

Key drivers and challenges to consider in setting up a successful healthcare business in Nigeria

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Background on the Health Sector in Nigeria

- Is comprised of both the private and public sectors.
- Expenditure is predominantly out of pocket.
- Is accessible to 60% of the population.
- Boasts of almost 25,000 facilities; 80% of which provide primary care.
- 62% are public facilities which are under funded.
- 38% are privately owned with highly variable standards

Source: Presentation by Dr Awosika, Total Health Trust.

Current Features of the Health Sector

- Dilapidated Infrastructure
- Poor Health Human Resources Management
- Lack of Health Management Information Systems
- Poor Inter-sectoral collaboration
- Absence of sound policies
- Inadequate or poorly coordinated funding
- Poor Accountability
- Poor monitoring

Source: Presentation by Dr Awosika, Total Health Trust.

Who is in the Diaspora?

- Highly accomplished physicians in the Diaspora
- Strongly motivated by social responsibility and want to “give back” to their homeland.
- About **10%** of Nigeria physicians are in the US and Canada (compared to about **30%** of Ghanaian Physicians)
- Each African physician is estimated to represent a loss of about **\$184,000**.
- Probably another **10%** of Nigerian Physicians are in the UK, South Africa and elsewhere
- Similar loss of Nurses

Potential Contribution of the Diaspora

- Human Resources
- Intellectual Resources
- Economic /Financing
- Mentorship opportunities for next generation
- Improve quality and modernize the health sector

What has worked?

- The Bridge Clinic, Lagos
- St. Nicholas Hospital
- Reddington Hospital
- Asian Eye Institute, the Philippines
- Apollo Hospitals Group, India

What has not worked?

- African Physician from the Diaspora
- Wanted to build 200 bed hospital in capital city
- Could not raise funds from other Diaspora as they had contributed to an earlier effort led by another physician that had not yet had any tangible output.
- In addition it was clear that the city with a population under a million will not be able to support two new high-technology hospitals at the same time

Mistake: Did not check out the competition.

Source: Establishing Private Health Care Facilities in Developing Countries

What else has not worked?

- Physician entrepreneur in Central African Country decided to build 80 bed hospital in capital city
- Decided to bring South African Physicians but soon realised that cost was prohibitive
- Tried to bring South African physicians at weekends only so offered only limited speciality services during weekdays (and thus limited revenues)
- Important to think carefully about a staffing model that depends significantly on Diaspora or expatriate physicians.

Reality: Speciality Physician Shortages

**Identifying the key steps to
set up a healthcare facility in
an emerging market**

*Nneka Mobisson-Etuk,
MD, MPH, MBA*

Clinician-Entrepreneurs often Underestimate the Challenges of Establishing a Healthcare Facility....

Clinicians often think that having a successful practice in the western world

"... My partners and I have effectively built and managed several practices in California; we can do the same in Nigeria.....

Gastroenterologist

I don't have much business experience, but medicine is more academically challenging than business, how difficult can it be to set up a clinic?

Cardiologist

as well as misjudging the levels of investment

necessary...

I had no idea that this process was so challenging, I have spent the last 6 years trying and I don't have much to show for it"

Pathologist-Entrepreneur

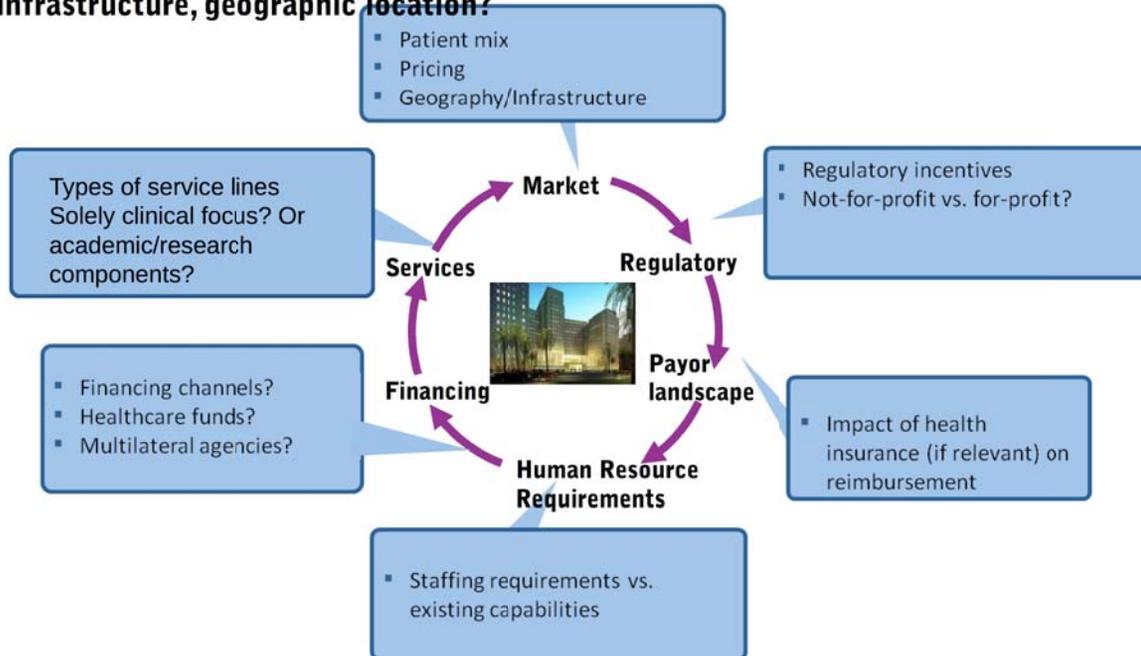
All my requests for funding have been denied, and I can't understand why"

Oncologist

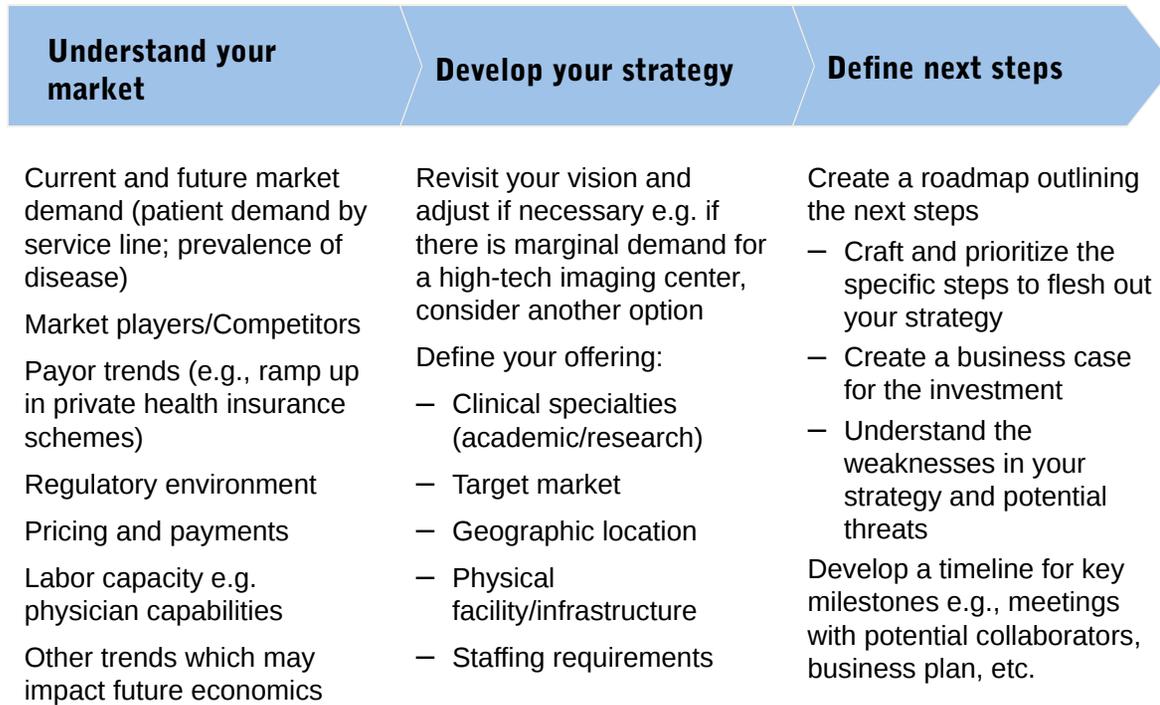


START OUT WITH CRAFTING A HIGH-LEVEL DESCRIPTION OF YOUR VISION...

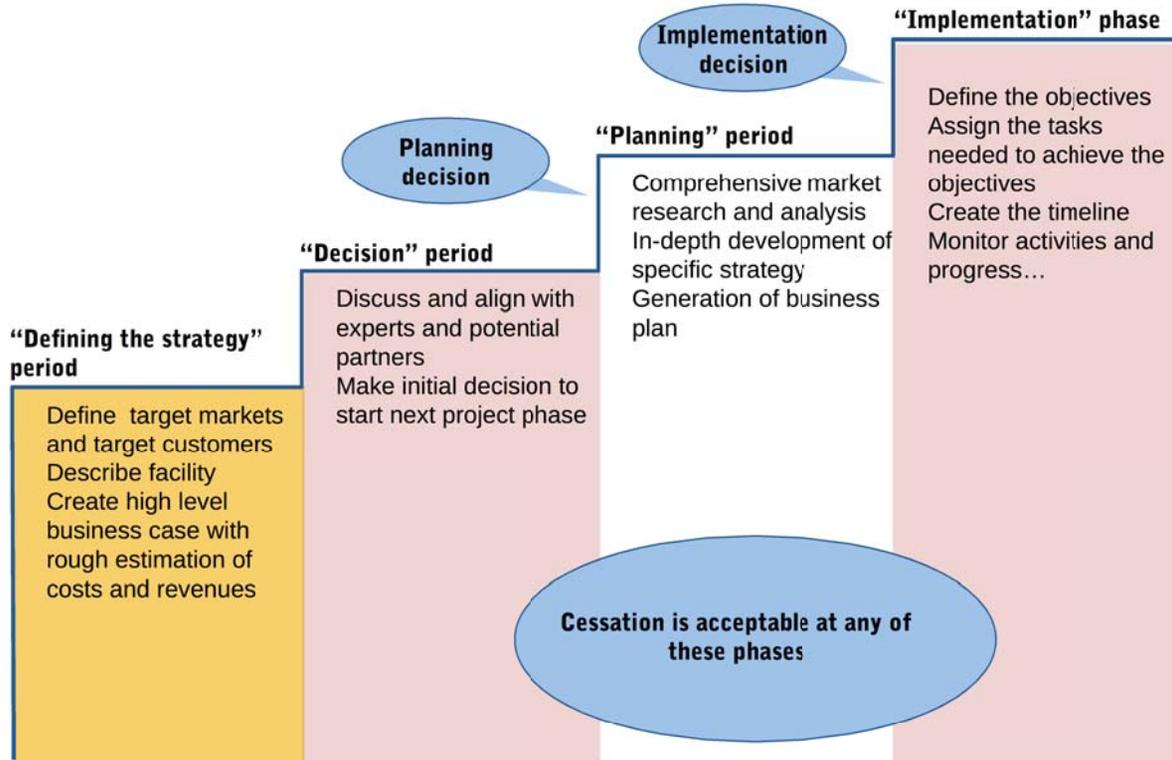
What is the right combination of patient service lines and delivery, physical infrastructure, geographic location?



DEVELOP A FRAMEWORK OUTLINING THE KEY INITIAL STEPS CRITICAL TO ACHIEVING YOUR VISION



EXAMPLE OF A TYPICAL ROADMAP



CRITICAL FACTORS THAT WILL INCREASE THE LIKELIHOOD OF SUCCESS

Make Sound Investments

- Invest in defining the appropriate combination of patient service lines and geographies
- Craft a robust and realistic business plan

Leverage external expertise

- Leverage industry expertise
- Be strategic and thoughtful when setting up your advisory board

Be open to iteration

- Be flexible about your aspirations and redefine your goals as necessary

Funding

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When should you start looking for financing?

- Once you are able to define your project.
- Initiate discussions with potential financial partners when you are able to articulate your vision.
- Reach out to financial experts to guide you on financing options and mix.

Potential Funding Sources

- Equity Financing
 - Potential partners
 - Boot-strapping (via “Friends, Fools, and Family members”)
 - Angel Investors
 - Venture Capital Funds
 - Private Equity Funds e.g. Aureos Capital (managing funds from IFC, DEG, ADB and Gates Foundation)
 - Grants (Government, international agencies, e.g. USAID, NGOs, Corporate Social Responsibilities units of large companies e.g. HIV/AIDS, Western Union)
- Quasi-Equity Financing
 - PE funds
 - VC funds

Potential Funding Sources

(2)

- Debt Financing
 - Bank loans (traditional commercial banks usually lend money to businesses for start-up or expansion but have strict requirements e.g. 30-50% equity financing). Some international agencies are working with local banks to create financing facilities specifically for the health sector.
 - Bridge loans (usually from a private lender) are short term-loans that enable a company to 'bridge' the gap

Structuring your Financing

- Grants

Pros

- Often don't have to be paid back

Cons

- Competitive
- Covenants (often donors place restrictions that may conflict with your aspirations)

- Equity

Pros

- Varied means of structuring equity
- Flexible long term arrangements
- Depending on market conditions, may be cheaper than debt
- More attractive to lenders when you have more equity

Cons

- Subject to close scrutiny e.g., VC investors, shareholders
- May have to relinquish ownership and a share of your profit

Structuring your Financing (cont.)

- Debt

Pros

- You retain ownership (and future profits) of your company
- Debt is a tax shield (however, this may not be relevant in some emerging markets as tax may be low)
- Interest is tax deductible

Cons

- Need positive cash flow to cover interest payments and meet debt obligations
- Most loans in Africa have high interest rates
- Debt funding can require collateral to secure your loan, which will be seized if you can't repay your debt.

Key Success Factors in Obtaining Financing

1. Develop a feasible business plan
2. Ensure that you have a sufficient amount of equity financing
3. Ensure that project sponsors have sufficient experience and knowledge about the healthcare venture
4. Leverage a senior management team and a project team with a credible track record (strong management)
5. Do not be afraid to ask!

Legal and Regulatory Control

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Methods of Conducting Business

Registration with the Corporate Affairs Commission

- Private or Public Limited Liability Company
- Unlimited Liability Company
- Company Limited by Guarantee
- Foreign Company(Branch or Subsidiary)
- Partnership/Firm
- Sole Proprietorship
- Incorporated Trustees
- Representative Office

Eight Steps To Registration

D.I.Y or Through An Attorney (e.g. in Lagos State)

- Check Availability of Company Name with CAC
- Prepare Requisite Documents/Pay Stamp Duty
- Notarize the Declaration of Compliance (CAC4)
- Register Company with CAC/Pay Fees at CAC
- Register with the Fed Board of Inland Revenue
- Register for Personal Income Tax(PAYE at state office)
- State Signage Inspection
- Pay Signage Fee at a designated Bank

Possible Legal Issues

- Labour Issues
- Professional Registration issues
- Real Estate/Property issues
- Credit and Financial issues including Paying Taxes
- Investors and their protection
- Contract issues and Enforcement
- Bribery and Corruption
- Liability in Tort and Criminal issues
- Immigration issues
- Bankruptcy and Closing a Business

Avoiding The Legal Landmines

- Do not D.I.Y. - Get a Reputable Attorney
- Have a retainer with the attorney
- Get to know those on the ground
- Register your company
- Liability Insurance mandatory
- Protect your assets and that of your investors
- Avoid any Bribery and Corruption quagmire
- Get an Account and Pay your taxes.

The Payor System and Structure in Nigeria

**Kola Awokoya, Bsc, ICAN
Managing Director of Hygeia
HMO**

More Background on Nigeria

- **Most populous country in Africa and the 8th most populous country in the world with a population of over 140 million.**
- **The health care system in Nigeria is ranked 197 out of 201 countries**
- **Listed among the "N11" economies by Goldman Sachs, but also noted that the country's low Life Expectancy will hamper its growth potential if it is not immediately addressed**
- **The healthcare sector has been under-developed because of resource constraints, with total per capita expenditure being about \$22 with 75% being Out-of-pocket.**
- **Government expenditure is currently about 6% of total Government Expenditure & less than 3% of GDP**
- **Private Sector delivers almost 50% of all care in the Country**

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World Bank and IFC New Health in Africa Initiative Focuses on the Private Sector

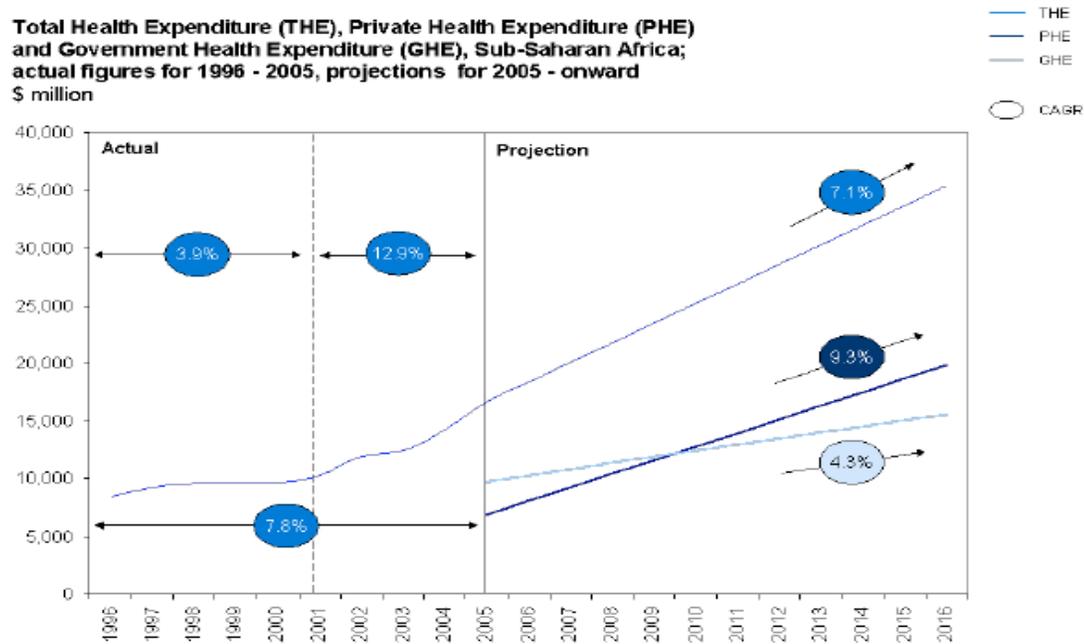
- **The WB provides financial and technical assistance to the governments of developing countries. Its financing mechanisms include loans, grants, and interest free credits.**
- **Dec 2007: Scoping Study & Strategy Development in partnership with the Bill and Melinda Gates Foundation**
- **Jan - Dec 2008: Initial Implementation Phase
Formation of joint IFC-World Bank Team to be based in Kenya and in Washington D.C.**
- **Jan 2009: Onwards Full Implementation**
 - **Analysis**
 - **Technical Assistance**
 - **Debt & Equity Finance**

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HEALTH EXPENDITURE IS EXPECTED TO GROW SIGNIFICANTLY, ALTHOUGH IT WILL BE IMPACTED BY THE FINANCIAL CRISIS

Total Health Expenditure (THE), Private Health Expenditure (PHE) and Government Health Expenditure (GHE), Sub-Saharan Africa; actual figures for 1996 - 2005, projections for 2005 - onward
\$ million

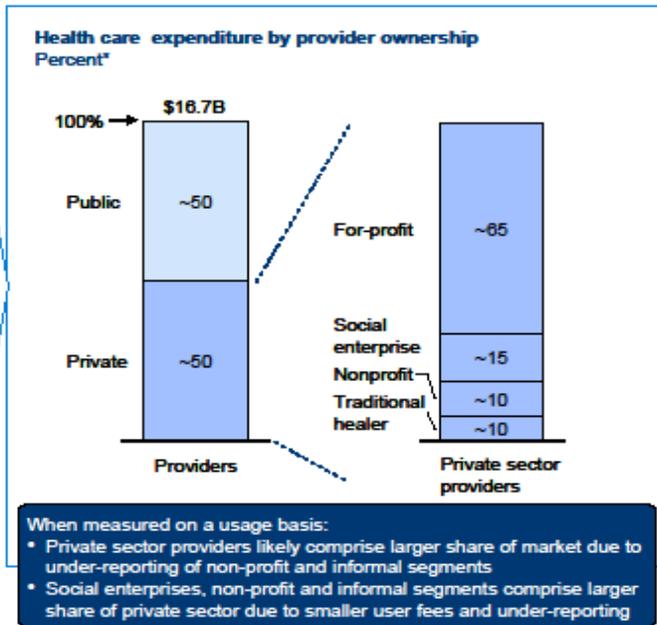
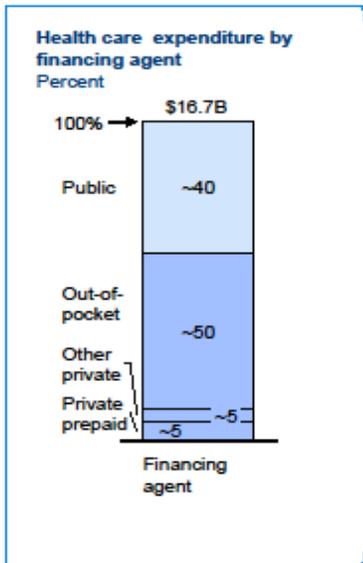


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The private sector plays a dominant role in health

Public
Private



Key Payers

Companies

- Fee-for-service
- HMO scheme

Government schemes

- Formal sector health insurance
- State health insurance schemes
- Parastatals and sub-parastatals under fee-for-service

paying schemes

Private Patients

- Individuals paying out-of-pocket
- Individuals/families registered under HMO retail scheme.

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Others

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schemes.

- Services provided under donor subsidized rural community

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ATTRACTING PAYERS

- **Variety of Specialist skill**
- **Infrastructure/audience**
- **Medical infrastructure/equipment**
- **Administrative skills/back office**
- **Location**

Key Issues/Facts in the Sector

- **Payment patterns evolved from predominantly fee-for-service schemes to mix of fee-for-service and HMO schemes.**
- **Corporate fee-for-service/HMO (Govt./Corporate).**
- **More urban the location/the more equitable the mix**
- **Present competing demands/needs for the practice.**

Key Issues with Health Insurance

• Schemes

- **Interfacing with multiple HMO's with different business processes**
 - **Authorization and approval**
 - **Submission of utilization data**
 - **Thorough knowledge of each of the products/health plans for each scheme**
- **Appropriate alignment of premium and benefits (perceived reduction in margins)**
- **Large Volume - guarantees constant cash flows**
 - **Administrative system to deal with waiting time**
 - **Complaints management**

Key Issues with Health Insurance

• Schemes

- **Tracking profitability of different plans**
- **Accreditation and recertification**
- **Gaming of the system**
- **Pre-engagement processes**
- **Identification system/Biometrics**
- **Vetting/Claims settling issues**

Key Challenges

- **With fee-for-service (Corporate)**
- **Varying Tariff structures**
- **Medical Reporting**
 - **Time based, With-holds – based on meeting requirements**
- **Funding for complex interventions**
- **Administrative issues –Authorization**
 - **Approvals, Vetting of Bills, Back office billing**
- **Receivables Management**
 - **Asset Conversion Circle**

Key Challenges (contd')

- **Budgeting limitations - Gaming the system**
- **Eligibility**
- **Banks**
 - **Electronic payment ,Settlement of Account, Opening of several Accounts**
- **Billing**
 - **Different methods, Case by case,End of the month**

General Challenges

- **Determination of cost structure/cost elements of running facility**
- **Appropriate pricing of services**
- **Staff retention**
 - **Medical**
 - **Administrative**
- **Creating and sustaining a competitive edge**
- **Maintaining quality standards**

**What it takes to be
successful? – Real Life
Experience**

Richard Ajayi, MBBS, FRCOG,
FWACS

Managing Director of the Bridge
Clinic

Top Ten Lessons

1. **Financing:** Have smart money from investors that are willing to support their investment rather than just realize returns.
2. **Management:** Identify difference between provision of medical services and management of a medical business.
3. **Training:** Invest heavily on training staff.
4. **Quality Management:** Ensure quality service by implementing a Quality Management System.

Top Ten Lessons(contd)

5. **Staff Recruitment:** Recruit staff with the right values to protect training investment.
6. **Healthcare Managers:** There are no professional healthcare managers in Nigeria. Develop strategies to assure the quality of support services.
7. **Human Resources:** Implement a structured HR-system to ensure quality assurance. The system should include the following:
 - Structured interviews
 - Orientation and Induction systems
 - Competence Certification
 - Performance management

Top Ten Lessons(contd)

8. **Leadership:** Good leadership is necessary to drive the culture of the organization and counteract the poor work ethics.
9. **Marketing:** Clarify the marketing strategy and positioning of your facility.
10. **Focus:** Avoid distractions but focus on delivering your vision.

What Facilities are available?

Olumide Okunola,MBBS

**Project Coordinator
Reliance Hospital Limited**

Background

- ❑ 130/150 bed Hospital
- ❑ Situated on 1.73 hectares of Land in Abuja the FCT of Nigeria
- ❑ Conceptualised as an International Standard Medical Facility of first choice in its chosen specialties
- ❑ Expected to be a medical centre of excellence offering world class services and receiving special medical referrals from hospitals within Nigeria and the ECOWAS sub-region
- ❑ Also to serve as a prototype hospital in Nigeria for health facilities management and comprehensive advanced patient care

Objectives

- To ensure that Reliance Hospital is dedicatedly and profitably managed according to best practice world standard
 - To ensure that the quality of medical care offered at Reliance Hospital is of the highest standard as obtainable in any hospital of its type anywhere in the world
 - To ensure that Reliance Hospital offers outstanding medical services in its core strength disciplines as categorized above
 - Other specialized medical care as may from time to time be found necessary to be introduced by Reliance Hospital Directors
 - To ensure that Scientific research into locally relevant diseases is pursued
-

Objectivescontd.

- ❑ To ensure that staff recruitment/credentialing, training is of the highest international standards relevant to the needs of Nigerians and Multinationals – Residents and Visitors
- ❑ To procure affiliation and collaboration with the topmost Medical Institutions/Hospital Centers in the world

Conclusion and Resources Available

- How do I prepare myself to succeed?
- How do I go from idea to implementation?
- Where can I get some help?

Questions

??????????

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