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# PPP options for universal health coverage in the Philippines

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**J**n many countries, the public sector is unable to meet certain social needs such as universal health coverage (UHC) due to its lack of resources, administrative roadblocks, and management issues. Thus, UHC—a scenario where a wide spectrum of people obtains the needed health services without having to suffer financial hardships—becomes a challenging development goal.

The Philippine government has turned to public-private partnerships (PPPs) as among its strategies to move toward UHC. This *Policy Note* presents the different PPP options for financing and delivering health-care services. It also provides a guide for selecting PPPs for implementation and discusses the things to consider in order for PPPs to thrive.

## **What are public-private partnerships?**

PPP has become a broad term describing a range of relationships between the public and the private sector. Their contract types may range from service contracts to management contracts, lease contracts, concessions, and build-operate-transfer (BOT) contracts.

Such partnership between public and private sectors is designed to minimize the government's up-front costs while improving its performance. In PPPs, the public sector allocates part of the risks to private-sector partners that are best able to manage them.

*PIDS Policy Notes* are observations/analyses written by PIDS researchers on certain policy issues. The treatise is holistic in approach and aims to provide useful inputs for decisionmaking.

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**Table 1. Summary of vital characteristics of PPPs**

- PPPs must be able to achieve the following:
1. Address public policy objective;
  2. Follow the design-build-operate-deliver model (or a minimal variation);
  3. Deliver quality:
    - a. integrated clinical services and
    - b. nonclinical services;
  4. Ensure the government has ownership of assets;
  5. Ensure the presence of the following:
    - a. government review and
    - b. independent monitoring;
  6. Ensure the investment is:
    - a. long term and
    - b. a combination of public and private funding;
  7. Secure risk transfer to the private sector;
  8. Guarantee expenditures that are:
    - a. cost neutral to patients and
    - b. predictable;
  9. Ensure equity of access for all; and
  10. Secure system-wide efficiency gains.

Source: GHG (2010)

Successful PPPs are those where partners agree to achieve well-defined health outcomes to guarantee transparency and accountability. They also require a consistent legal and regulatory framework, desirable political environment, and policies that are friendly for private investors.

Finally, monitoring and evaluation are necessary steps if the government wants to know the impact of their project as well as to make adjustments in its operations accordingly.

### **PPP for health: PPPs versus public-private interactions**

What then are health PPPs? The authors propose this definition of a health PPP

that provides a clearer description of its components and goals:

“A health public-private partnership is a long-term contract between the public sector and one or more private sectors, organized as a legal entity, with a common goal to provide a public health service, while sharing substantial financial and operational risk.”

When one talks of PPPs for health, the term public-private investment partnerships (PPIPs) often comes up. There, too, is the other term, public-private interactions (PPIs), which simply refers to PPPs that do not have the characteristics of PPIPs.

### *Public-private investment partnerships*

PPIPs are a “special form of PPPs that comprise long-term, highly structured relationships between the public and private sectors designed to achieve significant and sustainable improvements to health-care systems at national or subnational levels” (GHG 2010, p. 7).

PPIP’s mechanism allows a private entity or a consortium of private partners to co-finance, design, build, and operate public health-care facilities (Table 1). Here, the government is able to rely on the private sector’s expertise and investments to achieve public policy goals while still able to maintain ownership of the assets throughout the duration of the partnership.

Through this partnership, it becomes possible for the government to deliver high-quality and

affordable preventive and curative care at the same, minimal, or zero out-of-pocket (OOP) expense to citizens who were availing of the service from previous poorly run public facilities.

### *Public-private interactions*

Similar to PPIPs, PPIs may also be long-term arrangements, do not engage in any sale of assets, allocate risk appropriately, and maintain the government's role of reviewer and monitoring entity. These may also be considered minor PPPs as they do not have all the characteristics of PPIPs, or only attend to smaller portions of health-care service delivery (i.e., pertaining to either infrastructure, service, management, or concession-type contracts in Table 2).

Barlow et al. (2012) proposed that emerging PPPs must address two important challenges: (1) an integrated service approach and (2) a community-centered approach.

The first challenge (an integrated service approach) refers to the need for a coordinated approach to health service delivery (e.g., health and social care or primary/community plus secondary/hospital care). A coordinated health service delivery is the way forward for health in light of the rising incidence of chronic diseases.

The second challenge (rising trend of community health care) shifts the focus from the hospital to the home, family, and

**Table 2. Summary table of PPIP and PPI differences**

	PPI	PPIPs
<b>Term</b>	Variable	Long term, at least 10 years
<b>Characteristics</b>	<ul style="list-style-type: none"> <li>• Objective is partially contributory to achieving UHC</li> <li>• BOT, service, management, concession contracts</li> <li>• Government ownership of assets</li> <li>• Government review and independent monitoring</li> <li>• Long-term and shared investment</li> <li>• Risk transfer</li> </ul>	<ul style="list-style-type: none"> <li>• Objective of attaining UHC</li> <li>• Design-build-operate-deliver model</li> <li>• Delivery of quality and integrated services</li> <li>• Government ownership of assets</li> <li>• Government review and independent monitoring</li> <li>• Long-term and shared investment</li> <li>• Risk transfer</li> </ul>
<b>Impact</b>	Variable and fragmented	Cost neutrality Equity of access for all System-wide efficiency gains

Source: Authors' compilation

community. The PPPs are then challenged to be innovative in light of these trends.

PPIPs are able to address these challenges because they follow a design-build-operate-deliver model for a whole project consisting of integrated clinical and nonclinical services. Meanwhile, with the challenges presented by Barlow et al. (2012), PPIs are seen to merely cover gaps in health service delivery. They fail to address the public policy objective of achieving UHC head-on. Given this, one can see why PPIP options have greater impact on health outcomes.

### **Is PPIP an option for the Philippines?**

Based on a systematic review of 63 health PPPs, the identified partnerships in health care may involve the following:

**Table 3. Key lessons from representative case studies**

<b>Primary care</b>	Cambodia	Setting explicit health service indicators allowed proper evaluation. Efficiency gains in the provision of health services through PPPs did not come at the expense of equity. Contracted-out models yielded better outcomes.
	Costa Rica	Under performance contracts, contracted providers responded to meeting the standards for coverage and quality while lowering the cost of care. The experience illustrated improvements in access through increased general practitioner visits per capita and reduced unnecessary diagnostic and therapeutic costs.
<b>Hospital care</b>	São Paulo, Brazil	PPP hospitals perform much better in terms of efficiency and productivity with no evidence of quality shortfalls. Innovative use of PPPs preserved the public mission of providing quality and efficient health care.
	Bloemfontein, South Africa	PPP can be pursued when the public sector has redundant assets and the private sector has sound commercial reasons for the utilization of excess state assets.
<b>Integrated health care</b>	Alzira, Spain	An integrated health-care system reduces duplications and establishes a trail of accountability. A per-capita payment approach with an incentive for target outcomes and patient volumes is effective in ensuring citizens' health needs are attended to and physicians stay committed to service delivery.
	Lesotho	An annual fixed service payment for delivery of all services, with room for escalation with inflation, can work. A long-term, systems approach to health care ensures better access and improved quality of services at no extra cost to the patient.

Source: Authors' compilation

- outsourcing of clinical, technical, or support services to private enterprises or organizations;
- contracting the direct provision of a health facility or certain health services with a private provider;
- collaboration with the private sector to develop or deliver health services for a specific disease or to a specific group of areas; or
- contracting or integrating private insurance schemes to cover specific populations.

Table 3 further details case studies under three approaches in terms of focus and scale—health-care delivery in primary care, in hospital care, and in an integrated system—to serve as models for PPIPs in the Philippines.

Although the six cases presented here are successful PPIPs in their home countries, these models, if to be implemented in the Philippines, must still be modified according to the local knowledge and experience. Furthermore, PPPs must be contextualized to the political landscape, economic situation, private sector interest, and commitment level of stakeholders involved. They must be in sync with the national health mandate and strategy so as to avoid fragmented initiatives that clutter the landscape and confuse the key players in health care. As Widdus (2001, p. 713) says, PPPs “show promise but are not panaceas”.

To aid stakeholders, a decision tree on how to select PPPs is shown in Figure 1. Proposed partnerships must be need based with accompanying evidence and statistics, long

term in nature, and aim to improve everyone's access to health care and to reduce health-care members' OOP expenses. Furthermore, both public and private sectors must share the risks and benefits and maintain an open dialogue on the design, scope, and details of the partnership.

Additionally, taking into account the three approaches presented earlier—primary care, hospital-based care, and an integrated health-care system—stakeholders must weigh the relevance and success factors when trying to choose one model over another (Table 4).

### Policy recommendations: Enabling PPPs

Ultimately, PPPs (whether PPIPs or PPIs) are intended to improve a country's health outcomes. The success of a PPP is not only measured at the project's culmination; rather, it is also determined by the preparations leading up to it. As such, there are certain elements that must be present for a PPP to thrive.

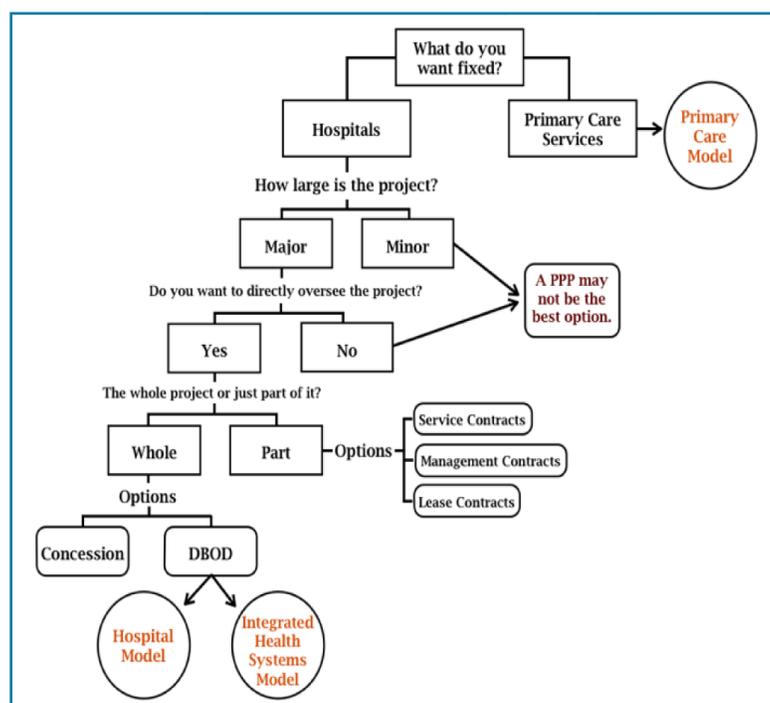
1. *Comprehensive health plan.* A comprehensive health plan clarifies the role of PPPs in the health system and in attaining UHC. A long-term plan will guide the government on what projects they should be prioritizing and who they should be collaborating with.

2. *Legal framework.* A legal framework is necessary to protect the interests of both public and private sectors and to make them liable when the objective of the PPP is not

attained. Policies should serve as guidelines on how to go about the partnership, ensuring that there is enough incentive for private investors.

3. *Regulatory framework.* A regulatory framework—specifically a controlling body—is essential to keep track of projects, police partners, and assist in the technical aspects of the partnership, among others.

Figure 1. Decision tree for selecting PPPs



Source: Authors' rendition

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**Table 4. Relevance and success factors of PPIP models**

	Primary Health Care	Hospital-Based Health Care	Integrated Health-Care Systems
When is it appropriate	High demand, low supply High morbidities	Redundant hospital facilities Inefficient hospital operations	Presence of strong political will and cooperation of local leaders and innovative investors; Sound national health insurance program
Success factors	Ensuring the criteria of universal health coverage is met – accessibility, availability, efficiency, and cost neutrality	Improve employees' accountability, obtain a more efficient staff-mix, and include certain incentives for good performance	Unify health information systems, provide seamless services across different levels of care, and communicate the integration to constituents

Source: Authors' compilation

An independent body is also needed for an unbiased and consistent monitoring and evaluation of projects.

#### 4. Readiness of public and private sectors.

Both public and private sectors must be ready

and willing to enter into the partnership. This means that the public sector should have the capacity to handle the technical requirements of the project, including regulation and enforcement, while the private sector should meet the quality standards so as to achieve better health outcomes. 📄

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