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PUBLIC-PRIVATE PARTNERSHIP IN HEALTH CARE

Nowadays public-private partnership (PPP) is one of the most promising models for financing successful healthcare innovations. By combining public interest with private-sector research and development, PPP can inject new life into stalled projects and delivered innovative solutions to numerous industries – especially healthcare.

Today governments spend increasing portions of their budgets on health care, since health spending is growing much faster than inflation. Exacerbated by the global recession and financial crisis, governments face frighteningly gaping deficits. Public health system is usually not able to provide significant investments to its sustainable development, to deliver healthcare infrastructure, including buildings, large-technology systems, clinical services, and associated non-clinical maintenance and facility-managements services immediately, thus it needs to seek for the different finding sources, among which the private funds are.

PPP in health care is a specific strategy to achieve better community health. Also the policy aim of PPPs is to achieve higher efficiency by bundling investments, infrastructure and medical services delivery [2], drawing on a business experience and financial resources of private sector. Additionally, it helps public healthcare sector to receive unique resources and capabilities for innovative activities and improving quality of health services. General model of PPP in healthcare is presented in fig. 1.

Literature review shows, that the potential benefits from the PPP in health care are: (1) freedom to allow public sector to concentrate on, for example, the provision of clinical services; (2) increased efficiency in project delivery realized by the private sector (Barlow et al., 2013); (3) solution for public-sector capital shortage; (4) value for money (VfM) consideration; (5) introduction of healthcare market efficiency; (6) risk transfer.

But nevertheless, we see that PPP can slow down the process and improvements because of (a) limited contractor capacity in comparison with project size; (b) high capital and

transaction costs throughout the project life-cycle; (c) limited integration between clinical services model and infrastructure design and delivery; and (d) limited innovation in new-build healthcare PPPs (Barlow and Köberle-Gaiser, 2009); (e) limited competition due to a small number of contractors; (f) relationship management problems; (g) inappropriate risk allocation. The main critic of PPP is that such partnerships are “essentially political symbols and political choices” [1].

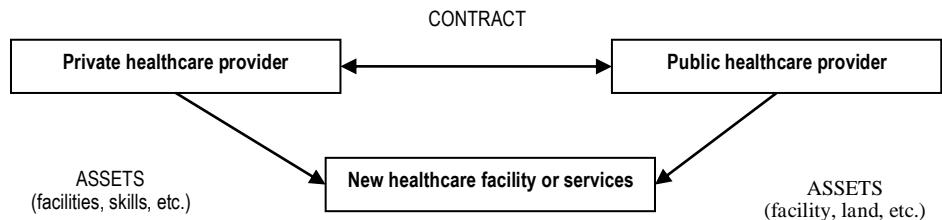


Fig. 1. General model of PPP in healthcare

Source: [3]

Thus, the main challenges of PPP in health care are the following: (a) cost containment; (b) effective use of private resources; (c) logical diversion of public resources; (d) synergy to reduce duplication; (e) resource mobilization.

One of the main instruments for PPP's regulation is risk management. The issue of risk management in PPPs attracts much attention; moreover the questions of risk allocation between partners are urgent. Among other types of risk, which can arise while PPPs, are dysfunctional effects of lengthy and expensive contracts negotiation periods, risk and benefit sharing between partnering organizations and across all PPP's network, quantification at the outset of inter-organizational relations and so on. Also the risk at the PPPs is related to a limited degree of market competition due to a small number of bidders and market entries barriers. Contracting parties could face barriers such as a lack of management and contract negotiation skills, high participation costs, high project values, project risks and demands on management time [1].

Each public-private partnership is defined by a set of the organizations involved. The dependencies among the partners must be considered thoroughly. Table 1 categorizes the range of players that are typically involved in a service-based PPP project in which clinical services are included.

These organizations all play critical roles in successful PPPs: from ensuring an appropriate legislative framework that allows PPPs to take place, to funding institutions prepared to invest in project companies, experienced advisory capability to assist both public and private sectors navigate these complex transactions, and strong service providers that are able to assume the service obligations and manage the risks associated with them [3].

Summarizing all existing world experience in healthcare PPPs, we can highlight next most common models:

- Franchising;
- Leasing;
- Concessions;
- Build-operate-transfer;
- Branded clinics;
- Contracting out;
- Contracting in;
- Social marketing;

Table 1

Typical set of players included in service-based PPP

Operations	Funding	Legislation	Monitoring / consulting organizations
Hospital Providers	Financial / Industrial	State health authorities	Independent consultancies
Insurers	Infrastructure funds	State health authorities	Non-governmental organizations
IT	Banks	Regional commissions	Financial
Medical devices		National health insurance boards	Legal
Pharmaceutical Companies		Members of the Legislative Assembly	Technical advisers
Construction			
Facilities management			

Source: [3]

- Donations;
- Social club partnerships;
- Involvement of corporate sector.

The public-private partnership model is highly developed in the UK, USA and Canada. PPPs are particularly important in building healthcare infrastructure facing limited government financial funds. A Harvard Kennedy School Review report counts 48 major PPP infrastructure transactions in the USA between 2005 and 2014 with a worth of \$61 billion. Of these, 40 closed – that is more than 80% of the total, with a value of \$39 billion. In 2016, the U.K.'s National Audit Office reported a 15-year average of \$5.8 billion annually in PPP capital investment. Its economy is about one-sixth the size of the one in the USA.

Special attention is paid to health care. Thus, since 2012, spending on health care in the USA has risen to more than 17% of GDP, and it is expected to rise to about 20% by 2020 – reflecting an older population and an increase in requests for treatment, a rise in chronic conditions and expensive tests inspired by certain advances in technology.

Canada has also a strong record in health care PPPs: between 2003 and 2011, there were more than 50 public-private hospital projects, valued at \$12.3 billion. These partnerships enable a community to combine the resources and medical expertise of the public sector with the operational and environmental specialties of the private sector.

Thus, we are of the option of marc Mitchell, professor at the Harvard School of public health, that “public-private partnerships in health care are inevitable”. It is because of “constantly rising prices, changing disease patterns and increasing use of sophisticated technology for diagnosis and treatment”. PPP model allows public sector to share the risk of building healthcare infrastructure with private one.

According to PwC estimates, by 2020, infrastructure spending for OECD (Organization for Economic Cooperation and Development) and BRIC (Brazil, Russia, India, and China) will increase to \$ 397 billion, among which only 5% for healthcare infrastructure, and the biggest part is non-infrastructure spending.

Countries with the highest spending growth are China (166 %) and India (140%).

The examples of PPP in the global level of health care are:

- Global Alliance for Vaccine and Immunization;
- Global Polio Eradication Initiative;
- European Partnership Project on Tobacco Dependence;
- UNAIDS/Industry Drug Access Initiative;
- Stop TB Initiative;
- Roll Back Malaria;
- so on.

In view of foregoing, we can make a conclusion that private-public partnership can combine the strengths of private organizations, such as innovation, technical knowledge and skills, managerial efficiency and entrepreneurial spirit, and the role of public organizations, including social responsibility and justice, public accountability and local knowledge, to create an enabling environment for delivering high quality healthcare infrastructure and services for the society. Through this partnership public and private sectors can realize benefits such as creation of jobs, educational development, incentives for innovation and competition, and health infrastructure development.

Nowadays, in the modern Ukrainian realities public-private partnership is an efficient alternative to the traditional system – public provision, including outsourcing, performance agreements and management contracts, and privatization, including build-own-operate, divestiture by license, sale and private supply. Ukraine just needs to have a will to implement such worldwide experience and to follow the rules for building successful PPPs.

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