



Public-Private Partnership Stories

India: Jharkhand Radiology Services PPP



The State of Jharkhand is one of the poorer states in India and home to 30 million people. The public health infrastructure in the state, which serves the majority of the population, faces severe capacity constraints, a challenge aggravated by a nearly complete absence of critically needed diagnostic services. According to the Government of India, in 2012 there was a 95% shortfall of specialists, 33% shortfall of laboratory technicians and an 84% shortfall of radiologists in the State's district and smaller hospitals. The Government of Jharkhand (GoJ) sought to strengthen its public health infrastructure by setting up modern Radio-imaging services in all 24 District Hospitals (DHs) and three Medical Colleges (MCs) through a public-private partnership (PPP). IFC assisted the GoJ in successfully structuring a 'Hub and Spoke' PPP model to develop Radiology centers across the state.

After a competitive bidding process, the project was awarded to HealthMap Diagnostics Private Limited (a JV of a major Indian Health player Manipal Health and Philips). A 10-year concession agreement with HealthMap Diagnostic was signed on November 16, 2015. The concessionaire will be responsible for financing, equipping, operating and maintaining radiology equipment including MRIs, CT-Scans and digital ultrasound machines across Jharkhand, and providing quality services to its citizens. Based on a verifiable satisfactory performance, the term of the concession can be renewed for another 10 years.

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

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BACKGROUND

Jharkhand, a low income state in eastern India, faces a significant shortfall in public health delivery services aggravated by a severe lack of health diagnostic services. The lack of quality and standard diagnostic services force people to either forgo them or purchase services from private facilities of mostly poor and varying quality, while incurring heavy out of pocket expenses and additional costs related to travel and over-testing.

To address these long standing issues, and driven by a desire to provide equitable access to quality and affordable diagnostic services to its residents, the Department of Health, Medical Education & Family Welfare of the Government of Jharkhand proposed to set up advanced Radiology centers in all the 24 district headquarters hospitals (DH) and three medical colleges (MC) in the state. It sought support from IFC to structure and implement the Radiology centers on a Public Private Partnership (PPP).

IFC'S ROLE

IFC served as a lead transaction advisor to the Government of Jharkhand to select private operator(s) to develop and operate a state wide network of modern and advanced Radiology centers utilizing advances in diagnostic services, information technology and logistics management. IFC's role included technical, legal, analytical, and marketing support including:

- Conducting a detailed technical study to assess the demand and supply of diagnostic services, availability of infrastructure facilities in the state to house new services, determine the Radiology services to be rolled out and status of old as well as new district hospitals and private healthcare facilities to determine the centers' ideal locations.
- Reviewing social, legal, and commercial issues related to the project to identify and assess impediments and/or constraints that could affect private sector participation under different contractual schemes and financial arrangements, and to design a risk allocation framework.
- Leading discussions with potential investors to gauge commercial viability of the project, investor interest, and enable optimal project structuring.
- Managing the bid process, including preparation of bid documents and evaluation of bids.
- Assisting the Government of Jharkhand with building capacity to monitor compliance with the PPP contracts.

PPP TRANSACTION STRUCTURE

The Radiology project involves developing 25 Radio-Imaging Laboratories (Labs) on a 'Hub and Spoke' model in all the DHs and MCs across 24 districts divided into two clusters of 12 districts each. Certain bigger DHs and all the MCs would act as hubs with a more diverse set of advanced equipment like MRI & CT-Scans, while remaining centres would act as spokes with basic diagnostic equipment like X-rays & Ultrasound machines. The "two cluster approach" was designed to share the implementation

risk, while ensuring that the projects were of sufficient size to ensure a balance between provision and affordability of radiology services.

The clusters will be implemented under a 10-year design, build, finance, operate, and transfer (DBFOT) concession. Under the concession contract, all radiology centers will have to be mandatorily accredited by the National Accreditation Board for Testing and Calibration Laboratories (NABL) to ensure quality.

The bid parameter was the annual premium to be paid by the Selected Bidder (Developer) to the Government of Jharkhand. In lieu, the Developer will be permitted to charge highly discounted Central Government Health Scheme (CGHS) rates to the patients. The payment (at CGHS rates) for patients specified by GoJ as poor patients (Select Patients) will be made by the Government of Jharkhand. Through this project, vital health services will be opened up in various districts, improving both access and quality, and supporting future improvements in state-wide health infrastructure.

BIDDING

The bid was a single-stage, two envelope process. The bid documents were issued by the Health Department, GoJ on October 2014. The tender attracted bids from three well-established healthcare companies. HealthMap Diagnostics offered the highest annual concession fee and was awarded the project for both the clusters. The concession agreement between Government of Jharkhand and HealthMap was signed on November 16, 2015.

EXPECTED POST-TENDER RESULTS

- Mobilize about US\$10 million of private sector investment.
- Generate an annual concession fee of \$50,000 for the state government.
- Improve access to better radio-imaging services to 3.5 million people, which is a key for better primary and preventive healthcare.

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