

IAVA-1 (Internal audit value add-1)

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The world's largest heart factory- the amazing story of

Dr.Devi shetty

Achievements:

- Dr.Devi Shetty's Narayana Hridayalaya Institute of Cardiac sciences, Bangalore and its sister concern Rabindranath Tagore institute of Cardiac sciences, Kolkatta together do **15% of all heart surgeries in India.**
- At 30 surgeries the Bangalore facility does the **highest number of heart surgeries in the world.**
- **Mortality rate lower than New York state!**
- Turnover Rs 300 cr
- 1000 walk in patients a day.
- **A heart surgery costs just Rs 1.1 lakh**
- You pay full price only if you afford it!
- In 2008 6088 heart surgeries were done –only 1232 were fully paid for!
- **Largest no. Of beds in country -6000**
- It is creating multi speciality- 'health cities'.
- Blood gas analysis costs Rs 8.50- normal cost Rs 350-400!
- **Covered in "The fortune at the bottom of the pyramid' by C.K.Prahlad**
- **Case study at HBS**

How do they do it?

Wal mart approach to health care

EDLP (every day low pricing) and Humungous volumes

Since it handles volumes it is able to convince suppliers to supply at low cost.

Blood gas analysis –most hospitals do 20, 30/day. They do 2000!

So they persuaded suppliers to 'park' their machine free of cost and instead make money from selling chemical reagents for the tests. The supplier makes Rs 50000 pm –on machine costing around Rs 12 lakhs!

(Takeaway: One can do wonders if volumes are increased and if Fixed costs are made into Variable! Do we have such opportunities staring at us?)

Bulk of profits from out patient department (OPD)

Logic- at OPD level every patient can afford Rs 200-300 –one gets a margin of 80% here as against 8% in in-patient services.

So they make in-patient service affordable so many out patients come- increasing profitability

They examine P&L every day- if they go below average realisation benchmark of Rs 95000, they prefer patients who can pay more! (Very much like what Southwest Airlines does)

They find all ways of cost saving- they got microbiology dept to make hand Wash and disinfectants in house bringing down monthly cost from Rs 4 lakh to Rs 50000!

(Takeaway: Are there any items we can do internally itself!)

For nurses in ICU no chairs are provided ; as providing chair reduces efficiency by 30%!

They encourage attrition among staff- as newer staff , are cheaper!

They run 49 training programs and plan to turn it into an academic institution.

They train technically skilled people for particular job- so each surgeon specialises in doing something only –say by pass surgery or valve replacements- this increases efficiency.

They hire people with basic college education and train them for jobs like reading radiology charts.

(Takeaway: Do we train enough?)

Ramki

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