

## An example of best practice: PPPs in hospitals

«ADDRESSING THE CHALLENGE OF DOING  
PPPs IN THE BLACK SEA REGION,  
THE CAUCASUS AND CENTRAL ASIA:  
Bridging the Gap in PPP knowledge and skills»

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## Hospital PPP models

- Integrated PPP models  
(e.g. Spain, Portugal)
- Infrastructural PPP models  
(e.g. UK, Canada, Italy)
- Specialised PPP models  
(e.g. dry-cleaning facilities, or in-patient  
beds, in France)

## Integrated models

- Higher potential for innovation and efficiency gains
- Lower interface risks
- Higher political sensitivity
- Contract management:
  - Output-based, focussed on clinical outcomes
  - Scarce need for daily co-operation
  - Significant need for benchmarking
  - Game-theoretical reasoning

## Infrastructural models

- Lower potential for innovation and efficiency gains
- Very high interface risks
- Lower political sensitivity
- Contract management:
  - High need for co-operation
  - Many stakeholders involved in management
  - Daily routine vs. long-term management
  - High potential for cost-overruns

## Efficiency, sustainability

- Experience has demonstrated PPP effectiveness for
  - the rapid development of infrastructure
  - the improvement of service to end-users
- ... but sustainability and efficiency matters are still being addressed
- ... and challenged by the current financial crisis

## Rationale for integration

- Innovation in management
- Innovation in the design of infrastructure
- Synergies between infrastructure and services (whole-life costing)
- Potential for risk-transfer (avoiding cost overruns and project completion delays)
- Incentive to control investment and operational costs, allowing for increases in quality
- Ability to benchmark performance

## Range of services

- Basic: infrastructure maintenance
- Secondary:
  - Catering, cleansing, laundry, security
  - Management of parking and shops
  - Waste management, pest control
  - Sterilisation
  - Utilities management
- And: IT services, clinical services

## Risk allocation

- Main goal: allocate to the private partner the risks it can manage efficiently
- Volume risk
- Risk premium levels
- Interface risks
- Contract management capacity
- Potential perverse incentives

## Financial constraints

- Higher cost of private finance
- Reduced gearing, increased cover ratios
- Senior bank debt tenors reduced
- New role for multilaterals
- Government guarantees being sought
- Higher risk-aversion influencing contracts:
  - bankability is forcing changes in risk-allocation
  - efficient contractual risk-allocation could be damaged
  - political willingness to promote PPP may be affected

## New institutions

- PPP hospitals may (and should) be used as benchmarks
- PPP procurement requires shifting public administration resources from input and process definition to output prescription and outcome measurement
- So:
  - The focus will be quality and effectiveness
  - The end-user benefits
  - The taxpayer should also benefit

## The future

- Several models are now implemented: some will survive, others will evolve
- But:
  - Political willingness is still there
  - Many PPP hospitals are now built
  - Many private concessionaires are operating
  - Contract management is evolving
  - More information will be disclosed
  - More research will be published

Thank you

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