

MEDINOVA HEALTH CARE LIMITED

**A BUSINESS PLAN FOR ESTABLISHING A
HEALTH DIAGNOSTIC CENTRE**

7/22/2022

1.0. Executive Summary

MEDINOVA HEALTH CARE LIMITED is a start-up company planning to offer a wide range of medical test and treatments for the Dar es Salaam community.

The Market

MEDINOVA HEALTH CARE LIMITED will target insurance carriers and private/public health centres. Insurance carriers and private/public health centres use a bid submittal process to set up contracts with the various medical scan service providers. In today's medical environment these contact are key because 99% of the scans done are billed through insurance. Insurance companies therefore are the great keepers to this process. MEDINOVA HEALTH CARE LIMITED recognizes the importance of getting Insurance carriers and private/public health centres approval and will work hard to get approved by all popular insurance plans.

Once MEDINOVA HEALTH CARE LIMITED has been approved by an Insurance companies and private/public health centres, it will rely on referrals of physicians to point their patients to MEDINOVA HEALTH CARE LIMITED. Doctors make referrals based on several factors including geographic location/convenience who they know, accepted forms of insurance, type of scan, etc. It will be important to have a strong marketing and sales campaign that alerts referring doctors to MEDINOVA HEALTH CARE LIMITED's services.

Services

MEDINOVA HEALTH CARE LIMITED will offer a wide range of radiology-based medical scanning tests. MEDINOVA HEALTH CARE LIMITED has the latest equipment and the expert medical training to interpret and provide valuable consultation to the physician who make the patient referrals to MEDINOVA HEALTH CARE LIMITED.

Management

MEDINOVA HEALTH CARE LIMITED will be lead by qualified doctor who has received her/his medical degree with a specialization in radiology from the recognized medical school for radiology.

Mission

It is MEDINOVA HEALTH CARE LIMITED's mission to be recognized as the leader in medical scanning technology in Dar es Salaam. This will be achieved by friendly service, flexible acceptance of insurances plans, and accurate analysis.

1.1. Objectives

- To capture 40% of local physician' business within two years
- To reach profitability within two years
- To double sales by year three

1.2. Keys to Success

- Only purchase medical equipment that has demand within the community
- Provide fast, friendly service with accurate readings.
- Employ strict financial controls to help manage the expensive capital costs associated with medical imaging equipment.

2.0. COMPANY SUMMARY

MEDINOVA HEALTH CARE LIMITED has been formed as a Tanzania company. It is solely owned by Munir Ali Ibrahim and Mohammed M. V. Peedikakkal.

2.1 Start-up Summary

MEDINOVA HEALTH CARE LIMITED will need to purchase the necessary equipment for the clinic.

- Brand new Office furniture for four exam rooms
- Brand new Receptionist Office furniture and assorted waiting room furniture
- Three computers, one with QuickBooks Pro, all with Microsoft Office, a central laser printer and broadband internet connection.
- Medical scanning devices:

Investment Breakdown

Start-up Requirements	
Land and Building	100,000
Plant/Equipments	1,000,000
Vehicles	100,000
Furniture/Fittings	50,000
Pre-Expenses	20,000
Others	
Working Capital	110,000
Total Requirements	1,380,000

2.2. Company Ownership

Munir Ali Ibrahim and Mohammed M. V. Peedikakkal are the stockholders of the MEDINOVA HEALTH CARE LIMITED.

3.0. SERVICES

MEDINOVA HEALTH CARE LIMITED will offer Dar es Salaam physicians a wide range of diagnostic scanning tests. Due to the high costs of scanning equipment for occasional use, most small clinics and practices use an outside service provider for scanning needs. The following scans will be offered.

- X-Ray: An X-ray uses invisible electromagnetic energy beams to produce images of internal tissues, bones, and organs on film. X-rays are used for numerous reasons but work best to find tumors or bone injuries.
- Ultrasound: This technology sends sound waves into the body, recording the reflection. Ultrasound is used for a detailed assessment of blood flow and for views of soft tissue and anatomical body structure.

- **CAT Scan:** This is a diagnostic technology that uses a combination of x-rays and computer technology to produce cross-sectional images (“slices”) in a horizontal and vertical orientation. A CAT scan can show detailed images of any part of the body including bones, muscles, fat, and organs. CAT scans are more detailed than traditional x-rays and have low releases of radiation. CAT scans are often used to diagnose tumors, evaluate internal bleeding or investigate internal injuries or damage.
- **MRI:** This technology harnesses magnetic energy. The reaction by the body when the bed where magnetic fields are applied to the body. The reaction by the body when the magnetic fields are applied and relaxed is noted by a computer which has been recording data throughout the process. MRIs are the premier scanning device for extremities, especially joints, as well as for imaging the upper spine and lower back.

Diagnostic scanning requires proper analysis by a radiologist to analyze the scans.

4.0. Market Analysis Summary

MEDINOVA HEALTH CARE LIMITED has identified two customer segments that they will target: medical Insurance carriers and private/public health centres and physicians. For many patients the Insurance companies and private/public health centres mandates who can provide scanning services. Therefore the driving force to getting customers in attracting the large Insurance carriers and private/public health centres. MEDINOVA HEALTH CARE LIMITED has been in negotiations with the three largest carriers in the state and all have informally accepted MEDINOVA HEALTH CARE LIMITED’s bid proposal.

The second customer group is the physicians. While the Insurance companies and private/public health centres will mandate what labs are acceptable for their insurances plan, it is the doctor’s choice where they recommend their patients goes.

4.1 Market Segmentation

DBCL will target largest medical Insurance carriers and private/public health centre.

MEDINOVA HEALTH CARE LIMITED has been involved in negotiations with these Insurance carriers and private/public health centres to develop an arrangement for MEDINOVA HEALTH CARE LIMITED to be an approved facility. The next step is the submission of a bid, which is primarily based on price. The lab must agree to rates that the insurance companies have set forth. A secondary consideration is the ability of the lab to adhere to specific filling and billing procedures.

The second target market segment is physicians. Physicians make referrals based on numerous factors including.

- Who they know
- Who the patient's Insurance companies and private/public health centres is.
- What type of scan the patient is receiving
- Convenience of location relative to their office or to the patient's home.

Market Analysis (Pie)

Market Analysis		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
Insurance companies	1%	21	21	21	21	21	0.00%
Physicians	4%	235	244	253	264	275	4.01%
Total	3.70%	256	265	275	285	295	3.70%

4.2. Target Market Segment Strategy

The insurance companies decide what scanning facilities are acceptable relative to their insurance plan. Once the facility has been approved the approval is typically good for one to two years at which point a new bid must be submitted.

Physicians direct the patient to where they must go for a scan. Because MEDINOVA HEALTH CARE LIMITED is located within a professional building

with many doctors, this level of convenience with often prompt the doctor to immediately recommend MEDINOVA HEALTH CARE LIMITED.

4.3 Service Business Analysis

The medical imaging industry operates under two models: a large clinic or practice that purchases the equipment for the use of their physicians and outside service providers.

Only large clinics and practices can justify buying their own scanning equipment. For a small clinic or practice, the high equipment cost with low use rate makes cost per use expensive.

MEDINOVA HEALTH CARE LIMITED's direct competitors offer their services to all physicians and accept a wide range of insurance plans. These competitors rarely offer services beyond medical imaging test and radiologist analysis. The medical scanning industry can be profitable if there is not over capacity of the scanning machines in the area. A profitable capacity is to have approximately five MRIs for every 100,000 people.

4.3.1 Competition and Buying Patterns.

There are nine direct competitors in the area. The large ones are detailed below:-

- Aga Khan Medical Center: This company operates three centers of Imaging equipment. This company is large, while they offer competent radiologist analysis, the setting is somewhat factory like where patients become numbers who are shuffled through.
- Scanning: This is a small facility with one part time radiologist on staff. They only have an MRI and CAT scan, they do not offer any other types of imaging services.
- Imaging: This facility is similar to MEDINOVA HEALTH CARE LIMITED but is located on the near side of town, a 15 minute drive away, therefore this facility seems to serve a more regional customer base due to their non-centralized location.

MEDINOVA HEALTH CARE LIMITED also has indirect competition from clinics and large practices with their own scanning equipment. This group does not serve outside physicians so it is only a threat if they recruit doctors that use MEDINOVA HEALTH CARE LIMITED, away from private practice.

5.0. Project Implementation Strategy

MEDINOVA HEALTH CARE LIMITED will leverage its competitive edge of having the most advanced equipment with a seasoned, nationally recognized radiologist providing all of the analysis. MEDINOVA HEALTH CARE LIMITED will employ a marketing strategy that will communicate the message that will offer state of the art technology and medical analysis, developing an awareness regarding MEDINOVA HEALTH CARE LIMITED's strengths and distinctiveness.

There is not a significant amount of work that needs to occur to market to the insurance companies. This activity is handled by bid submission. Most activities directed at the insurance companies will occur through the sales campaign. MEDINOVA HEALTH CARE LIMITED will also embark on a sales strategy that has the goal of converting qualified doctors into referring doctors, MEDINOVA HEALTH CARE LIMITED's source of patients. The following three sections provide this analysis.

5.1 Competitive Edge

MEDINOVA HEALTH CARE LIMITED will have a nationally recognized expert radiologist in charge of all analysis. Qualified doctor, who has been practicing radiology for 13 years, published over 14 articles in renowned medical journals and is often asked to be a speaker at national engagements.

A medical imaging scan is only as good as the analysis of the scan, therefore it is of significant value to offer a service where you have a nationally recognized expert offering the consultation to the referring doctor.

5.2 Marketing Strategy

MEDINOVA HEALTH CARE LIMITED will use several methods to communicate that it will offer the most advanced technology and the best expert

radiology analysis. This message will be communicate through various methods:

- **Yellow Pages:** While the Yellow Pages are not as targeted as other methods of communication, these advertisements will be necessary as many people turn to the pages when they do not have a specific service provider in mind. The ads are proven to be cost effective.
- **Circulars:** These will be pamphlets that are sent out to local physicians. The phamplet will serve to introduce MEDINOVA HEALTH CARE LIMITED and details the different services that it will offer. It will also provide information on qualified doctor and will include background into her provide information on qualified doctor and will include background into her professional accomplishments and activities.
- **Networking:** The Centre recognizes the importance of networking, getting to know the physicians that work in Dar es Salaam. A high percentage of referrals are made based on personal and professional contacts so networking is a very effective method of increasing the number of referrals. Doctor in charge will be active in numerous organizations and committees that are present within the medical community.

5.3 Sales Strategy

MEDINOVA HEALTH CARE LIMITED's sales strategy will be to convert a qualified lead into a referring physician. This will be done through the emphasis of Doctor in charge' strength and expertise in the field of radiology. The medical scanning laboratories service both patients and doctors.

For patients the scanning must be conventient, pleasant and accept most insurance plans. For physicians, it must be a high-quality radiologist analysis. The better the analysis, the more accurate information that the radiologists can offer in the consultation to the referring physician.

MEDINOVA HEALTH CARE LIMITED will be networking with various Insurance carriers and private/public health centre. The first step is to determine who the

key contact at the Insurance companies and private/public health centres is. These contacts will be useful in providing information on what is expected in the submitted bid.

5.3.1 Sales Forecast

The sales forecast adopts a conservative approach to projecting future sales. As a start-up organization, MEDINOVA HEALTH CARE LIMITED recognizes that sales will be slow initially but by the seventh month sales will be steady and grow as the marketing efforts are developed.

The sales forecast is broken down by the type of service provided and displayed in the following table. The charts give a visual representation of monthly and yearly figures.

Sales Forecast			
	Year 1	Year 2	Year 3
X-ray	\$ 124,292	\$ 130,500	\$ 143,550
Ultrasound	\$ 73,332	\$ 77,000	\$ 84,700
CAT-Scan	\$ 136,721	\$ 143,000	\$ 157,300
MRI	\$ 87,999	\$ 92,000	\$ 101,200
Total Sales	\$ 422,344	\$ 442,500	\$ 486,750
Direct Cost of Sales	Year 1	Year 2	Year 3
X-ray	\$ 28,587	\$ 30,000	\$ 30,900
Ultrasound	\$ 16,866	\$ 18,000	\$ 18,540
CAT-Scan	\$ 31,446	\$ 33,000	\$ 34,000
MRI	\$ 20,240	\$ 21,300	\$ 22,000
Subtotal Direct Cost of Sales	\$ 97,139	\$ 102,300	\$ 105,440

5.4 Milestones

MEDINOVA HEALTH CARE LIMITED has chosen several quantifiable milestones that have been developed as goals for the organization to achieve. The following table details the specific milestones, the time frame that has been

estimates for completion of the milestone and the specific employee responsible.

Web Plan Summary

MEDINOVA HEALTH CARE LIMITED will set up a website which will provide information regarding the services offered and Doctor in charge professional experience.

6.1 Website Marketing Strategy

MEDINOVA HEALTH CARE LIMITED will use two simple marketing techniques to alert prospective customers to the site. The first is the prominent display of the Web address on all literature that MEDINOVA HEALTH CARE LIMITED has. The second is submitting MEDINOVA HEALTH CARE LIMITEDs website URL to multiple search engines. This will ensure that if a customer types “Mwanza MRI” into a search engine and they would be brought to Centres Website.

6.2 Development Requirements

The website will be designed and built by a local computer science student.

6.0. **MEDINOVA HEALTH CARE LIMITED** will be lead by qualified doctor. Doctor in charge who has received her medical degree from the world renowned health university for their radiology.

7.1 Personnel Plan

MEDINOVA HEALTH CARE LIMITED will require the following positions/responsibilities

- Doctor in Charge: In addition to being the resident radiologist, she/he will also be responsible for business development and some marketing and sales.
- Technicians: Four people will be responsible for the operation of the machines.

- Administration: Two people will be responsible for the clerical duties and book keeping.

Personnel Plan	Year 1	Year 2	Year 3
Doctor in charge	\$ 60,000	\$ 61,800	\$ 63,654
Technicians	\$ 48,000	\$ 49, 440	\$ 50,923
Other	\$ 19,200	\$ 19,776	\$ 20,269
Total People	15	15	20
Total Payroll	\$ 127,200	\$ 131,016	\$ 134,846

7.0. Financial Plan

The following sections will outlines the financial planning for MEDINOVA HEALTH CARE LIMITED.

7.1. Important Assumptions

The following table details important Financial Assumptions.

General Assumptions	Year 1	Year 2	Year 3
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	30.00%	30.00%	30.00%
Other	0	0	0

7.2. Break-even Analysis

The Break-even Analysis indicates what is needed in monthly revenue to reach the break-even point.

Break-even Analysis	
Monthly Revenue Break-even	\$ 40,582
Assumptions:	
Average Percent Variable Cost	23%
Estimated Monthly Fixed Cost	\$ 31,248

7.3. Projected Profit and Loss

The following table and charts will indicate Projected Profit and Loss.

Profit and Loss Statement Forecasted	Year 1	Year 2	Year 3
Direct Cost of Sales	\$ 422,344	\$ 442,500	\$ 486,750
Other Costs of Sales	\$ 97,139	\$ 102,300	\$ 105,440
Other Costs of Sales	\$ 0	\$ 0	\$ 0
Total Cost of Sales	\$ 97,139	\$ 102,300	\$ 105,440
Gross Margin	\$ 325,205	\$ 340,200	\$ 381,310
Gross Margin %	77.00%	76.88%	78.34%
Expenses			
Payroll	\$ 127,200	\$ 131,016	\$ 134,846
Sales and Marketing and Other Expenses	\$ 6,000	\$ 0	\$ 0

Depreciation	\$ 172,300	\$ 0	\$ 0
Rent	\$ 24,000	\$ 0	\$ 0
Utilities	\$ 6,000	\$ 0	\$ 0
Insurance	\$ 18,000	\$ 0	\$ 0
Payroll Taxes	\$ 19,080	\$ 0	\$ 0
Other	\$ 2,400	\$ 0	\$ 0
Total Operating Expenses	\$ 374,980	\$ 0	\$ 0
Profit Before Interest and Taxes	(\$49,775)	\$ 209,184	\$ 246,464
EDITDA	\$ 122,525	\$ 209,184	\$ 246,464
Interest Expenses	\$ 79,500	\$ 68,000	\$ 56,000
Taxes Incurred	\$ 0	\$ 42,355	\$ 57,139
Net Profit	(129,275)	\$ 98,829	\$ 133,325
Net Profit/Sales	-30.61%	22.33%	27.39%

7.4. Projected Cash Flow Statement

The following table and chart will indicate Projected Cash flow

Cash Flow Statement			
	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	\$ 105,586	\$ 110,625	\$ 121,688
Subtotal Cash from Operations	\$ 345,812	\$ 438,848	\$ 478,732
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$ 0	\$ 0	\$ 0
Net Current Borrowing	\$ 0	\$ 0	\$ 0
New other liabilities (Interest-free)	\$ 0	\$ 0	\$ 0
New Long-term Liabilities	\$ 0	\$ 0	\$ 0
Sales of Other Current Assets	\$ 0	\$ 0	\$ 0
Sales of Long-term Assets	\$ 0	\$ 0	\$ 0
New Investment Received	\$ 0	\$ 0	\$ 0

Subtotal Cash Received	\$ 345,812	\$ 438,848	\$ 478,732
Cash Spending			
Expenditure from Operations			
Cash Spending	\$ 127,200	\$ 131,016	\$ 134,846
Bill Payments	\$ 227,987	\$ 219,308	\$ 218,092
Subtotal Spent on Operations	\$ 355,187	\$ 350,324	\$ 352,938
Sales Tax, VAT, HST/GST paid Out	\$ 0	\$ 0	\$ 0
Principal Repayment of Current Borrowing	\$ 0	\$ 0	\$ 0
Other Liabilities Principal Repayment	\$ 0	\$ 0	\$ 0
Other Liabilities Principal Repayment	\$ 0	\$ 0	\$ 0
Long-term Liabilities Principal Repayment	\$ 120,000	\$ 120,000	\$ 120,000
Purchase Other Current Assets	\$ 0	\$ 0	\$ 0
Purchase Other Current Assets	\$ 0	\$ 0	\$ 0
Dividends	\$ 0	\$ 0	\$ 0
Subtotal Cash Spent	475,187	\$ 470,324	\$ 472,938
Net Cash Flow	(129,375)	(31,447)	\$5,793
Cash Balance	\$ 188,525	\$ 157,048	\$ 162,841