PPP Forum on Health

Fostering PPPs to Achieve Universal Health Care for Filipinos

Case Studies on Integrated Healthcare PPPs

by

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business advisors • ppp strategists

Introduction

Nasser Massoud *MiF, FCIArb, C Eng, MICE, MSc, BSc*

Managing Director, Concept Realisation

Previously worked for Arup, Kier Construction, PwC, InterHealth Canada & Saraya Holdings

- Specializes in strategy formulation of social sector PPPs, as well as structuring, negotiating and financing such transactions
- Experience covers PPPs, privatisations and joint ventures
- Key sector specialties healthcare, education, tourism and real estate
- Portfolio of several landmark projects which Nasser structured, negotiated and led through to financial close – both public and private sides
- Recognised by KHIDI (Korean Health Industry Development Institute, under the Ministry of Health of South Korea) as a Global Healthcare Key Opinion Leader (GHKOL)
- United Nations Economic commission for Europe (UNECE) Global Standard for Healthcare PPPs

Concept Realisation Snapshot

- Mubadala– Imperial College Diabetes Center
- Mubadala – Al Fajr Gas Pipeline
- InterHealth Canada - Orthopedic PPPs in UK
- American University Jordan
- Saraya Aqaba
- The Capital Partnership

Head of Transactions at InterHealth Canada

PPPs in Georgia, Poland, Indonesia, Egypt, UAE, Saudi, UK, Caribbean, Peru, San Marino and others

Established

Merged with Saraya

Saraya PPP projects in Jordan, UAE, Oman, Russia, Malaysia, Montenegro, Algeria, Tunisia and others

Re-activated

- PIOJ: PPP transaction advisor Jamaica CoE's Oncology & Nephrology
- IFC: PPP transaction advisor Kyrgyz Republic Medical Rehabilitation
- Consortium: PPP transaction advisor Cardiology CoE, Dubai
- ADB: Kazakhstan Primary Healthcare Program PPP
- EBRD: Romania pre-feasibility and FS (infrastructure PPPs)
- KHIDI: market entry strategy on healthcare PPPs on 6 countries
- KHIDI market analysis study on 5 services in UAE
- Investor: Stem Cell Therapy Center, Dubai
- IFC: Kyrgyzstan Health PPP Leads/ same now in Uzbekistan
- KfW: Kyrgyzstan PPP Haemodialysis monitoring
- UEMS / Seoul Rehab Hospital, Paediatric Rehab FS, Abu Dhabi

Content

- Introductions
- Background healthcare issues
- Case studies & lessons learned
  - Case study 1: General hospital (Poland)
  - Case study 2: Haemodialysis (Kyrgyz Republic)
  - Case study 3: Primary healthcare PPP Program (Kazakhstan)
- Overall conclusions
- Questions/ discussion

Healthcare is a UN SDG and a core area of ADB's operations … and so are Partnerships

- Good quality, accessible healthcare is essential to society
- Access for all on an equitable basis is a key objective
- ADB supports DMCs in achieving UHC through public and private providers; and supports reforms in health financing inc. insurance
- Partnerships are a key modality of providing infrastructure and services

Key Factors Impacting Demand for Healthcare

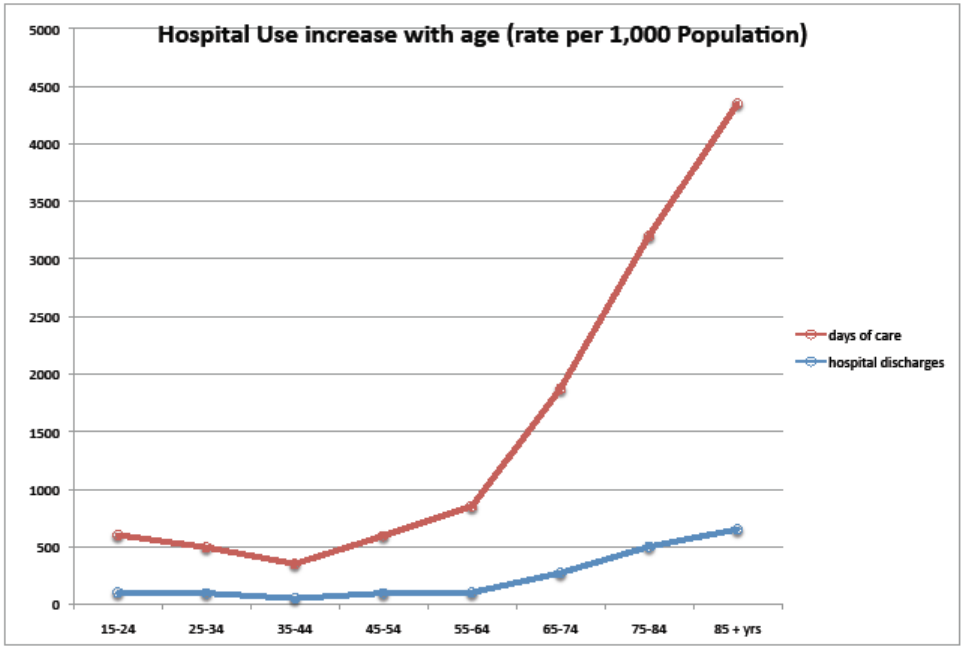
- **Ageing populations**
  - Philippines has 105 million inhabitants
  - **5%** are currently >65
  - **9%** are expected to be >65 by **2050**
  - **DMCs** population aged >65 years expected to increase from **9% to 17% in 2050**

- Increasing **life expectancy** (LE)
  - Average LE is projected to increase substantially for ADB DMCs by 2050
    - Male LE to increase by over 2 years to 72.6 years in
    - Female LE to increase by over 4 years to 77.9 years in 2050
  - Philippines LE currently at 69.1 years, expected to rise by over 4 years by 2050

- Average **Healthy Life Expectancy** (HALE)
  - 71.9 years for ADB DMCs
  - 80.6 years for OECD member countries
  - Philippines much lower at 61.7 years

Key Factors Impacting Demand for Healthcare

Longer life spans will result in an increased burden on the healthcare sector, as people age and require more care for chronic illnesses



Typical Healthcare Crisis Pattern

Rationing & Crisis Spending

Social Contract

- Started late
- Inherited then “adjusted”
- Developed piecemeal

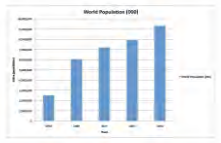
Costly to Build & Operate

+

Historic Under-investment

- Obsolete buildings
- Outdated equipment
- Medical education
- Management

World Population Increasing & Ageing



Costs on Upward Spiral

- Acute to chronic
- Killer to chronic
- Technology impact
- Pharma costs
- Patient awareness

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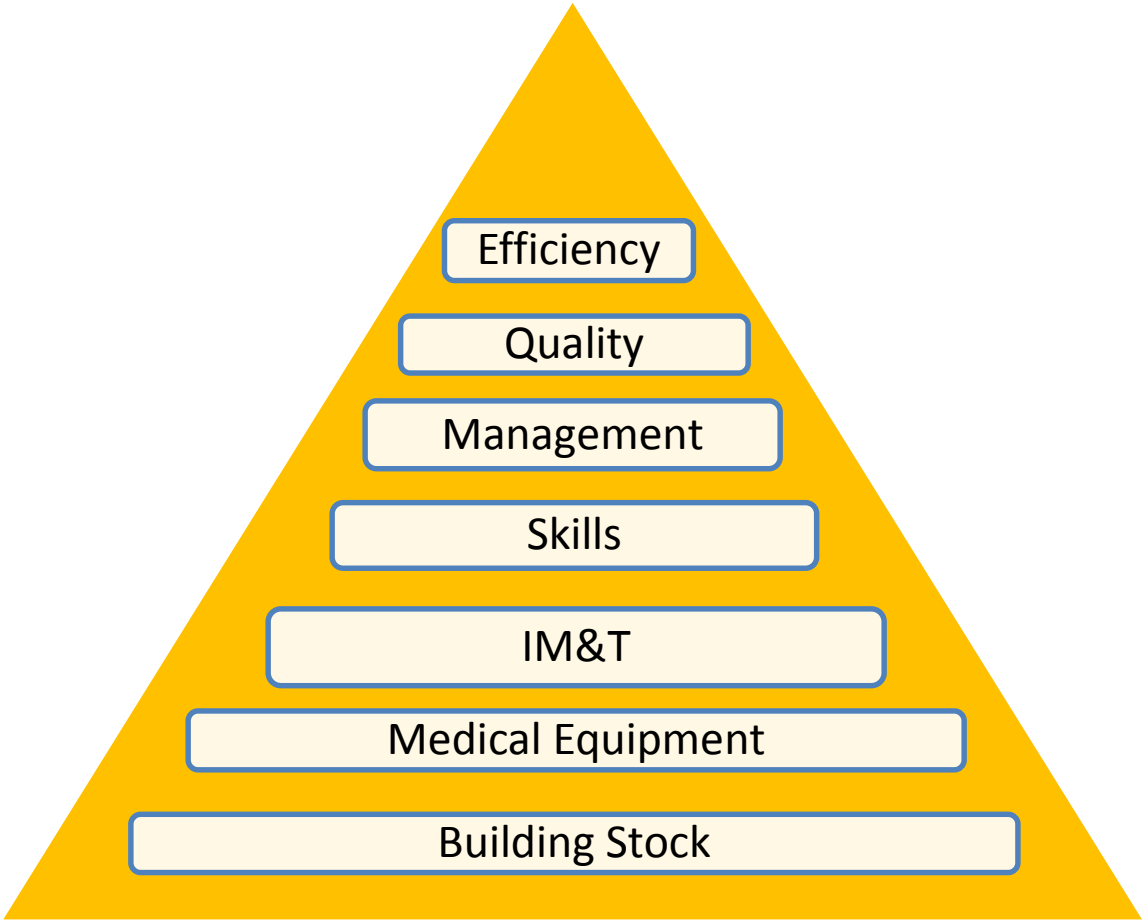
Spending and resources are inadequate

- Average healthcare spend per capita
  - Philippines **US$ 127** (4.4% of GDP)
  - ADB DMCs is **US$ 458 (**6.2% of GDP)
  - OECD countries **US$ 4,003** (9.0% of GDP)
- There is a substantial shortage of facilities as well as qualified healthcare personnel across most of the member countries
- Shortage of spending and resources along with inefficient systems are resulting in poorer healthcare outputs across the developing member countries

Healthcare needs have their own hierarchy …



PPP Case Study 1 – Healthcare
Zywiec PPP Hospital, Zywiec, Poland

- **Project**: 340 bed general hospital
- **Public Partner:** Local Government (Zywiec Poviat)
- **Private Partner**: InterHealth Canada Limited
- **Scope**: Integrated PPP; all services by provider

Objectives:

- Meet EU regulations
- New hospital to replace old and dilapidated set of buildings
- Maintain continuity of service for community
- Efficiency and quality improvement
- Staff retention

Zywiec PPP Hospital
Before and After

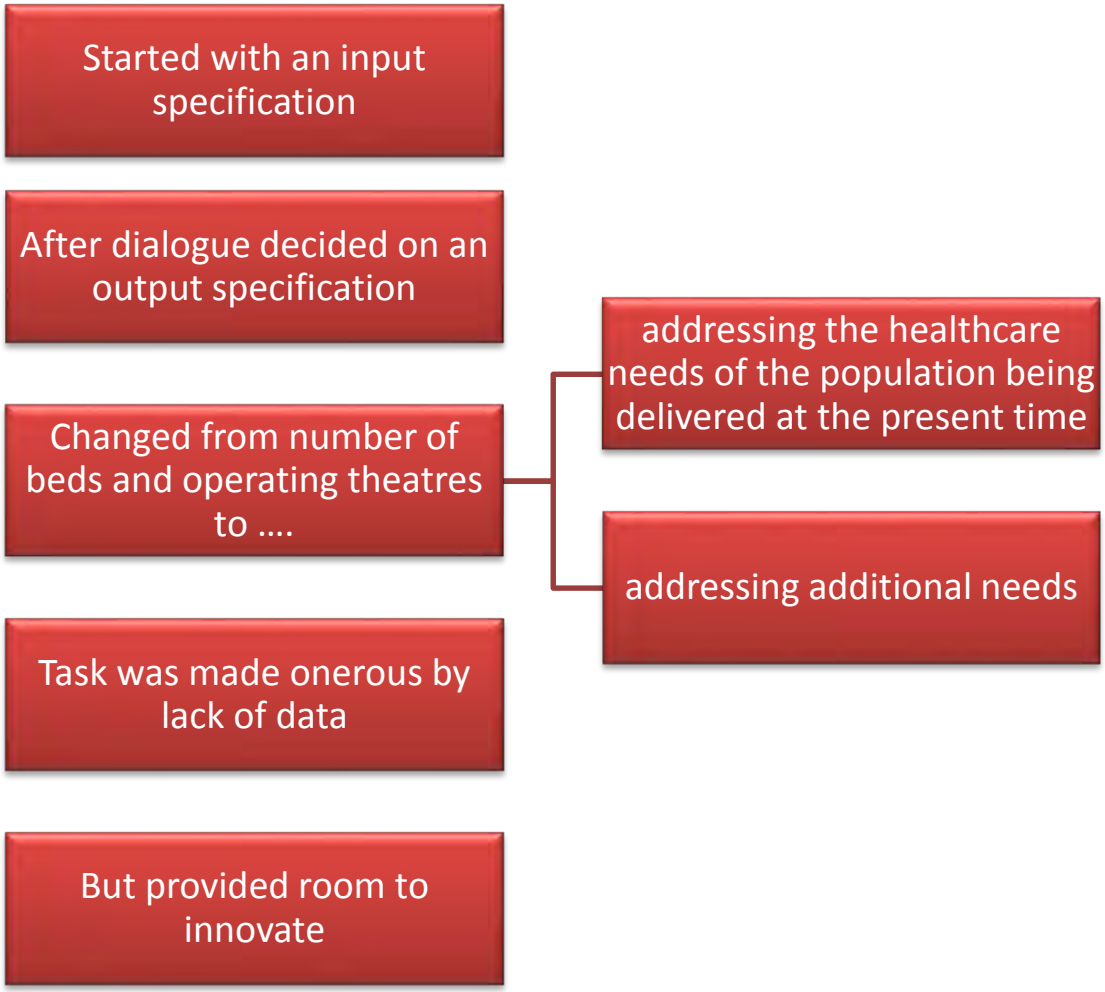







- Extend into continuum of care: preventative screening, specialist outpatient consultations, day surgeries, rehabilitation, full emergency center
- New pathways and ICT automation for added efficiency gain

Technical Specifications - Zywiec PPP Hospital



Zywiec - Facility design

Room design	Theatre design	Location of mechanical plant/ technical floor	Circulation and patient/ staff flow
Corridors and segregation of patients from visitors	Routings for laundry in/ out	Overall adjacency and circulation	Helicopter access design
	Emergency / ambulatory	Imperative to reduce cost by reducing BUA	

Zywiec – efficiency gain

Capacity needed to deliver the same services

Capacity to deal with waiting lists

Ability to repatriate patients to receive treatments at the new hospital

Ability to attract patients from a wider catchment area including medical tourists

All in fewer beds than at the existing hospital

What does the Zywiec case study tell us?

Constraints

Obligation – Poviat must provide healthcare services

Infrastructure issue – EU regulations deadline is a ticking time bomb

Funding issue – Poviat does not have budget for new build, neither does it have recurring revenues to make availability payments

Opportunities

PPP law

Tariff and single payer system in place

Vast room for efficiency improvement, already evidence was emerging from some private sector involvements in delivering healthcare to public patients

Growing private pay market

What does the Zywiec case study tell us?

Issues with the current system

Too much reliance on inpatient acute and critical care

NFZ already put in place measures to motivate reduction in inpatient treatments through ambulatory care payment mechanism

Separation of primary healthcare providers from general hospitals gave rise to moral hazard

Rehabilitation and long term care under-funded and not

These issues are are prevalent in many developing economies

Potential solutions

Integrated PPP

Obligation to change the delivery system

Payment mechanism that motivates efficiency improvement

Zywiec PPP Hospital
Other Lessons Learnt

- Integrated PPP; first in Central Europe
  - Challenge to find qualified bidders
  - Lesson – cultivate the market, using example of prison sector in the UK
- Tender used competitive dialogue process under EU procurement
  - Coupled an with open-minded Poviat, drastically improved RFP documentation. Importantly, changed specification from **input** to **output**
  - Enabled **efficiency improvement** of 43% in **bed productivity**
- Public Partner is not the payer; payer is the National Health Fund. Meant needed a guarantee from Poviat. Took the form of a limited time/ limited sum guarantee plus a "**safety net**" using Force Majeure clause
  - Nevertheless, took a long time to get a financing solution
  - Breakthrough was getting the support of EBRD (M&S group)
- Staff transfer & retention was important as hospital is a main employer
  - Provision for full staff takeover in accordance with Labour Law
  - Penalties for early release of staff

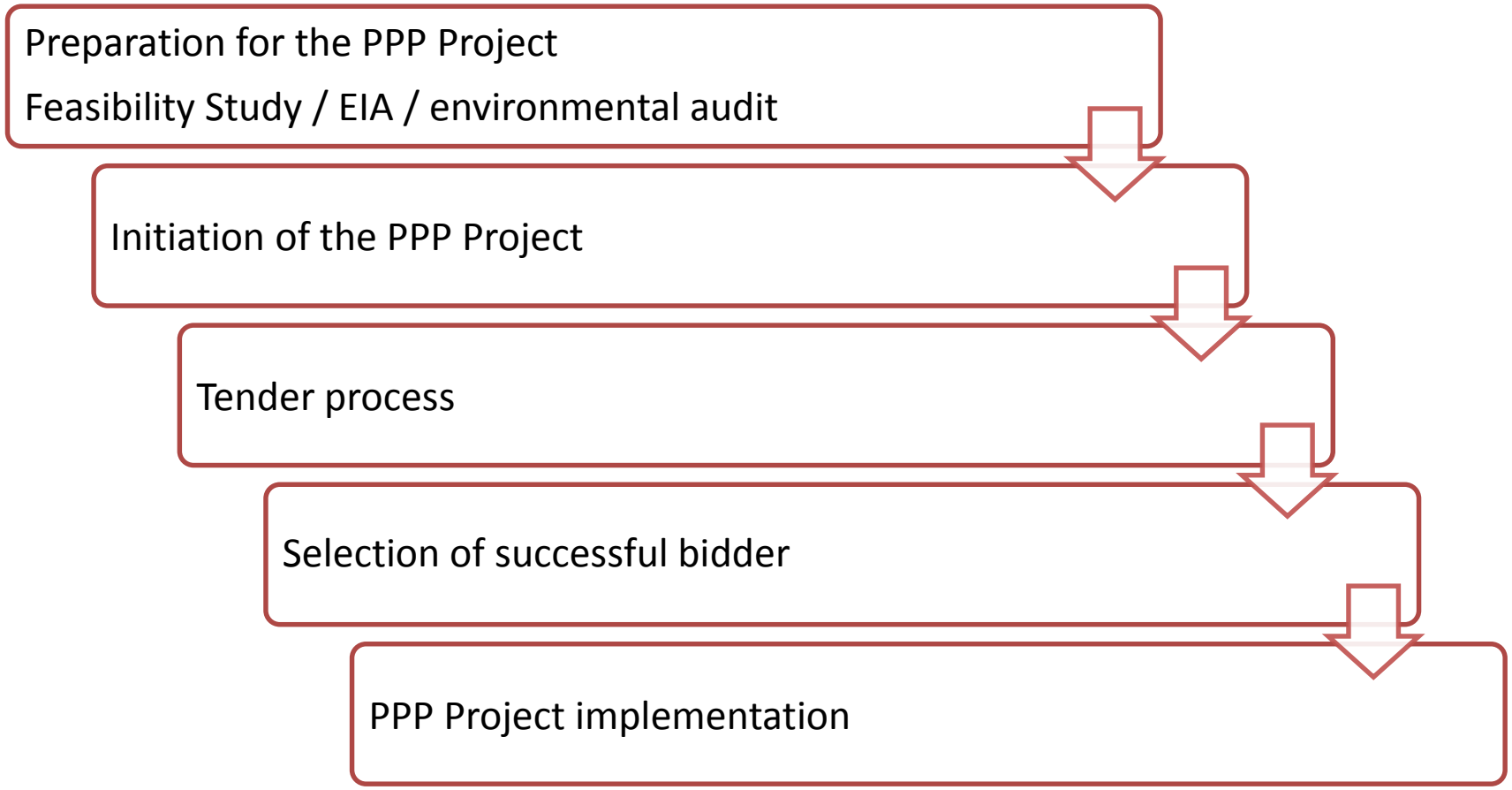
PPP Case Study 2 – Haemodialysis Centres, Bishkek, Kyrgyzstan

- **Project**: Haemodialysis Services PPP
- **Public Partner:** Ministry of Health of Kyrgyzstan
- **Private Partner**: Fresenius Medical Company
- **Scope**:
  - Integrated PPP; haemodialysis and peritoneal dialysis services
  - 4 centres, 2 in Bishkek, 1 in Osh, 1 in Jalal Abad
  - 10 year term

Objectives:

- Increase treatment capacity for patients with kidney disease as current public facilities can not cope with demand
- Deliver affordable care according to international standards via more modern facilities & equipment and higher quality of treatments
- Reduction in infection rates and improvement in key healthcare outcomes

Kyrgyzstan Haemodialysis PPP
Project Stages



Kyrgyzstan Haemodialysis PPP

- Sound legal basis for the PPP agreement based on the National PPP Law and key amendments passed
- Scope of services clearly defined to incorporate number of patients served, quality of services provided, and premise renovation, equipment and maintenance services
- Quality standards for the provision of dialysis services to be approved by the MoH. This raised an issue of capacity at MoH to approve
- Scope includes peritoneal dialysis
- Payment mechanism based on a minimum patient volume guarantee with an agreed tariff rate per patient
- Accreditation and licensing carried out in accordance with the terms established by Kyrgyz laws
- Termination of PPP agreement by mutual agreement of the parties in case of violation of obligations of either party
- Unilateral termination for not meeting the Commissioning Date
- Dispute resolution mechanism in place

Kyrgyzstan Haemodialysis PPP Features and Lessons Learnt

- Single profile integrated PPPs are easier to structure and can be a good starting point for launching PPPs:
  - Simpler specification, bidding and evaluation
  - Defined market of private providers
  - Monitoring
- Payment mechanism must be clear and transparent
  - Market demand risk vs Guaranteed Minimum Volumes
  - Tariff setting and value for money evaluation
  - Budgetary issues
- Capacity of Public Partner throughout the life of the project is a significant issue
  - Tendering
  - Monitoring and contract life
- Staff transfer issue took an interesting turn
  - Stipulating staff transfer
  - Capacity left in public system
  - Dealing with staff issues

PPP Case Study 3 – PPP Program for Primary Healthcare, Kazakhstan

- **Project**: Establishing key parameters and template tender documentation for undertaking transactions with private providers in primary healthcare (PHC)
- **Public Partner:** Kazakhstan Ministry of Health
- **End Beneficiaries:** Akimats (key Cities and Oblasts)
- **Private Partner**: N/A (to be procured)
- **Scope**: Establishing the process and relevant template documentation for launching tenders to procure private operators/ investors undertake primary healthcare (**PHC**) services on a PPP basis, covering theee modalities

Objectives:

- Developing a framework for Akimats that aids in selecting the appropriate PPP modality
- Developing standards and template documentation that assists Akimats to procure and monitor PPPs to enable fast-track, repeat and scalable procurement
- Enabling the MoH to use the documentation to implement projects more efficiently and effectively
- Incorporating efficiency and cost-effectiveness in the procurement of services

PPP Program for Primary Healthcare, Kazakhstan

- 3 PPP modalities incorporated into the program:
  - Modality 1: Integrated PPP involving building a new facility ("BTO")
    - Distinguish between new and replacement infrastructure
  - Modality 2: Integrated PPP with refurbishment and re-equipping ("RTO")
  - Modality 3: Management contract PPP
- Selection of PPP modality based on pre-defined criteria (including size and state of existing facility, number of enrolees etc.) were clearly set out for the Akimats
- Availability-based payment mechanism incorporated for BTO and RTO
- Clear identification of stakeholders and their roles in the Program PPP
- Pre-defined range of contract terms put in templates for each modality
- Risk evaluation and apportionment carried out to highlight the key obligations and roles of each of the stakeholders (public and private)
- Onus of understanding healthcare needs of the population remains with the local government / Akimat, as it derives the type of services to be provided at the facility by the private partner

PPP Program for Primary Healthcare, Kazakhstan
Features and Lessons Learnt

- Order for reforming primary healthcare was published part-way during the assignment
  - Insufficient knowledge about this within public bodies
  - Onus to include what is a dynamic implementation into a set of template documents
- Achieving UHC in the context of this program
  - Large polyclinics more attractive and commercially more viable
  - Smaller rural units less attractive
  - Obligation to create networks so small units benefited from scale of larger units
- Payment mechanism is an important consideration especially while tariffs are undergoing reforms
  - Split availability payment from service payment
  - Allow private payment collections for additional services
- Public sector capacity issues
  - Experience during the mandate
  - Implementation in due course

Pulling this together in the context of UHC

- UHC has different meanings in different countries
- Accessing PPP facility should be no different to accessing public facility

  …… the experience should be a better one
- PHC example of ensuring program is structured around equal access
- UHC in context of limited funding as in Kyrgyz example
- More examples like this in structuring laboratory and diagnostic projects
- For projects to succeed and be accepted there must be transparency

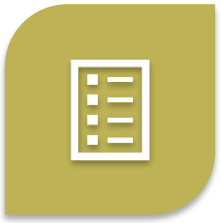
In a PPP program it is important to know the key constraints in the system

AVAILABILITY OF LAND AND OTHER RESOURCES

QUALIFIED MEDICAL PRACTITIONERS

CAPITAL TO PAY FOR NEW INFRASTRUCTURE (AS CAPEX AND/OR AS ANNUAL PAYMENTS)

FOR PPP E.G. PPP LAWS, GOVERNMENT CAPACITY TO UNDERTAKE A PPP PROGRAM, AVAILABILITY OF FINANCE ETC



STATE OF THE SUPPLY MARKET FOR MEETING THE NEEDS

IF SUPPLY MARKET IS NOT PRESENT IN COUNTRY, WILL INTERNATIONAL FIRMS BE INTERESTED?

AFFORDABILITY CAN BE A MAJOR CONSTRAINT

Evaluating needs in healthcare is an important first step, whether infrastructure or integrated

- What universal access means in the context of the economy
- Extent of universal access to healthcare in the country
- State of infrastructure
  - Lacking
  - Dated/ dilapidated, as in the Polish case study
  - Obsolete equipment
- Mode of service delivery
  - System-wide / tele-medicine/ continuum of care
  - Enterprise (hospital, primary care center etc) level
- Human resources and capacity
- Essential inputs into analysis
  - Population and demographics
  - Epidemiology
  - Clinical outputs
  - Key health parameters (life expectancy, healthy life expectancy)

Evaluating Supply (inc private sector) is important to avoid over-investment

Data is an important starting point/ input, but is not by itself a determinant. Judgement is always required

eg number of hospital beds per 1,000 population, depends on the legacy and depends on the healthcare system

Types of beds is more important than number of beds

All of this is essential before embarking on a PPP program!

Urbanisation has profound implications on both urban healthcare facilities and provisions needed in rural areas

Important to establish a health masterplan underpinned by a health delivery philosophy


ANY
QUESTIONS
?

Thank You

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