

Public-Private Partnership Stories

India: Bhubaneswar Health Network



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Bhubaneswar is the capital city of Odisha, a low-income state in India. While the government is operating various health insurance schemes for low income families, there is a huge deficit in health infrastructure in the city. The Ministry of Health's (MoH) 300 bed Capital Hospital, the city's main public hospital, is overcrowded and struggling with over 100% occupancy at any given time and many of the MoH clinics are faced with inadequate building maintenance, frequent downtime of essential equipment, and shortage of medical and para-medical staff. The Bhubaneswar Municipal Corporation (BMC) also operates a 106 bed secondary care hospital and 5 public clinics spread across the city. However, the facilities are underperforming and severely underutilized.

To resolve these problems and deliver better quality healthcare to residents, the BMC sought a Public Private Partnership (PPP) to improve existing facilities and to create a new multi-specialty hospital that would relieve the burden on Capital Hospital. A tender was launched in 2016, and in April 2017 Krishna Institute of Medical Science (KIMS) was selected as the private partner.

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This series provides an overview of public-private partnership stories in various infrastructure sectors where IFC was the lead advisor.

IFC
Public-Private Partnerships
2121 Pennsylvania Ave. NW
Washington D.C. 20433
ifc.org/ppp

BACKGROUND

The Government of Odisha has undertaken a number of healthcare reforms aimed at providing accessible, affordable, equitable, and quality healthcare services, especially to the poor and vulnerable sections of society. For this purpose, various government bodies, apart from Ministry of Health, such as BMC, operate medical facilities.

BMC currently offers primary & secondary health care through a 106 bed municipal hospital and 5 clinics. These facilities play a central role in the city's healthcare system, and remain the primary source of care for a large share of the population. However, the facilities are severely underperforming and underutilized due to lack of funds and operational & management deficiencies. Therefore, BMC sought the services of the private sector through a PPP contract.

It was imperative for the BMC to leverage private sector finance and expertise in efficient operations for such wide scale expansion. The government decided to upgrade 5 clinics and develop a Greenfield multispecialty hospital to provide the complete spectrum of primary, secondary, and tertiary healthcare services with at least 500 hospital beds in the network. For providing primary care, one clinic would be upgraded to a health center with at least 10 beds, while three other clinics would be upgraded to health centers with at least 30 beds at each center. For providing secondary healthcare services, the one remaining clinic would be converted into a 100 bed hospital. The Greenfield multi-specialty hospital would have at least 300 beds and would provide tertiary care services.

IFC'S ROLE

IFC's PPP transaction advisory team was engaged by BMC to help design the PPP transaction structure, prepare the tender documents, and conduct a competitive and transparent bid for selecting a private operator. A tripartite agreement was signed between IFC, BMC, and the Department of Housing and Urban Development, the overarching department under which BMC operates.

IFC conducted detailed technical, financial, environmental, regulatory, and legal due diligence and provided recommendations on financing mechanisms, risk allocation, and the design of the tender process, including preparing the tender documents.

TRANSACTION STRUCTURE

The project includes developing at least 500 beds in the network. BMC will provide the land and existing structures unencumbered for the period of the contract, empanel all facilities with the social insurance schemes, and ensure that utilities are available

at all facilities in the network. The private partner will design, refurbish and upgrade the dispensaries, develop the Greenfield multi-specialty hospital, procure and install equipment, and staff, maintain, and operate the network for a period of 34 years. The total estimated capital expenditure of the project is around US\$60 million out of which BMC is contributing around US\$7 million as capital expenditure grant.

The key terms of the transaction ensured that there is bare minimum out of pocket expenditure for poor and underprivileged patients – zero consultation fees & inpatient costs and highly subsidized outpatient costs, with service fees being covered by social health insurance. Another key term of the contract was that the concessionaire and BMC would integrate their Hospital Management Information Systems, so that data required for public health statistics were transmitted to the Ministry of Health.

BIDDING

A unique bidding parameter was used under which the bidders had to propose the number of beds they commit to develop at each facility and the percentage of services they would provide to 'Below Poverty Line' patients at each facility. This was done to ensure the dual purpose of creating infrastructure and maximizing services for poor and underprivileged patients.

After a transparent and competitive bidding process, a private partner with extensive experience operating over 2000 beds across six hospitals, including a teaching hospital, was awarded the project. Krishna Institute of Medical Sciences (KIMS), committed to build 800 beds in the network and provide roughly 45% of Inpatient services at subsidized tariffs to the government, with no out of pocket expenditure for patients. The Concession agreement was signed between KIMS and BMC in April 2017.

EXPECTED POST-TENDER RESULTS

- At least \$50 million in private investments.
- Improved healthcare services to the general populace
- About 2.5 times Increase in Outpatient services
- About 14 times increase in Inpatient services
- Fiscal savings of about INR 15 million each year