PUBLIC PRIVATE PARTNERSHIP IN HEALTH SECTOR: OPPORTUNITIES AND CHALLENGES

14th Arab Conference
7th Dec, 2015, Amman

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WHY ENGAGE PRIVATE SECTOR?

• Increasing Deficiencies in Public Health System
• Rampant, Unregulated growth of Pvt. sector; Lack of clear strategy on their role
• Perceived poor image of public sector services; Significant proportion of population – even poor-forced to go to expensive / unregulated pvt sector.
• Out of pocket expenses; Impoverishment / indebtedness.
• Inevitable to work with private sector to reach UHC.

A.Venkat Raman, FMS
## Service provision – primary care facilities and hospital beds

<table>
<thead>
<tr>
<th>Countries</th>
<th>Primary care facilities [includes GP clinics]</th>
<th>Hospital Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimated number [range]</td>
<td>Estimated number [range]</td>
</tr>
<tr>
<td>Group 1</td>
<td>203 – 2401</td>
<td>2086 – 61036</td>
</tr>
<tr>
<td>Group 2</td>
<td>880 – 56421</td>
<td>6357 – 131555</td>
</tr>
<tr>
<td>Group 3</td>
<td>69 – 79591</td>
<td>469 – 128137</td>
</tr>
</tbody>
</table>
## Service provision – pharmacies, laboratories and diagnostic facilities

<table>
<thead>
<tr>
<th>Countries</th>
<th>Pharmacies</th>
<th>Laboratories and diagnostic Facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimated number [range]</td>
<td>In Private sector (%)</td>
</tr>
<tr>
<td>Group 1</td>
<td>111 – 6022</td>
<td>27 – 93</td>
</tr>
<tr>
<td>Group 2</td>
<td>821 - 63374</td>
<td>58 – 99</td>
</tr>
<tr>
<td>Group 3</td>
<td>59 – 55000</td>
<td>22 - 98</td>
</tr>
</tbody>
</table>
## Private Health Sector Expenditure in EMR Countries, 2012

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1</td>
<td>991</td>
<td>27.0%</td>
<td>16.7%</td>
<td>61.9%</td>
<td>5.8%</td>
<td>21.4%</td>
</tr>
<tr>
<td>Group 2</td>
<td>245</td>
<td>52.0%</td>
<td>49.1%</td>
<td>94.4%</td>
<td>2.6%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Group 3</td>
<td>49</td>
<td>74.3%</td>
<td>69.0%</td>
<td>92.8%</td>
<td>0.5%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

THE – Total Health Expenditure; PHE – Private Health Expenditure; OOP – Out of Pocket Payment
Given respective strengths and weaknesses, neither the public sector nor private sector alone is in the best interest of the health system.
BUT WHAT IS PPP?
Definitions of PPP

• “….means to bring together a set of actors for the common goal of improving the health of a population based on the mutually agreed roles and principles” (WHO 1999)

• ‘….combination of public need with private capability and resources to create a market opportunity through which the public need is met and profit is made’ (Heilman & Johnston 1992).

• “collaborative activities among interested groups, based on mutual recognition of respective strengths and weaknesses, working towards common agreed objectives…” (Paoletto 2000)

• “a form of agreement [that] entails reciprocal obligations and mutual accountability, voluntary or contractual relationships, sharing of investment and risks, and joint responsibility for design and execution” (World Economic Forum 2005).
## Financing vs Delivery: Public vs Private modes
*(Bloom, 2001)*

<table>
<thead>
<tr>
<th>Public Financing</th>
<th>Public Delivery</th>
<th>Private Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Hospitals</td>
<td>Public Hospitals</td>
<td><strong>CONTRACTING</strong> Demand Side Fin./Insurance/Purchasing</td>
</tr>
<tr>
<td>User Fee/ GAVI/ International Disease Control Initiatives</td>
<td>User Fee/ GAVI/ International Disease Control Initiatives</td>
<td>Private Hospitals</td>
</tr>
</tbody>
</table>
PPP MODELS IN HEALTH SECTOR
(Venkatraman, 2012)

INFRASTRUCTURE PPPs
- Variants of Design, Build, Finance, Own, Operate, Lease, Transfer Models (DBF, BOO, BOOT, BOLT)
- Joint Ventures
- Financing (PFI, VGF)
- Land/ Tax Concessions

SERVICE DELIVERY PPPs
- (Clinical/ Non Clinical Services)
- Contracting ('in' & 'out')
- Management Contract
- Co-location
- Franchising

FINANCING / PURCHASING PPPs
- DSF (Vouchers/ Health Cards/ Coupons Conditional Cash)
- SSF (Incentive)
- Community Based Insurance
- Social Insurance/ Illness Assistance fund

OTHER PARTNERSHIP OPTIONS
- Public Private Mix
- Technology Demo. (e.g. Telemedicine)
- Social Marketing
- Drug Research
- Capacity Building/ Human Resource
- Self Regulation (Networks/ Alliances)
## Scope for PPPs

<table>
<thead>
<tr>
<th>NON-CLINICAL SERVICES</th>
<th>PRIMARY CARE</th>
<th>CLINICAL SUPPORT SERVICES</th>
<th>SPECIALISED CLINICAL SERVICES</th>
<th>HOSPITAL OPERATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Support (Equipment &amp; services)</td>
<td>Primary care</td>
<td>Lab</td>
<td>Dialysis</td>
<td>Management of entire hospital or network of hospitals and/or clinics</td>
</tr>
<tr>
<td>Maintenance</td>
<td>Public health</td>
<td>Diagnostic tests</td>
<td>Radio-therapy</td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>Vaccination</td>
<td>Medical equipment maintenance</td>
<td>Day surgery</td>
<td></td>
</tr>
<tr>
<td>Laundry</td>
<td>Maternal &amp; child health</td>
<td>Ambulance services</td>
<td>Other specialist services</td>
<td></td>
</tr>
<tr>
<td>Cleaning</td>
<td>Billing</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
## Hospital PPPs

<table>
<thead>
<tr>
<th>Options</th>
<th>PPP Term</th>
<th>Private Sector</th>
<th>Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-clinical support services</td>
<td>Outsourcing Contracting</td>
<td>Nonclinical services (cleaning, catering, laundry, and staff)</td>
<td>Provides all clinical services, hospital management, Pay Contractor</td>
</tr>
<tr>
<td>Clinical support services</td>
<td>Out-Sourcing PPP</td>
<td>Clinical support services (radiology or laboratory).</td>
<td>Manage hospital &amp; clinical services; manage contract &amp; Pay Private agency</td>
</tr>
<tr>
<td>Specific clinical services</td>
<td>Outsourcing; PPP</td>
<td>Specific clinical services (e.g. dialysis)</td>
<td>Manage hospital; provide most clinical services; manage contract</td>
</tr>
<tr>
<td>Colocation</td>
<td>Colocation</td>
<td>Operate private wing /Unit with service access condition</td>
<td>Manage hospital; Contract private wing share costs, staff, equip.</td>
</tr>
<tr>
<td>Buying hospital services</td>
<td>Contracting; Purchasing</td>
<td>Contracted hospitals provide services as per Contract</td>
<td>Contract private hospitals, monitor, pay for services.</td>
</tr>
<tr>
<td>Full Services</td>
<td>Management Contract</td>
<td>Manage public hospital under contract / staff</td>
<td>Contracts private firm; pay private operator; monitor and regulate</td>
</tr>
<tr>
<td>Facility / Finance</td>
<td>PFI</td>
<td>Finance, construct, own new public hospital; lease it back to government</td>
<td>Manage hospital and make phased lease payments to private developer.</td>
</tr>
<tr>
<td>Combined</td>
<td>BOT BOOT</td>
<td>Finance, construct, and operate new public hospital and provide services</td>
<td>Reimburses operator for capital costs and recurrent costs. Take facility ownership at end.</td>
</tr>
</tbody>
</table>
HYPOTHESESSED BENEFITS
(of working with Private Sector)

• Improve **Access & Reach**
• **Improve Equity** (Reduce out of pocket expenses)
• **Better Efficiency**
• Opportunity to **Regulate & Accountability**
• **Improve Quality/ Rational Practice**
• **Imbibe Best practices**
• **Augment Resources**-Technology, HR
• **Investment**
Partnerships entail

– **Relative Equality** between partners
– **Mutual Commitment** to Health objectives
– **Autonomy** for each partner
– **Shared decision-making** and accountability
– **Equitable Returns / Outcomes**
– **Shared Risks & Benefits**
Key Elements in a PPP

1. **Type of Arrangement**
   - Between public & private

2. **Build or Provide**
   - Of services for public benefit by private partner

3. **Investments**
   - In and/or management of public assets by private partner

4. **Time Period**
   - For a specified time

5. **Risk Sharing**
   - Optimally between parties

6. **Standards**
   - Quality of service / performance

7. **Payments**
   - Linked to performance

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The final responsibility for service delivery continues to remain with the public sector agency → **Execution is by private partner**
HEALTH SERVICE PPPs IN INDIA

Yeshasvini
Yeshasvini Co-operative Farmers Health Care Scheme.
(YCFHS.)

मार्गस्रोत
Swasthya Kupan Yojana
Kupan Gharwalo Sehat Paaro

Rashtriya Swasthya Bima Yojana

0000 1651 0700 0012 6
Issues & Challenges
KEY STAKEHOLDERS IN PPP

- Political
- Bureaucracy
- (Poor) Patients
- Public Health System
- Private Sector
- Civil Society
- Regulator/Legal

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• Most PPPs are “Initiatives in Good Faith”

• Not Policy driven – Lack Continuity

• No Institutional structures or Institutional Capacity for PPPs

• Primarily Input Based PPP contracts
• Diversity of Private Sector: Predominantly Individual / small units- not easy to contract.

• Variable Quality - Lack of Regulation / Accreditation

• Risk of working with Govt.: Payment Delays, Non-Revision of contracts; Auditing, Incompatible work culture......
• **Top Bureaucracy:** Enthusiastic- Pro reform image; but success takes them away- Next incumbent????

• Often view PPP from Infrastructure framework

• **Lower Bureaucracy:** Do not comprehend or suspect privatisation; Fear Job Loss; Distrust private sector
• Lack of clear strategy towards private sector

• Squeamishness towards private sector or term “profit”

• Govt’s inability to regulate, compounds scepticism on Govt. ability to manage PPP.

• Long term scope for PPPs
• Lack Information on Private Sector

• Lack effective capacity and willingness to implement legal provisions

• Interference from powerful lobby groups
Constraints on PPP

• Lack of clarity on why PPP
• Defining Beneficiaries in High value services
• Local political interference
• Non-revision Contract
• Payment Delay
• Institutional capacity for monitoring
• Attitude / Personality Styles
Way Forward

- Health Sector Specific PPP Policy with Financing Options
- Institutional Framework (PPP Cell) and Capacity building
- Advocacy and Eco System
- Accreditation & Physical Standards
- Effective Licensing and Regulation
PPP: Ideal Strategy
(Venkatraman, 2012)

STAKEHOLDERS & ECO SYSTEM

PPP
(Infra, Delivery, Financing)

Institutional System (Policy, Unit, Capacity-M&S, Payment)

Licensing Regulation

Accreditation & Quality
SUMMARY

• Working with Private Sector is inevitable
• PPPs improves access & reduces OOP
• PPP is not privatization
• Need capacity to optimise benefits
• Continue strengthen public sector ability to deliver services
From Ideology to Impact

The ‘What’, ‘Why’ and ‘How’ of Public Private Partnerships in Health in India
THANK YOU

http://www.south.du.ac.in/fms/idpad/idpad.html