

GMS Working Group on Health
*Opportunities for Public-Private Partnerships
for the Health Sector*

Mischa Lentz

Beijing, People's Republic of China

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Why PPPs in the health sector?

- ∅ Ageing populations & growing burden of chronic/ non-communicable diseases
- ∅ Insufficient access to affordable, quality care for rising demand
- ∅ Budget constraints key impediment to close health service gaps

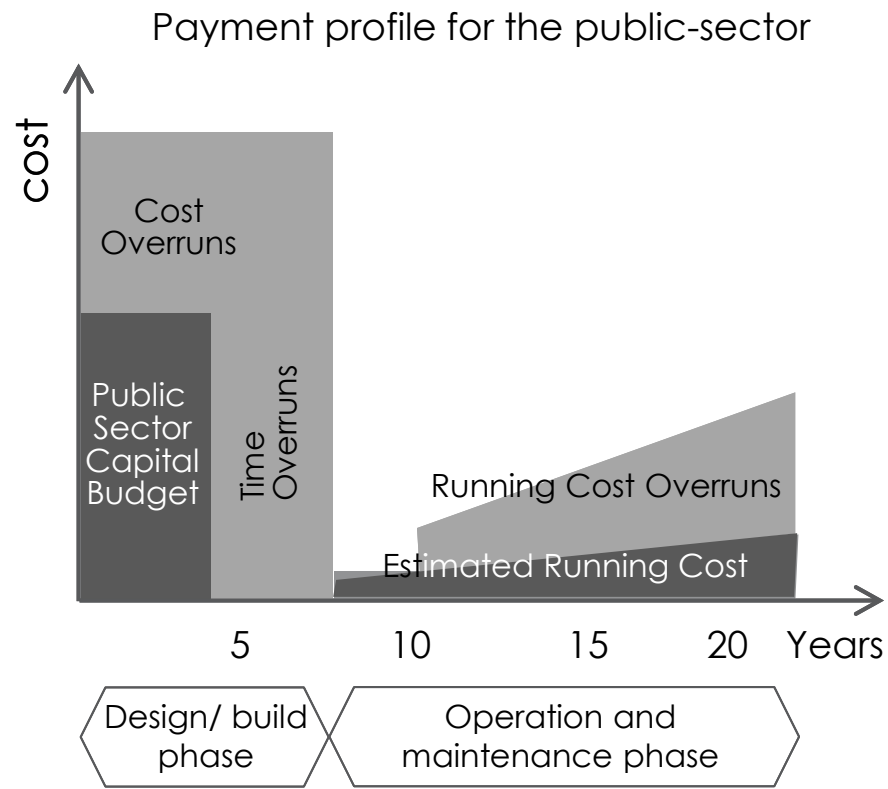


- ✓ PPPs one mechanism to overcome financing gaps
- ✓ PPP ≠ traditional privatization
- ✓ PPP = risk/responsibilities *divided* between private and public sector
- ✓ PPPs can mobilize private capital, drive innovation and efficiency
- ✓ However, design and preparation key to success!

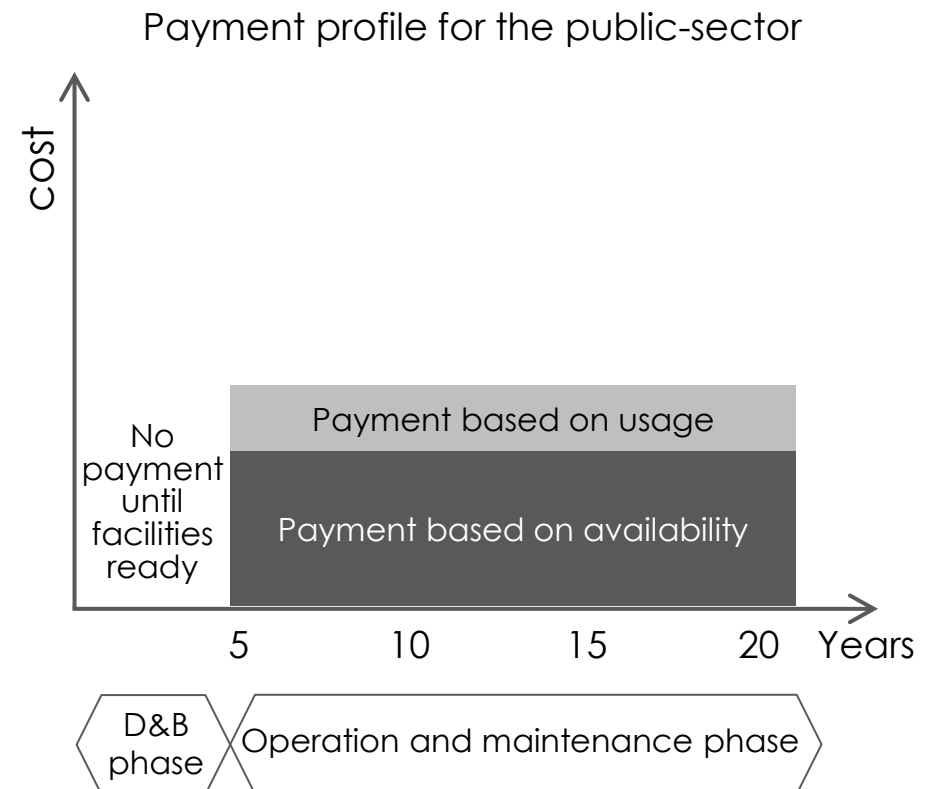


PPPs can help create more stable cash flows for the public sector

Traditional Cashflow



PPP Cashflow



Introduction to PPPs

PPPs shift risks to the counterparty who can best manage it

KEY RISKS (EXAMPLES)	MINISTRY OF HEALTH	PROJECT COMPANY	EPC CONTRACTOR	O&M COMPANY
Land Title	X			
Site Conditions	X		X	
Design			X	
Construction			X	
Medical staff	X			
Non-clinical staff				X
Changes In Law		X	X	X
Discriminatory changes in Law	X			
Inflation	X		X	
Currency devaluation	X			X
Performance/Deduction				X
Force Majeure	X			
Market/Volume	X			
Termination	X			

EXAMPLES FOR ILLUSTRATION PURPOSE ONLY

- Risk are allocated to the party best able to manage the risk
- Both parties take on certain risks to ensure collective commitment to project
- Risks must be planned for over the lifetime of the project (20+ years)
- Risk allocation depends on sector, country, legal framework, etc.

PPPs can take many forms – important to clearly define what’s required



Key considerations for PPPs

- Define the key problem that needs to be addressed.
- Define key risks and who should take them.
- Consult with investors and other stakeholders.
- Define clear objectives and payment mechanism.
- Undertake open, competitive procurement.

PPP Model	Definition	Common model	Examples
Health Services	Private party provides publicly funded health services in publicly owned facility	Concession (operating / perf.-based contract)	General hospital services, specialized services, diagnostic, imaging
Health infrastructure	Public agency contracts private party to build and manage a facility, health services to be provided by public sector	Design-build-finance-operate-maintain (DBFOM)	General hospitals, primary and tertiary clinics
Integrated model	Private party builds/ leases facility and provides subsidized health services	Joint venture	General hospital and services, labs, primary care services

PPPs for health infrastructure can take on different shapes and forms

Example Health Infrastructure PPP

Contractual Structure:

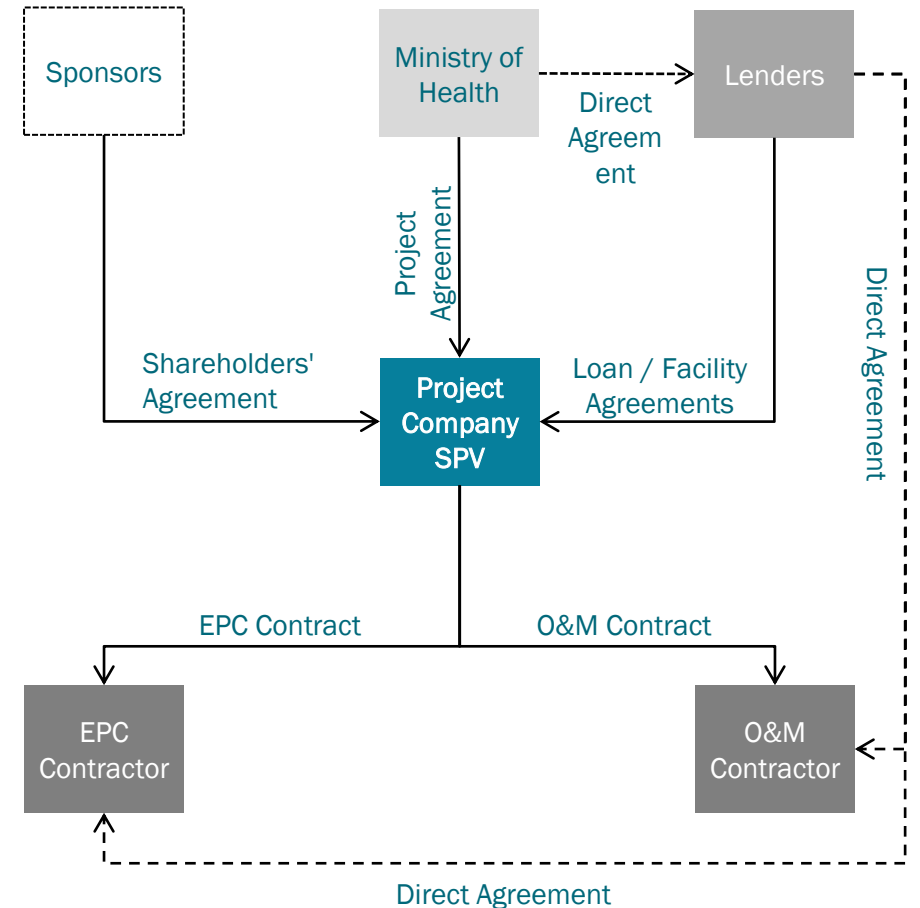
The SPV (private partner) is responsible for:

- Financing, design, construction, operation and transfer
- Supply of medical equipment and other services
- Furnishing, maintenance and repair of all relevant facilities
- Operation of commercial facilities (if any)
- Private partner will not provide clinical services

Revenue Structure

Three payment streams for SPV:

1. **Availability Payments:** subject to inflation and FX adjustment and independent from occupancy rate
2. **Service Payments:** for delivery of services, can be volume based or non-volume based, adjusted for inflation
3. **Commercial revenues** optional depending on project, i.e. accommodation, parking, shopping,...



Cross-border PPPs

Cross-border PPPs bring unique challenges and require coordination

Examples of cross-border PPPs

- Cross-border PPPs are located at the border of at least two countries and comprise multiple interconnected facilities
- To date, primarily in transport, energy and telecom sectors
- GMS examples: China-Lao PDR High Speed Rail Line (2021), Lao PDR-Thailand Nam Theun 2 Dam (2010)

Key points for consideration

- Require special legal framework / intergovernmental agreements which will complicate PPP structure
- National PPP laws need to be aligned (i.e. procurement, government support, treaty practices)
- Dispute resolution / governing law
- Ideally, should follow international law



How ADB can support private sector participation in health

Private Clients

Financing that is not guaranteed by national Government to private companies, SOEs, subnationals

- Debt, \$20-500mn, 7-15+ years, various currencies
- Equity, \$2-100mn, 25% ownership max, board rep
- Guarantees, partial credit & political risk
- Market-based pricing/ access to blended finance
- Processing time around 6-12 months



ADB Products

Support to facilitate the preparation and execution of development projects and programs

- Generally provided on grant basis
- Transaction TA or Knowledge and Support TA
- Feasibility Studies, Due Diligence, Pilot-Testing, Capacity Development, Policy Advice, Sector/ Economic Studies,...

Advice to support private sector investments in public sector services

- Advice to develop transparent, effective policies and legal/regulatory frameworks for PPPs
- Transaction advisory
- Supported >70 PPPs across 7 sectors, 23 countries (2016-2022)

Technical Assistance

PPP Advisory

Embarking on new opportunities

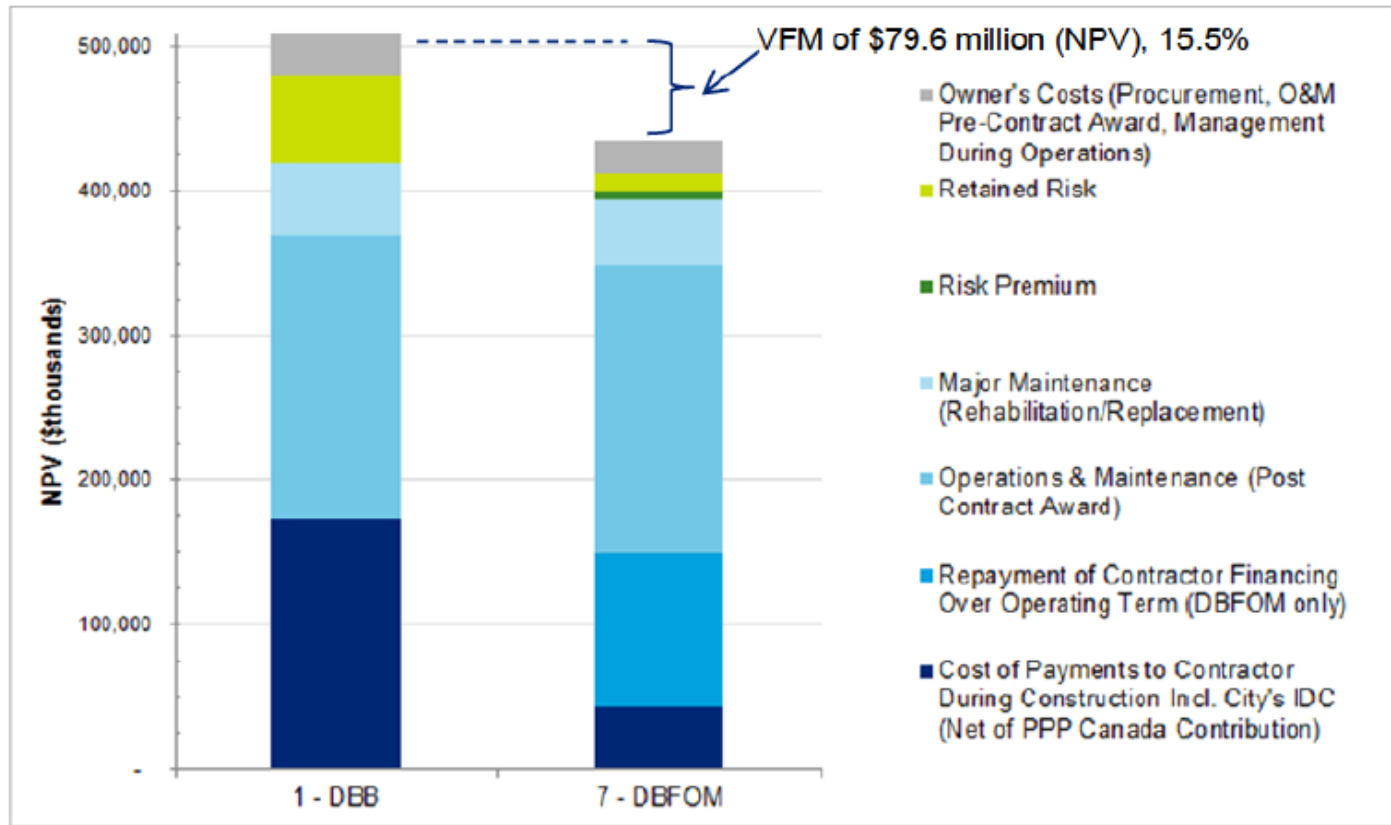


Together we
can do it!

Q&A

Introduction to PPPs

PPPs should ensure a positive value-for-money for the Government



- PPPs must ensure that public sector achieves value-for-money (VfM)
- Risk are difficult to price, so calculation can be subjective
- Useful for consistency and accountability
- The real value is to use and update the calculation throughout the life of the project and for affordability
- PPPs designed to create better outcomes for patient, reduce out-of-pocket expenses, and increase access to high quality services

PPPs in the Health Sector

Service payments can be adjusted, guaranteed, and market tested

TYPES OF SERVICES

SERVICES	CATEGORY	VOL. GUARANTEE	PRICING ADJUSTMENT	P1/P2	MARKET TESTING
Building and Land Services	Non Volume	-	Inflation adjustment	P1	once a 5 year
Extraordinary Maintenance & Repair Services	Non Volume	-	Inflation adjustment	P1	-
Common Services Management Service	Non Volume	-	Inflation adjustment	P1	once a 5 year
Furnishing Services	Non Volume	-	Inflation adjustment	P1	once a 5 year
Grounds and Garden Maintenance Services	Non Volume	-	Inflation adjustment	P1	once a 5 year
Clinical Equipment Support Services	Non Volume	-	Inflation adjustment	P1	once a 5 year
Imaging Services	Volume Clinical Support	70%	SUT Indexation	P2	once a 5 year
Laboratory Services	Volume Clinical Support	70%	SUT Indexation	P2	once a 5 year
Sterilization and Disinfection Services	Volume Clinical Support	70%	SUT Indexation	P2	once a 5 year
Rehabilitation Services	Volume Clinical Support	70%	SUT Indexation	P2	once a 5 year
Waste Management	Volume Support	70%	Inflation adjustment	P2	once a 5 year
Linen & Laundry Services	Volume Support	70%	Inflation adjustment	P2	once a 5 year
Catering Services	Volume Support	70%	Inflation adjustment	P2	once a 5 year
Cleaning Services	Non Volume	-	Inflation adjustment	P2	once a 5 year
HIMS	Non Volume	-	Inflation adjustment	P2	once a 5 year
Security Services	Non Volume	-	Inflation adjustment	P2	once a 5-year
Patient Orientation & Company/Reception/Help Desk/Portering	Non Volume	-	Inflation adjustment	P2	once a 5-year
Pest Control Services	Non Volume	-	Inflation adjustment	P2	once a 5-year
Car Parking Services	Non Volume	-	Inflation adjustment	P2	once a 5-year