JETIR.ORG ISSN: 2349-5162 | ESTD Year : 2014 | Monthly Issue

JOURNAL OF EMERGING TECHNOLOGIES AND INNOVATIVE RESEARCH (JETIR)

An International Scholarly Open Access, Peer-reviewed, Refereed Journal

Management of Public Private Partnerships in Health Care Sector in India

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ABSTRACT

The fast-changing world has generated lot of complexities in the business environment. Liberalization of the Indian business environment through modification in the industrial, trade and fiscal policies by the Government has brought in changes and competition of a magnitude that was previously unknown to Indian organizations. In the new liberalized scenario, where multinationals and other global players are competing in the domestic market, the management of organizations is expected to be more productive and efficient for survival. In order to survive, Indian organizations are being forced to undergo massive changes. It is almost impossible to face these massive changes alone. This is especially true in providing health care services to the masses where prices are raising constantly, changing disease patterns and increased use of sophisticated technology for diagnosis and treatment. This made it virtually impossible to imagine any single organization providing services without some type of institutional partnership. Public-private partnership (PPP) is a mode of implementing governmental programmes in partnership with the private sector. These partnerships may range from global partnerships between multinational companies and local partnerships, between private physicians and Government clinics. In this context, the paper discusses the related literature available on PPPs, the objectives and principles of PPPs, various forms of PPPs and models that are being followed in other developed and developing countries. In addition to the above, the paper also looks at existing frame work of PPPs, key success factors for PPP in Health care sector, application of PPPs in Indian health care sector and challenges that are being faced in the management of PPPs. In Conclusion, authors tried to make some meaningful suggestions that improve the efficiency in working of PPPs in general and PPPs in Health care sector in particular.

Key words: Public-Private Partnership, Institutional partnership, health care sector

Introduction

In today's world of complexity and rapid pace it is almost impossible to do anything alone. These partnerships may be ranging from global partnerships between multinational companies and multilateral donors to local partnerships between private physicians and Government clinics. Partnerships may vary in terms of financing from millions of dollars to the sharing of non-financial resources. Public-Private Partnership in the context of the health sector is an instrument for improving the health of the population. PPP is to be seen in the context of viewing the whole medical sector as a national asset with health promotion as goal of all health providers, private or public. The Private and Non-profit sectors are also very much accountable to overall health systems and services of the country. Therefore, synergies where all the stakeholders feel they are part of the system and do everything possible

to strengthen national policies and programmes needs to be emphasized with a proactive role from the Government. Over the years the private health sector in India has grown markedly. Today the private sector provides 58% of the hospitals, 29% of the beds in the hospitals and 81% of the doctors. The private providers in treatment of illness are 78% in the rural areas and 81% in the urban areas. The use of public health care is lowest in the states of Bihar and Uttar Pradesh. The reliance on the private sector is highest in Bihar. 77% of OPD cases in rural areas and 80% in urban areas are being serviced by the private sector in the country. But unfortunately, the private health sector is most unregulated sector in India. The quantum of health services the private sector provides is large but is of poor and uneven quality. Services, particularly in the private sector have shown a trend towards high cost, high tech procedures. The private sector is easily accessible, better managed and more efficient than its public counterpart. Given the overwhelming presence of private sector in health, there is a need to regulate and involve the private sector in an appropriate public-private mix for providing comprehensive and universal primary health care to all.

Key Thrust Areas for Health Care PPP

The scope of PPP initiatives in India has spanned disease surveillance, purchase and distribution of drugs in bulk, contracting specialists for high risk pregnancies, National disease control programmes, social marketing, adoption and management of Primary Health Centers, collocation of private facilities like Blood Banks, Pharmacy, subsidies and duty exemptions, joint ventures, contracting out medical education and training, engaging private sector consultants, pay clinics, discount vouchers, self-regulation, R&D investments, telemedicine, health cooperatives and accreditation. While these have been spread out in time and space and occurred on an ad hoc basis, the idea of PPP as a scalable and long-term solution to Indian health care brings up some key thrust areas along which private sector participation will have a maximum impact. Following are the key thrust areas:

- Infrastructure development.
- Management and operations.
- Capacity building and training
- Financing mechanism
- IT infrastructure development for networking and data transfer.
- Materials management

Existing Frameworks of PPPs

In most cases, the public sector retains ownership of the asset and is responsible for financing the initiative. PPP allows the public sector to harness the private sector management and delivery capability along with raising additional finance to deliver specified services. PPP arrangements vary across a risk-return spectrum depending on the degree of private sector involvement, use of private finance and risk transfer. The following table describes the different PPP modalities[1].

Table 2: Different types of PPP models

Management contract	The infrastructure is owned by Public Sector with private participation in operating and managing the facility typically for a fee typically to improve quality with contract period defined and linked to quality of service
Leasing	Public sector infrastructure is on a short to medium term lease to private players who operate the facility with specific buy back arrangements from the Government during the lease period in the form of a percentage of beds or other subsidies on capital expenditure
Joint Venture	Generally formed as a legal entity or an SPV, with equity participation from both the Government and private players. Government contributions can vary from up front capital infusion into the SPV, land lease or financial

[1] Asian Development Bank report on PPP in Health and Education sectors in India, April, 2008

	concessions on capital infused by private player. Equity objectives can be achieved through specific arrangements like a buy back by Government on a certain percentage of beds.
BOO / BOT	The public sector contracts with a private entity to design, build and operate the capital asset. The public sector remains responsible for raising the required capital and retains ownership of the facility. This type of PPP is also called "Build own and Operate" BOO The private sector is assigned all aspects of the project. The ownership of the new facility is transferred to the private sector- either indefinitely, or for a fixed period of time. This type of arrangement also falls within the domain of PPP. This arrangement is also referred to as Build operate, Own, Transfer ("BOOT")
Concession	These works more like a long-term lease where a private player takes over the Management of a state owned enterprise including significant investment risks. The ownership and investment decisions during the lease period no longer remain with the state. The Government regulation may stipulate a certain percentage of services on identified demand segments through schemes like prepaid vouchers.

Objectives of PPPs in Health care sector

- Improving quality, accessibility, availability, acceptability and efficiency.
- Exchange of skills and expertise between the public and private sector.
- Mobilization of additional resources.
- Improve the efficiency in allocation of resources and additional resource generation.
- Strengthening the existing health system by improving the management of health within the Government infrastructure.
- Widening the range of services and number of services providers.
- Clearly defined sharing of risks.
- Community ownership.

Principles of PPP in Health Care Sector

Although the approaches are different for each typology to resolve the health crisis currently in hand, there are certain common underlying principles guiding each one, which are enumerated below.

- Setting up of common goals and objectives which are committed by all the partners.
- Outcome based planning
- Joint decision-making process
- Accountability and responsibility set out for each partner
- Sharing of costs and resources are done on the basis of equity.
- Regular meetings among the partners to discuss issues at hand and planning and coordinating for the future.
- A clear understanding of the strengths and weaknesses of the partners.
- The monitoring mechanisms are made sound in order to address the diversity of the partnerships.
- Financial sustainability
- Effective communications are key to the public's understanding of public-private partnerships.
- PPP involves a long-term relationship between the public sector and the private sector.

Literature Review on PPP

The application of PPP mechanism poses an opportunity to Governments as it is a way to improve service delivery within the country and construct new facilities. From the literature, it becomes clear that main benefits usually attributed to PPPs are accelerated provision of infrastructure projects as a result of using private sector finance and better value for money due to private sector innovation[2]. According to Roth[3] private sector participation in Health Services has been prevalent in developing countries over years. White[4] studied what made worked Governments to enter into PPPs. The important reason according to White is to improve the quality of public services and levels of customer satisfaction.

During 1980s Health care Management have had influenced in two ways. First new analytical tools enable managers to better evaluate health interventions economically. Drumond[5] describe the shift in analysis from cost-minimization, to cost effectiveness, to cost utility, to cost benefit. Mills & Shillcut[6] performed cost-benefit analysis for communicable diseases treatment and basic health services and found benefits exceeding costs for all measured interventions by rations. Leonard studies the substantial motive to maximize incentives to compel these interventions to occur despite real challenges such as market failure or inadequate state apparatus. Hirschman made an attempt to study organizational pluralism and impact of multiple providers.

Chandhoke[7] argues that decentralization generally undermines the state capacity and accountability. This has been particularly contentions when private sectors are involved. Musgrove[8] asserts that is settings of poverty or where capable private partners can complement state service provision, the conventional domains of public and private goods are quite irrelevant. Alliances between public and private providers became more predominant in early 1990s. Burke[9] studied early public-private alliances such as the children's vaccine initiative floundered due to distrust, divergent objectives and coercive competitions among partners. Reich[10] in his study said that PPPs after 2000 are becoming increasingly innovative, particularly as they achieve synergies between public and private sectors, and more likely to produce desired outcomes, In the study of Kick busch[11] mentioned that PPPs have become largely institutionalized and are seen simultaneously as a best practice and a sort of minimum ethical standard by WHO. Frank[12] described the importance of the state creating and funding an efficient health care system in order to send soldiers to army and reinforce the state's legitimacy.

Drummond[13] opined that it is becoming difficult to commoditize illness or health, or the myriad costs and benefits that are consumed or created in the process of imparting public Health. Leonard[14] in his study emphasized the role of religious and charitable sources to provide funding for health care. Sengupta and Sinha[15] in their study earmarked that PPPs are currently enjoy remarkable acclaim in official, scholarly and industry circles. Croft[16] studied the attrition rate of private providers and found that it is remarkably high and public partners are often have difficulty understanding the private participants.

The Application of PPPs: An International Perspective:

[2] Katz,D, 2006. Financing Major infrastructure projects in public private partnerships. Policy perspective paper. NewZealand Treasury.
[3] Roth, G, 1988, The Private provision of public services in developing countries, Oxford: Oxford University press.
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[10] Reich Michael, 2002, Public-Private Partnerships for Public Health, Cambridge, MA; Harvard Univsersity press.
[11] Kick bush I Jj Quick, "partnerships for health in the 21st century" world health statistics quarterly 51(1) pp 68-74.
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[13] Drummond MF 1980, Principles of Economic Apprisal in health care,Oxford: Oxford University Press
[14] Leonard, Kenneth and David Leonard, 2004, The Political economy of improving health care for the poor in rural Africa: Institutuonal solutions to the principal- Agent problem, Journal of Development studies 40(4), pp 50-77.
[15] Sengupta, Joydeep and Jayanth Sinha, 2004, Battling AIDS in India, the Mc Kinsey Quaterly 2004(3):pp11-13
[16] Croft, Simon, 2005, Public private partnership from there to here, Transactins of the Royal Society of Tropical Medicine and Hygiene, 99, pp 9-14

Public services are generally considered to be the responsibility of Government, whether central, state or Local government. Because of alarming pressures on Government budgets it has become clear that Government alone cannot provide these services. Hence the Government is inviting private sector as a public service delivery partner.The concept of PPPs has been used in France to privately Finance Public infrastructure since 17th century. The evolution of PPPs accelerated in the UK with the private finance initiative (PFI) launch following the decline in investment in the UK, Australia and New Zealand in 1990[17]. Then Governments over the world have established PPP programmes to address infrastructure delivery backlogs in their countries. Countries with significant PPP programmes include America, Australia, UK, Canada, India, Brazil and Japan. An increasing number of countries have started to use PPPs for the provision of health sector accommodation and related services. An overview of PPPs in countries such as Australia, UK, Brazil, Canada where the concept of PPP has been in operation for some time is given below.

The United Kingdom:

The Public finance initiative policy in UK was introduced in 1987 with the channel tunnel project. Though British Government was optimistic that PPPs would be swamped by an innovative and huger private sector, the reality was different but the progress of PPPs was disappointingly slow[18]. The Health care sector in the UK makes use of different PPP models to build hospitals. A Build, Operate, Transfer (BOT) scheme is a typical form of project financing adopted for a wide variety of types of projects where limited recourse finance is provided and economic viability of the project depends on the revenue stream available from the completion of project.[19] The UK schemes under the private finance imitative are also referred to as DCMF (Design, Build, Finance and Operate). One of the main objectives of PUBLIC FINANCE initiative was the transformation of public sector bodies from being owners and operators of assets into purchasers of services from private sector.

Australia:

The Australian Government has extensive experience with private delivery of public infrastructure since the early 1980s. Australia has had a range of privately financed infrastructure projects spread across various sectors including transport, health, education, Justice, defense, energy and utilities. The Australian PPPs model at the local levels is characterized by budgetary disciplines which leads to low debt levels among local authorities which led to a higher credit worthing and high market confidence. Australian states have different policy documents governing the identification, establishment and operation of PPPs. These documents are governed by manuals first released by the State Government of Victoria in 2001. Another feature of the Australian PPP environment is that PPP transactions are open to the international bidders in most cases.

Brazil:

PPPs in Brazil were enacted in December 2004. PPP law and Federal Law No.11.079 were expected to be one of the greatest apparatus for fresh investment in the infrastructure sector allowing the continuing growth of Brazilian record exports[20] with PPP project. The State aims at contracting a long-term service that may well entail the construction of a basic facility but the operation and maintenance risks are transferred to the private sector. Some of the salient features include private sector remuneration is guaranteed by the Government, projects must be a minimum term of 5 years. Remuneration of private sector is conditioned to the conclusion and proper operating of the project. Another important feature is the creation of special fiduciary fund in case of public sector default and the use of arbitration as a dispute resolution mechanism.

Canada:

In British Columbia, a province is Canada. The PPP model has developed and progress for a number of years from 1980 and has been successful. This can be attributed to a strong and dedicated commitment by the

[17] Broad bent, J.Laughlin,R,2003, public private partnerships - An introduction, Accounting,Auditing, Accountability Journal, Vol.16.No.3.

[18] Grimsey.L, lewis, M, 2004 public private partnerships the world wide revolution in infrastructure provisions and project finance, Northampton, Edward Elgar publishing p.318

[19] Ashurst PPP workshop 2007, United Kingdom, 4-8 June 2007, western cape provincial treasury PPP study tour.

[20] Franco, I,2007, partnerships in Brazil, A promising tool for new investors, Discussion paper.

Government to ensure quality public infrastructure delivery that demonstrates value for money for tax payers.[21] The Government has also placed a lot of emphasis on solid project management as a critical factor for successful PPP agreements. One of the successful PPP projects is ambulatory care center which was a combine effort between the State and the University of British Columbia. Some of the salient features of Canadian PPPs include – PPP projects are only pursued after a feasibility study has been done. The process is characterized by sound business cases. Government is able lure banks like ABN Ambro to finance PPP projects. Careful analysis of projects to ensure tax payers interest are protected and more vigorous approach to the concept of PPPs is giving success to the projects.

The Application of PPPs in India

Public private partnership has emerged as one of the options to influence the growth of private sector with public goals in mind. Under 10th Five Year plan (2002-07) initiatives have been taken to define the role of Government, private and voluntary organizations in meeting the growing needs for health care services including national health programmes. The midterm appraisal of Tenth five-year plan also advocates for partnership subject to suitability at the primary, secondary and tertiary level. National health policy 2002 also envisages the participation of the private sector in primary, secondary and tertiary care and recommended suitable legislation for regulating maximum infrastructure and quality standards in clinical establishments. The Ministry of Health and Family Welfare, Government of India has also evolved guidelines for public private partnership in different national Health programmes under the reproductive and child health programme during 2005-09, several initiatives have been proposed to strengthen social franchising initiatives. National rural health mission (2005-12) supports the development and effective implementation of regulatory mechanism for the private health sector to ensure equity, transparency and accountability in achieving public health goals.

During last few years, the center as well as the state Governments has initiated a wide variety of PPP arrangements to meet the growing health care needs of the population under five basic mechanisms in the health sector.

1. Contracting in – Government hires individual on a temporary basis to provide services.
2. Contracting out – Government pays outside individual to manage the specific function.
3. Subsidies – Government gives funds to private groups to provide specific services.
4. Leasing or rentals – Government offers the use of its facilities to a private organization.
5. Privatization – Government gives or sells a public health facility to a private group.

Some of the on-going initiatives in public private partnerships in selected states include:

A. Partnership between the Government and the for-profit sector

i) The Sarvai Man Singh Hospital, Jaipur has established a life line Fluid drug store to contract out low-cost high-quality medicine and surgical items on a 24-hour basis inside the hospital. The SMS hospital has also contracted out the installation, operation and maintenance of CT- scan, MRI services to private agency.

ii) The Uttaranchal Mobile Hospital and Research center is three-way partnership among the technology information, forecasting and the Birla Institute of Scientific Research.

iii) Contracting in of services like cleaning and maintenance of buildings, security, waste management, scavenging, laundry, diet etc. to the private sector.

iv) Government of Andhra Pradesh has initiated the Arogya Raksha scheme in collaboration with the New India Assurance Company and with private clinics.

[21] Carson, S.2004. Public private partnerships in Canada -successes, opportunities and challenges. Hongkong institute of surveyor, Anniversary conference on PPPs Hongkong may 29.

B. Partnership between Government and the Non-Profit sector:

i) The Government of Gujarath has provided grants to Sewa – Rural in Gujarath for managing one PHC and three CHCs. The NGO provides rural Health, medical services and manages the public health institutions in the same pattern as the Government.

ii) The Municipal Corporation of Delhi and Arpana Trust in India and in the United Kingdom have developed a partnership to provide comprehensive health services to the urban poor in Delhi.

iii) Management of PHCs in Gumballi and Sanganahalli was contracted out by the Government of Karnataka to Karuna Trust in 1996.

iv) The urban slum health care project in A.P. Ministry of Health and family Welfare Contracts NGOs to manage Health centers in the slums of Adilabad.

C. Partnership between the Government and a private service provider:

i) Department of Health and Family Welfare has appointed one additional ANM on contractual basis in remote sub centers. Another example to quote is Public Health staff nurses have been appointed on a contractual basis at PHCs/CHCs having adequate infrastructure for conducting deliveries.

ii) Department of AYUSH envisages accreditation of organizations with the MOHFW for Research and Development in order to be eligible for financial assistance under the scheme of extra mural research.

D. Partnership between the Government and private sector/Non-profit sector/private service provider/multilateral agencies:

i) National Malaria Control Programme has involved the NGOs and private practitioners at the district level for the distribution of medical mosquito nets.

ii) The National AIDS control programme has involved both the voluntary and private sector for out reaching the target population through targeted interventions.

iii) The Rajiv Gandhi Super Specialty hospital in Raichur Karnataka is a joint venture of the Government of Karnataka and the Apollo Hospitals Group with financial support from OPEC (Organization of Petroleum Exporting Countries). The basic reason for establishing partnership was to give super specialty health care at low cost to the people below poverty line.

iv) The Karuna trust in collaboration with the national Health Insurance Company and the Government of Karnataka has launched a community health insurance scheme in 2001.

v) The Government of Karnataka, the Narayana Hrudayalaya hospital in Bangalore and the Indian Space Research organization initiated an experimental tele-medicine project called “Karnataka integrated Tele-medicine and Tele-health project, which is an online health Care initiatives in Karnataka.

vi) The Yeshasvini cooperative farmer’s health care scheme is a Health Insurance scheme targeted to benefit the poor. It was initiated by Narayana Hrudayalaya, Super Specialty Heart Hospital in Bangalore.

vii) A Rogi Kalyan Samithi was formed in Bhopal’s Jai Prakash Government Hospital to manage and maintain it with public co-operation.

Challenges faced in the operationalization of PPPs:

The existing evidence for PPP does not allow for easy generalizations. However, it appears that despite additional efficiencies, the objective of additional resources is not met, as state revenue remains the bed rock of all services. The evidence also reveals great disparity in services and in remuneration. As is evident the objectives of the initiatives have been to overcome some of the deficiencies of the public sector health systems. Contracting is the predominant model for Public Private Partnerships in India. Some partnerships are simple contract others are more complex involving many stakeholders with their respective responsibilities. It is seen that in most partnerships; the State Health Department is the principal partner with rare stakeholder consultation. In most of the cases it signs contracts with very few cases of Hospital Management societies signing the contracts in a decentralized manner. It is observed that more than 75% of the projects have been located in backward areas of state. However true partnerships in sense of quality amongst the partners, mutual commitment to goals, shared decision making and risk taking are rare.

The case studies also bring to fore genuine concerns summarized interims of absence of representation of the beneficiary in the process, lack of effective Governance Mechanisms for accountability, non-transparent mechanisms, lack of appropriate monitoring and Governance systems and institutionalized management structures to handle the tasks. It is seen that the success or failures of the initiatives are as much dependent on the above issues as on the political Environment, Legal frame work of the negotiation, the capabilities of the partners, the risks and incentive each party incur funding and the payment mechanisms, cost and price analysis prior to negotiation, standardization of norms, performance measurement and monitoring and evaluation systems.

Conclusion

Public-Private Partnership (PPP) is a mode of implementing Government programmes / schemes in partnership with the private sector. The term private in PPP encompasses all non-Government agencies such as corporate sector, voluntary organizations, self-help groups, partnership firms, individuals and community-based organizations. PPP subsumes all the objectives of the service being provided earlier by the Government and is not intended to compromise on them. The roles and responsibilities of the partners may vary from sector to sector. While some schemes/projects, the private provider may have significant involvement in regard to all aspects of implementation, the others may have only a minor role. There are many benefits with PPP. It is Cost effective. Higher productivity becomes possible. Accelerated delivery of service with clear customer focus leads to enhanced social service.