

CASE STUDY

# Grupo Conclina



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# Introduction

The largest private hospital in Ecuador, Hospital Metropolitano in Quito, also has one of the strongest reputations for quality of care. This is not an accident; the company's culture and day-to-day practices have been shaped by three major choices that its leaders have made through its history.

The first was to establish governance structures dedicated to quality of care. The hospital was conceived in 1977 by a group of Ecuadorian physicians who had been trained in the United States and Europe. They wanted to bring international standards to a hospital in their country. Javier Contreras, currently the CEO of the hospital and its parent company, Grupo Conclina, describes their ambitions as follows: "We want to lead the healthcare transformation in our country." They ultimately set up a structure where the majority shareholder is a healthcare non-profit, the Metrofraternidad Foundation.

The second choice was to establish a business model that would give Grupo Conclina the financial resilience it would need to fulfill its long-term goals. In 2000, the group acquired Humana S.A., a prepaid healthcare plan with about 215,000 members. As with Kaiser-Permanente in the United States, this business model involves pairing the payor service with the group's hospital and outpatient services—in effect, a complementary source of revenue and a way to broaden the group's value to people in and around Quito.

The third choice was to take on the challenge of meeting international standards for quality healthcare and wellness. In 2011, Hospital Metropolitano became the only hospital in Ecuador accredited by the Joint Commission International (JCI), a global healthcare certification body. It generally takes several years for a hospital to gain the technical and procedural excellence to meet JCI's standards. Having gained this certification, Conclina is now going a step further; it's midway through a similar process with the Planetree medical organization, whose standards focus on person-centered care and wellness.

All three of these decisions became, in effect, forcing functions, moving the company continually toward higher quality and a warmer, more patient-supportive atmosphere. The value of this approach became evident when the pandemic struck. Ecuador has been considered one of the worst-hit countries, in terms of health and economic impact. Like all healthcare organizations, Hospital Metropolitano was rapidly thrown into turmoil; to recover, they had to show their patients and their government that they could treat people when the world was shutting down. And they had to provide employees with assurance that they had a steady place to work—as professionals on whose skills many others would rely.

The Grupo Conclina story is one of effectiveness during the pandemic because of capabilities built up over the years before. The story also shows how financing can be of most value to a healthcare business in emerging economies: when it is flexible and oriented toward long-term viability.



## We Interviewed Four Company Leaders and One IFC Investment Officer



**Javier Contreras** is the general manager of Hospital Metropolitano and CEO of the Grupo Conclina.



**Monica Lana** is director of quality and operations for Hospital Metropolitano.



**Mauricio Rodriguez** is the Chief Financial Officer for Hospital Metropolitano.



**Johanna Maza** is the chief of the treasury for Hospital Metropolitano.



**Juliana da Silva Alves** is an associate investment officer at IFC.

# Lessons from Grupo Conclina's Story



**Create structures that stand for the hospital's aspirations:** The culture of the enterprise reflects its governance model



**Instill formal practices to create a healthy culture:** Collaboration and accreditation can foster a quality ethic



**Design a diversified business model that allows for growth:** A leading role in the community requires a profitable business



**In crisis, build on your strengths and seek flexibility:** Covid-19 is testing the commitment and resilience of organizations like Grupo Conclina





# Grupo Conclina at a Glance

The company is an Ecuadorian healthcare firm, based in Quito, Ecuador's capital city. It owns Hospital Metropolitano, the largest private hospital in Ecuador; Humana S.A., Ecuador's third largest prepaid health payor plan; Metrored, an outpatient medical consultancy, with clinics and telemedicine offerings; which provides medical ambulatory services in Quito and Guayaquil.

<b>Years in Business</b>	42; The founders came together in 1977, they formally founded Grupo Conclina in 1979, and the first enterprise, Hospital Metropolitano, opened in 1985.
<b>Revenues</b>	About 42 percent of the revenues come from individual fees for services, and 58 percent come from prepaid health payors such as Humana, the group's insurance entity, which has enrolled about 215,000 members.
<b>Website</b>	<a href="http://www.hospitalmetropolitano.org">www.hospitalmetropolitano.org</a>
<b>Corporate Governance</b>	Conclina's main shareholder is Metrofraternidad, a nonprofit foundation created in 1986. Other shares are publicly traded. Metrofraternidad provides free medical assistance to low-income patients and has helped 175,000 patients receive treatment and care, including nearly 10,000 medium and high complexity surgeries. The foundation benefits from IFC's investment and the hospital's expansion indirectly; as the hospital serves more patients, Metrofraternidad receives larger dividends to reinvest in its mission.
<b>Investment History</b>	IFC has given two investment opportunities to Grupo Conclina. The first was a \$15 million equity investment in 2015, used for expansion, modernization, and recovery from a financial shortfall. The second investment was a line of credit in 2020, which enabled Grupo Conclina to manage the fiscal uncertainties of the pandemic and assure employees that they would keep their jobs.
<b>Social and Environmental Results</b>	<p>Hospital Metropolitano is the only JCI-accredited hospital in Ecuador. It has been recognized by the Congress of Ecuador for its contributions to the community and received the "Best Practices of Sustainable Development" from the UN Global Compact award.</p> <p>Hospital Metropolitano was named by <a href="#">America Economía</a> one of the 14 best hospitals in Latin America.</p>
<b>Workforce</b>	More than 1,500 staff (Full Time Equivalents) plus 700 medical doctors.
<b>Geographic Footprint</b>	Serves Quito and the surrounding area in Ecuador's highlands.
<b>Business Model</b>	The hospital, outpatient and ambulatory businesses offer fee-based medical services. Humana S.A., the 3rd largest pre-paid health plan in Ecuador, offers payor services to a broad clientele.
<b>Culture</b>	Collaborative, outward-facing to the international healthcare community, oriented to advanced technology and practices, and increasingly patient-centered.

# Lesson 1: Create Structures that Stand for the Hospital's Aspirations

Grupo Conclina was originally established in 1979 as a joint venture between the U.S.-based hospital chain American Medical International (AMI), and a consortium of Ecuadorian physicians. Their long-term ambitions defined the hospital's purpose: it would be grounded in medical practice, oriented to improving healthcare and quality of life for patients in the Quito area. CEO Javier Contreras, who has been with the group's Hospital Metropolitano since 2011, explains how the direction was set:

► **Javier Contreras:** *Metropolitano was the first big hospital in Ecuador with international standards. We worked hand in hand with AMI, which helped us design the layout and establish procedures. We started with an orientation focused on quality.*

In 1987, AMI divested its operations outside the United States, donating its Metropolitano shares to the Metrofraternidad foundation, which had been set up separately by the hospital's founders, and which now became the majority shareholder. As IFC investment officer Juliana da Silva Alves notes, this unusual arrangement was critical in establishing long-term goals for success:

► **Juliana da Silva Alves:** *It has always been a well-balanced doctor-administration managed hospital. This gave them a long-term mindset, oriented toward quality, that you would not always see in a company run strictly by, say, a conventional private equity fund. The owners are knowledgeable enough to make clear decisions and to set a pattern for the future.*

*They have promoted and established strong corporate governance measures in recent years. The board of directors is very active and diverse*

*in terms of their backgrounds. There is an engineer, a lawyer, and an auditor, as well as physicians. This is a differentiating factor compared to other clients.*

Throughout its history, Grupo Conclina reinvested its income in market-relevant leading-edge technology and upgraded treatments. It was the first hospital in Ecuador to offer cochlear implants, surgical treatments for epilepsy, and renal and liver transplants. It brought to Ecuador magnetic resonance imaging (MRI) and intelligent operating rooms, where the operating table and related equipment are informed by data. In 2009, the hospital successfully separated conjoined twins, with a participating team of more than 20 doctors, nurses, and technical staff members.

In 2015, the hospital leaders saw that their current business model would be inadequate to keep up with changes in healthcare technology and practice, and with some of the pressures that came from expanding their services, especially given their continued emphasis on safety and quality of care. They applied for financing with IFC. CEO Javier Contreras and Chief Financial Officer Mauricio Rodriguez explain the investment and its link to their long-term goals:

► **Contreras:** *Our revenues were more than \$100 million per year, but we were not clearing enough profit to keep reinvesting and to sustain our model. We needed access to long-term financing, which was not available in Ecuador. After due diligence, IFC invested \$15 million, as long as we went through strategic planning with them, so that we could improve our practices and turn around our business model.*





► **Mauricio Rodriguez:** *The investment covered the costs of renovation and innovation: expanding the number of beds, and getting new equipment that would improve diagnostics. We recruited experienced physicians, including some members of our leadership team. We replaced our*

*I.T. structure, including enterprise resource planning and health information systems. This was important; it allowed us to share better information with patients, and greatly improve the general management of the hospital.*

## Lesson 2: Design a Diversified Business Model that Allows for Growth

Conclina's founders imagined and created a successful private healthcare company in a country with a widespread public healthcare system. They therefore had to define their contribution in terms of two ideals: raising the quality of healthcare around them in the long term, and staying in business in the short term.

The model that supported this was a mix of pre-paid plans and direct hospital fees. As the enterprise grew, the payor and provider roles complemented each other. Like other payor-provider combinations, such as Kaiser-Permanente's in the United States, they attracted customers with high value, while providing an easy path for inpatients to return to Metropolitano, and outpatients to Metrored.

► **Contreras:** *With Humana (the hospital's prepaid medical plan), we can diversify, lowering the risk profile of the company. It also enables us to cover costs for services like Metrored, enabling Humana to provide that infrastructure to its affiliates. The overall purpose is to deliver quality healthcare. This is different from the insurance mindset, which is always looking for ways to lower reimbursement expenses. Our origins are with doctors, who wanted to build the best hospital in the world, here in Ecuador, and who did their training in American and European hospitals. This business model, combining complementary organizations, allows us to deliver the highest-quality healthcare.*

As the company gained experience with the business model, they recognized some of the

value that this experience could offer to the rest of the Ecuadorian healthcare system. The government has involved them at times in offering complex treatments to patients in the public healthcare system, and has asked for advice and guidance on some public health issues. CFO Mauricio Rodriguez explains:

► **Contreras:** *At various times, the government of Ecuador has asked us to offer more services to patients [in the public health system]. We want to give quality access, but we are very clear that this can be a very short history, unless we can think through the financing. That is part of our contribution, how to deliver quality as well as finance healthcare activities. How can we develop wellness, or better ways to save lives? There are a lot of different aspects, including the predictive aspects of healthcare.*

*I believe that the government leaders are willing to hear us, because we come from Hospital Metropolitano, and hopefully we can influence our country for the better. There are a lot of inequalities here. Of the 17 million people in Ecuador, just one million have access to the private healthcare sector, and only about 5 million have access to the public sector. So, we have a long way to go—but they don't know how to do it. So, we're willing to say, "Let us help you."*

*During the pandemic, we've learned that other hospitals can benefit from our experience. We hope to keep sharing information. As a country, we need to have better access and quality.*



## Lesson 3: Instill Formal Practices to Create a Healthy Culture

Quality in healthcare can't be taken for granted. It requires ongoing commitment and improvement. There are always new treatments to incorporate—new staff and experienced practitioners continually need to upgrade skills. As an organization founded by doctors, Hospital Metropolitano established that ethic from the beginning, but they discovered that even a determined group needs to find formal practices to bring quality to higher levels.

Here, those formal practices have involved certification. Conclina looks outside the country to find internationally accepted standards for excellence. Starting in 1987, they began to adopt the quality treatment guidelines of Joint Commission International (JCI), which are recognized for their rigorous standards. In 2011, Hospital Metropolitano became the first Ecuadorian healthcare organization to receive JCI accreditation. Since then, they have launched a similar effort, now underway, to qualify for accreditation by Planetree: a medical certification group oriented toward patient-centered care and open engagement with patients, staff, and communities. Quality director Monica Lana, who oversaw these efforts, explains how these ethics took hold:

► **Monica Lana:** *Quality of care and safety for our patients was always in our guiding philosophy. In some countries, JCI certification is required for hospitals. But in Ecuador, it's*

*voluntary. You don't get into it unless you are committed to very high standards.*

*We started back in 1987, not even certain we would seek accreditation. We just wanted to learn. We took on the JCI playbook chapter after chapter. We held quality improvement circles: small teams making improvements, one by one. It wasn't until 2009 that we made an official commitment and requested the requirements. We worked really hard, because we wanted to prove that we offered that level of quality and safety to our patients. We got our first accreditation in 2011, and we have had it renewed twice more. I'm very proud of what we've accomplished.*

*We have our fourth JCI accreditation coming up for review in just a few weeks. It's on my mind every night. It's difficult to achieve high standards, but it's even more difficult to sustain them. You have to keep investing, to keep everything new and updated. You have to recruit and train people continually. You have to update the medical equipment, and that means updating your electric power and communications infrastructure, because the new equipment requires it.*

*With the Planetree accreditation effort, we want to demonstrate that we are good, not only as far as technical quality. We want to humanize the healthcare that we provide.*



## Lesson 4: In a Crisis, Build On Your Strengths and Seek Flexibility

When Covid-19 appeared in Ecuador in March 2020, the capital Quito, the highland city where Metropolitano is located, was relatively unaffected. The coastal region, including the area around Ecuador's largest city Guayaquil, experienced a more severe outbreak. Because of its location, Metropolitano was not overwhelmed by Covid-19 patients at first. Nonetheless, the pandemic and the subsequent lockdown affected the hospital dramatically.

Almost immediately and like in many other markets, the hospital saw a drop in revenue from patients postponing check-ups, treatments, and surgeries. In addition, like all first responders in the early months, the hospital staff faced uncertainty about the best course of treatment, and an ongoing shortage of critical supplies such as personal protective equipment (PPE). Moreover, as the government struggled to develop a national response plan during the first few months, Conclina became a source of information, guidance, and best practices for the community and some other medical facilities.

The capabilities for rapid response, developed by the hospital and its parent company Grupo Conclina over the years, now demonstrated their value. By April, Hospital Metropolitano had revamped its procurement practices to ensure it had supplies. It had also adapted its floor plan, isolating one building for COVID-19 patients, and was prepared to accept patients from overcrowded hospitals elsewhere in Ecuador.

Contreras describes these early months as a time of multifaceted upheaval:

► **Contreras:** *We lost half of our annual revenues in just the first 45 days. So, we were worried, suddenly, about surviving. Meanwhile, like all the*

*world, we didn't know how to handle this. We had directions from the Ministry of Health, and we tried to ask our colleagues in hospitals in the United States. But it still wasn't clear what medical procedures to use, what standards to follow, or how to keep our staff and patients safe.*

*So, we transformed the buildings and put up barriers. We used a separate building to handle the COVID patients—it had a complete emergency room, operating room, and intensive care units, with its own imaging, lab equipment, and patient welcome desk. Everything was separated from the rest of the hospital.*

*Our board of directors was very clear. They did not press us for staff reductions or short-term returns. They said, "Yes, we could reduce expenses and headcount, but that will just contribute to the crisis." Instead, my role was to preserve people's jobs and the community. We did have to lower salaries because the law allowed a reduction to lower the financial balance point. But we did it strategically: We were the strongest healthcare institution in Ecuador and we had to show everybody what a high-quality hospital could do.*

During the first few months, IFC approached some of its existing healthcare clients, including Grupo Conclina, with financing offers to help them make it through the pandemic. The critical factor was flexibility. There was a large amount of discretion about how organizations might use these funds. IFC's loan to Grupo Conclina, for example, was structured as a line of credit with a \$9 million disbursement through IFC's newly created Real Sector Crisis Response Facility. This was a critical element, because it allowed the hospital, in a wildly careening environment, to have the financial

security needed for stability, and to reassure staff members who were worried about their jobs. Treasury chief Johanna Maza and Quality Director Monica Lana recall the impact of the news about the loan:

► **Johanna Maza:** *When Javier announced IFC's arrangement at a meeting, everyone felt a sense of security and safety. We were going to be allied with such a big institution. We could calm down and work. It mattered to us that the organization had that kind of support in the real world and that the business and our jobs were safe. We are all very much aware of the quality of care that the hospital gives to patients, and it takes care of its employees, too. This gave us all a sensation of being connected to that quality of care.*

► **Lana:** *Good times and bad times can be weathered. We know that we have that resource, to be used, if we need it, in improving the quality of our infrastructure and offerings. But more importantly, it provides psychological security—not just because of the money itself, but because we know why we qualified for it. The respect, teamwork, and commitment to quality are outstanding in our organization, starting with our highest leadership. Once we have a strategic objective, we work together to make it happen. Therefore, no matter what comes with the pandemic or any crisis, we don't worry about the survival of the hospital. Rather, we concentrate on what we really do, which is patient care.*

## Conclusion

The leaders of Grupo Conclina are preparing for change after the pandemic. They are contemplating expansion, potentially into new geographies within Ecuador, and preparing to offer new healthcare services.

Grupo Conclina has most recovered from the financial difficulties of the early pandemic. It did not recoup the losses from direct hospital revenue, but its payor business, Humana S.A., saw medical claims drop as people put off non-COVID treatments, and that led to a short-term rise in profits. As vaccines become available and the pandemic evolves to a less virulent phase, these structural factors may change as well. The greatest

asset Grupo Conclina has is the embedded resilience that it has gained from its three forcing functions: the governance structure that reinforces quality, the business model that combines provider and payor revenues, and the willingness to embrace a high level of discipline and quality, as judged by global standards. In his interview, Javier Contreras traced this impulse back to their discussions of purpose, a few years before COVID-19:

► **Contreras:** *When we decided to put in place a strategic goal, it was a team effort. The first phrase we put in place was: "We love life, and we're going to take care of it." That is our differentiation.*

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