



# CRACK THE CASE

DIHING HOSTEL

# Cross Subsidy Strategy of Narayana Hrudayalaya

The main intention and purpose of the group is to provide efficient services at economically suited prices ensuring business sustainability at the same time. This is possible with the cross subsidy strategy.

The current situation is that:

- 1) 35% of the patients pay the exact charges of the treatment to the hospital.
- 2) 30% of the total patients get treated under the scheme of an Independent Trust called Yeshasvini which reimburses the Hospital.
- 3) 15% of the patients, not included in Yeshasvini scheme get subsidies from the Hospital itself (average 15% concession).
- 4) 20% of the patients pay extra charges for additional non-clinical amenities. ( generally 30% extra fee)

This way, the hospital earns its profit. But this strategy may not work successfully at every region of its existence. Hence, we would propose a modified strategy varying from region to region and based on the treatment.

# Modified Cross- Subsidy Strategy

As cases of common diseases would be more from any section of the society, the concession that we provide will be more as compared to less common less expensive diseases.

Expensive diseases will be given concession in all regions.

Cost of treatment	Concession
>Rs 1.5 Lakh	15 %
>Rs 50 Thousand	5 %
Less than 50,000	Less than 5%

In any region the concession will be given to all the lower class (15%) and lower middle(5%) class.

In a region like Guwahati, where the Lower class is close to 40% and Middle class close to 55%, the main attracting platform is the cost of treatment. Hence, as concession is given to entire lower class, there is a greater outreach.

In a region like Delhi, where the Lower class is close to 30% and Upper class close to 5% (But large in number), the attracting platform is the Quality of treatment. Hence, in such areas where Upper class population is larger, we enable extra non-clinical amenities at a higher price ( around 40% ). Hence there would be more profit from these regions.

Based on the current locations of the hospitals, we expect considerable profit nation-wide.

The collective profit from various diseases is considerably greater than the previous model considering different costs and different number of cases for various treatments.

# INTERNATIONAL EXPANSION PLAN

## Broad Roadmap

1. South-East Asia
2. Africa
3. Latin America
4. United States

# Expansion in South-East Asia

## WHY?

- Since these countries have moderate population, it would be easy to handle expansion into these countries. Since our company is already successful in India, it would be easier to use the same resources in these countries because of their vicinity as for e.g. the customer service.
- There are economically good countries like Singapore, Brunei, Malaysia where more people are health insured are more likely to use our services. These would be the countries which would help our company to make profits.
- There are also economically backward countries like Burma, Cambodia, Laos etc. where we will work more for cause than profit to establish a good name for the company.
- Less competition in the market in South-East Asia as most of these countries are underdeveloped.
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# HOW?

- We will try to keep our services cheaper by providing them on monthly/yearly subscription basis and this will also enable us to keep improving the product over the subsequent years.
- A customer friendly mobile App will be developed which will be an extension for the patients to remind them of their medication and appointments with their doctors.
- To reach the hospitals, clinics and private practitioners we will send our representatives to most of the reputed institutions, give them presentations describing about its features and usage policies.
- We will use the videos of the above presentations and social media and digital marketing to reach other hospitals and clinics.
- To make people use our service we will provide them with free trials of 2 months. Let us assume 90% of the practitioners, hospitals and clinics will try to take advantage of our services.
- Assuming 20% of the customers continue with our service after 2 months, these services will advertise for themselves as patients will start comparing the hospitals on the basis of whether it provides our services, and hence the consumers of our services will grow.

# Profit Analysis

- Before starting the expansion our company was well established in India.
- Let us assume the profits per year of about \$ 50 millions in India and expenditure of about \$ 100 millions.
- The combined population of these countries is about 45% of that of India, and we are going to need about \$1.5 million for promoting and advertising.
- Since it is a software service most of our resources go into development, customer service and server management. Our expenditure towards customer service and server management will grow by about 1.4 times assuming 90% of the hospitals use our service.
- We will charge the hospitals at a per month per patient at 0.8% of their total healthcare expenditure for the poor countries and 2.5% for the rich countries.
- Assuming that 20% of hospitals continue with our services we get an earning of about \$ 200 millions per year, thus a profit increase of about \$ 80 millions after cutting the scheme expenditure.

# Expansion in Africa

- Since our market goodwill is based on Cross-Subsidy pricing model, we will use cause marketing strategy, same as we did in South-East Asia.
- Considering we would be making nice profits from South-East Asia and India, we will try to beat competition and keep up the good name of the company by just charging 0.5% of the total health expenditure of those people.
- Assuming that we reached out to 20% of the population of Africa we face about \$ 18 millions of expenses and let us assume \$5 millions of loss due to our schemes.
- Assuming only 8% of Africans use our services after the trial period(considering the problems in reaching out to such widespread population) we get a \$ 38.12 millions revenue, and a profit of about \$ 15 millions.



# Expansion in Latin America

- Now we will market on the basis of the user-friendliness and the success accomplished in the previous countries.
- Assume we reach to about 70% of the countries which have the population of about 450 million our expenditure will be around \$ 40 million.
- Marketing by cause will give us an edge over the competition.
- A new feature that will include by this time in the service will be that a doctor would be able to look at all the previous records of the patient ever( of course only of the hospitals which use our service).
- Assuming only 10% of the population use our services after the trial period and we charge 0.5% of the health care expenditure we get about \$ 150 millions revenue, and a profit of about \$ 110 millions.

# Expansion in United States

- Since US is the richest of all the countries/regions that we have yet expanded to and it has most of the competition we approach it at last stage.
- The positive edge that we will be having will be our well developed global network and the quality of software that has been shaped over our vast experience of expansion into different regions.
- Now not only we will give 2 months trial to new users but upto 6 months or even an year of free trials to new hospitals. This will help as those hospitals would be using our app since the beginning of their hospitals it would be tough for them to give it up after the trial period since they would be lacking the experience of managing the hospital without our service.
- Plus as we will be providing them with all the previous records of the patient it would kind of become a standard service and would be hard to replace.

## Expansion in US(cont.)

- Assuming \$ 200 million goes to expenditure of the company, since marketing in US is going to be expensive and the new hospitals get extra benefits.
- Assuming only 5% people take our services, due to tough competition, we make a revenue of about \$ 1600 million, we get a profit of about \$1400 million.

# IMPLEMENTATION TIMELINE

- Starting by the year 2020 from South East Asia, we will take about 2 years to grow and stabilize our business there with the new features like customer friendly app for patients that notifies them about there medication and appointments.
- By mid 2022 we will expand to Africa taking 1.5 years to grow there also.
- By 2024 we will expand to Latin America again taking 2 years to stabilize, introducing new features like doctors being able to see all the previous records of the patients.
- Finally by 2026 we step into the US market with our well developed global network and top notch technology and Goodwill generated in the previous years.
- For promotion purpose globally we can use social media platforms and digitally marketize our product.

# References

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# Thank You