Private Capital Investment in Primary Care -

A Study of Three Equity Financed Primary Care Chains in India

Private Market Symposium 2013

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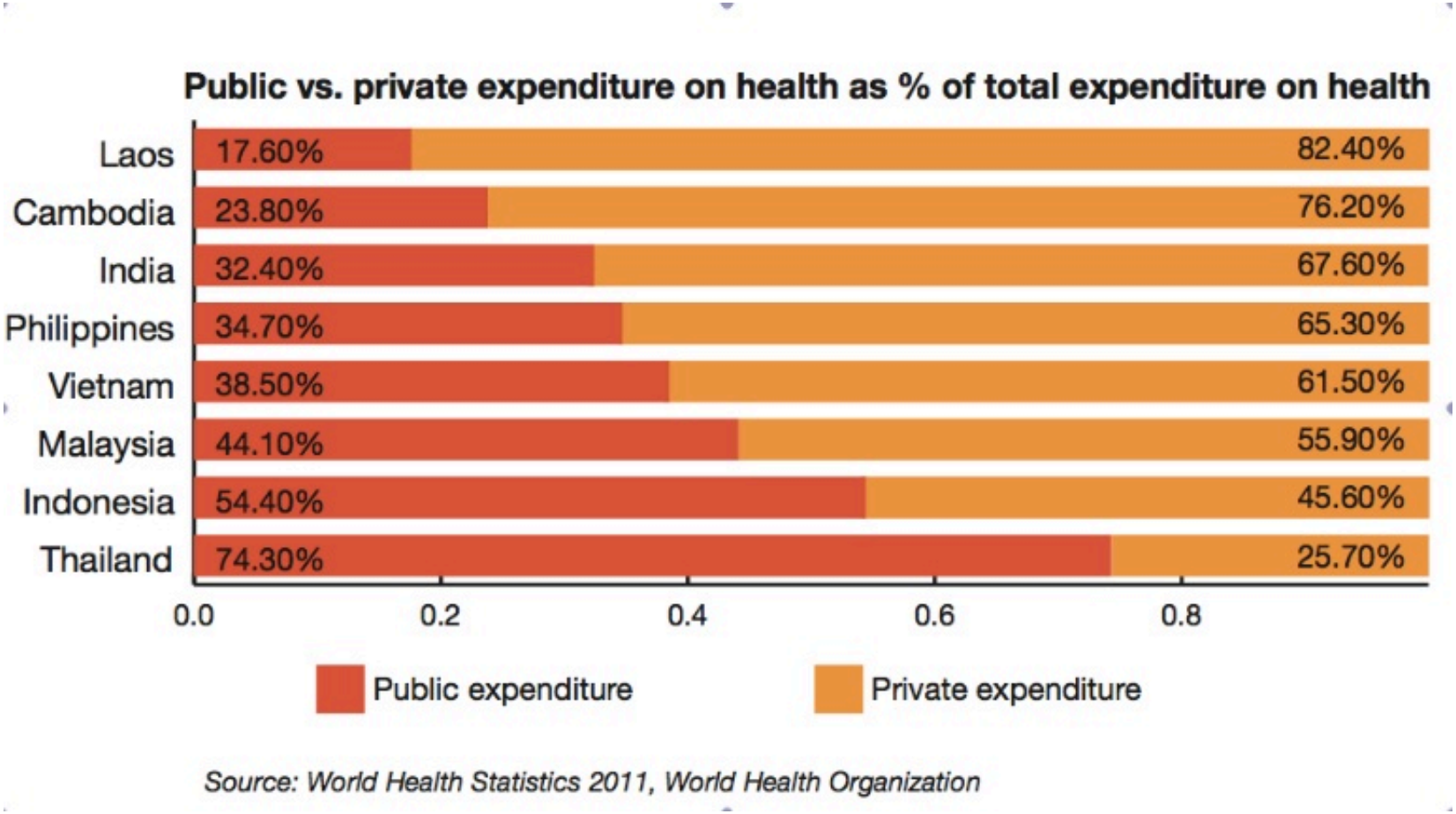
Agenda

- Healthcare in India – Current snapshot
- Growing need for primary care
- Private investment in healthcare – the current picture
- Equity-financed Primary Care Chains – new models of delivery
  - Nationwide
  - Ross Clinics
  - Viva Sehat
- Benefits
- Challenges & Risks
- Policy Recommendations

Healthcare System in India

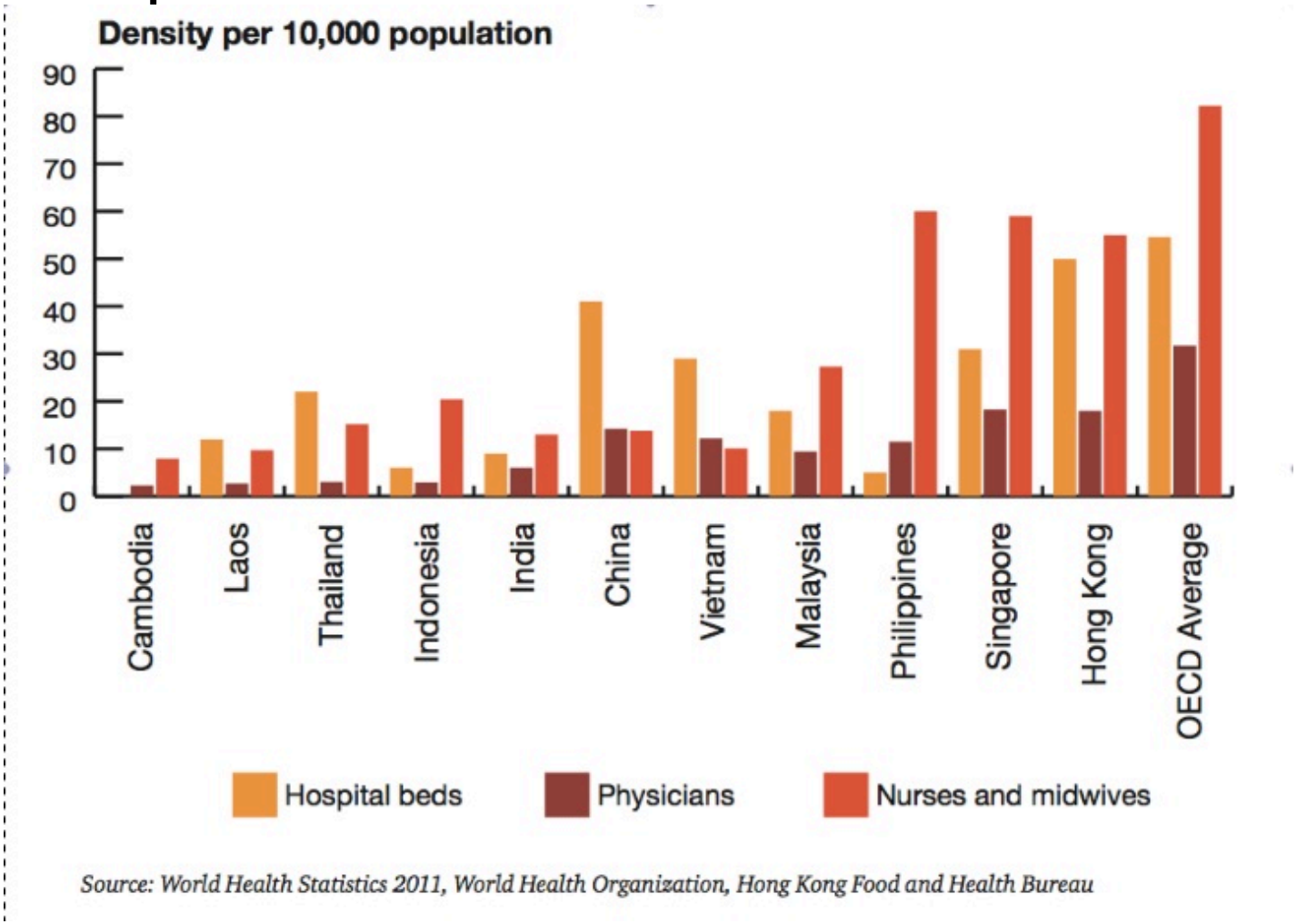
Public vs. private expenditure on health



Source: World Health Statistics 2011, World Health Organization

Healthcare System in India

Comparison to other Southeast Asia countries



Source: World Health Statistics 2011, World Health Organization, Hong Kong Food and Health Bureau

Demand-Supply Gap in primary care

- Rising Demand

  Primary healthcare market currently $40B, expected to cross $200 by 2025

  - Rapid Urbanization
  - Rising Middle Class
  - Higher life expectancy
  - Chronic diseases

- Gaps in Supply
  - Primary care system: fragmented and unorganized
  - 26,000 govt. run PHCs, 615 district level hospitals
  - 200,000 privately-owned GP clinics

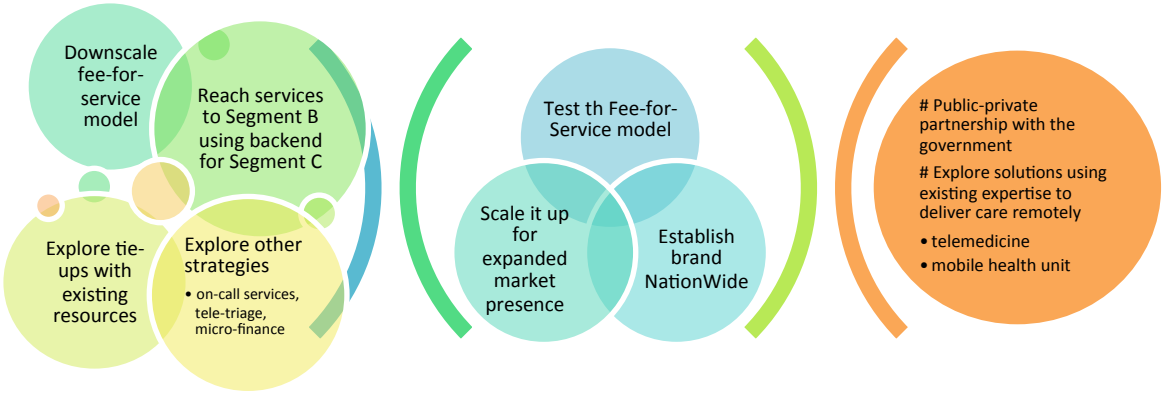
Private investment in healthcare

- India
  - $520M in 2012 compared to $137M in 2011
  - Investors include
    - Goldman Sachs Group
    - Warburg Pincus
    - Sequoia Capital
    - Govt. of Singapore Investment Corp.
- Subsectors – Pharma, Tertiary Care

New Models of Care

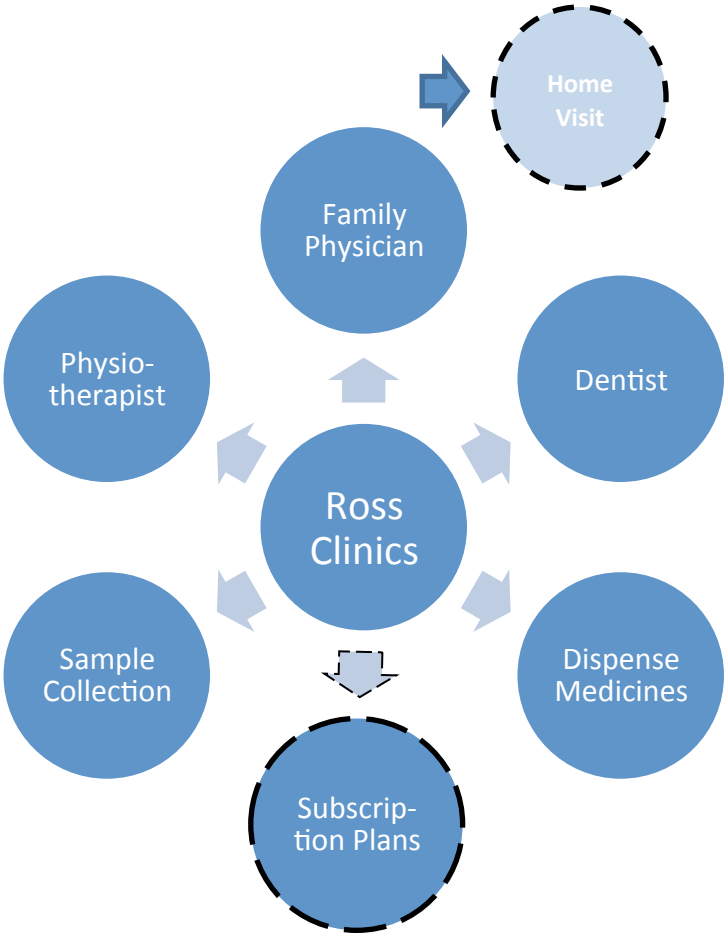
- Equity financed primary care chains
  - Nationwide started in 2010
    - 25 clinics in Bengaluru, India
    - Investors
      - Norwest Venture Partners
      - Angel Investors
  - Ross Clinics started in 2011
    - 10 clinics in Gurgaon, India
    - Investors
      - Angel Investors
  - Viva Sehat started in 2011
    - Established 85 clinics across AP and Karnataka
      - The company wound up all 85 clinics in December 2012
    - Investor
      - Richard Chandler Corporation

Nationwide – *Business Model*



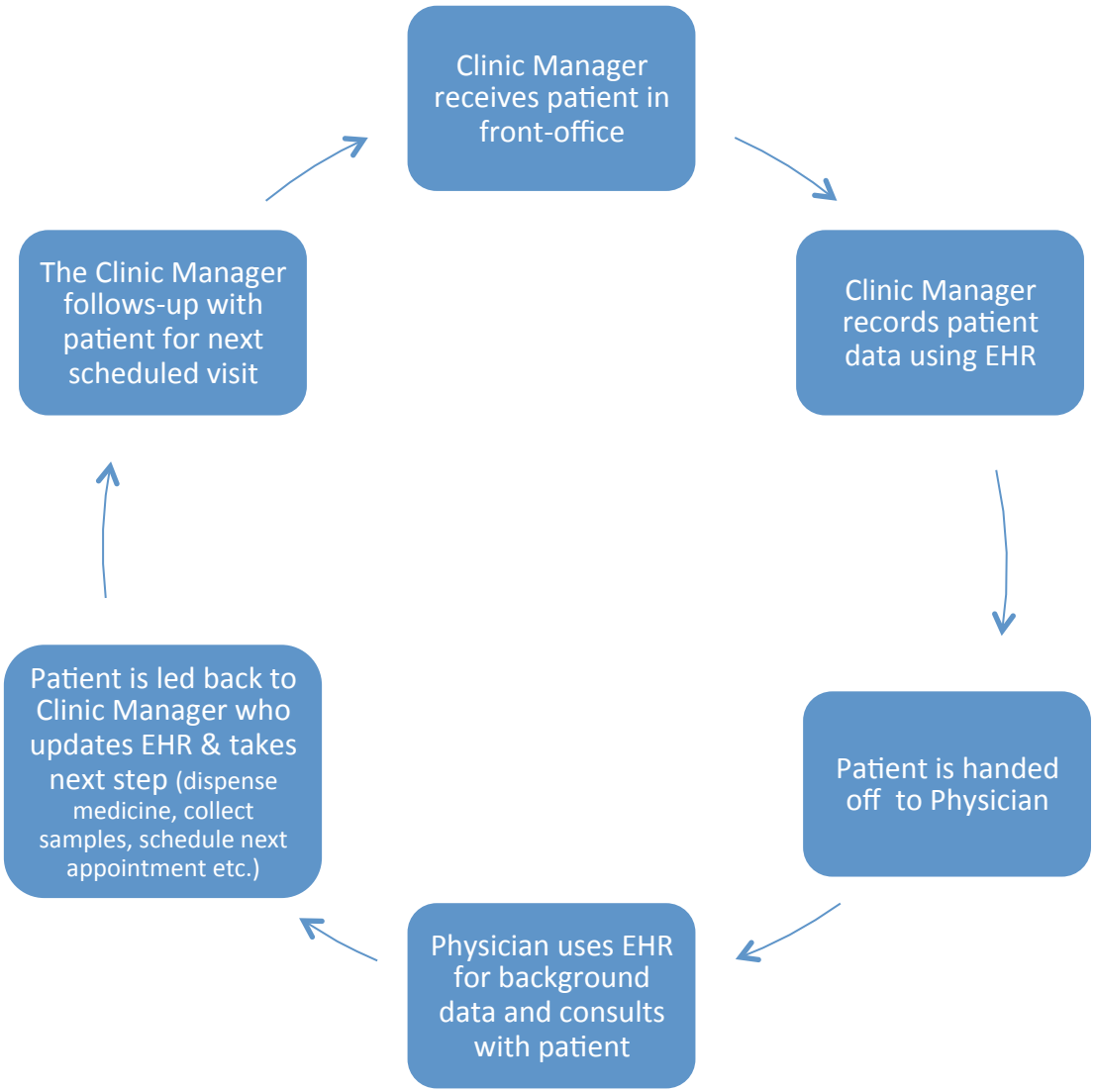
Nationwide

Ross Clinics - *Business Model*



Services Offered at Ross Clinics

Ross Clinics – *Service Model*



Viva Sehat *(Business Model)*

- Low Cost High Volume Centers
  - Investment cap for each clinic about $50K
- Target Middle-class and Lower-Middle class families
- Neighborhood Clinic/ Community Healthcare Provider
- Provide integrated solutions
  - GP Consultation
  - Diagnostics and Pharmacy
  - Specializations such as OBGYN, and Pediatrics
  - Paramedic help

Benefits

- Reinvent family medicine
- Improve Quality of care
  - Push towards adhering to Clinical Standards
  - Non-clinical standards generally high as seen from overall high patient experience
- Create a cadre of competent primary care health workforce
- Easy to scale and replicate
  - Using existing backbone of delivery infrastructure
  - Create a network of providers making it easier to contract with

Risks and Challenges

- Challenges for the providers
  - Difficult breaking into established healthcare communities
  - Not enough primary care doctors
  - 25-50 clinics to gain from volumes, 2-3 years for a clinic to become profitable
  - Limited to Urban/ Peri-urban implementation
- Risks
  - Bottom-line driven
  - Corporatize primary healthcare, disenfranchise poor
  - Competing/ conflicting objective

Policy Recommendations

- Build a Robust Investment Climate
- Incentivize investments in primary care
- Promote Family Medicine
  - Improve Family Medicine Training Curriculum
  - Recognize Family Medicine as a Specialization
  - Efforts to reduce compensation differences between GPs and Specialists
- Make Family medicine a mandatory first-step for health consultations
- Use outcome based performance metrics to ensure quality

Acknowledgements:

ACCESS Health International, Hyderabad

Thank you!