From Nairobi, Dr. Felix Wanjala texts the following on a work Whatsapp group: “Team, let’s ensure we don’t let the team down...let’s meet our target.”

Without context, this might appear like a harmless motivational speech from a boss to his subordinates. But the context here is this: Dr. Wanjala is the CEO of Nairobi Women’s Hospital (NWH). In the message immediately before that, he had forwarded a text listing the admission numbers across all the hospital’s branches in the country. “We have the numbers as follows at this hour,” the CEO wrote to his employees, and then listed admissions totaling 288 across the hospital group.

The target, and the context of the war cry not to let the rest of the team down, he went on, was to have 22 more admissions. To do this, the CEO recommended that his team, based at one of NWH’s two branches in Nakuru (called Nakuru Hyrax), “start with looking for referrals”, not miss “any opportunity”, and be “very vigilant in casualty.”

In multiple texts covering different days in 2017 and 2018, the Whatsapp group resembled a trading floor, with Dr. Wanjala and his Chief Operations Officer, Eunice Munyingi, pushing employees to work harder to increase admissions. On the first day of July, for example, Eunice wrote in reply to
the nurse in charge of the hospital chain: “Let us increase speed 2 admissions against 13 discharges at this hour not good.”

Two minutes later, the CEO added, “It’s our striking time. Let’s intensify our effort...replace all discharges by 6pm.”

Five days later, at 7:28 p.m., the COO told to the Nakuru branch staff to “get 3 admissions by 9pm.”

Several interviews with whistleblowers describe a corporate culture of being pushed to meet admission targets. “Although it was not said explicitly,” one former member of the NWH said, "the implication was that doctors and nurses in particular had to find reasons to admit patients to meet the hourly and daily targets, even if those reasons were an absolute lie."

Another added that there was a financial reward paid to clinical officers for each admission; but they still had to write down why they were admitting each patient. This meant they had to get creative to meet targets, both personal ones and those of their employer.

Origins

Founded two decades ago by a young gynaecologist called Dr. Sam Thenya, Nairobi Women’s Hospital began with a unique specialisation. The focus of its first branch in Hurlingham was solely obstetrics and gynaecological services, meaning its primary clients were women. It became
particularly known for its Gender Violence Recovery Center (GVRC), a charitable arm that serves survivors of sexual and domestic violence.

“I was working in a hospital and I had pitched this idea to the CEO of that hospital, but he wasn’t very keen on the idea of taking in abused women for free,” the hospital’s founder told Business Daily in November 2016.

“One time he told me that if I thought the idea would work then I should go ahead and open my own hospital because it wasn’t going to work at that hospital and right there I thought to myself, ‘Why not?'”

So at the age of 31, Dr. Sam Thenya took up his boss’s challenge.

The thing that drove him to start the hospital when he had no money, he told the interviewer, was a “certain trigger, madness or passion”. His singular goal, despite the challenges almost as soon as he started, was to build one of the most familiar, respected private hospitals in the capital city.

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For the hospital to survive without taking in more investors or money, it needed to scale up fast, and build solid revenue streams that included donor funding for its GVRC charity. It also had to wade through the rough early 2000s, as Kenyan systems tried to reset themselves.

In 2003, for example, the hospital’s banker, Daima Bank, collapsed. Dr. Thenya, still in the early years of his project, heard the devastating news while he was fuelling his car at a petrol station. “We had just issued suppliers cheques,” he said in the interview.

Despite such and other challenges, Dr. Thenya and the hospital he built surged on.

He transformed from a practising gynaecologist to an entrepreneur. He also sold the hospital for a fortune, and was on his way out as the founding CEO. Although he stayed on after resigning as CEO, his armorphous role as Director of Strategy didn’t mean much.

In a scenario that exemplifies the fine line between private healthcare as a business and a service, Dr. Thenya had to fight with politicians, including President Uhuru Kenyatta, and technocrats who had demanded the release of patients (alive or dead) over bills.

Once, he told the interviewer, the President called him and told him someone had sent him an e-mail that the body of his/her mother was being held hostage by NWH over unpaid bills.

“Sam, what do we do?” the President asked.

“Your Excellency, the bill has to be paid,” Dr. Thenya answered.

After the President said he would pay the bill, and asked the body be released while he did it, Dr. Thenya replied, “I need some proof of payment of some pre-payment today.”

“If you want me to release it today,” he went on, “then pay today.”

By this point, a lot had changed.
Born in Nyakihai, Murang’a, in 1968, a much younger Sam Thenya had wanted to be a pilot. But he became a doctor instead. As a young doctor in training, he led a strike at Nyeri Provincial General Hospital in the early 1990s. The issue, which was fixed because of the strike, was bad working conditions for medical practitioners.

“I am not one who stands by and watches things deteriorate,” he told an interviewer in 2011.

What finally drove him to ask his boss to start a wing for victims of sexual violence, and doing it himself when he was challenged, was meeting the victim of a brutal gang rape. Battered, violated, and in need of urgent medical care, she did not have money to pay for admission.

“I paid for her admission and closely monitored her progress.”

The past

As a young doctor, Dr. Sam Thenya was unstoppable in his mission to build Nairobi Women’s Hospital. In October 2000, a hospital called Hurlingham Hospital was on auction for unpaid debts. Dr. Thenya approached the auctioneers with a promise to buy the hospital. It was an attractive deal for both sides: the auctioneers would get rid of an asset few can or want to buy, and the young doctor could build a hospital from scratch.

But there was one problem, a big one. He had no money.

The most he could raise was half a million shillings, which he did by selling his wife’s car. He needed 17 million more, so he got other investors to put in the money and take a share of the repainted hospital’s ownership.

In the world of modern finance, this seemingly brilliant financing strategy has a name. It is called a leveraged buyout (LBO). It works exactly how Dr. Thenya did it: you buy a company by taking in debt and giving up equity, which means you do not need a single coin to start whatever enterprise you want to start. The assets of the thing you are buying, with money that is not yours, serve as the collateral in case the enterprise doesn’t prosper.

The most famous LBO in the world is the hostile takeover of an American company called RJR Nabisco. In 1989, the executives of the conglomerate, which sold tobacco and food products, including the world famous Oreo cookies, started an unstoppable process to acquire the entire company at $75 a share.
The events that followed that ignition are covered in *Barbarians at the Gate: The Fall of RJR Nabisco*, a book (and movie) written by two American journalists. It covers the executives’ plan to buy out other shareholders, and the marathon that began when other groups of people joined in on the race to acquire one of the biggest companies in the world. One of them finally won, by offering a price higher, by $15 a share, than the management team’s offer.

But the best of this story is that none of them, even the executives who wanted to buy a company for $25 billion, actually had the money. They didn’t need to. In the great game of modern finance where money is an idea, one person quoted in the book says, you need more money to start a shoeshine store than you do to buy a 2 billion-dollar company.

The gist is to start what is called, in modern finance, a fundless fund -simply a corporate body that on the one hand promises to and negotiates to buy something, while asking for money from those who have it to complete the deal. For investors with vast amounts of money on hand, this is an investment for which they expect to see profits.

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Dr. Thenya gave up 40 percent of NWH’s ownership to the investors who gave him the $50 million (in total) to buy the assets of Hurlingham Hospital, and to repaint it afresh as Nairobi Women’s Hospital. As the new hospital grew on the back of its reputation as a niche healthcare provider, Dr. Thenya progressively bought out the investors, and by the late 2000s, owned the entire thing.

As they left, presumably after making a profit, Dr. Thenya expanded his enterprise just in time. The 2008 financial crash was wreaking havoc in Western markets, starting first in the mortgage industry and eventually spreading its tentacles to the heart of multiple economies. For private equity funds, which had had their best years right before the crash, it was time to find other markets to play in.

In 2009, Dr. Sam Thenya acquired Masaba Hospital in Adams Arcade, and turned it into the second Nairobi Women’s Hospital branch. By the end of the next decade, there would be a total of nine Nairobi Women’s Hospitals: four in the capital city and the metropolis; two in Nakuru; and one each in Naivasha, Meru, and Mombasa.

From a single hospital in Hurlingham, Nairobi Women’s Hospital was one of the fastest-growing hospital chains in Kenya by the mid-2010s. But things had changed. In the first decade, Dr. Thenya had quit practising to concentrate on the business side of his hospital.

“I realised that I was not giving my patients full attention because I was often caught up in strategy meetings,” he said in later years, “[so] I had to choose between expanding the hospital and practising.”

And in several transactions beginning in 2010, he had progressively sold his ownership stake in the hospital to the successor of leveraged buyouts in modern finance; a similar but differently named structure called a private equity fund.

The present

A private equity (PE) firm is a leveraged buyout by another name, with very few significant differences. Simply, you get money from wealthy individuals and organisations, such as pension funds and charities, and buy attractive companies. Then you restructure them by cutting costs, expanding as fast as possible, extracting as much revenue as you can, and then selling them for a profit.

The basis of this model of financing is to buy and sell, as opposed to keeping an investment in perpetuity. So PE firms strip their new companies of any sellable assets, change the management, reduce costs by firing professionals and employing cheaper labour, pay executives bonuses for meeting targets, and once the company is attractive enough on paper, sell it to someone else. That new buyer is often just another PE firm.

In the complicated structures of global commerce, private equity funds are used to finance rapid expansion, which increases the value of the assets. Investors, who include funds of funds, where one investment fund invests in another investment fund, expect a return in investment. And investment funds get money by promising exactly that.

PE funds themselves make money in two ways: by charging an annual management fee of the money they have been trusted with, calculated as a percentage, and by taking a cut of the profits they make when they sell the companies they buy. So their primary motivation is to get more investor money, and to restructure companies as fast as possible to attract a higher price than they bought it for.
One of the things PE funds do when they acquire a company is to transition it from a founder-run company into a corporate body that can attract a higher price. This is exactly what happened at Nairobi Women’s Hospital from the first funding round in 2010, where Dr. Sam Thenya’s ownership systematically reduced as the new owners’ ownership stake increased.

In the midst of the “Africa Rising” narrative, and from the ashes of the 2008 global crisis, billionaires and institutional investors in the West turned their investment focus on Africa. The continent’s young population offered an attractive proposition for profit-making ventures; it was expected that not only would these younger Africans be richer than their parents, and willing to spend more on everything, but that there were no modern legal or regulatory structures in place to halt corporate raids of existing companies. And by the time they came, several rounds of investors would have already made enough profits.

In 2010, Dr. Sam Thenya got $2.66 million for part of his stake in the hospital. The buyer, The Abraaj Group, which would collapse in 2018 amidst investigations that its founder and executives had stolen investor funds, was founded by a Pakistani based in Dubai. In addition to Nairobi Women’s Hospital, it also acquired all or parts of other Kenyan companies: Java House (100%); Brookside Dairy (10%); and Seven Sea Technology (21%).

But its most prominent purchases were in private healthcare, where it bought 18 clinics and 10 major hospitals. In addition to its stake in Nairobi Women’s, it also bought part of Avenue Group Hospital, Ladnan Hospital, and Metropolitan Hospital.
Three years later, Abraaj bought more of Nairobi Women’s with a partner PE firm called Swedfund. The Swedish government describes Swedfund, which it funds and owns, as a “development financier and development cooperation actor”; but it works in basically the same way privately-owned PE firms do.

“The objective of the Africa Health Fund is to increase access to affordable and quality health-related goods and services for those at the bottom of the income pyramid,” Swedfund said in a press release dated 22nd November 2013. “At the same time it hopes to provide investors with good long term financial returns.”

This dual-purpose fit into Dr. Thenya’s founding principles, which had been to build a hospital that offered services to abused women for free, while offering other medical and surgical services at a fee. Swedfund, which said it “put a high emphasis on environmental, social and governance issues”, and other investors were investing in the hospital to fund its expansion.

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From a single branch, Nairobi Women’s Hospital had expanded to three hospitals: one in Adams Arcade founded in 2009, another in Ongata Rongai founded in 2011, and the Nakuru branch which followed a year later. It also had two medical centers in Kitengela and Eastleigh, both opened in 2012, and two more branches, in Mombasa and Kisumu, on the way.

This was all, the Swedish state investor said, “part of a the grand plan to expand further in the country and the Eastern African region by 2016; and subsequently into the rest of Africa.”

The thoroughfare

While the source of Swedfund’s finances is obvious, the source of The Abraaj Group’s funds is a more interesting story because it led to its death in 2018, and the arrest of its top executives.

Because PE funds run multiple projects at any one time, they structure them as independent funds with their own fund managers. The specific one that invested in private healthcare in Kenya beginning in the late 2000s was called The Abraaj Growth Markets Health (Africa) Fund. It got its $1 billion to invest in Kenya and other countries from multiple sources, the most prominent being the Bill & Melinda Gates Foundation and the World Bank’s private equity fund, the International Finance Corporation (IFC).

The second deal, which reduced Dr. Thenya’s ownership even further, was worth $6.5 million.

The Dubai-based Abraaj Group, founded a year after Dr. Thenya started Nairobi Women’s, was a renowned investor in multiple sectors across the continent. By the time it collapsed in 2018 amidst a dispute with its investors, the Bill & Melinda Gates Foundation had initiated an audit into how its money in the healthcare fund had been used; it had invested an estimated Sh320 billion in 80 transactions across Africa.

Through the fund, part of which the PE firm’s founder, a Pakistani man called Arif Naqvi, was accused of misusing, Abraaj owned private hospitals in Kenya, Nigeria, and Pakistan. In April 2018, around the same time the screenshots of the Nairobi Women’s Hyrax Whatsapp group were
revealed, Naqvi was arrested in Britain on a US warrant.

Naqvi had resigned from Abraaj the month before investigators found evidence that he had defrauded investors in two ways: by inflating the price of assets, which included Nairobi Women’s Hospitals and several other Kenyan private healthcare providers, and misappropriating the fund.

The scandal made headlines around the world, as many other similar investment structures had ridden on the Africa Rising wave and bought many companies, in many countries, on the continent. Meanwhile, The Abraaj Group was closed and its assets stripped for parts by other PE firms. A British firm took over its stakes in Brookside Dairy and Java; an American PE firm called TPG acquired the healthcare fund, which counted among its assets several Kenyan hospitals. TPG then renamed the fund the Evercare Health Fund to avoid the negative reputation of its former name and manager.

These high finance events and deals all took place outside of Kenya, but in the end TPG owned Nairobi Women’s Hospital and several other private hospitals in the country.

Meanwhile, Arif Naviq remains in the UK, and not by choice. Last May, after he had spent a year in custody, he was granted a record $20 million bail. By October, he was also being investigated for bribing Pakistani politicians.

While this complicated game of international finance was happening, the private hospitals in Kenya were still operational, and still working to make profits for the fund, as their investors sorted a new PE firm to “buy” and run them.

In a text forwarded to the Nakuru Hyrax staff on 11th September 2018, CEO Dr. Felix Wanjala outlined the revenues so far, and the targets he expected them to contribute during the course of that day. The Nairobi Women’s Hospital group was making Sh12.81 million a day against a target of Sh15.47 million, and cumulatively was Sh33 million off a total target of Sh170 million.

“Team this revenue is too low for the numbers that we have, are we billing,” he posed to the staff.
The shift from Dr. Thenya’s ownership and leadership to the PE funds had launched what was typical corporate behaviour after acquiring a new asset. Nairobi Women’s Hospital had, over time, stopped hiring medical officers (MOs), professionals in waiting who are mostly post-graduate students, to serve outpatient patients. It had instead turned to hiring young clinical officers (COs), who (at the time) only had a diploma earned after three years of training, to do the job.

To staff its rapid expansion, Nairobi Women’s was now depending on COs to serve patients who were not already admitted in the hospital. It was also encouraging them, according to multiple insiders, to meet admission and revenue targets, which were analysed every hour of every day, day and night. While the hospital still hired specialists, it hired less than it required (because MOs demand better salaries) and gave clinical officers the job of determining which patient needed to be admitted. It also gave the COs a financial incentive, at one point 710 shillings per patient they admitted.

This structure meant that while COs would find and push for admissions, even (and especially when) they were unnecessary, more qualified medical officers would only encounter the patients when they had already been admitted, and were already paying for the bed, food, tests, and medicines. They were already, in lingo used frequently in the leaked Whatsapp group messages, customers.
Once they were in the hospital, the top management of Nairobi Women’s encouraged the staff, everyone in the Whatsapp group, medical and non-medical staff included, to keep them admitted for longer.

In another text, for example, CEO Dr. Felix Wanjala asked his staff “how did we end up at 18 discharges from 10 planned.” The text included an emoji of a sad face, suggesting he was unhappy with the situation. His COO, Eunice Munyingi, then asked someone called Victoria to answer the CEO. Victoria then passed the question to two other people, before the CEO responded “Vikki calm down…we expect better performance in future. Obviously this is not good for us.”

Medical officers and other specialists who worked at Nairobi Women’s at the time describe multiple instances of being pushed to keep patients for longer than necessary. In a text sent at 8:04 am on 11 November 2018, COO Eunice Munyingi told the staff to “lock discharges at 7” and to “…kindly start now.”

This meant that if you were admitted at this particular Nairobi Women’s Hospital, and should have been released to go home, the decision of whether to let you go was based on revenue and admission targets, not on your health. In the texts, the senior executives ask staff to post hourly updates of the branch’s status, specifically how many people are being served and how much money was made, and cheer them on in language a media practitioner described as “better suited for a trading floor than a hospital management team”.
The comparison to a trading floor is poignant, because insiders describe an internal system that fits the script of the popular TV series *Billions*, with a CEO-COO dynamic similar to that of the characters Bobby Axelrod and Mike “Wags” Wagner in the show.

The similarities with a fictional TV show do not end there because the two characters run a ruthless private equity firm that buys companies, restructures them by any means necessary, legal or otherwise, and sells them over for a profit.

Like a PE firm and any modern enterprise, the top management of Nairobi Women’s also kept tabs on its reputation online. In one screenshot from 2017, the then clinical services in-charge, Victoria Wawira, posted a screenshot of a Facebook post written by a woman who had commented on their hurry to admit her child. Whenever she took her daughter to the hospital, “…*The doc sees her and immediately its admission no second thought about medication,*” she’d written on a Nakuru Country Mums group on Facebook.

In follow-up messages, Victoria told two clinical officers that the post was “trending on FB” and that they should “vet admissions”. In any other context, this would mean that the two COs should make sure they were admitting only patients who needed to be admitted. But in this particular context, it meant one thing - that they should check that they didn’t admit potentially problematic patients who would be suspicious of the need for them to move from outpatient to inpatient.

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Bad publicity meant not just harm to the hospital’s reputation, but it could also hurt the bottom line
if future buyers, well-meaning investors, and nosy reporters found the posts and figured out how
Nairobi Women’s was achieving its spectacular service and revenue targets.

The chaos, and reasons why we seek medical attention, meant patients caught up in this great game
of corporate greed, and trusting their doctors to know what was best to restore their health, did not
know better. They would have sell assets, sacrifice savings, hold fundraisers both online and offline,
and do whatever was necessary to pay their hospital bills, without ever knowing that they had been
unsuspecting victims of the vagaries of modern finance, and the focus on Africa that followed the
2008 financial crisis.

In Part II, the author examines how we let this happen, how other hospitals do it too, and how other
countries have warded off the barbarians at the gates.

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