

Public-Private Interactions

Provincial Health Summit

2-4 September 2011

Introduction

- SA health
 - strong private sector
 - Serves around 20% (medical aid and out of pocket), but consumes 50% of health budget
 - Total healthcare spending 8.5% of GDP – poor health status (blamed on inefficiency)

PPP

- Guidelines developed by National Treasury in 2000
- Definition
 - Contractual agreement in which a private party delivers a service or performs a function for the public sector with the private sector assuming the risks associated with the delivery or function

Public and private roles in financing and provision by Bennet and Ngalande-Banda

	FINANCING		
	PUBLIC	PRIVATE	
P R O V I S I O N	(public financing & public provision – traditional public sector role)	(private financing & public provision)	P U B L I C
	(Public financing & private provision)	(Private financing & private provision)	P R I V A T E

International lessons

Thailand

- Public hospitals contracts with private to provide and maintain expensive tech
- Paid by the user charge paid in the public hospital

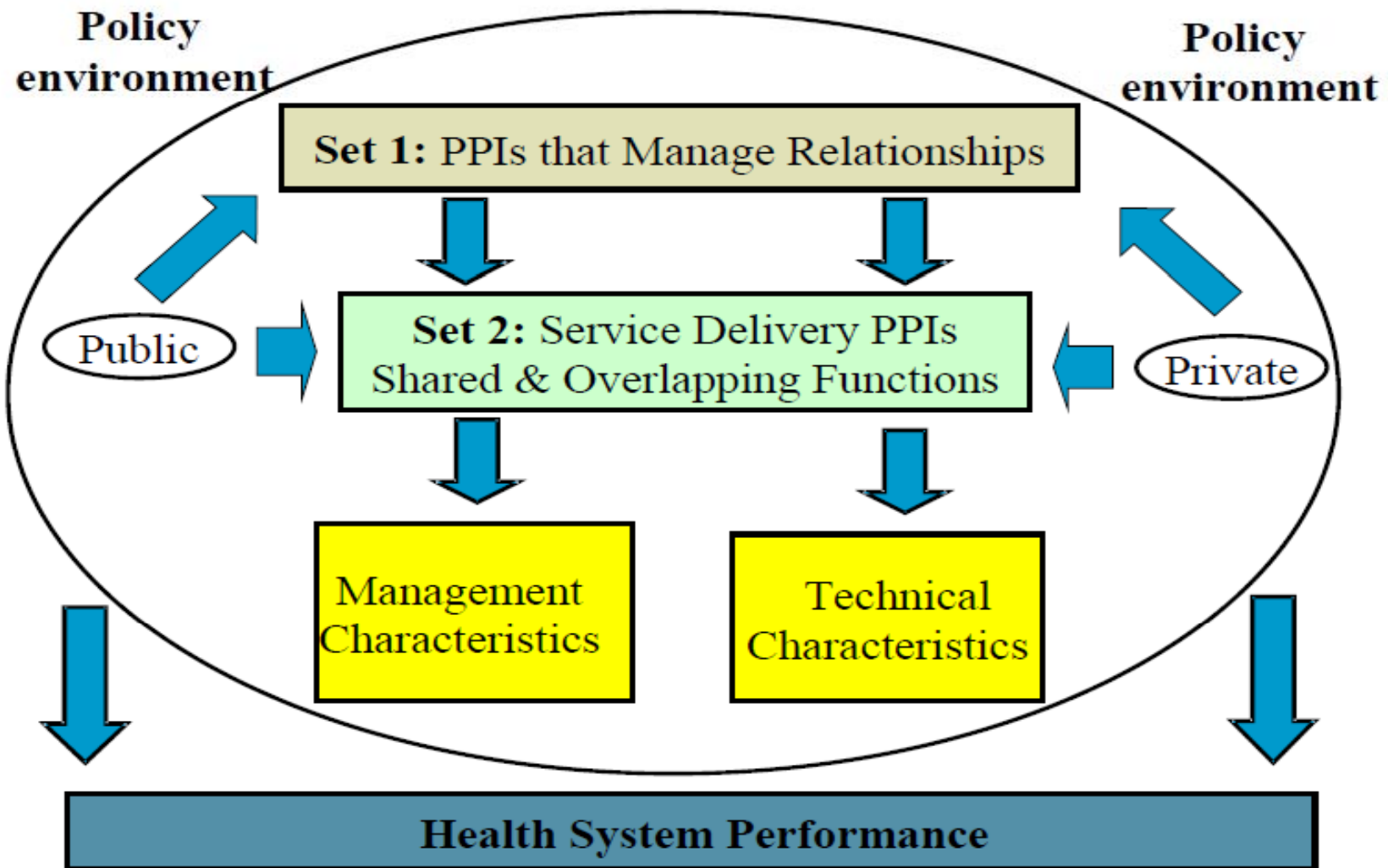
Lebanon

- Private sets aside space for public pts
 - Led to greater investment and increased costs

International lessons cont

- Most developing countries – NGO rather than for-profit org – common in SSA
- High income countries –
 - Capacity to monitor performance and outputs of clinical care contracts
 - UK, NZ and Sweden – contract private GPs for PHC
 - US- private GP and HMOs
 - Atlantic City contract TB, STIs and food borne diseases

Functions of the public and private sectors in health sector service delivery –SA (14)



Key milestones

Date	National Health	National Treasury	Provincial Health	Local Government	Other developments
Pre-1994	<ul style="list-style-type: none"> • 1940s: Expansion of mission hospitals • 1970s: nationalisation of 'homeland' mission hospitals- • recent decades: State-Aided Hospitals, SANTA, LIFECARE • contracting of non-clinical services varied 		<ul style="list-style-type: none"> • recent decades: State-Aided Hospitals, SANTA, LIFECARE • Part-time District Surgeons • contracting of non-clinical services varied 	<ul style="list-style-type: none"> • contracting of non-clinical services varied 	<ul style="list-style-type: none"> • 1992: Queenstown water & sanitation • 1992: Benoni Fire and Emergency services • 1993: Springs bus service
1994	<ul style="list-style-type: none"> • May: ANC Health Plan Published 				<ul style="list-style-type: none"> • April: General Elections
1995	<ul style="list-style-type: none"> • Jan: Committee of Inquiry into SHI 		<ul style="list-style-type: none"> • Public-Private Forum set up in Free State 	<ul style="list-style-type: none"> • Nov: LG elections 	
1996	<ul style="list-style-type: none"> • Medical Schemes Working Group established 	<ul style="list-style-type: none"> • June: GEAR Published 	<ul style="list-style-type: none"> • April: Uitenhage hospital PPP (EC) 	<ul style="list-style-type: none"> • May: LG elections in WC and KZN 	<ul style="list-style-type: none"> • May: Final Constitution • December: N4 toll road concession awarded
1997	<ul style="list-style-type: none"> • April: Health White Paper • Medical Schemes Working Group discussion concluded 		<ul style="list-style-type: none"> • June: Northern Province PPP policy document 		
1998	<ul style="list-style-type: none"> • Medical Schemes Regulation Act promulgated • June – PPP conference in Eastern Cape organised by <i>The Equity Project (Management Sciences for Health)</i> 		<ul style="list-style-type: none"> • April: EC PPP policy document • August: WC PPP policy document 	<ul style="list-style-type: none"> • March; White Paper on Local Government • Dec: LG Municipal Structures Act 	

1999	<ul style="list-style-type: none"> • NDOH PPP task team established. • April: Draft National PPP policy document • November: National PPP conference 	<ul style="list-style-type: none"> • March: PFMA • December: PPP strategic framework endorsed by cabinet 		<ul style="list-style-type: none"> • May: Green Paper on Municipal Service Partnerships 	<ul style="list-style-type: none"> • Dolphin Coast water services contract signed • KZN)Nelspruit water services contract • May: N3 toll road concession awarded
2000	<ul style="list-style-type: none"> • November: Final National PPP policy document 	<ul style="list-style-type: none"> • April: PFMA regulations, chapter 16 on PPPs (strategic framework and general guidelines) • July: PPP Unit set up • Sept: PPP detailed guidelines 	<ul style="list-style-type: none"> • June: PPP Forum set up in WC. 	<ul style="list-style-type: none"> • April: White Paper on Municipal Service Partnerships • July: Municipal Finance Management Bill • Nov: LG Municipal Systems Act • Dec: LG elections 	<ul style="list-style-type: none"> • March: Bloemfontein prison concession • May: Commercialisation programme of SA National Parks Announced • August: Louis Trichardt prison concession
2001	<ul style="list-style-type: none"> • National PPI Working Group established • November: Summit PPI document • National Health Bill gazetted • November: National Health Summit – PPI session 	<ul style="list-style-type: none"> • January: PPP manual volume 1 • May: PPP manual volume 2 	<ul style="list-style-type: none"> • Jan: RFP for Nkosi Albert Luthuli (KZN) • Feb: RFP for Universitas & Pelonomi co-location (FS) • FS PPP forum re-established. • Hospital co-location feasibility studies (EC and WC) • Dec: Nkosi Albert Luthuli contract signed 		<ul style="list-style-type: none"> • November: Fleet management contract signed (NC) • Dec: ecotourism project contract signed (Limpopo)
2002	<ul style="list-style-type: none"> • PPI Lekgotla • September: Health Bill referred to State law advisors 	<ul style="list-style-type: none"> • May: Revisions to PPP regulations 	<ul style="list-style-type: none"> • July: Co-location contract signed (FS) 		

Categories of PPI

Category	Broad rationale (for health derived from NDOH 2000)	Documents in which discussed
<p>1) JOINT VENTURES Includes co-location, sharing of under-used resources (in either public or private sector), leasing spare capacity to private sector as well as using private health finance to support public sector delivery, e.g. preferred provider contracts with medical aid schemes, also associated with differentiated amenities</p>	<p>Develop to secure higher quality services or lower costs, public sector revenue and 'community benefit' e.g. better access for disadvantaged, personnel retention, new models of customer service</p>	<p><u>Health:</u> NDOH 2000; NDOH 2001; ECDOH 1998; DOH Health Sector Strategic Framework 1999-2004 Moorman 2001</p>
<p>2) PURCHASED SERVICES includes outsourcing clinical services, establishing contracts with Independent Practitioner Associations, promoting private provision of priority public health services, partnerships with NGOs and CBOs</p>	<p>Develop with NGOs/ CBOs either because government does not have capacity to provide service or because leads to greater access or quality of care; Develop with private provider for specialized service when no alternative available</p>	<p><u>Health:</u> NDOH PPP task team 2000 NDOH 2001 ECDOH 1998 Moorman 2001</p> <p><u>Non-Health:</u> White Paper on Local Government (NGO partnerships only)</p>
<p>3) OUTSOURCING NON-CLINICAL SERVICES (of various types)</p> <p>Including, non-health: Operations & maintenance contracts (3-5 years) Operations & maintenance contracts with renting of assets (8-15 years)</p>	<p><u>Health:</u> Develop to secure reduced cost or improved access/quality of care</p> <p><u>Non-health:</u> e.g. To get economies of scale and efficient use of specialist expertise and experience, but need to maintain quality through tender and monitoring procedures (Local Government White Paper)</p>	<p><u>Health:</u> NDOH PPP task team 2000 DOH Health Sector Strategic Framework 1999-2004 ECDOH 1998 NDOH 2001</p> <p><u>Non-Health:</u> Dept Constitutional Development DBSA 2000 White paper on Local Govt</p>

<p>4) PRIVATE FINANCE INITIATIVE/PPPs</p> <p>Including leases and concessions</p>	<p>Health: develop to provide capital funding that public sector cannot afford, with (following Treasury guidelines) clear benefits to patients, value for money, affordability, savings to health care purchasers, good management (risk central to these arrangements)</p> <p>Non-health: e.g. To exploit economies of scale and improve coordination at point of service delivery; and, for large scale capital investment, to transfer risk in return for responsibility for revenue generation (Local Government White Paper)</p>	<p><u>Health:</u> NDOH 2000 NDOH 2001 NDOH Health Sector Strategic Framework 1999-2004</p> <p><u>Non-Health:</u> Treasury Regulations 1999 White Paper on Local Govt Dept Constitutional Development DBSA 2000</p>
<p>5) OTHER</p> <p>e.g. Public subsidisation of private services</p> <p>e.g. Ownership transfer</p>		<p><u>Health:</u> NDOH 2001</p> <p><u>Non-Health:</u> White paper on Local Govt</p>

PPI objectives

Category	Objectives	Sources
<i>Set 1: PPIs that manage relationships</i>		
Formal dialogue	<ul style="list-style-type: none"> • Facilitating discussion between the sectors • Building trust • Initiating service delivery PPIs 	<ul style="list-style-type: none"> • Interview data
Informal dialogue	<ul style="list-style-type: none"> • Facilitating discussion between the sectors • Building trust • Initiating service delivery PPIs 	<ul style="list-style-type: none"> • Interview data
Policy	<ul style="list-style-type: none"> • Facilitating discussion between the sectors 	<ul style="list-style-type: none"> • Interview data
Patient transfer policy/protocols	<ul style="list-style-type: none"> • Avoiding conflict of interest between the sectors 	<ul style="list-style-type: none"> • Interview data
<i>Set 2: Service delivery PPIs</i>		
Purchased services	<ul style="list-style-type: none"> • Improve access • Improve quality of care • Improve service delivery in areas of need • Promote public health role of private practitioners. • Tapping into external expertise 	NDOH (2000), NDOH (2001), ECDOH (1998), Moorman (2001), White Paper on Local Government, interview data, survey data.
Outsourced Non-Clinical Services	<ul style="list-style-type: none"> • Reduce costs • Improved access • Improved quality of care • Shifting risk of capital investment to private sector. 	NDOH(1999), NDOH (2000), NDOH (2001), ECDOH, Dept of Constitutional Development (??), DBSA (2000), White Paper on Local Government, Interview data, survey data.

Joint-Ventures	<ul style="list-style-type: none"> • Higher quality services • Lower costs • Revenue generation • Improved access • Improved efficiency via improved resource use 	NDOH (1999), NDOH (2000), NDOH (2001), ECDOH (1998), Moorman (2001), Interview data, survey data.
PFIs	<ul style="list-style-type: none"> • Access to private sector finance and expertise • Value-for-money • Affordability • Savings to health care purchasers • Improved management • Addressing infrastructure backlogs 	NDOH (1999), NDOH (2000), NDOH (2001), National Treasury (1999), interview data.
PPPs	<ul style="list-style-type: none"> • Risk transfer to private sector • Affordability • Value-for-money • Improved economies of scale • Improved service delivery 	National Treasury (1999), White Paper on Local Government, Department of Constitutional Development (?), DBSA (2000), Interview data.
Other <ul style="list-style-type: none"> • Tax relief and Asset Swap 	<ul style="list-style-type: none"> • Improve access • Addressing infrastructure backlogs 	NDOH (2001), White Paper on Local Government

Complexities of PPI

	<i>Capital Financing</i>	<i>Recurrent Financing</i>	<i>Capital Ownership</i>	<i>Healthcare Provider</i>	<i>Demand Decision-maker</i>
Purchased Services					
Session Doctors	Public	Public (collective tax)	Public	Private/ Public (blurred)	Public
Renal Treatment	Private	Public (collective tax)	Private	Private	Public
Outsourcing Non-Clinical Services					
Outsourcing Management	Public	Public (collective tax)	Public	N/A	N/A
Outsourcing transport	Private	Public (collective tax)	Private	N/A	N/A
Joint-Venture					
FS Hospital co-location	Public & Private	Public & Private	Public & Private	Public & Private	Public & Private (individual)
WC Co-location	Private	Public	Private reverting to public	Public & Private	Public & Private (individual)
Differentiated Amenities	Public	Public (collective tax)	Public	Public	Private (individual)
PFI					
Nkosi Albert Luthuli	Private (equipment) & Public (facility)	Public (collective tax)	Public	Public	N/A
Other					
Asset Swap	Private	Public	Public	Public	Public

Key actors, objectives and drivers

Actors	Objectives	Drivers
Public Sector Actors		
National Department of Health	<ol style="list-style-type: none"> 1. Strengthening the health system 2. Cost containment in the health sector 3. Revenue Generation 4. Improving equity of financing and access 5. Improving efficiency 	<ol style="list-style-type: none"> 1. Fragmented health system 2. Cost-escalation in the private sector 3. Budgetary constraints 4. Mal-distribution of resources across public/private sector relative to population served, leading to poor coverage and access for poorest income groups; as well as poor value for money of South African health system (as shown by low rating in World Health Report 2001) 5. Budgetary constraints; under-utilised resources within the system.
Provincial Departments of Health	<ol style="list-style-type: none"> 1. Improving efficiency 2. Improving equity 3. Improving quality of care 4. Strengthening the health system 5. Revenue generation 6. Capacity building 7. Staff retention 	<ol style="list-style-type: none"> 1. Budgetary constraints, need to improve service delivery, under-utilised resources within the system 2. Need to improve access 3. Low morale, public expectations 4. Fragmented health system 5. Budgetary constraints and need to improve service delivery 6. Capacity constraints 7. Staff exodus abroad and to private sector
Local Government Health Departments	<ol style="list-style-type: none"> 1. Meet infrastructure requirements 2. Reduce costs 3. Capacity building 4. Enhance efficiency 5. Equity 	<ol style="list-style-type: none"> 1. Infrastructure backlogs 2. Budgetary constraints 3. Capacity constraints 4. Budgetary constraints, need to improve service delivery, under-utilised resources within the system 5. Improving access.
National Treasury	<ol style="list-style-type: none"> 1. Shifting risk to the private sector 2. Value-for-Money 3. Addressing infrastructure backlogs 	<ol style="list-style-type: none"> 1. Budgetary constraints 2. Budgetary constraints 3. Infrastructure backlogs

Private Sector Actors		
Private Funders	<ol style="list-style-type: none"> 1. Reduce costs 2. Improve access 3. Improve efficiency 4. Strengthening the health system 	<ol style="list-style-type: none"> 1. Cost escalation in private sector 2. Lack of access to medical insurance and private healthcare; declining market; market saturation 3. Under-utilised resources within system
Actors	Objectives	Drivers
	<ol style="list-style-type: none"> 5. Profit 6. Enhancing trust between the public and private sectors 	<ol style="list-style-type: none"> 4. Fragmented health system 5. Declining market; market saturation 6. Lack of trust between the sectors
Private Hospital Companies	<ol style="list-style-type: none"> 1. Enhanced efficiency 2. Improved perceptions of the private sector 3. Profit 4. Staff retention 5. Enhancing trust between the public and private sectors 	<ol style="list-style-type: none"> 1. Duplication in health system 2. Negative perceptions of private sector by government 3. Declining market; market saturation 4. Personnel exodus abroad 5. Lack of trust between the sectors
Other Private Providers	<ol style="list-style-type: none"> 1. Profit 2. Strengthening the health system 	<ol style="list-style-type: none"> 1. Declining market; market saturation 2. Fragmented health system
Social Actors		
Trade Unions	<ol style="list-style-type: none"> 1. Strengthening the public sector 2. Improving equity 3. Protecting workers 	<ol style="list-style-type: none"> 1. Declining budgets, deteriorating public sector 2. Lack of access to healthcare 3. Fear of job losses and job insecurity with PPIs.
<p>Note: (a) The numbering of the objectives and the drivers indicates the linkages between them (i.e. objective 1 for any actor is underlain by driver 1)</p> <p>Source: interview data, document review and media review</p>		