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Healthcare PPPs – A global perspective

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What is a PPP

*a long term contractual arrangement
between a public body and a private sector
entity, where the skills and assets of the private
sector are mobilised by the public sector
to deliver services and/or assets to the general
public through a performance based contract*

The role of a PPP

1 Improve Services

- Better identification & allocation of long-term risks.
- Whole life approach to asset delivery

2 Mobilize capital

- Ensure predictable budget commitments.
- Provide access to industry best practices & private-sector expertise.

3 Increase efficiency

- Build up sector capacity in the medium term
- Access private sector financing

The evolution of the PPP model in health...



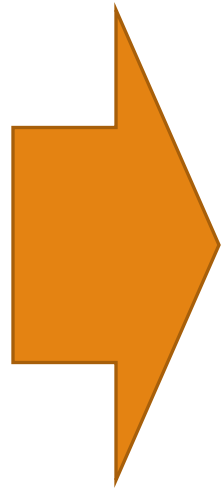
Infrastructure

Construction and facilities management

Early PPPs in 1990s

Asset-heavy

Long term contracts



Services

Clinical and non-clinical services, Managed Equipment Services (MES)

Examples include Diagnostic facilities, Dialysis, Radiotherapy

Tend to have shorter contracts



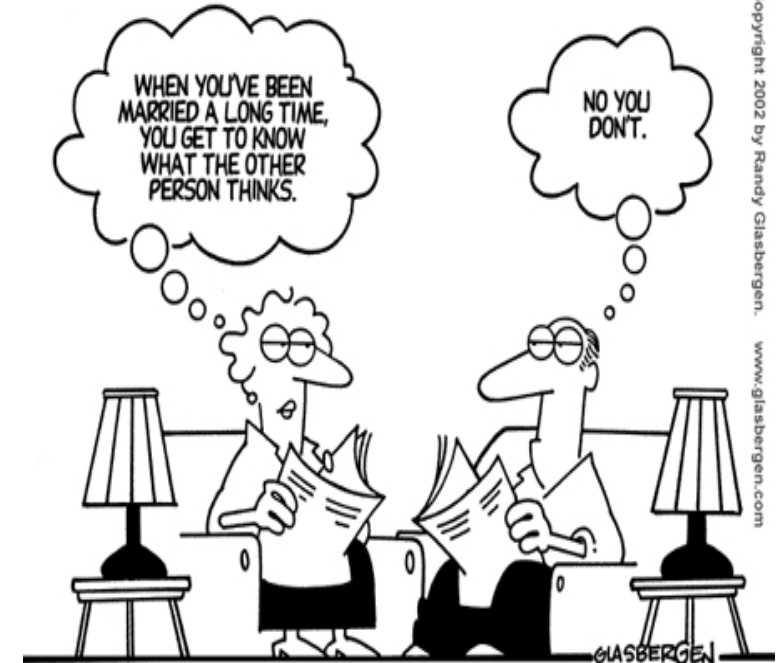
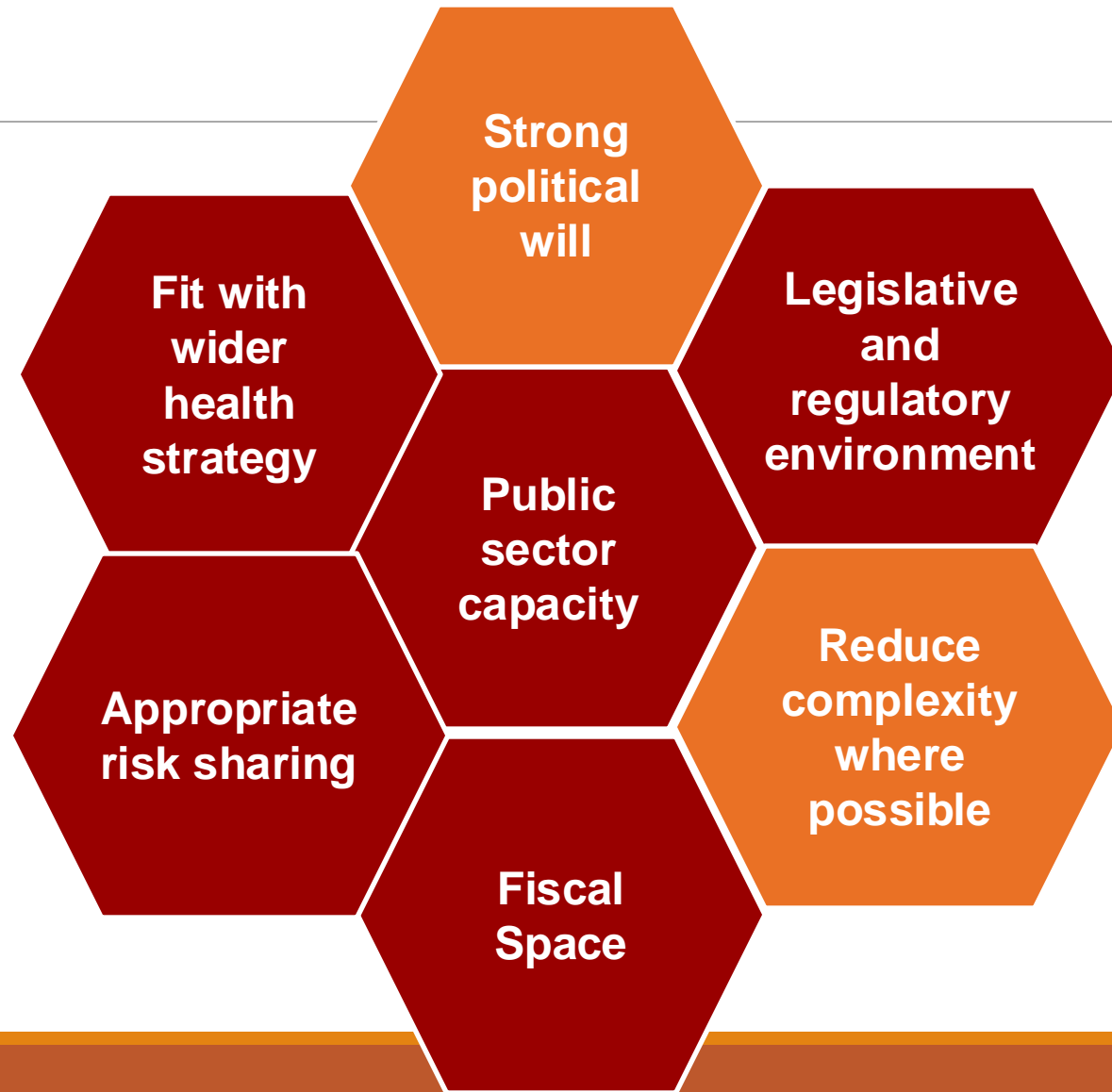
Integrated

Construction and facilities management and full range of clinical and non-clinical services

At primary, secondary or tertiary level

Payment structures vary from country to country

Ingredients for a Successful PPP



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It's a Partnership.....you have to work at it!

Some reflections on global experience....

- PPP is merely a financing and procurement tool....it won't turn a bad project into a good one!
- Project therefore has to be assessed on its merits separately from how it's procured – a business case will help determine need, technical feasibility etc
- The PPP model should be chosen on the basis of clear policy/strategic objectives
- The public sector needs access to skills and experience that may not be easily available – internal expertise as well as strong advisory input
- Detailed cost analysis of the project will help with understanding long term fiscal implications/affordability
- Need buy-in of ALL stakeholders – can cause problems later in process
- Political support should be broad – Ministers can move on!

Case study (Infrastructure PPPs)

Sweden – New Karolinska Solna

New 600-bed hospital in Stockholm – to replace Sweden's pre-eminent research and teaching Hospital providing services to patients across the country

25-year PPP contract to design, build, finance and maintain the infrastructure (and related services) and medical equipment

Total investment cost of approximately 2 billion Euros

Financed through a hybrid structure of concessional financing from European Investment Bank (EIB), commercial banks (long term project finance) and capital contribution from Stockholm Municipality, as well as sponsor equity

Hospital delivered on time and to budget

Public sector continues to provide all clinical services

UK – Barts NHS Trust

Replacement hospitals for two of London's oldest Hospitals (St Bartholomew's and The Royal London Hospital)

42-year PPP contract to design, build, finance and maintain the infrastructure (and related services) and medical equipment

Total investment cost of approximately £1.2 billion across two sites with total bed capacity of over 1200 beds

Financed through a long dated capital markets issuance and sponsor equity

Hospital delivered on time and to budget

Public sector continues to provide all clinical services

Case study (Integrated PPPs)

Lesotho – Health Network PPP

New 425-bed hospital and network of public filter clinics forming a regional health network and national referral hospital.

18-year PPP contract to design, build, finance and operate facilities, including clinical services.

Awarded to Tsepong Consortium, headed by NetCare including local doctors and investors.

\$100m+ USD investment and over 330,000 people with better access to services

Contract based on agreed volumes of inpatients and outpatients – with additional payments if demand exceeds agreed levels

Government annual fee on a quarterly basis – subject to performance indicators. Fee based on the budget for the old national referral hospital but many more patients seen under new contract

Project has performed well in terms of clinical quality – but has been a financial struggle for the government

This has been mainly due to the fact that demand has been much higher than envisaged and referral protocols have not been implemented

Spain – Alzira Hospital PPP

New Integrated Health service in region of Valencia.

15-year PPP contract to build, finance, equip, maintain, and operate both clinical and non-clinical services at primary, secondary and tertiary care level - Awarded to Ribera Salud.

Public sector pays a single capitation based, annual fee to the private sector – covering approximately 250,000 population

The PPP operates alongside a number of other public hospitals in the region that are funded in exactly the same way

Patients can decide to go elsewhere in the public health system if they prefer – in which case the PPP operator compensates the receiving hospital 100% of the cost. On the other hand – it receives 80% of the cost from the public hospitals if patients from their catchment area are seen in the PPP hospital

Costs are said to be 20% lower than comparable public hospitals in same region

Qualitative data on waiting times and patient satisfaction generally better than comparable public hospitals

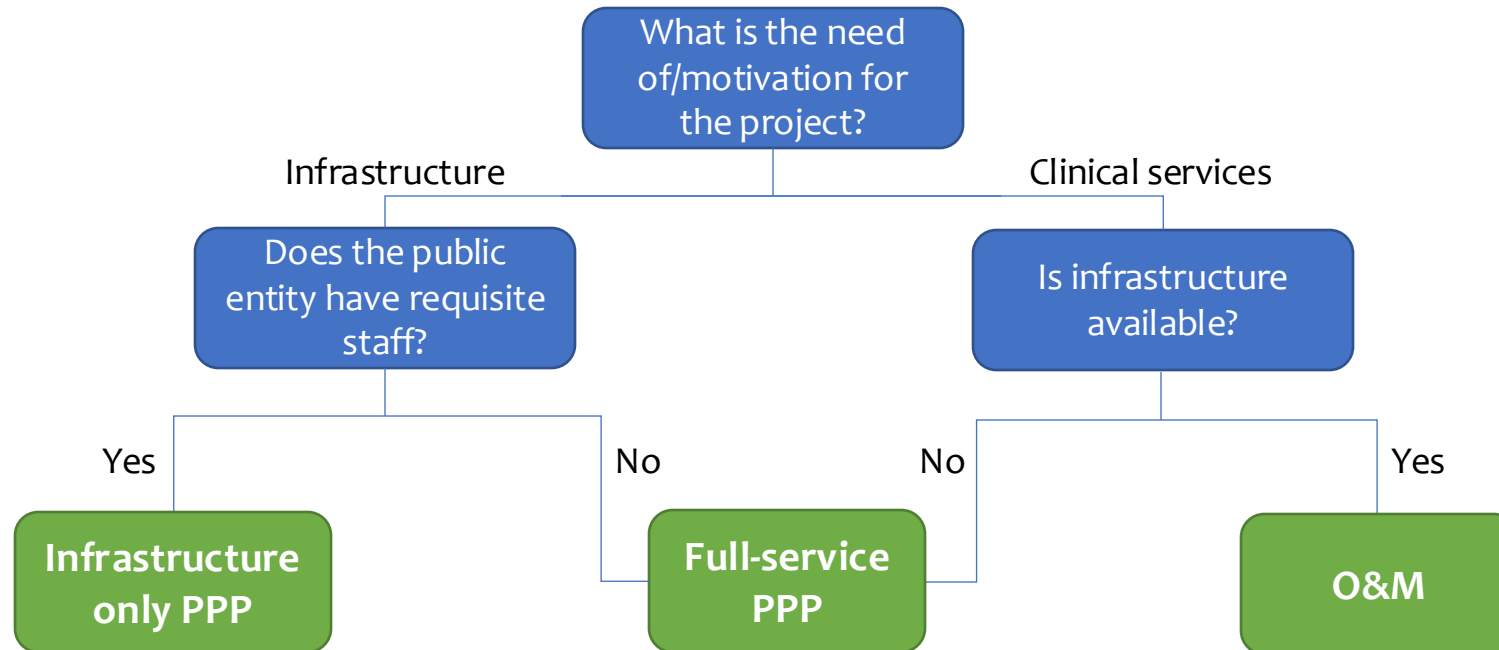
Profit is capped with any excess being invested in services or going back to government. Contract had some early issues – where incentives were not aligned

Case Study (hybrid)

South Africa – Albert Luthuli Hospital

- New hospital had been built by govt but required equipping and IT.
- 15-year concession to provide IT, medical equipment and manage Facilities Management services
- Was the first health PPP to successfully reach financial close in South Africa
- Includes ongoing responsibility to maintain and replace medical equipment
- The first paperless hospital in South Africa. Included digital imaging, Electronic Medical Records and electronic Financial and other management systems
- As common in PFI contracts, the requirements of government set out in Output Specifications – This is very difficult to do for IT systems
- Private sector retained all performance risks related to medical equipment and IT, including maintenance, replacement, obsolescence and operating life,

Which one is the right model?



Basic question: *Will the PPP project be able to provide intended services?*

Objectives and impact of a health PPP



Objectives and impact of a health PPP

