

# Towards a balanced cooperation of public and private sectors

Experiences from Portugal

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**Table 1 - Healthcare Funding and Provision – Public/Private Mix**

|           |         | Funding |         |       |
|-----------|---------|---------|---------|-------|
|           |         | Public  | Private | Total |
| Provision | Public  | 40,3%   | 1,6%    | 41,9% |
|           | Private | 29,6%   | 28,5%   | 58,1% |
|           | Total   | 69,90%  | 30,1%   | 100%  |

Source: Simões, J. et al. – National Health Service Financial Sustainability Report, 2008

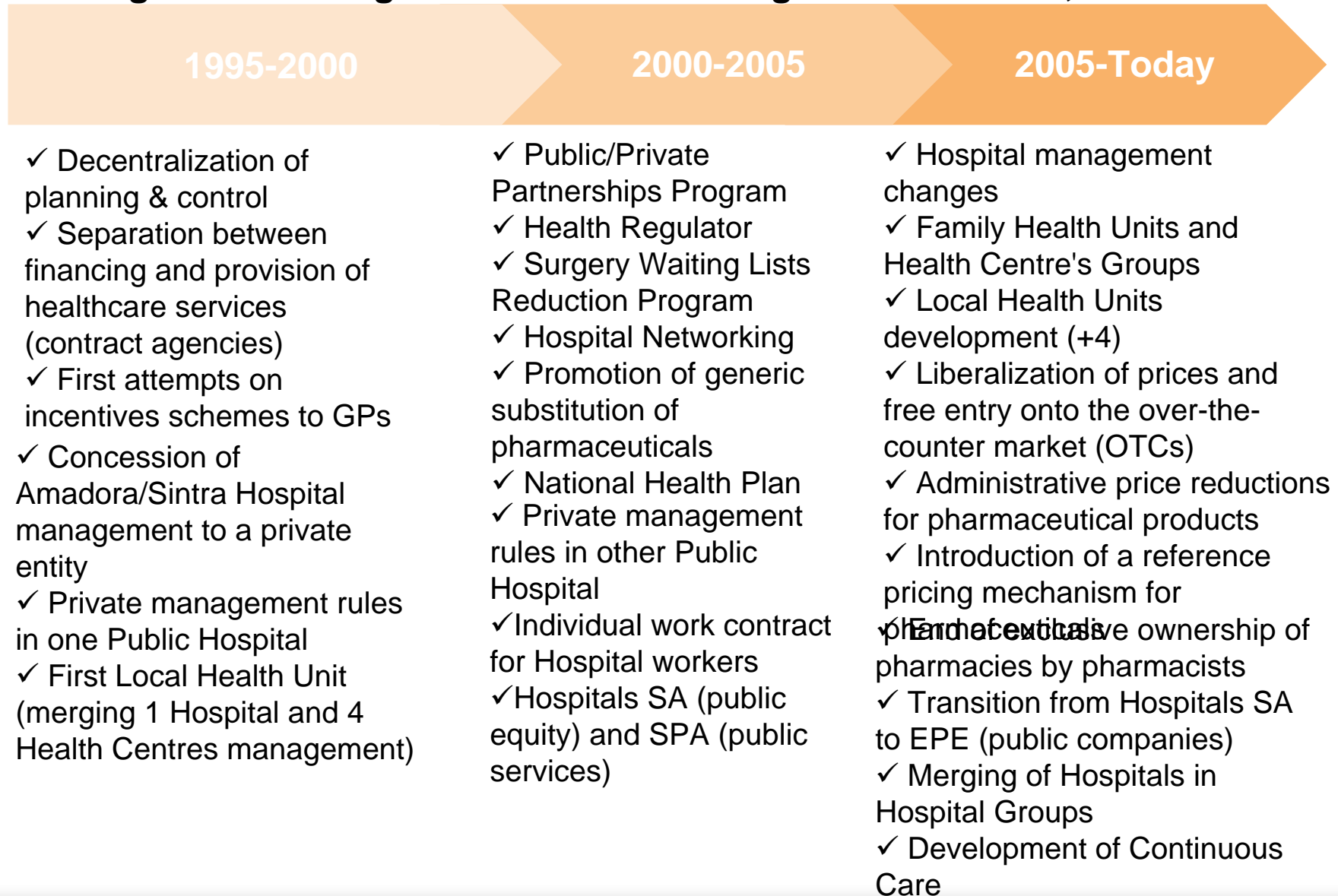
**Table 2 - Health Expenses funding structure – Portugal 2000, 2004**

|                           | 2000  | 2004  |
|---------------------------|-------|-------|
| Private Health Insurances | 1,4%  | 2,4%  |
| Private Sick Funds        | 1,7%  | 2,2%  |
| Other private             | 2,2%  | 1,3%  |
| Public Sick Funds         | 6,1%  | 6,7%  |
| National Health Service   | 60,3% | 57,2% |
| Other public*             | 6,1%  | 7,7%  |
| Families expenses         | 22,2% | 22,5% |

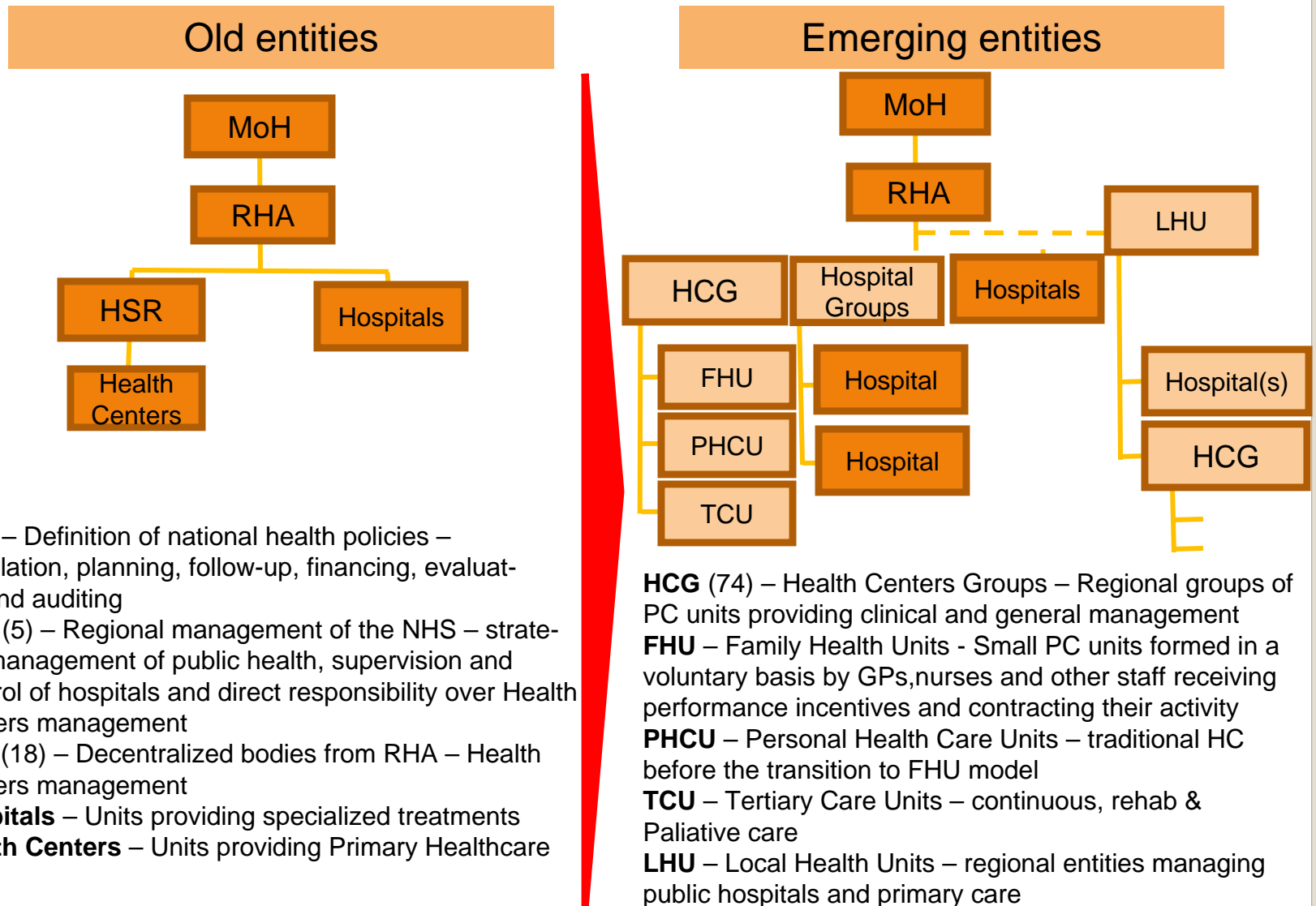
\* - Including Tax deductions

**Source: National Statistics Institute, 2000 and 2004**

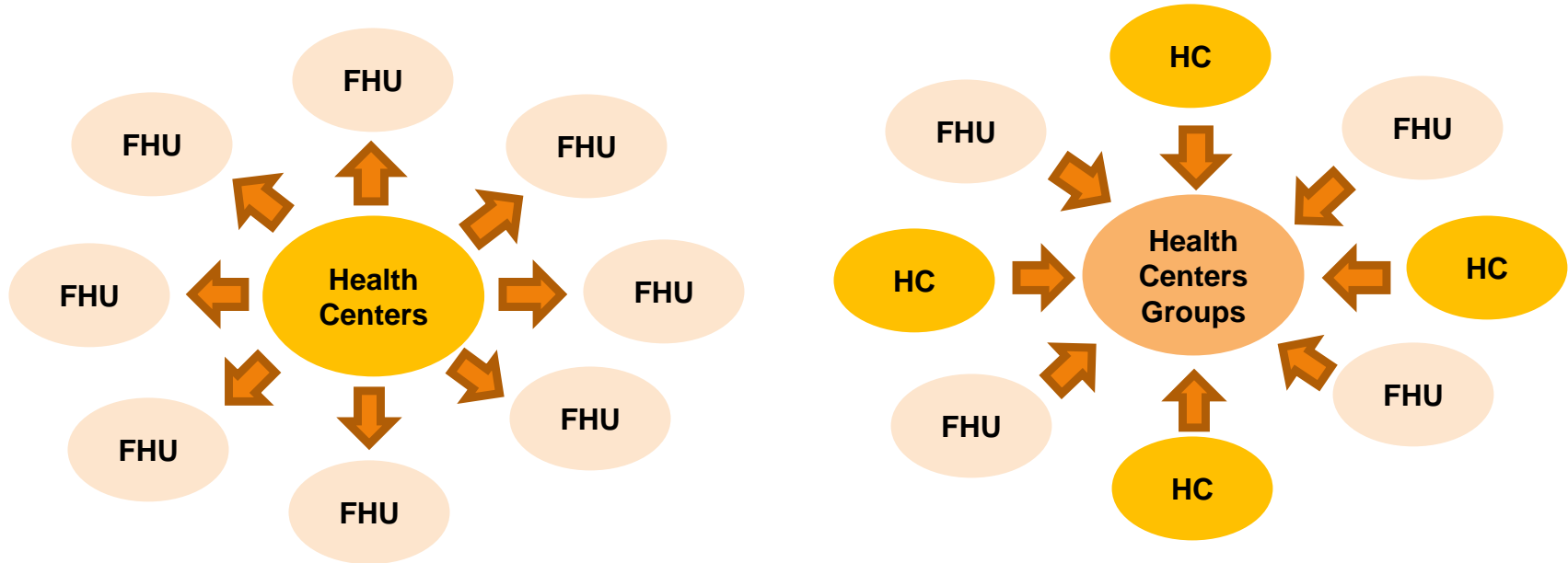
## Figure 1 – Portuguese NHS main strategies and reforms, 1995/2009



## Figure 2 - New stakeholders are emerging in the NHS



**Figure 3 - Primary care main tendencies**



**1st step – Decentralization of PC in small units  
– Family Health Units**

- Promoting self organization of health professionals (doctors, nurses and other staff) in small teams providing closer PC assistance to individuals and families
- Each FHU covering 10,000 – 15,000 people

**2nd step – Aggregating the management of  
small Units**

- Centralized scarce resources to gain from economies of scale and talent
- Providing professionalized management
- Providing technical and clinical guidance to small units
- Covering 100,000-200,000 people

## Main Portuguese Private Health Groups



Private Portuguese Hospitals



José de Mello, Health



Portuguese Health Group



Trofa Health Group



Espírito Santo, Health

**Table 3 – Contracting-out impact on % of public expenditures (1<sup>st</sup> semester 2009)**

|                               | <b>Primary<br/>Healthcare</b> | <b>Hospitals</b> | <b>Total</b> |
|-------------------------------|-------------------------------|------------------|--------------|
| <b>Diagnostic</b>             | 13,7%                         |                  |              |
| <b>Therapeutic</b>            | 9%                            |                  |              |
| <b>Pharmacies</b>             | 40,6%                         |                  |              |
| <b>Patients<br/>Transport</b> | 1,8%                          |                  |              |
| <b>Other</b>                  | 7,8%                          |                  |              |
| <b>Total</b>                  | <b>72,9%</b>                  | <b>5,1%</b>      | <b>31,9%</b> |

~~Source: Health System Central Administration, 2009~~

**Table 4 – Evolution of Surgical Demand and offer 2006-2009**

| Indicators/Year  | 2006                 | 2007                   | 2008                   | 2009<br>1st<br>sem.   | 2006/2008 |
|--|----------------------|------------------------|------------------------|-----------------------|-----------|
| <b>New Patients in Surgical<br/>Waiting Lists / Public<br/>Hospitals</b> | 426.94<br>9          | 497.81<br>3            | 522.47<br>0            | 281.85<br>3           | +22,4%    |
| <b>Operated Patients / Public<br/>Hospitals</b>                          | 331.47<br>9<br>(96%) | 375.41<br>8<br>(93,1%) | 426.00<br>7<br>(93,5%) | 231.67<br>8<br>(94,9) | +28,5%    |
| <b>Operated Patients / Private<br/>Hospitals</b>                         | 13.842<br>(4%)       | 27.643<br>(6,9%)       | 29.496<br>(6,5%)       | 12.486<br>(5,1%)      | +113,1%   |

Source: Surgical Waiting List Management Central Unit

**Table 5 – Registered Patients Waiting List, 2005-2009**

| Indicators/Year                           | 2005    | 2006   | 2007   | 2008   | 2009*  | 2005/2009 |
|---|---------|--------|--------|--------|--------|-----------|
| <b># Registered Patients</b>              | 248.404 | 221.20 | 197.15 | 174.17 | 169.46 | -31,8%    |
| <b>Waiting Time Median (months) - WTM</b> | 8,6     | 6,9    | 4,4    | 3,7    | 3,4    | -60,5%    |
| <b>% Patients &gt; WTM</b>                | 54%     | 46%    | 27,50% | 22,80% | 19,50% | -63,9%    |

\* 1st semester

Source: Surgical Waiting List Management Central Unit

**Table 6 –Contract Model for Public/Private Partnerships**

| <b>Contract Object</b> | <b>Conception, construction, funding, maintenance and operation of hospital building</b>                                   | <b>Healthcare Provision</b>   |
|------------------------|--|---|
| <b>Duration</b>        | 30 years   | 10 years  |
| <b>Responsibility</b>  | Hospital Building Management Company   | Hospital Management Company   |
| <b>Activity</b>        | Conception, construction and maintenance of hospital facilities, <i>hard facilities management and heavy fix equipment</i> | Hospital management, clinical management, <i>soft facilities management</i> and light equipment   |
| <b>Payment</b>         | According to availability of facilities and equipment  | Fee for service - Discharges, ED visits (fix part for availability and variable part for activity), Outpatient visits, Day Hospital and Surgery,... |

Source: Court of Auditors, 2009

**Table 7 – PPP Program Hospitals**

| <b>Hospitals</b>       | <b>Beds</b> | <b>Location</b> | <b>Competitors</b> | <b>Tender</b> | <b>Kick-off</b> | <b>Winner</b> |
|------------------------|-------------|-----------------|--------------------|---------------|-----------------|---------------|
| Rehabilitation Centre* | 54          | Algarve (South) | 1                  | 2003          | 2007            | SGPS          |
| Loures 1               | 650         | Lisbon          | 4                  | 2004          | Cancelled       | -             |
| Cascais                | 265         | Lisbon          | 4                  | 2004          | 2008            | HPP           |
| Braga                  | 700         | North           | 6                  | 2005          | 2009            | JMSaúde       |
| V.F.Xira               | 250         | Lisbon          | 4                  | 2005          | 2009            | JMSaúde       |
| Loures 2               | 400         | Lisbon          | 2                  | 2007          | 2009            | ESSaúde       |

\* Only management

**Table 8 – Time Consumption in PPP Programs for public hospitals**

| <b>Bids/Hospitals</b>  | <b>Estimated Total Time</b> | <b>Real Total Time</b> | <b>Wasted Time</b> |
|------------------------|-----------------------------|------------------------|--------------------|
|                        | a)                          |                        |                    |
| <b>Loures 1</b>        | 20                          | ~ 31 b)                | 31 c)              |
| <b>Cascais</b>         | 20                          | 40                     | 20                 |
| <b>Braga</b>           | 20                          | 54                     | 34                 |
| <b>Vila F. de Xira</b> | 20                          | 45 d)                  | >25                |
| <b>Loures 2</b>        | 20                          | 30 e)                  | >10                |

Source: Court of Auditors, 2009

- a) Time, in months, between the approval of the tender and its launching to the market and the final visa of the contract by the Court of Auditors (the time for previous preparation and evaluation of each tender is not known)
- b) Till it was cancelled; c) As this tender was cancelled, all the time was considered wasted;
- d) The final result of this tender was known a few weeks ago. The time wasting will be, for sure, over 30 months, because the negotiation of the contract only now has began; e) Contract is still being negotiated, so time wasting will be over 15 months.

**Table 9 - Public/Private Partnership Program final prices examples**

|                     | <b>Cascais Hospital*</b> |               | <b>Braga Hospital**</b> |               |
|---------------------|--------------------------|---------------|-------------------------|---------------|
|                     | <b>1st Offer</b>         | <b>BAFO</b>   | <b>1st Offer</b>        | <b>BAFO</b>   |
| <b>Competitor 1</b> | 526 M€                   |               | 1.125 M€                |               |
| <b>Competitor 2</b> | 466 M€                   |               | 851 M€                  | <b>843 M€</b> |
| <b>Competitor 3</b> | 463 M€                   | <b>373 M€</b> | 1.019 M€                | <b>794 M€</b> |
| <b>Competitor 4</b> | 429 M€                   | <b>359 M€</b> | 1.139 M€                |               |
| <b>Competitor 5</b> |                          |               | 1.136 M€                |               |
| <b>Competitor 6</b> |                          |               | 1.040 M€                |               |

**Source: Journal of Economics Forum on Health, 2007**

\* - 245 beds District Hospital, 30km from Lisbon

\*\* - 700 beds University Hospital, 40 km from Oporto

## Table 10 – Health PPP Program Court of Auditors Audit Conclusions

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### **Sector Planning**

- ✘Lack of strategic tools for sector planning, mainly at the level of health regions

### **Capability Previous Evaluation**

- ✘Health Ministry without PPP previous experience
- ✘Lack of references and systematic information on service requisites
- ✘No previous auto/evaluation of own capabilities
- ✘Absence of adequate planning and control of public entities intervention

### **Public Coherence**

- ✘Absence of a coherent public strategy
- ✘Experimental option to implement the process

### **Model**

- ✘Unknown and complex model
- ✘No consideration of comparable international experiences

### **Project pipeline**

- ✘Absence of a pilot project previously tested
- ✘Launching of a PPP wave without previously knowing outcomes
- ✘Poor management of project pipeline

### **Bid documents**

- ✘Ambiguity of bid documents
- ✘Rigid terms of reference
- ✘Poor definition of proposals evaluation variables

## Table 10 – Health PPP Program Court of Auditors Audit Conclusions (con

### **Procedures Design**

- ✘ Repetitive and bureaucratic procedures, mainly because of no global pre/qualification of bidders
- ✘ Excessive detail of proposals
- ✘ Excessive complexity of final negotiation phase, namely because of approval of execution projects

### **Proposal's Evaluation**

- ✘ Deficient control of Proposals Evaluation Committee's sessions
- ✘ Proposals Evaluation Committees action limited to the approval of external consultants points of view
- ✘ Weak evaluation procedures

### **Resources**

- ✘ Inadequate management of external consultants
- ✘ Inadequate allocation of internal resources

### **Public Management capability**

- ✘ Transactions accumulation and incapability of the State to face problems
  - ✘ Slow assimilation and learning of obtained experience by the State
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**Thank you for your attention!**

