PUBLIC PRIVATE PARTNERSHIPS IN HEALTH SECTOR
Around the world, an estimated 400 million people lack access to basic health services, and millions more are driven into poverty because of high out-of-pocket healthcare costs.
PUBLIC HEALTH CHALLENGES

- Increase in demand for health services
- Rising costs of healthcare
- Lack of infrastructure
- Shortage of trained staff
- Unreliable supplies of medicines & consumables
- Lack of efficiency in operations
- Low quality of services
THE CASE FOR UNIVERSAL HEALTH COVERAGE

• In 2005, the World Health Assembly called on governments to “develop their health systems, so that all people have access to services and do not suffer financial hardship paying for them.”

• In 2012, the United Nations General Assembly called on governments to “urgently and significantly scale-up efforts to accelerate the transition towards universal access to affordable and quality healthcare services.”

• The inclusion of UHC in the Sustainable Development Goals was a significant milestone because it marked the political commitment necessary to move the needle on UHC
THE PILLARS OF UNIVERSAL HEALTH COVERAGE

- Access
- Quality
- Equity
- Affordability

UHC
HEALTHCARE DELIVERY IN MOST DEVELOPING COUNTRIES

PUBLIC SECTOR

PRIVATE SECTOR

ACCESS

QUALITY

EQUITY

AFFORDABILITY

Social Health Insurance (SHI)
HEALTHCARE DELIVERY IN MOST DEVELOPING COUNTRIES

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Public Private Partnerships (PPP)

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HEALTHCARE DELIVERY IN MOST DEVELOPING COUNTRIES

PUBLIC SECTOR

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Public Private Partnerships (PPP)

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### 7 ESSENTIAL CONDITIONS THAT DEFINE A PPP

1. **Arrangement**: Between public & private sector entities

2. ** Provision**: Of services for public benefit by private partner

3. **Investment**: In and/or management of public assets by private partner

4. **Time Period**: For a specified time period

5. **Risk sharing**: Optimally between contracting parties

6. **Standards**: Focus on quality of service/performance

7. **Payments**: Linked to performance

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The final responsibility for service delivery continues to remain with the public sector agency → **Execution is by private partner**
# DIFFERENT SOLUTIONS FOR DIFFERENT NEEDS

## Non clinical services
- Contracting out works and services such as IT services, cleaning, catering, maintenance, waste management etc.
- Country examples: global

## Clinical services
- Contracting out services such as dialysis, radiotherapy, day surgery etc.
- Country examples: Romania, Peru, UK, India, Bangladesh

## Infrastructure PPP (PFI)
- Contracting a private provider to design, build and manage facilities
- Country examples:
  - UK, Spain, Italy, Mexico, South Africa, France, Australia

## Management contracts
- Management of hospitals or networks of hospitals and/or clinics
- Country examples:
  - Brazil, Lesotho, India

## Public health insurance/Vouchers
- Management of public health insurance by a private company but premiums paid by government
- Country examples:
  - India, Nigeria

## Infrastructure & services (Integrated PPP)
- Contracting a private provider to design, build, and manage facilities as well as deliver clinical services
- Country examples:
  - Portugal, Lesotho, Spain, Turks, Caicos, India
Broadly PPPs in health sector can be classified in three categories:

1. **Health infrastructure PPPs** – private sector is engaged for creating and maintaining infrastructure; often clubbed with non-clinical operations.

2. **Clinical services PPPs** – private sector is primarily engaged for providing clinical services; often clubbed with developing infrastructure too.

3. **Health continuum PPPs** – private sector is made responsible for the health (including prevention) of a defined population.
HEALTH INFRASTRUCTURE PPP – PRIVATE FINANCE INITIATIVE (PFI)
PRIVATE FINANCE INITIATIVE

Public sector entity (e.g. MOH) -> Clinical services -> Patients

PPP agreement

Private Sector Partner

Capabilities

Construction

Non-clinical operations
BENEFITS OF IMPLEMENTING A PFI

- It is an effective tool for filling infrastructure gaps in public health sector.
- Development of infrastructure (construction and equipment procurement) is typically faster in comparison to public sector.
- Public sector transfers the risk of cost and time overruns to the private sector.
- It helps resolve equipment maintenance issues.
- A PFI model offloads public sector of the responsibility of non-clinical operations and facility management.
CHALLENGES IN DEVELOPING COUNTRIES FOR USING PFI IN HEALTH SECTOR

- Lack of public entity capacity to provide clinical services – mainly due to shortage of clinical staff and/or inability to retain clinical staff in public service
  - This has led to creation of ‘white elephants’ i.e. large and well maintained hospitals but highly underutilized.

- PFIs in developing countries are more expensive relative to the developed world. Main reasons for this are:
  - Cost of private debt and equity are higher in developing countries
  - PFIs in developed world are heavily leveraged i.e. high proportion of debt (e.g. 90% in UK). However in developing world lenders perceive high proportion of debt as too risky – typical debt is 70% of capital costs.
  - PFIs are based on regular government payments for a long period of time. Governments in developing countries have lower credit rating than in developed countries – thus PFIs are considered to have higher risk and thus higher returns are expected from investors.
Euro 540 million of investment

Part of Turkish health PPP program which will comprise of more than 50 projects.

1550 beds spread across 6 hospitals. 28 year concession to design, built, and manage the clinical and non-clinical services.

Turkey: Adana health campus
Two new hospitals (maternity and neurology services) and blood bank facility with a combined 424-bed capacity.

20-year concessions to finance, design, construct, furnish, equip, maintain, and provide non-clinical management services.

Awarded to an international consortium: Egypt’s Bareeq Capital, G4S, Siemens & Detac.

78,500 people with improved access to services.

$225 million in investment.

Egypt: Alexandria University Hospitals
Two new 120-bed hospitals.

25-year PPP to design, finance, construct, equip, maintain, and provide dialysis, imaging, and lab services.

Awarded to Prodemex (Toluca) and Marhnos (Tlanepantla).

20,000 people with improved access to services

$120 million in investment

33% decrease in operational costs.

Mexico: Toluca &Tlanepantla Hospitals (2010)
CLINICAL SERVICE PPP

Public sector entity (e.g. MOH) → Private Sector Partner

PPP agreement → Capabilities

Capabilities → Non-clinical operations, Clinical operations

Construction, Non-clinical operations, Clinical operations → Clinical services

Clinical services → Payment

Payment → Affording Patients

Affording Patients → Poor Patients

Poor Patients → INSURANCE (Public + Private)
BENEFITS OF A FULL SERVICE PPP

- Transfer of almost all risks, including demand risk, onto the private partner
- Lower cost to government due to
  - Private partner is incentivized to lower ‘full life cycle’ costs of the project
  - Private partner aligns design of the facility with lowest operational costs to it
  - Private sector expertise in operations and procurement is utilized for all aspects of operations
- Easier contract management
  - Limited to clinical outputs
- Private sector is traditionally better at adopting innovations and new technologies
- Private sector can be utilized to train staff thus increasing skilled health workforce in the country
OBJECTIVES OF THE PARTIES INVOLVED

GOVERNMENT OBJECTIVES
• Make healthcare services accessible to every strata of society
  → Need of availability of infrastructure and human resources
• Provide quality services to the underprivileged population of society at little or no cost
  → Need of efficiency and excellence in operations
• Regulate Market Price of services in the private sector
  → Need of competition to existing private service providers

PRIVATE PLAYER OBJECTIVES
• Expansion of operations in new markets
  → Need of local partners in these places
• Sustainable cash flows from the project
  → Need of availability payments or volumes i.e. large number of patients
• Low initial investment to make the project viable at low tariffs in small towns
  → Need of contribution to reduce capital expenditure
New 298-bed emergency hospital in Periperi district of Salvador, Bahia.

10-year concession to equip, maintain, and operate both clinical and non-clinical services.

Awarded to Promedica and Dalkia.

400,000 people with improved access to services

$50 million in investment

Brazil: Hospital do Subúrbio
New hospital and medical college facilities.

99-year concession to build and operate the Shillong medical college and associated 500-bed training hospital.

Awarded to KPC Medical College and Hospital, Jadhavpur.

India: Shillong Medical College & hospital (2012)

240,000 people with improved access to services

$30 million in investment

100 trained doctors per year
10-year contract to refurbish, equip, operate, and manage dialysis centers at 2 government hospitals. Awarded to Sandor Medicaids Pvt Ltd who will install 110 dialysis machines at the two locations.

Over 100,000 people with improved access to service
$2 million in private investment
Reduction of out of pocket expenditure to less than half

Bangladesh: Outpatient Dialysis Services (2015)
HEALTH CONTINUUM PPP
HEALTH CONTINUUM PPP

Public sector entity (e.g. MOH)

PPP agreement

Private Sector Partner

Payment

Clinical services
Preventive services

Sub-contractors

Construction
Non-clinical operations
Clinical operations

Patients
BENEFITS & CHALLENGES IN A HEALTH CONTINUUM PPP

- Transfer of all risks onto the private partner while still achieving government goals
- Private partner is paid a fixed ‘capitation fee’ for each person in the catchment population. In a way the hospital *adopts* a given set of patients and is responsible for all health requirements of those patients
- Private sector is incentivized to actively promote prevention in order to avoid costs arising due to treatment of a patient that falls ill
- Patients have the option to get treatment at other hospitals too
- Least contract management requirements

However, this model can only be adopted only where

- The country has a health system where all hospitals, public or private, participate in this arrangement
- Each and every citizen of the country can be identified
Spain: Alzira Hospital PPP (1991)

Includes 300-bed La Ribera Hospital, four integrated healthcare centers, and 46 public primary care centers, covering 250,000 people in the Alzira region.

15-year concession with 5-year extension option and an increased capitation payment for facilities management, as well as delivery of clinical services.

Resulted in increased efficiency, lower average length of stay and more surgeries per theatre per day compared to similar hospitals.

91% patient satisfaction

Shorter wait times for patients

“Best General Hospital Award 2006”
INGREDIENTS OF A SUCCESSFUL PPP

- Strong political will
- Legislative & regulatory environment
- Focus on services delivery, not facilities
- Transparent tender & decision making process
- Proactive stakeholder engagement
- Private sector capacity
- Public sector capacity, including monitoring of PPPs
- Early evaluation of fiscal Space
- Appropriate risk sharing
- Aligns with wider health strategy

Public sector capacity, including monitoring of PPPs
CHALLENGES FOR IMPLEMENTING PPP

- Weak political commitment
- Limited monitoring capacity
- Substandard financial appraisal
- Weak legislative & institutional basis
- PPP not integrated into wider health system
- Limited experience implementing PPPs
- Macro economic risks
- Political risk or instability
FINAL THOUGHTS

- The best capability of private sector is not Finance
  - Private sector should be leveraged for their quality, efficiency and ability to train & retain staff

- The best aspect that a PPP brings on the table is ACCOUNTABILITY for services provided, which is otherwise lacking in public hospitals

- Often PPP projects become victims of their own success i.e. because they provide high quality services (especially in comparison to other public facilities) they become the preferred facility for patients
  - This over burdens the PPP and under-utilizes other public facilities
  - It is essential that the whole health system continues to improve
IFC – MEMBER OF THE WORLD BANK GROUP

**IBRD**
International Bank for Reconstruction and Development

Loans to middle-income and credit-worthy low-income country governments

**IDA**
International Development Association

Interest-free loans and grants to governments of poorest countries

**IFC**
International Finance Corporation

Solutions in private sector development

**MIGA**
Multilateral Investment and Guarantee Agency

Guarantees of private sector investment’s non-commercial risks

**ICSID**
International Center for Settlement of Investment Disputes

Conciliation and arbitration of investment disputes
IFC HEALTH PPP TRANSACTION ADVISORY EXPERTISE

>60 projects since 1989

>30 projects successfully closed

13 projects under execution

~11 million people with access to better health services

~ $1 billion in private sector investments
IFC ADVISES GOVERNMENTS ON IMPLEMENTING PPP

Phase 1
Due diligence identifies client objectives, investor interest, and strategic options, to inform optimal structure.

- Signing & mobilization: 1 to 2 months
- PPP options & market sounding: 4 to 6 months
- Transaction structure

Phase 2
Development of marketing strategy, investor road shows, and assistance with bid evaluation, award, and closing.

- Transaction closing
- Tender
- PPP contract preparation
- Investor marketing & prequalification: 8 to 12 months
- Client decision
IFC PROVIDES END TO END SOLUTION
THANK YOU