



# Public-Private Partnership Impact Stories

## India: Patna (Bihar) Hospital PPP



Located in eastern India, Bihar is a low income state (LIS) with around 104 million people. According to the Government of India (GoI), over half the population is Below Poverty Line (BPL). In addition, the public health services in Bihar face severe constraints, especially lack of affordable specialty/tertiary care services. There are substantial gaps in health sector infrastructure and essential health requirements, including qualified staff, equipment, drugs, and consumables. As a result, people in the state have to travel to other states for their treatment. To help the state government improve access to, and availability of, advanced and affordable healthcare, IFC provided advisory assistance to the Government of Bihar and the state's Infrastructure Development Authority (IDA), to structure and implement a public-private partnership (PPP) aimed at building, operating, and maintaining a greenfield super-specialty hospital in Patna, the capital city of the State of Bihar.

The project was awarded on a competitive bid process to Global Health Patliputra Private Limited (GHPPL), a unit of Medanta the Medicity, one of India's largest multi-super specialty hospitals. The concession agreement was signed with GHPPL on 22nd August 2015. The developer will develop the 500 bed super specialty hospital on Design, Build, Finance, Operate, & Transfer (DBFOT) basis for a concession period of 33 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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*IFC's advisory work was undertaken with financial support from the HANSHEP Health PPP facility funded by the UK's Department for International Development (DFID).*

## BACKGROUND

Bihar, a low income state in eastern India, faces a significant shortfall in public health services aggravated by a severe lack of health infrastructure. With the majority of public health services in Bihar focused on primary and secondary care, there is inadequate tertiary care services offered through the public health system, with most of these lifesaving facilities concentrated in the private domain. The lack of quality health services force people to travel to big cities outside Bihar to receive advanced tertiary health care treatment.

To address these long standing structural and institutional issues, and driven by a desire to provide equitable access to quality and affordable tertiary healthcare services, GoB proposed to establish a 500 bed super specialty hospital in Patna. It sought support from IFC to structure, implement, and attract qualified private partners for developing the hospital through a public-private partnership.

## IFC'S ROLE

IFC served as lead transaction advisor to GoB to select a private partner to design, build, finance, operate, and transfer (DBFOT) a super specialty hospital in the heart of the state capital of Patna. IFC's role included technical, legal, analytical, and bidding support including:

- Conducting a detailed technical study to assess the demand and supply for individual health specialties through primary research such as surveys, secondary research and review of available public health data, paying capacity of Non-BPL and BPL patients, and reimbursement/social health insurance schemes for different category of patients.
- Reviewing social, legal, and commercial issues related to the project to identify and assess impediments and/or constraints under different contractual schemes and financial arrangements, and to design an appropriate risk allocation framework.
- Preparing financial model and undertaking financial analysis for the proposed project.
- Recommending a suitable transaction structure based on the above analysis for the approval of GoB.
- Assisting the Client in managing an international bid process, including preparation of bid documents and providing inputs for evaluation of bids.
- Assisting the Government of Bihar with building capacity to monitor the performance of the PPP contract with GHPPL.

## TRANSACTION STRUCTURE

The project involves developing a 500 bed super specialty hospital at an existing 7 acre Greenfield site in Patna on DBFOT model. The site, which is owned by the GoB, has been provided on a 33 year concession to the developer. The developer will build, equip, and operate the super-specialty hospital as per the well-recognized quality benchmark standards of the National Accreditation Board for Hospitals & Healthcare Providers (NABH) of India. The hospital will be operationalized in a phased manner. The developer

will operationalize at least 100 beds within two and a half years of signing the concession agreement and the hand-over of the site and another minimum of 200 beds within the following eighteen months. Based on achieving a certain threshold occupancy, the developer is expected to expand up to 500 beds. The rates for provision of healthcare services to patients on a pre-identified 25% of the operationalized beds (Regulated Beds) will be capped at Central Government Health Scheme (CGHS) rates as applicable at Patna. The GoB shall have the right to refer poor (BPL) patients to these beds and reimburse the cost at government rates to the private developer. The developer will have the flexibility to charge patients on the remaining beds for the healthcare services provided.

The bid parameter was the annual concession fee for the first year payable on transfer of land from GOB to the Concessionaire. The successful bidder would make an annual payment to the GoB for the entire term, which include the annual concession fee, plus 1% of the annual revenue of the proposed hospital. The revenue share will kick in only once the hospital gets commissioned. The concession fee will increase at 6.5% every year.

## BIDDING

The bid was a single-stage, two envelope process. The bid documents were issued by the Health Department, GoB, in April 2015. The tender saw a good response as five established private players showed interest and purchased the bid documents. Finally, the project got bids from two reputed health sector players in India – Global Health Pvt. Limited (Medanta) & Apollo Hospitals. Medanta offered the highest annual concession fee for the first year, and was awarded the project. The concession agreement between Government of Bihar and GHPPL was signed on August 22, 2015 and the site was formally handed over on September 1, 2015.

## EXPECTED POST-TENDER RESULTS

- Mobilization of about US\$45 million of private sector investment.
- Increased access to healthcare services to around 25,000 to 30,000 in-patients and 200,000 out-patients.
- Generate an annual payment of about US\$ 1 million to GOB once hospital gets operational which will grow every year; to be used for reimbursing poor patients
- First successful greenfield hospital PPP project in Bihar.

03/2016