

Executive Summary on SughaVazhvU Organizational Analysis

15.232 Business Model Innovation: Global Health in Frontier Markets, Fall 2013

Introduction

Company's Mission: Improve the well being of poor populations by focusing on designing, developing, and delivering innovative solutions in healthcare concerning rural communities in India.

Company's Value proposition: SughaVazhvU serves rural communities that do not lure urban doctors with comprehensive primary healthcare at a price of 15 Rs. per visit (~\$0.24).

Background

The large gap in access to healthcare existing between rural and urban communities in India results in a wide range of preventable diseases having a large disease burden. In a country where the average family spends only \$40/person/year on healthcare and 72% of the country's total population is rural, improving rural communities' access to healthcare is imperative. With a doctor-to-patient ratio of 1:30,000 in these regions, SughaVazhvU attempts to bridge the gap by changing the way healthcare is delivered starting from the Tamil Nadu region, a predominantly rural state in southern India.

Key Features

Overview

The focus of SughaVazhvU is both the cure and prevention of diseases. To minimize costs, SughaVazhvU has set up an infrastructure through which treatment is administered by nurses (under a doctor's supervision) and outreach for prevention is carried out by trained health workers from local communities. Because most common diseases can be diagnosed using basic protocols and procedures, SughaVazhvU employs technology and strict training programs for nurses and health workers to compensate for the lack of doctors and reduce the high costs of healthcare delivery.

Organizational structure

On the operational level, SughaVazhvU relies on two basic organizational units: the Rural Micro Health Centers (RMHCs) and the Zone health Centers (ZHCs). RMHCs generally serve communities between 6,000 to 10,000 people. Each RMHC is led by a nurse and a health worker, who gather a team of outreach health care workers. ZHCs are 'coordinating facilities' that allow two physicians to supervise roughly twelve RMHCs. Two ZHCs are in turn supervised by a Regional Team and the Central Administration manages the whole network.

Supply chain management

The objective is to guarantee safe storage, availability, and delivery of medical and other consumer supplies by minimizing waste, administration, and delivery costs. This is achieved by creating economies of scale by clustering RMHCs and employing the hub-and-spoke distribution system. Innovative procedures are employed with an integrated set of systems for procurement, inventory management, stock forecasting, distribution management, waste management, payments, performance monitoring and evaluation is essential for successful implementation of the supply chain. Procurement of medical supplies and equipment is the function of the Central Administration and the distribution and collection is the function of the ZHCs and RMHCs. The role of the Central Administration is to make sure that the supply chain is working efficiently at the lowest costs possible.

Evaluation and training

Technology is a crucial component of SughaVazhvU's operations. At each stage, data is collected from patients and rigorous protocols are implemented. Prospective and retrospective analyses of treatment efficacy and cost enable intelligent tuning of protocols and operations. Similarly, training is based on a strict supervision-mentorship and continuous training model that allows each ZHC to act as a central training hub for outlying RMHCs, ensuring consistency and quality throughout the system.

Interventions

Executive Summary on SughaVazhvU Organizational Analysis

ICTPH has implemented the following interventions in one or more of its RMHCs: self help groups and women's reproductive health, oral, dental and ophthalmic, cardiovascular diseases, community-based management of pneumonia, and infant home fortification through Sprinkles.

Funding

ICICI: SughaVazhvU receives the majority of its money from ICICI (an Indian multinational bank) through ICTPH, including startup and operational costs, though it is transitioning to rely more on patient-driven revenue.

Patient-driven revenue: The managed healthcare (fixed-price) strategy consolidates the existing insurance model for secondary and tertiary care and out-of-pocket, health savings account, and high deductible insurance to smoothen primary care through the RMHC. The managed healthcare model involves an annual membership of Rs. 2,000 per household which includes Rs. 1,000 for all RMHC services and Rs. 1,000 to pay the insurance premium to support hospitalizations with walk-ins charged at a higher rate. Free memberships are provided for identified poor households and free services are provided by the Guide to every household irrespective of membership status.

Challenges

Funding sustainability: Currently, SughaVazhvU heavily relies on ICICI and ability to operate solely on revenue from paying patients is not yet clear.

Supply of skilled healthcare professionals: Though SughaVazhvU minimizes reliance on skilled healthcare professionals, it remains difficult to lure trained physicians and nurses to work at rural healthcare facilities.

Adaptability: SughaVazhvU has opened 5 offices in the past 4 years which are all located in Tamil Nadu area. It's uncertain whether SughaVazhvU's business model could apply to other regions where the economies are less developed, and cultures and demographic profiles are different.

Supply chain and infrastructure consistency: Because SughaVazhvU targets rural regions that lack existing healthcare infrastructure, scaling will remain difficult and variable between regions.

Recommendations

Collaboration with other organizations: Other organizations with a similar mission and facing similar challenges as SughaVazhvU exist (e.g. Avahan and Aravind). SughaVazhvU could benefit from collaborations with such organizations to draw on their experience and knowledge. Furthermore, collaborations with government hospitals could allow Sugha VazhvU to leverage their infrastructure.

Pricing model/market research to assess affordability in each region: SughaVazhvU currently lacks a sophisticated pricing model or sufficient market research. Developing these tools to optimize pricing across different deployment regions would improve scalability of their model.

More pilot programs to validate the business mode: The current pilot program alone does not provide insight on various crucial questions for scalability and adaptability. More pilot programs should be run in other areas of India, particularly in regions with a lower average income than the national average.

Improve staff retention: SughaVazhvU currently invests significant time and effort in staff training and would benefit from developing programs to improve talent retention and cross-training. Rotation programs and partnerships could be established with larger, more established hospitals or academic institutions within the country and potentially abroad. This would increase the prestige working positions and incentivize doctors and nurses to remain within the organization. This could also allow recruitment of more passionate and experienced healthcare professionals to enhance the company's performance.

Increasing awareness: Market penetration is limited by rural communities' awareness of the SughaVazhvU primary care concept. Efforts should be invested in a region wide or nationwide campaign to promote their value proposition.

Focus on a specific intervention: SughaVazhvU should focus on a specific intervention to successfully implement and measure its outcome-based protocols, supply chain management, healthcare system management, and financing models. The success of the organization depends on its ability to replicate the success across interventions and achieving economies of scale.

References

- Banerjee, Rajarshi. *The Story of SughaVazhvU: How a few rural health centers in southern India might change its primary care.* Harvard College Global Health Review, 2012.
- Mor, Nachiket, Tiruvarur, Karthik. *Is managed care at all a possibility in developing countries? A perspective from Thanjavur.* The ICTPH Blog. Available at: <http://ictph.org.in/blog/health-technology/is-managed-care-at-all-a-possibility-in-developing-countries-a-perspective-from-thanjavur/>. Accessed 10/1/2013.
- Rajshekhar, M. *Ex-banker Nachiket Mor set to reconfigure rural PHCs.* The Economic Times. Available at: <http://economictimes.indiatimes.com/opinion/india-emerging/ex-banker-nachiket-mor-set-to-reconfigure-rural-phcs/articleshow/7731319.cms>, Accessed 10/1/2013.
- Stafford, Rosemary. *SughaVazhvU Guide Program: Evaluation of the Community Health Worker Program Year 1.* ICTPH, 2011.
- Zertuche, Diego Rios. *SughaVazhvU Health Network: Supply Chain and Expansion Plans.* Cornell Institute for Public Affairs, 2011.

MIT OpenCourseWare
<http://ocw.mit.edu>

15.232 Business Model Innovation: Global Health in Frontier Markets
Fall 2013

For information about citing these materials or our Terms of Use, visit: <http://ocw.mit.edu/terms>.