

Knowledge Resources on PPP in Health:
Frequently Asked Question on PPP in Health



Public-Private Partnerships (PPP) in Health Frequently Asked Questions (FAQS)

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Frequently Asked Questions
(FAQs)**



Asian Development Bank
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Frequently Asked Questions



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Introduction

Governments agree that ensuring universal access to health care is a challenging feat. Numerous approaches are constantly being tried and tested and while there had been significant successes and milestones, governments—particularly those in the developing nations—are still searching for the right approach, one that comprehensively addresses their public health needs as well as complements their development goals and strategies.¹

Public-private partnership or PPP is such an approach.

Public sector organizations consider such an approach to improve and increase efficiency of health services while offering private sector entities an opportunity to realize a reasonable rate of return on their participation. Improved health services can be seen as either improved financial efficiency, improved coverage of the population, decreased prices, or enhanced or increased services offered.²

These FAQs will help prospective project developers and implementers and the general public in understanding PPP as an effective approach in responding to the health care needs of the people and in the process, correcting the possibly misleading information about it.

¹ Adopted from the "Brief on Five Applications in PPP in Health", an output of ADB TA 7257 PHI: PPP in Health, authored by Mary Anne Velas Suarin and Juan Ma. Pablo Nañagas, September 2011.

² Nañagas, Juan Ma. Pablo, TA 7257 internal document, 9 Sept. 2011, p.1.

► QUESTION: WHAT IS PPP?

ANSWER:

Public-private partnership (PPP) is a financing and investment mechanism that is being adopted by governments all over the world to increase the allocation of resources for social services and support the spending in infrastructure.³ A PPP is a cooperative venture or contractual arrangement between public agencies and private sector partners towards clearly defined public or social needs.⁴



ties and schemes. For example, a government entity (such as a local government unit) can engage a private sector partner to manage its health-related services such as pharmacy or laboratory services in a single provincial hospital or all of its hospitals in the whole province. Another example is when a local government builds birthing clinics in underserved areas and sub-contracts NGOs or cooperatives to run and manage such facilities.

► QUESTION: IS PPP ACTUALLY PRIVATIZATION?

ANSWER:

PPP is different from privatization. PPP does not aim to relegate the responsibility of the public sector to the private sector. PPP taps the private sector's managerial expertise and resources and fills in gaps in services in the public sector. As the term suggests, PPP is engaging both public and private sector entities to work together on common goals such as those on health. PPP is anchored on the principles of shared responsibilities, resources, risks, and benefits, towards the attainment of common goals and interests.



ANSWER:

The public sector is concerned with ensuring affordable, efficient, and availability of health services. Meanwhile, the private sector, while mostly driven by reasonable return of investment and sustainability of operations, operates with higher efficiency and transparency. PPPs can help both sectors meet their objectives, notably when social health financing is strengthened by continued government support for expanded membership enrollment especially for the poor. This can ultimately redound to, say, round-the-clock availability of competitively priced, appropriate, and safe medicine and improved delivery of services for their constituents.



On the other hand, privatization entails the transfer of complete ownership and management of a public enterprise or unit of service facility to a private sector entity. PPP models certainly do not fall under this scheme for it is anchored on the principle of partnership where both the public and private partners have specific roles and responsibilities to play.

► HOW IS IT APPLIED IN THE HEALTH SECTOR?

ANSWER:

PPP is applied in the health sector through different modalities



► QUESTION: WHAT ARE POSSIBLE PROJECTS/APPLICATIONS FOR PPP IN HEALTH?

ANSWER:

The most common PPP applications in health are in:

1. Hospital management and operations
2. Laboratory and diagnostics
3. Pharmacy and related services
4. Birthing homes
5. Outpatient and emergency services
6. Public health



³ FAQs on PPP, Official Website of the PPP Center, accessed at <http://ppp.gov.ph/faqs/> on 05 October 2011.

⁴ Canadian Council for PPP, 2003.

► QUESTION: WHY IS PPP IN HEALTH A GOOD OPTION FOR LOCAL GOVERNMENTS?



ANSWER:

Local governments, particularly in decentralized regimes, are on their own. They deal with many social development issues with health being among the top concerns. All these concerns compete for resources, which are often limited. PPP in health allows them enough flexibility to ensure better health care services to its constituents without necessarily sacrificing other social services. It also helps them maximize social health insurance membership given that a high or even 100% coverage of their indigent families requires the presence of improved health facilities. Getting excellent health services when their constituents need them most ensures a good return on their investment.

► QUESTION: IT SEEMS A GOOD IDEA BUT WHAT WILL MOTIVATE THE PRIVATE SECTOR IN THE PROVINCE TO PARTNER WITH THE GOVERNMENT?

ANSWER:

Interested private sector providers may consider the performance of social health insurance system as an incentive particularly if local governments are sponsoring a good percentage of its total indigents. There should also be a fast turnaround time in social health insurance reimbursements. Another motivator is the possibility of doing something worthwhile and sustainable, which ultimately strengthens the private sector's corporate social responsibility (CSR) programs.



► QUESTION: WHAT ARE THE KEY CONSIDERATIONS SO THAT PARTNERS WILL BE ABLE TO REAP SUBSTANTIAL BENEFITS FROM PPP?

ANSWER:

The following should be taken into consideration when making decisions on PPP:



1. Viability of the model;
2. Scope of the PPP enterprise (e.g., single-site or province-wide);
3. Performance requirements (e.g., price, quality, etc.);
4. Regulatory and licensing requirements;
5. Bidding and contractual documents;
6. Settlement of disputes;
7. Financing concerns (e.g., facilitated social health insurance reimbursements, additional but capped local government subsidies for payments, etc.);
8. Communications and social marketing.

► QUESTION: WHAT IS THE ROLE OF DOH IN PPP PROJECTS/APPLICATIONS?

ANSWER:

The departments/ministries of health (DOH/MOH) can fully assist their public health facility managers or local governments in this innovative strategy through knowledge sharing, capacity development, social marketing, and regulatory services. The DOH/MOH should also work closely with project developers, local governments, and other stakeholders to ensure the prompt processing of documentary and licensing requirements.



► QUESTION: WILL PPP MAKE PUBLIC HEALTH EMPLOYEES REDUNDANT?

ANSWER:

PPP implementation takes public sector employees into serious consideration and does not encourage retrenchment or redundancy. This may involve reorganization, which may lead to promotion,



reassignment, and in some cases, voluntary resignation or early retirement. All existing labor and civil rights enshrined in the constitutions and Civil Service regulations should be accorded to all employees. Those who may have the option to resign may automatically enjoy the right of first refusal for employment opportunities in the private sector. For example, a highly-qualified public/government pharmacy employee who is offered a chance to resign can opt to apply for a similar position in a PPP pharmacy and enjoy such right. In the case of a new PPP hospital, there is no danger of retrenchment of government employees because the hospital is going to be an entirely new facility.

► QUESTION: WHAT HAPPENS TO GOVERNMENT FACILITIES UNDER PPP APPLICATIONS?

ANSWER:

Unless stipulated in contracts as co-owned or to be co-owned, government facilities such as structures/buildings remain as or eventually become public properties and, therefore, continue to be owned and managed by the government. However, private entities such as pharmacy managers should ensure that their places of operation (e.g., drug rooms) are always safe, well-maintained, and clean.



► QUESTION: WHAT HAPPENS TO THE EQUIPMENT THAT ALREADY EXISTS IN PUBLIC HOSPITALS?

ANSWER:

Similar to the principle above, existing equipment remain as government properties unless the government decides to sell them to the private sector (based on government/auditing rules). In cases when private sector partners will purchase their own equipment, they are then fully responsible for their upkeep and maintenance.



► QUESTION: WHAT HAPPENS TO THE DRUGS AND OTHER PHARMACEUTICAL PRODUCTS THAT WERE ALREADY PURCHASED BY THE GOVERNMENT IF IT IMPLEMENTS A PPP IN PHARMACY SERVICES AT SOME POINT IN THE FUTURE?

ANSWER:

Again, such drugs and pharmaceutical products will remain as government properties. If a pharmacy had been in existence in a public hospital prior to any PPP arrangement, the hospital manager may opt to continue the safekeeping of such drugs for the future use of indigents (until they run out) or donate them to other hospitals. Auditing and ethical and rules dictate that the private pharmacy manager shall not be allowed to dispense/sell publicly-owned drugs.



► QUESTION: HOW CAN PPP AFFECT THE PRICING OF DRUGS AND SERVICES? WILL PPP MEAN CHEAPER MEDICINES AND DOCTORS' FEES?

ANSWER:

In principle and based on experience, PPP applications in pharmacy often lead to cheaper medicines. However, the most important offshoot of such applications is the 24/7 availability of drugs because the system allows more efficient procurement. In a PPP mode, pharmacies no longer have to go through very tedious and bureaucratic government procurement procedures. The public is also assured of safe and reasonably-priced drugs because of existing laws and policies. In the Philippines, for example, safety mechanisms are in place through laws such as the Philippine Cheaper Medicine Act and the Generics Law.



► **QUESTION: WHAT HAPPENS TO THE INDIGENTS? WILL PPP ALLOW THEM TO CONTINUE ENJOYING FREE/SUBSIDIZED MEDICINES AND DOCTORS' FEES?**



ANSWER:

In many cases, PPP in health ensures better and more efficient delivery of services to indigents because a formal system can be installed specifically to accommodate the unique circumstances and needs of the indigents. A local government, for example, can pursue 100% social health insurance coverage of indigents and consider setting up a Trust Fund specifically to cover the expenses of the

indigents. Its revenue share in the operations of a PPP enterprise can directly go to such a trust fund. Abuse of the system may be prevented by providing adequate check-and-balance systems.

► **QUESTION: WHO WILL AUDIT PPP TRANSACTIONS? ARE THOSE STILL COVERED BY COA RULES?**



ANSWER:

All applicable auditing rules should still apply. Governments, through its audit agencies should also review current laws/policies so that the unique systems and procedures in PPP applications will be adequately covered. When necessary, a separate auditing guidelines for PPP applications may be released by the government.

CONTACTS

If you have further questions or wish to offer feedback or suggestions, please contact:

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