

## **UNECE Healthcare PPP Project Team**

### **Project Brief**

#### **Introduction**

This is a very active time globally for the healthcare sector as demand for services continues to grow exponentially, driven by rising life expectancy and a new generation of increasingly well-informed clinicians and patients. Scientific and technological innovation will transform the way health services are delivered over the next generation, but many health systems are subject to tough financial constraints. If managed well, PPP programmes can help governments tackle these challenges by bringing sustainable investment and expertise to complex systems at a time of great change.

Public-Private Partnerships (PPPs) can play an important role in attracting private sector expertise and investment to support the successful implementation of healthcare policy, and improving access to basic healthcare services that will achieve the UN development goals. At their best they can be enablers of change and give patients the best care in an appropriate setting, and make healthcare staff feel valued and fulfilled.

There are many models of PPP in the healthcare sector worldwide. The challenge for governments is to ensure their PPP policy is consistent with their healthcare policies and allows them to provide good quality universal coverage, helping them to achieve the UN's Sustainable Development Goals, which are under development, but will build on the Millennium Development Goals, at least six of which are directly related to access to healthcare.

PPP programmes must be tailored to the populations they serve, and must be consistent with a general healthcare policy that improves sustainable access to good quality care for the poorest and most vulnerable members of those populations, rather than create inequality.

Governments implement PPP programmes in the healthcare sector for one or more of a number of reasons:

- Because they have insufficient capital reserves to fund infrastructure needed to quickly improve infrastructure or access to good quality services, to meet their health policy objectives;
- Because they want to transfer the risk of delivering services to an objective standard and/or the right quality, governance or staff training to the private sector;
- Because they are seeking objective standards for the maintenance of healthcare facilities; or
- Because there is a poor track record of delivering capital projects on time and/or within budget.

They generally offer best value when they respond to clear objectives as part of a coherent strategy for improving healthcare outcomes. This brief describes the project's terms of reference and how the team will go about developing the UN Standard.

#### **Aim**

The purpose of the project is to develop a UNECE Standard on best practice in relation to the management of Public-Private Partnership (PPP) programmes in the healthcare sector, under which capital investment in healthcare infrastructure (hospitals, clinics etc) is funded using commercial finance repaid over a long-term (>10-year) concession period. The project aims to improve universal access to good quality healthcare by providing guidance on the transparent and efficient delivery of PPP programmes that will support the health and fiscal policies of governments.

#### **Scope**

For the purpose of this project, the term "Healthcare PPP Project" is defined as follows:

*The granting by a public authority of a long term contract (with a duration exceeding 10 years) to a Private Sector Partner (PSP) for the design, financing, construction or refurbishment and operation of healthcare facilities. The operation of those facilities will include the provision of services which may include clinical services and medical equipment as well as management of the facilities and the provision of non-clinical services such as cleaning and catering. Under the terms of the contract, the PSP will raise private capital to pay for the new facilities, which will be repaid by a lease or rental fee from the public authority provided that the facilities and services meet a specified outcome standard.*

The term “PPP programme” is used to describe a framework established by governments to deliver a series of projects

The project will specifically address the use of PPP programmes to fund capital investment in physical infrastructure and systems such as medical equipment and ICT. It will consider healthcare social infrastructure projects ranging from acute hospitals, mental healthcare facilities and community clinics, diagnostic and treatment centres to outreach services such as dialysis and radiotherapy centres.

This project will not cover:

- Partnerships of any kind limited solely to the delivery of healthcare services which do not require capital investment;
- Real estate transactions under which public authorities sell or gift land to private developers (alone or in joint venture), but provide no long term lease or service payments; or
- Transactions under which public authorities lease equipment or systems, or other contracts entered into by authorities for the supply of goods and services.

The project will assess different models of PPP in the healthcare sector using feedback from governments that have attempted to establish PPP programmes (successfully or unsuccessfully), and recommend best practice for the establishment and management of robust PPP programmes. We anticipate that this analysis and guidance will be provided under six categories:

- Policy and legislative framework
- Economic context and affordability
- Planning, objectives and business cases
- Resourcing and training
- Market assessment and engagement
- Transparent procurement and management processes

## **Deliverables**

The project deliverables are:

- PPP Programme analysis – An analysis of existing PPP programmes, the rationale for their structure and an objective assessment of their advantages and disadvantages.
- A Standard setting out best practice in the development and implementation of governmental policy in relation to healthcare PPP programmes and projects, which is supportive of healthcare and fiscal policy.

## **Programme and process**

The project will follow the UNECE Standard Development Process which is set out conceptually below.



1	» Project initiation by the intergovernmental process
2	» Stakeholders' mobilisation to prepare the first draft of the standard
3	» Developing the initial draft with stakeholders' feedback
4	» 60 days Public Review
5	» Endorsement by the TOS PPP Bureau and TOS PPP
6	» Approval by CECI
7	» Maintenance of standards

The Project Proposal was approved by the UNECE PPP TOS at their meeting on 24 June 2014, completing phase 1 of this process, and the mobilisation of stakeholders commenced accordingly. Stage 3 of the process – the development of the draft Standard - will be approached in two phases:

- A Study Phase, during which the team will comprehensively capture lessons from healthcare PPP programmes and projects globally, whether or not they have successfully delivered projects; and
- An Implementation Phase, during which the team will develop the initial draft Standard which will provide concise recommendations on best practice for governments developing policy for the implementation of PPP programmes.

In relation to each phase, the project will be completed under six “workstreams” described in Appendix 1, which are the principal themes identified in the Project Proposal. During the Study Phase, members of the project team will be allocated to research evidence which will be used as the basis for the guidance prepared during the Implementation Phase.

### **Project Team**

The Project Team will comprise a core membership identified by UNECE in May 2014, supplemented by members who are invited to join the team from time to time because of their expertise. The team will sign engagement terms setting out such issues as the expected standards of conduct, and the reservation of the rights of UNECE to all intellectual property and to terminate the project or any team member’s participation.

The team will collaborate using an on-line portal hosted and managed by UNECE. The documents which are used and developed by the team will be published on the UNECE website, and will be accessible to registered users. Any member of the public will be entitled to register, view and comment upon documents but only designated members of the project team will be able to edit them.

The team will host monthly update conference calls which any interested parties may join. The content of these calls will largely cover progress updates, but there will be opportunities for participants to ask questions.

## **Appendix 1 – Healthcare PPP success themes**

The Project Team has identified a number of features to be successful, which fall into six broad themes as described below. Those themes will form the basis for the workstreams within which the team will develop the Standard.

A PPP programme needs the following features to be successful:

### **1 Policy and legislative framework**

- a) A robust legislative and policy framework. Healthcare PPP projects are among the most complex forms of contract and include long term performance-based contracts. The projects cannot be funded unless there is a PPP legislative framework and investor protection upon which lenders and investors can rely. In order to access international finance, PPP programmes must have a clear process for dispute resolution which offer a quick and predictable outcome, and a route by which investors can remedy problems that arise on a project before a PPP project is terminated.
- b) A PPP policy which is consistent / synchronised with governmental healthcare policy (on federal as well as local level depending on public administration set-up in a given country). For example, if governmental policy calls for general standards of access to healthcare, or healthcare that is free at the point of use funded from general taxation, projects delivered under a PPP programme should support that policy. This is particularly key if the PPP programme may include clinical services, or require a degree of cross-subsidy between healthcare services which are delivered under PPP arrangements and those which are not, and may need to be coordinated with fiscal policy to ensure equitable universal access is consistently provided to patients. Cross border support of clinical services can also give rise to questions concerning different ethical standards ( for example gender selection in fertility clinics)
- c) Particularly in the early stages of development of a PPP programme, a clear framework for the development of guidance that does not impose too much legislative rigidity early in the programme's life – allowing lessons from early projects to be adopted.
- d) A clear 'Public Interest' test for the use of PPP against other procurement routes.
- e) Strong leadership and political support, and a stable political environment.

### **2 Economic context and affordability**

- a) A coherent policy for clinical and support staffing, including a realistic assessment of local private sector capability to deliver services to be included in the programme.
- b) Transparent policies covering the use of finance from different international jurisdictions and sources (including charitable, international financial institutions and commercial funding as well as the needs of specific sectors such as Islamic finance), ensuring that sources of finance are sustainable and will not compromise project performance later in the PPP project.
- c) A standardised cost system (for both capital and operational costs) suitable to the local context, to ensure the financial sustainability of the programme and sustainable financial performance throughout the operational phase of a PPP project.
- d) A robust and dependable payment system that assures investors that payments can confidently predict long term repayment of debt, and governmental acceptance of the principle of 'debt assumption' regardless of the reasons for termination.
- e) Before procurement begins, full and complete business case justifications for each project and environmental and social impact assessments to ensure projects can access funding from international financial institutions.
- f) Systems and processes for assessing and managing long term budgets to ensure payments are made in a timely way.

### **3 Planning, objectives and business cases**

- a) A long-term vision for healthcare services which focus on caring for patients in the most appropriate setting, with clear targets which the PPP programme will help address.

- b) Rigorous analysis of demand and supply in order to define the correct quantity, quality, geographical and social distribution of healthcare facilities and their optimal sizing.
- c) Clear boundaries for the PPP programme, giving patients affordable and accessible healthcare. The scope of the programme should make clear what services are included in the PPP programme, how they interact with other parts of the health system (eg with primary care, social care and neighbouring hospitals or clinics, including services rendered privately and paid directly by the patient), and the basis on which payments will be made and performance measured.
- d) A clear picture of the institutions which will participate in the programme, and their respective roles – as commissioners of services (eg. local governments, federal governments, universities), payers (eg. national and local authorities), regulators, providers of infrastructure and facilities management, providers of clinical care, operators of other services interacting with PPP facilities and financial institutions.
- e) For each project, a robust evidence-based case for using this procurement route using objective output specifications that can be benchmarked to best practice.
- f) A framework by which the Value for Money of each project is evidenced, ensuring that the PPP procurement route is compared with other options on a like-for-like basis.
- g) Clear objectives for each project, and measures of the benefits the project aims to realise – which are assessed upon completion and used as the basis for learning lessons.
- h) Project technical specifications kept only to the standard that is required, avoiding “over-specification” – often reference is made to subjective standards such as ‘world class’ or ‘fit for purpose’ which are inadequately defined.
- i) Physical facilities for each project which can adapt to changes in healthcare practice, demographics, casemix, scientific innovation and cultural expectations. As PPPs in its nature is based on up-front specification of scope of services to allow project bankability and Value-for-Money, there should be a clear framework how such adaptability is to be achieved without high levels of bureaucracy.
- j) Business cases which clearly identify scope of services for a PPP that reflect the abilities and appetite of the local market (eg. ability to provide soft FM services under long-term contracts at competitive prices, or acceptance of demand-based clinical services given local environment) and Value-for-Money (eg. provision of medical equipment as part of PPP agreement).

#### **4 Resources and Training**

- a) Suitably experienced procurement specialists to manage the programme, including sufficient resources to make sure that the framework is applied consistently and that lessons are learned from one project to the next.
- b) Suitably experienced and qualified public sector staff capable of specifying schemes and managing their delivery; adequate training in the commercial skills necessary to manage complex PPP agreements and manage risk appropriately.
- c) Private sector specialists able to accurately price long term risk transfer, and advisory teams with the specialist expertise to manage the legal, financial and commercial complexity of schemes with adequate penalties for performance failure.
- d) Project teams in both the public and private sector that are willing to be flexible, pragmatic and see the project (and any related projects) through implementation.

#### **5 Market Assessment and engagement**

- a) A robust assessment of local and international investment appetite, ensuring that a competitive investment market is available for the relevant project sizes. In order to access the availability of international finance, early and regular engagement with potential investors to identify the potential need for credit enhancement and compliance with international financial standards such as the Equator Principles.
- b) A realistic assessment of design and construction skills and delivery capacity to meet demand for multiple complex projects; and the sculpting of the project programme to allow contractors and other participants to invest and/or form partnerships to response to predictable demand.

- c) A committed pipeline of clear, sustainable and predictable medium and long term investment opportunities and returns. This might include published project 'pipeline' updates, public and private meetings with investors and tenderers, and other market engagement initiatives.
- d) A coherent policy on the outsourcing of medical equipment and other managed service agreements, ensuring clients are able to access the best value for money when replacing systems through the PPP programme.

## **6      Transparent procurement and management processes**

- a) Transparent procurement and administrative processes. These might feature the use of independent evaluation teams from neutral agencies; a standardised evaluation structure to ensure a consistent evaluation methodology is used between projects; and incentivisation of public sector teams to carry out procurement and evaluation quickly, efficiently and transparently.
- b) A clear policy on standardisation of commercial terms for PPP agreements, setting out which terms can be adapted to suit project specific / local needs and which cannot.
- c) Fast and efficient procurement processes that keep tender costs to a minimum and promote dialogue with private sector bidders to allow the public sector to tap into their global know-how and experience, while allowing authorities to objectively evaluate tenders and eliminate material changes to tender offers once they have been accepted.
- d) At a project level, trust between the partners whilst still ensuring that the procurement and management of the project is transparent, well-governed and contractually robust.
- e) Simplicity in the contractual arrangements; complex interfaces and mechanisms – for example attempting to predict long term developments in medical technology or equipment, or unknown risks associated with existing buildings – tend to offer poor value for money.