“The passion of our teammates keeps everyone motivated. After seven to eight years, you can get jaded by the effort. But we have 1,500 people and it is our job to encourage innovation. The team is now focused on innovation and people are coming up with things that affect their work and saying, ‘We could do it this way.’ For example, a team member came up with a plan for an automated appointment system that sends text messages to the patient, doctor, and hospital when the appointment is scheduled. It saves the patients hours of waiting and saves us bandwidth.”

–Ashwin Naik, Co-Founder

## Characteristics

<table>
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<tr>
<th><strong>Country</strong></th>
<th>India</th>
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| **Target Population** | General population  
Women  
Infants and/or young children, ages 0 to 4  
Children and/or youth, ages 5 and older  
Pregnant women  
Men  
Families  
Older adults and elderly |
| **Geographical Reach** | Regional  
Suburban/peri-urban  
Rural |
| **Organization Type** | Private for-profit |
| **Form of Care** | Primary care  
Secondary/tertiary care  
Pediatrics  
Maternal and child health  
Diabetes  
Insurance/payment scheme |
| **Innovation Type** | Align with patients’ locations and behaviors  
Standardize operating procedures |
| **Website** | www.vaatsalya.com |
Description of Innovation

Vaatsalya operates a network of hospitals providing affordable, accessible and appropriate primary and secondary healthcare services to underserved communities in peri-urban and rural India. Typically, only very basic services are offered by primary hospitals in India and patients needing specialty care must travel to a secondary hospital, which can be hard to reach outside of urban areas. Vaatsalya hospitals bridge this gap by providing the most needed healthcare services in both basic and specialty care, for peri-urban and rural areas. The organization applies lean processes, standardized operations, and product specialization to eliminate waste and reduce costs. By specializing in healthcare services most relevant to the local community, Vaatsalya is able to drive down costs while also attracting high a volume of patients, creating a viable model for small-town hospitals in India.

Vaatsalya was launched in 2004 and built their first hospital in 2005 in Hubli, Karnataka. One of the founders, Dr. Ashwin Naik, grew up in Hubli and observed throughout childhood that people had to travel long distances to receive treatment in larger cities and that often these treatments were unaffordable. After completing a medical degree, he saw many of his peers move to larger cities due to a lack of opportunities for doctors in smaller towns. Together with Dr. Veerendra Hiremath, he founded Vaatsalya to provide affordable healthcare that could meet the existing demand-supply challenge.

The Iron Triangle of Health Care

Vaatsalya increases **access** by providing affordable healthcare in tier II and tier III towns in India.

A rigorous audit process uses internal benchmarks for clinical and non-clinical outcomes to ensure high **quality** of healthcare.

Vaatsalya drives down **costs** through standardized operating procedures and a no-frills approach to care.

“We grew up in small towns and saw the lack of health care. Then later, we saw that there were doctors who want to live in the small towns but cannot because of a lack of support. We saw a demand gap and a supply gap.”

Ashwin Naik, Co-Founder
Vaatsalya currently operates 17 hospitals across the states of Karnataka and Andhra Pradesh and is the first hospital network in India targeting smaller towns and villages (Tier II and Tier III towns) rather than large cities. Vaatsalya serves approximately 100,000 patients per quarter in their outpatient departments and 3,500 patients per month in their inpatient departments, across the 17 hospitals. Vaatsalya has 1,500 employees and approximately 1,200 beds including 100 intensive care unit beds, neonatal intensive care unit beds, and surgical intensive care unit beds.

Providing Value to the Patient, Community, and Health System

The existing gap in healthcare services for the large target population in rural and peri-urban India creates an opportunity for Vaatsalya’s model. About 70% of India’s population lives in peri-urban and rural areas. However, the vast majority (about 80%) of healthcare facilities are located in urban areas. As a result, the nearest comprehensive medical facility for most of Vaatsalya’s target population is 70 to 80 kilometers away. Faced with long distances to travel and high cost for services, many simply go without healthcare services altogether or seek alternative treatments such as Ayurveda and Unani.

Vaatsalya targets areas of approximately 300,000 to 500,000 people with a lack of healthcare facilities. The goal for each hospital is to enhance the quality of locally available medical services or provide care where it previously didn’t exist. Through Vaatsalya hospitals, communities and patients gain access to high-quality and affordable healthcare services closer to home. This also relieves burden on over-crowded government healthcare facilities.

Health System and Policy Context

India has one of the most privatized healthcare systems in the world. While the vast majority of people in India choose to seek private healthcare options, which include state of the art medical facilities and world-class doctors, the high cost in most facilities limits access for lower-income populations. Public healthcare services are available with income-based subsidies and free services for the poorest households. However, public healthcare services remain unpopular, characterized by long waiting times, insufficient stock of free and subsidized pharmaceuticals, and substandard facilities and care. Healthcare expenditure in India is about 6% of the total GDP and approximately 80% of this spending is in the private sector. Chronic underfunding of healthcare expenditures by the
government and the high cost associated with private healthcare options limit access to quality care, especially for the poor.

A lack of health insurance only further compounds the problem. Although some form of health protection is provided by government and major private employers, health insurance schemes for the Indian public are generally basic, costly, and not widely available. Nearly all (98%) of private sector health expenditures are paid out-of-pocket by patients, causing an estimated 20 million people in India to fall below the poverty line every year due to health-related expenses. Recently, successful public-private partnerships with insurance schemes are slowly increasing the availability of insurance. Vaatsalya has been able to leverage some local government insurance schemes, such as in Aarogyashree in Andhra and Yashaswini in Karnataka, to support health services for the very poor.

Healthcare services and healthcare workers are concentrated in urban areas, where financial return for private-sector providers is the highest. 700 million people in rural India lack access to basic healthcare and over half of the positions for doctors in rural hospitals remain unfilled due to emigration and doctors’ preference for urban areas. Vaatsalya discovered that they could attract junior doctors or residents by offering them a consultant (attending physician) position, which is rare for young doctors in India. Many young doctors who would otherwise have worked under a senior consultant in an urban area jump at the opportunity to work as a consultant with Vaatsalya. Many of these doctors choose to remain after gaining more experience; Vaatsalya’s retention rate is 80% to 85%.

Operating Model

Vaatsalya cuts costs and increases patient volume by aligning with local healthcare needs, specializing in the most demanded services, and standardizing replication procedures. Specifically, Vaatsalya specializes in obstetrics and gynecology, pediatrics, general medicine, general surgery, nephrology, and diabetology. Vaatsalya is able to address between 60% and 70% of the local population’s healthcare needs and serve 20,000 to 35,000 patients each month, across their 15 hospitals. High volumes, specialization and a commission-based pay structure increase labor productivity for doctors.
Vaatsalya’s operating model was informed by market research and visits to small towns in Karnataka and Andhra. Findings verified that basic medical facilities either did not exist in a professional capacity or were being run by individual practitioners in isolated and scanty pockets. The organization developed a “cookie cutter” hospital model that can be replicated and adapted to fit specific locations. Vaatsalya has established standard operating procedures for all processes, which are rolled out with each new hospital. In-house training is provided for employees at all levels. Before moving into a new location, Vaatsalya conducts market research to identify what kind of healthcare providers and specialties are already available and adapts services to meet patient demand. Vaatsalya leases existing buildings, rather than building new ones, saving 50% to 60% of capital expenditure versus new construction.

Business Model

Vaatsalya generates revenue using a fee-for-service model. As a result of attention to high volumes, community needs, specialization, and productivity, they are able to offer services at one-fifth the price of comparable services at government hospitals. The no-frills model provides adequate infrastructure and focuses on high quality medical service.

Service prices are determined based on annual market studies. Vaatsalya accepts payment from public insurance, private insurance, and patients.

Impact Metrics

Quality

• Formal audit process measures clinical, non-clinical, and process outcomes

Access and utilization

• Performance metrics including number of patients, procedures, and other outputs are tracked against monthly goals

User satisfaction

• Written feedback from patients (all patients are invited to provide this)
• Centralized contact center calls 100% of admitted patients a week after discharge
• Patients are called within 4 hours of being admitted to make sure everything is meeting their expectations and procedures were correctly followed

“If I look at the history, we have had three distinct phases and the challenges have been very different in each of these stages.

In the start up phase, our biggest challenges was to sell the concept to all the stakeholders and to ourselves.

The second stage, scaling up, the big challenge was building the team. We really struggled in that phase to identify the right people, put them together, keep them motivated.

The third phase, which we are in now, the big challenge is to create systems and processes that can be scaled without much effort.”

Ashwin Naik, Co-Founder
Cost and sustainability  
- Industry metrics for finances tracked monthly, benchmarked against industry  
- Report IRIS metrics (through investors)

Achievement of positive health outcomes  
- Infection  
- Mortality  
- Injuries to staff  
- Patient safety  
- Compliance with regulations

Goals for Scaling and Replication  
1. Expand network of hospitals to 50 locations and build a customer base of 2 million customers in three to four states  
2. Achieve national accreditation for at least 10 of the existing hospitals in the next 24 months  
3. Build leadership at all levels by implementing a robust performance management system and investing in training and development of the next level of leaders through Vaatsalya University  
4. Identify best model to partner with public sector to replicate the Vaatsalya model  
5. Grow partnerships with micro-insurance schemes  
6. Realize the network effect of the hospitals to increase efficiency, e.g. using centralized procurement system to decrease costs

External Support Required for Scaling and Replication  
1. Mentoring and support from business leaders to learn about scaling the organization, building the team, building the leadership team, taking tough decisions  
2. Networking with other innovators to learn and adopt some of their innovations in Vaatsalya  
3. Sharing challenges and best practices with similar innovators to improve operations, reach or practices within our company

“Today, the most exciting thing is to see the organization grow. The organization is building its capability. We have very experienced people coming from different industries, who strongly believe in the mission of the organization and behave as through they are founders, to take this work forward. This is very encouraging.”

Ashwin Naik, Co-Founder
4. Training or technical assistance with clinical and non-clinical training programs, exchange programs, and research projects which will help improve quality

Selected Media Attention and Awards

**Press**

http://www.fastcompany.com/most-innovative-companies/2013/industry/india


http://vaatsalya.com/web/node/541

*Forbes* (Dec 2011). *6 Calls We Got Right.*
http://forbesindia.com/article/special/6-calls-we-got-right/31282/1?id=31282&pg=1

*Dare Magazine* (Mar 2011). *50 Inspiring Entrepreneurs of India.*
http://forbesindia.com/article/special/6-calls-we-got-right/31282/1?id=31282&pg=1

*Forbes Magazine* (Dec 2010). *5 Hot Start-Ups to Watch.*
http://forbesindia.com/printcontent/20332

**Awards**

*Young Global Leader/Dr. Ashwin Naik* (March 2012), *World Economic Forum.*
http://vaatsalya.com/web/ygl

*Winner, The Inaugural Porter Prize In India For Value Based Healthcare* (2012).
http://vaatsalya.com/web/Porter%20Prize

“We took a decision early on to leverage existing resources first rather than building something new. Even though in the long-term building something new may have been better, in order to demonstrate that this is a viable model, we went in to the communities and found existing clinics and made them our partners, rather than starting from scratch. This eliminated local resistance, by bringing them into our model.”

Ashwin Naik, Co-Founder

Finalist, Social Entrepreneur of the Year Award, Schwab Foundation (2010).

Ranked #5, India Fast Growth 25, Allworld Network (2010).

Winner, Sankalp Award for Social Enterprise (2009).
http://www.sankalpforum.com/

Hottest Startup, Top 100 Startups, TATA NEN (2008).
http://www.hotteststartups.in/jsp/coolest_startups/about_hottest_startups.jsp

Winner, BiD Challenge India (2007).
http://www.nextbillion.net/newspost.aspx?newsid=1608

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