
Public-private partnerships in the health services: A global perspective

Experience and lessons from Spain, Lesotho, Latin America and Southeast Asia

Fundación Areces
June 22, 2015

Workshop 2: 11:30- 13:30

Speakers:

- Elizabeth Brashers, MBA, Deputy Director - Global Health Group, University of California San Francisco
- Adela Llumpo, MPH, Director, Deals Practice – Healthcare, PwC

Panel of discussants:

- Roger Feldman, Professor, University of Minnesota
- Manuel García Goñi, Associate Professor of Economics, University Complutense de Madrid
- Guillem López-Casasnovas, Professor of Economics, University Pompeu Fabra
- Richard Scheffler, Distinguished Professor of Health Economics and Public Policy, University of California, Berkeley

Agenda

- Growth of Public-Private Partnerships Around the World
- Innovation in Valencia: Beyond La Ribera
- Experience and Lessons from Other Regions
 - Lesotho
 - Latin America
 - Australia & Southeast Asia
- PPP Success Factors

UCSF Global Health Group / PwC PPP Fellowship Program

Partnership to increase documentation, and advance understanding of PPPs around the world

UCSF Global Health
Group knowledge and
research capacity



PwC advisory services
and PPP experience

Case studies to date:

- Case study of the Lesotho PPIP
- Landscaping of PPPs in Latin America
- Case study of innovations on the Valencia PPIP model
- Landscaping of PPPs in Southeast Asia and Australia



Growth of Public-Private Partnerships Around the World

Review of the PPP model

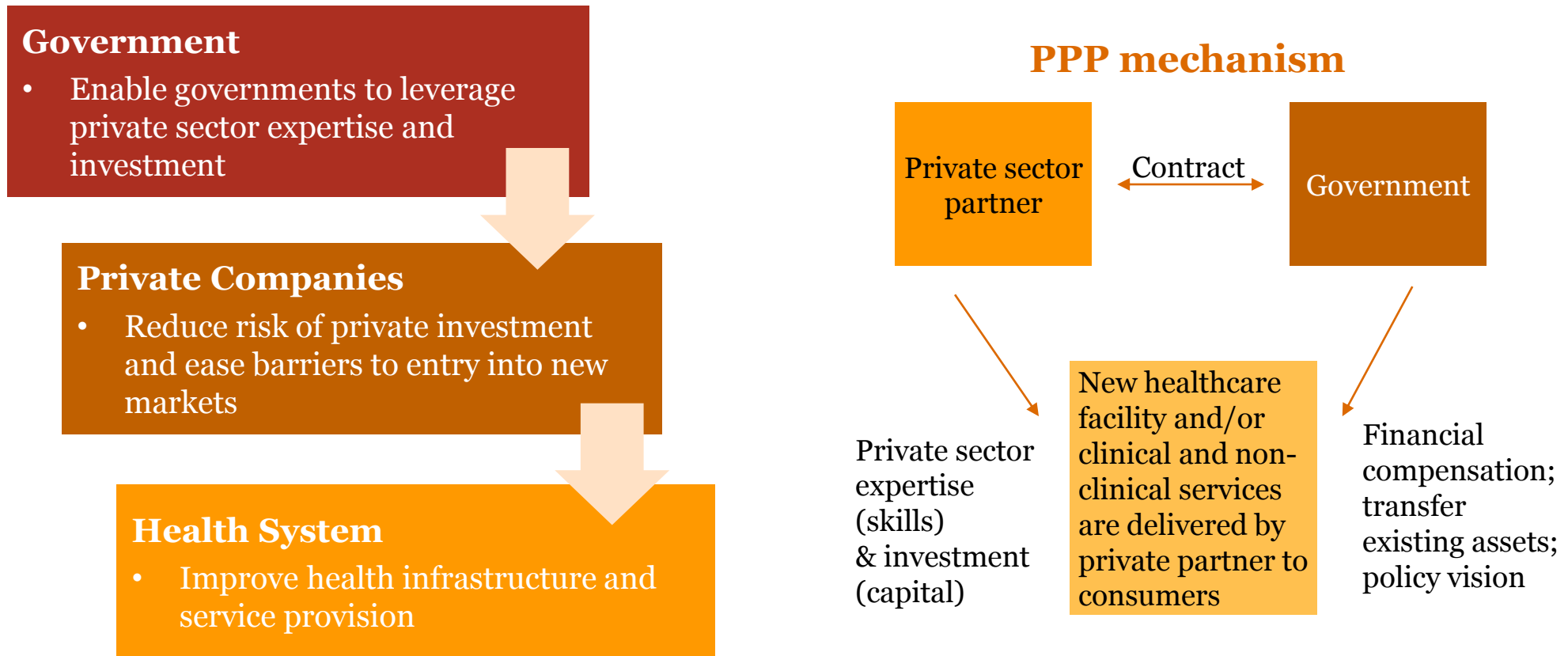
Public-private partnerships (PPPs): a form of long-term contract between a government and a private entity, through which the parties jointly invest in provision of public services

Key characteristics:

- Long-term contracts (typically 15+ years)
- Shared investment or asset contribution
- Private sector takes on significant financial, technical and operational risks, and is held accountable for defined outcomes
- Government retains ownership of the facility; responsibility reverts to government at the end of the project
- Shared risk between public and private partners means both have “skin in the game”

Growing interest in health PPPs around the world

Many countries embarking on healthcare PPPs to leverage private financing and expertise in infrastructure development and service delivery to improve public health services



Typical drivers and benefits of PPPs

Infrastructure

Human Resources

Financing

Accessibility

Affordability

- Need to expand capacity and/or replace aging public facilities
- Opportunity to leverage private financing
 - Increased speed of construction
- Opportunity to harness private sector management skills
 - Better Human Resource management
 - More flexible hiring/staffing practices
 - Improved IT systems
 - Improved supply chain management and supervision
- Improved clinical outcomes

Evolution of the Model

Private Financing



Public agency contracts with a private entity to **design, build, and finance** facilities

PPPs: Financing + Non-Clinical Services



Private entity **designs, builds, finances** and **operates** facility - including **delivering non-clinical services** (laundry, food service, laboratory, etc.)

PPIPs: Financing + Clinical Service Delivery



Private entity (or consortium) **designs, builds, finances** and **delivers clinical and non-clinical support services**

Higher Risk

Higher Reward

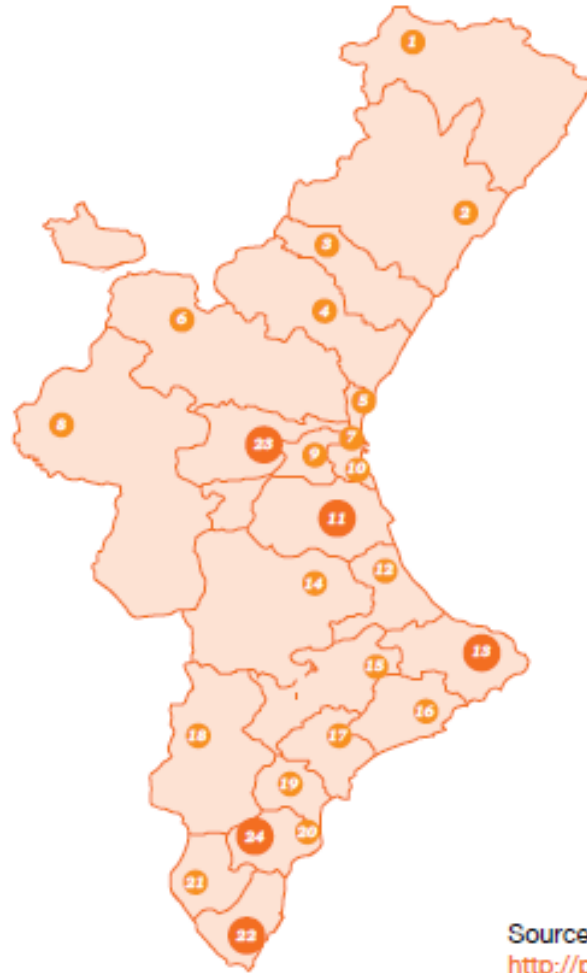
A Growing Trend



Innovation in Valencia: Beyond La Ribera



Building on the La Ribera Model



Department	Population	Type of Management
1 Vinaròs	96,501	Public
2 Castellón	309,892	Public
3 La Plana	198,185	Public
4 Sagunto	158,438	Public
5 Valencia Clínico Malvarrosa	372,299	Public
6 Valencia Arnau de Vilanova-Llíria	326,394	Public
7 Valencia La Fe	214,265	Public
8 Requena	53,574	Public
9 Valencia Hospital General	387,524	Public managed consortium
10 Valencia Dr. Peset	394,743	Public
11 La Ribera	276,976	PIIP (1999)
12 Gandia	198,921	Public
13 Denia	186,907	PIIP (2008)
14 Xàtiva-Ontinyent	214,374	Public
15 Alcoi	144,351	Public
16 Marina Baixa	201,011	Public
17 Alicante Sant Joan	235,033	Public
18 Elda	202,022	Public
19 Alicante Hospital General	286,627	Public
20 Elche Hospital General	168,328	Public
21 Orihuela	178,798	Public
22 Torreveja	222,334	PIIP (2006)
23 L'Horta Manises	213,307	PIIP (2009)
24 Elche-Crevillent	161,413	PIIP (2010)

Source: Ministry of Health, Social Services and Equality. Spain, 2012.
<http://pestadistico.inteligenciadegestion.msssi.es> Viewed in November 12, 2013.

Highlights of follow-on projects

Torre Vieja – 2006

Asisa & Ribera Salud

- **Expansion of the model**
- Valencia's primary tourist destination; demand for healthcare services varied by season
- Struggled to define captive population

Ribera Salud & Asisa

Elche Crevillent- 2010

- **New PPIP hospital in close proximity to traditional hospital**
- Stimulated performance improvement through competition
- Leveraged lessons learned from prior PIPs

Denia - 2008

DKV & Ribera Salud

- **Conversion from a public hospital to a PPIP model**; first replacement hospital
- Significant investment in IT infrastructure
- Challenges with transition planning

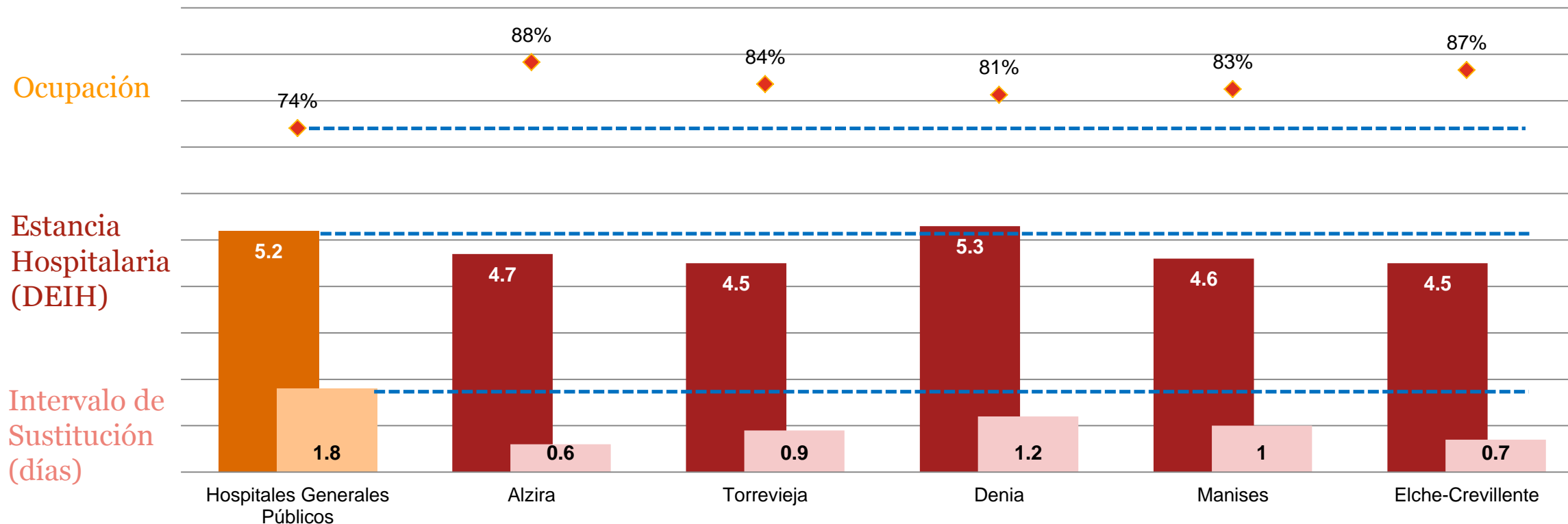
Sanitas

Manises - 2009

- **First urban PPIP & multi-hospital PPIP** (general, chronic disease, multi-specialty)
- Implemented aggressive recruitment strategies & new talent management approaches

Success story: PPIP hospitals are significantly more cost effective

Key Hospital Operating Statistics - Valencia Hospitals, 2012



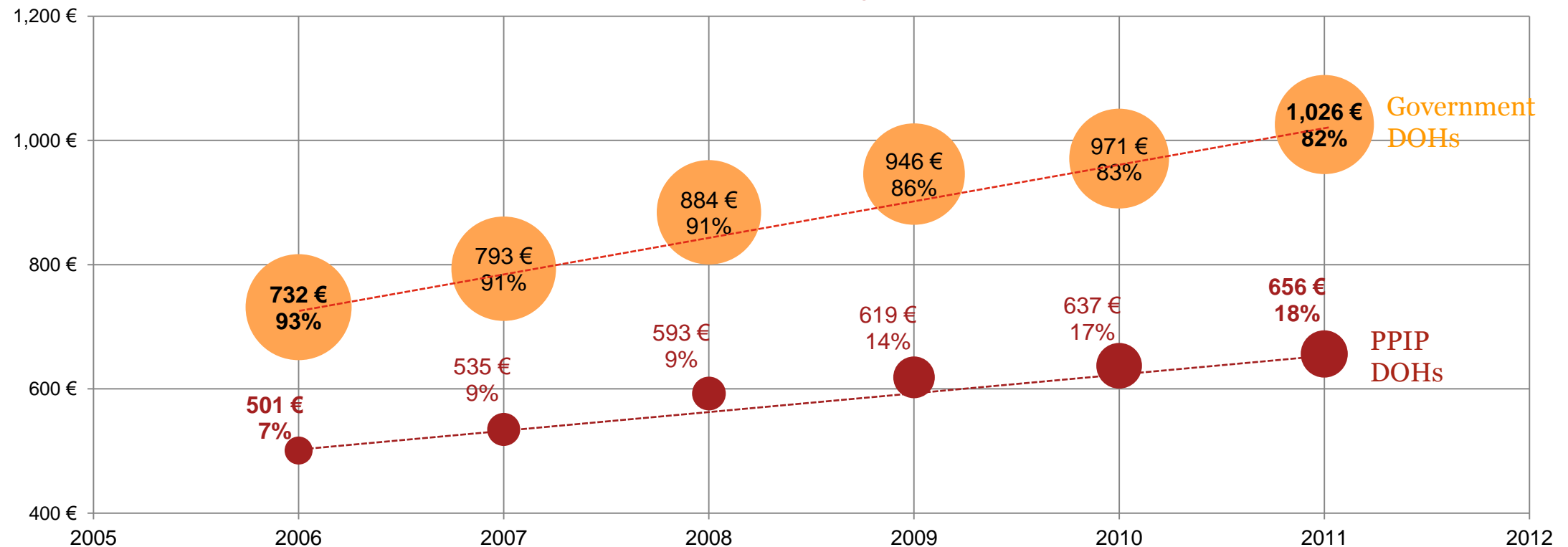
Dirección General para la prestación asistencial. Conselleria de Sanidad. 2012.

PPIP hospitals have higher occupancy rates and lower turnover intervals

As more people are covered by the PPIP model, the greater the financial benefit to the state

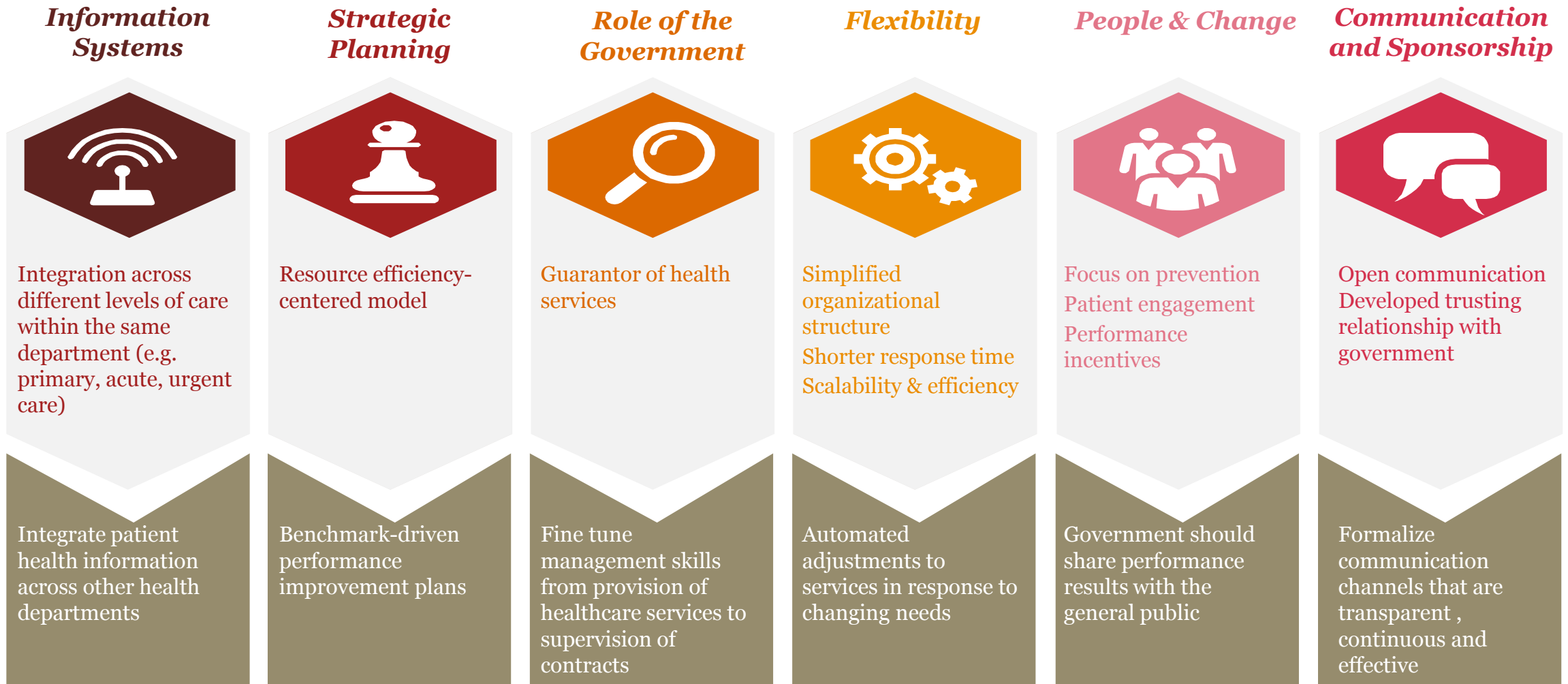
Population coverage and health expenditure per person: PPIPs vs Government DOHs

(bubble size represents percentage of population covered)

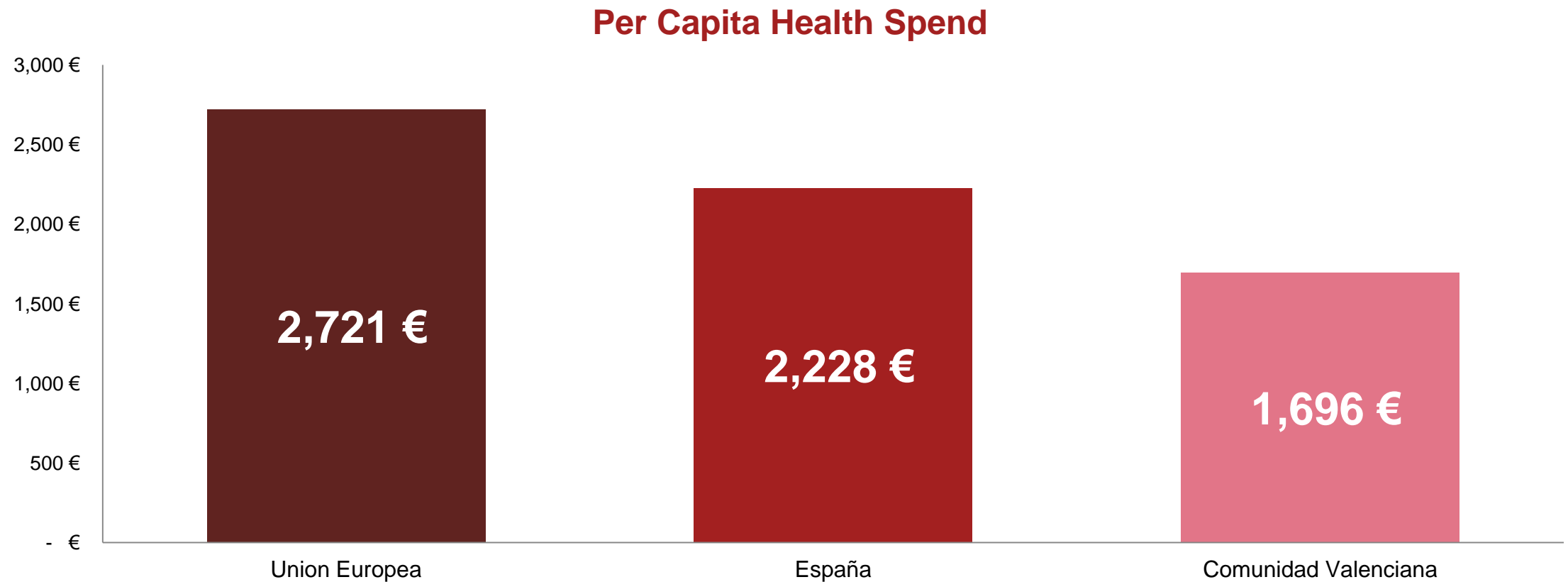


Source: Ministerio de Salud de Valencia Contabilidad de los gastos reales

Lessons learned: strengths & opportunities



Per capita spending on health in Valencia is one of the lowest in Spain, and guarantees health services equivalent to those of the European Union



Experience and Lessons from Other Regions

- Lesotho
- Latin America
- Australia and Southeast Asia

Lesotho



Lesotho: Queen 'Mamohato Memorial Hospital PPIP

Successes

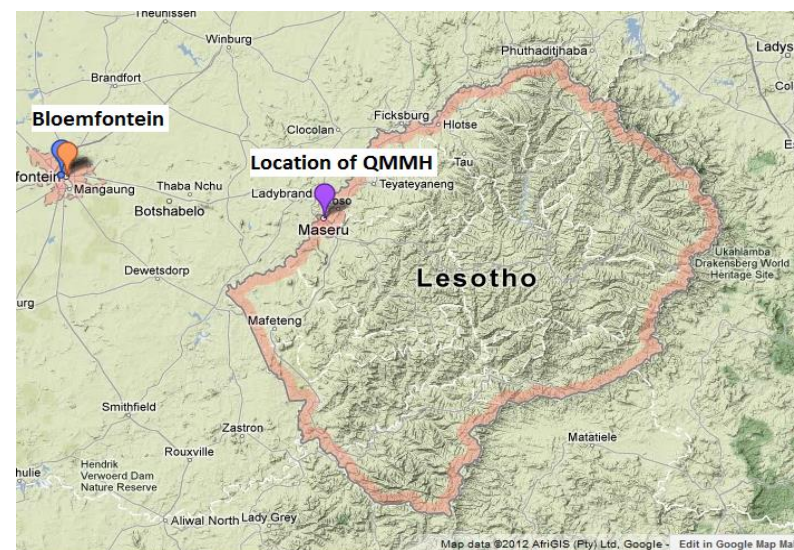
- First ICU/NICU in Lesotho
- Improved supply chain & HR management
- Benefits since opening: major decrease in maternal and child deaths
- Supported by IFC
- First PPIP in a lower income country



Kingdom of Lesotho

Challenges

- Financing - delays in World Bank loans
- Budget/space constraints
- Significant cultural change for staff
- Challenges since opening:
 - flooding of system due to insufficient investment in referral clinics leading to explosion of costs
 - change in government: new government less keen



Queen 'Mamohato Memorial Hospital

Replacement national referral hospital and feeder clinics; \$153M investment

Private partner: Tsepong (Pty) Ltd (private consortium)

*425 beds
Opened 2011*

Latin America



The maturity of PPP markets in Latin America



Economic outlook

Size and stability of a country's economy is a key indicator of its ability to invest in infrastructure and one of the main attractors of private sector interest.



Healthcare access

Level of healthcare access as defined by healthcare insurance coverage is a driving force for healthcare infrastructure to meet increasing demand for healthcare services.



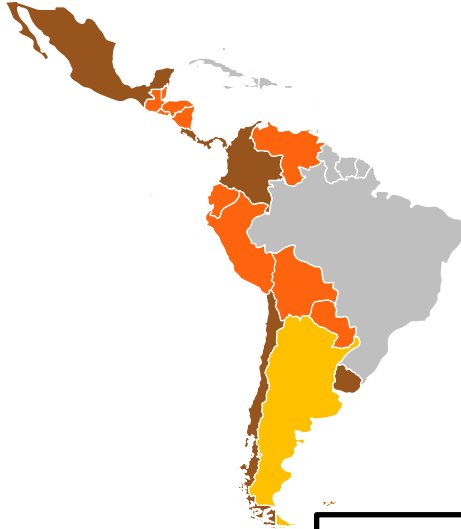
PPP legislation

Established frameworks for PPPs have been known to increase not only the likelihood of PPP projects but also their ultimate success.

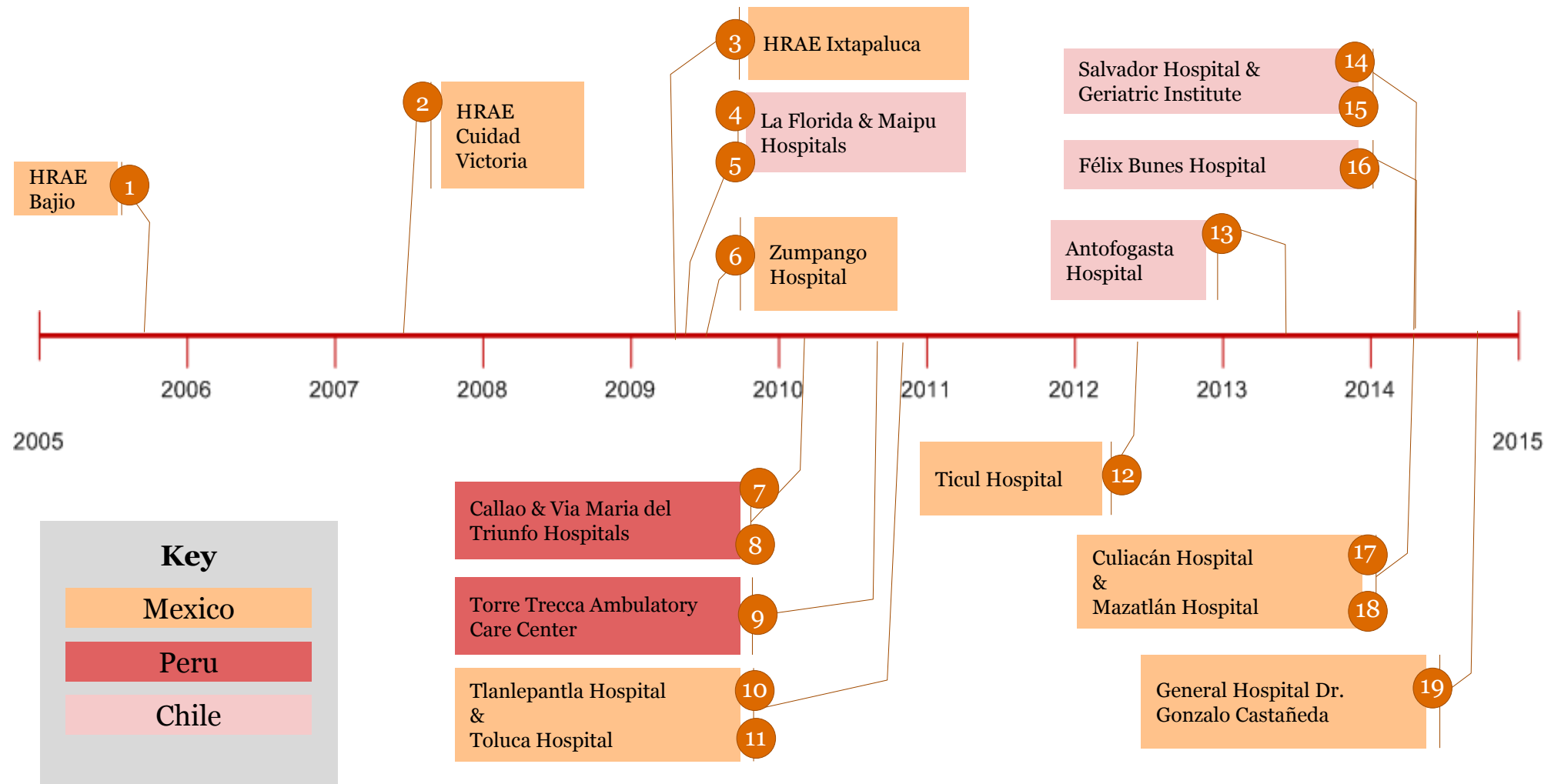


Political will

Commitment from the highest levels of government is necessary to bring PPP projects to fruition – particularly in the healthcare sector.



19 health PPP projects tendered to date



Mexico



Hospital Regional de Alta Especialidad Zumpango

New hospital; \$96.3M investment

124 beds

Private partner: Teya Construction, SA

Opened 2009

Successes

- PPP framework since 2003, new PPP Law in 2012
- Going “green” – innovation in hospital architectural design
- Multidisciplinary teams engaged early on
- 10 PPP hospitals to date at both federal & state levels

Challenges

- Aggressive timelines drove **unnecessary government spending**
- Hospital infrastructure with **insufficient healthcare professionals**
- Fixed operating costs despite **low occupancy rates**
- **Decisions driven by politics** instead of social need

Peru

Successes

- Integration with primary care from the start
- Incorporation of patient satisfaction into performance metrics
- Innovative financing scheme
- First PPIP in Latin America

Challenges

- **Political hurdles** stalled projects
- **Duplication of supervision and monitoring** services
- **Knowledge sharing** beyond EsSalud



Hospital Alberto Leopoldo Barton Thompson & Primary Care Center

*New hospital; \$39.9 investment
200 beds
Private partner: Callao Salud S.A.C
Opened 2010*

Chile

Successes

- Standardized and transparent legal framework for hospital concessions
- Payments tied to occupancy rates
- Financial incentives to reward outstanding performance
- Change management included within the contract
- 5 projects to date; initial pilot informed later projects

Challenges

- Healthcare PPPs are **highly politicized**
- **Cumbersome tender process** can result in prolonged timelines
- **Change in political party** has halted further PPPs



Antofagasta Hospital

*\$300M, replacement hospital
671 beds
Private partner: Sacyr Concesiones
Opened in 2013*



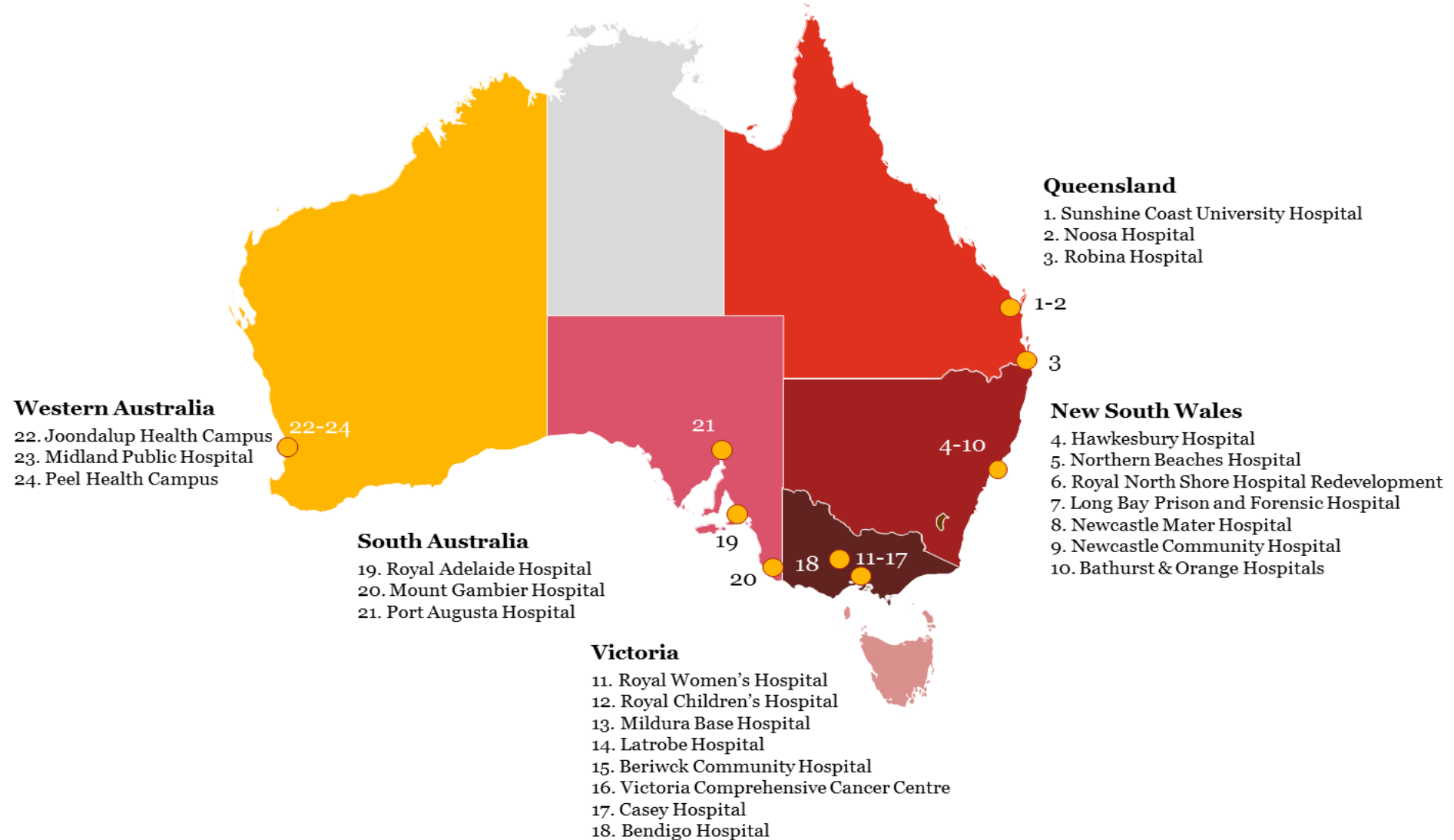
La Florida & Maipu Hospitals

*\$313M, new hospitals
375 & 391 beds
Private Partner:
San Jose/Technocontrol
Opened 2009*

Australia and Southeast Asia



Long History of PPPs in Australia



Long History of PPPs in Australia

Successes

- Over 24 PPP projects operating or in construction
- Strong PPP framework and guidelines
- Strong stakeholder engagement
- Incentivization and allocation of risk

Challenges

- **Government support and capacity to manage PPPs has varied** over time
 - Several projects returned to government control in late 1990s/early 2000s
- **PPP guidelines** designed for non-clinical projects
- **Assessing and delivering value for money**
- Alignment with long term planning



Joondalup Health Campus

*Perth, Western Australia
New hospital, AUD \$42.1M
450 beds
Private partner: Ramsay Healthcare
Opened 1998*



Midland Health Campus

*Perth, Western Australia
New hospital, AUD \$340M
307 beds
Private partner: St John of God
Healthcare Group
To open in 2015*

Early Experience in Southeast Asia

Summary of Healthcare PPP Market Maturity Factors

Country	Legal & regulatory framework	Financial Facilities	Economic Outlook	Healthcare access
Indonesia	<i>Low</i>	<i>Medium</i>	<i>Medium</i>	<i>Low</i>
Malaysia	<i>Low</i>	<i>Medium</i>	<i>Medium</i>	<i>Medium</i>
Philippines	<i>Medium</i>	<i>Medium</i>	<i>Medium</i>	<i>Low</i>
Thailand	<i>Low</i>	<i>Medium</i>	<i>Medium</i>	<i>Medium</i>

Overview

- Social infrastructure PPPs are starting to emerge
- Several countries have started to enact PPP legislation
- PPP drivers include:
 - aging populations and increasing life expectancy
 - increasing prevalence of chronic and non-communicable diseases
 - expanding economies
 - a desire to expand health coverage through social health insurance schemes

Example: The Philippines

Successes

- Strong government commitment to PPPs
- Relatively clear guidelines and processes
- National PPP Center with dedicated PPP unit
- First major hospital project will be a full PPIP
- Range of smaller-scale hospital PPP projects related to diagnostic, equipment and other services
- PPP unit reviewing business cases for redevelopment of up to 70 hospitals (potential PPP projects)

Challenges

- **Risk sharing** and **financial transparency**
- **Performance management** and **governance**
- **Stakeholder engagement** to manage public concerns

Ward in the current Philippines Orthopedic Center



Artist's impression of the future Center



Philippines Orthopedic Center, Manila

*Replacement super-specialty tertiary orthopedic hospital
700 beds; 490 for low income/indigent population
Private partner: Megawide
To open in 2017*

PPP Success Factors

Impact and lessons learned

Benefits:

- Projects have helped to **improve systems and management**: Human Resource management, IT, supply chain, hospital management
- Improved **clinical and non-clinical service delivery**
- Improved **cost control**

Key challenges:

- **Insufficient financing and risk allocation**
- **Lack of trust and contractual flexibility** to adjust to changing conditions over the life of the project
- **Lack of clear PPP legislation**
- PPP units **lack capacity** to manage contracts
- **Lack of transparency** in bidding process reduces number of bids and raises questions early on
- **Change in political party**/loss of support
- **Project design** not always matched with demand
- **Community resistance** – project seen as “privatization”
- **Staff/physician resistance** to becoming private sector employees

Thank You...

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