Policy Issues Regarding Public-Private Collaboration

HANSHEP – *Advancing Partnerships for Universal Health Coverage in India*
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pwc

UCSF Global Health Sciences
Global Health Group

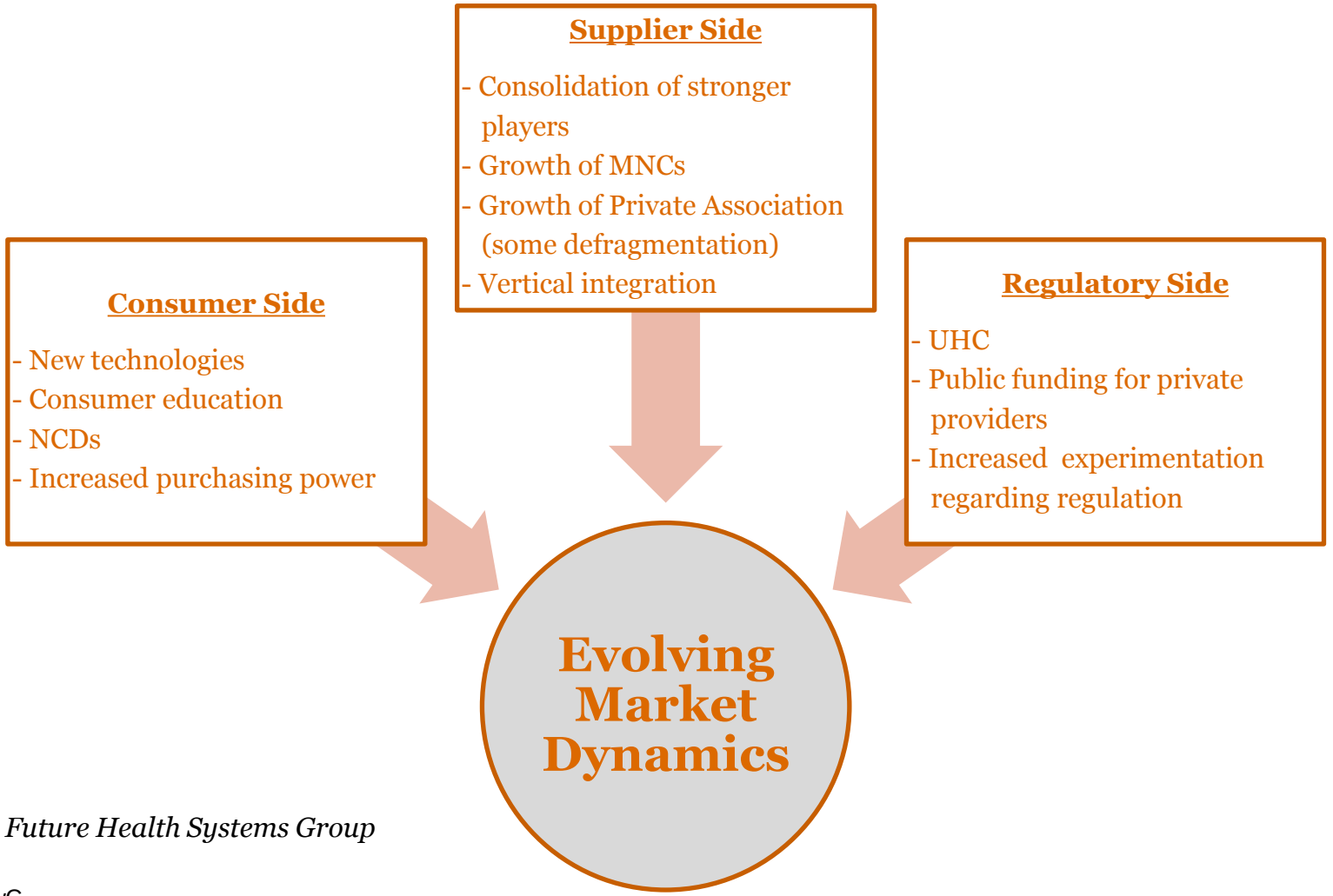
Why Focus on Health Markets?

Health Markets are Pervasive

- Public and private providers
- Multiple financing streams
  - OOP
  - Social insurance
  - Private insurance
  - Tax-based insurance
  - CBHI
  - Donor funds
  - Direct government budget inputs
- Rapid growth in national and international trade in health products and technologies

Rapid changes in health markets may be outstripping state capacity to regulate them

Future Trends in Health Markets Globally?

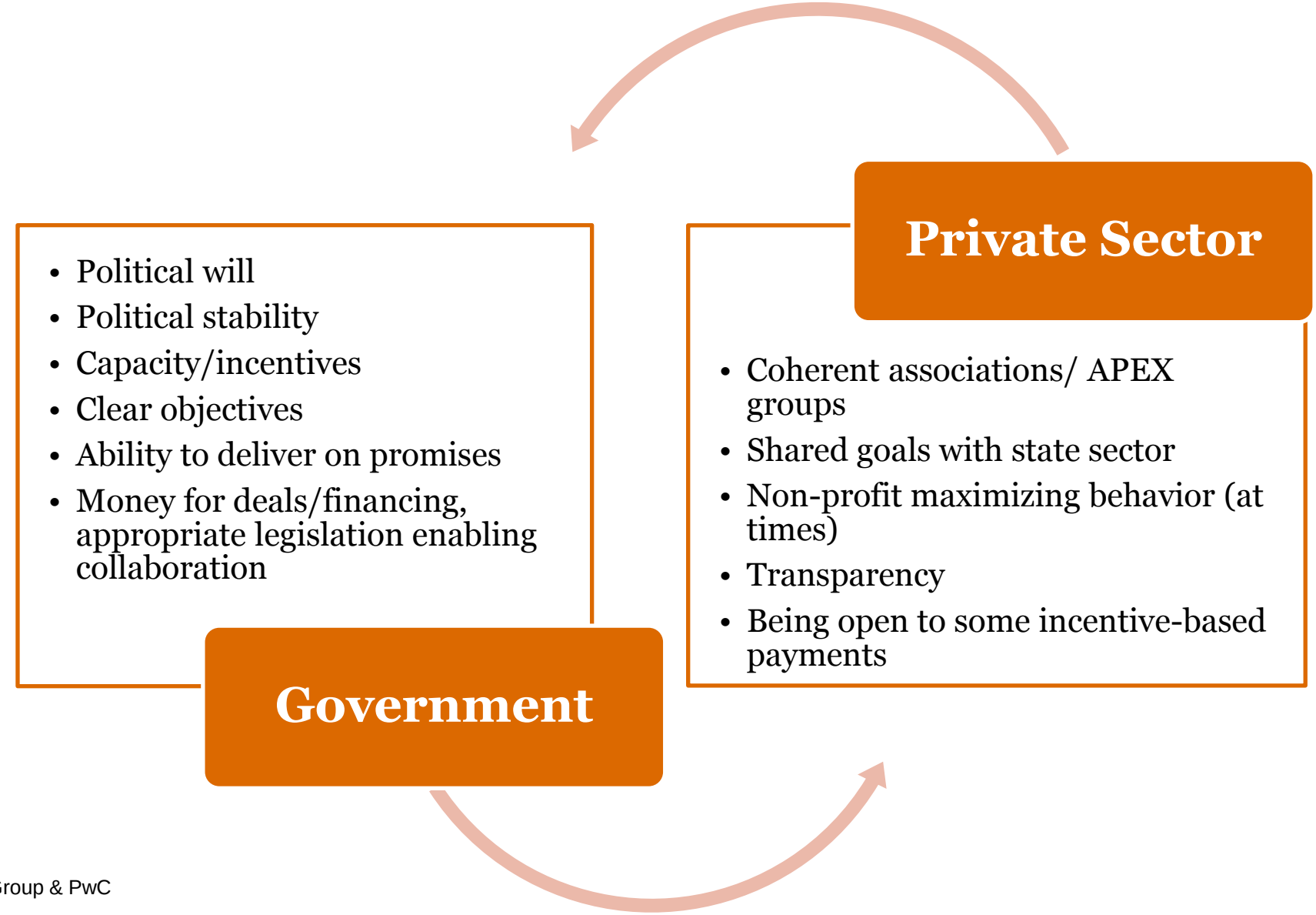


Adapted from Bennett, S.- Future Health Systems Group

Approaches to Regulation

Objectives	• Equity • Efficiency • Effectiveness • Financial protection
Approaches	• Strategic purchasing, include private providers • Quality regulation: license, accredit, empanel • Empower consumers with choice and information • Shape the market- defragmentation, regulate inputs
Tactics	• Better data on private sector composition, cost structures and attitudes • Better data on what works in terms of regulation • Fora for problem solving and dialogue • Self-audit of government comparative advantages and weaknesses

Challenges for Collaboration



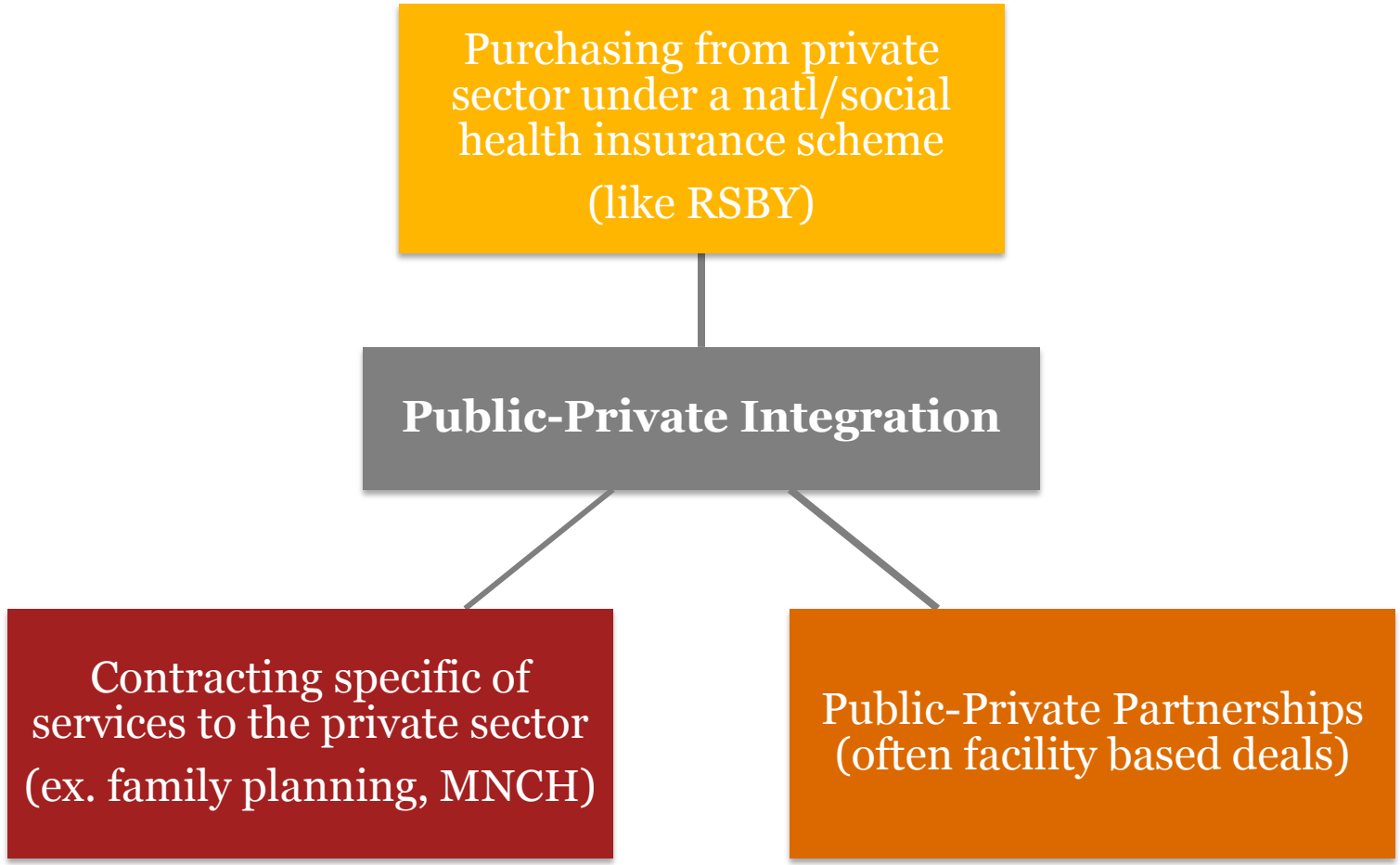
Reverse Engineer the Problem

Employ strategic purchasing arrangements with the private sector to create stronger incentives for more consistent government regulation…

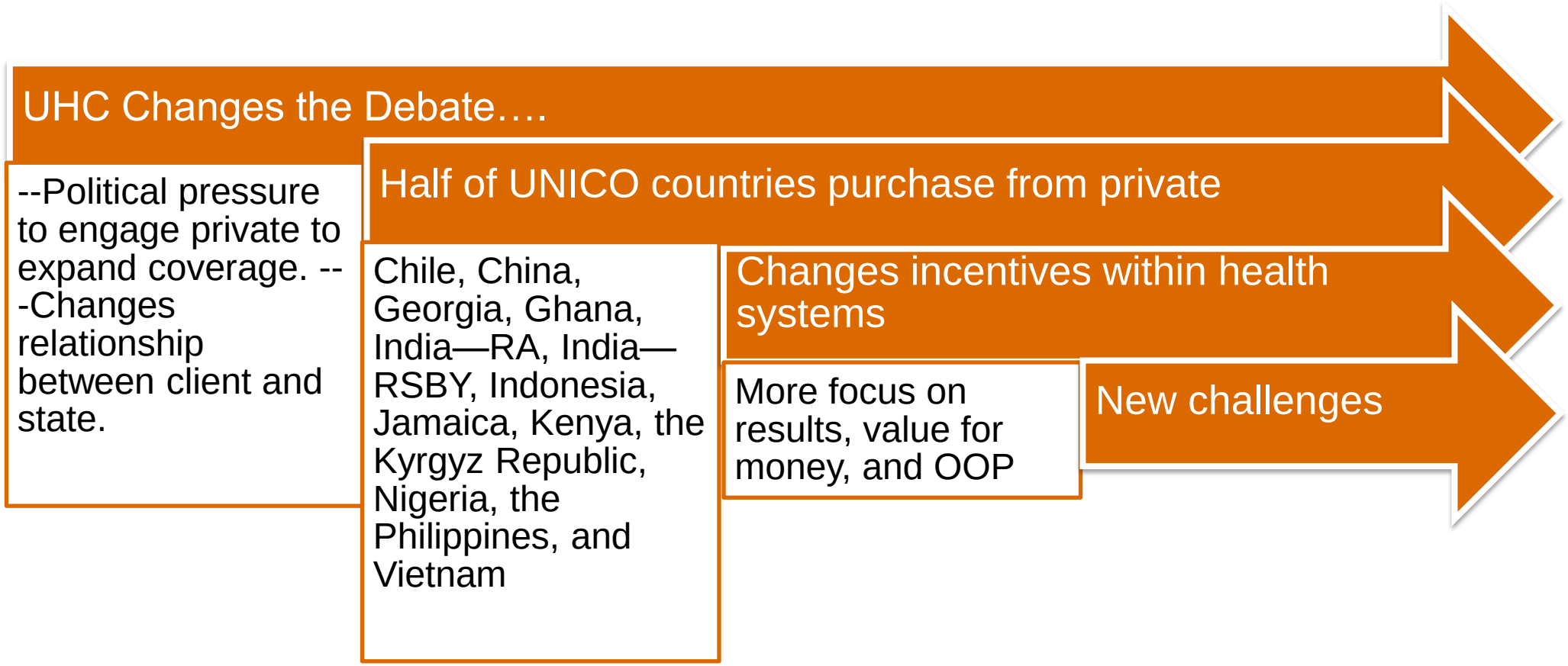
Not the other way around

- When government is paying private providers, it creates knock on incentives to better regulate them
  - ***"What value are we getting for our money?"***

Strategic Purchasing of Services



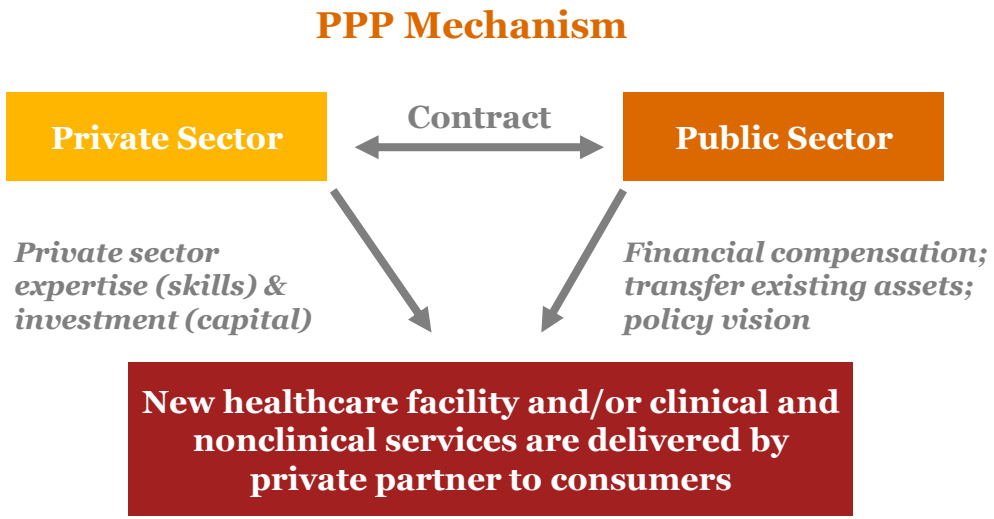
Overall Trends



What are Public-private partnerships (PPPs)?

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 nature of contract (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
- Public entity retains ownership of the facility during the contract and responsibility at the end of the contract
- Shared risk between public and private partners means both have “skin in the game”

Evolution of PPP Models in Healthcare

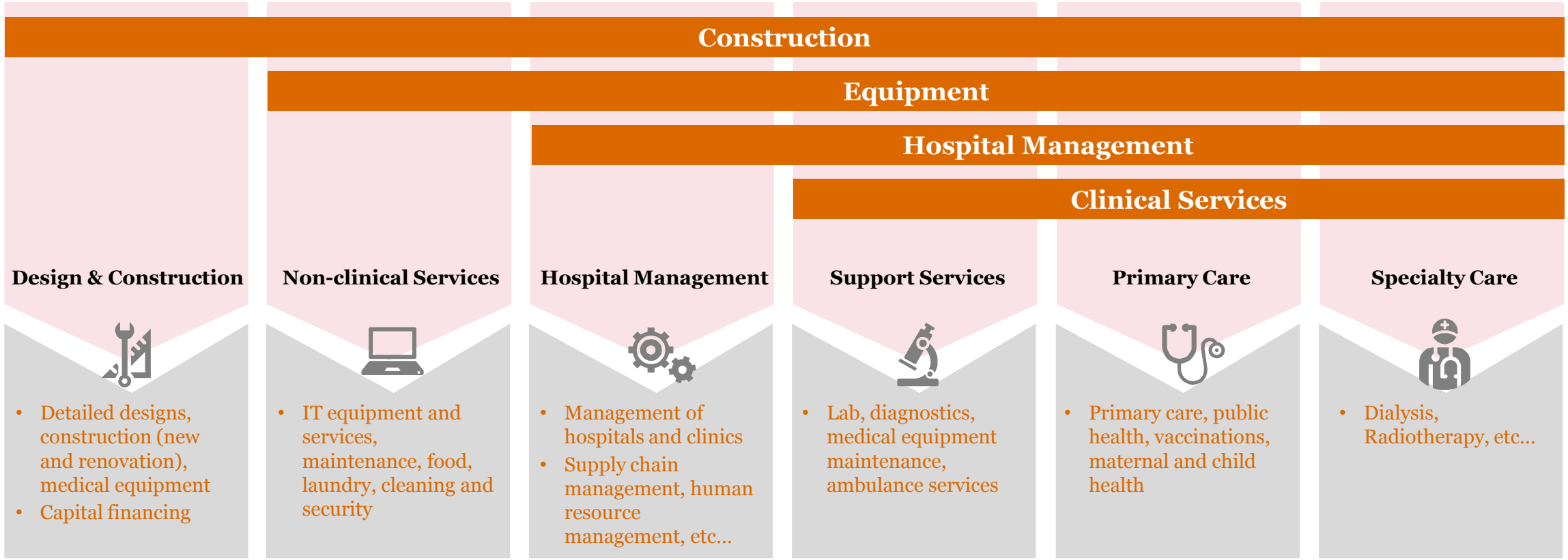
PPP models vary predominantly on the inclusion of the following components:

- Financing
- Infrastructure (build and maintenance)
- Delivery of Nonclinical Services
- Delivery of Clinical Services

PPP Models	Private Financing	Financing + Non-Clinical Services	Financing + Non-Clinical & Clinical Service Delivery
			
	Public sector contracts with a private entity to **design**, **build** and **finance** facilities	Public sector contracts with private entity to **design, build, finance** and **operate** facilities - including **delivering non-clinical services**	Public sector contracts with private entity (or consortium) to **design, build, finance** and **deliver clinical and non-clinical support services**
Risk	Lower → Higher		
Healthcare Delivery Impact	Lower → Higher		

Healthcare PPP Models

Each PPP will vary considerably based on policy objectives and health needs



Interest in PPPs Globally

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

Typical Drivers to Consider a PPP:

- Infrastructure - Need to expand capacity and/or replace aging public facilities
- Financing - Opportunity to leverage private financing when government is facing budget constraints
- Access to Skills & Human Resources - Opportunity to harness private sector skills to improve processes and for better human resource management and flexible staffing practices
- Technology & Processes - Need for improved Information Technology systems; Need for improved supply chain management and better procurement
- Service Capacity – Opportunity to leverage the private sector for clinical and nonclinical service provision

PPP Impact and Lessons Learned

Potential 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 Factors that Lead to Sub-optimal or Failed PPPs (Implementation and Impact):

Unclear purpose of PPP	Insufficient financing and risk allocation	Limited capacity among PPP units to manage contracts	Project design does not meet health demand
Lack of alignment & mismatch of goals across sectors	Lack of trust and contractual flexibility	Lack of transparency in bidding process	Community resistance against “privatization”
Poor selection of partners & unclear roles	Lack of clear PPP legislation	Lack of political will and support	Staff resistance to shifting to private management

PPP Case – Bangladesh, Dialysis PPP Project

Overview of Context

Amid challenges related to health status, Bangladesh faced the following:

- A rise in the number of cases of diabetes and hypertension increased the prevalence of kidney disease in the country
- Patients were typically young & the disease was prevalent among lower socio-economic classes
- Limited supply of dialysis services:
  - ~85-90 dialysis centers– 650 machines
  - Capacity to treat ~10,000 patients
  - only ~8% of ESRD (end stage renal disease) patients can be treated

PPP Details & Project Objectives

…the Authority decided to engage the private sector through a pilot project

- The Government of Bangladesh selected 2 existing dialysis centers located in government hospitals to launch a pilot project
- Success of this project will lead to replication in other parts of Bangladesh

Project Objective

- Increase number of dialysis sessions
- Maintain affordability of treatment
- Improve service quality

PPP Case – Bangladesh, Dialysis PPP Project (Continued)

Challenges for Private Sector Participation

- Limited private sector capacity in the country
- First health project to be implemented under a PPP model
- Societal objectives of the project resulting in feasibility concerns
- 2 dialysis centers in different cities with dissimilar feasibility
- High political uncertainty in the country

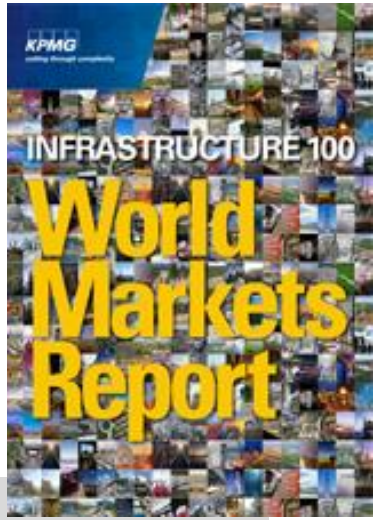
Proposed Solution

- Cross subsidization pricing mechanism with market rates for normal patients (in Private Unit) & subsidized rates for poor patients (in General Unit)
- Minimum no. of sessions/dialysis machines fixed at both centers to prevent gaming in favor of profitable center
- Key Performance Indicators part of agreement with payment subject to deductions for non-performance
- Escrow mechanism to protect private partner

PPP Case – Bangladesh, Dialysis PPP Project (Continued)

Impact of PPP Project

- Increase in potential number of dialysis sessions from 54 to about 440 per day - 13% increase in dialysis capacity in the country
- Availability of services to the poorest while ensuring attractiveness of project to the private partner
- No additional fiscal burden on patients and Government of Bangladesh
- Standard Operating Procedures in line with international best practices to significantly improve quality
- Demonstration of viability of this project will lead to replication in other parts of country



The project was featured in '**KPMG Infrastructure 100 World Markets Report 2015**' as one of the top 100 projects across the globe in 2015

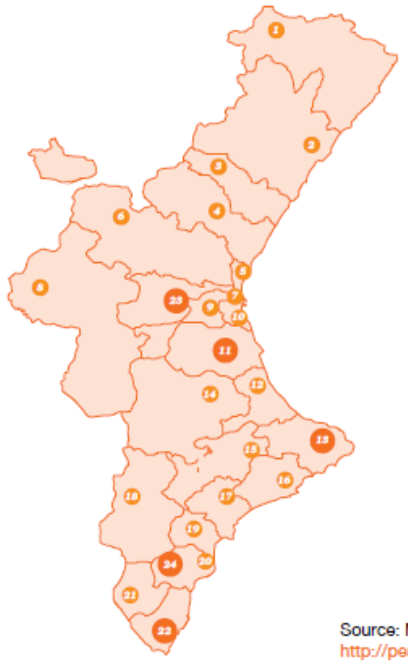
It was also featured as one of the two '**Pioneering projects**' in the report

PPP Case – Valencia, Spain, "The Alzira Model"

Overview of Context

Facing budget deficits and deteriorating infrastructure, Spain's public health system required transformation and capital infusion

- Valencia's provinces are broken up into autonomous communities
- Each communities Ministry of Health is responsible for employing its own healthcare model (central government sets overarching policy)
- Valencia is made up of 24 health departments – each responsible for providing healthcare to roughly 250k
- In the late 1980's, the city of Alzira found itself lacking a local hospital in an area home to 250,000.
- To close this gap, the regional government sought sources of private capital



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-Lliria	326,394	Public
7 Valencia La Fé	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	PPIP (1999)
12 Gandia	198,921	Public
13 Denia	186,907	PPIP (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 Torrevieja	222,334	PPIP (2006)
23 L'Horta Manises	213,307	PPIP (2009)
24 Elche-Crevillent	161,413	PPIP (2010)

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

PPP Case – Valencia, Spain, "The Alzira Model"

PPP Details & Project Objectives

Developed an integrated PPP to build and operate the new public hospital, including delivery of clinical services

- The model went through a few iterations, but the final project included an integrated model with primary and specialty care included
- Private sector is paid on a capitated basis
- Payment Follows Patient (patients choose where to go. If a patient chooses to go somewhere else, their PPIP must pay 100%. If a government patient comes to a PPIP hospital, they get reimbursed 80%)
- They have built on lessons learned from past hospitals into 4 new PPP models across the region

Critical Success Factors

- Capital infusion from private partners
- Focus on comprehensive population health management
- Focus on preventive / primary care delivery to keep people healthy and out of the hospital → lowers cost for private operators

The Alzira model and its inclusion of clinical care represents the genesis of a new model for healthcare PPPs that includes both infrastructure and clinical care delivery.

PPP Case – Valencia, Spain, "The Alzira Model" (Continued)

Although the Government is not Supportive of PPPs on a Large Scale, Analysis has Shown Impact:

Better access to services:
- Flexible scheduling
- 24 hour Lab
- Information Line

Shorter waiting times

Higher quality services
- Free choice: "Money follows patient"
- Citizen becomes a customer

Higher level of patient's satisfaction

Improved Information Technology

Better management of staff

Benefits to the Public Partner

- Alzira provides fixed / predictable annual costs (capitated system)
- Costs are tightly managed
- Ability to leverage private sector best practices
- Funding model allows for patient choice and flexibility

Benefits to the Private Partners

- The focus on primary care and prevention leads to better outcomes and lower costs, therefore increasing return on investment
- Low barrier to entry: attractive investment opportunity given funding from the State and clearly defined need (guarantees)

The Alzira Model Lessons learned: strengths & opportunities

Information Systems	*Strategic Planning*	*Role of the Government*	*Flexibility*	*People & Change*	*Communication and Sponsorship*
Integration across different levels of care within the same department (e.g. primary, acute, urgent care)	Resource efficiency-centered model	Guarantor of health services	Simplified organizational structure Shorter response time Scalability & efficiency	Focus on prevention Patient engagement Performance incentives	Open communication Developed trusting relationship with government
Integrate patient health information across other health departments	Benchmark-driven performance improvement plans	Fine tune management skills from provision of healthcare services to supervision of contracts	Automated adjustments to services in response to changing needs	Government should share performance results with the general public	Formalize communication channels that are transparent , continuous and effective