



LifeSpring Hospitals

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As with the Aravind example the origins of this innovation lie in concern for a specific group of users who are marginalized from access to a key medical service – maternity and perinatal care – on the basis of cost. The problem of maternal mortality is significant; India has the highest rate of pregnancy-related deaths in the world, with around 117,000 per year. (the Maternal Mortality Rate – the number of such deaths per 100,000 live births – is 540 whereas the US figure is 17). There is a high correlation with perinatal treatment; of the estimated 26million births each year only 43% are supported by skilled staff.

Established in 2005 Lifespring targets customers from a key tier in the Indian population, not the very bottom but low down the pyramid. Their customers are typically women whose husbands work in the informal sector, who have no health coverage and who are urban slum dwellers or in low income housing. The mission is to provide core maternal healthcare (antenatal and postnatal, normal and caesarian deliveries, and family planning services) at an affordable price . LifeSpring also provides pediatric care (including immunizations), diagnostic and pharmacy services, and health care education to the communities in which its hospitals are located.

Lifespring was set up as a joint venture between Hindustan Latex (a major manufacturer of contraceptives) and the Acumen Fund (a US-based social capital investor) and has treated more than 200,000 patients and delivered nearly 12,000 healthy babies since its inception in 2005. The model involves creating small - 20-25 bed – hospitals; the first broke even within 20 months and enabled the expansion of a chain of similar facilities via what has become a standard operating model. It maintains a tight focus, specializing in obstetrics, gynecology and pediatrics for women within a 10km operating radius of their hospitals. Importantly the facility is designed for high throughout of ‘standard’ cases; women with complications are identified early and referred to other clinics. Lifespring has become the largest chain of maternity hospitals in South India, treating more than 70,000 patients and delivering more than 7000 healthy babies each year; it now operates 12 hospitals in the Hyderabad area.

The hospitals are positioned as a low cost alternative to private clinics; there are some government facilities which offer lower cost (subsidized) treatment but these are oversubscribed and access is often difficult. Typically the charges for normal and Caesarian deliveries are 12% of private clinics; normal births cost around 1.5K rupees as against 8 to 10K and Caesarian figures are 6K as against 20-30K (Monitor_Group 2008).

Achieving these significant reductions has again involved a process of innovation against a clear focused target vision. Once more the basic principles of high volume standardized ‘production’ are central to this and there are clear similarities to the Aravind model. In particular LifeSpring's model is characterized by four ‘pillars’ which provide a focus around which a range of innovations are grouped:

- Service specialization
- High throughput
- High asset utilization

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- No frills service

(Significantly these are essentially the core principles of the low cost airline business model which has had such a disruptive effect in short-haul aviation).

Service specialization involves a high level of standardization around a tightly focused service offering. This allows for rapid replication and spread of the model – a ‘drag and drop’ approach. Importantly complications are screened out early and such patients are cross-referred to other specialized clinics. Operating protocols and procedures are standardized which allows for the rapid training of low-skilled staff and the replication of the model quickly into other situations. Standardized kits are used for a wide range of surgical and other procedures and the range of medications is kept low to reduce cost and increase purchasing leverage. Importantly a lower skill-grade of nurse - ANM as opposed to GNM¹ – is recruited; these nurses are trained internally in a narrow field and achieve a high level of competence. This helps retention whilst also reducing labour costs.

High throughput involves operating at a much higher volume (outpatient and deliveries) than traditional players, enabling LifeSpring to spread its fixed costs over a larger number of customers. In their hospitals they complete 100-120 deliveries per month compared to 30-40 in similarly sized hospitals). Making this model work depends on maintaining a consistent flow of patients. This is achieved by focusing on areas of high population density but also working with those communities to ensure widespread awareness. This is important in a sector with low literacy where word of mouth is the key communication channel and where trusted recommendation is of significance. Lifespring operate through a ‘sales force’ working in the community and make use of education ‘camps’ and offer vouchers and baby packs to generate repeat business.

The ‘no frills’ element involves systematic focus on driving down costs through elimination of unnecessary and non-value-adding activity – essentially the principles of ‘lean thinking’ (Womack and Jones 1996). Medicines used are drawn from a narrow range and inventories are kept low through a – just-in-time policy; pharmacy services are outsourced to reduce costs and also cut the risk of pilferage. The hospitals do not run their own ambulances and wards are general rather than specialized. Capital expenditure is reduced through renting space in old hospital premises and by working with a standard and limited set of equipment.

High asset utilization is achieved through deploying a cluster model; by setting up multiple small hospitals within a single city many key resources – ambulances, back-up facilities, etc – can be shared. Of particular significance (since the main cost in prenatal care is in doctor’s salaries) is the use of fixed salaries for doctors.

For more information see:

<http://www.lifespring.in/>

¹ General Nursing and Midwifery and Auxiliary Nursing and Midwifery certification by the Indian Nursing Council