HealthStore concentrates on **preventable and treatable diseases** (and perinatal conditions) that account for approximately 80% of childhood illness and death.

- Diarrhea 10%
- Malaria 15%
- Acute respiratory infections 16%
- Prematurity 13%
- Interpartum-related complications 14%
- Neonatal sepsis 7%
- Congenital anomalies 6%
- Other 19%

Treated through prenatal and postnatal services

Treated directly in CFW clinics
Alarm raised over illegal drug outlets

Seven out of ten chemists could be selling fake medicines: Board

By ALPHONCE SHIUNDU

Seven out of 10 drug outlets operating in the country could be selling fake medicines. This is a breakdown of the last report’s findings. The board would publish the names of the firms involved in the illegal sale of substandard drugs.

Last May, Medical services minister, Prof Anyang’Angy’o said that 10 per cent of anti-malaria drugs in the country were fake.

The government has warned pharmacists against selling counterfeit and substandard drugs to the public.

Mr Oguta said the board would publish the names of the errant premises to warn the public against buying from them.

Whole countries are engulfed by large quantities of substandard drugs that don’t work.

Fake drugs kill kids.
HealthStore’s Three-Point Test

1. **Does it maintain standards?**
   - Can it consistently deliver the quality standards necessary to provide effective treatment?
   - Can it be replicated?

2. **Is it scalable?**
   - Only what can be replicated, can be scaled.
   - Only what can be scaled, can deliver effective-quality care to large populations across a network of clinics that never get too big to maintain standards.

3. **Does it achieve economies of scale?**
   - Networks that scale, reduce the cost per person served as they grow.
The CFW Business Format

- A standardized franchise system with training and compliance programs
- **Assistance to franchisees** ensuring consistent performance across the network
- **Regulates** all important functions (especially quality)
- **Protects** the CFW clinics and CFW shops brands
- Rented storefronts
- **Limited menus to** improve performance across the network
- **Scaling the network** to make quality care accessible to more people
- **Economies of scale** reduces cost as the network grows
Reversing Perverse Incentives

A large percentage of healthcare is not effective in Kenya because providers respond to perverse incentives causing them to deliver substandard care.

- Maximizing profits selling cheaper counterfeit drugs
- Delivering substandard care because delivering an effective quality standard costs more
- Providers who deliver substandard care in rich countries suffer severe consequences (e.g. Jail) – In poor countries, they make more money

Business format franchising – effectively performed – incentivizes healthcare providers to deliver care at the standard necessary to achieve effective treatment.

- Franchisees own a valuable business, but only so long as they comply with quality standards.
- They are incentivized to follow the rules because if they break them, their franchise will be revoked.
Current Innovations

Top-Down v. Bottom-Up:

- Subsidies received by provider organization as top-down grants incentivize “grant getting” rather than better services to patients
- As in the USA, bottom-up subsidies paid to providers (i.e. Medicaid and Medicare) better incentivize higher quality care
- Maximizing franchisee profits:
  - Bottom-up subsidies are revenue to providers
  - Incentivize compliance with effective quality standards
  - Enable franchisees to pay royalties to the franchisor
- Strong royalty revenue flows make the franchisor profitable
  - Profitable franchisors gain access to capital markets