INNOVATIVE MODELS FOR HEALTHCARE FINANCE

PUBLIC PRIVATE PARTNERSHIPS IN HOSPITAL DEVELOPMENT

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DEMOGRAPHIC BACKGROUND

POPULATION: 12.8 Million in 1985
               25 Million in 2014
               (100% increase in 30 yrs)

PRIVATE INDUSTRY & BUSINESS: MODERATE INCREASE

MIDDLE INCOME FAMILIES: MODERATE INCREASE

GHANA ACHIEVED LOW MIDDLE INCOME STATUS IN 2010. (PER CAPITA INCOME OF $1006-$3975)
## Hospital Beds per 1000 People
(World Bank Data Indicators)

<table>
<thead>
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<th>Country</th>
<th>1985</th>
<th>2010</th>
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<tr>
<td>Ghana</td>
<td>1.6</td>
<td>0.9</td>
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<tr>
<td>Gabon</td>
<td>1.6</td>
<td>6.3</td>
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<tr>
<td>Gambia</td>
<td>1.7</td>
<td>1.1</td>
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<td>South Korea</td>
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</table>

In Ghana, what is occurring in the healthcare sector is similar to the energy sector, the water supply sector and the roads and infrastructure sectors. These are all under the control of the government, and since the govt. is struggling with revenue stream not enough funds are available to maintain and improve these sectors.
August 2014

Dear Residents,

BEREAVEMENT

On the morning of the 8th of Aug. one of our night security guards, Mr. J.A. suffered a severe stroke after closing from work. Attempts to have him admitted at the 37 Military hospital, the Ridge, the Police all proved futile for lack of bed space. He was eventually rushed to the Battor Hospital, near Aveyime in the Volta Region, where he peacefully passed on to eternal glory.

May he RIP.
Recent Expansions/Renovations

- Ridge hospital expansion from 200 to 620 bed to be completed in 2016+. Government borrows initial $250M from Exim Bank in the USA for phase 1 and later $88M for phase 2.
- Legon Hospital project (UGMS) 620 bed
- Tamale Teaching Hospital 500 bed completed in Jan 2014
- These are costly projects that even the government is struggling to implement as can be seen with the Ridge project.
Extraordinary Times, Extraordinary Opportunities

- Difficult economic situation.
- ECOWAS with 340 million population
- Gateway to Africa?
  - If we do things right we can tap into the healthcare needs of this whole area
Growing middle class

- Local Ghanaian middle class
- Expatriate through foreign investment
- Tendency to go outside the country for routine and serious healthcare
- Huge drain on the limited foreign currency.
Solution and Benefits

- Determine a target goal of what the bed capacity in the country should be within a specified time frame.
- The govt. cannot do it all. It cannot borrow all that money. Figure out a cost effective way to engage the private sector to drastically increase the availability of modern, comprehensive, private, well run hospitals.
- Advantages are many:
  - Unnecessary loss of lives would improve.
  - The flow of people and foreign currency out of the country for health care will decrease.
  - Medical tourism from West Africa to Ghana will increase as there are poor facilities in other countries.
  - Adequate health care is a necessary ingredient for foreign investment.
  - Well run private hospitals will attract thousands of well qualified Ghanaian doctors and nurses from across the world to come home and bring the latest expertise.
  - An increase in number of hospitals generate competition and improve quality.
Overall private health services provide 55% of all services used by consumers.

Providers

- Christian Health Association of Ghana (CHAG). These are the faith-based facilities. Receives financial support from government through personnel salary, training, equipment supply, and miscellaneous support. - (PPP)
- Self Financing Providers (SFP) - No such support and/or partnership arrangement for SFPs.

*From Private Health Sector Dev. Manual. Ministry of Health*
Private Health Sector Development Policy
Finance and infrastructure

- **Inadequate resource flow** to the private health sector leading to poor infrastructure, obsolete equipment etc etc.
- **SFPs** face high cost of access to finance - high bank interest rates, short repayment periods, collateral requirements, high transaction costs; unavailability of start-up and investment capital.
- Private Health Institutions are unable to meet financial institutions’ requirements to show a viable business case.
- Financial institutions also lack knowledge and understanding of the health sector needs. Overall financial institutions investment in the health sector is at an average of 1%.
The private sector provides 55% of all services.

However, if a patient is critically ill and needs a hospital bed, they are likely to end up in a government hospital with a lot more amenities.

The trick is to be able to elevate the capability of the private facilities to the same level as government hospitals, to be able to take care of critically ill patients that need a hospital bed.

This would involve policies to make it feasible for private hospitals to be developed.
Private Health Sector Development Policy

- **Policy objective 1:** Improve the investment climate for private health sector growth
- **Policy objective 2:** Support the transformation of the private health sector to meet industry expectations
- **Policy objective 3:** Build the capacity of private healthcare providers
- **Policy objective 4:** Increase opportunity for the poor to access private health care services
Private Health Sector Development Policy - PPP Initiatives

- The Private Public Partnership framework for the health sector operates within the scope of the national policy on PPP (2011).
- The priority areas for the Ministry in Public-Private-Partnership development shall be in the development of
  - health infrastructure;
  - diagnostic and treatment equipment;
  - rehabilitative services;
  - staff accommodation,
  - training institutions and
  - hostels development.
The problem with investing in hospitals and the healthcare industry

- Easy access to good medical care is a necessary part of any economy ready to take off.
- First class medical facility is capital intensive to build and costly to operate. A strain on govt. budget and not financially attractive to private investors.
- Physicians, nurses and technicians are highly trained skilled workers that attract higher salaries on average. A strain on govt. budget, and not financially attractive to private investors.
- Over past 20+ years at least 3 attempts to build a modern private comprehensive hospital in Accra have all failed for lack of funding.
- During that same time at least 10 fairly large hotels have been built in Accra alone.
Failed Hospital Construction

- Accra International Hospital
- Trasacco Hospital
- Airport City Hospital (Still in play)
10 yrs ago Trasacco Hospital concept
- 100 bed expandable to 150
- Business arrangement
- Cost to build - $35M
- Rental rate per year, based on
  per sq meter office sp. - $8M
  At that rental rate, the cost of construction
  would be paid for in 5 years.
Hospital Financing and amortization

- Most hospital buildings last 50 to 75 years.
- By the very nature of hospital expenses, profit margin from operations are low and we cannot treat hospital financing the same way we would with a hotel, or an office building.
- Cost for construction usually amortized between 20 to 30 years.
- Explains why over the 20 to 25 years not a single new comprehensive private hospital has been built, and yet at least 10 new good size hotels have cropped up in Accra alone.
- Without any solid govt. guarantees for private investors we will be in this sad situation for the foreseeable future and see a large part of our foreign exchange go to countries that have nurtured health care development.
Why public private partnership (PPP) 
Ghana PPP policy

- As justification for PPPs the finance minister in Oct. 2014 said, the country needs about $1.5Bil. a year for the next 10 years to develop infrastructure, an amount the govt. does not have.

- National Policy on PPP developed and approved by in June 2011 and officially launched in October 2011.

- Policy provides framework for dev and implementation of PPP projects.

- Provides legal framework for PPP contracts.

- Each project may come with its specific contractual arrangement depending on the type of service needed.

- Priority areas for PPP are: energy, utilities, infrastructure dev. Housing and agribusiness. KBTH diagnostic center and Urology/Nephrology center of excellence considered for PPP.

- Ghana’s experience very early. No specific project yet to evaluate.
Forms of Public Private Partnership - Broad Definition

CONVENTIONAL PPP

- Govt./municipality enters into cost sharing project with a private entity that has technical expertise in the area.
- 51%:49% share private:govt. arrangement.
- Private entity builds facility with its own financing and runs it for a specified time and turns it over to govt. Govt (health service) initially runs clin. service and pays “rent” for the use of facility.
- Franchising: a pvt entity takes over management of existing hosp.
- Popular in Australia, also successful in England, and elsewhere.
- Apollo Hosps. in India (pvt) apparently have received various forms of assistance from the communities they are sited.
- Ghana currently playing catch up. We need to be very selective which projects would be most beneficial.
Non conventional Public Private Partnership
Free Zone Enterprises

- The Govt.
  - Sees a great need to develop an industry or commercial entity, so offers financial incentives to private entrepreneurs to establish the business in the country.
  - Does not contribute any money towards the cost of construction or operation of the business.
  - Functions as a facilitator to help the business grow and contribute to the economy, employment and acquisition of skills by the locals.
The Ghana Free Zones Programme is designed to promote processing and manufacturing of goods through the establishment of Export Processing Zones (EPZs), and encourage the development of commercial and service activities at sea and airport areas.

There are free zone enclaves where related industries may be located, usually near the ports, or single factory enterprises that may be anywhere in the country as long as they satisfy the requirements of the GFZB. In essence therefore, the whole of Ghana is accessible to potential investors who have the opportunity to use the Free Zones as focal points to produce goods and services for foreign markets.
The extensive and generous incentives, packaged in the Free Zone Act (1995), for investors interested in developing and operating free zone enclaves and single-factory free zones in Ghana include:

- **100% exemption** from payment of direct and indirect duties and levies on all imports for production and exports from free Zones;
- **100% exemption** from payment of income tax on profits for 10 years and shall not exceed 8 percent thereafter;
- **Total exemption** from payment of withholding taxes from dividends arising out of free zone investments.
THE GHANA FREE ZONE BOARD MISSION

The Mission of the Board is to help transform Ghana into the Gateway to West Africa by creating an attractive and conducive business environment through the provision of competitive free zone incentives and operation of an efficient one-stop-shop for the promotion and enhancement of domestic and foreign investment.
THE GHANA FREE ZONE BOARD
PRIORITY SECTORS

- Agro Food Processing
- Cotton Processing
- Textile Manufacturing
- Ethnic Beauty Products
- Sea Food Processing
- Jewelry/Handicraft Production
- Light Industry/Assembling Plant
- Plastic Products Manufacturing
- Metal Fabrication
- Ceramic Tile Manufacturing
- Floriculture
- Information & Communication Technology
Any country is at liberty to determine what its priority sectors are, and accord it a free zone status.

With the severe deterioration of hospital bed capacity why not make the health care sector a priority industry to help jumpstart private investment in hospital construction and improve access to health care?
Is this too crazy to implement?
<table>
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<tr>
<th>Name of Company</th>
<th>Location</th>
<th>Activity</th>
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<tr>
<td><strong>3F GHANA LIMITED</strong></td>
<td>Com 11 Opp Hope Meadows Clinic Tema</td>
<td>Processing Of Shea Nuts And Other Oil Seeds</td>
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<tr>
<td><strong>A-Z PETROLEUM PRODUCTS G H LTD</strong></td>
<td>5 Volta Street, Airport Residential Area, Accra</td>
<td>Production Of Lubricants</td>
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<td><strong>A.G TIMBERS CO LTD</strong></td>
<td>Plt. 10 L Kaasi Ind. Area, Kumasi</td>
<td>Wood Processing</td>
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<tr>
<td><strong>A.K GHANA WOOD LTD</strong></td>
<td>Akim-Manso, Eastern Region</td>
<td>Wood Processing</td>
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<td><strong>ABASO COCOA MILLS LTD</strong></td>
<td>No 1 B, 7th Estate Rd., Kanda Estate, Accra</td>
<td>Cocoa Processing</td>
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<td><strong>ABELLON CLEANENERGY GH LIMITE</strong></td>
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<td><strong>ABM LINKS (G H) LTD</strong></td>
<td>Palm House No. 101/3, Commercial St, Cape Coast</td>
<td>Data Processing Call Center</td>
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<td><strong>ACS-BPS G H LTD</strong></td>
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<td><strong>ADLER MARKETING LIMITED</strong></td>
<td>Plot No. 7/Mkt/A/67 &amp; 7/Mkt/A/63 Community 7, Tema</td>
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<td>Curls Veneer</td>
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<td><strong>QUINTILES WEST AFRICA LTD</strong></td>
<td>Noguchi Memorial Institute For Medical Research, University Of Ghana, Legon</td>
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<td><strong>RABBONI CHRISTIAN HOSPITAL LTD</strong></td>
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<td><strong>REBECCA FASHION MANUFACTURING GHANA LTD</strong></td>
<td>Tema Epz</td>
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<td><strong>RED SEA HOUSING SERVICES (G H) LTD</strong></td>
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<td><strong>REGAL HEALTH FOOD INT LTD</strong></td>
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Facility details

RABBONI CHRISTIAN HOSPITAL LTD

Type: primary hospital
Ownership: private
Location: Commercial Street opposite GTBank Tarkwa
p. o. box, 416 tarkwa.
Tel: 0312321098
Services: General services, scan, ECG services, antenatal, pharmacy, laboratory,
pediatrics, surgery, dental, eye services
Specialist: physician

NHIS accredited?: yes
Health Insurance: Medex, Glico Health Plan, Premier Health Insurance, Nationwide Mutual
Health, Managed Healthcare
Website:

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A company set up in a Free Zone offers benefits to owners:

- 100% ownership (A single individual is required for setting up (no sponsor required))
- Tax exemption
- Owning properties is allowed (Purpose built office or warehouse facilities)
- Fair renewal fees
- Confidentiality of your business is maintained
- Allowed to open bank account in Dubai
- No restriction for doing more than one activity
- Can wind up at your discretion
There are more than 20 Free Zones sectors operating in Dubai:
- Dubai Airport Free Zone
- Dubai Cars and Automotive Zone (DUCAMZ) also known as Dubai Auto Zone
- Dubai Healthcare City
- Dubai International Academic City
- Dubai Internet City
- Dubai International Financial Centre
- Dubai Knowledge Village
Dubai Healthcare City (DHCC) (Arabic: مدينه دبي الصحية) is a healthcare free economic zone situated in the Emirate of Dubai, United Arab Emirates. DHCC was launched in 2002. DHCC was mandated by the government to meet the demand for high-quality, patient-centered healthcare.

Through strategic partnerships, DHCC provides a wide range of services in healthcare, medical education and research, pharmaceuticals, medical equipment, wellness and allied support.
DUBAI HEALTHCARE CITY
Dubai Healthcare City Authority (DHCA) - four divisions

- **Healthcare:** DHCC is home to 120 medical facilities including hospitals, outpatient medical centers and diagnostic laboratories with more than 4,000 licensed professionals.

- **Education and Research Facilities:** Mohammed Bin Rashid Academic Medical Center (MBR-AMC) is the education and research arm of DHCC.

- **Investment Opportunities:** DHCC offers medical and healthcare providers with a ‘one-stop shop’ solution to set up operations and avail of free zone benefits.

- **Regulatory:** Under DHCA, the Centre for Healthcare Planning and Quality (CPQ) is an independent regulatory body responsible for licensing healthcare providers and professionals, and setting and maintaining international best practice in healthcare delivery and patient care within DHCC.
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<th>Sample Healthcare Facilities</th>
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<td>Abuhamour Medical Center</td>
<td>Obstetrics &amp; Gynecology, Endocrinology, Diabetes &amp; Metabolism, Nephrology, Gastroenterology</td>
<td>971-4-3635353</td>
<td><a href="http://www.amcdhc.com">www.amcdhc.com</a></td>
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<tr>
<td>Aesthetica Clinic</td>
<td>General Medicine</td>
<td>04 4298533</td>
<td><a href="http://www.aestheticaclinic.com">www.aestheticaclinic.com</a></td>
</tr>
<tr>
<td>American Academy of Cosmetic Surgery Hospital</td>
<td>Urology General Surgery, Physical Therapy, Orthodontics, Anesthesiology, General Medicine, Obstetrics and Gynecology, Plastic Surgery, General Dentistry</td>
<td>971-4-4237600</td>
<td><a href="http://www.aacsh.com">www.aacsh.com</a></td>
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<tr>
<td>American Heart Center</td>
<td>Cardiovascular Disease</td>
<td>971-4-4370670</td>
<td><a href="http://www.americanheartcenterdubai.com">www.americanheartcenterdubai.com</a></td>
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<td>American Medical and Dental Center</td>
<td>Dentistry General Dentistry Gp</td>
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<td><a href="http://www.americanmedicalcenter.com">www.americanmedicalcenter.com</a></td>
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<tr>
<td>Belgium Medical Services</td>
<td>Dermatology, Pediatrics, Anesthesiology, Physical Therapy</td>
<td>971-4-3624711</td>
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<td>Bioscience Clinic Middle East - FZLLC</td>
<td>Plastic Surgery</td>
<td>043757220</td>
<td><a href="http://www.bioinst.ae">www.bioinst.ae</a></td>
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<tr>
<td>BR Medical Suites</td>
<td>Diagnostic, Radiology, Vascular Surgery, Physical Therapy, Urology, Dermatology, Obstetrics and Gynecology, Ear, Nose and Throat (Otolaryngology), Plastic Surgery, General Medicine</td>
<td>971-4-4392305</td>
<td>N/A</td>
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<tr>
<td>California Chiropractic and Sports Medicine Center</td>
<td>Therapeutic Massage, Chiropractic, Physical Therapy</td>
<td>971-4-4298292</td>
<td>californiachiropracticcenter.com</td>
</tr>
<tr>
<td>Canadian Specialized Dental Center For Orthodontics &amp; Dental treatments</td>
<td>General Dentistry, Orthodontics, Pediatric Dentistry, Oral Maxillofacial Surgery</td>
<td>971-4-4281499</td>
<td><a href="http://www.csdc-dubai.com">www.csdc-dubai.com</a></td>
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What shall we do?

- **Conventional PPP should not be the only strategy.** Those contracts are time consuming to implement. Govt. may not have financial resources to enter into multiple contracts.

- The free zone concept already exist here in Ghana and appears to be thriving.

- We need to recognize and embrace the concept of the **healthcare free economic zone**, as a real and viable entity that has been successful elsewhere, and if adopted and carefully planned for as part of the overall strategy would drastically change access to healthcare in our part of the world.

- We could consider different models, from focally concentrated to spread out facilities.
CLEARLY DEFINED CRITERIA FOR INCLUSION IN A HEALTHCARE FREE ZONE ENTERPRISE

- Size criteria for facility e.g. minimum of 150 beds. (initially encourage multiple small/medium facilities that can be spread out within the community).
- Comprehensive lab facility
- Comprehensive radiology including at least a CT scan.
- General emergency and trauma services except for specialty hospitals
- Accept medical students, residents and nurses for clinical training
WHAT SHOULD THE GOVT. DO?

- The Executive Branch should be convinced that this is a worthwhile policy, and vigorously convince parliament to go along and enact the necessary laws to establish hospital development as a free zone enterprise.
- The criteria to be included should be clearly defined and made public for the sake of transparency.
- Balanced strategic placement of hospitals should be predetermined in the major cities. Larger cities should have at least 2 to generate competition. Accra should be slated for at least 3.
- The govt. should then actively seek investors from both local and foreign, with presentations and advertisements. This is crucial.
- National Health Insurance scheme should be strengthened and private health insurance be encouraged and nurtured to take some of the pressure off the National Scheme.
Thank you