Public-Private Partnerships for Healthcare and Turkish Health Reform

Lawyers Associated Worldwide
Annual General Meeting
5th of November, 2010

Evren Güldoğan • Senior Consultant
PPPs for Healthcare

- Public sector challenged in finance, management and provision of healthcare throughout the world.

- Increased demand for health services

- Dominant economic paradigm in favor of private provision of goods and services

- Toolbox:
  - Privatization
  - Public-private partnerships (PPPs)
  - Contracting out
  - Performance management
PPPs for Healthcare

- PPPs are characterized by the sharing of common objectives, risks and rewards so as to deliver a service or infrastructure to the public.

- Involvement of the private sector differs

---

**Key types of public/private partnerships and collaboration in health sector**

**Contracting out:**
- Service contracts
- Management contracts
- Construction, maintenance, and equipment contracts
- Hybrid contracts (e.g., large IT infrastructure and service contracts)
- Leases

**Sample benefits:**
- Efficiency
- Quality
- Cost- and risk-sharing

**Concessions**
- Backed by government guarantees/other fiscal incentives
- Supported by government or third party purchase contracts
- Free-standing

**Private Financing Initiatives**
- Other types, typically without government guarantees, including:
  - Divestiture/privatization
  - Free entry
  - Other (e.g., provisions for health savings accounts)
PPP schemes for Healthcare

• Policy perspective: Health authorities cease to run hospitals directly, devolving and procuring the services wherever available.

• PPP schemes for hospitals may involve:
  • Design
  • Construction
  • Provision of goods (equipment, furniture, consumables)
  • Provision of services
  • Operation of commercial areas

• Dominant method is the UK born Private Finance Initiative (usually DBFO)

• Most advanced in UK and Italy
PPPs for Healthcare

- Design of PPP schemes critical for success: Business case, financial model, legal documentation (contract and specifications)
- Planning for future demand for health services
- Output specifications
- Payment mechanism (including the penalty mechanism)
- Contingencies
- Patient rights - data protection
- Provision of medical services (public monopoly?)
- Continuity of the service
- Secondment of public personnel
Turkish Health Reform and PPPs

- Demand for healthcare services rapidly increasing in Turkey
  - Economic growth
  - Increased availability and quality

<table>
<thead>
<tr>
<th>Population</th>
<th>72,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total healthcare expenditure</td>
<td>6% of GDP</td>
</tr>
<tr>
<td>Per capita health expenditure</td>
<td>767 USD (adjusted)</td>
</tr>
<tr>
<td>Public expenditure/Total</td>
<td>68%</td>
</tr>
<tr>
<td>Per capita public expenditure</td>
<td>520 USD (adjusted)</td>
</tr>
</tbody>
</table>
Turkish Health Reform and PPPs

Health Transformation Program (HTP) 2003-2013

- Restructuring the MoH
- Merging social security institutions
- Autonomy to hospitals
  - Regional hospital unions to be established.
- Increasing quality standards (JCI)
- Increased care to patient rights
- Performance-based system
- Family doctors
- E-Health applications
Turkish Health Reform and PPPs

- MoH has established a PPP Program as part of HTP.
  - Hospital unions for administration and provision of healthcare
  - PPP for facility provision and management

- Legal framework:
  - No general PPP law.
  - Fundamental Law on Health Services – additional article (2005)
  - Implementing regulation (2006)
  - Projects not subject to public procurement code.
  - Legal framework tested by action for annulment at supreme administrative code.

- Special PPP unit within the MoH established (2007)
Turkish Health Reform and PPPs

Main elements of the legal framework:

- Construction of new facilities and renovation of existing facilities
- Approval by the Higher Planning Board
- Superficies right over national estate
- DBOFT system
- Performance-based availability payments + services payments + commercial areas
- Non-clinical and support services
- SPVs for each project
- Ratio of equity capital: not less than 20%
- Maximum duration of contracts: 49 years
Turkish Health Reform and PPPs

A clear POLICY stating the objectives of PPP and how these objectives are to be achieved

Health Transformation Programme

A well established INSTITUTIONAL FRAMEWORK comprising responsibilities and decision rights transparently

Higher Planning Board approval
Special PPP unit within the MoH

A well defined LEGAL FRAMEWORK that enables the establishment and implementation of PPP arrangements

Law and detailed regulation
Tested by a court case
Turkish Health Reform and PPPs

- MoH PPP Program covers:
  - Approximately 40 health campuses with a total bed capacity of 30,000
  - 12 physical therapy and rehabilitation hospitals
  - 8 psychiatric hospitals
- Time frame: 5 years
- Total investment: USD 5 billion (conservative estimate)
Turkish Health Reform and PPPs

Kayseri Integrated Health Campus – first tender (2009)

Local population: 2.8 million
Beds: 1548
Capacity: 10,000 patients/day
Demand: Local + regional + international
Turkish Health Reform and PPPs

- Bids received for:
  - Kayseri

- Bids expected for (Dec. 2010):
  - Ankara Etlik – 3000 beds

- Prequalification applications made for:
  - Ankara Bilkent - 3000 beds
  - Elazığ – 950 beds

- Prequalification application expected for:
  - Manisa – 400 beds

- In the pipeline:
  - Istanbul – 2000 beds
  - Ezurum – 800 beds
  - Others
Turkish Health Reform and PPPs

- Business opportunities for:
  - Construction companies
  - Facility managers
  - Service providers
  - Financial institutions
  - Consultancies / law firms

- Investment period

- Operation period
Thank you for your patience