



PENDA HEALTH

Many middle - and lower-income people in East Africa lack affordable high quality healthcare. Women and their families often face a choice between low-quality care and going without care altogether. Penda Health utilizes a high patient-to-provider ratio, unique staffing model, patient-centric approach to care delivery, and focuses on offering a set of services that addresses key outpatient needs in order to reduce the price of services. Penda Health's first clinic opened in early 2012 and reached cash flow positive status as of July 2013.

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RECOGNITION

BiD Network Global Entrepreneur of the Year (2012)

Featured in Business Daily Africa (August, December 2012)

Featured in BBC (July 2012)

Featured in Next Billion (July 2012)

Featured in Venture Capital for Africa (May 2012)



THE STORY

Healthcare services in Kenya are organized in a pyramid, with local dispensaries at the base and two national hospitals at the top. Public and private providers of health care and health insurance coexist, however systematic coordination of public health care strategies has been weak. Future improvements in public health care may enable the government to partner with private health care providers. However, this is not a current reality and utilization of private health care providers, such as Penda Health, remains a significant portion of the market share.

Out-of-pocket expenditure as a percentage of total health spending is very high, at 42.7% in 2010. When considering only private expenditures on health, that rises to 76.6%. The high out-of-pocket costs are compounded by the lack of health insurance coverage in Kenya. Between 10 and 20% of Kenyans are covered by any health insurance and only 2 to 3% are covered for outpatient care. The National Hospital Insurance Fund (NHIF), created as a compulsory insurance program for civil servants, has undergone many transformations since its inception in 1966. NHIF is now open to all Kenyans 18 years of age and older, as well as their dependents, on a voluntary enrollment basis and offers expanded services, such as outpatient services, to certain groups. However, NHIF coverage remains low, especially outside urban centers, covering only approximately half of all those

insured.

Although Kenya has a relatively high number of healthcare workers in comparison with other countries in the region, there are large disparities in the distribution of healthcare workers among public and private facilities, the level of care, and geographic regions. Doctors and nurses are concentrated in urban hospitals and even still these hospitals are often understaffed. Healthcare workers and healthcare facilities are disproportionately located in urban areas, exacerbating the lack of access to healthcare in rural areas. Disparate human capital distribution between public and private providers has led to understaffed public healthcare units that lack the capacity and necessary resources to provide quality care. Many doctors choose to work in the private sector where working conditions and pay are better. Penda Health has been able to capitalize on workforce preference for private sector employment, recruiting only the most highly qualified health professionals.

Recent data from the Kenya Household Health Expenditure and Utilization survey indicate that utilization rates of health care have increased in the last two decades. However, high out-of-pocket costs associated with quality care together with high transportation costs and understaffed public healthcare clinics, dissuade many Kenyans from seeking medical care when ill.

Penda Health was launched in 2011 with the goal of bringing high quality, affordable, outpatient healthcare services to low and middle-income women and their families throughout East Africa. In June 2011, Penda Health spoke to over 1,000 women across Kenya to explore how they felt about health, maintaining their health and their current options to do so. This informed development of an operating model to address Penda Health's target patients' needs. After opening the first clinic in February 2012, Penda Health fine-tuned the set of available services, including the addition of antenatal care and well-baby clinics based on patient interest. Penda Health has also partnered with the government for immunization services and is approved to provide government-funded vaccinations.

THE INNOVATION

Penda Health has developed a business plan to drive scaling and replication of their primary care service delivery throughout East Africa. In February 2012, Penda Health launched their first clinic in Kitengela, Kenya with the goal of scaling up to 100 primary care clinics across East Africa by 2020. This first clinic has provided care to over 6,000 patients in early 2013 and is quickly approaching cash flow sustainability. Penda Health plans to open three more clinics in 2013.

Penda Health utilizes a unique staffing model and a focused set of services that address key outpatient needs in order to bring down costs and consequently lower the price of services. Innovative marketing strategies and local partnerships allow Penda Health to establish important relationships with the community that help them successfully integrate into the local health system.

In addition to providing healthcare services, Penda Health also conducts community health education at schools, churches, factories and local businesses. In 2012, Penda Health educated more than 10,000 people in their surrounding area on health issues, especially preventive healthcare. Penda Health's attention to preventive healthcare and health education has helped increase community awareness of the importance of early screening for cervical cancer and breast cancer, two leading killers of women in Kenya.

Penda Health also provides significant value for the health system, which is largely overburdened and underfunded. Through provision of care for basic health concerns, Penda Health is able to redirect patient flow from overtaxed health facilities to their clinic, reducing burden on the health system and freeing resources that can be used for these facilities to provide better care.



THE MODEL

Penda Health has created an operating model structured around affordable, quality healthcare services. Penda Health’s focus on local partnerships, technology, efficiency, and well-trained staff, as well as a friendly service-oriented culture results in quality of care that is a step change from most health care in East Africa today.

Penda Health leverages local partnerships and local knowledge in their outreach and marketing strategies to create an operating model centered on the needs of their target population. Penda Health’s innovative marketing strategy has recruited stakeholders from throughout the community to take on an active role in their local healthcare system. Some key aspects of their marketing strategy include hosting free event days, handing out brochures at the market, sending thank-you cards and SMS texts to patients, and encouraging word-of-mouth referrals with service incentives. Penda Health’s health education events also spread the word about services offered by the Penda Health clinic; approximately 20% of attendees become Penda Health patients within a few months.

Penda Health’s focus on standardization of services for a limited set of health issues drives down costs

while ensuring high quality. Patients are referred to a nother health facility if they present a health concern outside of the scope of Penda Health’s set of health services. Maintaining a narrow focus on high-prevalence health issues is key to the scalability and sustainability of Penda Health’s operating model.

Penda Health recruits top providers, provides intensive and continuous training, and implements a system of clear, easy-to-use medical protocols to simplify the treatment of the vast majority of cases. The evidence-based protocols were developed with the help of medical specialists with experience in Kenya, building on Kenya’s Ministry of Health with more detail using resources such as the WHO. With the combination of Penda Health’s training and protocols, certified nurse practitioners and clinical officers are able to handle approximately 60% of cases, while doctors’ time is reserved for complicated cases as well as case review and training of clinicians and nurses. Efficient and productive service delivery results from a right-skilled workforce and proper management of employees.

Technological innovation is a key determinant of the scalability of Penda Health’s model and they are currently developing an integrated cloud-hosted system to facilitate remote monitoring of inventory, sales, and cash records, and to ensure data safety.

Penda Health has developed a sustainable business model in order to achieve scalable impact. Financial planning and succinct terms of growth provide a roadmap with benchmarks to measure progress. Using a fee-for-service model, Penda Health charges 150 KSH (\$1.75 USD) per consultation, approximately one-sixth the price of other private clinics. Penda Health prices their services at a slight premium of 10% above the average price charged by low-quality clinics, which allows them to maintain the quality care demanded by their patients and remain competitive with low-quality clinics. All payments are received in cash at the time of the visit. Using well-trained nurse practitioners and clinical officers instead of doctors, the price of consultation significantly decreases. This savings is passed onto Penda Health’s patients, creating a mechanism for increasing patient volume and remaining financially sustainable.

Similar to their marketing and outreach strategies, Penda Health’s business model was shaped by the in-depth market research conducted prior to the opening of their first clinic. Penda Health believes that a solid business model as well as patient demand should underlie any additions to their services in order to ensure financial sustainability. Local marketing and outreach drive up patient volumes, leading to clinic growth. An efficient staffing model and move to cloud-hosted inventory

management and procurement of medical supplies as well as medical records will allow clinics to take advantage of economies of scale and further drive down costs.

Penda Health has strategically built their model around the lack of health insurance coverage and, concomitantly, the lack of affordable quality health care for people paying out-of-pocket. Recent changes in Kenya’s NHIF, including proposals to build on the national health insurance scheme as a mechanism to achieve universal coverage, and expansions in the private health insurance sector, may prove promising for Penda Health. Penda Health stands to increase their reach and impact even further if health insurance is made accessible for all Kenyans.

According to their model, a typical Penda Health clinic requires about \$30,000 USD working capital and 7 months to reach positive cash flow. Penda Health clinics are projected to break even in about 22 months. At full capacity (80 patients per day), large clinics are expected to deliver a 25% profit margin and generate \$50,000 USD in gross annual income.





INNOVATIONS IN HEALTHCARE™

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Penda Health provided the source data for this document and is responsible for the accuracy of the content.

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