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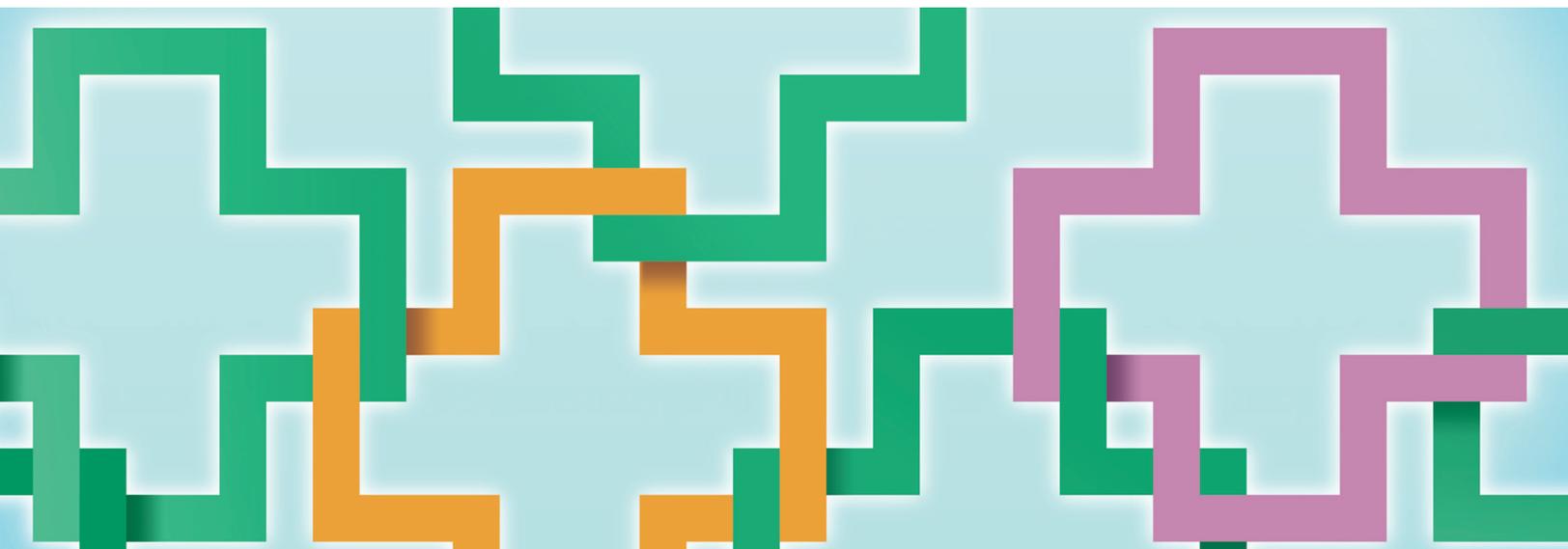
# McKinsey Quarterly

HEALTHCARE PAYOR AND PROVIDER PRACTICE

## The emerging market in health care innovation

**Innovators—some from developing nations—have found ways to deliver care effectively at significantly lower cost while increasing access and quality.**

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**Emerging innovations** in the delivery of health care, particularly in developing countries, offer insights on how to tackle its rising cost, estimated at \$7 trillion a year globally. Health care is consuming an escalating share of income in developed and developing nations alike. Yet innovators have found ways to deliver care effectively at significantly lower cost while improving access and increasing quality. They are uncovering patterns for raising productivity, and leaders across health sectors—public, private, and social—should take heed. With the recent passage of health reform legislation in the United States, for instance, tackling costs is imperative there, but it is also an important goal in every other part of the world.

New approaches to the delivery of care abound. In Mexico, for example, a telephone-based health care advice and triage service is available to more than one million subscribers and their families for \$5 a month, paid through phone bills. In India, an entrepreneur has proved that high-quality, no-frills maternity care can be provided for one-fifth of the price charged by the country's other private providers. In New York City, the remote monitoring of chronically ill elderly patients has reduced their rate of hospital admissions by about 40 percent.

Unfortunately, health care can be an isolated and local activity: innovations are not widely known across different systems or beyond sector boundaries. Merely identifying and promoting innovations isn't enough, however—leaders need to understand whether, and how, the lessons of innovators can be replicated elsewhere. To this end, McKinsey conducted research in partnership with the World Economic Forum to study the most promising novel forms of health care delivery and, in particular, to understand how these innovations changed its economics.

Many of the most compelling innovations we studied come not from resource-rich developed countries but from emerging markets. Two factors help explain why. First, necessity breeds innovation; in the absence of adequate health care, existing providers and entrepreneurs must improvise and innovate. Second, because of weaknesses in the infrastructure, institutions, and resources of emerging markets, entrepreneurs face fewer constraints (this is one upside of the lack of meaningful oversight, which obviously also has many drawbacks). They can bypass Western models and forge new solutions.

The nearly 30 successful innovations we looked at pursued a handful of strategies to change the economics of health care delivery in a fundamental way. In other words, they were not successful by chance. By understanding the opportunities these innovators seized, leaders throughout the health care system can identify opportunities for their own organizations.

A broad scan of innovations across the field, as well as an in-depth analysis of the business models behind 30 of them, showed us that successful ones use at least several if not all of the strategies described below.

### **Get close to the patient**

Innovators can lower distribution costs and improve adherence to clinical protocols by moving the delivery of care much closer to the homes of patients, providing services that take advantage of their established behavior patterns, or both. VisionSpring, an organization that brings affordable eye care to the poor in 13 countries, succeeds because it takes care givers close to patients through a low-cost franchise model. It teaches local “vision entrepreneurs”—members of the mainly poor communities they serve—how to diagnose problems such as presbyopia (an inability to focus on nearby objects) and how to determine what type of mass-produced eyeglass would correct it. The company also provides its entrepreneurs with a “business in a bag” that contains all the required products and equipment. Distribution costs are low because information, products, and services are standardized, and the model is simple to implement, even if the workforce is relatively unsophisticated.

### **Use existing technology to reinvent delivery**

“Repurposing” mobile-phone systems, call centers, and other existing technologies and infrastructure allows innovators to extend health care access, increase the standardization of care, and improve labor productivity. For a fixed fee of \$5 a month (payable on phone bills), Mexico’s MedicalHome, for example, offers its one million subscribers access to professional health advice at a cost far below the charge for a physician’s visit. In Mali, Pesinet uses SMS (short message service) technology to make diagnoses of malnutrition more accurate and reduce childhood mortality. Health workers in the field send a child’s age, height, and weight by SMS to a central server, which determines whether the child is at risk and sends a message back to the health worker.

The use of the existing technology infrastructure would be useful in any part of the world where health care resources are scarce. Yet this approach can also provide benefits in developed countries. Technology could be used, for example, to reduce emergency-room overcrowding by providing phone- or Internet-based advice and triage services during evenings and weekends. Similarly, it could be used to deliver care remotely for patients who require ongoing treatment for diabetes, asthma, or other chronic diseases.

### **‘Right skill’ the workforce**

Some smart innovators challenge existing practices—and professional assumptions—about which health workers are allowed to do what. As a result, they can tightly link skills and training requirements to the tasks at hand, thereby lowering labor costs and overcoming labor constraints. In India, LifeSpring uses midwives to provide most of the care at its maternity hospitals. This allows just a single doctor to oversee significantly more patients by focusing on tasks that specifically require a doctor’s attention. The company charges only \$40 for a normal delivery, rather than the typical \$200. In the United States, MinuteClinic uses nurse-practitioners rather than physicians to staff primary-care clinics.

In some countries, this approach also helps to ameliorate shortages of medical talent. In sub-Saharan Africa, for example, the HealthStore Foundation has trained community health workers to diagnose and treat the region's top five diseases, which together account for more than half of preventable deaths there.

### **Standardize operating procedures**

Whenever possible, successful innovators use highly standardized operating procedures to minimize waste and improve the utilization of labor and assets. The use of standardized clinical protocols also raises the quality of care and facilitates the transfer of knowledge. In India, Aravind Eye Care System, which provides cataract operations to the blind and the near-blind, standardizes the entire end-to-end patient pathway—from initial diagnosis to surgery, recovery, and discharge—with ruthless efficiency. Also in India, Narayana Hrudayalaya hospitals can offer high-quality cardiac care at dramatically lower prices than its competitors charge because it employs a high-volume, highly standardized model of care. Both organizations use a form of production specialization (a factory-like approach to delivering care), borrowing process flow, management, and improvement techniques from manufacturing industries.

### **Borrow someone else's assets**

Smart innovators use existing institutions, infrastructure, and networks of people to reduce capital investments and operating costs. They then pass the savings on to consumers. India's Health Management Research Institute (HMRI) takes advantage of established supply chains by operating medical convoys—mobile health facilities and health workers delivering care in hard-to-reach rural areas—from public hospitals. HMRI also operates a medical hotline (dial 104 for 24/7 advice) that piggybacks on existing mobile-phone systems, as do MedcallHome, Pesinet, and similar organizations. The model benefits from the widespread adoption of mobile phones and a comprehensive cell network across India. MinuteClinic operates its facilities in retail stores to benefit from their foot traffic and lower its overhead costs.

### **Open up new revenue streams**

Many health care innovators extend their activities into other sectors—even shops and restaurants—to capture additional revenue streams, use them to subsidize costs, or both. Business activities in other sectors can even promote core health care services. Thailand's Population and Community Development Association (PDA), which focuses on family planning and the prevention of sexually transmitted diseases, established a chain of restaurants and resorts to raise revenue—and to get out the message. Greenstar, a Pakistani nongovernmental organization that focuses on family planning, operates an entire network of retail outlets that sell products such as condoms and offer family-planning advice and health services for women and children.

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As leaders of health systems ponder their cost, quality, and access problems, they should draw comfort from the fact that at least some potential solutions already exist. Innovators around the globe have demonstrated effective new ways to reach and interact with patients and treat them at significantly lower cost while improving quality. The real challenge is how to *implement*, not how to *invent*. Given the pressure on health systems everywhere, their leaders should do everything possible to help organizations adopt successful innovations and thereby reap the benefits they can provide. ○

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