NH be doing? “ A dream of making quality healthcare available to the masses worldwide” Narayana Hrudayalaya was established by Dr. Devi Prasad Shetty in 2001 with this mission. Its main focus was to provide affordable cardiac care to the masses. It has followed a hybrid strategy of attracting paying patients by virtue of its reputation for high quality combined with a relentless focus on lowering its costs of operations whenever possible.

In 2004, the proportion of patients who paid NH's full price to those that cannot afford to pay was about 60: 40. Following this strategy, they priced their general ward patients for OHS at Rs. 110000. This charge is the lowest in the country where the average cost of OHS in a private hospital is Rs. 250000. At the upper end, patients who opted for executive wards paid Rs 140000 - Rs 195000 for private rooms instead of general wards. To add to it, they offered the Karuna Hrudaya package for financially constrained patients at Rs. 65000 per OHS.

For patients who could not even afford this, they helped arrange funds through the Narayana Hrudayalaya Trust's general corpus or by seeking external donations. The treatment across all the packages was the exactly identical. Since their inception, the number of in patients and out patients as well as catheterization and surgeries has constantly increased as shown in the below table: InpatientsOutpatientsCatheterizationSurgeries Total%age Growth (YoY)Total%age Growth (YoY)Total%age Growth (YoY)Total%age

Growth (YoY) Apr 01 - Mar 024242-9875-2116-1842- Apr 02 - Mar 03722670%1086310%336759%274249%

Apr 03 - Mar 041026242%1538242%477742%357030% Apr 01 - Mar 04-142%-56%-126%-94% This has helped them achieve a breakeven of Rs. 90000 for OHS. By performing tests and operations in large numbers, they are able to achieve economies of scale and thereby reducing their costs. Following this wal-martisation ofhealthcare, with which they performed almost 8 times the surgeries and cathetarisation compared to other Indian hospitals. They have managed to perform more CABG surgeries a year, have morenumber of cardiac surgeons and greater average surgeries per surgeon than even few of the top ranked US hospitals.

NH boasted of a 1. 27% mortality rate and 1% infection rate in CABG procedures as against 1. 2% and 1% in US respectively which further emphasises the quality of treatment being provided by NH. Further they have also reduced their costs for buying medical supplies and equipments by bulk ordering for their AHF hospital at Kolkota and NH at Bangalore together. This has increased their bargaining power enabling them to get discounts of 30%-35% in their purchases. They have also used new technologies like digital x rays and comprehensive hospital management to improve their efficiencies and reduce costs.

They have also adopted newer medicines like Biocon’s cardio-diabetesproducts which offer similar health benefits at much cheaper costs as compared to other similar medications further decreasing their overall costs. By keeping the administration team lean, NH also avoided the usual problem of corruption that plagued corporate hospitals. With the help of

careful planning and internal financial controls to gauge the ability to fund below cost surgeries, NH has been able to optimise the number of subsidized surgeries to be performed.

In order to further achieve their goal to reach the bottom of the pyramid, they have also effectively used telemedicine techniques with the help of a large number of general practitioners providing teleconsultation to the patients who would not have received the treatment otherwise. The fully equipped Mobile CardiacDiagnosticLab increased their penetration in the rural areas to ensure that best possible diagnosis was available onsite. It also conducted outreach camps which were organised by local associations like the Lions Club and Rotary Club.

On an average each camp screened 400 people a day, none of whom was required to pay either the hospital or the organisers. They also set up the Yeshashwini Health Insurance Scheme which provided benefits to 1. 7m farmers at extremely low costs of Rs 5 per month. Q3. Is the insurance scheme successful? Explain why. What are the challenges going forward? Yeshashwini Health Insurance Scheme was launched in 2002 for the 1. 7 million farmers. Just for Rs. 5 a month, cardholders had access to free treatment at 150 hospitals in 29 districts of Karnataka for any medical procedure costing up to Rs. 00000. Government also contributed Rs. 2. 5 for every Rs. 5 paid by every farmer. Dr. Devi Prasad chose to utilise the existing government infrastructure in the form of state controlled cooperative societies. Prior to the scheme, it was estimated that the average occupancy of hospitals was only 35% although the state boasted 30 private

medical colleges each with 500 beds; actual occupancy was low reflecting the lack of affordability rather than a lack of infrastructure.

Research by the NH team estimated that only 8% of the policyholders would require medical procedures, thus the total funds collected were expected to cover the cost of treatment for those in need. Most common use of the scheme was for non surgical treatment. Non surgery procedures formed 80% of the procedures conducted through the Yeshashwini scheme. It was mostly used for low cost treatments of around Rs. 2000 that people would otherwise have forsaken due to lack ofmoneyfor treating non life threatening conditions. Thus the scheme was successful in increasing the health of the poor farmers.

In ts 1st year, nearly 9000 people underwent various operations and a further 35000 received out patient treatment. By early 2005, the scheme included around 25 lakh members. From June 2003 to March 2004, around 12% of the surgeries and 16% of the angiograms at NH were performed under the Yeshasvini scheme. Collection of the monthly premiums, tracking monthly payments and issuing Yeshashwini member cards was done through the post offices. This enabled a smooth functioning and also increased its outreach as people are generally more willing to trust government agencies than private organistions.

The operation though initiated by the trust, was later on handled by a 3rd party administrator. Q 4. How should you advise Dr. Shetty regarding the three lines of business-the heart hospital, the health city, and the insurane scheme for the poor? Which should he pursue? Which, if any, should he drop? Is there anything else he should be doing? The 3 lines of business of

NH are: ? Heart hospital and all the associated activities. ? Yeshashwini Health Insurance Scheme ? Vision of the Health City The first 2 lines are very successful and running with great efficiency and reach.

The first phase that is the current heart hospital is running successfully. With the successful implementation of good operations management model, Narayana Hrudalaya has cut on its operating costs manifolds as compared to other hospitals in India. Thus, it has been able to sustain itself while maintaining the philanthropic vision to serve the underprivileged and provide treatment to them at an extremely affordable cost. The implementation of the insurance scheme has also been very successful and has been able to serve its purpose to a large extent.

The plan for the Health City is still in a very nascent stage and special focus needs to be given to it. The health city would require a larger pool of competent doctors, nurses and technicians. Thus more focus needs to be given to the training programs. Apart from the existing diploma in cardiology etc, NH should focus on more institutional tie ups to cater to the larger demand for the Health City. Also, NH can concentrate on increasing its existing outreach for the Yashashwini Health Insurance customers. Currently the scheme caters to only farmers who belong to state cooperatives.

Seeing the success of the scheme, NH can consider reaching out to artisan self help groups as well like what Jaipur Rugs does. The scheme can also be made available to the unorganized workers like domestic help in cities of Karnataka. Currently, NH is also considering coming up with a similar modified insurance scheme for teachers. This can be further expanded to other rural demographic segments such as traders, government employees,

etc since they already have an established brand in these areas and hence can easily capture the market.

Angioplasty procedure is currently not covered under Karuna Hrudaya scheme. NH can make adjustment to the price charged for general ward patients in order to include the procedure under the scheme but at a discounted operationally feasible cost. NH enjoys a popular philanthropic image among the people and has managed to garner strong support from the government for its various social initiatives. Hence, it should try to influence the government to increase the government spending on healthcare in order to further strengthen the frail healthcare system of the nation.