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Social Entrepreneurship in Medical Care

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May 03, 2007

Video URL: <http://ecorner.stanford.edu/videos/1897/Social-Entrepreneurship-in-Medical-Care>

Tarun Khanna, Professor at Harvard Business School, highlights the ability of entrepreneurs to provide solutions to social problems by telling the story of a cardiac hospital in India. Khanna points out that the founder, a cardiac surgeon and entrepreneur, has been able to achieve incredible results unmatched by private or public institutions around the world by rethinking the scale on which healthcare is delivered. Khanna emphasizes that this kind of entrepreneurship can solve social problems in ways that often governments cannot.



Transcript

Another response is through the private sector which is the only part of India that really works. The private sector and civil society work, the government tends not to work. And the private sector has come up with some spectacular responses. This is a very, very close friend of mine, a spectacular entrepreneur, cardiac surgeon, who had his career in London for many years before he decided to move back and become a voluntary surgeon to Mother Teresa before she died in the slums of Calcutta and when she died, decided to open his own heart hospital, pediatric heart hospital in Bangalore. ... which is a mouthful ... but it basically means "God's Compassionate Home." And this is a case that a colleague of mine at HBS and I wrote about this, this is an incredible case study. The more I look at it the more convinced I am. And this never fails to irritate my cardiologist friends in Boston, it just irritates the heck out of them, and the reason it irritates them is that I believe that this guy is probably one of the best if not the best pediatric cardiac surgeons in the world today and he has done this in Bangalore for nothing from ground up. Every year I go back he has added another floor.

So let me give you a flavor of how he runs. By the way the break-even cost of open-heart surgery in his hospital is \$2000, the average charge to patients in India is \$2400. Other Indian private hospitals charge \$5500 and in this country you would pay \$100,000 once you include what insurance pays for it, so we are talking about a massive discrepancy in costs. And these surgeons do pretty well. They are okay. They do pretty well in India. Dr. Schetti has a spanking Mercedes that brings him into his hospital every day. He does fine. But he dedicates himself to running this hospital on more or less a break-even basis.

What does that mean? He has a team of 10 surgeons that get compensated reasonably well. Every day he has a control system that looks at what the cash balances of the hospital are and determines how many people can be treated free and makes that money available for free treatment to anyone who walks in with a heart condition that cannot afford it. Nobody is turned away. Not one person has been turned away in the last five years for a heart for a heart treatment of any sort and if the cash balances are running low then he will provide some fee for service. It is a constant balancing act between paying patients and non-paying patients to try to make sure that people are not turned away, that less critical people might be asked to wait in the hotel that he has set up across the street while the more critical patients ... so you can see that there are two or three levers he can pull at the same time. At the same time he is trying to keep enough retained earnings that he can plow back into reinvestment, and build a new floor every year. So every year a floor is added. It's up to six or seven floors and it has been so successful at providing tertiary heart care, all the way from primary to tertiary heart care that he is now expanded into something he calls the Health City where there is analogous renal unit and an analogous oncology unit and analogous

ophthalmology unit and entire complex is building up and my role is to advise this and find the right financing for opening up new hospitals. Just an incredible story.

So how does he pull this off? I think the answer is basically in the scale. The way he would say it is "the kind of procedure I would do in London maybe once a week, here I do ten times a day, that's the scale of heart disease. In other words, I'm so practiced at some of this stuff, I've had to do hands on innovation to try adjust to this huge volume scale that that has now received recognition from global cardiac surgeons." So the typical reaction of a surgeon visiting his hospital is to say you can't be serious. But they look at it and say "Wow these numbers are great." And then there is disbelief that sets in that says "This just cannot be happening. You can't be doing these cutting edge surgeries with numbers that are better than most of the hospitals in the U.S." And then it is to say, "Can I send my students to you for an internship?" And so you walk around the hospital and there are a bunch of people from Europe, a bunch of people from the U.S. doing small stints to just imagine the impossible, in other words, unbelievable. And the money he is giving away to charity. He is either putting it back into his hospitable or giving it away to charity because at this point he is sufficiently wealthy from his previous life that he doesn't need to worry about it. But this is the kind of entrepreneurship that's going on. In other words you have a defunct health care system that doesn't work, you have civil society through the self-employed women's association trying to compensate for it and you have private entrepreneurs coming in who provide tertiary healthcare.