

# Narayana Health

BRINGING LOW-COST, HIGH-QUALITY SPECIALTY CARE TO THE MASSES

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*Narayana Health is a multi-specialty hospital chain offering high quality affordable care. Over the last 13 years NH Health has grown to be a network of 26 hospitals with 6,900 beds across 16 Indian cities employing 13,000 people and 1,500 doctors. The network performs 150 major surgeries daily. Through various innovations, economies of scale and efficiency gains, NH is able to offer world-class quality care and attract high-income patients. This in turn allows NH to cover low income clients through cross subsidization. NH's rural area focused tele-medicine service is delivered through telephone, internet and satellite. It further extends their reach to over 100 facilities in Asia and over 50 in Africa.*

Narayana Health provides health care services at a volume that is incomparable to most other hospitals, without compromising quality. NH manages to achieve this by:

- Investing in high-end technology and equipment
- Maximising the marginal return on investment through a high number of beds. While most hospitals have around 150 beds, NH has 800 beds.
- Focusing hospitals on particular surgeries e.g. cardiac surgery, allows for hyper-specialization. Surgeons become highly skilled in procedures, this reduces errors, reduces

readmissions, increases precision, and improves recovery time for patients.

- Enabling cross-subsidization. About 40% of their patients are subsidized, which is compensated by the higher-income patients who pay full price for procedures and add-ons such as a private room.
- Providing financial assistance and micro-insurance to low-income patients in partnership with the Indian government.

The telemedicine service is mainly used for outreach and patient follow-up. Patients can connect with doctors through free services like Skype, Whatsapp or Facebook.

LOCATION:  
Bangalore, India

SECTOR:  
Health

FOUNDED:  
2001

EMPLOYEES:  
12,500

DOCTORS:  
4,000

ANNUAL TURN-OVER:  
169 million USD

PROFIT MARGIN:  
8%

POTENTIAL ADOPTERS:  
Hospitals, health care facilities, investors with an interest in the health sector

## The Business Model

### Key Partners, Activities and Resources

The hospital chain has 6498 beds spread across 32 hospitals in 20 locations. Each hospital has a specialty, such as cardiac care, cancer treatment, transplants, and other high-end work. Government partnerships were key to establishing the telemedicine and micro-insurance programmes.

### Customer Relationships, Channels and Segments

40% of patients are from government reimbursement schemes or otherwise subsidized. Narayana is able to service them on marginal costing basis. 60% of patients pay upfront, and many are able to afford private or deluxe rooms.

### Cost Structure

Surgeons work on a fixed salary rather than per procedure, so hospitals can benefit from economies of scale. Surgeons perform an average of 12 surgeries per week. The major upfront costs are building hospitals and acquiring technology and material. The operating costs are relatively low; mainly salaries and electricity.

### Revenue Streams

The tertiary health care services that Narayana Health provides are the main revenue source. The company also has a chain of primary care clinics. In addition, they offer micro-insurance plans in partnership with government to low-income groups. Charitable donations account for approximately 5% of NH's revenues.

### Customer Base

An average of 150 surgeries are performed every day and an average of around 80,000 outpatients are seen every month. The chain caters to the specialty tertiary care services of the Indian populace.

## Social and Economic Impact

Narayana is able to offer procedures at about half of the cost that other private hospitals in India are able to offer.

Yeshaswini micro health insurance covers 30 million people. The premium is 18 Rupees per month (less than 0.30 USD).

On average, 15% of the monthly revenues are given as discounts.

Emphasis on standardized protocols and quality assurance allow NH to boast a mortality rate (1.3%) and infection rate (1%) on par with that of US hospitals.

55,000 cardiac patients have been treated for free from 150 telemedicine centers.

## The Growth Opportunity

Narayana Health once tried to expand to Mexico, but were unable to secure the necessary key partnerships. They have since opened an accredited hospital in the Cayman islands, with suitable partners, and the facility has been open for one year. In its first year the hospital has done about 100 procedures. It was able to perform an artificial heart transplant surgery that usually costs 1 million USD for 400,000 USD.

Mexico or other Latin American countries are attractive partners because rather than relying solely on foreign patients, there is a potential customer base in the local population. There are already very good hospitals in Mexico, but hospitals in India operate differently in terms of specialty and volume and adopting these practices could bring significant benefits. For example, Narayana relies on extensive standardized protocols that help doctors to reduce mistakes and ensure quality of care. They are working to build ICT tools around these protocols, and would be interested in using such tools in Latin America. Narayana Health is interested in partnering with local hospitals or health care facilities that are open to adopting new practices to make their services more affordable.

## Requirements for Replication

Narayana Health is interested in meeting companies/individuals who are adventurous and want to disrupt the affordable healthcare sector in Latin America. They are seeking dynamic and proactive partners that are able to move things and make their ideas happen.

They are looking for partners who are open to adopting new practices or changing their approach, and have the capacity/resources to do so.

Potential partners could be local hospitals or health centers, individuals with a medical background, or investors in the health sector.

From Narayana's experience, finding the right partners is crucial. They are keen to open a dialogue with interested companies or individuals.

### WHAT WE ARE LOOKING FOR IN POTENTIAL ADOPTERS

- local hospitals or health centers
- individuals with medical background
- investors in the health sector
- potential partners should be open to adopting new practices and changing their approach

Apply to meet the Vice-President of Narayana Health

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OUR PARTNERS