

SECTOR BRIEF

Healthcare

BACKGROUND

The lack of accessible, affordable and adequate healthcare services has led to poor health outcomes in many Asian markets. Social Enterprises (SEs) are tackling these problems by matching health service demand with new and innovative ways of organizing delivery and financing care.

A health system consists of three basic functions that collectively form a healthcare value chain: organizing delivery, financing access, and changing behaviors. Public and private health services overlap and complement each other in all the functional areas of a health system.

Figure 1 - Health system functional areas

	HEALTH SYSTEM FUNCTIONAL AREAS		
	Organizing delivery	Financing access	Changing behaviors
Public health services	Governance and regulation Hospital services Outpatient clinics Vaccination	Public health insurance Tax-financed healthcare	Preventive care Public information campaigns Taxation
Private health services	Targeted health services Outpatient clinics Mobile health and technologies Vaccination and medicines	Private health insurance	Preventive care Local information campaigns

SEs and healthcare services

Healthcare SEs can be divided based on their functional and operational business models.

Functional business models

SEs that **organize delivery** of healthcare services predominate in countries with greater disease burdens and lower levels of access to public health systems. This type of SE focuses on organizing delivery of different healthcare services, including:

- Targeted local care for preventing and curing specific diseases (Glovax Biotech, Philippines) or health problem (Aravind Eyecare, India)
- Local outpatient clinics that provide primary health services and access to basic medicines
- Specialized clinics focused on maternal and child care and family planning
- Mobile health services (E Health Point, India) and other technological innovations that provide information and diagnostic services to people living in areas with poor coverage or no access to healthcare (Click diagnostics, Bangladesh)

SEs focused on **financing access** to health services provide insurance

products that target underserved populations (Naya Jeevan, Pakistan). By providing insurance that is easy to use and affordable, these SEs increase the access of underserved populations to existing health services. Common models include partnering with employers to provide health insurance for the working poor, or providing health insurance as part of a broader development initiative targeting the poor.

SEs focused on **changing behaviors** disseminate knowledge that improves community health, primarily through preventive care and information campaigns. Common topics include promoting healthy behaviors related to clean water, hygiene and sanitation, as well as sexual health and family planning. These services are often incorporated into traditional healthcare delivery and broader development and livelihood programs.

Operational business model

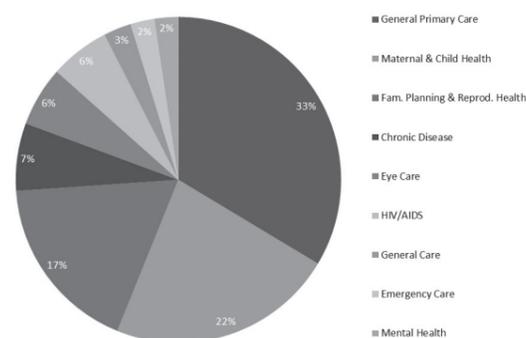
Healthcare SEs operate as franchises, healthcare chains, healthcare networks, healthcare cooperatives, and integrated healthcare delivery systems. The effectiveness, scalability and replicability of different health innovations varies and depends on the specific needs and disease burdens in the market, as well as factors such as geographical location and gaps in public health systems.

Figure 2 - Health SEs overview

Operational model	Operational model characteristics	Key success factors	Sample SEs
Independent operator	<ul style="list-style-type: none"> Service provider operating independently Operator-owned outlet Mostly outpatient services Often informal, non-registered clinics 	<ul style="list-style-type: none"> Close ties with local donor community 	Byamaso Social Services (Myanmar); Large number of small, informal actors
Franchise	<ul style="list-style-type: none"> Group of providers under same brand Operator-owned outlets Standardized services High efficiency, highly scalable 	<ul style="list-style-type: none"> Easy replication of proven models Leverage established brand 	VisionSpring (int'l); BlueStar Vietnam (Vietnam)
Service delivery chains	<ul style="list-style-type: none"> Group of providers under same brand Service providers are employees of organization High efficiency, scalability 	<ul style="list-style-type: none"> Economies of scale 	iKURE, E Health Point (India); Dokter Kami (Indonesia); Naya Jeevan (Pakistan)
Clinic network	<ul style="list-style-type: none"> Loosely joined group of providers Each provider retains own branding Effective checks and balances and knowledge sharing 	<ul style="list-style-type: none"> Effective referral system between providers Cost savings through membership entitlements 	DiMPA Network (India); YES 118 (Indonesia); MotoMedics (Vietnam)
Cooperative	<ul style="list-style-type: none"> Group of affiliated providers to improve efficiency Sharing of services Often informal, non-registered entities Strong local commitment and leverage of local knowledge and resources 	<ul style="list-style-type: none"> Effective referral system if quality of services ensured Strong local ties enable local fundraising and volunteering 	EntrepreNurse (Philippines); Large number of small, informal actors
Integrated delivery system	<ul style="list-style-type: none"> Organization delivering full continuum of care (prevention, primary, secondary, tertiary, ancillary care) Financing by prepaid premiums of members Healthcare incorporated with broader development challenges 	<ul style="list-style-type: none"> Strong ties to international donor and development assistance organizations Capacity to deal with longer-term health issues 	BRAC (Bangladesh); Aarohi (India); Nyaya Health (Nepal)

Based on an examination of approximately 280 health service SEs in Asia, general primary care is the most prominent, accounting for 33% of all programs observed, followed by maternal and child health (22%) and family planning and reproductive health (17%).¹

Figure 3 - Asian health SEs, by health focus



Social Impact

Affordable and effective healthcare improves the lives of its users directly by improving their health and well-being through preventive care and curative care, and indirectly by reducing the economic burden of healthcare.

Health SEs decrease the cost of health services for the end user, resulting in a de facto increase in clients' income. This is particularly so because most end users pay out of pocket to cover the cost of healthcare. Other outcomes include improved health outcomes that result in increased productivity and longer lives, improvements in the efficiency and timeliness of care, more effective targeting of healthcare to the most underserved, and an overall increase in utilization of services.²

¹Data from IIX database and the Center for Health Market Innovation

²Results for Development Institute, 2009, "Innovative health service delivery models for low and middle income countries"

Figure 4 - Impact of health SEs

Impact of healthcare services	
Increased assets	Affordable healthcare can reduce the need for the poor to liquidate assets to fund out-of-pocket expenses on healthcare
Increased income	Increases income by reducing the need for out-of-pocket expenditure Increases income by reducing the number of sick days Increases income by ensure people stay healthy and capable of productive activities
Increased knowledge	Preventive healthcare disseminates knowledge about healthier and safer living
Improved health	Healthcare improves the health of its users through preventive care that reduces the incidence of illness and curative services that reduces the burden of illness

Innovation and sustainability

The degree of innovation and financial sustainability of Asian SEs depends on their business model and market.

Functionally, SEs focused on **financing access** exhibit the greatest overall degree of financial sustainability, illustrating the high potential and potential profitability of providing health insurance to underserved populations in Asia. Most SE focused on **organizing delivery** are funded by private, local donors, with out-of-pocket payments by the consumer constituting the second largest source of funding. This illustrates that many Asian countries still do not have universal healthcare coverage, and that most clients do not have access to private or social health insurance in Asia. Similarly, SEs focused on **changing behavior** are mostly either donor-funded, form part of a broader development initiative supported by international development institutions, or provide complimentary services to a parent organization that organizes healthcare delivery.

Many health SEs, in particular clinic **networks** and **franchises**, have a hybrid funding model and receive financial support from any combination of the

government, private donors and international development agencies in addition to revenues from out-of-pocket payments by the clients. **Service delivery networks** exhibit the greatest degree of operational innovation leading to financial sustainability.

Successful health SEs frequently employ novel business and medical processes. Business process innovations include social marketing to increase the utilization of health services by the end user, as well as financing and operating strategies that enhance the operational viability and financial sustainability of their services. Profitable SEs exhibit higher degrees of professionalization in their marketing, finance, and business operations.

Medical processes innovation includes increased focus on preventive care, early diagnosis, timely treatment, and adequate rehabilitation of common health challenges. By enhancing information systems, SEs can better target their services based on local needs. Technology-based solutions such as telemedicine have emerged as promising solutions in Asia, with the tremendous potential for achieving scale.

Figure 5 - Health SEs and innovation

Areas of innovation	
Marketing	Communication Strategies – through public education and word-of-mouth campaigns Product Customization – customized health products and services for the underserved Social Franchising – creates brands associated with quality and reliable care
Finance	Cost Management – decrease operation costs by simplifying medical services, utilizing cheaper materials, using HR more effectively, and through cross subsidization Capital Funding – diverse financing sources including governments, private donors, development agencies, and health organizations
Operations	HR Management – utilize human resources from the local community by training laypersons and paramedical staff Knowledge Development – incorporate new and improved technologies Facilitation of Access – through outreach platforms, telemedical platforms, hotlines, etc.

Market Size and Trends

Collectively, healthcare for the poor represented a market of more than \$200bn in 2011 in Asia alone – an enormous market with very high projected growth.

On average, clients in Asia spend approximately \$150 per person per year on healthcare, versus the global average of \$950. Since 2000, the bulk of the growth in Asian healthcare expenditure has occurred in China; in South and Southeast Asia, average per capita expenditure on healthcare is still just \$43. In terms of revenues, Asia represents 8% of the global health care market – up from 3% in 2000. The growth in healthcare expenditure in Asia is even greater when examining private and out of pocket expenditure on healthcare, where Asia already represents 18% of the global total³. Healthcare expenditure is projected to increase by 151% by 2020, with China, India and Vietnam expected to see the largest growth.

Private spending on healthcare, in particular out-of-pocket expenditure, accounts for 20% to 90% of healthcare spending in Asian countries in

2010⁴, representing a business opportunity as well as an opportunity for social impact by targeting those less able to afford private care today. Current gaps in the healthcare delivery system represent business opportunities for private sector involvement as well as tremendous potential for health improvements for the poor.

With economic growth and relatively successful programs targeting basic child and maternal care, there is a shift towards increased demand for healthcare services targeting chronic and lifestyle diseases such as diabetes, cancer, and obesity. In parallel, with overall decreasing disease burdens in many countries, there is a gradual shift away from a focus on curative care towards increased focus on general and preventive care⁶.

As a result, three parallel markets for healthcare SEs are emerging: one consisting of SEs targeting specific diseases in countries with high disease burdens, a second, emerging and fast-growing market for chronic and lifestyle diseases, and a third type continuing to offer preventive care, family planning and maternal/child care services.

Figure 6 - Sample market size, healthcare for the poor

Country	Population (millions)	Out of pocket exp. 2011 (US\$ millions) ⁵	Projected revenue 2020 (US\$ millions)
Bangladesh	150	2,439	3,683
Cambodia	14	417	630
India	1,242	43,572	65,793
Indonesia	242	11,466	17,314
Malaysia	29	4,166	6,291
Pakistan	177	3,312	5,002
Philippines	95	5,097	7,696
Sri Lanka	21	926	1,398
Thailand	70	1,921	2,901
Vietnam	88	4,637	7,002
Sum	2,127	77,953	117,709

³ World Bank data

⁴ WHO data

⁵ 2011 World Bank data. Shujog projections in constant 2011 dollars

⁶ Deloitte (2011): "Private healthcare providers: The prognosis for growth"