



# Public-Private Partnership Stories

## India: Andhra Pradesh Radiology



To help the state government improve access to and availability of advanced diagnostic services, IFC assisted the government of Andhra Pradesh in structuring a novel public-private partnership (PPP) model for upgrading radiology services at four teaching hospitals attached to public medical colleges in Kakinada, Kurnool, Vishakhapatnam, and Warangal. The project was completed in July 2010 and took only eight months.

The project was awarded to the consortium of Wipro GE Healthcare Limited, an international equipment manufacturer, and Medall Healthcare Private Limited, a chain of diagnostic services, after a competitive bid. The winning bidder, selected among three competitive bids, proposed an average price per scan which was nearly 50 percent less than the prevailing market rate, enabling the government to provide services to a larger number of underserved patients within the allocated budget.

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

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*The advisory work was supported by the Dutch Technical Assistance Trust Fund.*

## BACKGROUND

In Andhra Pradesh, a state on the southeastern coast of India, access to advanced diagnostic services is limited as in the rest of the country. Few government hospitals outside the metropolitan areas are able to offer specialized services like CT or MRI scans and access to tertiary healthcare and advanced diagnostic services is particularly skewed. In an effort to solve this problem, the state has recently introduced an insurance program to cover catastrophic health expenditures for families living below the poverty line, but few public hospitals have enough funds to purchase modern diagnostic equipment, or attract specialists to manage the equipment and administer complex scans. As a result, public hospital participation in the insurance program has been disappointing.

In addition, this PPP faced challenges due to the advanced age and poor condition of state-run medical facilities; complex upgrading needs in the imaging and laboratory environments; the difficulties of negotiating approvals in a multilayered bureaucracy; and the need for speedy completion of the project, tied in part to the local political situation. To address these issues, IFC advisors worked closely with local officials to create an innovative model that would allow other states to implement similar partnerships for healthcare services.

## IFC'S ROLE

The Andhra Pradesh Hospitals project leveraged IFC's expertise in crafting novel PPP transaction structures that maximize development impact and an equitable allocation of risks and rewards between the public and private sectors. IFC's role included:

- Development of a PPP model that fused together private sector expertise and met public policy objectives.
- Fast implementation of the transaction through establishment of a government steering committee to fast-track key public decisions.
- Formulation of a strategic framework for the state to provide direction for development of a robust institutional and regulatory framework and identify priorities for future PPPs.
- Consistent focus during instances of civic unrest and major political setbacks.

## TRANSACTION STRUCTURE

Key features of the transaction structure include:

- Responsibility of the private partner for building facilities, staffing, and providing services to all patients referred by doctors from the hospital. Though no volume guarantees were given, the public hospitals are under an obligation to refer all diagnostic testing exclusively to the PPP facility.
- Providing the PPP with the opportunity to leverage unutilized capacity for services to private patients (fees-at-service) though priority to public referral patients is a must during certain time-frames. No tariff distinction is allowed between private and public patients.
- Enabling public medical students to be trained on state-of-the-art equipment through co-location with an existing teaching hospital.
- Giving the PPP the onus and authority for retaining qualified staff to both manage the equipment and conduct diagnostics while

sharing some infrastructure with the existing teaching hospital.

- Requiring the PPP to seek, obtain, and maintain the most recent quality accreditation in India throughout the contract, which few facilities nationwide have obtained.
- Enumerating key performance criteria in the contract.

## BIDDING

Bidding documents were issued to five prequalified consortia. Three competitive bids were received by the government and accepted as technically responsive. In addition to GE-Medall, bids were also received from two large Indian healthcare service providers—Apollo Healthcare Enterprises Ltd. and Vijaya Diagnostics Pvt. Ltd. Evaluations were based on a pass/fail technical evaluation and a financial bid based on a clear formula.

The project was awarded to the GE-Medall consortium, composed by GE, an international equipment manufacturer, and Medall, a chain of diagnostic services. The consortium proposed an average price per scan at nearly 50 percent lower than the prevailing market rate, thus enabling the government to provide services to a larger number of underserved patients within the allocated budget.

## EXPECTED POST-TENDER RESULTS

- Diagnostic radiology services will be provided to an estimated 100,000 patients per year throughout the four public hospitals, about 85 percent of whom live below the poverty line.
- Advanced radiology services will be made available to underprivileged people at no additional cost via placement of diagnostic equipment at local hospitals.
- Certified facilities will allow medical colleges to train doctors with state-of-the-art technology and techniques, helping to solve the specialist shortage in the state.
- It is expected that the framework for this partnership will influence the design of future public-private partnerships in the health sector in Andhra Pradesh and India as a whole.
- The medical colleges will be better positioned to improve their use of public tertiary care health insurance and thus be able to attract additional revenues that will help to improve infrastructure and retain skilled doctors.
- The winning bid proposed a price per scan of nearly INR 1700, about 50 percent lower than the prevailing market rate.
- The concession will generate about \$ 6 million in Investments throughout the seven year contract.

02/2011