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India's Narayana Health Offers a Model of Efficient, High-Tech Care *Frugal Innovations with Global Implications*

New Directions in Health Care: The Commonwealth Fund Podcast

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This is New Directions in Healthcare, the Commonwealth Fund's podcast, and as part of an on-going series we've been looking at *frugal innovations with global implications*. Today, we travel to India, home to a chain of specialty care hospitals that deliver state-of-the-art medical services at a fraction of the cost charged here in the U.S. The enterprise is Narayana Health founded in 2000, by Dr. Devi Shetty

He trained as a cardiac surgeon in the UK, but when he returned to India, he discovered a major impediment to his practice.

“If I saw 100 patients per day, not even one person could afford the heart operation, and I realized that unless I take care of the paying capacity of the patients, I won't have a practice.”

Speaking on a podcast called *From Scratch*, Shetty said millions in India have heart problems – many of them children.

“We produce 28 million babies a year. We produce the largest number of babies in the world. One out of 140 children born anywhere in the world has heart disease. That means we produce about 600 to 1,000 children a day with heart disease, and someone has to fix their hearts.”

So over the last 15 years he's built a chain of 31 hospitals in 19 locations, offering treatments for cancer, cardiac and eye care, neurological and orthopedic services. They do an average of 150 surgeries a day and see 80,000 outpatients—the best known of them, Mother Theresa. Again, Dr. Devi Shetty.

“I still have a poster of Mother Theresa in my office which says, ‘Hands which help are better than lips that pray.’”

Narayana Health has turned a discerning eye on care, performing procedures in what some describe as assembly line fashion and standardizing purchasing, biomedical equipment, the process for training family members to serve as hospital bedside caregivers, and more.

“The entire organization is really built around driving efficiency and a culture where efficiency is seen really as a driver of high quality care, and the idea that efficiency is really a noble purpose for an organization which increases access to those services in a more affordable way.”

That’s Dr. Krishna Udayakumar, Executive Director of Innovations in Healthcare—a non-profit based at Duke University’s Global Health Institute. He has visited India several times to see how Narayana works. Highly skilled surgeons handle the most complex parts of a procedure, leaving more routine tasks to less experienced doctors, nurses and paraprofessionals.

“Most of their surgeons are actually doing many more operations than a typical surgeon would do in the U.S. or in Europe, and that’s also a way of driving quality that the more procedures and the more volume an individual does, the higher the quality becomes over time.”

As a result, Narayana has driven prices down dramatically, making services available to anybody who needs them, regardless of ability to pay, and providing more than half of patients with subsidized in-patient care. Open heart surgery might cost \$200,000 in the U.S. At Narayana, the price tag is \$2,000—and Udayakumar says that’s not just a function of India’s lower cost of living.

“Even if we assumed that all the surgeons, the nurses, everybody that’s working in these facilities providing care were to earn the same as U.S. standard wages, you could still get open heart surgery down to anywhere from \$15,000-\$20,000.”

Hospitals are accredited by the Joint Commission International, and outcomes are by some measures even better than what you’d see in this country. What’s more, Narayana is transparent about its own costs, and that has meant savings.

“They get to see even on a daily basis what the cost of all of the care that they’re providing. They have activity-based costing models that allow them to understand how much every piece of

care that's provided actually costs and to make sure that organizationally everyone is working together to create efficiency.”

That's made Narayana a case study for students at Harvard's business school, and it caught the attention of Ascension Health, which partnered with Narayana to build a medical center in the Caribbean.

(monitor sound from Health City)

On Grand Cayman, Health City offers high-tech care to the region. Dr. Chandy Abraham is its CEO.

“There's a large number of islands and countries around the Caribbean and possibly even in Central America where these services are actually not available. So we become a place where they can come for affordable care but which is very high quality.”

The center also draws cost-conscious patients from the United State and people from countries like Canada, which offer universal health care but may require patients to wait months or years to have a procedure.

Transplanting a high-volume, high-quality model to a small island was challenging, but Cayman's government made every effort to accommodate the enterprise, changing nine laws and 13 regulations over a period of two and a half years. Again, Dr. Abraham.

“For example the health practice law which actually allowed people with Indian qualifications to practice here in Cayman. We had the tort reform law, the organ transplant and importation law, the planning law, the customs law, immigration law, registered land law and local companies control law.”

Staffing Health City was another problem, but Dr. Udayakumar says the solution was obvious.

“Many of the providers that were part of the Narayana Health System in India could come directly to the Cayman Islands and provide care and rotate through, so it solved a major challenge in being able to adapt and transfer this model by being able to leverage many of the same health professionals in that way.”

For now, Dr. Abraham says logistics are his biggest worry – getting supplies and patients to Grand Cayman.

“There are a lot of the Caribbean islands which are very interested to send their patients here, but direct connectivity from the islands to us has been a problem, and many of them have to either transit through Miami or Jamaica.”

So the medical center is exploring the idea of providing its own shuttle service. It is not, however, contemplating a move to the United States. Dr. Abraham says the regulatory climate here would make it too difficult to do business in a way that enables Health City to provide high quality, low cost care. Take the process of billing for example.

“The whole CPT DRG is so convoluted. We’ve moved to a bundled pricing system, which is so much easier and it reduces the number of administrative staff that we need to actually manage this.”

Still, observers say Health City may inspire changes in the States – modeling a new way of thinking about surgical care. Again, Duke University’s Dr. Krishna Udayakumar.

“Driving efficiency in every aspect of the model, but also linking those efficiencies directly to improving access and affordability and going back to that concept that efficiency is a noble purpose.”

And Health City has established relationships in the U.S. to ensure continuity of care as American patients return home following a medical vacation in the Caribbean.

You’ve been listening to New Directions in Healthcare, the Commonwealth Fund’s podcast, and this concludes our series on *frugal innovations with global implications*. Visit commonwealthfund.org to hear all of our reports. I’m Sandy Hausman. Thank you for joining us.