



醫院管理局
HOSPITAL
AUTHORITY

Introductory Guide for

Managing Clinical Public-Private Partnership Projects



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Executive Summary

This Introductory Guide is prepared on the basis of the good practices identified and experiences gained from various clinical Public-Private Partnership (PPP) projects implemented by the Hospital Authority (HA) in recent years. A generic framework is laid down highlighting core areas, issues and suggestions to facilitate managers in exploring, designing, implementing, evaluating, refining and enhancing the rolling out of clinical PPP projects.

In contemplating clinical PPP projects to improve the healthcare services, a robust planning exercise is important. Planning includes vigorous examination, studies and analysis covering the proposed projects' feasibility, their economic and business viability, the estimated cost-benefits and value for money, risk assessments, culminating into the formulation of a business case to facilitate decision of corporate management. It is also paramount to enlist support for proposed PPP projects from internal HA stakeholders, private healthcare providers, citizens, the Government and the Legislative Council as appropriate.

Successful implementation of clinical PPP projects calls for well-established governance structure and monitoring mechanism to guide the steering and rolling out of the projects, and the subsequent sourcing and selection of suitable service providers through a fair and transparent process. Development of service protocols and contracts should ensure performance of the contracted PPP projects' service providers are on the right track. A balanced reporting mechanism facilitates monitoring of achievements, quality aspects, financial performance, and allows timely measures to be implemented to ensure continued smooth operation of the projects.

Auditing mechanism should be in place for quality assurance, and interim reviews should be conducted at appropriate intervals. Evaluation should be carried out for pilot projects, or at appropriate timing to identify areas for improvement and ensure meeting the objectives of project launch. If feasible, evaluation can be carried out by independent third parties.

This Guide serves as a reference framework on planning and managing clinical PPP projects to encourage good management practice. As circumstances, objectives and nature of individual projects can vary greatly, this Guide does not aim to be prescriptive, but only to set out some broad guiding principles and frameworks.

Preamble

Public-Private Partnership (PPP), in the context of this guide, refers to the contractual arrangement involving the private sector in the delivery of public clinical services¹. This partnership approach facilitates the sharing of expertise and responsibility from the public and private sectors, which promotes the delivery of high quality public clinical services in a contractual relationship.

In Hong Kong, the Hospital Authority (HA) manages 41 hospitals and institutions, 47 Specialist Out-patient Clinics, 74 General Out-patient Clinics, and their related public health services². The Government has proposed to reform the healthcare system, with a view to channeling the rising service demand, improving the efficiency in overall use of available healthcare resources, and attaining sustainability of the healthcare system. The key strategies as stated in the Healthcare Reform Consultation Documents³ include: (Figure 1)



Figure 1: Key Strategies of Healthcare Reform in Hong Kong

1 Efficiency Unit. (2008). *An Introductory Guide to Public Private Partnerships (PPPs)*. Hong Kong: Author.

2 Food and Health Bureau. (2012). *Controlling Officer's Report of Estimates for the Year Ending 31 March 2013*. Hong Kong: Author.

3 Food and Health Bureau. (2008). *Your Health, Your Life*. Hong Kong: Author.

Food and Health Bureau. (2010). *My Health, My Choice*. Hong Kong: Author.

Promoting PPP in healthcare helps foster collaboration between the public and private healthcare sectors in providing healthcare services, encouraging healthy competition between public and private sectors, and thus offering greater patient choices and more cost-effective services.

In line with the government's healthcare reform objectives, the HA has implemented some PPP initiatives since 2007/08, so as to meet the challenges ahead like growing service demand, filling the service gap, and addressing service supply shortfalls (Figure 2).

Service Demand	Ageing Population
	Increasing Chronic Disease Burden
Service Gap	Access
	Waiting Time
Service Supply	Manpower Shortfall
	Limited Physical Space
	Ageing Facilities

Figure 2: Healthcare Service Challenges

The option of sharing out the demand for high volume, low complexity services with appropriate care partners such as the private sector or non-governmental organizations (NGOs) through PPP has been highlighted in the HA's five-year Strategic Plan 2012-2017.

This Introductory Guide builds on the experiences of some clinical PPP projects implemented and aims to assist the management in planning, implementation, monitoring, and evaluation of clinical PPP projects. It provides a broad framework for guiding the planning and management of clinical PPP projects, and is divided into four key sections:

- **Planning:** Describes the key processes of PPP project planning – appraising possible delivery options, conducting a feasibility study, drawing up a business case, defining roles of public and private healthcare providers, risk management, regulatory and legal aspects, developing exit strategy and plans, governance, external engagement and publicity.
- **Implementation:** Delineates the essential elements in project implementation – project governance, selection of qualified service providers, contract development and management, legal rights and powers, insurance, development of service protocol/ operational manual, financial management, performance-based payments and pricing policy.
- **Monitoring:** Outlines the major mechanisms and possible arrangements for effective project monitoring – monitoring mechanism, performance management, and auditing mechanism.
- **Evaluation:** Provides guidance on how evaluation is conducted – evaluation objectives and criteria, interim review, refinement, post-implementation review, appointment of evaluators, learning points and areas for improvement.

Figure 3 provides an overview of the Introductory Guide, and the main contents of each section.

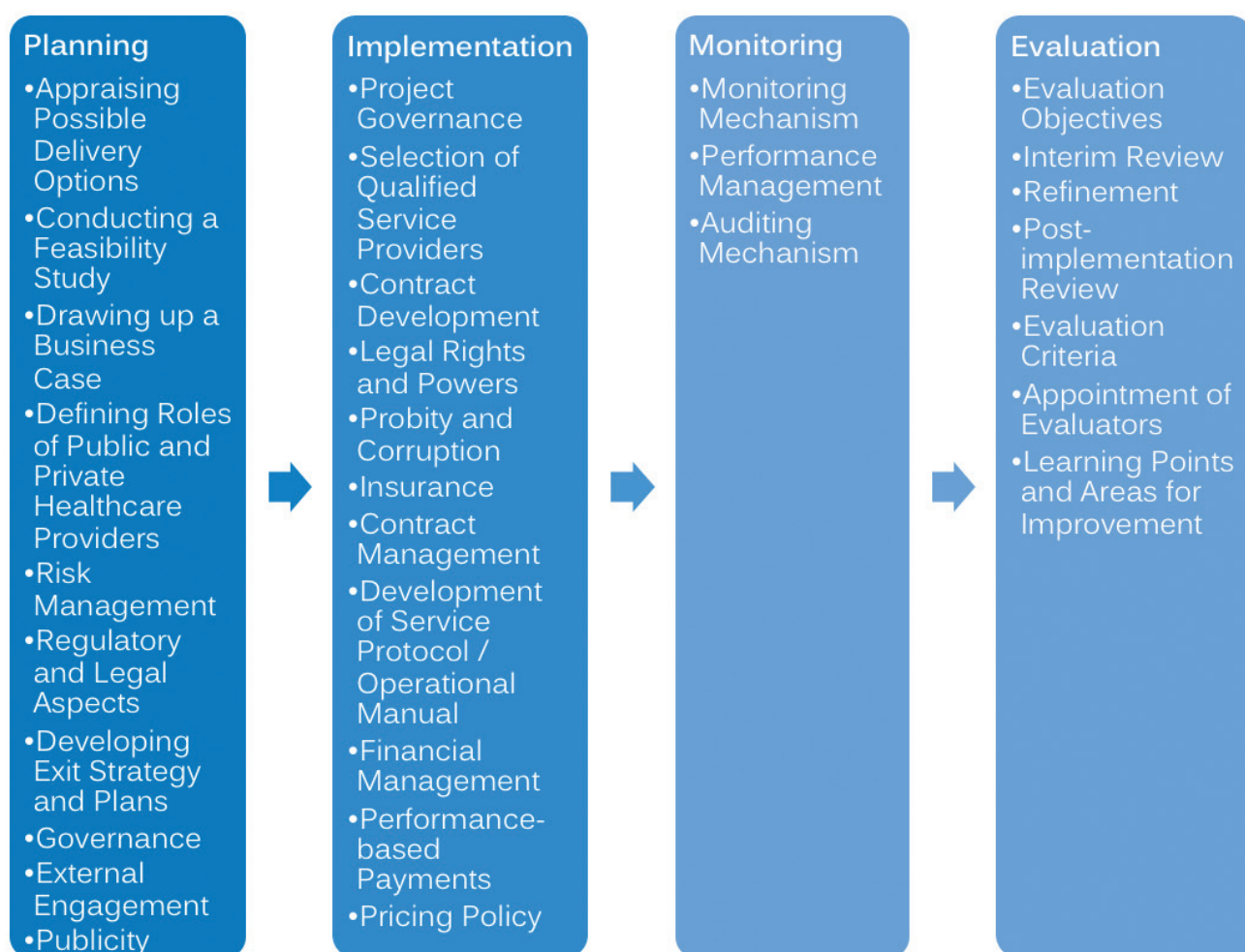


Figure 3: Overview of Introductory Guide for Managing Clinical PPP Projects

The HA has set out its definition for Clinical PPP projects:

PPP refers to a contractual arrangement involving the private/NGO sectors in the delivery of public⁴ clinical services.

In this Introductory Guide, both healthcare providers from the private and NGO sectors would be broadly defined as “private healthcare providers” to embrace both profit and not-for-profit

⁴ The development of PPP may go beyond the public clinical services depending on the service needs.

healthcare providers outside HA. Development of PPP may go beyond the public clinical services depending on the service needs.

Planning

The HA has developed a structured planning framework to address its key challenges. The core strategies and directions are set out in its Strategic Plans⁵, which are the overarching documents for service and development planning throughout the HA, as laid down in accordance with the direction of the Government.

Primary Objectives

When planning for clinical PPP projects, it is important to set out the objectives of the programmes in line with the healthcare policy directions of the Government and Annual Plan of HA, with a view to meeting the growing service demand, filling the service gap, and addressing the service supply shortfalls. In general, the primary objectives of clinical PPP programmes of HA are focused on:

- Managing service demand in HA
- Enhancing patient access to clinical services

Clinical PPP projects may be developed for other purposes.

⁵ Hospital Authority. (2009). *Strategic Service Plan 2009-2012*. Hong Kong: Author.

Hospital Authority. (2012). *Hospital Authority Strategic Plan 2012-2017*. Hong Kong: Author.

Guiding Principles

Guiding principles to consider when deciding whether or not to proceed with a particular clinical PPP project: (Figure 4)



Figure 4: Guiding Principles of Planning Clinical PPP Projects

Where appropriate, cost-effectiveness could mean a higher than HA's costs for taking forward the project proposal if the clinical PPP programme aims to address essential service need(s).

Key Success Factors

Key success factors governing accomplishments of a clinical PPP project include: (Figure 5)

1. Maintain Quality Standards
2. Impact on Objectives of the Programmes
3. Accepted by Stakeholders <ul style="list-style-type: none">• Acceptance of patients, private sector and HA• Incentives to patients/private to make the programme more viable
4. Administratively and Financially Sustainable <ul style="list-style-type: none">• Scalable, economy of scale
5. Risk Mitigation <ul style="list-style-type: none">• Risks e.g. organizational, financial, operational, patients, liability etc• Measures e.g. incident reporting, contingency plan, exit strategy, insurance etc
6. Timely Evaluation <ul style="list-style-type: none">• Quality of care• Stakeholders' satisfaction• Cost analysis• Refinement of the project

Figure 5: Key Success Factors of Clinical PPP Projects

Identifying the Service Gaps

- Review the overall context and prevailing issues and service gaps
- Consult relevant external and internal stakeholders (e.g. patients groups, clinicians, nurses, allied health professionals, hospital / cluster management, and head office management)
- Formulate key service objectives

- Prioritize individual healthcare needs

Appraising Possible Delivery Options

- Consider a wide range of possible delivery options before short-listing a few choices for further in-depth appraisal (Figure 6)
- Conduct feasibility study to identify the best option that meets the service needs and objectives

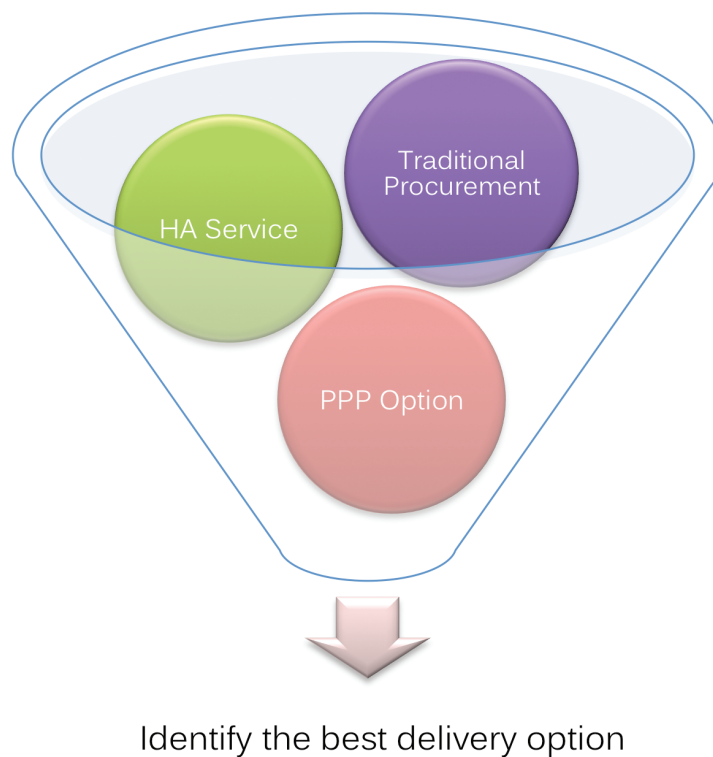


Figure 6: Appraising Possible Delivery Options

Conducting a Feasibility Study

(A) Assessing Project Feasibility, Economic Viability, and Business Viability

In conducting the feasibility study, consider:

- Taking reference to previous PPP projects launched in local or overseas settings and evaluate the project feasibility
- Carrying out a market sounding exercise to solicit views from the private sector with regard to the potential viability and attractiveness of the delivery options
- Consulting relevant stakeholders for technical and expert advice

The following key factors, which are not exhaustive, can be taken into account:

- Expected outputs and target beneficiaries
- Technology required
- Estimated capital, operating, maintenance, and staff costs
- Economic benefits
- Expertise of the private providers
- Likely level of market interest in the project
- Issues that would influence the market acceptance
- Likely level of competition in the market
- Capability of the private market to undertake the project

(B) Assessing Value for Money

- Identify key drivers of value for money in the initial stage of the planning process
- Assess whether the objectives, service requirements and proposed structure of the project are likely to deliver better value for money outcome
- Evaluate the likely cost using scenario modelling on the PPP model
- Determine the optimal combination of costs and benefits of clinical services to attain the intended outcomes
- Where appropriate, cost-effectiveness could mean a higher than HA's costs for taking forward the project proposal if the clinical PPP programme aims to address service need(s).

Drawing up a Business Case

A business case contains strategically focused and succinct information:

- Overview of the existing services and business need
- Evaluation results of the economic benefits, value for money, feasibility of the preferred service delivery option, and other non-financial implications
- Public views (e.g. opinion from public and patients / patient groups)
- Private market acceptance and capability
- Risks associated with the project and mitigation measures
- Delivery model, targets and key performance indicators
- Project management and implementation plan with key milestones

Defining Roles of Public and Private Healthcare Providers

- Communicate and engage relevant stakeholders for working towards a successful planning and execution of a PPP project
- Set out clearly the roles and responsibilities of the public and private healthcare service providers under the PPP model

Risk Management

A structured risk assessment process involves: (Figure 7)



Figure 7: Risk Identification, Risk Analysis, and Risk Evaluation

Some possible approaches for risk management:

- Try to preclude the risk by taking necessary actions to eliminate any chances of risk materializing
- Reduce the risk by implementing measures to mitigate the risk likelihood and minimize the impact if the risk does occur

- Transfer the risk to party best able to manage it
- Accept the risk and its consequence if it would be more cost-effective to tolerate the risk
- Formulate a contingency plan to safeguard the PPP project from untoward incidents

Regulatory and Legal Aspects

- In planning the clinical PPP projects, compliance with all applicable legal requirements, and prevailing HA's policies and guidelines, such as Procurement and Materials Management Manual (PMMM), Human Resources Policies Manual, and Human Resources Administration Manual are essential.
- Advice from the Independent Commission Against Corruption (ICAC) would be useful for prevention of bribery and corruption. Public interest should be safeguarded at all times.

Developing Exit Strategy and Plans

Exit strategy and plans should be formulated to:

- Maintain service quality
- Manage the expectation of relevant stakeholders
- Consolidate the valuable experience gained from the project and sustain any positive outcomes as far as possible

Governance

Prior to drawing up a detailed proposal, the initial concept of clinical PPP programmes would be consulted at the various HA governance meetings including the Directors' Meeting, Service and Budget Planning Committee, Medical Services Development Committee and Administrative and Operational Meeting. Policy direction should be sought from the Government, as well as implementation proposal. Below outlines a model governance structure for planning clinical PPP projects (Figure 8). The governance structure may be adjusted, subject to organisational changes.

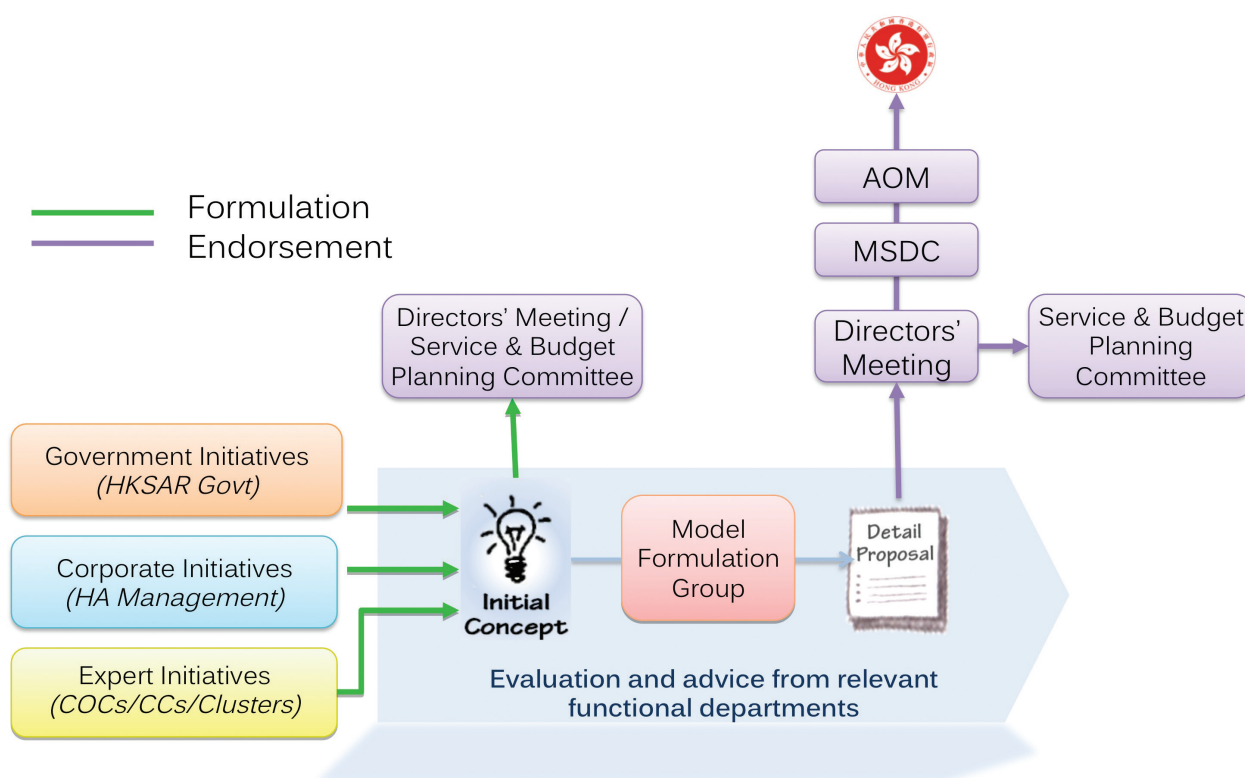


Figure 8: Governance Structure of Planning Clinical PPP Projects

Note:

MSDC - Medical Services Development Committee
COCs - Coordinating Committees

AOM - Administrative and Operational Meeting
CCs - Central Committees

External Engagement

Respective external stakeholders (e.g. Legislative Council, patient groups, NGOs, private sector, and healthcare suppliers etc) should be engaged and consulted as appropriate.

Publicity

Publicity to promote the project for the acceptance of public and stakeholders is important.

- Choose appropriate communication channels (e.g. newspapers, media interviews, videos, posters, brochures, articles)

Implementation

A detailed implementation proposal can be drawn up upon approval of the project. A Project Steering Committee, with appropriate Working Groups / Task Forces can be set up to steer and monitor the overall implementation and evaluation of the clinical PPP projects. Depending on the scope of the project, this monitoring structure may be incorporated under the established governance committees. Some projects may be implemented as a pilot scheme to test the market response. Key issues to be considered for project implementation are listed below:

Project Governance

Set up project governance structure, with clear documentation of:

- Membership and Terms of Reference of committee(s), including the roles and responsibilities
- Agenda covering key performance issues (e.g. progress of implementation, financial information, quality aspects, and risk management)
- Minutes of meetings
- Accountability reports
- Governance reporting

Selection of Qualified Service Providers

- Put in place an open and fair selection process, and avoid possible conflicts of interest
- Carry out tendering exercise in accordance with the PMMM, if applicable
- Develop high quality tender documents
- Expression of Interest exercise may be necessary

Contract Development

A PPP contract normally covers:

- Output specifications
- Rights and responsibilities borne by respective stakeholders
- Risk allocation
- Performance requirements
- Patient confidentiality and privacy issues
- Payment mechanism
- Change mechanism
- Dispute resolution regime
- Termination provisions and arrangements
- Specific requirements of clinical qualifications, standards of healthcare services, valid permits and licenses, medical equipment and facilities

Legal Rights and Powers

- Seek legal advice and consider the contractual rights of each party, having regard to the specific circumstances of individual PPP projects
- Highlight the compliance requirements of all prevailing and relevant ordinances of the Hong Kong Special Administrative Region
- Intellectual Property Rights
- Authority step-in

Probity and Corruption

- Develop probity guidelines, circulars, manuals, and other internal control measures
- Consult ICAC as far as applicable
- Uphold the legal standards and requirements to guard against corruption as set out in the Prevention of Bribery Ordinance (Cap. 201)

Insurance

- Delineate clearly and apportion appropriately the potential risks
- Seek advice of professional parties on insurance arrangements and include appropriate terms and conditions in the tender document
- Adopt a risk-based approach in managing insurance arrangements
- Take into account individual programme factors and consider application of co-insurance with PPP healthcare providers, as appropriate

Contract Management

- Manage contractor relationship
- Establish open and effective communication structure
- Develop contract administration and performance monitoring mechanism to ensure contract compliance
- Encourage good practice from contractor

Development of Service Protocol / Operational Manual

The core elements of Service Protocol / Operational Manual are as follows:

- Roles and responsibilities of all parties
- Service requirements
- Expected service standards
- Operating procedures
- Risk mitigation plans
- Communication channels and key contact points
- Complaints handling
- Records documentation, retention and disposal
- Exit plans

Financial Management

Financial management should be part and partial of the overall project management, with the following due consideration:

- The funding scope and ambit should be clearly defined to dovetail with the overall program objectives
- Proper control mechanism should be in place over various finance related functions, including budgeting, resources allocation and expenditure monitoring

- Accountability reporting mechanism should be in place for monitoring financial performance against service delivery by program subject officers on regular basis. Major variances, if any, should be properly explained and supported. Analysis of cost could be performed taking into consideration of the project nature, examples of key cost drivers include:
 - Project team cost
 - Direct cost for patient care delivery
 - Information system development and maintenance cost
 - Facilities and equipment cost

Performance-based Payments

Depending on the nature of the project, the following might be considered:

- Link level of payment to private healthcare providers with the accomplishment of agreed performance criteria
- Provide incentives to drive value-added behaviours and outcomes
- Complement with output-based payments to promote quality services

Pricing Policy

(A) Guiding Principles

The fee setting framework of clinical PPP programmes developed by the HA can be guided by the following principles:

- The reason for setting fees is often guided by policy considerations, and could be subject to various imperatives. The prime consideration is the objectives of the individual programmes.
- The fee setting framework should also take reference to the provisions within the HA Ordinance, where appropriate.
- Possible patient payment models and appropriate subsidy levels would be appraised, depending on the policy direction, public service needs and patients' choices.
- The price should be reviewed at appropriate intervals and be adjusted as required to ensure continued achievement of programme objectives.

(B) Patient Payment Models

Various patient payment models can be considered. The model to be adopted is subject to the individual objectives of the project, service needs and patients' choices.

- A PPP model in which patients co-pay for the private clinical services, while HA provides a fixed subsidy to the patients.
- A PPP model in which patients pay the prevailing HA fee to private clinical services, while HA pays the remaining charges to private providers.
- Other pricing models may be formulated subject to future development of clinical PPP.

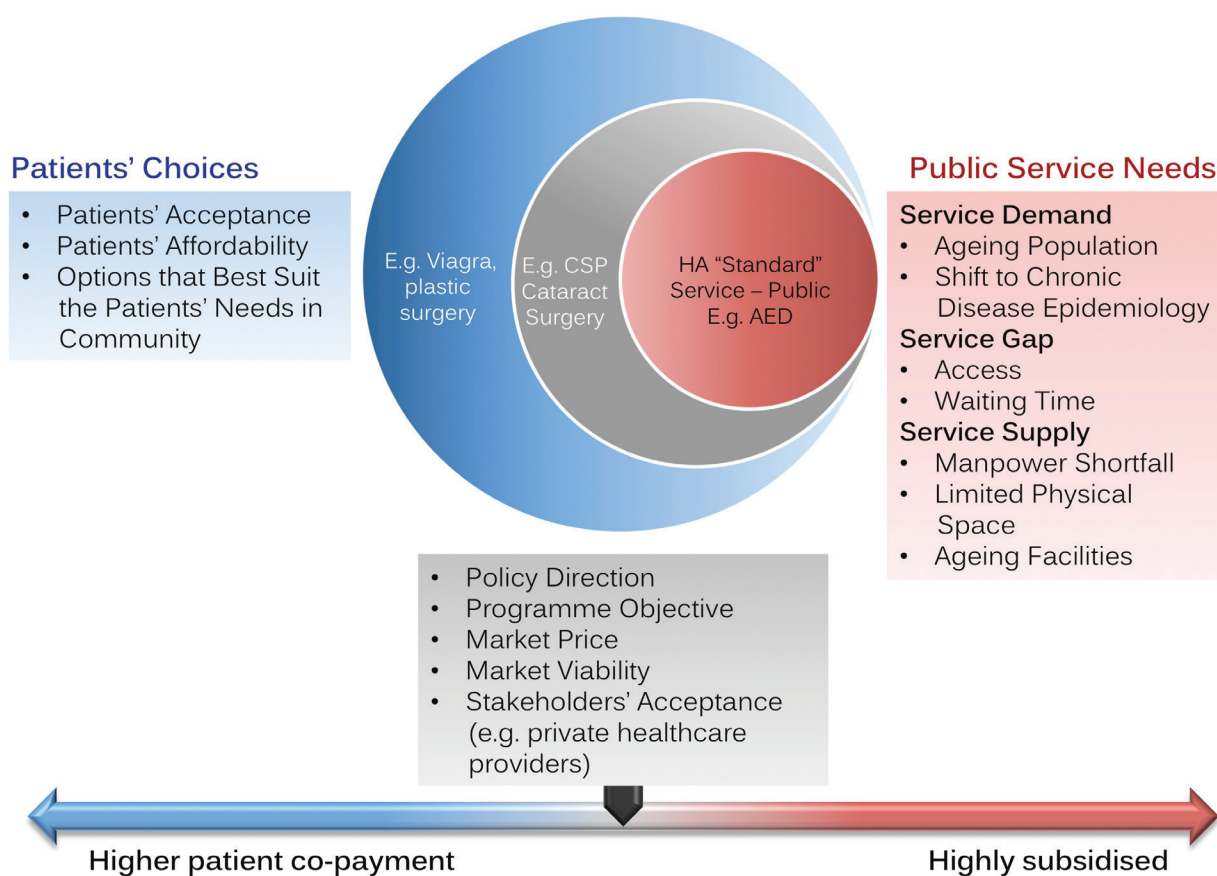


Figure 9: Formulating Different PPP Pricing Models with consideration of Public Service Needs, Patients' Choices, and Other Factors

(C) Fee Setting

The fee for the PPP clinical service programme would be recommended after further taken into consideration the market price, market viability, patients' acceptance, patients' affordability, patients' choices, and stakeholders' acceptance etc (Figure 9). Reference could also be made to the cost of similar service provided in HA. Relevant stakeholders should be consulted, and the proposed price should be endorsed by relevant governance structure. Subject to the objective of the PPP programme, the fee paid by patients if being part of the public services fees and charges, may be subject to the HA fee gazettal process.

(D) Price Review Mechanism

The price should be reviewed at appropriate intervals and be adjusted as required to ensure continued achievement of programme objectives (Figure 10).

- Upon completion of pilot implementation
- Regular review at appropriate intervals for non-pilot programmes is recommended.

Price adjustment will take into account the Guiding Principles as stipulated above.



Figure 10: Key Processes for Price Review and Fee Adjustment

Other Issues

(A) Charitable Arrangements

- Consider the applicability of charitable arrangements under the PPP programme

(B) Property Issues

- Consider whether the ownership or lease of property is a relevant issue
- Liaise with the Capital Planning Department, or seek legal advice, as appropriate

(C) Asset Management

- Delineate the ownership of the HA assets
- Make reference to prevailing HA inventory and asset management procedures
- Conduct inventory check on a regular basis
- Set out procedures for asset handover upon the end of the PPP project

(D) Patient Information Privacy

- If necessary, consider doing an impact assessment

The above is only a reference framework outlining some key general issues for project implementation. Individual projects will have their particular emphases and requirements.

Monitoring

Monitoring shall be carried out under the set project governance structure, with proper documentation. Key issues are listed below:

Monitoring Mechanism

- Establish a robust monitoring mechanism to control the PPP processes:
 - Monitor compliance to service protocols, agreements, guidelines and manuals
 - Monitor contract compliance and service performance of the private providers
 - Monitor financial performance against budget and agreed service delivery targets
 - Ensure defined roles and responsibilities are put into practice
 - Ensure incentives are given and sanctions are administered appropriately
 - Monitor and mitigate risks
 - Report incidents and stakeholders' feedback
- Follow established governance structure
- Develop the reporting parameters, which shall normally cover achievements (e.g. take-up rate / drop-out rate), progress, financial, quality, and risk management aspects
- Submit reports to the governance meetings on a regular basis, and the frequency depends on the progress of the project
- Take appropriate remedial actions in a timely manner on defaults if implicated
- Proper documentation

Performance Management

- Develop a set of parameters for monitoring performance, based on the objectives and nature of the project
- Seek input of relevant stakeholders to identify a core set of performance measures for continuous monitoring and accountability reporting
- Adopt SMART principle in developing key performance indicators (KPIs) (Figure 11)

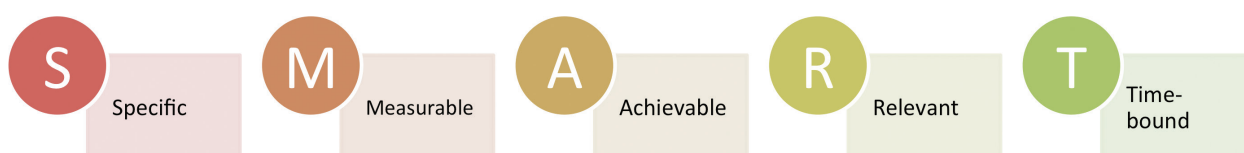


Figure 11: SMART Principle for Developing KPIs

- The framework for developing KPIs is as below: (Figure 12)

Perspectives	Output	Outcome	Service Efficiency
Possible Areas	Horizontal and Vertical Service Capacity	Access	Resource Management
	Service Delivery	Quality	
	Attendances	Clinical Indicators	Service Sustainability

Figure 12: KPI Framework for Performance Monitoring of Clinical PPP Projects

- Follow the established governance reporting mechanism, covering various aspects such that the critical performance information could be brought to the management and relevant governing committee as appropriate (Figure 13)



Figure 13: Core components of Performance Reporting, Financial Reporting, Incident Reporting, and Dispute / Complaint Reporting Mechanism

- Align with the prevailing direction and reporting mechanism in HA to publish KPIs, as appropriate, subject to applicability to individual programmes

Auditing Mechanism

- Engage Internal Auditors in programme planning and implementation
- Identify risks and build in controls to improve the management of the project
- Maintain proper audit trails for related systems and manual records

Evaluation

Depending on the nature, complexity and duration of the project, evaluation shall be conducted at appropriate timing during the implementation stage or upon closure of the project. Sometimes the projects will be implemented on a pilot basis and evaluation shall be carried out upon completion of pilot stage. Evaluation shall be planned in advance, and the mechanism of data collection shall be established at the project planning stage. Interim review shall be carried out to ensure prompt identification of issues and handling. Improvement actions and programme adjustment should be timely taken as appropriate.

Evaluation Objectives

- Ascertain whether the project has achieved its intended objectives and outcomes
- Analyze and review the operations, achievements and key performance indicators for efficient project management
- Provide timely and critical management information for assessing the need to revisit and modify the project plan and implementation strategy
- Capture learning points for future improvements

Interim Review

Interim reviews are recommended to be carried out at six to twelve-monthly intervals or upon reaching critical milestones, apart from close monitoring under the established mechanism. More frequent review may be necessary for under-achieving projects. In general, the purpose

of interim review is to ensure prompt identification of issues and handling. Timely action is required based on the result of the reviews.

Refinement

- Expansion: explore possibility for scale-up or turning into a recurrent PPP project
- Improvement: build on the experiences gained and enhance the programmes based on the areas identified for improvement

Post-implementation Review

Post-implementation review is normally carried out at the end of pilot stage, or upon closure of project. If the duration of the project is long, post-implementation review can be carried out at different implementation stages to suit different set objectives. The evaluation scope, evaluation criteria and methodology shall be clearly laid down in advance, taking into consideration the evaluation objectives, to allow collection of relevant data during the implementation stage. Evaluation may be carried out in-house, or by an external evaluator. If possible, independent evaluator is recommended to provide objective expert views on the subject. Moreover, the evaluation shall focus on identifying learning points for future improvements, and gathering information to facilitate management decision on future operation of the project.

Evaluation Criteria

- Achievement of objectives: to meet the fundamental purposes of projects
- Value for money: economy, efficiency and effectiveness; commensurate with resources injected
- Expected outputs: compare actual performance with targets
- Qualitative aspects: quality of care including structure, process and outcomes of care
- Stakeholders' satisfaction: fulfilled expectations and acceptance of relevant stakeholders, building up a favourable relationship
- Programme sustainability: programme sustainable on an on-going basis

Appointment of Evaluators

- The evaluation party shall maintain an objective, open and fair position in the process
- May consider to appoint / commission independent external evaluators with specialist skills, expertise and experience, who critically review and bring new perspectives and insights into the development of PPP projects (e.g. academics, renowned researchers, professionals)
- Involve internal project stakeholders to provide input to the review and evaluation process

Learning Points and Areas for Improvement

- Findings and recommendations derived from review and evaluation could serve the following purposes:
 - To enable stakeholders to take early action to refine, rectify shortcomings and improve the project performance of existing PPP projects
 - To allow benchmarking with similar projects for performance monitoring
 - To enable better resources utilization
 - To enhance decision-making in resources allocation for PPP projects catering for end users' requirements
 - To facilitate management appraisal of the worth and merits of a PPP project and to decide on its continuation or discontinuation
 - To consolidate learning that can be generalized from precedent to avoid pitfalls and to anticipate and minimize risks
 - To offer ideas for planning, costing, design and delivery of new PPP projects

Evaluation is not a one-off exercise and may be carried out at different stages of implementation to suit the requirement of the project. Proper documentation with appropriate infrastructure set-up will facilitate the evaluation. In general, the cost of conducting the evaluation should not outweigh its benefits.

Appendix 1

Ad-hoc Strategy Group on Introductory Guide for Managing Clinical Public-Private Partnership Projects

Terms of Reference

1. To provide collective input and professional advice on preparation of the Introductory Guide
2. To align the direction of the framework for the Introductory Guide

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Appendix 2

Abbreviations

AOM	Administrative and Operational Meeting
CCs	Central Committees
COCs	Coordinating Committees
FHB	Food and Health Bureau
HA	Hospital Authority
ICAC	Independent Commission Against Corruption
MSDC	Medical Services Development Committee
NGOs	Non-governmental organizations
PMMM	Procurement and Materials Management Manual
PPP	Public-Private Partnership
SBPC	Service and Budget Planning Committee

Appendix 3

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