Public-Private-Partnership in Healthcare Service Provision

The Valencia Model

With 17 autonomous communities and independence in care provision and commissioning, Spain's experiment with healthcare PPPs dates back to the late 1990s

~ Asia Care Group ~

- Within the Spanish National Health System (SNHS), the role of public provision is prominent. Nonetheless, since its inception, Regional Health Authorities have also purchased hospital care from private not-for-profit or for-profit providers, usually complementing public provision.

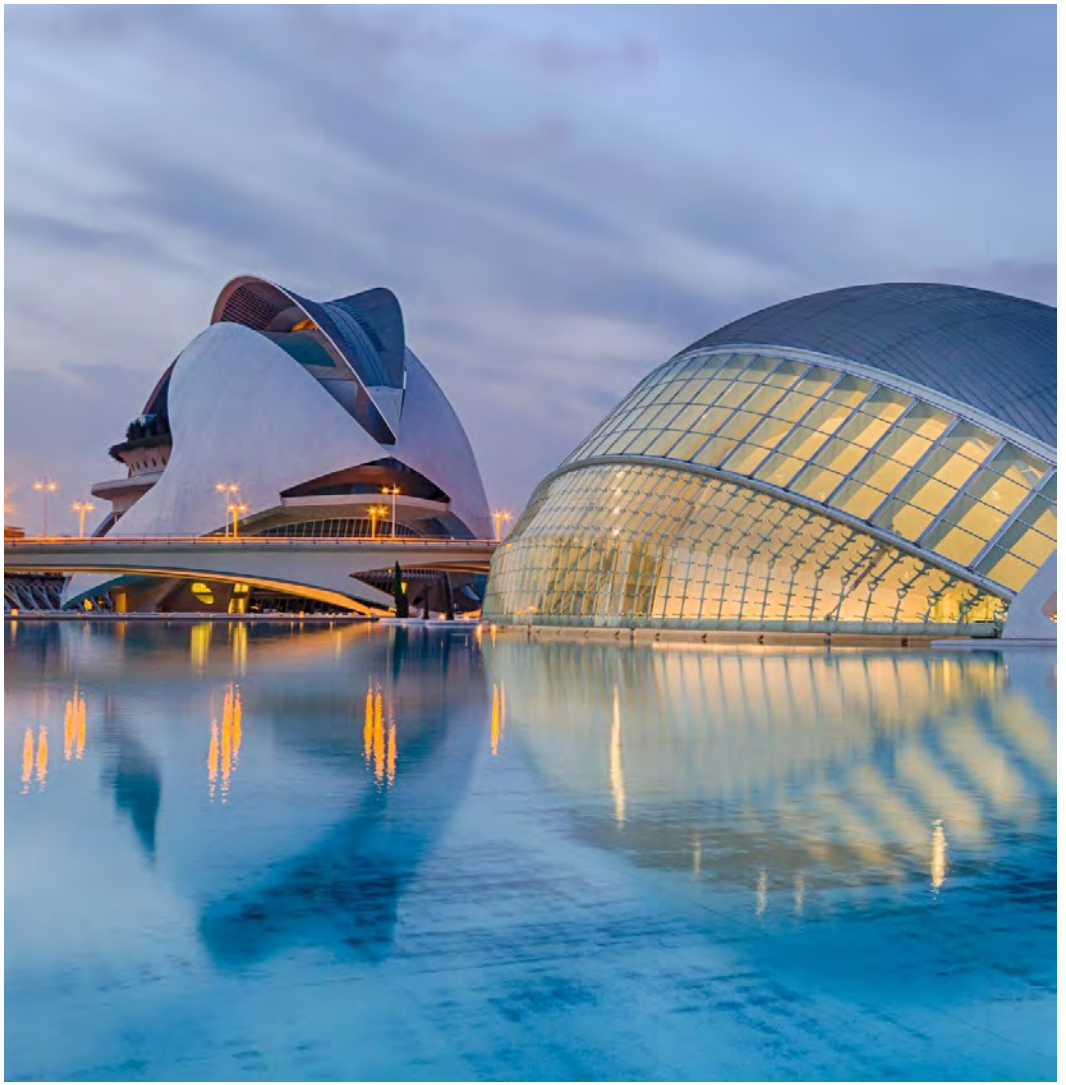
- Strengths of the national system:
  - Cost-free, universal, equitable access
  - Strong healthcare indicators

- Weaknesses of the national system:
  - Bureaucratic system with rising costs
  - Growing budget deficit in an economic structure with 17 autonomous communities
  - Lack of flexibility in the face of new challenges

A number of drivers resulted in the Valencia region's early adoption of PPPs in healthcare, ultimately giving rise to the world-renowned "Alzira model"

~ Asia Care Group ~

- The Valencia region has a long history with PPPs, first introducing a model for the Alzira health district, in the form of administrative concessions (AC) in 1999.
- In the La Ribera Health Department, which includes Alzira, the company Ribera Salud held the concession to provide hospital and primary care to the registered population since 1999 - and this became known as the famed "Alzira model".
- Drivers of healthcare PPPs in Valencia:
  - Rising demand and increasing expectation of healthcare services
  - Tightening budgets
  - High population density relative to the rest of Spain (210 vs 89 individuals per km^2)



The full spectrum of healthcare PPP models in Spain

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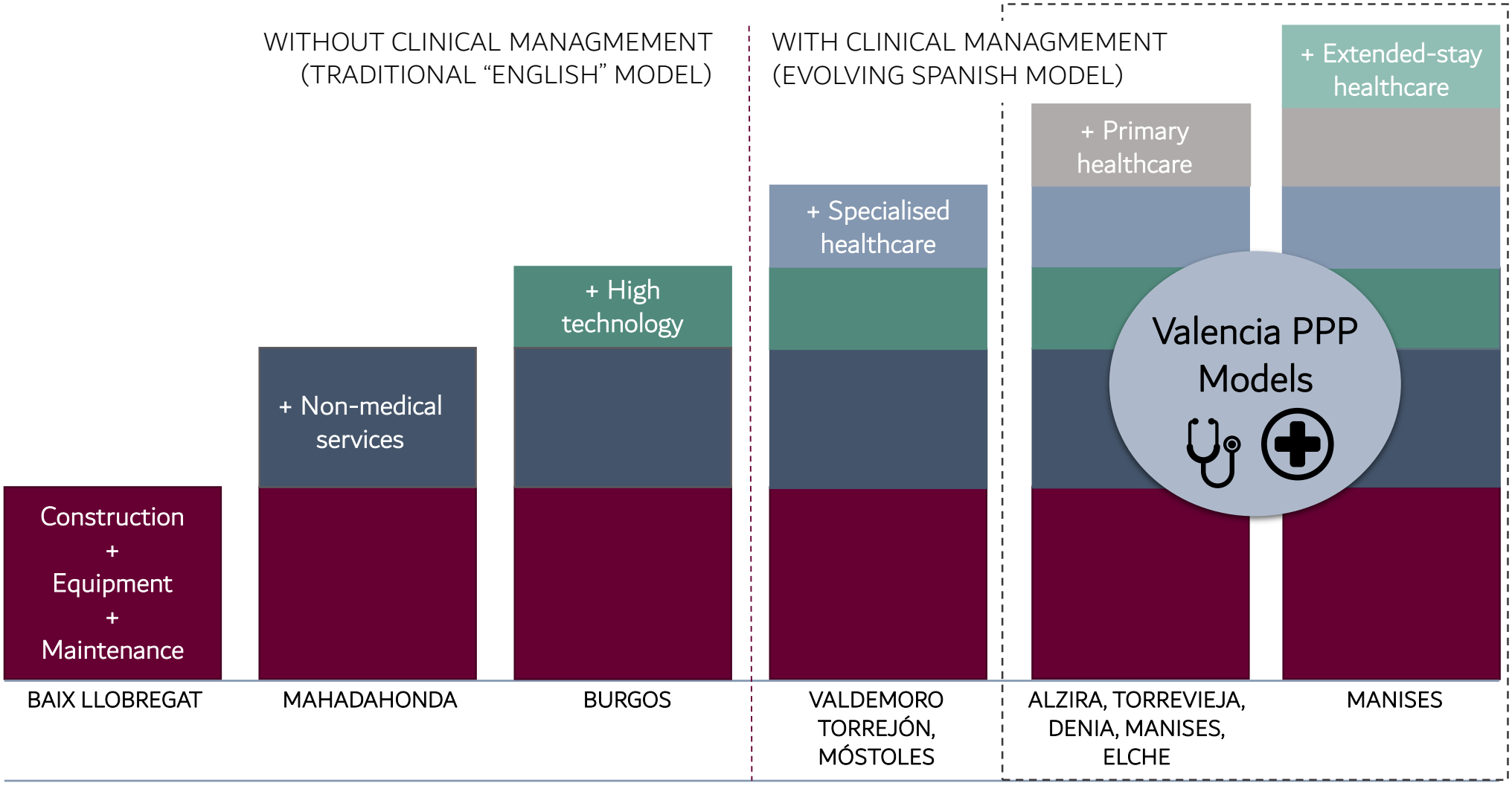

Source: Ribera Salud Group

A number of drivers resulted in the Valencia region's early adoption of healthcare PPPs, ultimately giving rise to the world-renowned "Alzira model", the prototype and 1 of 5 models in total

~ Asia Care Group ~

PPP Model	La Ribera (Alzira)	Torrevieja	Dénia	Manises	Elche-Crevillent
Operating/ Financing Partner	Adeslas/Ribera Salud	Asisa/Ribera Salud	DKV/Ribera Salud	Sanitas/Ribera Salud	Ribera Salud/Asisa
Year Tendered	1997/2002	2002	2004	2006	2006
Year Opened	1999/2003	2006	2009	2009	2010
Driver	Floods blocking population from access to care	Population influx during summer months	District hospital in need of expansion	Reduce demand on the central hospital	Reduce specialty services gap in the southern catchment area
Innovation	First PPP to include private management of clinical services	Expansion of the original Alzira model	Transformation of the public health department into a PPP	First suburban health department PPP	Leveraging economies of scale
Investment	€142M	€180M	€96.6M	€137M	€146M
Population	276,976	222,334	186,907	213,307	161,413
Hospital Beds	301	269	266	354	925
Clinical Staff	1,625	1,037	911	883	925
Outpatient Facilities	28	23	45	22	15

Source: Ribera Salud Group

By 2011, PPPs were delivering care to 18% of Valencia's population, accounting for only 13% of health expenditure, and reached 36% savings per capita vs. public health departments

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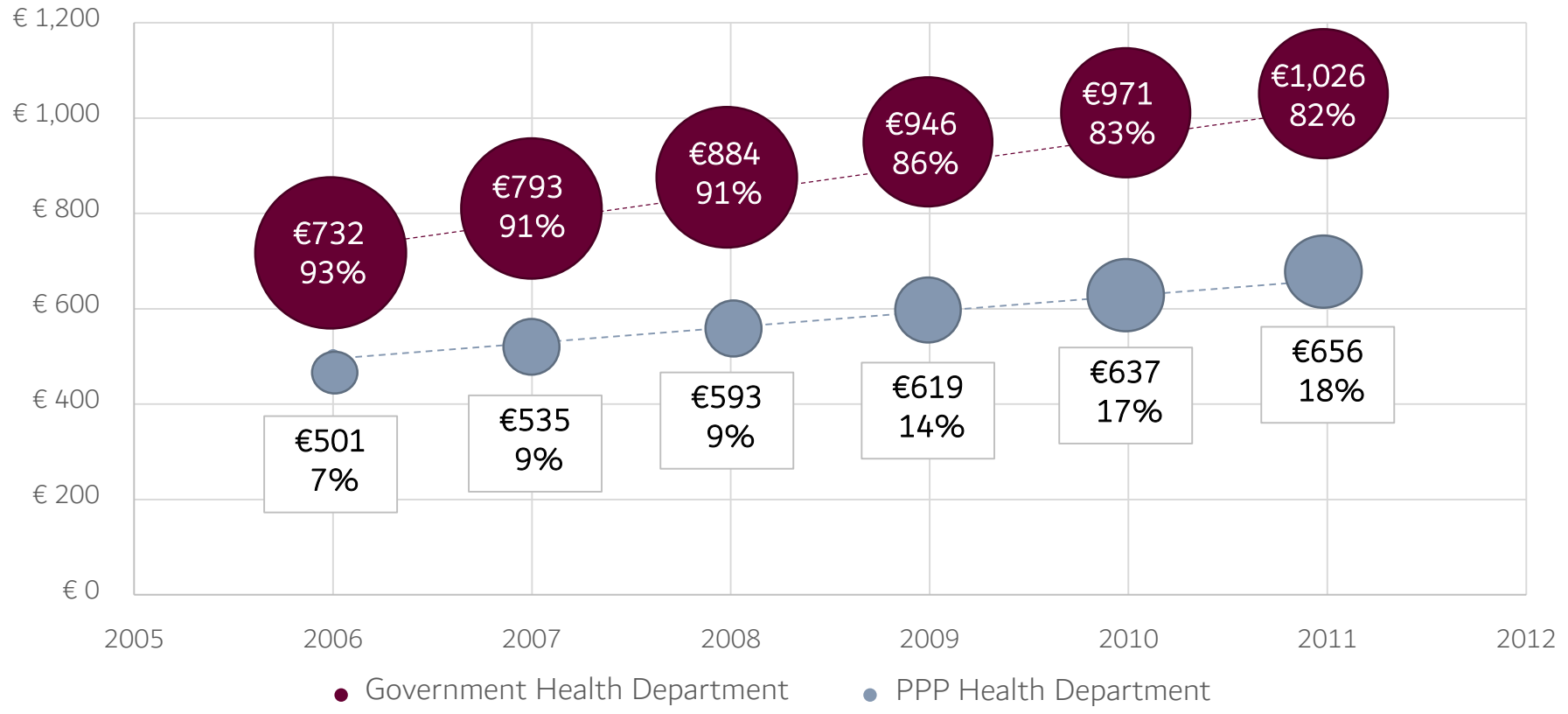
COMPARISON OF HEALTH EXPENDITURE PER CAPITA, PUBLICLY-MANAGED HEALTH DEPARTMENTS VS. PPP HEALTH DEPARTMENTS



Note: Percentage of population served is represented by bubble size

Source: Campoy, Jornadas de Economia de la Salud (2012), ACG analysis

An overview of the most evolved of the 5 Valencia PPP models

Manises Integrated Health System

The fundamental structure of the Manises Integrated Health System, which is the most evolved of the Valencia models, includes primary, secondary and long-term care

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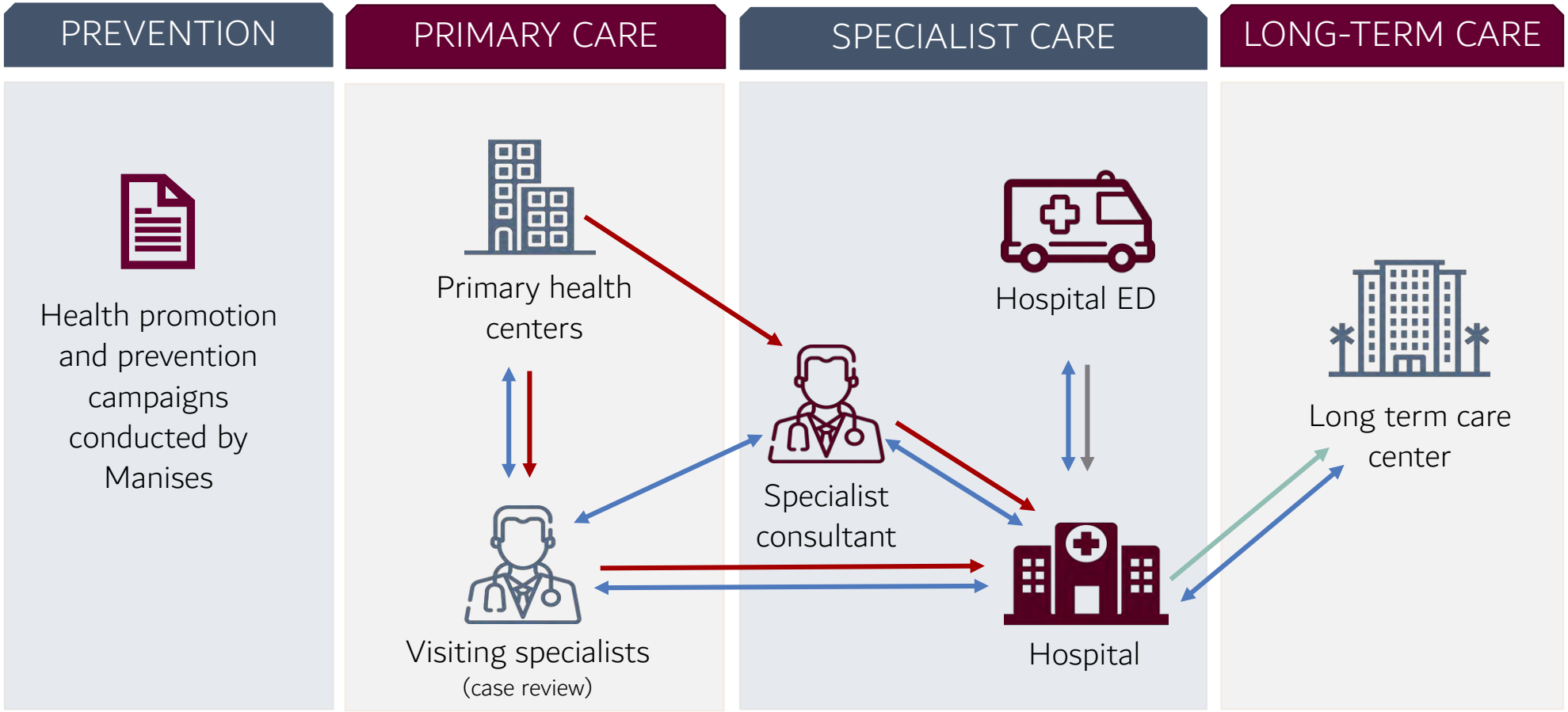

Source: Bupa Sanitas, IE Business School, European Commission

Manises adheres to the same basic principles as other healthcare PPPs, and the model embraces capitation and risk-sharing to ensure better efficiency and quality of services

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Public Funding

- The Manises PPP utilizes a capitation model for budget. The government pays the contractor an annual capitated budget based on a capitation fee per person within the area served.
- If the annual spending of the contractor is lower than the capitated budget, there is a profit.

Public Governance and Oversight

- The institutions under the Manises PPP remain under the oversight of the National Ministry of Health *(Comisianado de la Consejeria de Sanidad)* and has to comply with the quality and performance standards set out by the governance body.

Public Property and Ownership

- The hospital and medical centres are publicly-owned property.
- The ownership of the facilities returns to the government once the contract with the private provider is over.

Private Operation

- The healthcare services are managed and delivered by the private contractor for the agreed period.
- Risk-sharing between Government and private provider ensures better efficiency and quality of services.

The Manises PPP was developed through a public tender process wherein contractors were invited to bid for construction of a new hospital, as well as operation of existing primary and specialist centres.

An overview of the contractual framework underpinning the Manises PPP model

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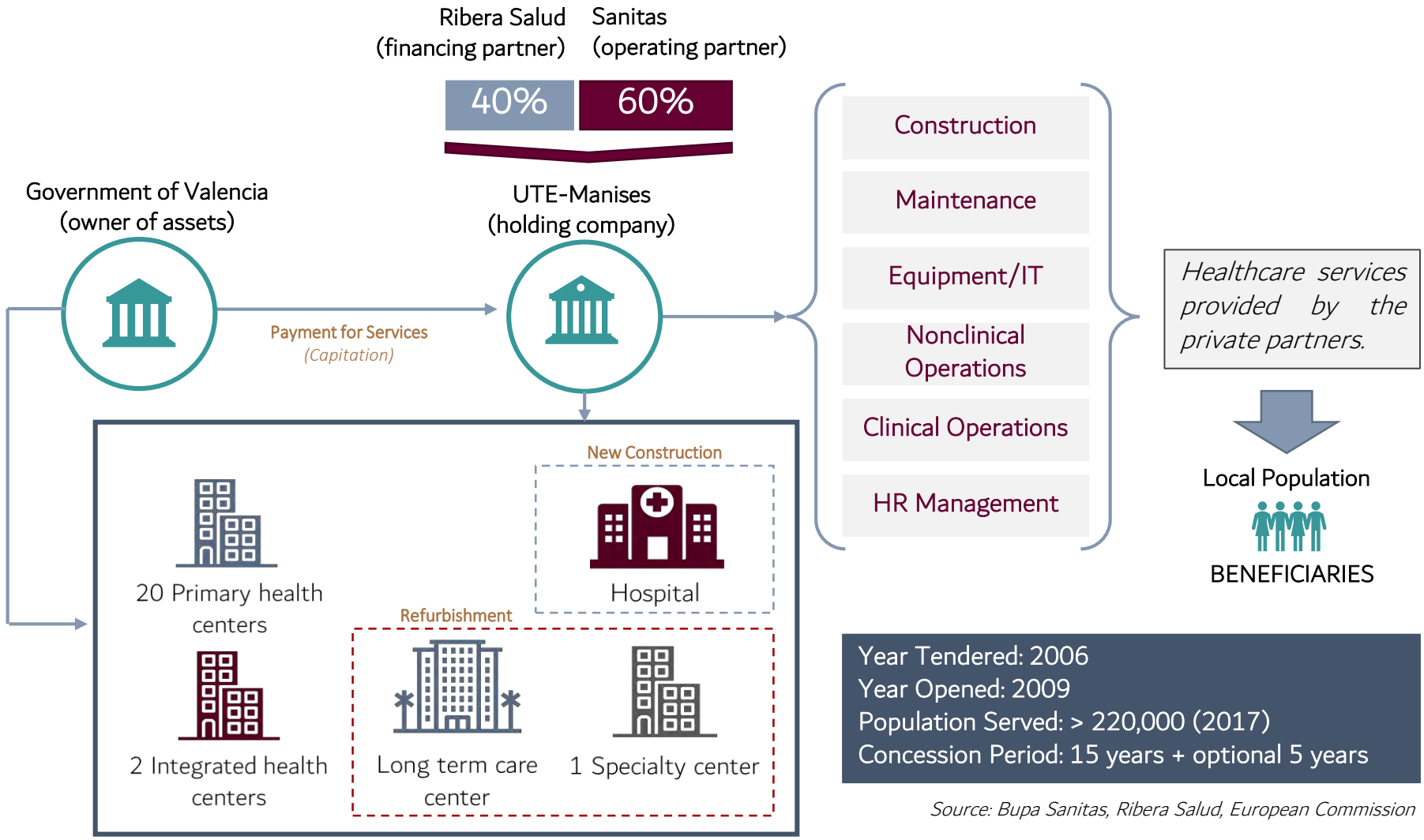

Year Tendered: 2006
Year Opened: 2009
Population Served: > 220,000 (2017)
Concession Period: 15 years + optional 5 years

Source: Bupa Sanitas, Ribera Salud, European Commission

An overview of the day-to-day monitoring and administrative responsibilities of Government for Manises Hospital, per the agreement between parties

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- Day-to-day on-site monitoring by the *Commissioner of the Ministry of Health*, who is also responsible for overseeing key performance indicators agreed, including:
  - Quality
  - Safety
  - Waiting times
  - Clinical activity
  - Clinical outcomes (e.g. immunization and mortality rates)
  - Patient experience (e.g. satisfaction level and complaint handled on time
- The Commissioner's responsibilities also include:
  - Approving treatment of patients from outside the Manises area
  - Ensuring the accuracy of the invoices

Since its inception, the Manises Hospital has seen access targets achieved an an overall compliance of 96% for the “improving access” dimensions of the PPP agreement

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ACCESS MEASURES	Agreement Target	Actual Achievement
Waiting time for first specialist consultation	<32 Days	19 Days
Percentage of patients waited > 3 days for specialist consultation	<42 %	16%
Average waiting time for surgery	<45 Days	41 Days
Percentage of patients waited > 180 days for surgery	0 %	0 %

Source: Bupa Sanitas, IE Business School

The Manises model demonstrated strong performance across dimensions of patient access and experience, with waiting time to first specialist consultation significantly below national average

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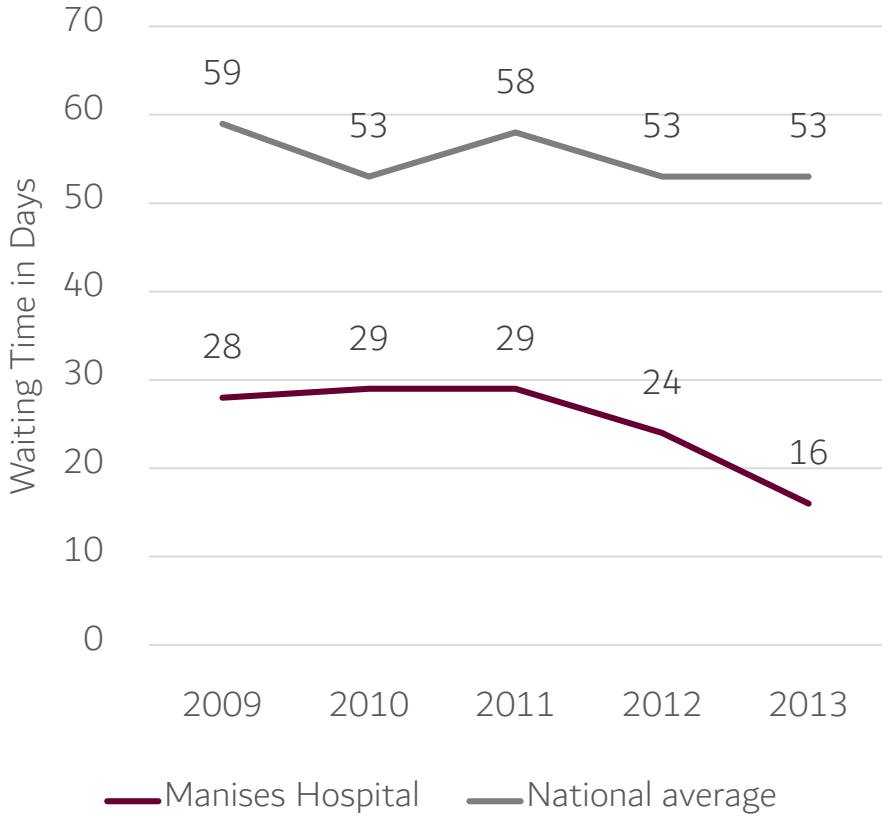
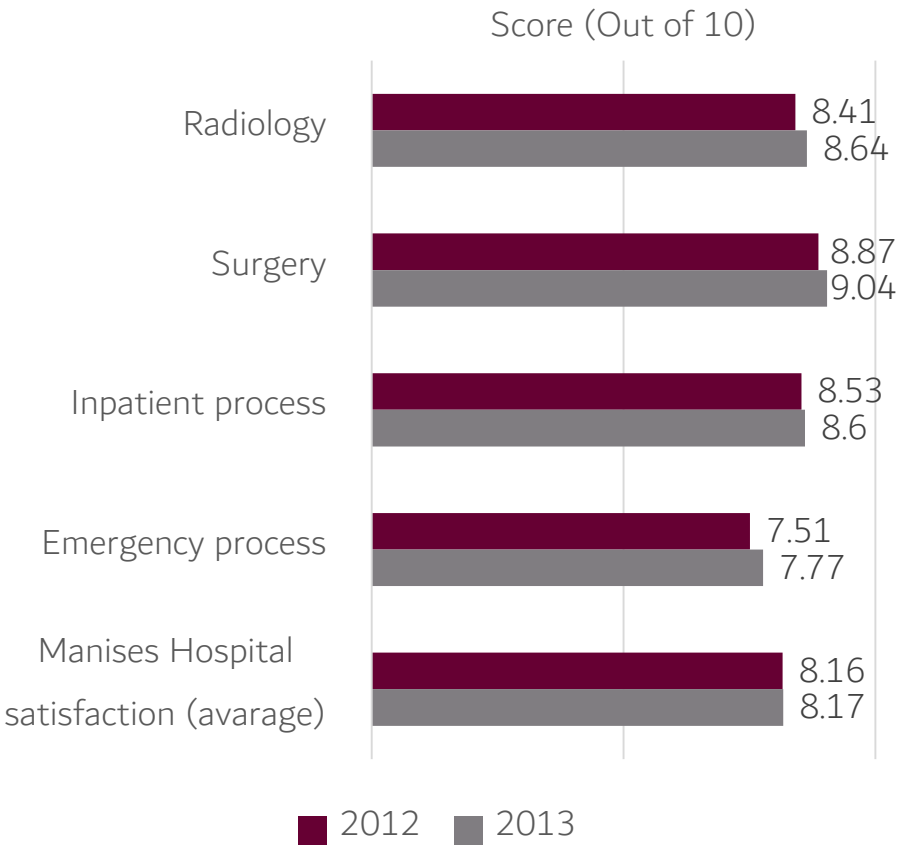
WAITING TIME, FIRST SPECIALIST CONSULTANTATION, MANSISES VS. THE NATIONAL AVERAGE



Source: WHO, Bupa, IE Business School, European Commission

PATIENT SATISFACTION IN MANISES HOSPITAL IMPROVED YEAR-ON-YEAR



Manises Hospital scored high on a number of quality indicators, including ranking 2nd overall for all 24 districts in Valencia, and ranked 1st for maternal and palliative care outcomes

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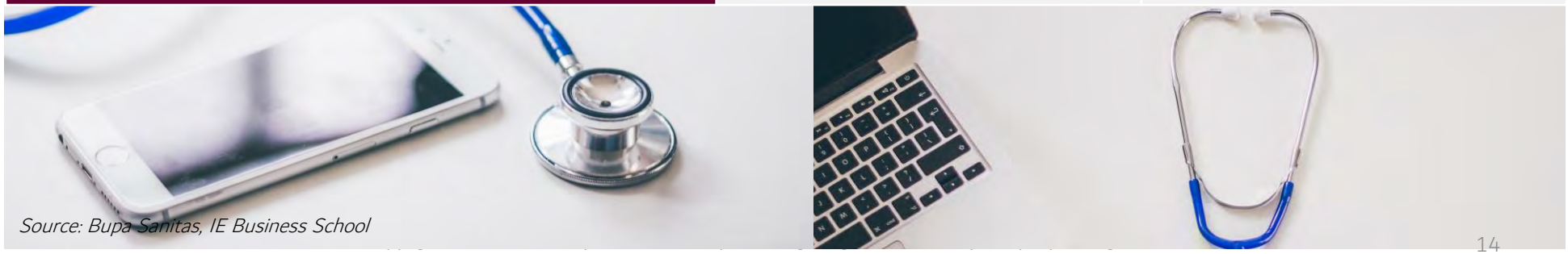
QUALITY MEASURES	Compliance Achievement	Regional Ranking
Improved health outcomes	--	2
Improved maternal health outcomes	100 %	1
Improved health outcomes in palliative care	100 %	1
Improved health outcomes in cardiovascular diseases	80 %	6
Improved health outcomes in oncology	88 %	9



Source: Bupa Sanitas, IE Business School

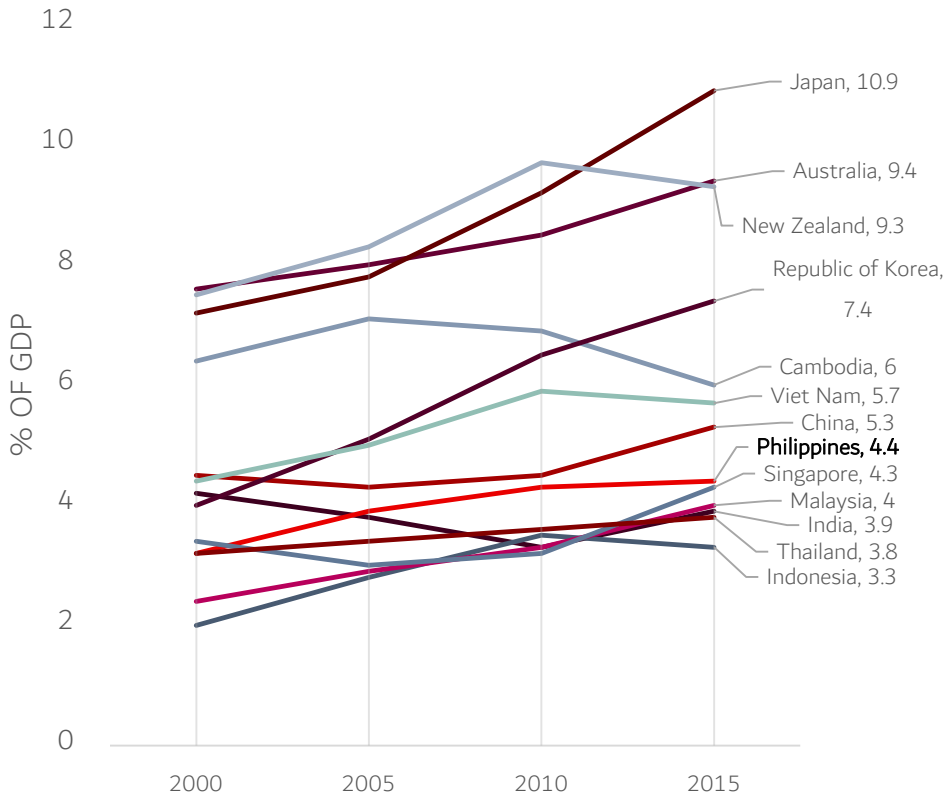
What market drivers indicate the Valencia model or similar could play a role in healthcare provision?

Implications for the Philippines

Though improving today, years of underinvestment have resulted in a deficit in available facilities and services. Efficiency of spend and integration of the private sector will vital moving ahead.

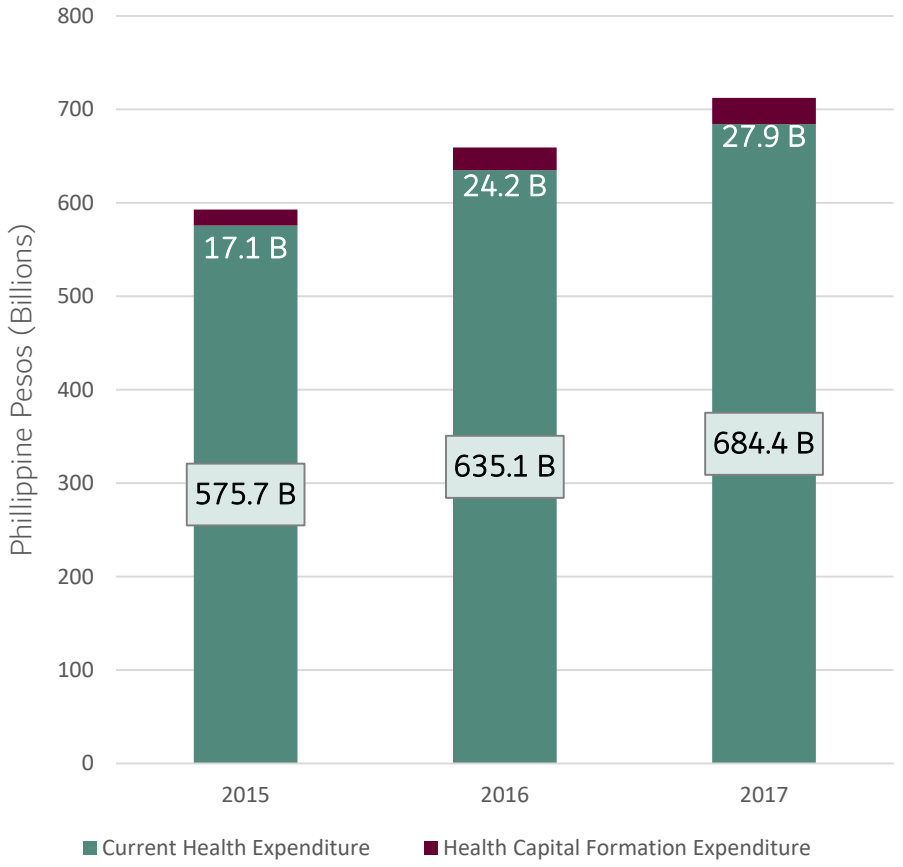
~ Asia Care Group ~

CURRENT HEALTH EXPENDITURE AS A PERCENTAGE OF GDP, SELECT APAC COUNTRIES, 2018



Source: WHO (2018), Asia Care Group analysis

PHILIPPINES TOTAL HEATLH EXPENDITURE BY TYPE, 2017



Source: Philippine Statistics Authority

With a crisis in the healthcare workforce, continued population growth, and a rising rate of NCDs, there are positive implications for the use healthcare PPPs in the Philippines

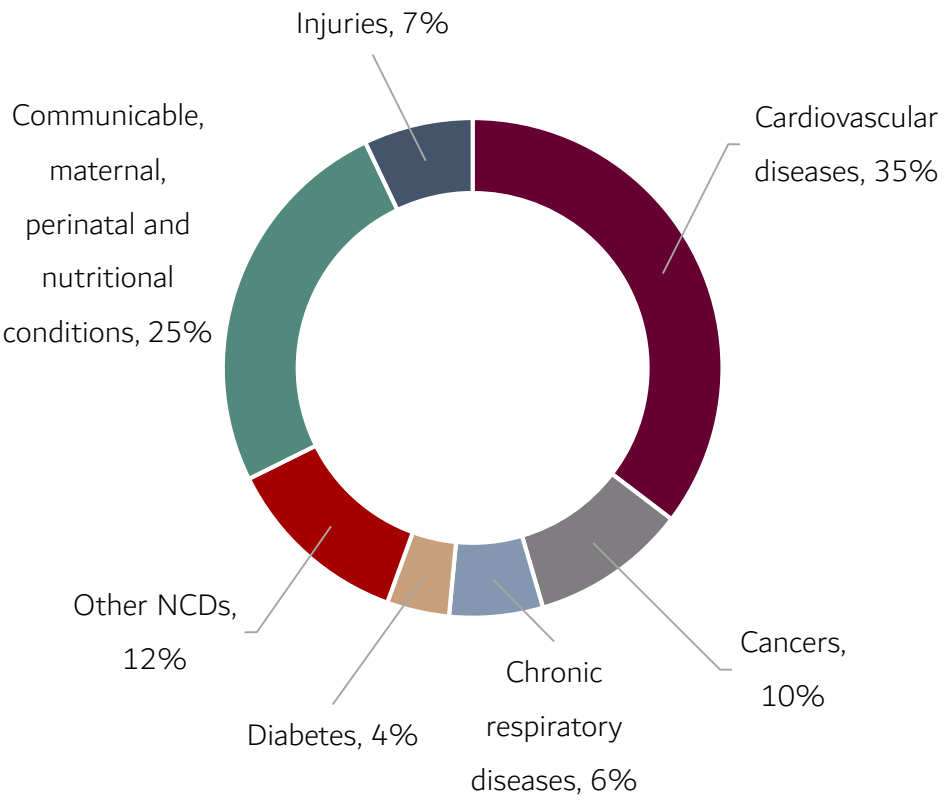
~ Asia Care Group ~

CURRENT WORKFORCE COMPARISONS FOR ESSENTIAL MEDICAL PERSONNEL ACROSS COUNTRIES, 2016

Country	Physicians per 1,000 (2016)	Nurses per 1,000 (2016)
Philippines	0.03	0.24
China[E]	2.5	3.14
Hong Kong	1.9	7.7
Singapore	2.3	7.2
Malaysia	1.6	3.2
Australia	3.5	11.7
OECD Average	**3.4**	**9**

Source: OECD Data; WHO; Philippines Department of Health; E: expected in 2020; Asia Care Group analysis; All data in 2016 or nearest year

PROPORTIONAL MORTALITY, 2016



Source: WHO

Observed benefits to local Governments during Valencia's experiment with healthcare PPPs

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- Lower than average costs in healthcare expenditure per capita
- Capitation payments and transfer of financial risk ensured better efficiency and quality
- Investments were the concessionaire's responsibility during the agreement period
- Better use of healthcare workforce resulted from streamlined referral pathways, care integration, and improved health outcomes (improvements in primary/community care resulted in reductions in acute care)
- Improvements in management technologies and systems were ushered in by private-sector innovation
- Clearly defined KPIs allowed measurement

Observed benefits to patients during Valencia's experiment with healthcare PPPs

~ Asia Care Group ~

- Integration and harmonization of care improved patient experience
- Clear improvements across access indicators – in the case of Manises, the waiting times for first specialist consultation were well below the national average
- Money follows the person – free choice of hospital and doctor
- New technologies made available to doctors and staff contributed to advancements in patient-centered care
- Measurable quality improvements were observed – in the case of Manises, large gains were made across the domains of overall quality improvement, improved maternal outcomes, and improved palliative care outcomes

An overview of application, impact, and requirements for the Valencia PPP model to be successfully replicated

~ Asia Care Group ~

When is the Valencia model most applicable?	When there is a need to improve/expand facility infrastructure and leverage private sector expertise for both inpatient and outpatient care.
What are the most significant benefits of the Valencia Model?	• Improved management of clinical service delivery, enhanced quality of, and access to care. • Improved financial, operational and management efficiencies
Key considerations before implementing the Valencia Model	• While the Valencia model is a complex model with **high risk** to implement, it offers a very high potential to improve clinical and operational performance • An ongoing effort to **quantify and benchmark clinical outcomes** is vital in implementing the Valencia Model; this enables robust evaluation of efficiency gains and clinical improvements • Similar to PPP models focused on financing the upfront investment of infrastructure, concerns around **political will, stakeholder accountability**, and **transfer of risk** are common concerns due to the long-term nature of contracts • This model requires significant **change management at multiple levels** • The upsurge in patient volume necessitates **strong referral management** in this model

High levels of indebtedness, low levels of liquidity, and high fluctuations in ROA and IRR were observed across models – with contract terms limiting profitability to 7.5% overall

~ Asia Care Group ~

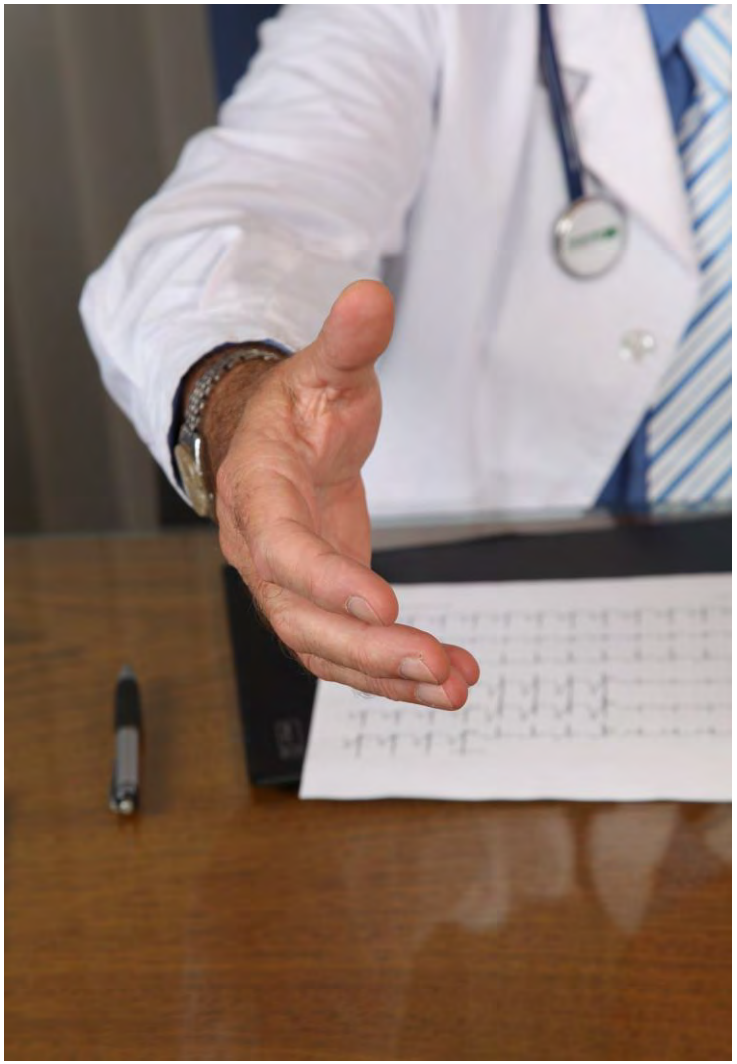
Do the contracts place a cap on profitability to be achieved?	• Yes - within the Administrative Concessions, profitability is limited to **7.5%**, with provisions for profits beyond this threshold to be returned to Government, or to reinvested into the models in some cases (Manises)
What is the debt burden like?	• Results indicate that concessionaires for all 5 models carry a very high debt-to-assets ratio; the capital structure indicates a high level of indebtedness, **above 89%** on average • Low liquidity was observed across models
What is the rate of return?	• Return-on-assets ratio (ROA) fluctuates between **2.45% and 12.42%** across models • Internal rate of return (IRR) varies between **3.47% and 13.15%** across models

Source: González-de Julián et al. (2018), Bupa Sanitas

Certain enabling features facilitate the successful implementation of healthcare PPPs, but are also critical to their survival – as they are multi-decade contracts that outlast societal changes

~ Asia Care Group ~

- In March 2018, the Valencian Health Authority reset direct public provision and effectively ended the Alzira PPP. Primary and hospital care provision is now under direct public management. The 4 remaining PPP contracts face an uncertain future.
- Financial concerns, governance questions, and changing political tides played a large role in terminating the contract.
- This occurred in the context of a deep financial and economic crisis with a sharp reduction of public spending on healthcare, which enabled the alignment of part of the civil society, professionals, and left-wing parties to reset direct public management for what was an emblematic PPP.
- An open public debate on the role of PPPs in the Spanish Health System has yet to occur. The consequence of not having a public debate may be the reversion of the reversion in a few years time – as a new political majority emerges.



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