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MONITOR GROUP

Market Based Solutions to Social Change in India

Low-Cost Service Delivery in Health & Education

The image displays a grid of logos for various partner organizations. In the top left is the logo for the Swiss Agency for Development and Cooperation SDC, featuring a red shield with a white cross and text in German, French, Italian, and Romansh. To its right is the logo for Orient Global, which depicts a purple elephant with a yellow star above it. Further right is the logo for IDFC, consisting of a stylized yellow and purple 'I' followed by the letters 'IDFC'. Below the SDC logo is the logo for the David & Lucile Packard Foundation, with the text 'the David & Lucile Packard FOUNDATION'. To its right is the logo for ICICI Bank, featuring a stylized 'i' in a circle followed by 'ICICI Bank' in orange and white. Below the Packard Foundation logo is the logo for The Rockefeller Foundation, which includes a globe icon and the text 'THE ROCKEFELLER FOUNDATION'. To its right is the logo for Sir Dorabji Tata Trust, with the text 'SIR DORABJI TATA TRUST'. In the bottom right corner is the logo for PATH, featuring a stylized star icon and the text 'PATH A catalyst for global health'.

Delhi, June 16, 2008

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This document provides an outline of a presentation and is incomplete without the accompanying oral commentary and discussion.

Case Study

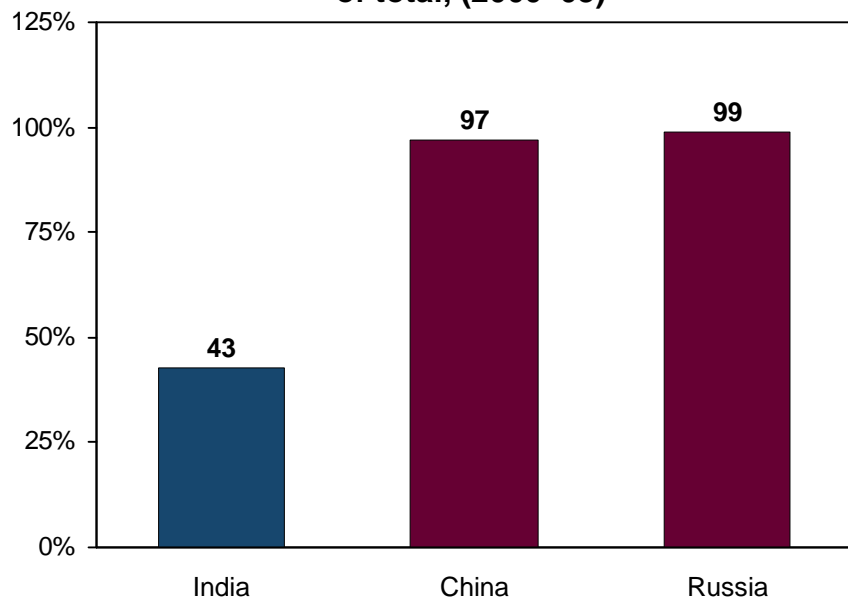
LifeSpring: Context

India has a high maternal mortality rate, some of it may be attributed to fewer births attended by skilled health staff

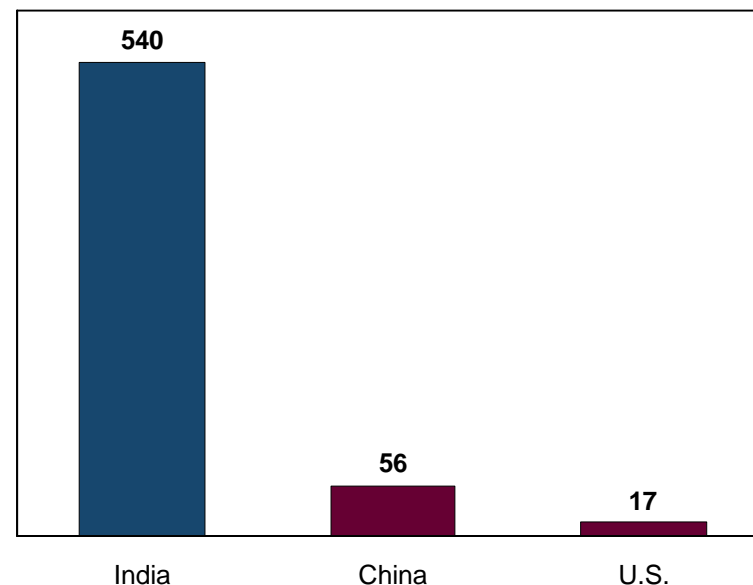
Average number of deliveries in India are ~26 Million per year and only 43% are deliveries by skilled health staff

India has the highest number of maternal deaths in the world; ~ 117,000 maternal mortalities per year

Births attended by skilled health staff (%) of total, (2000–03)¹



Indian Maternal Mortality Rate (MMR) relative to other countries² (2000)



Note: MMR (Maternal Mortality Rate) is the number of deaths from pregnancy-related causes per 100,000 live births in the 15-49 age group

¹ Data for the latest year available in 2000-03, ² Modeled estimates from WDI (Urban-619 and Rural-267)

Source: India-stat, WDI Indicators, NFHS -2 & 3, India Census, CIA World Fact Book, Gupta RK - Institutional and non-institutional deliveries in slum areas of Delhi, Monitor Analysis

Case Study

LifeSpring: Overview



LifeSpring Hospital provides low-cost, women and child care services in peri-urban India



Company Overview

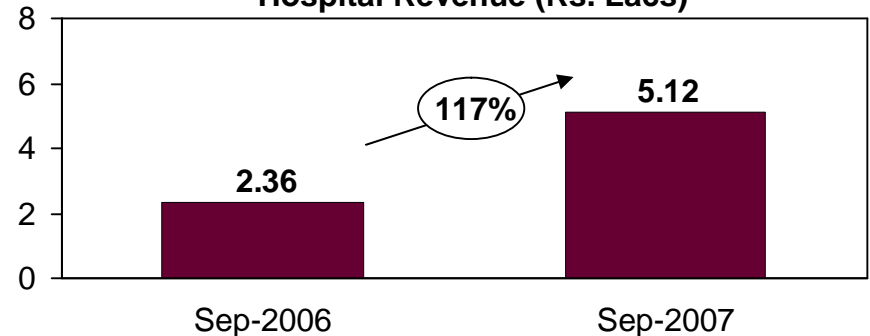
- LifeSpring Hospitals provides low-cost, quality healthcare solutions
 - Private company, joint venture between Hindustan Latex and Acumen Fund
 - 1 hospital started in 2005, 2 more operational in past 2 months, plan to have 6 hospitals in AP by end-2008
- Operating model focused on “**Service Quality at a low & transparent price**”
 - Services are priced substantially lower than prevailing market prices
- Plans include chain of **30 small hospitals** (20 beds) by 2010 in AP, Maharashtra and Karnataka
- Financially self sustaining model
 - Broke-even in 20 months of operations
 - Initial project costs funded by Hindustan Latex

Rs. Lacs

Service Description: Maternal Care

- Provides maternal and child health care services
 - Gynecology, Obstetrics, Pediatric
- In-patient service is **limited to uncomplicated women’s health**
- LifeSpring hospitals’ primary customers are women and children
 - **Caters to the B60 population** living in peri-urban areas within a 10km radius
- Has served 2,314 in-patients and 27,316 out-patients (inception-May 2008)

Hospital Revenue (Rs. Lacs)



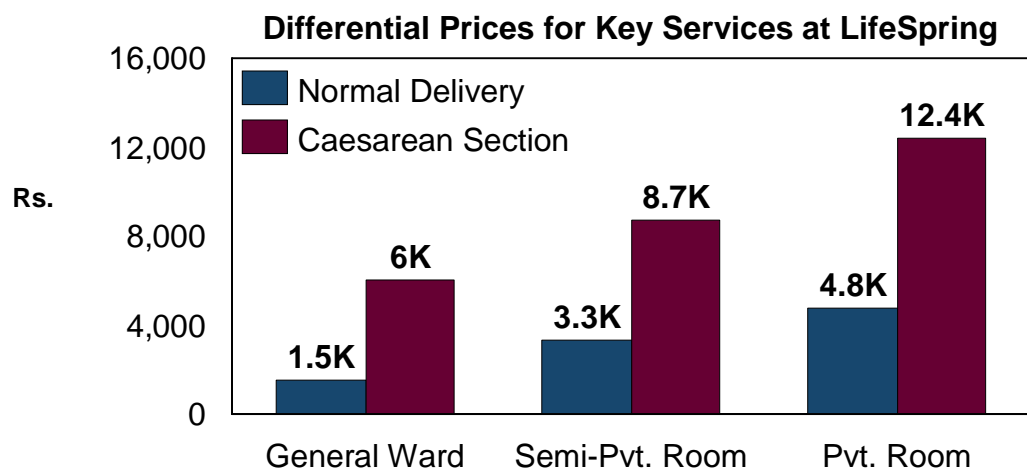
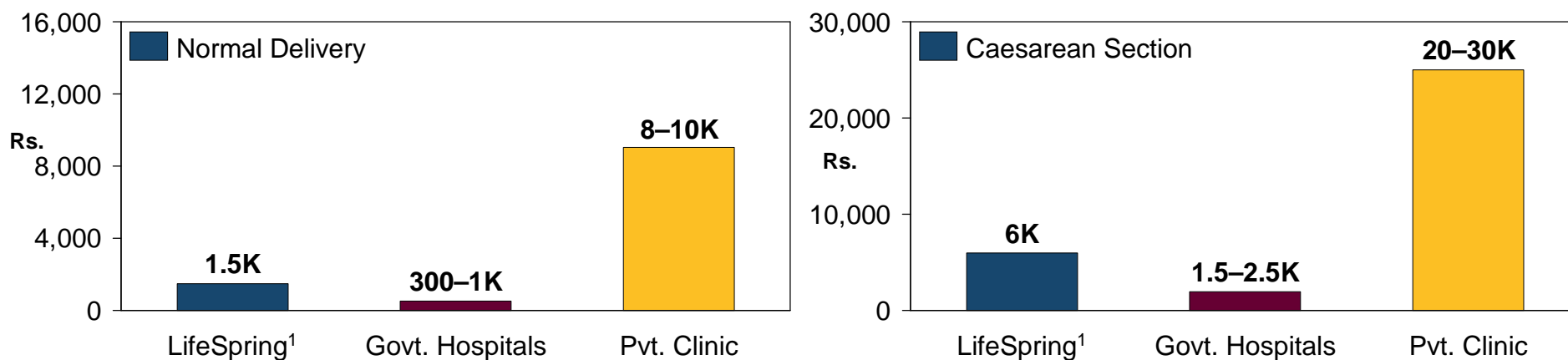
Case Study

LifeSpring: Pricing



Normal & caesarean delivery charges at LifeSpring are ~1/6th the cost of private clinic rates

LifeSpring Price Comparison with Possible Alternatives (Rs.)



¹ LifeSpring Prices for key services in a General Ward

Note: Pvt. Clinic refers to small 20-30 bed nursing homes, often run by a family in Hyderabad and have private rooms in most cases

Source: Satapathy et al. — Indian Journal of Community Medicine(2004-05), LifeSpring Data, Interviews, Secondary Research, Monitor Analysis

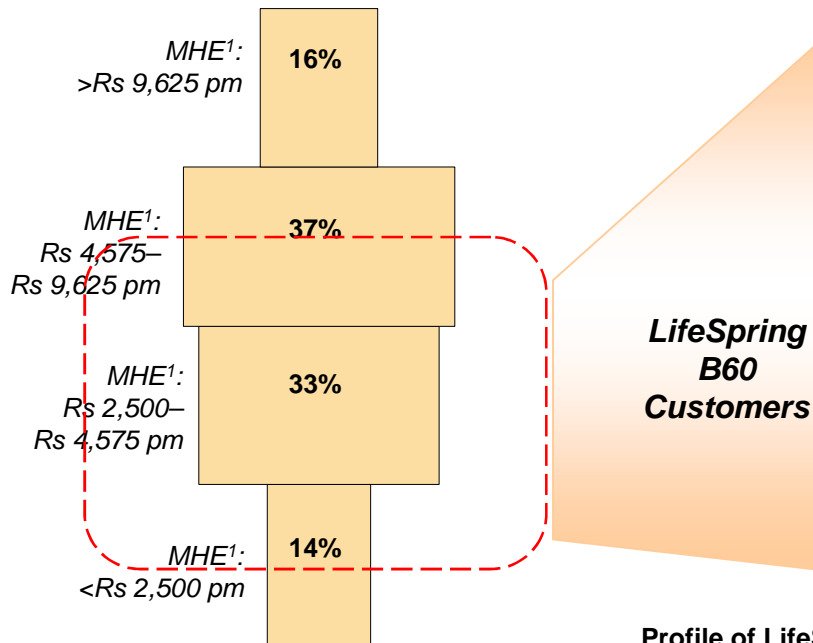
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LifeSpring: Customer Profile



LifeSpring customers are B60 women who have a household income of Rs. 3k-7k/month

Urban India Income Pyramid (2004–05)

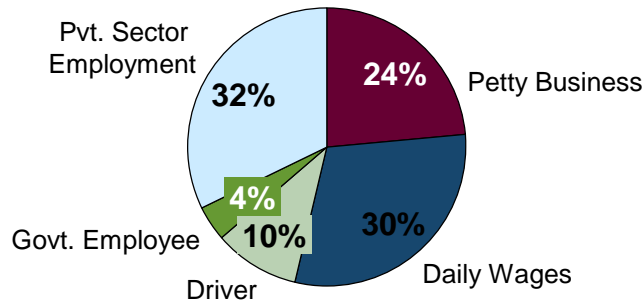


Customer Details

- Customers are from local slums, low-income housing colonies; most have daily wage job or run petty businesses
 - Typical household has 5-6 members
- Majority come from 5 km catchment area (also focus of outreach staff); word-of-mouth has led to customers coming from 15-20 km distance as well

“Proximity to hospital is one of the key criteria while evaluating alternatives. However, recommendation from relatives/friends over-rides the distance” – LS staff
- Choice for delivery tends to be either at home or institutional (government/private)
 - If institutional, they are often referred to private clinics by quacks who have existing relationships with them
- Consumer research suggests LifeSpring customers are very satisfied with the service and price

Profile of LifeSpring Customers by Occupation



Value to Customer

- **Lower priced** than majority of private clinic alternatives
- **Quality** healthcare at an affordable price (marginally higher than low quality alternatives – government hospitals/quack)

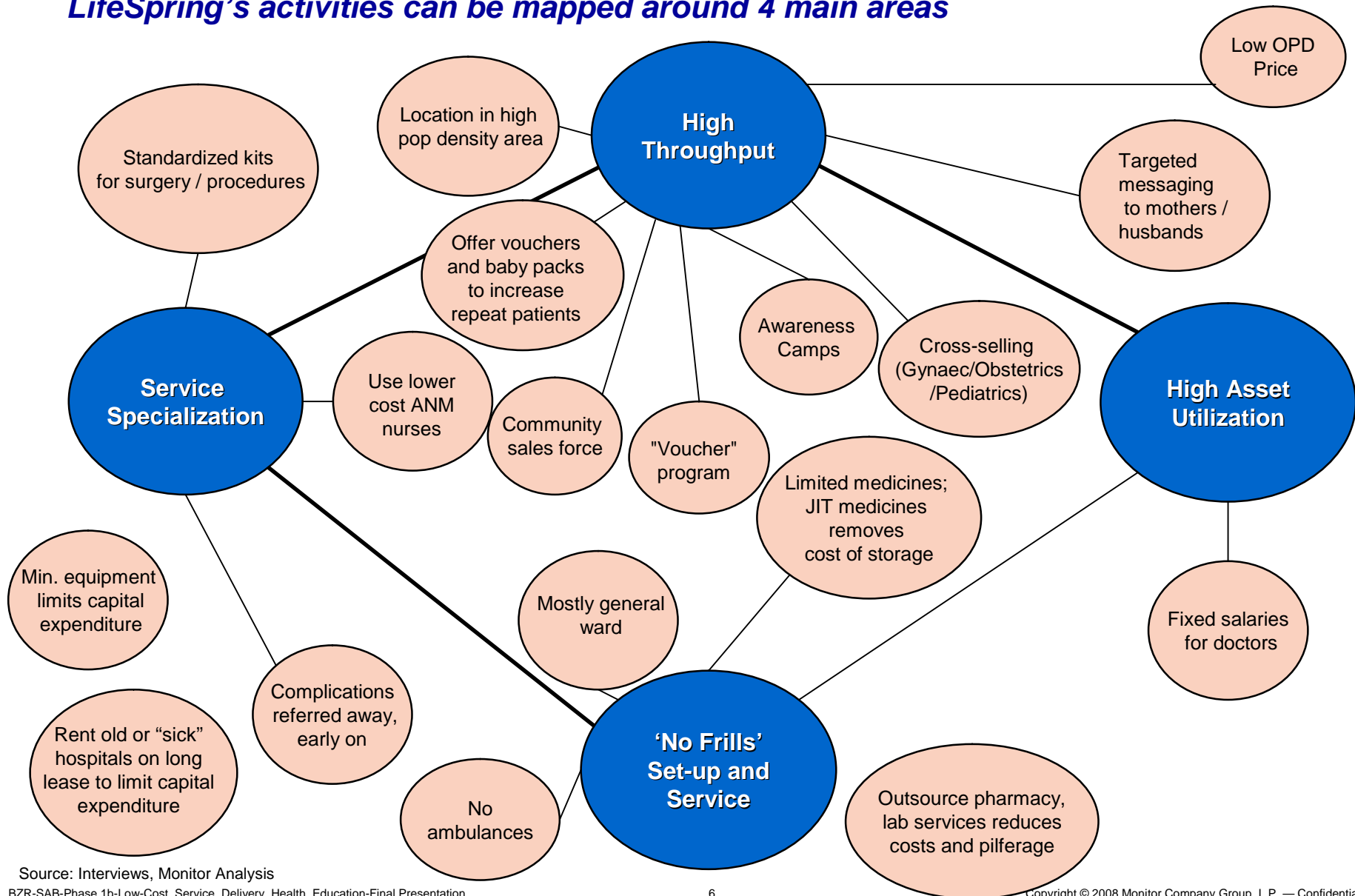
¹ Monthly Household Expenditure

Source: NCAER, LifeSpring Newsletter (Sept, 07), Interviews, Monitor Analysis

Case Study

LifeSpring: Activity System

LifeSpring's activities can be mapped around 4 main areas

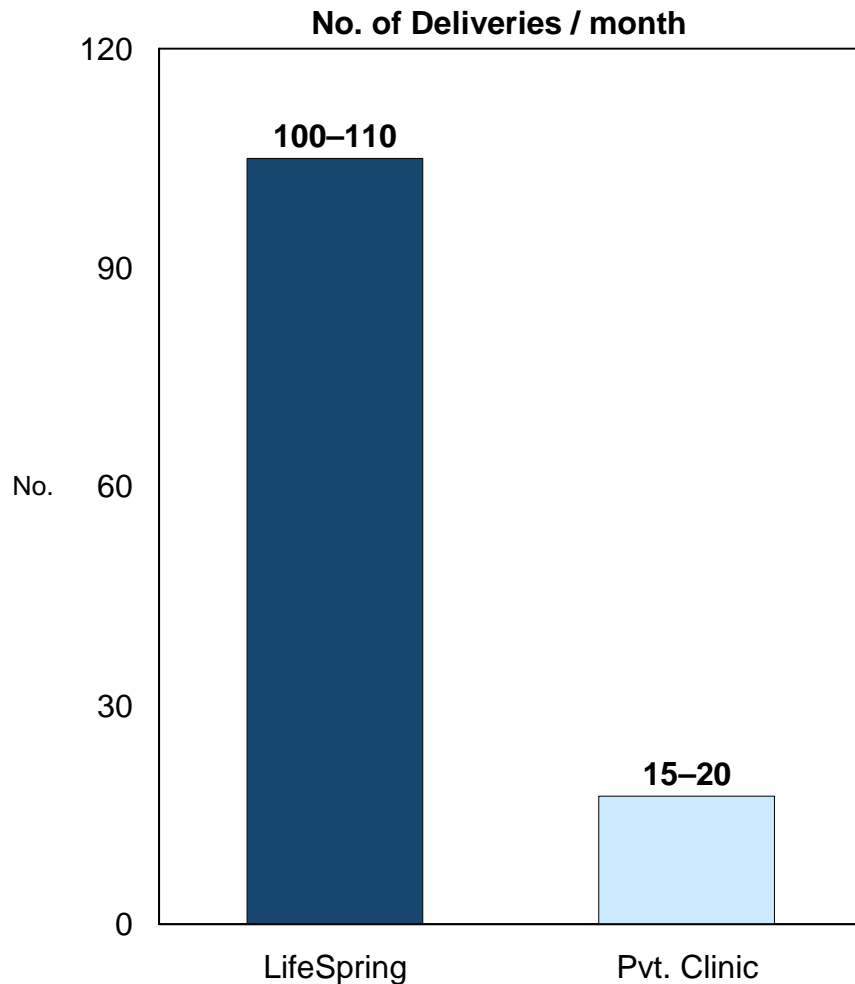


Source: Interviews, Monitor Analysis

Case Study

LifeSpring: Service Specialization

LifeSpring has chosen a service which is high incidence and by specializing it can concentrate on lowering costs and increasing productivity



- **Narrow specialization** on women's care for in-patient
 - Services include delivery, c-section, hysterectomy, fibroids, MTP (abortion)
 - Complications are referred to other hospitals early on

Specialization enables LifeSpring to do the following

- Use more **ANM** nurses than GNM nurses
 - ANM nurses are less qualified and are therefore not as expensive as GNM
 - Demand for ANMs is not as high, thus keeping LS's attrition low
- **Standardization**
 - Clinical protocols and other procedures have been standardized to enable clarity of tasks and higher productivity
 - Surgery kits also standardized
- **Lower Other Costs**
 - **Bulk purchase** of limited equipment and medicine lowers medical supplies cost

Note: Pvt. Clinic refers to small 20–30 bed nursing homes, often run by a family in Hyderabad
 Source: LifeSpring Data, Secondary Research, Interviews, Monitor Analysis
 BZR-SAB-Phase 1b-Low-Cost_Service_Delivery_Health_Education-Final Presentation



Case Study

LifeSpring: High Throughput (1/2)

Targeted marketing via multiple channels especially dedicated outreach staff has contributed to high throughput in the hospital

Customer



Previous Child / OPD at Private Hospital

Previous Child / OPD at Government Hospital

Previous Child at Home (non-institutional)

Message



- Convey “low-cost and high-quality” advantage of LS
- Relatively easier to convert as already aware of benefits of institutional deliveries

- Reinforce “Quality” aspect of LS offering with focus on
 - Transparent pricing
 - Trained doctors
 - Hygienic environment

- Strong focus on **customer education** and relationship building
 - Explain warning signs, high-risks, etc.

“Trust is an important criterion....as most of them have built trust in one hospital/mid-wife where the entire extended family has been going for years. So, switching to LS isn’t very obvious to them”

Channels



Dedicated Outreach Staff

- 3–4 local woman (XII pass) hired as marketing force, do 6 hours/day of field work
 - Gathers information on family, medical history and target the customer (mother-in-law and husband)

Community Initiatives

- Health camps (1/month)
 - Doctor visits the community and advises them on nutrition, health-related issues
- On-going initiatives
 - Reinforce brand with free vaccination camp, free photograph of your child, etc.

“Voucher” Program

- Voucher distribution (1 free OPD & discount on IPD) to every LS IPD customer
 - Aims to reach out to potential customers and encourage experience sharing within community

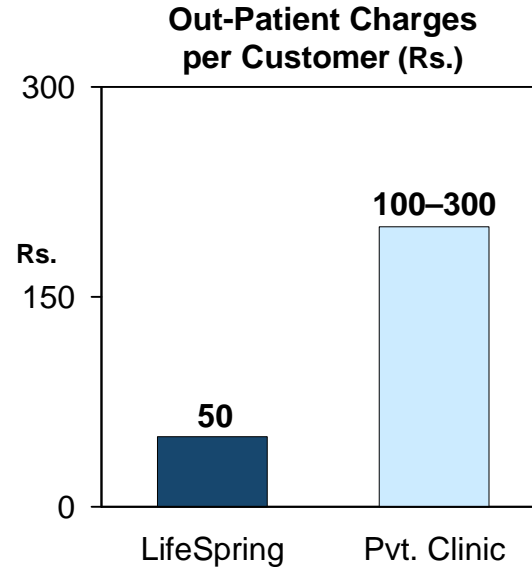
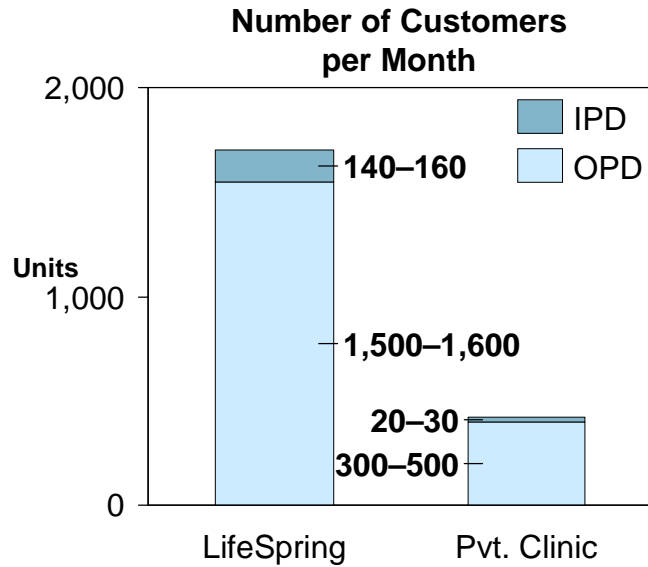
“Follow up with families suggested that most woman go to their mother’s house for final delivery. So, we have started targeting mothers who are expecting their pregnant daughters to visit them for final delivery”



Case Study

LifeSpring: High Throughput (2/2)

Low OPD fee and proximity to urban slums has enhanced footfall in the hospital



OPD to IPD conversion

9%–11%

4%–10%

- **Low and transparent pricing**

- OPD is priced at Rs. 50 vs. Rs.100–300 at the private clinic to increase footfall
- IPD pricing is all inclusive and transparent (conveyed on registration)

- **Location**

- Located in high population density area, where target customers reside e.g., industry workers
- Reduces transportation costs to customer and increases chances of repeat visits

- **Cross-selling** amongst the patients requiring healthcare services in gynecology, obstetrics and pediatrics

Note: Pvt. Clinic refers to small 20–30 bed nursing homes, often run by a family in Hyderabad

Source: LifeSpring Data, Secondary Research, Interviews, Monitor Analysis

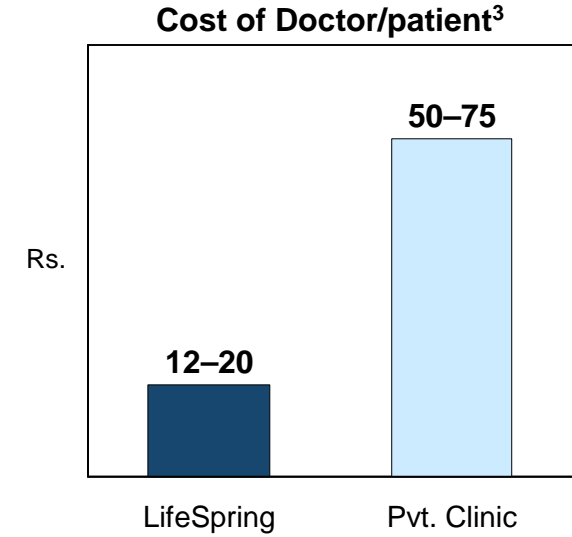
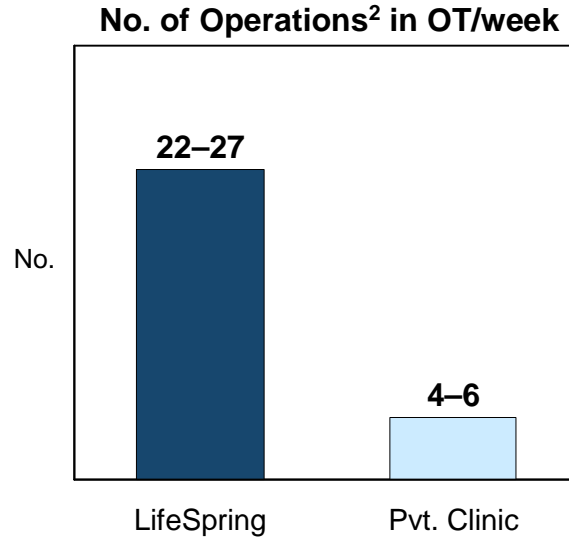
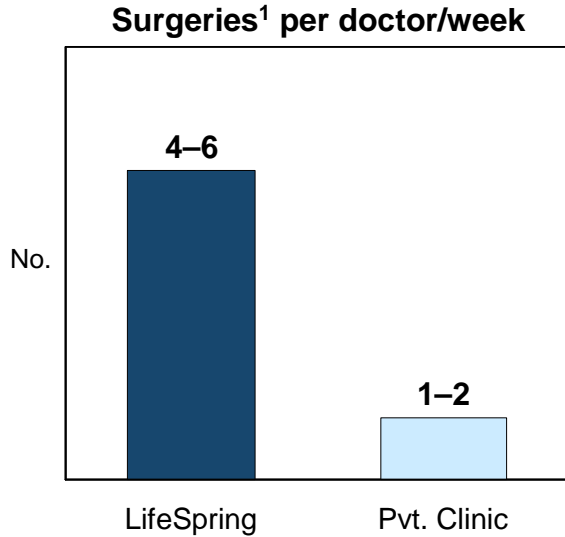
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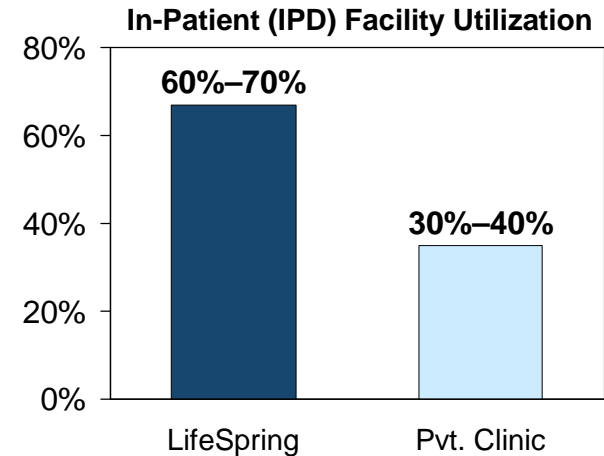
Case Study

LifeSpring: High Asset Utilization

LifeSpring ensures high utilization of its most expensive asset, its doctors



- The **drivers** of high asset utilization are specialization which enables high productivity of its skilled and unskilled labour, and high volume of patients
- **Use of doctors**
 - Doctors are on salaries rather than consultants. This gives LS the benefits of increased volume and productivity
 - Doctors are local; lower rate of absenteeism improves overall productivity



¹ Excluding Deliveries and Caesareans, ² Includes Caesarean and not Normal Delivery as it is done in a labour room,

³ Patients at LS-1500-1600 and Private Clinic 300-500 per month and Salary of a doctor at Rs. 20-30k/month

Note: Pvt. Clinic refers to small 20-30 bed nursing homes, often run by a family in Hyderabad

Source: LifeSpring Data, Secondary Research, Interviews, Monitor Analysis

Case Study

LifeSpring: 'No Frill' Set-up and Service

Low capital expenditure and 'no frill' service enables LifeSpring to limit its non-core spending

- **Limit Capital Expenditure**

- Rent old or “sick” hospitals on long lease rather than own buildings
- Have minimum expensive equipment (most complex machine in the hospital is ultra-sound)
 - Refer complications to avoid investment in expensive equipment and specialist doctors
- Do not own ambulances
- Out source pharmacy and lab services; on premises
 - This also removes problems of pilferage and inventory costs

- **'No frills' Environment**

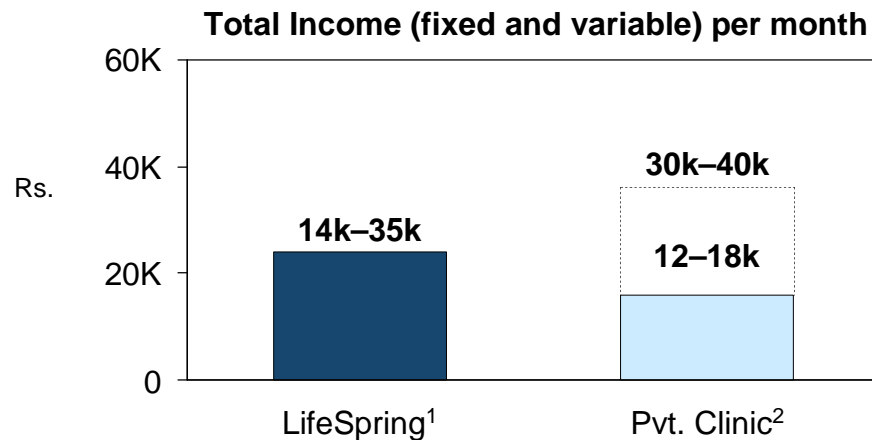
- Tiered room system
 - Most beds are in the general ward (Normal delivery rates are Rs. 1,500 general ward, Rs. 3,200 shared room, Rs. 4,700 private room)
- Rooms are basic with no air conditioning
- Simple flooring and minimal furniture
- No canteen with food services, no kitchen



Case Study

LifeSpring: Doctor Profile

Doctors at LifeSpring earn fixed salaries vs. variable consulting fees of their private clinic counterparts and have strong non-monetary incentives to stay



- Doctors are salaried employees, not consultants (Attrition rate for doctor is 4%)
- There are a number of **non-monetary** reasons or incentives that keep the doctors at LifeSpring:
 - **Experience**
 - High throughput provides significantly more clinical experience for a doctor in number and variety of cases especially for young doctors
 - Young doctors handle greater responsibilities at LS than if they were working under an older doctor in a private practice
 - **Lack of Alternatives**
 - Doctors are local, the lack of clinic choice in their area restricts the ability to switch hospitals
 - Government service is not appealing as the government system is outdated
 - It is very restrictive in terms of prescribed medical techniques, treatments and medications
 - **No pressure to drive in business** helps maintain focus on clinical work; also provides **hassle-free environment** where all administrative tasks are taken care vs. running a private clinic

¹ The range is due to the differences in experience between the senior and junior doctors at LifeSpring

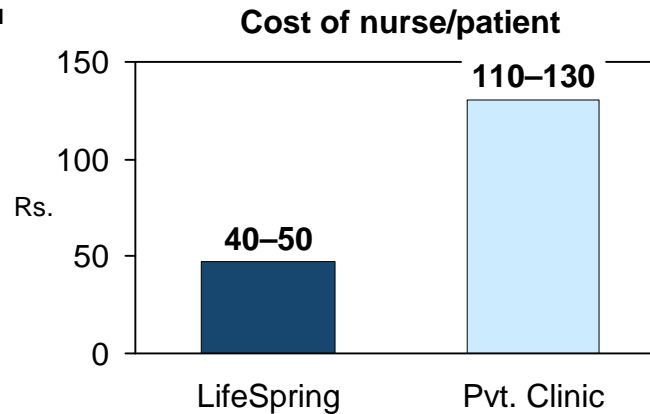
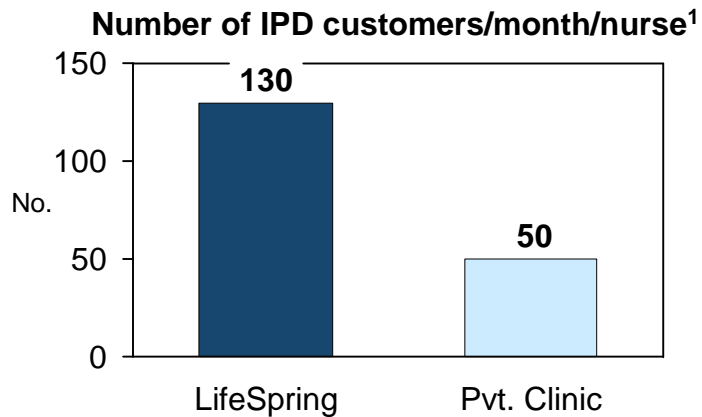
² 12–18,000 is the basic fixed salary and rest is variable pay dependent on patient volumes and number of hospitals the doctor consults at

Source: Secondary Research, Interviews, Monitor Analysis

Case Study

LifeSpring: Nurse Profile

LifeSpring uses more nurses than private clinics but is able to use them more productively. It uses ANM instead of GNM nurses, keeping cost and attrition low



- LifeSpring's specialization in maternal care has enabled them to:
 - **Achieve higher (2.5x) nurse utilization** compared to a private clinic. However, doctor-nurse ratio is in same range as a private clinic (4–6 nurse per doctor)
 - Employ more **ANM nurses than GNM nurses** (9 ANM & 3 GNM vs. 6–10 GNM nurses in a private clinic)
 - Qualifications for **Auxillary Nurse Midwifery (ANM)**:
 - An ANM diploma programme is of an 18 month duration and requires a 10th class education
 - In contrast, a Graduate Nurse Midewifery (GNM) is of 3.5 years and requires a 12th class education
 - **Cost advantage**: ANM nurses are more limited in skill and are thus less expensive than GNMs
 - **Low Attrition**: Demand for ANMs is not as high as that of GNMs, thus keeping LifeSpring's attrition low
 - ANM's are easily available and similar skill as GNM in context of maternal care

¹ IPD customers at LS: 150/month, Nurses at LS: 12, IPD customers at Private clinic:30–40, Nurses at Private clinic: 6–10

Note: Majority of nurses in private clinic are GNM

Source: LifeSpring, Secondary Research, Interviews, Monitor Analysis