

# Health PPPs

Can PPPs contribute to the UN Development Goals in the Health Sector "

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# Some have improved health-related targets, others are falling behind (Mostly HIV Affected Countries)



Axis Consulting  
The Cross Sector Advisory

## Post-2015 UN Development Agenda

MDG 4  
Reduce Child  
Mortality

The global rate of decline has accelerated in recent years – from 1.2% per annum during 1990–1995 to 3.9% during 2005–2012. Nevertheless, the world is unlikely to achieve the MDG **target of a two-thirds reduction in 1990 mortality levels by the year 2015.**

MDG 5  
Improve  
Maternal  
Health

Significant reductions in the number of maternal deaths – from an estimated 523,000 in 1990 to 289,000 in 2013.

Rate of decline **is less than half of what** is needed to achieve the MDG target of a three quarters reduction in the mortality ratio between 1990 and 2015. Women need access to good-quality reproductive health care and effective interventions.

MDG 6  
Combat  
AIDS/Malaria

In 2012, an estimated 2.3 million people were newly infected with HIV – 33% less than the 3.4 million people newly infected in 2001. Sub-Saharan Africa accounted for 70% of all the people who acquired HIV infection globally.

Access to Treatment is improving but **population living with HIV will continue to grow.**

# Alternative Health Financing Needed

How may the MDGs be achieved?

## Diversification of Funding

Only 8 out of 49 low-income countries have any chance of generating from domestic sources alone the funds required to achieve the MDGs by 2015

Global solidarity is required. Commitments on ODA is needed with improved aid effectiveness

## PPPs an Alternative

PPPs as innovative Procurement and/or Funding supplement traditional ODA, and the estimated shortfall in funds to reach the MDGs may be virtually eliminated

# Health PPPs to build new or revamp Infrastructure

## Drivers of Health PPPs

- ✓ Investment Need
- ✓ Government Budget Constraints
- ✓ Better Procurement
- ✓ Access to Skills and Knowledge
- ✓ Service Capacity



## United Kingdom:

Upgraded decaying hospital facilities

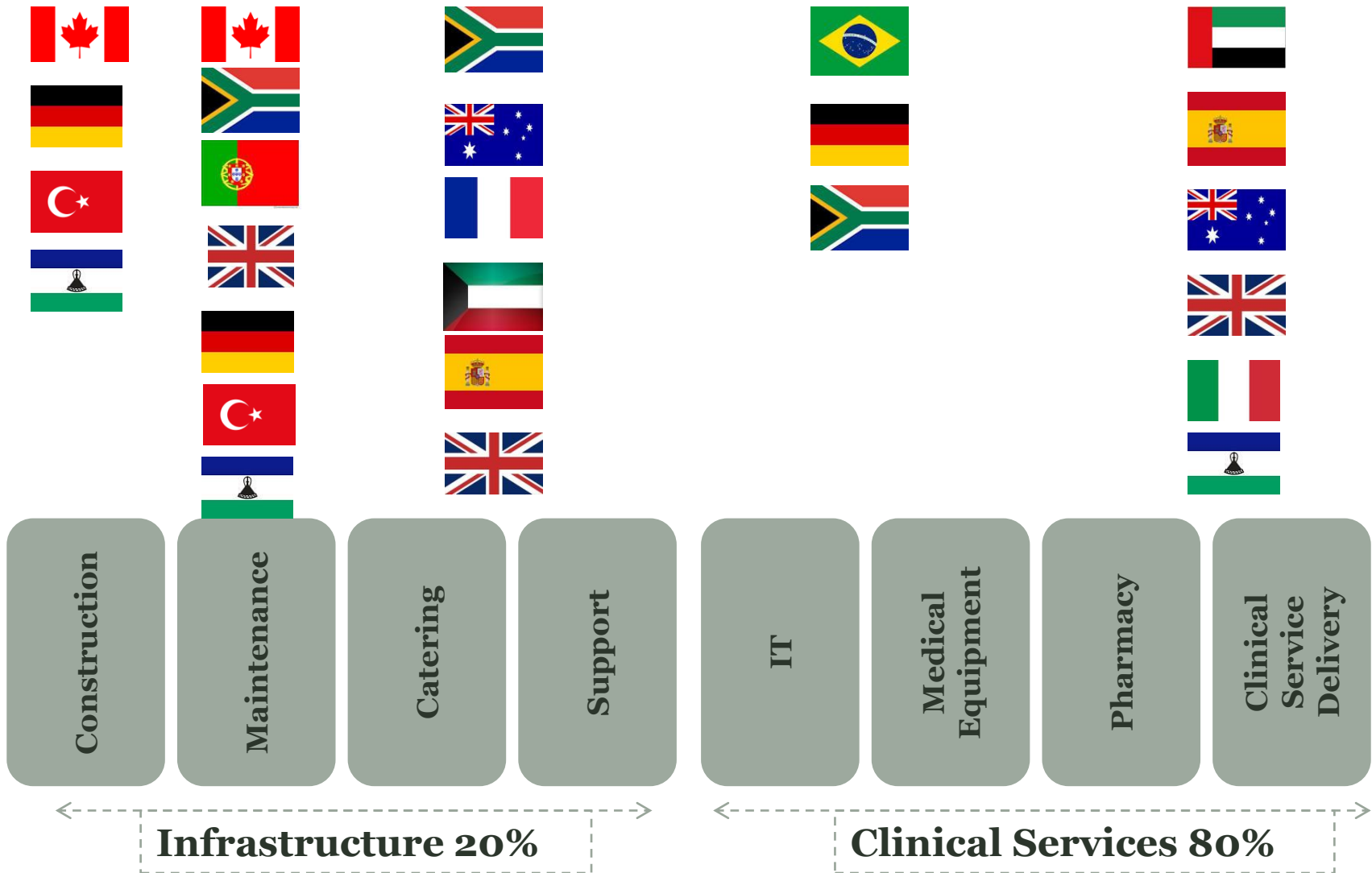
Surgical service PPPs injected competition into market & improved access



## Germany:

Focus on developing / modernizing hospital infrastructure and providing support service

# Global Models of Health PPPs



*Cost Base of a typical Hospital*

# Health PPPs expand in Scope..... ...in Response to broader Problems

Sustainability of health systems around the globe is threatened by growing spending and challenging demographic trends.

More efficient, value-based models of infrastructure development and care delivery are needed now more than ever.

PPPs have evolved over time from a primarily infrastructure-oriented model to a clinical services delivery model, increasing in complexity. Some PPPs include both.

### ***Global Trend***



***Infrastructure Provision Models***



***Clinical Service Provision Models***



***Integrated Models –Infra- & Clinical Services***

# Towards a PPP Framework

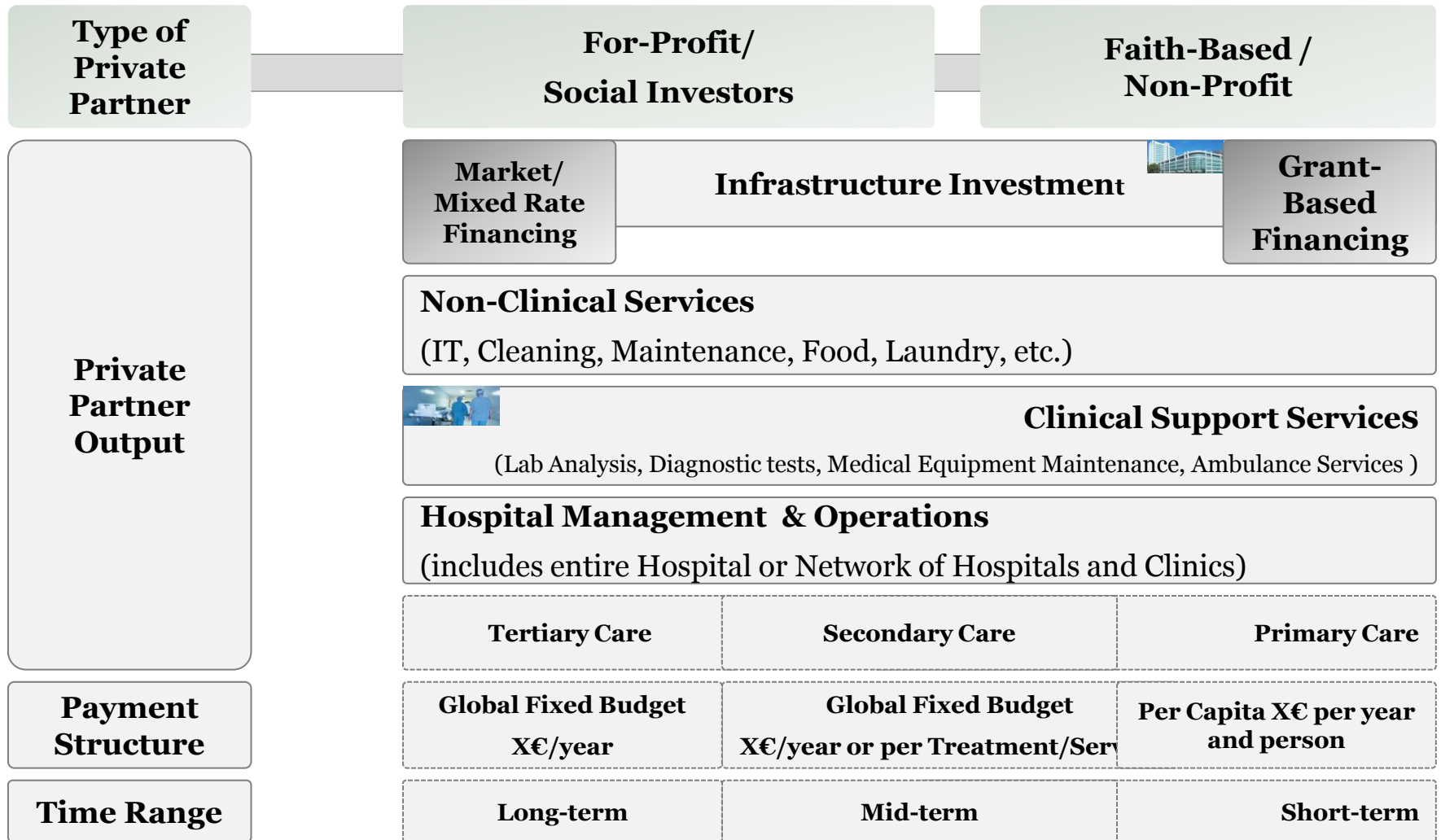


Chart : Towards an Analytical Framework for Application of PPPs in the Health Sector

----- Dotted lines imply that the item is valid for and may be provided by all types of private partner

# Types of Private Providers

Types of Private Sector Entities	Associated Financial Objectives	Financing Conditions	Service Provision Charges
For-Profit Entities	Generating Return on Investment (ROI)	Market Rate	Full Market Rate
Social Enterprise	Minimum ROI Expected Reinvestment of Profits in Enterprise Activities	Range of below Market Rate or a mix of Donations and Market Rat	Subsidized Market Rate or a mix of Full payers and those who do not pay
Non-Profit / NGOs / Faith-Based Organization)	Reliance on Donor Support to carry out Social Missions	Donations and Grants	Beneficiaries make no or minimal Payment

Chart : Overview of Different Motivations of various Types of Private Partner  
Source: IFC, 2010, p. 7



# Turkey embarks on a major PPP Program

Contribution of Health PPPs in Turkey

## *Health Targets*

Increase number of healthcare facilities

Apply state-of-the-art technologies in hospital management

Make healthcare services available for a larger share of population

Enhance the quality of the healthcare service

## PPP Contribution

Turkey can implement 30 years of health care investments in 7 years!

Turkey will have 40,000 new hospital beds by 2015

13 Health Care Camps --- started “Kayseri Integrated Healthcare Campus” through a PPP project --a healthcare campus with 1,583 bed capacity

## Drivers of Healthcare PPPs in Turkey

- Investment need
- Government budget constraints
- Better procurement
- Access to skills and knowledge
- Service capacity

Chart: Health PPP Drivers in Turkey  
Source: Ministry of Finance Turkey, 2012

Potentials of Savings & Efficiency Gains

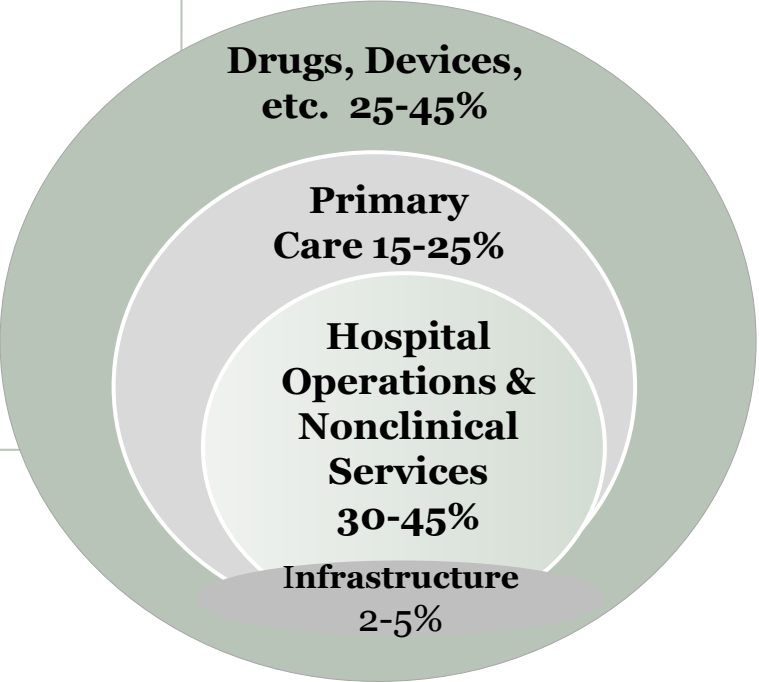


Chart Estimated Savings and Efficiency Gains  
Source: PwC, 2012

# PPPs in Turkey have allowed for Transformation of Health

## Facilitating the Access to Healthcare Services

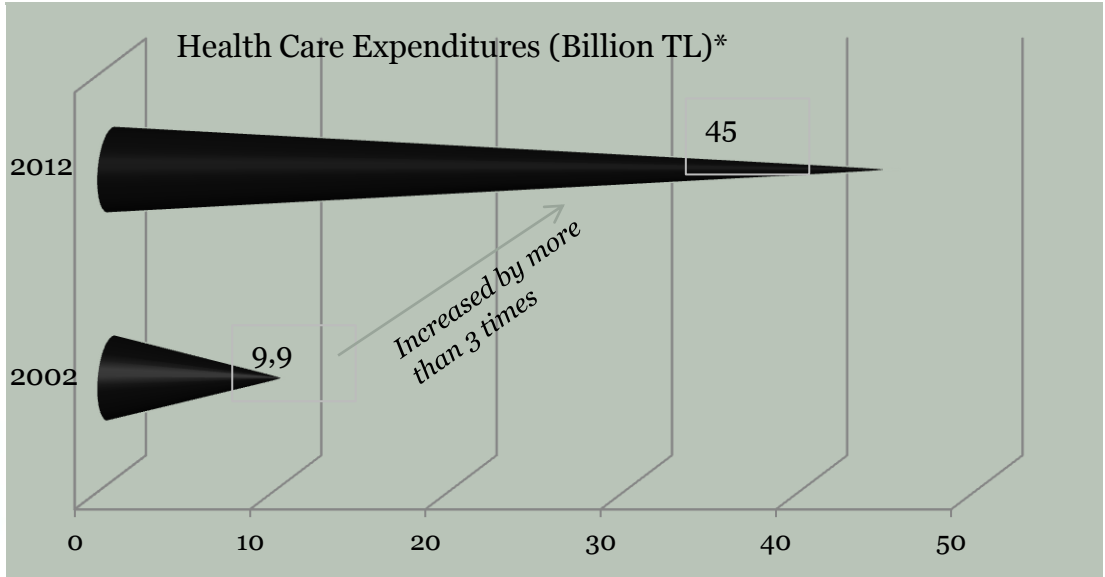
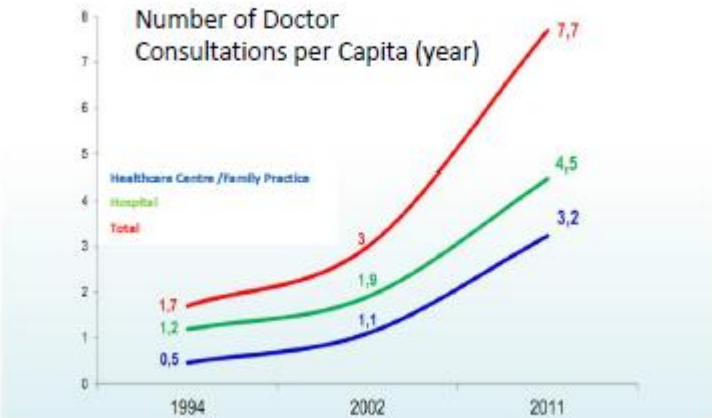
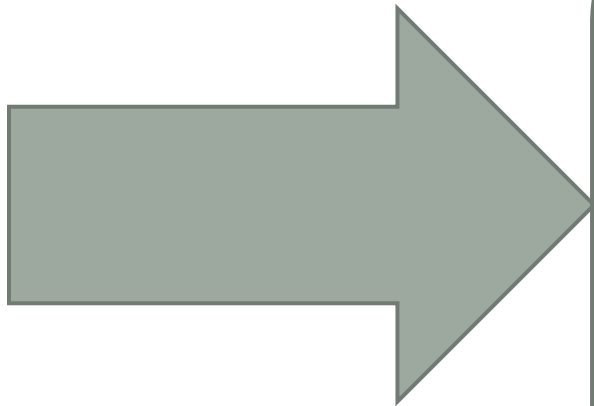


Chart 10: Health Care Expenditures in Turkey  
\*: Exclusive of Family Practice  
Source: Ministry of Finance, 2012

Health Care Facilities	1994-2002	2003-2011
Hospitals and New Buildings	291	542
Primary Health Care Facilities	647	1.436
<b>Total</b>	<b>938</b>	<b>1.978</b>

# Lesotho still faces major Challenges in Health

GOL – Major health service provider of Population of 1,8 Mio.,



CHAL – 2nd largest , covering about 40% of the population; Private - 17 % of health facilities

Health Facilities: –21 Hospitals, 1 Referral incl., 4 filter clinics and 188 Health Centres, with 3.2% of population hospitalised per year

MOHSW budget as % of GOL remains constant at 11%  
- Lower than the Abuja commitment of 15%.

HIV Prevalence 23.6%, High TB/HIV co-infection ,  
78% of TB patients tested HIV positive in 2009,  
increase from 76% in 2008 , TB Treatment Success  
rate – 74% (2008) – lower than Global target of 85% ,  
High Maternal Maternity Ratio – 1,115 per 100,000  
live births

# The new Referral Hospital with large Capex

Capital cost M1.2bn (approximately (\$155m) but annual capital budget of Ministry of Health M80m.

## PPP not only a Financing Tool

Financing the capital sum from the domestic budget would have displaced the Ministry's budget given the total capital budget.

As a PPP, the annual Unitary Payment would be managed as annual operating expenditure and would allow the Ministry to continue with its other priorities.

## Other PPP Drivers

Getting other sources of funding would not address

- ✓ Management capacity challenges
- ✓ Clinical performance challenges
- ✓ Time and cost overrun risks

# Referral Hospital (Queen Elizabeth II hospital)

Over 100 years old in parts and significant shortcomings in infrastructure and service delivery

Bundling

Design, build, fully equip, fully maintain and fully operate the 425 bed Hospital –390 public beds, 35 private beds, and Gateway clinic.

Refurbishment and re-equipping of three filter clinics.

Clinical Services

Tertiary Hospital specialties, Clinical Support Services e.g laboratory, pharmacy

Non-clinical services e.g administration, facility management , Excluded Services

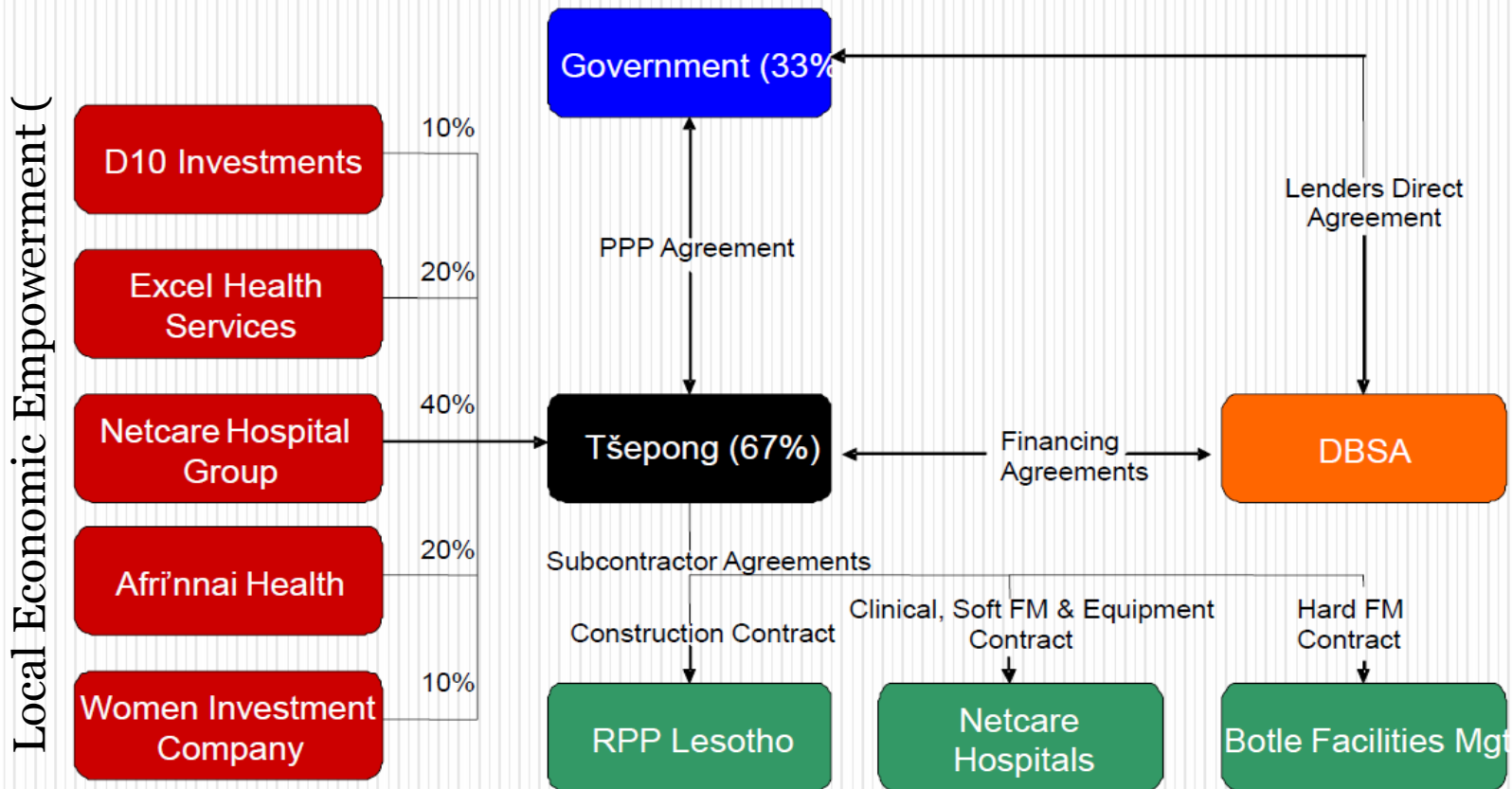
Duration

18 Years

Patient Volumes of guaranteed service for 20,000 inpatients and 310,000 outpatients p.a.

# PPP Structure allowed for Bastoho Empowerment

## Lesotho New Referral Hospital PPP



Function as a national referral hospital, a district hospital for greater Maseru, and the nation's major clinical teaching site for health professionals

# Key PPP Challenges Lesotho

1st major PPP –  
limited capacity within  
the GOL

Most GOL staff to  
move to the operator

Challenge of Retaining  
Staff

Challenge of  
Monitoring

Challenge of keeping  
the Payment Structure

## Key Milestones

- RFP - 6 June 2007
- Closing Date - 8 October 2007
- Preferred bidder - December 2007
- Commercial Close – 27 October 2008
- Financial Close – 20 March 2009
- Construction Start Date – March 2009
- Filter Clinics opened — May 2010
- Hospital to open – October 2011



## Lesotho Learning Lessons

Proper  
Data

Feasibility studies and baseline reviews should be as informative as possible to assist in making realistic project and sector assumptions.

Proper  
Transaction

Composition of Transaction Advisors and Government teams should have all the necessary technical expertise for project preparation and implementation.

Proper  
Stakeholder  
Participation

Extensive consultations and active participation of all stakeholders was considered a priority from the inception stage throughout implementation to ensure incorporation of contributions from all concerned and to ensure the buy in of key stakeholders.

# Thank you for your Attention

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