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# ‘GLOBAL HEALTH CONFERENCE ON SOCIAL MARKETING AND FRANCHISING 2013’

## PUBLIC PRIVATE PARTNERSHIPS – IN HEALTHCARE

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# AGENDA

1. ➢ PPP SUCCESS STORY FOR INDIAN INFRASTRUCTURE GROWTH !
2. ➢ HEALTHCARE PPPS – ON A GROWTH TRAJECTORY
3. ➢ LARGE PIPELINE OF HEALTHCARE PPPs
4. ➢ KEY DRIVERS TO MAKE SURE THAT PPPs BOUND TO GROW
5. ➢ SUCCESSFUL PPP EXAMPLES - ILLUSTRATIVE
6. ➢ WAY FORWARD – PPPs to GROW

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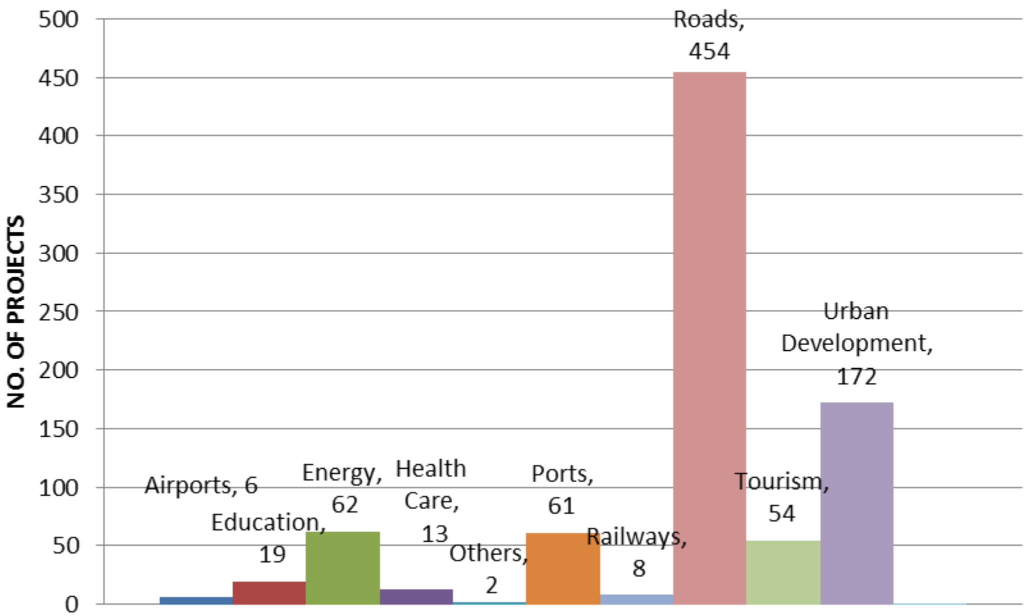
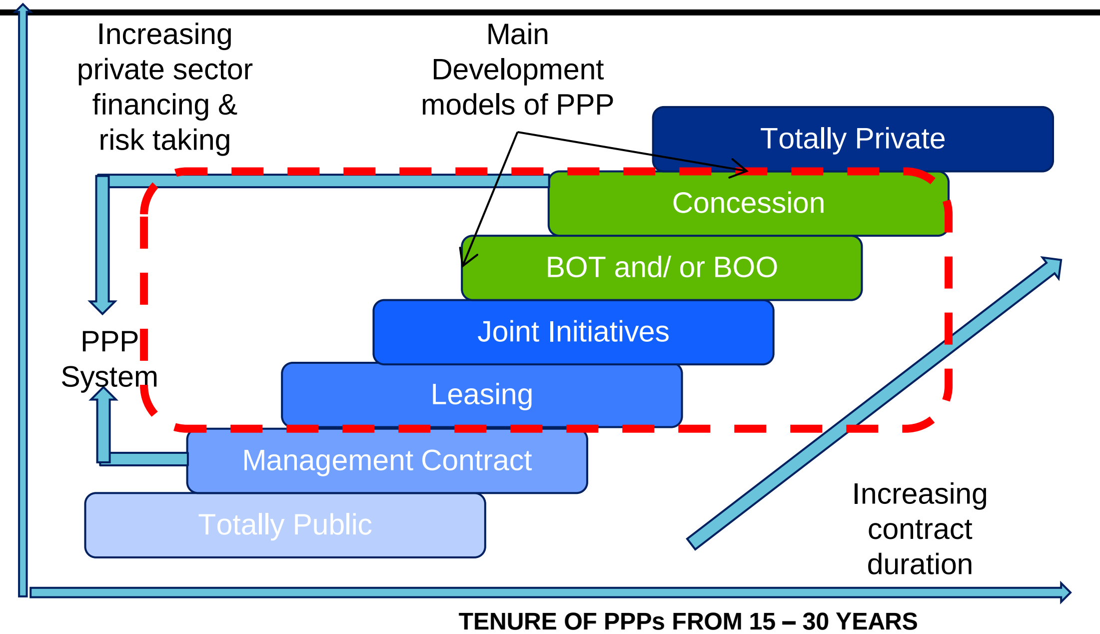
# PPPs HAVE BEEN SUCCESSFUL IN GENERATING LARGE NO. OF INVESTMENTS IN CORE INFRASTRUCTURE SECTORS & ATTRACTING REPUTED DEVELOPERS




| PROJECT | COST & STATE | KEY DEVELOPER/ INVESTOR | PROJECT | COST & STATE | KEY DEVELOPER/ INVESTOR |
|---|---|---|---|---|---|
| **Mumbai – Pune expressway** | 1630 Cr./ Maharashtra | Ideal Road Builders Pvt. Ltd; UBI, BoB, IOB, Canara Bank , Bank of Maharashtra | **Delhi International Airport Limited (DIAL) / Delhi** | 8000 Cr. / Delhi | GMR.;AAI; Fraport AG; Eraman Malaysia; GVL Investments Pvt. Ltd.; GMR Energy Ltd.; ICICI Bank |
| **Delhi –Gurgaon Highway** | 710 Cr./ Delhi & Haryana | Consortium of Jaiprakash Associates and DS Constructions. | **Bangalore International Airport (BIAL)** | 1930 Cr. / Karnataka | KSIIDC; AAI ;Siemens GmbH; Unique Zurich Airport ; L&T; |
| **Mumbai – Trans Harbour Link** | 5500 Cr./ Maharashtra | ILFS, Skil and John Laing Constructions | **Krishnapatnam Ultra Mega Power Project** | 17500 Cr./ A.P. | Reliance Infrastructure Ltd.; IDBI; PFC |
| **Hazira LNG Terminal** | 3710 Cr./ Gujarat | Shell International Oil Products Limited BV; Shell Gas BV; Total Gaz Electricite Holdings | **Mundra Ultra Mega Power Project** | ~ 14000 Cr./ Gujarat | Adani Power Private Limited; Tata Power; Loans; |
| **Vallarpadam Terminal** | 2118 Cr./ Kerala | M/s. India Gateway Terminal Pvt. Ltd. (Dubai Port World; Dubai Ports Authority; CONCOR | **100 MLD Sea Water Desalination Plant - R.O.** | 500 Cr./ Tamil Nadu | IVRCL; Befesa Agua Spain; Canara Bank; UBI; IOB; DEG Germany |

**BOT, DBFOT, HAVE BEEN THE MOST PREVALENT MODELS AND HAVE ATTRACTED LARGE INVESTMENTS BY CREDIBLE DEVELOPERS**

Source: www.pppinindia.com ; as on March 2013

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# HEALTHCARE PPP LAGS CORE INFRASTRUCTURE BUT HAS DEMONSTRATED SUCCESSFUL MODELS; LARGE DEVELOPMENT PIPELINE

- **1998** – ***"Model Concession Agreement"*** for Road
  - Agreement is accepted by key stake-holders (Private players, Govt, Banks etc)

- **2000 to 2011 :** 1051 PPPs* (Investment of > $ 1 Mn each) executed during this period
  - Private Investment of ~ $ 130 Bn
  - Core Infrastructure built through PPP : E.g. Airports at Major Metros, Railways, National Highways, State Road, Ports, Energy, Urban Infrastructure etc.
  - Little investment in Social Infrastructure (Education, Healthcare , Tourism) , with 90% of projects in Core

- **2011** - Govt. announces the **"National PPP Capacity Building Program"**
  - Ambitious target of 10,000 bureaucrats (Senior & Middle level) trained in PPP

- **2012** – Regulatory framework for managing PPP

- **Social Infrastructure through PPP**
  - Healthcare PPPs – Active engagement from World Bank , ADB , IFC
- 2013 - Central Govt. asks ADB & CRISIL (an S&P Sub.) to draft **"Model Agreement(s) for Healthcare"**

- **Total Investments delivered via PPP till March USD 113 bn**
- **Roads is Rank 1 with ~ USD 65 bn (55% share)**
- **Healthcare @ USD 0.29 bn ~ lags significantly**
- **However several successful projects delivered till date**

### GREENFIELD/ BROWNFIELD SUPER- SPECIALTY HOSPITAL & MEDICAL COLLEGES

- Punjab Institute of Medical Sciences (PIMS), Jalandhar, 750 beds, $ 55 mn
- Super-Specialty Hospital, Goa, 200 beds, $ 20 mn;
- Shillong Medical College – 500 beds; 40% VGF, operational support for 12 years
- Greenfield Super- Specialty – Mohali & Bhatinda; 200 beds; 50 years > $ 15 mn
- Brownfield Super-specialty in Ranchi – 500 beds; 30 years; building by govt.

### RADIOLOGY DIAGNOSTICS PPP/ GAMMA CAMERA, PET CT

- Statewide up-gradation in Maharashtra ($ 30 Mn), Punjab ($ 15 mn) etc.
- 5 Medical colleges in Gujarat ~ 10 mn; 4 Medical colleges in A.P.
- Standalone PPP – NSCB Jabalpur, SMS Jaipur, Safdarjung, IHBAS etc.
- Gamma Camera in SJIC, Karnataka, PET CT in SKIMS, Srinagar
- Statewide up-gradation in Delhi ($ 15 mn), Jharkhand ($ 15 mn), M.P. etc.

### HEMO DIALYSIS PPP

- Andhra Pradesh – 160 Dialysis machines across District hospitals (11) B Braun
- Delhi in 4 hospitals – 120 machines – equally by Nephroplus (Max), Deepchand
- Sadiq Nagar Dialysis by Apollo; Uttaranchal – Dehradun, Haldwani etc.
- Statewide dialysis PPP in Haryana; Himachal Pradesh at 10 hospitals

### EMRI (EMERGENCY RESPONSE)/ TRAUMA CARE

- EMRI in Andhra Pradesh, Himachal, Karnataka, Uttar Pradesh, Himachal Pradesh, Uttarakhand, Maharashtra etc.
- EMRI concept under rollout by various states – Delhi, M.P., W.B. etc.
- Trauma centers in Himachal Pradesh – 2 locations

### MMU, MOBILE MEDICAL UNITS

- Across India – Few states - $ 11 Mn in Uttar Pradesh (184 MMUs)
- Asha Jyoti – for cancer screening in Punjab
- MMUs in Uttaranchal, J&K, Himachal, Punjab etc. funding provisions by NRHM
- MMUs being implemented in other states

* Green color represents current projects

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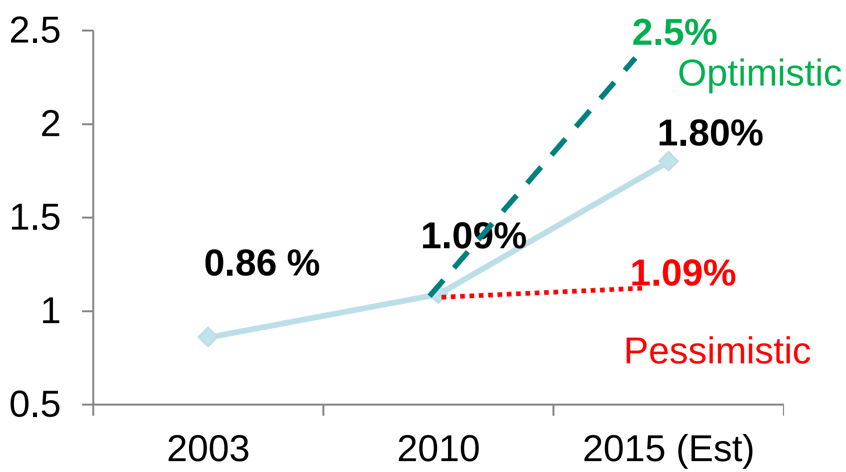
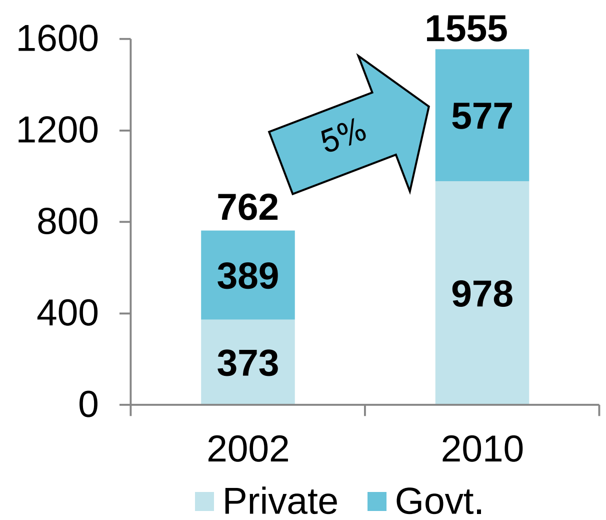
# DRIVERS FOR HEALTHCARE PPPs – ENSURING THAT PPPs WILL BECOME A DOMINANT MODE OF HEALTHCARE INFRASTRUCTURE DELIVERY

## Government Spend as % of GDP*




## Hospital Beds (in '000)




## PPP Drivers

- Almost 600,000 beds to be added in next 5 years
- Acute Shortage of Super-specialist esp. in Public Hospitals
- Govt. thrust on insurance schemes like RSBY, RGJAY etc.
- Salary in Private Sector 4-10 x of Public Hospital

**PPP Growth** =

- ✓ Govt with funds for healthcare & a vision of "Universal Healthcare" by 2022
- X Slow Public Infra build up & un-utilized capacity in current infrastructure
- X Manpower Shortage for delivering Clinical Services

*Source: Planning Commission Reports, Annual Report - Ministry of Health

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# PPP OPPORTUNITY IS LARGE AND SCALABLE

## Healthcare Investment Required in Next 5 year – Healthcare delivery

| Land | Building | Medical Equipment | Others | Pre Ops |
|---|---|---|---|---|
| 12% | 32% | 30% | 13% | 13% |
| Rs. 26,000 Crore<br>$ 4.2 bn | Rs. 69,000 Crore<br>$ 11.2bn | Rs. 65,000 Crore<br>$ 10.5 bn | Rs. 28,000 Crore<br>$ 4.5 bn | Rs. 28,000 Crore<br>$ 4.5 bn |

**Rs. 216,000 Crore or $ 34.8 bn**

**Healthcare investment @ $ 34.8 bn**

**Public Investment @ 25% = @ $ 8.7 bn**

**PPP Potential @ 25% of Public expenditure = @ $ 2.2 bn**

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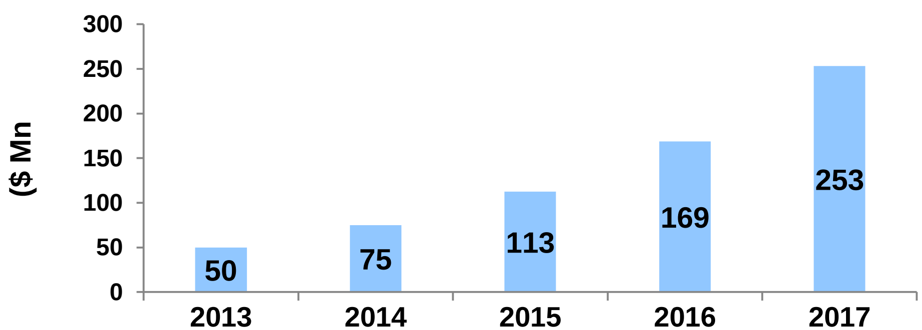
**Equipment investment @ $ 10.5 bn**

**Public Investment @ 25% = @ $ 2.6 bn**

**PPP Potential @ 25% of Public expenditure = @ $ 650 mn**

**PPP Opportunity Size ($ Mn)**




- ✓ Total PPP opportunity over the next 5 years at **$ 2.2 bn**
- ✓ Equipment PPP Opportunity over next 5 years is **$ 650 Mn (Imaging systems players' opportunity almost 50%)**
- ✓ At a CAGR of ~ 50% PPP is the **fastest** growing sub-segment for India.

*Source: PWC report, Philips internal analysis

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# MULTIPLE BENEFITS OF PPP –RADIOLOGY IMAGING PPP – STATEWIDE

| PARAMETERS | FEATURES OF PROPOSED MODEL | | |
|---|---|---|---|
| BASIC DIAGNOSTICS | Basic diagnostic services like X-ray, USG available at all the hospitals; Private partner takes over/ augments all the existing machines as decided | | |
| ADVANCED DIAGNOSTICS | CT machines, MRI machines , Dexa machines (Bone Densitometry), as well as Mammography machines to be provided by private player | | |
| 24X7 AVAILABILITY | The proposed private setup will be operational for 24 hours, 7 days a week | Provision for emergency scanning and reporting | |
| STRINGENT QUALITY | Detailed SLA's being prepared upfront | Compliance being monitored by elaborate administrative mechanisms | NABL (NABMIS) equivalent accreditation within 2 years |
| AFFORDABLE PRICING | Proposed pricing pegged to CGHS rates; ~ 50% of market prices | Same pricing applicable for both hospital as well as private patients | Provision for free treatment of BPL patients; through revenue sharing mechanism |
| BID VARIABLE | Revenue share with the Government; %age Free patients; Annual Concession Fee | Ability to cross subsidize poor patients | |

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# HOWEVER, CONSTRAINTS HAVE HISTORICALLY LIMITED GOVT. CAPACITY ADDITION WHEREAS CONFLICTING OBJECTIVES HAS LIMITED GROWTH OF PPPs

## GOVT. & PUBLIC FACILITIES ARE NOT POISED TO ADDRESS HUGE CAPACITY GAPS THAT EXISTS – NEED FOR PVT. PROVIDERS

***Procurement & Implementation Delays***

- Procurement is fraught with procedural delays
- Implementation is usually delayed with significant cost overruns

***Doctors/ Staff shortage***

- Acute shortage of trained manpower
- Lack of educational and training facilities
- Brain Drain to Pvt. setups

***Lack of Capital***

- O&M and welfare schemes ~ 80% budgets
– No resources for fresh capacity creation
- Few resources – focused on COEs - AIIMS
- Provider vs Payor ??

***One Shift Operations***

- Most hospitals work in one shift
- Diagnostic facilities available for 6- 8 hours

## PPPs EMERGED AS A POSSIBLE SOLUTION BUT CONFLICTING GOVT. & PVT. OBJECTIVES HAVE LIMITED ITS PENETRATION

**AFFORDABILITY & ACCESS**

**GOVT.OBJECTIVES**

- High quality service for the entire population at an affordable price
- Subsidies for BPL patients
- Round the clock availability - 24x7 with emergency care
- No profiteering
- No manpower issues

**VIABILITY & SCALABILITY**

**PVT. OBJECTIVES**

- Expectations of a reasonable ROI
- Hassle free, collaborative working environment
- Higher utilization by assuring patient volumes, pooling referrals, pvt. cases
- Adequate space, utilities for setting up new facility – in hospital premises

**THERE IS ACUTE NEED TO ADDRESS SHORTAGE OF HEALTHCARE DELIVERY CAPACITY & CLINICAL MANPOWER SHORTAGE**

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# MODEL 1 – LOW COST - HIGH END DIAGNOSTIC FACILITIES

**Radiological (CT/MRI Scan)Diagnostics**

**SMS Hospital Jaipur Rajasthan**

- ~31% Revenue Share with the Hospital
- Discounted CGHS like Rates
- 30% Free BPL Patients

HIGH Quality

HIGH Volume

LOW PRICE


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# MODEL 2 – MOBILE HEALTHCARE – INCREASING REACH

**Clinical & Radio diagnostics through health camps, lab tests**

**Uttaranchal Mobile Health and Research Clinic**

- X Ray
- Ultrasound
- Pathology
- ECG
- Preventive Healthcare Programs

- Free for BPL Patient
- Nominal Charges for Other patients
- Free medicine
- Increasing reach to remote areas

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# MODEL 3 – EQUIPMENT PPP – SJIC – GAMMA CAMERA

**Supply of the Gamma camera and complete turnkey installation with provision of equipment related services for a tenure of 7 years**

**Sri Jayadeva Institute of Cardiovascular Sciences & Research**

Gamma Camera scans

At affordable rates as fixed by the institute

OEM to bid on the basis of pay per use for machine

Free for BPL Patient

Institute fixed prices for general patients

State of art facility to replace decade old machine

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# MODEL 4 – SELF SUSTAINABLE STATE WIDE HEALTH INSURANCE

Yeshasvini Health Insurance Scheme, Karnataka

**Key Players**

a. Govt. oF Karnataka

b. The Yeshaswini Health trust

c. The Narayana Hrudayala Foundation

Hospitalization & approx 805 type of surgeries covered

More than 492 Hospital enrolled

Coverage of Rs 2L per year

Insurance Charges Rs 200 per member

HIGH Quality

HIGH Volume

LOW PRICE


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# MODEL 5 – OUTSOURCING MANAGEMENT OF HOSPITAL

Super-specialty clinical and surgical services

Rajiv Gandhi Hospital, Raichur Karnataka – JV between Apollo & Govt. of Karnataka

40% beds are for BPL patients

Free OPD services to poor.

High Quality

LOW PRICE


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# PHILIPS' ACHIEVEMENT SO FAR !!

## RADIOLOGY - MR & CT

- Execution of Philip's first & biggest MR & CT deal

**SMS Jaipur**

- Execution of Rewa & Bhopal Deal

## NUCLEAR MEDICINE - PET CT

- **First PPP deal directly signed by Philips** with the Govt.

- Gamma Camera supplied to Jayadeva

Mobile Cancer Screening Vans

First nuclear medicine PPP Deal in India

## CARDIOLOGY - Cath Lab

- **First Cath lab** deal in PPP

**Example**

- ESIC Hyderabad deal in the process of execution with Dr. Anuj Bhasin

Plans for cardiac centres in States, Indian railways etc.

## State level healthcare – JV / MoU/ Consortium Route

- First statewide PPP deal directly quoted by Philips

- First Deal with equity Participation

**Example**

- Maharashtra - Vidarbha Cluster 3

- Punjab Deal

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# WAY FORWARD – PPPs TO GROW AS PREFERRED MODE OF DEVELOPMENT

## EXPERIENCED BENEFITS OF PPP

- Substantial ***welfare gains***
- ***Expansion*** in services
- Poor more benefited from PPP, than under earlier regime of exclusive public delivery
- ***Competition*** addressed the issues of reduced price and expanded access

## MATURITY OF PPP MARKET

- More than ***15 years*** of PPP experience
- Developed ***financial markets/*** funding agencies
- Central ***regulatory/ guiding body*** in Planning commission (GOI)
- ***Legal evolution*** happening with time
- ***Pool of bidders/ private partners*** – international groups vying entry

***GLORIOUS PAST !!***

## EVER INCREASING DEMAND

- ***Shortage***– over burden and poor quality on existing infrastructure
- ***Increasing public usage*** of physical and social infrastructure
- Affordability and ***consumer awakening*** – quality, cost conscious population

## GOVT. CONSTRAINTS

- ***Limited financial wherewithal*** – increasing fiscal & current account deficits
- ***Low debt taking ability*** – private companies have better ratings then GOI
- ***Poor project execution*** track record
- ***Trust deficit*** due to existing poor services
- Time and cost ***overruns & Inefficient procurement***

***GAP AND POSSIBILITY !!***

# Thank you – Q&A