



Role of Public Private Partnerships in *Delivering Universal Healthcare*

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INVENTURE ADVISER



There is no country in the world where healthcare is financed entirely by the government. While the provision of health is widely recognized as the responsibility of government, private capital and expertise are increasingly viewed as important sources to induce efficiency and innovation. Public Private Partnership (PPP) is one such structure where private finance and efficiency is accessed to deliver public health infrastructure. Building on two decades of experience in PPPs for health infrastructure, governments around the globe are looking to use this model to solve budget constraints and for plugging the healthcare gap. ”

Universal Healthcare

- As per the World Health Organization, Universal Healthcare Coverage (UHC) is where:
 - *all people and communities can use the promotive, preventive, curative, rehabilitative and palliative health services they need, of sufficient quality to be effective, while also ensuring that the use of these services does not expose the user to financial hardship.*
- The above definition of UHC embodies three related objectives:
 - *Equity in access to health services - everyone who needs services should get them, not only those who can pay for them;*
 - *The quality of health services should be good enough to improve the health of those receiving services; and*
 - *People should be protected against financial-risk, ensuring that the cost of using services does not put people at risk of financial harm.*

UHC does not mean that health care is free of charge, nor is it solely concerned with financing health care. UHC includes strengthening health systems – enhancing financing but also strengthening governance, the organization of the health-care workforce, service delivery, health information systems and provision of medicines and other health products.

Sustainable Development Goal 3

- 17 Sustainable Development Goals (SDGs) adopted by the United Nations General Assembly in September 2015 have targets that relate to health.
- SDG 3 focuses specifically on ensuring healthy lives and promoting well-being for all at all ages.



Role of PPPs in UHC

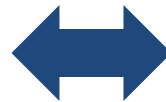
- At least half of the world's population with a total of 7.3 billion still lacks full coverage of essential health services (WHO, 2017). Over 400 million people do not have access to one or more essential health services.
- By 2020 chronic deaths will account for nearly 73% of all deaths, and over 7 million healthcare professional are needed.
- As per the World Bank only 9.8% of the world's GDP corresponds to healthcare expenditure. Deficit cannot be overcome by the public sector alone, nor can private financing alone close the financing gap.
- The complexity of health systems globally requires private sector participation in health care delivery - in the delivery of assets, technology, services, capital, targeted at healthcare infrastructure development and operations.
- Public-Private Partnerships (PPPs) could either be simple interventions in the provision of health services to more comprehensive and complex approaches, e.g. hospital operations.
- Health PPPs commonly consist of partnership agreements between public and private entities, where a public department of health engages a private healthcare provider to take a degree of responsibility for care delivery, with the aim to achieve health policy objectives.

How PPPs can help?

- Healthcare infrastructure represents a significant cost for countries and necessitate partnerships through PPPs to finance the building or renovation of facilities.
- Public health spending comprises physical infrastructure as well as service delivery and represent an additional opportunity for the private sector to work with the public sector to improve the overall management of healthcare delivery.
- As overall private investment grows in a market, attractiveness of PPPs increase.

Government

- Potentially limit government's budgetary concerns due to uncertainty in costs
- Shift focus of government to being payers, and not providers of care
- Limit upfront investment required and enabling flexibility for capital to be spread across other priority needs of the public
- Shape provider markets by influencing future private investment, aggregating existing capacity and strengthening oversight.



Private sector

- Attractive sector as healthcare is amongst the highest growth sectors globally with yearly spending growing at:
 - 10% - Asia and the Gulf,
 - 8% - Africa
 - 6% in Latin America
- Successful private operators are keen to expand across borders
- UHC initiatives are now creating size and scale and are no longer restricted to not-for-profit organizations.

Role of PPPs



Key challenges

- Most public healthcare institutions have outdated medical equipment and lack access to latest equipment and technology
- Operations and maintenance of infrastructure in public healthcare institutions lacks efficiency and accountability
- Inadequate number and quality of healthcare professionals continues to be a major challenge faced by the public providers
- Private healthcare systems are not accessible and affordable to all
- Affordability and willingness to pay by users make the sector not as lucrative as other sectors like transportation



PPP benefits

- Whole of life approach: Development and maintenance of new infrastructure (including equipment) over the concession term
- Accountability: Availability of infrastructure ensured through performance based operations & maintenance contracts
- Latest technology: Takeover of existing infrastructure hospitals and bringing in private sector management techniques
- Value for money considerations: Enabling public access to services for free or nominal charges for the low income group
- Capacity building: Training of health care providers (doctors, nurses, lab assistants, etc.)

Types of PPPs in healthcare delivery 1/2

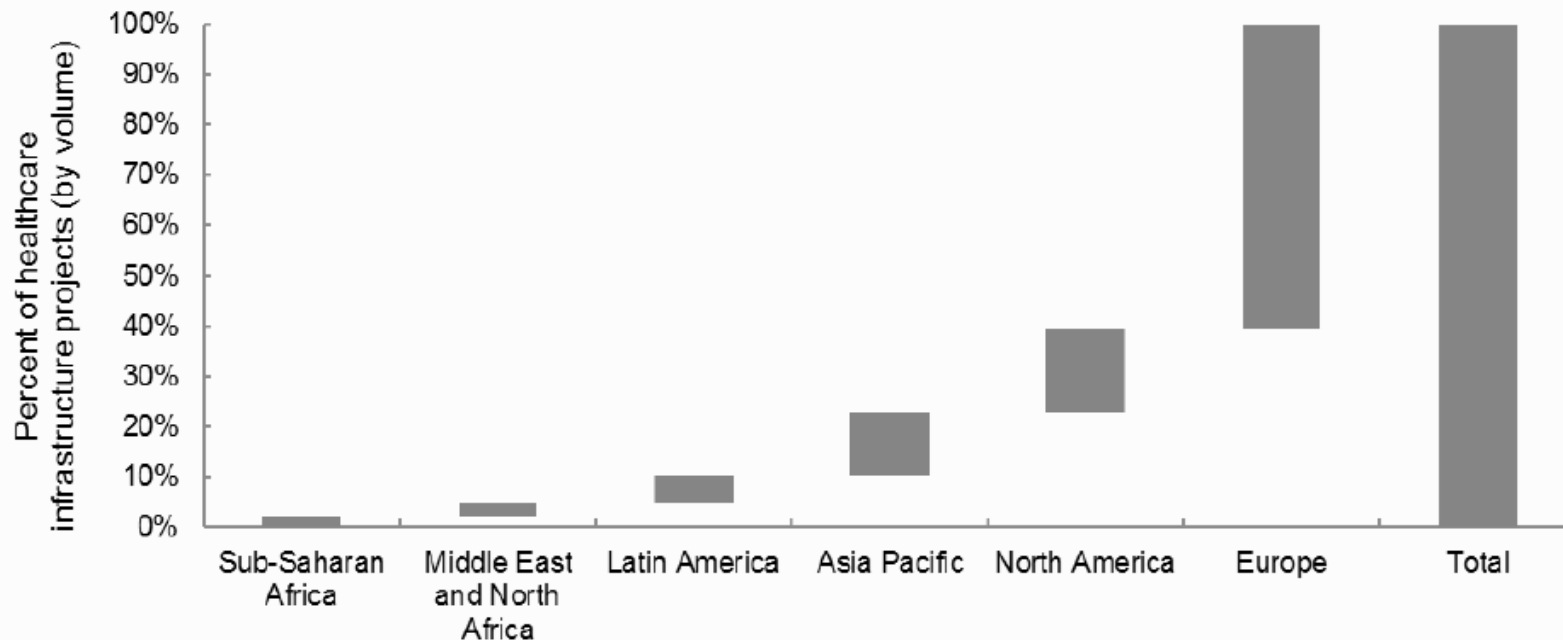
| Type | Role of Private Sector | Role of Public Sector |
|---|--|--|
| Non-medical services | <ul style="list-style-type: none"> • Provides non-clinical services (admissions, security, parking, laundry, canteen, etc.) • Some responsibility for new capital investment (depending on contract) | <ul style="list-style-type: none"> • Pays private operator for services provided, monitors and regulates services and compliance of contractual obligations |
| Medical services (e.g. diagnostic, ambulatory services) | <ul style="list-style-type: none"> • Provide medical (e.g. emergency medical, diagnostic) services • Government could provide capital investment (e.g. vehicles for ambulance) • Private sector may be responsible for capital investment (e.g. diagnostic equipment) | |
| Asset/ infrastructure development | <ul style="list-style-type: none"> • Design-build-finance-operate and maintain (DBFOM) new public hospital/renovate and refurbish existing public hospitals • Could include provision of all medical equipment | <ul style="list-style-type: none"> • Operates hospital and makes periodic payments to the private developer according to the terms and conditions of the contract and ensures contractual performance |

Types of PPPs in healthcare delivery 2/2

| Type | Role of Private Sector | Role of Public Sector |
|--|--|--|
| Integrated health delivery model | <ul style="list-style-type: none">• Design-build-finance-operate and maintain (DBFOM) new public hospital/renovate and refurbish existing public hospitals• Private partner responsible for infrastructure, financing, clinical and non-clinical services | <ul style="list-style-type: none">• Makes periodic payments to the private developer according to the terms and conditions of the contract and ensures contractual performance |
| Provision of health insurance services | <ul style="list-style-type: none">• Health insurance provided through a robust IT system that enables quick access to care across many hospitals | <ul style="list-style-type: none">• Payment of health premium and ensuring contractual compliance |

Healthcare PPPs

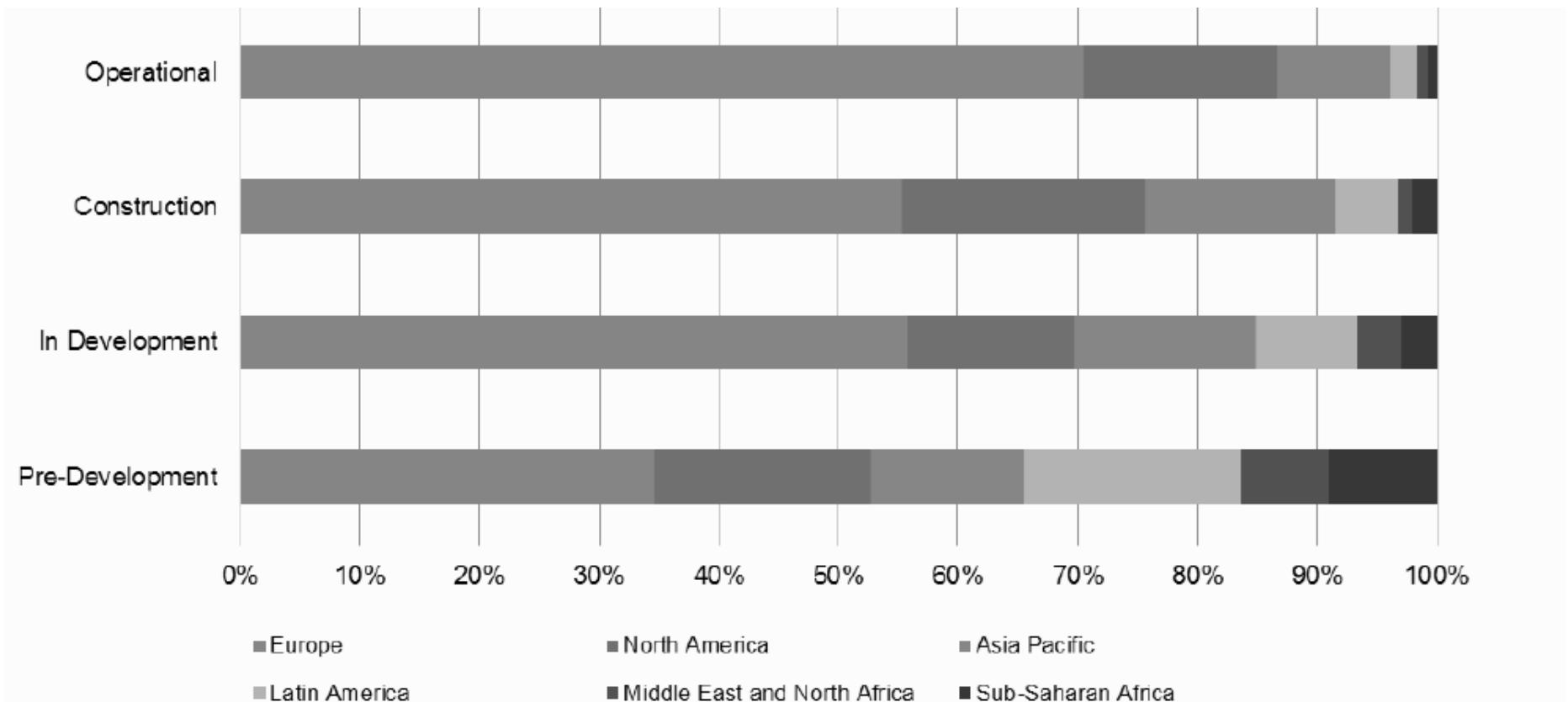
- A growing number of middle- and lower-income countries are exploring healthcare PPP projects
- Roughly 600 healthcare infrastructure projects/assets globally - majority of which are PPPs (Project Finance and Infrastructure Journal estimates)
- Healthcare PPPs include hospital and health center PPPs that are operational, under construction, in development or in pre-development stages.
- Over 60% of infrastructure projects identified are in Europe



Source: IJGlobal Project Finance and Infrastructure Journal Project Database, accessed May 9, 2017

Healthcare PPP projects by stages

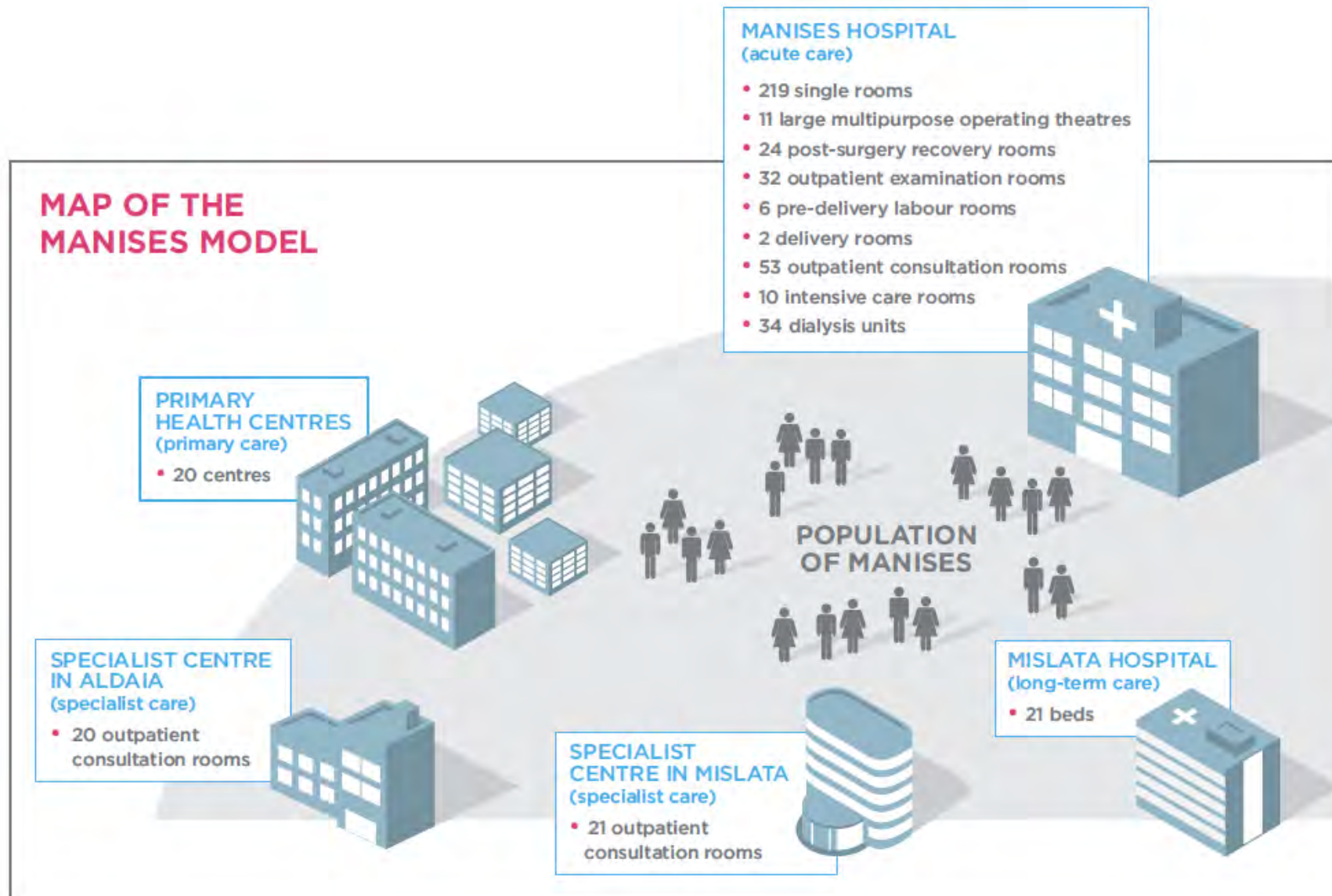
- While the mature PPP markets of Europe and North America have the largest share of infrastructure projects that are operational, in construction or in development, the longer-term pipeline (PPPs in pre-development) is more equally divided across all geographic regions.



Source: IJGlobal Project Finance and Infrastructure Journal Project Database, accessed May 9, 2017

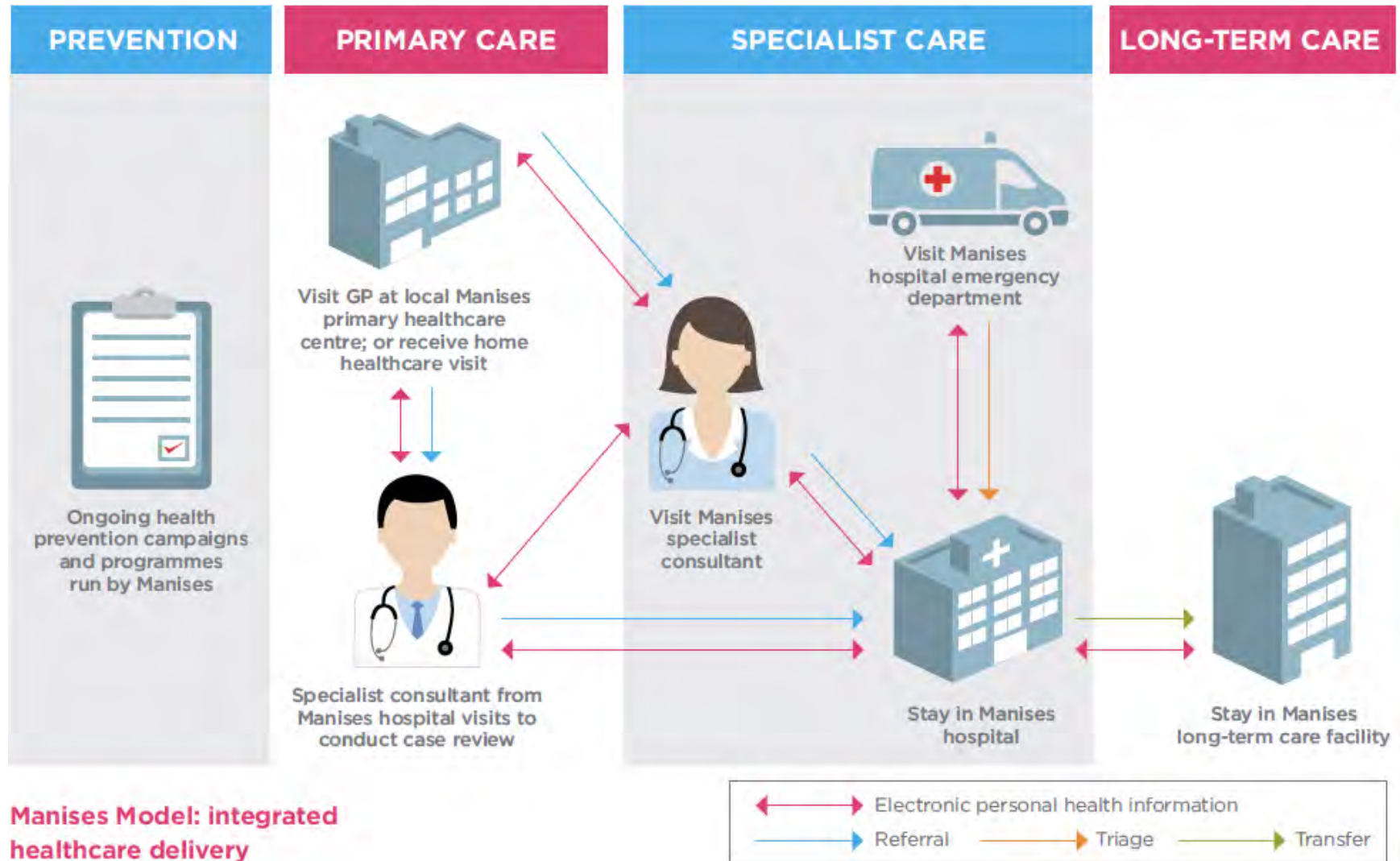
Integrated healthcare model 1/2

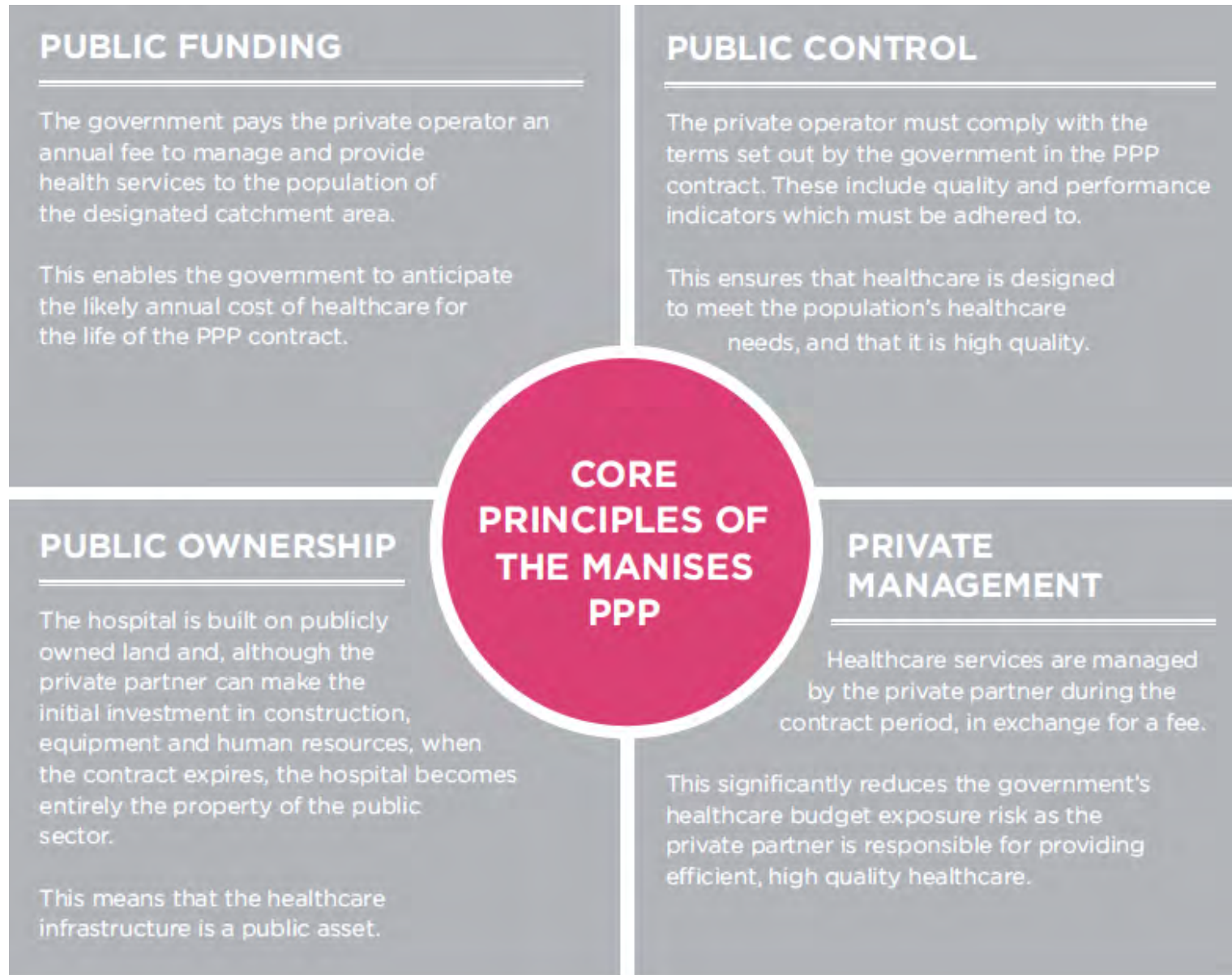
CASE STUDY



Integrated healthcare model 2/2

CASE STUDY





PPP funds largest women's hospital in Australia

A nine - level specialist hospital delivered under a design, build, finance and operate contract over a 25 years period

CASE STUDY: Royal Women's Hospital in Melbourne, Victoria

The project involved relocation of 2 hospitals – a major public hospital for women and newborn babies (Royal Women's Hospital - RWH) and a 60 bed co-located private hospital (Frances Perry House). The new hospital features 160 beds, 60 neonatal cots, 17 birthing suites, five operating theatres, consulting suites, outpatient and women's services, a 975 space underground car park and a new 90 bed Private Hospital.

The hospital is Australia's largest specialist women's hospital, offering a full range of services in maternity, gynecology, neonatal care and women's health and is a major teaching hospital with links to the University of Melbourne and La Trobe University.

The project was delivered under the Partnerships Victoria Policy, as a Design, Build, Finance and Operate contract. The PPP contract valued at a Net Present value of AUD 364.4 million (in 2005), including a construction cost of AUD 235 million was over a 3 years construction and 25 years operations period. Sale of land of old site was infused as capital contribution by the Department of Health.

Tender commenced in November 2003, with eventual financial close in June 2005. The hospital commenced operations in June 2008. The private sector is responsible for Facility maintenance, cleaning, pest control, security, grounds, car park, help desk and the Department of health is responsible for delivery of clinical medical services.

The project resulted in better asset utilization (approx. 30% more gross floor area), was delivered on time and to budget and provided quantitative value for money of AUD 2.5 million, in comparison to a public procurement model

Universal health insurance - India

CASE STUDY

- The Megha Health Insurance Program (MHIS) is directed to provide UHC to every individual in the state of Meghalaya, India. MHIS was launched in two phases, Phase 1 in Dec 2012 and the final Phase 2 in July, 2015.
- MHIS provides an annual financial cover (cashless) of USD 3,300 per family for more than 1,600 common diseases including secondary, tertiary, and daycare hospitalization benefits. Ultimately 2.4 million people are expected to benefit annually.
- By July 2016, 68 Primary Health Centers and 22 Community Health Centers were participating actively in the program, highlighting the immense success in harnessing and promoting the government's primary healthcare network into the program.



- At least 1.8 million, (60% of Meghalaya's population) to benefit annually
- Financial protection of INR 200,000 (USD 3300) provided annually per family for comprehensive hospitalization care and high impact diagnostic, preventive and primary care services
- Effective incentives to enhance the participation of public health sector, especially in peripheral, underserved areas through revenue sharing.
- Hospital Network enhanced by nearly 300% including National Accreditation Board for Hospitals and Healthcare Providers - Medical Imaging Services (NABH-MIS) and reputed specialized hospitals across India

The national government is currently planning to expand this into a National Health Protection Scheme

Conclusions

- As healthcare systems around the world struggle to manage increasing pressures - growing aging population, burden of chronic diseases, challenges of keeping up with innovations in technology as well as the demands of patients who are more knowledgeable about their care - governments continue to explore new approaches to proactively address these needs.
- PPPs offer one solution for governments to consider, to leverage private sector financing, expertise and capacity to respond to a range of infrastructure, management, systems and healthcare access/service delivery needs.
- By leveraging private sector expertise, financing, capacity and efficiency, public health systems have been able to take advantage of new technologies and clinical support practices for their communities.
- The government should take the full responsibility for health, but the private health sector has an important contribution to make. Strong regulations and their enforcement are required, but collaboration can advance health systems and maximize population benefit.
- PPPs will need to aim for system-wide efficiency gains, and the delivery of integrated clinical services and nonclinical services without putting the patient at risk of financial hardship while providing predictable costs to government in a long-term investment that combines public and private funding.
- Properly implemented, PPPs can successfully address the various dimensions of universal health coverage.

Ensuring that there is political and civil service support is a key element of success for PPPs in healthcare – a formal assessment of political and public sector/civil service support for healthcare PPPs is essential to identify concerns that need addressing and legislation(s) required to enable delivery.



“ Globally, PPPs have demonstrated that it is possible for a developing country to embark on healthcare projects that are affordable for the country and patients, are attractive to top-quality private investors, expand services to more people, and have the potential to deliver high quality health services that address the country’s health strategy and meet desired outcomes, while addressing the critical shortage of health professionals. As a high potential PPP market, significant growth is expected in South East Asia in the use of PPPs. It is the opportune time for Philippines to be part of this growth that enables DOH to extend the success of the country’s PPP program and meet the health infrastructure gap in the country. ”

THANK YOU
