

# **Melsta Hospitals: Leading The Way In Creating A Quality-Driven And Technology-Driven Private Healthcare Landscape**



Melsta Health is a fully-owned subsidiary of 'AAA' Fitch Rated diversified conglomerate Melstacorp PLC. With the astute leadership of Mr. Harry Jayawardena and the strength of Melstacorp, Melsta Health is driving for leadership in Sri Lanka's private healthcare ecosystem. The overarching focus of Melsta Health, which is managing Melsta Hospitals Ragama and Joseph Fraser Memorial Hospital in Colombo, is to operate in an environment backed by technology and resources while pitching their services as affordable, quality-conscious, and process-driven.

Speaking with Business Today, Dr. Thiyagarajah Iraivan, Chief Executive Officer, Melsta Health, elaborated on how their value proposition had turned their new healthcare facilities into profitability since their takeover. At the same time, they continued expanding into subsidiary healthcare services. He was upbeat about the company's future course as he explained their ambitious plan for expansions under the Melstacorp umbrella. They are steadfast in their quest to become the best private healthcare provider in Sri Lanka, backed by the strength of a professional hospital management system, financial stability, and international healthcare partners. The hallmark of Melsta Health, he said, is its ability to reach service excellence and profitability while being socially responsible.

By Jennifer Paldano Goonewardane. Photography Menaka Aravinda.

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### **Why should people choose Melsta Hospitals? What is the benefit to the customer seeking your hospital's services?**

The journey of Melstacorp PLC began when Mr. Harry Jayawardena owned and operated the Apollo Hospital from 2006 to 2009, which was a leading tertiary care facility at that time. In 2017, he expressed his desire to re-enter the healthcare industry, the first step of which saw Melstacorp acquiring Joseph Fraser Memorial Hospital in 2018. Following a complete overhaul of the buildings and the infrastructure, we launched the Joseph Fraser Memorial Hospital afresh in 2019. In the same year, we introduced the Melsta chain of laboratories as a greenfield project. In 2020 in a bid to expand our reach, we were looking to acquire a hospital as we decidedly knew there would be immense scope in the healthcare sector for Melstacorp. In our search, we came across Browns Hospitals in Ragama, where we acquired a hundred percent stake by February 2020. By the end of March 2020, the entire country went into a strict lockdown to control the spread of the COVID-19. It was an unprecedented and challenging time, especially for us, as we made losses because of the complete shutdown and subsequent infections among staff members. Today, we have turned around the

Melsta Hospitals Ragama and made it profitable. Since taking over its ownership, we have invested more than 350 million rupees in Melsta Hospitals Ragama. That includes adding new technology and resources to enhance the hospital's operations and provide better service delivery. However, our journey doesn't end there. We are planning to expand the hospital's capacity with the addition of 11 new rooms. We have purchased an adjacent property to augment the future expansion of the hospital as we believe that in another decade, we have the potential to expand our footprint in the second most populace district in the country.

People should, without any hesitation, choose our hospital in Ragama as we have invested immensely in technology enhancement, which is on par with any hospital in Colombo. However, while being on par with Colombo hospitals, our affordable prices cater to the middle and lower-middle-income people in the Gampaha district and outside. We also made it a quality-driven hospital, probably the first healthcare institution in the country to be accredited with an integrated management system (IMS) comprising of four international standards; ISO 9001:2015, ISO 22000:2018, ISO 14001:2015, and ISO 45001:2018 for food and safety, occupational health and safety, and the environment. Melsta Hospitals Ragama is a quality-driven and technology-driven hospital. Our strategic affordable pricing formula catering to the middle and lower-middle-class customer base gives them the advantage of receiving private medical treatment at affordable prices. That alone drives people not to think twice when choosing Melsta Hospitals Ragama for subsequent treatment.

Today, with the presence of Melsta Hospitals Ragama, people don't have to travel to Colombo anymore to access the best healthcare facilities. Since taking over, we have introduced brand new facilities like urology and transplant departments. We have invested in a state-of-the-art purpose-built Gastrointestinal Center, probably the second of its kind in a private hospital. We aim to provide quality healthcare at an affordable price for the people of the Gampaha district and adjacent regions. People from Colombo also seek healthcare services at our Ragama hospital. We have set up an information center in Jaffna based on the vast potential we see in that part of the country to use our services. The hospital is situated a few minutes away from highway entry and exit points, making us well connected to the people of Jaffna. Moreover, urbanized Ragama has all the conveniences visitors look for, including a surfeit of restaurants and fast-food

chains serving the locality.

Our ambition is to become the most prominent healthcare provider in the country eventually, and right now, we are working towards achieving that objective. Our journey will not stop with Melsta Hospitals Ragama. We intend to bring in more hospitals under this banner in the future. So, we have Melsta Hospitals Ragama, Joseph Fraser Memorial Hospital, Melsta Laboratories, and Melsta Pharmacy. Melsta Laboratories is an industry-wide game changer as the pioneering stand-alone laboratory operation in Sri Lanka. Ours is the only stand-alone lab that is not attached to the hospital and functions independently, providing the most comprehensive range of testing services, where patients can obtain all their diagnoses at a single, easy-to-access location.

We are strongly present in the southern, central, and western provinces, intending to expand to other regions soon, including to the north. We established the chain of Melsta pharmacies as we see much market space in the local landscape. The flagship pharmacy on Galle Road is the most modern and customer-centric facility. We offer home delivery of medicines, free health checks, senior citizen discounts, special patient counseling by qualified and experienced staff. It also provides customers with online purchases and a home delivery facility. Melsta Pharmacy further offers mother and baby care products, wellness, surgical and consumable items, and a personal care range. We intend to introduce many more pharmacies in the future. Our customer segments seeking healthcare services at Melsta Hospitals Ragama include the people of the Gampaha district and consultant-specific clientele. Sri Lanka is still a doctor-driven market where people follow the consultant, making our customers' second segment. More than 150 consultants serving at Melsta Hospitals Ragama are from the Colombo-North Teaching Hospital, the Negombo Hospital, Kuliyaipitiya Teaching Hospital, and the Gampaha General Hospital. We have opened up to the consultants' community in and around the Gampaha district and the Colombo-based consultants.

### **Melsta Health has a host of other services. What are the benefits to the people?**

Melsta Hospitals Ragama is a secondary care facility. We have introduced a plethora of surgical procedures through our Ragama facility. As we advance,

prominent on our agenda is introducing orthopedic treatment. Orthopedic treatment is a key focus area for us for many reasons. With an increase in the country's aging population, there will be a demand for orthopedic treatment, especially joint replacement procedures.

Moreover, orthopedic treatments are becoming essential in a landscape where road accidents are rising, and the injuries therein require orthopedic interventions. I believe the private healthcare sector has room to play an active role in the area of orthopedics. We are in the process of setting up an orthopedic center of excellence. We have already set up centers of excellence through our gastrointestinal, urology, and transplant departments. A dedicated unit to deal with kidney-related issues is pertinent in the current landscape where kidney-damaging noncommunicable diseases like diabetes are on the rise. As we see it, kidney-related problems will be critical medical concerns that will require intervention in the future by the state and private sector healthcare providers. Our unit would be dealing with the whole spectrum of kidney-related issues. Our altered food habits lead to many gastrointestinal problems today, which require a spot-on diagnosis to ensure long life despite increasing instances of gastrointestinal cancers.

By expanding our services to dedicated treatment areas, the people in the Gampaha district no longer have to travel to Colombo seeking treatment for every kind of health concern. That benefits them from reducing expenses with a treatment facility close to their residence, making them comfortable as they seek treatment. Moreover, the cost of private healthcare in most other facilities can be quite a burden on people, which our hospitals can minimize. With the addition of the two new facilities, we are moving towards becoming a tertiary care facility. We would eventually introduce departments to perform heart surgeries and neurosurgeries.

### **How do you promote your brand among your target audiences as a new private healthcare service provider?**

Melsta Health, under the umbrella of Melstacorp, is a brand familiar with the corporate community in Sri Lanka and the Colombo Stock Exchange. Melsta is somewhat of a new name among consumers as a brand change occurred after our takeover. We have understood that reality very clearly. Rather than undertaking a largescale mass media-based marketing drive, we opted for community

engagement to drive our new brand identity. We reached out to the community by linking with churches, temples, traders' associations, and the three-wheel owners association through free health camps and blood donation campaigns. We are also engaging with local government agents and agencies like the Grama Seva officers and the Pradeshiya Sabha, thereby helping us to build bridges with various target groups. Our grassroots approach to taking our services to the community and creating awareness of our plethora of services has led to the community accessing hospital services. It's natural for people to feel a sense of apprehension when they see the hospital, especially reservations regarding the high costs they may incur by accessing our services. We attract people to our hospital by winning their trust through free health checkups, whereby they are satisfied with our charges and people-management skills. Our strategy is to take the brand to the community through community-centered interventions.

In the meantime, we also carry out above-the-line and below-the-line marketing programs. Community engagement as a marketing strategy is essential to us because of the nature of our locality. The Gampaha district consists of close communities where community engagement ensures successful outreach. Our health camps with the various religious and social groups have reinforced our standing and acceptance as a reliable health service provider. Our impact through community-level engagements is evident from the increasing number of people calling over at the outpatients' department.

The average number of daily patients would be more than 1,500, including the individual seeking treatment and the individual accompanying them into our facility. Our objective is to create an affinity towards our hospital by focusing on augmenting the human element, which we do by giving them the best possible care in a homely environment where they feel at ease. Every individual who walks into our hospital should feel the difference in service delivery and ambiance. While our competitors offer the same services, the key differentiating factor is our quality in service delivery, which I think will be challenging to follow if we achieve excellence in that area. We are overwhelmingly focused on differentiating our services from our competitors. Today, we are a profitable entity that has grown in revenue and in terms of individuals accessing the facility by nearly 25 percent from 2021 to 2022, which is more than the average industry growth. This growth is significant because it shows that our hospital has successfully captured our competitors' market share.

## **How do you plan the future course amid challenges to supply chains and macroeconomic concerns that are likely to affect critical healthcare products?**

The year 2022 will be very challenging as a result of disruptions to supply chains. The second challenge is the increasing prices of goods and services. Healthcare-related products in Sri Lanka are generally imported and provided to the healthcare sector. Most of our imported and supplied medical equipment require annual maintenance. We pay a dollar repair and maintenance fee annually for imported and supplied medical equipment. With the current forex crunch, we face the challenge of maintaining such contractual agreements with our suppliers. Today the lead time following an import order that used to be six to eight weeks has increased to 12 to 16 weeks, amounting to four months waiting time. That has compelled us to maintain adequate stocks, leading to unnecessary money blocking to hold excess inventory.

There is a limit to which we can take on the pressures of the current situation brought about by the forex shortage. Eventually, we will have to pass on the burden to the consumer. This trajectory applies to the entire private healthcare sector in Sri Lanka. We are now experiencing an average impact of about 30 percent, which will eventually impact the very price-sensitive market segment we cater to through Melsta Hospitals Ragama. Amid the challenges, we are fighting to keep our prices affordable and low, considering our very price-sensitive market segment in the Gampaha district. We are trying to absorb the impact as much as possible, but going ahead will be tough, forcing us to pass on that impact, at least to a certain extent, to the consumer. We are right now negotiating with the consultants not to increase their fee or to, if possible, reduce their current charges while keeping our margins almost the same so that the net pricing for the customer wouldn't change. This scenario is offering a very challenging operating landscape in 2022. The healthcare industry, in general, is going through a tough time.

## **What do you think is the future medical landscape concerning Melsta Health when globally there's more funding for innovations in this area?**

Irrespective of the current issues facing the Sri Lankan economy, we are very excited about our future course as a private healthcare provider. The current



problems are temporary, we believe. And we are determined to navigate this current problematic landscape within another year. As we look to the future, our involvement in the tourism industry holds much potential. In this regard, how the current government and future governments place Sri Lanka as a tourist destination we believe will help us develop and maintain a very high-quality medical tourism segment. If all goes as planned, our future moves would be to capture that market segment. We will disclose our strategy to capture that vital market segment when the time comes.

We are a well-positioned Group through our subsidiaries involved in travel, tourism, and hospitality with a strong presence in the region. We know the business of attracting tourists to Sri Lanka, so in the future, it will be a matter of adding medical tourism to our existing repertoire of healthcare services. We will advance ourselves and our offerings to pitch to medical tourism. In another five years down the line, the Melsta Group of Hospitals would be in a position to cater to medical tourism so that we could generate forex revenue to the company as well as to the country.

When the country is ready to go beyond medical tourism in technology such as AI, robotics, and nanotechnology, we will be prepared to invest and embrace such innovations. Healthcare is an investment that will not waste if we have a suitable business model. COVID-19 has proven that anything can go wrong, which we have witnessed, especially with businesses collapsing, but healthcare will always thrive as long as humans are alive. We will get a suitable model to harness the future's potential.

The Melsta Group is one of the giant conglomerates in Sri Lanka, backed by 24,000 employees and a strong presence in telecom, plantations, hospitality and tourism, beverages, healthcare, and insurance service. In time to come, we are sure that we will be one of the key players in the country's corporate landscape, catering to local and global requirements. With a rising aging population globally, there are huge waiting lists for surgical procedures. Many public health services abroad are overburdened with backlogs unable to serve the entirety of their target population, which gives Sri Lanka leverage to harness that opportunity. We should be able to offer the same health services as our regional competitors at half the cost they charge. We have superb connectivity, a very pleasing environment that is very inviting to the visitor. To achieve this ultimate objective, we need to have the right thinking and focused approach to medical tourism,

which Melsta is looking at as an opportunity to grow.

**The Joseph Fraser Memorial Hospital has always been a unique brand with an aura and a reputation for maternal and childcare. How do you intend to continue that legacy?**

The Joseph Fraser Memorial Hospital was established in 1923 by the late Scottish Planter Joseph Fraser's wife and daughter upon his demise in 1914. A board of trustees managed the hospital until its takeover by Melstacorp in 2018. At the time of our acquisition, the entire outfit required a complete overhaul, which we have managed to accomplish and turn into a profitable venture.

What drives us to achieve quality and efficiency in service delivery is the lessons that we learned with the entry of Apollo Hospitals India in 2002, which changed the local healthcare delivery system that existed at the time. The management of Apollo Hospitals India introduced a paradigm shift forcing other private hospitals to get their act together and pull up their socks. Despite its history and legacy, the emergence of newer hospitals with better facilities led to declining demand for health services from the Joseph Fraser Memorial Hospital. We took over the hospital and transformed it with all the modern medical amenities required for the target group it serves without compromising its architecture and ambiance. We have upgraded and overhauled the theatres and introduced new equipment while air-conditioning the interiors and pruning the structure while retaining the old-world charm of the colonial architecture and service delivery. Our objective is not to fill up the rooms and function like any other private healthcare facility in Sri Lanka. We will maintain the status quo of Joseph Fraser Memorial Hospital as a very homely place that delivers personalized healthcare services. The hospital continues to retain the oldest staff members that have served the hospital diligently for decades. This hospital has been where women spanning several generations have delivered babies. I had the good fortune of meeting three generations of women born here and subsequently giving birth as adults at this hospital. Those are traditions that we cherish and would love to foster. Amid this old-world charm, we have completely overhauled the services to ensure best-in-class service to our customers, including a cafeteria and an in-patient and outpatient pharmacy. Joseph Fraser was a facility that, until our takeover, had many manual operations, including the issuance of bills. That is no longer the case, while we have made the hospital premises a Wi-Fi zone. Today all functions

are driven on digital platforms. But believe me, a visitor to this hospital will not see the modernity that we have brought into the systems. The transformation has been subtle, allowing them to walk into familiar surroundings and enjoy the beauty of a typical landscape.

The services at Joseph Fraser Memorial Hospital include obstetrics and gynecology, pediatrics up to 14 years, in-patient and outpatient services, and a vaccination center. We have also established a neo-natal intensive care unit, a blood freezer, and a laboratory. Significantly, we have upgraded the human resources in the hospital by recruiting the best professionals in the industry from the best doctors, nurses, and paramedics, thereby creating an essential differentiation in service delivery. We have two resident consultants practicing exclusively at this hospital. We don't intend to fill up the hospital to total capacity to showcase our performance. The objective of the Joseph Fraser Memorial Hospital is to send out a happy customer. And today, I can proudly announce that this hospital has been turned around to profitability.

**How challenging was it for the company to turn around a hospital such as the one you acquired in Ragama when the earlier management had not been able to reap the desired outcome through their operations?**

We saw tremendous potential in Ragama for private healthcare. That's what drove us to acquire Browns Hospital. The difference that we made through the involvement of Mr. Harry Jayawardena and his Group was to primarily understand the potential, identify the gaps in the previous operations, and fill those gaps. It was a straightforward exercise. We identified a lack of technology, resources, and a professional hospital management system.

Professional hospital management is a complex process of managing a range of individuals from the cleaner to nursing staff to executives to consultants. We recognized the consultants' community and reached out to the people leading to its success.

**What has been the relationship with State-owned Colombo-North Teaching Hospital?**

We have a complementary relationship with the Colombo-North Teaching

Hospital. For instance, when they run out of ICU space for a severe patient, we offer the ICU facility at Melsta Hospitals Ragama not at the regular ICU fee but a nominal fee. Situated very close to the Ragama Teaching Hospital, we can share our resources and technology that they don't have. Their doctors and technicians serve at our hospital, which is a win-win situation. We have such a good relationship with the Ragama Teaching Hospital that we donated 47 oxygen cylinders as a joint project with Continental Insurance during the height of the pandemic. Whenever there is a blood shortage at the Ragama Colombo-North Teaching Hospital, we follow their request for blood by organizing blood donation campaigns. We complement each other very well, which I think is one of the reasons for our success. A professional hospital management system will identify the strengths and the opportunities and harness them for the benefit and greater good of the hospital, which we have done upon taking over, leading to profitability. A team effort has driven our achievements. We base our healthcare delivery system on the vision and mission of Melstacorp.

### **What has been your involvement in hospital administration and Melsta Hospitals?**

I am a proud product of St. John's College Jaffna. As a qualified medical doctor trained at the Manchester Royal Infirmary, I entered into healthcare administration in 2006, first with Apollo Hospital, under the Indian management and subsequently under Mr. Harry Jayawardena and later under the leadership of Lanka Hospitals and Brown and Company. I am back with the company where I started as a healthcare administrator. I firmly believe that Sri Lanka has much potential for healthcare investment and growth. Probably Melsta hospitals are the only hospitals backed by solid financials and vision. My vision is to make Sri Lanka's healthcare landscape a key player in the region. We can use our other strengths to position Melsta hospitals as the preferred healthcare provider in the region. I am delighted and proud to work with Mr. Harry Jayawardena and his company where I started my administrative career in healthcare, and I am very eager to take it to the next level. When half of my batchmates have migrated, I chose a risky path as the success factor depends on the bigger picture aligned with the vision of the holding company. But I am happy to serve in this position. As people are trying to leave the country under the current circumstances, my advice is that this current situation is transient, and there is much more promise in the future. I believe in better times.

