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# Social Profit Network

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## David Green

David Green asks the question, “How do you make state-of-the-art medical technology affordable?” Recognized by Schwab Foundation as one of the leading social entrepreneurs in the world, David—also an Ashoka Fellow—is bringing cutting-edge medical technologies to the developing world every day by turning the traditional maximum profit model of the medical industry on its head.

By maximizing use of production capacity and surplus revenue, David, through his nonprofit, Project Impact, has been able to serve people of all economic levels in a way that is financially sustainable—and actually cash-flow positive. In essence, they find ways to produce and distribute high-quality technologies more inexpensively than conventional manufacturing and distribution models. Better quality at a price that is affordable to a broad segment of the population generates increased demand followed by increased volume, further reducing costs.

Project Impact uses a multi-tier pricing strategy to make products and services available to anyone, regardless of economic strata—the poorest get products and services for free, yet the organization earns a healthy profit overall. In this paradigm, “profit” becomes a means to an end rather than vice versa; all surplus revenue is reinvested to scale and replicate projects. David calls this business model “compassionate capitalism.”

Part of the International Federation of Impact Foundations, Project Impact focuses its efforts on avoidable disabilities—most recently those related to sight and hearing. Disability

is often both a cause and consequence of poverty. By providing high quality, affordable interventions for the alleviation of common disabilities, Project Impact helps people get healthy and back to economic independence.

[www.project-impact.net](http://www.project-impact.net)

### Background

- In 1992, David, with his nonprofit, Project Impact, established Aurolab in India. Aurolab is the first nonprofit manufacturing facility in a developing country to produce affordable intraocular lenses, suture, pharmaceuticals, and eyeglasses.

The intraocular lenses are used to treat cataract, a leading cause of blindness worldwide. Cataract surgery is the most common surgical procedure in the United States today; about half of Americans aged 65 to 74 have cataracts. In the developing world, cataract blindness and poverty often coincide. The disability increases the risk of poverty while poverty increases the probability of cataract blindness due to lack of care. Poorer patients are often unaware of treatment options or are unable to pay for them.





## Background (cont.)

By using the cost and profit structure described above, Aurolab has brought the price of intraocular lenses down to \$4 from the \$100 they cost in the United States. Aurolab is now one of the largest intraocular lens manufacturers in the world with 7 percent market share, selling 600,000-plus units per year to 86 countries.

- One of Project Impact's major customers is the Aravind Eye Care System, a group of hospitals in Tamil Nadu, India, that perform over 200,000 cataract surgeries annually for patients of all income levels.

In addition to supplying the hospitals with intraocular lenses, David helped



Community-based distribution of hearing aids in the developing world is speeding up accessibility while creating local jobs.

Aravind became the largest eye care program in the world. David worked with Dr. Venkataswamy, founder of Aravind Eye Hospitals, to apply the same low-cost, high-volume business model to eye surgery services. 70 percent of surgeries are performed for free or below cost, and 30 percent above. This pricing structure, combined with highly efficient operations, enable the hospital to maintain a 50 percent profit margin.

Aravind Eye Hospital did a study of Indian cataract patients post-surgery to quantify the economic and community impact of their work. They found that 85 percent of men and 58 percent of women who had lost their jobs as a result of cataracts regained those

jobs after surgery. This freed caregiving family members to go back to work as well.

Overall, the study concluded that recipients of cataract surgery have an average increase in household income in the first post-operative year equivalent to 15 times the cost of surgery.

- Similarly, due to David's work with Lumbini Eye Hospital in Nepal, 25,000 patients per year receive sight-restoring surgery—20 percent at no cost, the majority at cost, and the remainder at a healthy margin. The hospital maintains a 35 percent margin and has \$3 million U.S. in savings that is being used to expand its services. David has replicated this cost-revenue model for hospitals in Malawi, Egypt, Guatemala, El Salvador, Tibet, Tanzania and Kenya.
- David also directed the development and manufacture of suture (wound closure product) manufacturing at Aurolab. Aurolab has reduced the selling price of ophthalmic suture from \$200 per box of suture to \$30. Prior to Aurolab, only 10 percent of suture—a critical medical technology—was sold to developing countries. Aurolab's suture products are also CE Mark Certified (European regulatory standard) and U.S.F.D.A. approved.
- Was awarded an Ashoka fellowship in 2002
- Serves on the faculty of the Johns Hopkins Wilmer Eye Institute
- Serves on the International Council of Ophthalmology on the Task Force of the International Agency for the Prevention of Blindness
- Provided technical assistance and guidance in the development of the largest eye hospital for the Middle East and Africa
- Advises Seva Foundation, ChristoffelBlinden Mission, International Eye Foundation, Fred Hollows Foundation, and Orbis International to help make their eyecare programs economically self-sustaining

# David's work with SPN:

## Project Impact's Affordable Hearing Aid Project (AHAP)

Hearing impairment is the most common birth defect in the world. The World Health Organization estimates that at least 250 million people in the developing world have a hearing impairment, 32 million of whom would benefit from a hearing aid. Only 6 million hearing aids are currently produced annually and, of those, only 12 percent go to the developing world, many of them of poor quality.

Untreated, hearing loss impairs an individual's quality of life, decreasing independence, prospects for employment, and opportunities for education. In children, hearing impairments can stunt education and cripple social development. In developing countries, the hearing impaired are more likely to live in poverty—the disability adds to the risk of poverty and lack of education and nutrition increase the risk of hearing impairment.

Project Impact recently developed and brought to market Impact 1, a low-cost, high-quality digitally programmable hearing aid for distribution in the developing world and to the poor of the developed world. Digital hearing aids cost, on average, \$1,500 in the United States. Project Impact has brought AHAP's cost down to \$45. The hearing aids are sold for up to \$200, including a solar battery charger, using David's multi-tiered pricing strategy. Impact 1 was designed to minimize component costs while maintaining excellent performance. Costs are further controlled through Project

Impact's partnership with Aurolab, where manufacturing costs are minimized.

In the developing world, Impact 1 is distributed at the community level through socially franchised partnerships with other non-profit organizations already working in the area of healthcare and disability. Localized distribution provides access to local expertise, faster market penetration, expanded reach to intended beneficiaries, increased job creation, and expansion of the project's ability to raise start-up funds from a broad base of stakeholders.

As a result, Project Impact is able to meet its high-volume and low-margin objectives. Distribution has begun in the United States and India and plans for distribution in several other countries are in the works. Impact 1 has both C.E. Mark and U.S. F.D.A. approval for sales in Europe and the United States, respectively.





To date, Project Impact has raised \$2.6 million and used the money to:

- fund product development
- purchase components
- set up initial manufacturing
- establish first distribution sites and inventory for 11,000 hearing aids
- run four clinical trials
- develop training programs for local distribution sites
- manage legal and regulatory issues
- support overall management and fund-raising efforts

Sales have begun and soon AHAP will become economically self-sustaining.

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## **SPN and David**

- SPN worked with David to develop key strategies for operational structure and growth, and continues to help with ideation and strategy development
- SPN provided initial seed funding for the Affordable Hearing Aid Project as well as additional funding at key stages of growth. SPN continues to connect David to funding resources.
- SPN connected David with Silk, Adler & Colvin, a top U.S.-based law firm that specializes in advising and structuring nonprofit entities, to help him optimize his organizational structure and maximize flow of capital
- SPN has provided West Coast office space since inception
- SPN connected David with other Social Entrepreneurs—they regularly share best practices and connections, and push one another's thinking
- David has heavily influenced how SPN functions as a support system for social entrepreneurs
- David has brought several other social entrepreneurs into SPN