Model of a Public Private Partnership in the Spanish Health Context

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Abstract The actual economic-financial crisis in Europe and specifically in Spain, and the present and future consequences associated, are endangering one of the most important achievements of democratic societies. Public Private Partnerships (PPPs), or any other ancestors or extensions, are associations between public power and private initiative, emphasize different aspects depending on the time (in fifties to develop public services, in sixties the urban renewal, in nineties the great infrastructures...), but the new way of organizing the public services, can be the most ideal and effective expression to develop them. It’s intended align the PPPs, with terminology and skills of Project Management, so as simulate the start up inside a Business Case. It’s included too, some innovative elements, which they are inside National Health Services, but no integrated like a whole. The standard of PPP, and Good Governance Policies are a second stage to implement it, always using to improve the benefits of citizens. The bad or incomplete use means a dangerous way to impoverish the most of people.

Keywords: Property and Risk, The Bests of Private Sector, Legitimize Departments, Learned Lessons Register, Complex Process

1 What We Need to Build “The Model”

When a great problem come to light, or rather, when exists some threat endangering our well-being, the seeking of solution must be a whole solution, a complex solution and a seriously solution.

In these moments, the genial ideas beginning to wake up, the great and efficient ideas arise, and all the people think oddly, that they are coherent and convincing solutions. However, nobody hadn’t noticed before.

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But moreover, in the present moments come into the play actors who take advantage of the special situation. It’s sure that these actors will play to obtain the maxim earnings from their investments; It’s legitimate!!

This is the mission of private sector, and it’s what the Governments needs to collaborate with them. The private sector offers us the competence, the skills to do the tasks more efficient than the public sector. But, we’ll ( the citizens ) accept it, only if the rules of the match include a free competition system, it’s the same, a system than works with the best companies competing to achieve their goals and a referee (the government) would worry of the requirements.

Then, we’re going to use some keys given by a various fields of knowledge, to obtain a model valid to start an integration.

To use “the whole integration” concept, I thought that the better was to seek a framework to set ideas.

Framework

Before set in making of this Alive Document, it’s important to define the concept of Business Case from Prince2.

1. It’s an iterative document with a permanent trading, which must demonstrate the viability.
2. It must answer, Why?
3. It must demonstrate too, why the Project has to continue (hasn’t to leave).

We could go on telling interesting issues, to argue why it’s the reason to use this document (BC), but the most important it’s the useful to persuade at funder what we are doing and why we are doing, and in this case the funders are everybody, from individual taxpayers to great fortunes, which we want to achieve attract.

Now, it’s divide this point so:

1. Summary of inputs given by the environment
2. Use the terminology that provides PPP knowledge to make simulations
3. Learned lessons given by other countries and other sectors

1.1 Summary of Inputs Given by the Environment

Many of inputs which need to be known to set an initial design of a PPP to provide health services, are received by World Health Organization (WHO).

Another source of knowledge and provider of ideas it’s “Health at a Glance Europe 2012”, an annual publication realized by Organisation for Economic Co-operation & Development and funded by European Union.
Moreover, the first world (in economic terms) has another play rules, dictated by social networks, which shown all aspects that are hidden before. This great window, called Internet and social networks, oblige to the governments to explain the reasons to implement or no implement a reform, a cut or a resources reallocation.

It’s the first stage that the most of people become aware of the needed of changes, and only can be achieved by a legitimated leadership. Here starts the success of this great project.

We are going to use these premises to start the simulation:

1. Primary Care like a Red Line, the transfer isn’t let
2. Universality it’s an untouchable concept
3. It’s danger to finance the Local Health with External Founds (which must be returned)
4. Re-allocating resources to Prevent Medicine
5. Be Careful with missing epidemics and healthy conditions
6. The demographic curve makes no sustainable the actual system
   - Aged Rate = People 65 years older / Total People *100
   - OverAged Rate = People 85 years older / People 65 years older * 100
7. The people is awareness with the problem, and accept logical changes
8. The estimations are more clears in lack of money times
9. All the parties need health services. It involves a lot of votes
10. The private health can not be profitable, too
11. The troubles in Spain are associated with The Underfinancing, the health assets are enough
12. The construction sector and the great purchases in state assets have obtained and managed too much resources, mortgaging future incomes

Furthermore, we need a couple of ideas to demonstrate the suitability of a planned model. In Europe exists a key concept to measure the quality of the health system, named “Healthy Life Years”, that means Number of years of life free of activity limitation (62 years the women & 61 years the men).

If we want to focus in this ratio, and besides, maintaining or increasing the traditional ratio of “Life Expectancy” (that has increased 6 years between 1980 & 2010 in EU), we should provide ourselves a new model to maintain our achieves without endangering the Public substance.

In fact, the medical advances from 1940 are majority destined to old people, it’s the same, to extend the life.

Finally, a few ideas of Current Health Expenditure. It’s composed of Personal Health Care (curative care, rehabilitative care, long-term care, ancillary services & medicine goods) + Collective Services (public health services + health administration).
These costs are financed by *Public Coverage* (taxations + payroll taxes) and *Private Complement* (Cost-sharing, Pay-out-of-pocket & Duplicate markets).

What is the way to maintain the system?
How we marry “Healthy Life Years” and “Life Expectancy”?
Are the citizens willing to pay more?

### 1.2 Use the Terminology that Provides PPP Knowledge to make Simulations

It’s presents the PPPs like the main ingredient of this model.

It’s pretend to show a few theory features of PPP, and incise the good governance in PPP applications.

The *motive* to use PPP is the assistance to finance a commercially viable infrastructures when there are a financing gap or when the government policies are traditional, but it isn’t possible when these state is considered like insolvent.

**Concepts of PPP**

“A contractual agreement between the government and private sector paves the way for delivery for public infrastructure and/or public services”

“Long-Term contracts between a private party and a government agency, for providing a public asset or service, in which the private party bears significant risk and management responsibility”

**PPP Value Drivers**

- Risk Transfer-Risk Retained
- Full Integration incentivizes whole of life costing
- Innovations to seek solutions of specifying outputs
- Reduce costs to use public assets
- Focus on service delivery
- Transparency of costs and funding
- Mobilization to additional funding
- Accountability

**Stages**

1 / Infrastructure Assets are New or Exist? We are going to work with existent assets, it’s the same *Brownfield*, for upgrading & managing existing infrastructure to a private company, that could include rehabilitating & maintaining.
2 / What functions we transfer to the private responsibility? Here, we must focus in the operate function, whom can making in various ways: providing a bulk service, providing services directly to users or providing support services.

3 / What “PPP payment mechanism” we use? There are two classic types of payment; collecting fees from service users or by government, or a mix of both. The suitable type of payment to a model like the proposed is “Availability Payment”, by contractually defined quality. This stage introduce the term “Value for Money”, that in this case, must let what services can be exploited by private sector, and in what quality rate must be delivered to the citizens.

Finally, and clearly, it’s understood in this time the public role. The public sector has the following roles, which aren’t delegable;

- Decision-makers.
- Referees. The public sector must to choose the best offers of tenders.
- Supervise the private sector in the best interest to the citizens.

Particularly, the governments be guided putting the people first, looking for necessity, with economic criteria and involve stakeholders.

Furthermore, the public sector will try maintain the property of assets, and if it isn’t possible will allocate the property in relation to avoid or mitigate risks.

In summary, an approach to Good Governance Principles in PPPs.

1.3 Learned Lessons: another Countries another Sectors Help us to Begin the Business Case v0.

In this point we are going to identify some learned lessons in the application of PPPs in other countries and /or other type of PPPs. I prefer present them like a list, instead a redaction form because they’re very intuitive ideas.

- The PPP Contract Management will consider long periods of time to set durable strategies, but not overmuch to miss the essence for that there was created.
- The economic crisis can break a PPP based in collecting fees from service users.
- Involve with private partners to identify which projects can be financed for PPPS.
- The PPP design ought to proactively be controlled by the public sector, even when the private sector execute it.
- The stages of PPPs Control & Monitoring of the Financing will be done by public sector.
- Two of the main causes of PPP failures are an undefined transfer of risks and delays in the start date.
- It’s very common identifying a lot of risks, but no update all of them.
• Creating of a Public Department of PPPs, that would be the link between all actors.

Besides, we will collect some applications given by specialized press.

For example, in Sweden exists the SAINT GORAN’S hospital, which is one of the better examples of public private partnerships in the practice. It’s a paradigmatic case, because use the VALUE FOR MONEY, in all operative decisions, and is so because the hospital is organised on the twin lean principles: flow & quality, it’s the same, the principles that identify Value for Money.

Another examples are given in Spanish press, because the public sector have come to realize of the strength of the private companies, if they act in a competition framework. So, the health media is talking of public private partnership in chronically ill patients, whom occupy beds and other resources in hospitals and would be treated by other means.

Finally, we are facing with a little changes in the form of contract or develop technological advances, which are costly to taxpayers.

2 How we Use the Inputs to Obtain a Model

In the first point, we identified a lot of inputs of various sources of knowledge. These were named and well-identified, but without placing.

Besides, we established like framework, like a work paper a Business Case.

Finally, we suggested a couple of examples of the application a PPP in the reality, in two different countries (one Latin and other Nordic).

The Project Management can help us, in this paper, for rationalize the whole information, setting in a document, starting to act and controlling and monitoring in order to correcting deviations.

In this chapter will see a couple of tools to modeling, but, the most important aspect is WHO IS WORKING AND FOR WHOM IS WORKING.

All the attempts will be wrong and costly for the citizens, if the actors aren’t the betters. This is one of the main mission of the project manager, think about the better.

Both *Ipma* and *Pmi* or *Prince2* reinforce the leadership concept and the ethic principle is essential condition of a successful project. If the Project consists in a great PPP related to health, this aspect increases exponentially.

We use the approach of Value for Money to demonstrate the feasibility and/or adequacy, it’s the same, to answer “Is the better for the citizens”?

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2.1 Establishment of Business Case v0 and Transformation in Business Case v1

In order to follow the mandate of European Union, we are going to modelling a PPP based in “Fall the Hospital Admissions for uncontrolled chronic conditions”. This is the main objective to improve the system.

A second objective should be a better allocate of resources to make it.

The motivation for using a Business Case consists in the justification to go on with the procedure. So, it’s a flexible and dynamic document with several stages to have a glance.

To set an initial BC, we need an Organization Chart, a complete table of stakeholders and place them.

Besides, we need building a Work Breakdown Structure (WBS) to place all the activities related in the previous point.

Furthermore, it’s necessary use the templates relating with Risks and Integrated Changes Control.

Fig. 1 BC v0 in Construction
2.2 Risk Management Plan & Integrated Changes Control

There are two tools, two templates that shown the dynamism of this modelling. In the previous point, we have identified the importance of risk concept, specially linked at transfer of them.

Both learned lessons and theoretical knowledge of PPP emphasise in the allocate responsibility and risk like one the most important aspect in this process.

So, we need a template which includes as an initial situation so the changes, the several situations of these identified risks. For example, if these risks have been mitigated or avoided.

Besides, new risks will be added.

The last tool that I would want refer is “Integrated Changes Control”.

We are choosing this template because we need a document to be validated by a legitimated organism. This document will contain all the information necessary that will help in decision-making.

However, to consider useful this template and specially a document valid to continue the project or leaving this one, only should be contain value information.

Another function of I.C.C. is to become in a permanent and numbered document that the most important stakeholder can see.

2.3 Value for Money to measure the Adequacy of PPP procedure

Finally, it’s presented a figured term named \textit{Value for Money Ex Ante}, like a concept to convert a lot of qualitative data in a number to help in decision-making.

To arrive at this approach, we have taken a very serious study of “\textit{Corporación Nacional para el Desarrollo}”, an organization of Government of Uruguay, who has identified various variables that they are keys to a successful project.

Then, the numeric conversion consists in choose the main variables and do an easy formula to arrive a Definitive Figure. If it’s inside range accepted the process can continue.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Weighting</th>
<th>Score</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1 (Part of a Strategic Plan)</td>
<td>20</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>X2 (Size Over 40MM€)</td>
<td>25</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>X5 (Great Number of Stakeholders)</td>
<td>15</td>
<td>4</td>
<td>0,6</td>
</tr>
<tr>
<td>X10 (Create Competition)</td>
<td>30</td>
<td>3</td>
<td>0,9</td>
</tr>
<tr>
<td>X16 (No Urgent Process)</td>
<td>10</td>
<td>3</td>
<td>0,3</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>3.8</td>
</tr>
</tbody>
</table>

\textbf{Fig. 2 VfM, Toward a Numeric Value}
3 Conclusions

In the presentation of this paper, I’m trying to add value to the role of Project Management in the field of Health Management.

A second conclusion that I have pretended include, it’s show the PPPs like a powerful weapon to build and/or to manage the most important issues to the citizens. It’s basic to implant and to apply the PPPs with methodology, without relax the controls and indicators and specially it’s critical choosing the most appropriate leaders.

The last reflexion that I would refer it’s to take like complex the goal, no the means to achieve it. The main objective is meet the expectations of the citizens, in the whole meaning, that is as patient or user and like taxpayer. As we have seen in the point number 2, the framework can be easy if the ideas are well worked.

Currently, we have seen a lot of news related with various fields of health management, like constructions or health process. In my opinion, many of them are opposite what I have pretended, because they are implanted for restrictions in the short term. What is to be achieved, is the belief in PPPs for guarantee the well being of the people, not only of few people.

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