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Omega Hospitals

A CASE STUDY

Bangalore-headquartered **Omega Hospitals** is an INR 5200-crore hospital chain present in eight cities of India. Apart from the four metros and Bangalore, it has large hospitals in Kolkata, Pune and Mysore.

Started in 1991, as one of the first new generation hospitals in India, in Bangalore, it opened its hospitals in Chennai and Kolkata in the next ten years. After that, it has really accelerated.

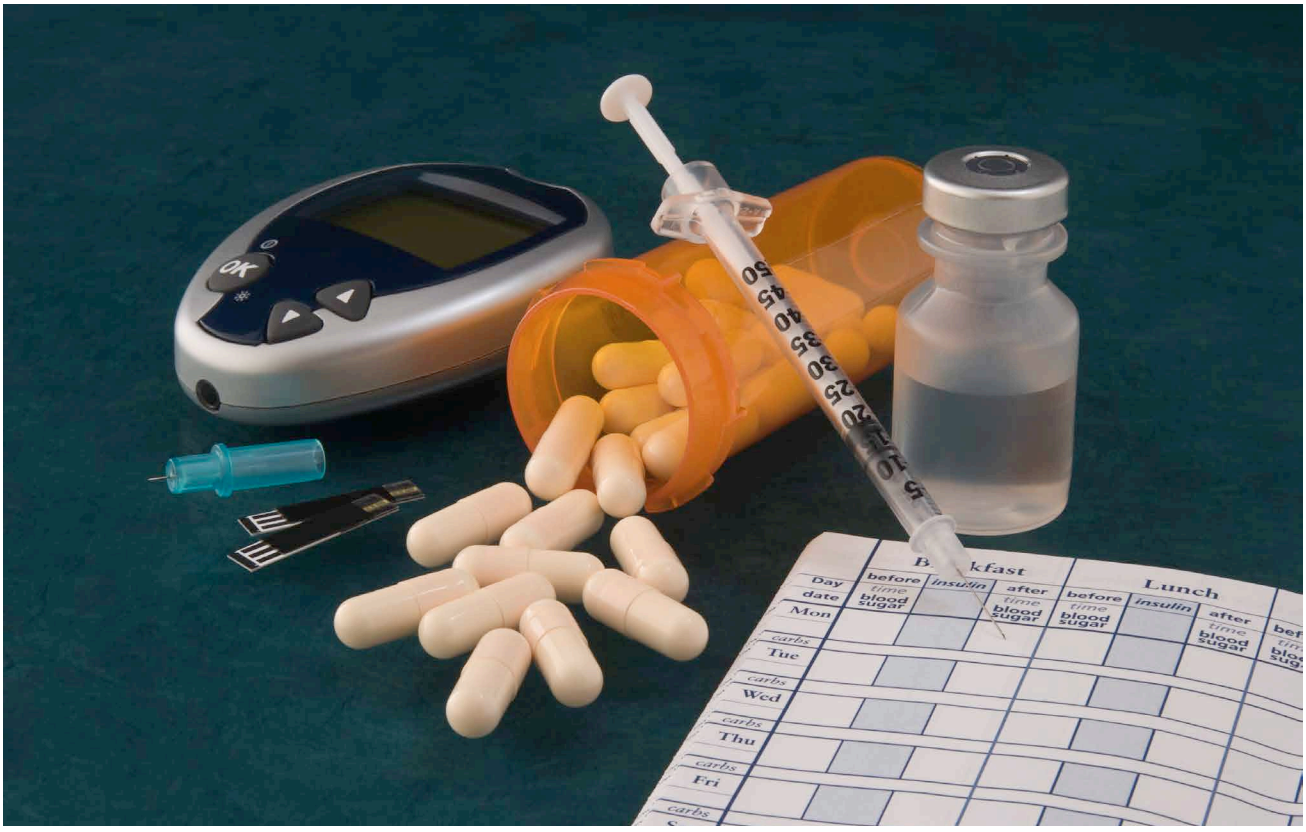
In 2006, it started branded Omega clinics. Today, they are present in 17 cities including its eight locations. Most of its clinics are in Southern and Eastern India. About 20% of its clinics are owned and operated by the group. Rest are operated by franchisees where Omega staff doctors visit once in a month/fortnight, depending on demand. These clinics serve as the first consultation centers. The idea behind these clinics is to get access to patients and to familiarize them with Omega. Omega offers attractive packages in their hospitals for patients who are regulars in its clinics.

Omega is known for its world class oncology, cardiovascular diseases and orthopedic facilities. Some of the best doctors in India in these areas work for Omega. In today's world of crisis of trust, Omega enjoys a clean reputation as a hospital chain that does not make patients overspend. It is a highly respected brand in Indian healthcare. It is the last stop for patients who have lost all hope, in these areas.

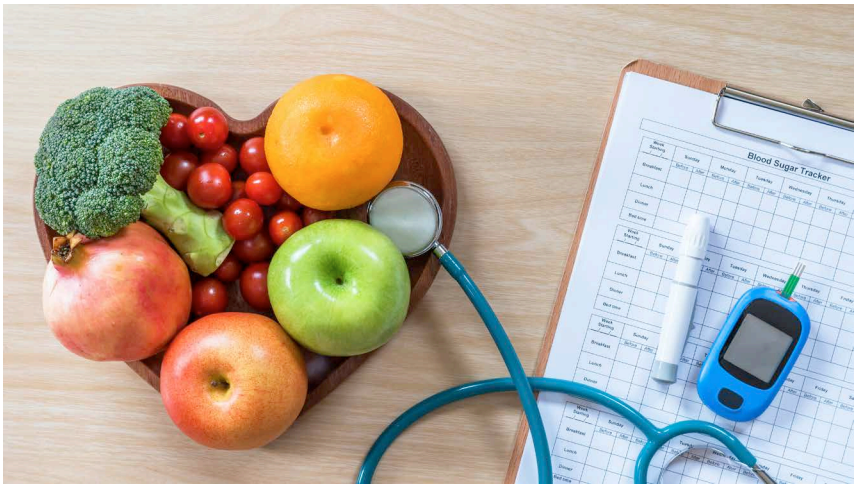
Another positive for Omega is its continuous investment in latest medical technology. That also works in its favor.

Omega's financial performance has also reflected its position. In 2018-19, its operating margin stood at 22% and net profit was 14%—fairly good for a large hospital chain.

However, of late, growth has been a concern. In the period between 2001-2008, Omega grew impressively. In the last 3-4 years, growth has slowed down considerably. In 2018-19, growth was 2.3%; a year prior, it was almost flat at 0.8%.



A listed entity, Omega is worried, as the stock prices have not really seen much movement in the last 3-4 years, despite it being a regular dividend payer. Sluggish growth has made investors worry.



Strategic Directions

Omega's board, with help of a consultant, STRAT-AXN, looked at the operations to identify what is impacting the growth of the group and what can be done about it.

The group identified four main reasons. They are:

1. ***Omega's less-than-average reputation (and presence) in lifestyle diseases segment*** that is growing fast as a medical opportunity.
2. ***Inability to create big traction in the clinics and for the hospitals***. Despite running profitably, the clinics have not really served the original objective of hooking patients for the hospitals. This has happened because of two reasons—lesser traction overall because of its not-so-good presence in lifestyle diseases and its inability to provide access to its best doctors from its clinics. The most well-known doctors do not travel and others travel only once/twice a month to a clinic, which is too sparse.
3. ***Its inability to effectively exploit customer segments***. Omega had tried to tie up with large enterprises, but it has not succeeded much. Again, lack of adequate presence in lifestyle diseases is the reason.
4. ***Its inability to get into new areas***. While Omega enjoys reputation as an advanced center for cancer treatment, heart treatment and orthopedic surgery, it has not really got into new areas, either in terms of newer medical areas or in terms of customer segments.

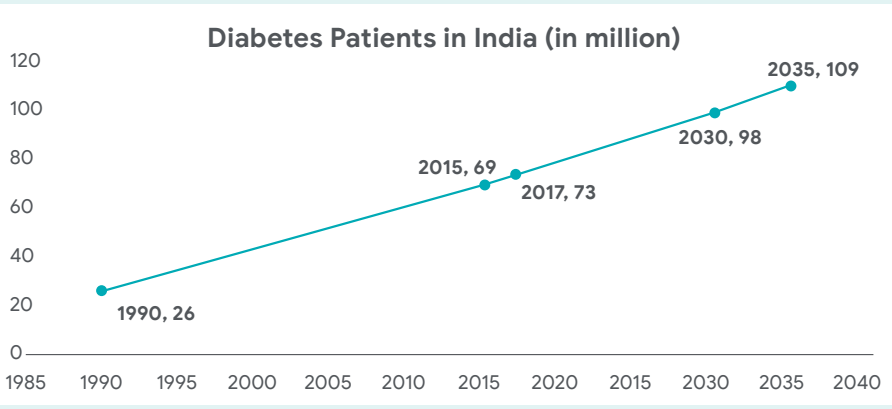
To double its revenue of INR 5200 crore in 2018-19 by 2023, the board zeroed in on two key strategies:

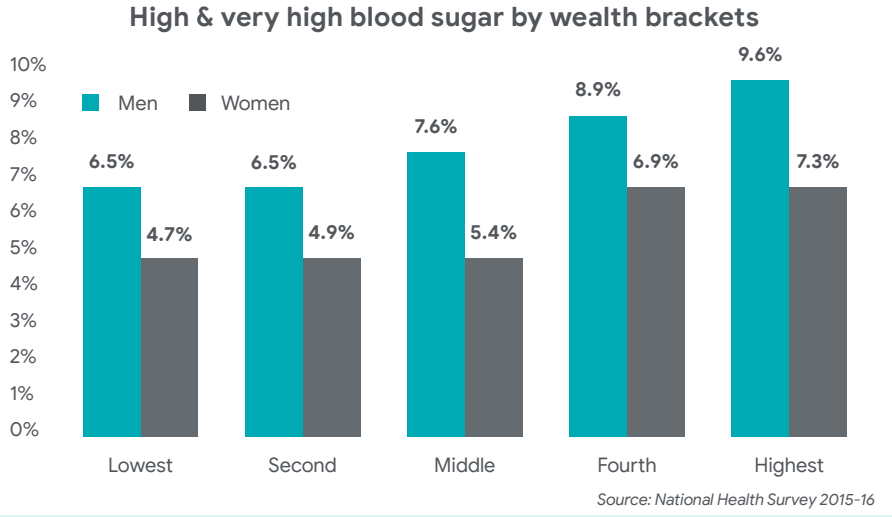
1. ***Get into new areas***. Since, it was already late, the board preferred an inorganic route. It also gave a mandate to CEO Dr Prabir Chandramouli to create a disruptive, new path to catch attention.
2. ***Convert its lead in medical technology to a technology lead***. What it means is it should get aggressively into implementing information technology-enabled healthcare. It has a robust Hospital Management System but that takes care of only basic functions. While the idea started during the discussion around how to provide access to its top doctors for patients in its clinics, Omega decided to go all out for technology. The objectives are (in the order of priority) to:
   a. improve every part of customer experience
   b. build newer capability and
   c. enhance efficiency

   Because of its credibility, it also wants to build a leadership in ensuring privacy for its patients. Omega has decided to use that as a USP going forward, once the personal data protection legislation set in, in India. That is also a desired outcome of the technology investment.

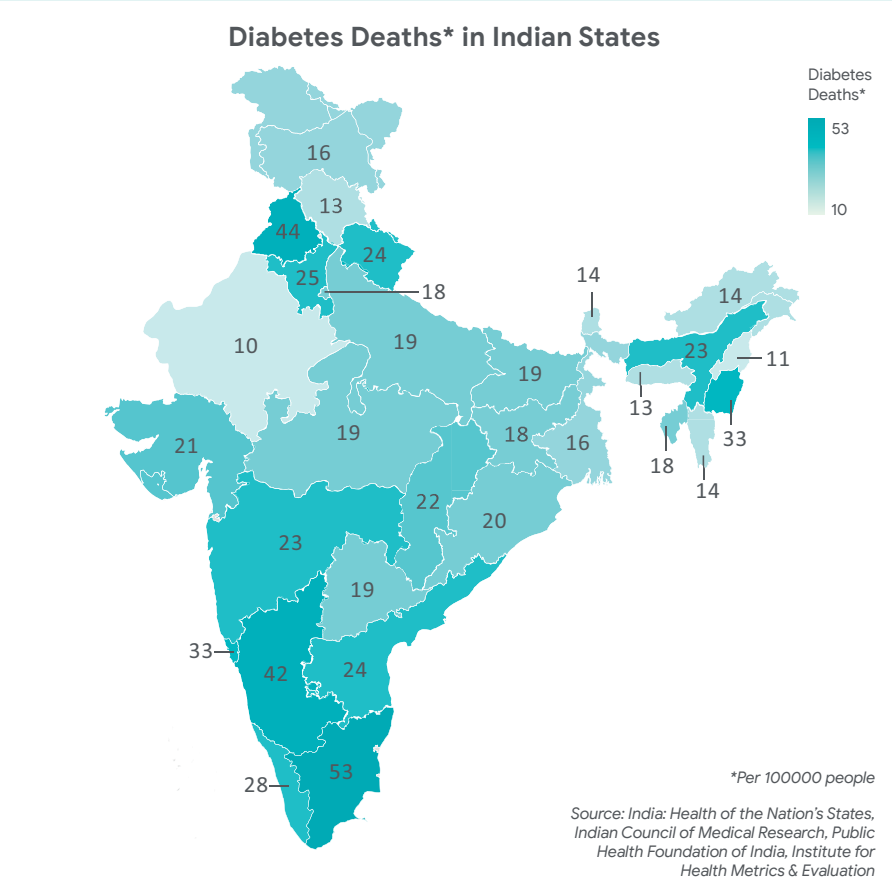
Dr Prabir appointed a team of three doctors, an external consultant and head of sales, to zero in on specific opportunities. After a six-month deliberation and research, the group presented a strong case for :

a. getting into diabetes care (the main thrust)
b. getting into corporate space with a new strategy
c. tapping medical tourists





Source: National Health Survey 2015-16



**Per 100000 people*

Source: India: Health of the Nation's States, Indian Council of Medical Research, Public Health Foundation of India, Institute for Health Metrics & Evaluation

Diabetes in India

According to International Diabetes Federation (IDF), India had 73 million adult diabetes cases in 2017—up from 69 million in 2015. This was 8.8% of total adult population in India. This number is expected to rise to 109 million by 2035.

The average age of a diabetic is 40 in India, 10 years younger than in developed countries. Diabetes now affects people of all age groups above 30.

Diabetes was the 9th largest cause of death in India in 2017, up from the 13th position it occupied in 2007. It is now accounting for more deaths than even road injuries.

Interestingly, India's wealthiest states – Tamil Nadu, Punjab, Karnataka—account for most of the diabetes deaths in India, all in the upwards of 40 deaths per 100000 people, according to the latest National Health Survey. Goa and Kerala, ahead of most Indian states in Human Development Index are two other states with high rate of diabetes deaths. This is in contrast to the trends seen in case of other diseases like communicable diseases which are most prevalent in poorest regions.

Diabetes seems to be a disease of the wealthy. National Health Survey findings indicate that the prevalence of high blood sugar (between 140-160) and very high blood sugar (more than 160) levels increases with rising wealth brackets. While it is only 6.5% for men among lowest wealth bracket, it is 9.6% in the highest wealth bracket. Similarly, for women, it is just 4.7% in the lowest wealth bracket but as much as 7.3% in the highest wealth bracket.

Omega was one of the first healthcare groups to get into medical tourism but lost focus and could not convert it into a big growth engine, even though later entrants have done a much better job.

Medical tourism is expected to be a USD 9 billion opportunity for India, according to an estimate by Govt of India. According to a report by FICCI and IMS Health for Indian government, India is a primary destination in Asia for heart surgery, ophthalmology and orthopedics. Two of these areas are strong areas for Omega.

The Action

Armed with the board mandate and with recommendations from the working group, Dr Prabir and his team, started by acquiring a unique company, **Towards A Sweeter Life** or **TASL (pronounced Tasle)**—a Mysore-headquartered healthcare organization started with the objective of 'curing' people affected with Diabetes through a combination of diet, exercise, yoga and medicines, with major focus on diet.

The driving force behind TASL is Dr S Sriram, an MD in Medicine, who devised this unique treatment technique after carefully combining insights from Ayurveda and Naturopathy with modern treatment methods. He, his wife Dr Anu Sriram and another of their medical classmates, Dr Sanjib Mohanty started TASL in 2009. Apart from the three, it was also funded by successful IT entrepreneur G Srihari, a schoolmate of Dr Prabir, through which he had come to know about the startup.

TASL has just 18 full-time doctors, 35 paramedical staff and 50-plus other full-time staff at the Mysore center. TASL also takes help of a small number of part-time consultants, mostly cardio, fitness and yoga advisors. Mysore center is the hub of its activities, but it has two more small consultation centers in Bangalore and Pune. So far, TASL has completely cured more than 3600 Type II diabetes patients, who have cleared Glucose Tolerance Test successfully multiple times. About 6000 more are in different phases of diabetes reversal.

TASL, though much smaller, has built a reputation for its highly effective programs, which it runs as short-term programs, long-term physical camps and a lot of long-distance online programs that run through video conferencing and mobile apps.

Omega sees three key leverages in TASL—a big bang entry into diabetes area, with a very differentiated offering, a learning from TASL in terms of managing long-distance programs effectively and finally, learning from TASL in terms of tech leverage.

Dr Mohanty has been designated as the Chief Strategy Officer of Omega.

In the first meeting since completion of the acquisition, Dr Mohanty made a presentation. It was about new areas. And he listed them: getting into the wellness segment, exploring the medical tourism opportunity by targeting global patients. He also stressed the need to target non-customers with newer apps. This, he argued, could make getting into new areas smoother and less risky as it would help them capture sentiments and needs.

Out of these, Omega was already contemplating getting into medical tourism and the board liked his idea on creating apps for non-customers as it saw potential in it for getting into newer segments. But it decided against getting into wellness segment right away, as it thought,

that would dilute its serious hospital positioning.

Dr Prabir and Dr Ram, another senior doctor and a member of the board, in fact, took the idea of the app forward by suggesting a 'complete revamp of technology', which essentially meant going aggressively for technology-leveraged operation (and growth).

Venkat Ganapathi Rao, the chairman of Omega and VGR to all, suggested creating a new tech platform. VGR's son is an IT professional in the US. Though not involved with Omega at all, he often tells VGR about the role technology can play in healthcare in India. While VGR is a very progressive and customer-oriented person, focus on medical facilities had hitherto not given him enough opportunity to try that out in Omega. But now with TASL acquisition and a senior technology person, Abhishek Baruah (from TASL) on board, he was only keen to go at it. That is the reason behind his suggestion to go for a tech platform.

He called in Abhishek and asked Dr Mohanty and Abhishek to work out a detailed plan. The brief was to first assess the need and then prepare a blueprint for a 'tech platform', which he defined as something that will, with ease, do whatever is needed at any point, 'without much hassle'. "What you guys call seamless," he quipped.

In these few months, VGR had developed a respect and liking for Dr Sriram and saw in him a man who could turn Omega into a potential research powerhouse. But for the immediate tasks at hand, he was quite impressed with what Dr Sriram was trying to do at TASL—look at patient data to find out trends and patterns. With a far bigger base of patients, he saw this could provide a great opportunity for Omega in this, which he asked Dr Mohanty and Abhishek to include. "Dr Sriram will be the person who will drive it; other doctors, especially the senior ones, should be made aware of the possibilities," he said.

After two more rounds of discussion, the top strategy-making group, with the help of their consultant, finalized a broad technology wish list.

Here is the list:

- Tech platform and supporting infrastructure/Actively consider cloud.
- Video conferencing (B2B and B2C)
- Protecting privacy of customer data
- Analytics/Insights from patient data without violating privacy
- Am effective and efficient app development that would be agile where newer app development lifecycle could be drastically reduced
- Some sort of intelligent doctor support system based on analyzing patient data

Your Task

Your task is simple. You have to create a technology plan that would support the broad requirements:

1. Your plan should address current needs, immediate future needs and long-term needs. While listing your tech plans, please prioritize.
2. You may or may not stick to the technology areas listed by the group. But if you reject any of that from the current/immediate future needs, you must give adequate reasons why you have done so.
3. The technology plan should be an integrated plan. The whole should give more value than sum of parts. This is important.
4. Give timelines, budgets, resources, and challenges.
5. Make suitable assumptions as long as they do not contradict any of the given facts.

Current IT Environment @Omega

Patient Care: Hospital Information & Patient Records System; Clinic Management System; Pathology & Lab Management System; Blood Bank System; Pharmacy System; Dietary and F&B System

Back Office: ERP, HR & Financial Accounting Solution; Patient Billing System; CRM and Marketing Solution; Procurement and Supplies Management System; Equipment Maintenance System; Facilities Management System

IT Management: Security & Identity Management Tools, Web Portal Solution; DR Solution, MIS & Reporting Tools

Infrastructure: Primary data center in Bangalore, Backup & DR in Chennai; 110 virtualized servers to support various applications; 8 dedicated servers at each hospital location for tele-radiology, pathology, and clinic management.