The Quest for Better Public Health Care
PROPER TIMING IS A FUNCTION OF READINESS

In an economy where critical infrastructure and development projects have long been wanting, there is no question about the utmost urgency in getting PPP projects up and running as quickly as possible. Realistically however, the process of transforming these planned priorities into actual PPP projects that deliver expected services is far more complicated than its obviously simplistic measure of performance.

The whole cycle of project preparation, review, procurement, and implementation is a labyrinth of policy, process, and legal requirements. Navigating through them requires institutional readiness to find technical, financial, operational, and contractual solutions that will facilitate PPPs. Fortunately, some of these have already been refined and streamlined, and continue to receive technical assistance. Some of these projects that have been stuck at the planning stage have now moved along to advanced stages of the project cycle.

Project structuring is another key hurdle that requires utmost due diligence. It is certainly not enough that a viable financial model has been defined to support the project’s structure. Its technical and operational feasibilities need to be spelled out in detail. Its environmental impact has to be calculated and covered, its social acceptance established and accepted by all stakeholders. All these would have to be spelled out in detail in a PPP contract that will span 20 or more years.

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Securing the required approvals is another major hurdle. Implementing agencies must justify why the proposed PPP structure is the best track to take, compared to other non-PPP options. Government’s mandated regulatory and oversight requirements—consistency with national, sectoral, and local plans; fiscal/budgetary/monetary considerations; environmental and social appropriateness—must be considered at this most important stage.

PPP procurement is the final and most difficult hurdle. Selecting the most competent private partner is both a legal process and a procedural task that entails the most careful and detailed documentation of actions, decisions, and their legal bases. Most importantly, it requires careful handling of the private sector’s participation, while maintaining utmost objectivity and fairness.

Should we do away with these hurdles for the sake of fast-tracking PPP projects needed decades ago?

Certainly, we should not. It is these same tedious and lengthy hurdles that ensure government that it gets the best private partners for its PPP projects. It will make these projects stand legal and procedural scrutiny. Finally, it assures that competitive processes are in place while facilitating transparency and guaranteeing institutional accountability.

The expected sense of urgency from government is certainly present in these PPPs with the right timing as its overriding principle. But experience from the rest of the world and this country’s previous failed attempts at BOTs have been that right timing is a function of readiness, both of the project and the institutions mandated to deliver it.

Representatives from the Department of Education (DepEd), PPP Center, and Megawide join together during the PNP-I Groundbreaking Ceremony held in Pantay National Highschool, Teresa, Rizal last 4 March 2013.

At the heels of the country’s successful tender of eight projects in 2012, the Public-Private Partnership (PPP) Program gains momentum with two (2) projects currently undergoing construction, and eight (8) more to be awarded to winning bidders within 2013.

The Daang Hari-SLEX Link Road project of the Department of Public Works and Highways (DPWH) which was awarded to the Ayala Corporation in 2011 is now 29.6% complete as of March 25, 2013. This is slightly ahead of its indicative schedule, with June 2014 as the targeted project completion date.

On the other hand, the first batch of PPP for School Infrastructure Project (PSIP-I) has successfully reached financial closure last February 15, 2013. The Department of Education (DepEd), together with the winning bidders, conducted separate ground breaking ceremonies for three contract packages that will build one-storey and two-storey classrooms in Regions I, III, and IV-A, translating to 10,000 classrooms.

DepEd also issued notices to proceed for 3,019 classrooms out of the 2,496 it has targeted. The two winning bidders are BF Corporation-Riverbanks Development Corporation Consortium, and the Cricoteo- MEGAWIDE Consortium, Inc. Under the project’s Build-Lease-Transfer (BLT) contract, the classrooms will be completed by February 2014.

Another upcoming milestone to watch out for 2013 is the awarding of eight (8) other projects currently at the bidding stage.

As of this writing, the NAIA Expressway-Phase 2 project has been awarded to Optimal Infrastructure Development, Inc. The government is also set to award the LRT Line-1 Extension and Operation and Maintenance (O&M) project of the DPWH to its winning bidder within the first half of the year.

The other six (6) projects, namely the Modernization of the Philippine Orthopedic Center of the Department of Health (DOH), the Rehabilitation and O&M of the Angat Hydroelectric Power Plant of the Metropolitan Waterworks and Sewerage System (MWSS), the PSIP-

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The government remains accountable to its citizenry for the provision of a particular service in a PPP project. In privatization, accountability to provide service is oftentimes transferred to the private sector while the public sector gets paid for selling its assets. In the case of PPP, the public sector gets paid for delivering an asset or facility.

Another difference between privatization and privatization is on how risks are being allocated to both the government and private sector. In PPP, risks are assumed by the party that is best able to manage and assume the consequences of the risk involved. The same does not apply in a privatized asset because the private sector assumes all risks associated with the project.

The PPP Program of the Philippine government covers infrastructure projects implemented under the Build-Operate-and-Transfer (BOT) and Joint Venture (JV) contractual arrangements. BOT schemes are governed by the provisions of Republic Act 6957, as amended by Republic Act 7718, otherwise known as the BOT Law while JVs are governed by the NEDA JVs Guidelines for Government-owned and/or controlled Corporations and separate guidelines that may be adopted by different local government units. The PPP Center continues to be an implementation arm of the PPP Program.

On the other hand, the Philippine Privatization Program is governed by Proclamation No. 50 (Proclaiming and Launching a Program for the Expendi tured Disposition and Privatization of Certain Government Corporations and/or the Assets Thereof, and Creating the Committee on Privatization and the Asset Privatization Trusts), as amended, and Executive Order No. 321, series of 2000, (Constituting an Inter-Agency Privatization Council and Creating a Privatization and Management Office Under the Department of Finance for the Continuing Privatization of Government Assets and Corporations). The Privatization Council serves as the central agency of the government responsible for oversight of its privatization program, with Project Monitoring Office as the one in charge for the implementation of actual marketing or disposition program of government corporations, assets and idiosyncrasies of the government.

The distinction between PPP and privatization is quite explicit: ownership. In the case of Modernization of the Philippine Orthopedic Center (POC), it is transferred and distinctly a PPP project. What this means is that the POC is and will always remain as a government-owned and operated facility. It will have been built and operated by a private company who will bring in its vast expertise and resources to make POC a more reliable and efficient government hospital.

By undertaking its modernization plans through PPP, the iconic POC will now have a new lease on life — reenergized by the private sector’s capital and competencies. Government undertakes PPP projects to make sure that our people get the best possible service it deserves from its government at the least cost to the Filipinos.

In privatization, the ultimate objective is to shift the responsibilities to the private sector. This is not the case in PPP projects. Government retains ownership of the projects as well as defines the extent of private sector’s participation in a PPP project.

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On Mending Broken Bones and the Modernization of the Philippine Orthopedic Center

A child writs in agony while waiting for her turn to be treated at the jam-packed emergency room. She fell off a makeshift footbridge not far from her home and broke her leg. Amidst the chaos around, a doctor examines her while finishing up the chart of another patient with a head injury. An orderly wheels her out of the trauma room into the children’s orthopedic wing. She will need an open reduction and internal fixation (ORIF) surgery to repair a broken femur fracture.

The next time we see her, the surgeon has placed a rod into the center of her bone to support it until it heals. To stabilize the healing bone, a metal plate is placed next to it and is attached by screws to a frame outside her leg. She is just one of the many patients that flock to the Philippine Orthopedic Center to heal their broken bones. The same story has been told within the hospital’s walls almost 50 years ago. The familiar tale is said all over again hospital’s walls almost 50 years ago.

In recent years however, budgetary constraints in the health sector have compromised many of our public hospitals leaving them in dire condition. The quality of healthcare service delivery in public hospitals has deteriorated due to lack of resources, particularly in infrastructure, modern medical facilities and equipment, and medicines. Add to this the continuing decline in the number of healthcare professionals.

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Undoubtedly, POC is one of the best hospitals for orthopedic care in the country. This iconic medical institution even houses some of the top medical experts in the field of orthopedic medicine.

But the POC, like many other public hospitals, suffer from a disease that plagues our public health system — poor facility and lack of modern equipment. Since its construction in 1963, no major renovation and improvement have taken place because of insufficient funds. Some of the hospital’s facilities and equipment are decades old.

With the increase in orthopedic and trauma cases in the country, government is prioritizing modernization and upgrading the POC.

In September 2012, the National Economic and Development Authority (NEDA) Board, headed by the President, approved DOH’s project to modernize the POC through a build-operate-and-transfer (BOT) arrangement under the PPP Program.

With the expertise and vast resources of the private sector, DOH will establish a state-of-the-art hospital facility that will be the country’s ‘Leading Tertiary Care Center for Bone and Joint Diseases, Trauma, and Rehabilitation Medicine’. It will be located within the National Kidney and Transplant Institute (NKTI) Compound along East Avenue in Quezon City.

The winning bidder will be responsible for constructing a new hospital facility, as well as that of installing all required medical equipment and technology, giving POC’s clients access to state-of-the-art facilities and world class medical care. The private partner will also provide orthopedic clinical services and allied services in operating and maintaining the super-specialty tertiary facility for a cooperation period of 25 years. Government will monitor the performance of its private sector partner to make sure that it operates the POC with the agreed Minimum Performance and Specifications Standards (MPSS) specified in the contract.

More than 400 beds out of the 700-bed capacity of the POC have been allocated for Philhealth members and most importantly for those patients who live below the poverty line. When modernized, the POC will be better equipped to serve the poorest of the poor.

With the private sector providing world-class amenities and services for the modernized POC, it is expected that changes in management and staff services will be instituted. This,
PDMF and its role in building a robust pipeline of PPP projects

Since its establishment in 2010, the Project Development and Monitoring Fund (PDMF), managed by the PPP Center, has supported a wide variety of projects from various implementing agencies. At present, there are 24 PDMF-funded projects expected to address infrastructure gaps in the transportation, education, and health sectors to name a few. These projects differ in their complexities and requests for PDMF fund support. PDMF enjoys an increased popularity among implementing agencies primarily because of the fast consultant selection process; the client’s access to various consortia of international and national consulting firms; and the comprehensive scope of services including preparation of pre-feasibility studies until financial close is obtained.

A Thriving Pipeline

There are 26 projects in the PDMF pipeline which include the construction, modernization, and improvement of existing roads, bridges, and expressways; development of airports and ports, as well as rehabilitation and extension of railways for the transport sector. The health sector will also benefit with the modernization of medical centers and the improvement of health services. Irrigation and supply-drainage systems will also benefit with the modernization of existing roads, bridges, and expressways, as well as rehabilitation and extension of railways for the transport sector. The health sector will also benefit with the modernization of medical centers and the improvement of health services. Irrigation and supply-drainage systems will also benefit with the modernization of existing roads, bridges, and expressways, as well as rehabilitation and extension of railways for the transport sector.

Ongoing Consulting Assignments

There are 13 PDMF-supported projects with ongoing consulting assignments, including projects in the transport, energy, and health sectors. Of the 13 projects, five are currently in the bidding process. (See Table 1 on p. 8)

The PPP Center, together with the implementing agencies, is in the thick of finalizing the project structures of the Laguindingan Airport (Operation & Maintenance) in Misamis Oriental and the New Bohol (Pangalo) Airport Development. The New Bohol (Pangalo) Airport, a greenfield airport facility which sits on a 230-hectare spread will replace the existing Tagbilaran Airport. Both projects will be presented to the ICC/NEIDA Board for approval and will engage the private sector to operate and maintain the facilities.

Awarded PPP Projects with PDMF Support

The PPP Center has already conducted planning sessions with DepEd in reducing classroom backlog. It involves the design, financing and construction of about 9,300 one-storey and two-storey classrooms, including furniture and fixtures, in various sites in Regions I, III, and IV-A.

For Phase II of its PPP, the DepEd once again availed of the PDMF support. This is an indication that DepEd recognizes that PDMF can help ensure the successful tender of PSIP II.

PPP Program gains momentum from p. 2

Phase II of DepEd, the Automated Fare Collection System and Mactan-Cebu International Airport Passenger Terminal Building projects of DOTC, and the CavitE-Laguna Expressway project of DPWH, set to be awarded before the year ends.

Construction of three projects, namely, the NAIA Expressway, the PSIP-Phase II, and the MCI&A Terminal Building will be the first of this kind that is proposed for PPP.

Bracing up for more

As the government’s lead agency tasked to facilitate the entire PPP Program, the PPP Center has initiated a series of strategic planning sessions with concerned implementing agencies. "With the end view of having harmonized PPP initiatives on pipeline development, capacity development, project and contract monitoring and evaluation, communications, and knowledge management, among others, the Center took an institutional approach to ensure the complementation of the roles and functions of the various agencies involved in carrying out PPPs."

The PPP Center Executive Director Cosette Canilao said. "Through these planning sessions, the PPP Center is able to discuss with implementing agencies their PPP needs, issues, and concerns, and how the Center can help them address these. From there, we are able to draw out the general PPP roadmap of their agencies, and the critical targets and next steps needed to achieve our shared goals.”

The PPP Center has already conducted planning sessions with DepEd, DOH, DPWH, DOTC, MWSS, the Department of Agriculture (DA), the Laguna Lake Development Authority (LLDA), and the Bases Conversion and Development Authority (BCDA). Similar sessions will also be conducted for the Department of Tourism (DOT), Environment and Natural Resources (DENR), and the Mindanao Development Authority (MinDA).
however, does not mean that people, who have been with the POC for decades, providing committed and quality service, will be left without a job.

Health Secretary Enrique Ona was most emphatic when he assured POC’s health workers that not a single person working at the POC will lose his job. With the new POC management eventually taking over, POC health workers have two options: continue working under the new management as a private health practitioner or remain with government and transfer into another government hospital who will readily welcome their services.

Nobody loses a job as a result of the modernization of the POC.

The POC will remain government-owned and will be responsible in making sure that its partner gets the job done as stipulated in the contract to be signed. This arrangement under the PPP is definitely not privatization.

Government remains the owner of the POC, not the private sector. This is the fact.

Instead, government uses PPP as a mechanism to complement all its efforts in expanding access to high quality health service that is at par with other privately-run, world-class medical facilities while ensuring its affordability to the public.

Modernizing the POC is a step towards mending the broken bones of our public healthcare system --- one that has been crippled for the longest time.

Change, especially one as extensive and as massive as that of the modernization of the POC, brings with it a debilitating divisiveness that can paralyze government’s campaign for advancement. But beyond the differences and the opposition that break up the POC, the bottom line is that it is still a government hospital and its job is to serve the people. As public servants, it is time that the POC stand up as one to protect and preserve the health of its patients, especially for those who need their help the most.