



# The triple win

Reinventing Public Private Partnerships  
to work for health systems in Saudi Arabia



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# 1

## Getting back to the basics to make PPPs fit for health systems

**Health systems in Saudi Arabia, as well as those in the Gulf and across the Levant would appear, at least on paper, to be the ideal enabling environment for public-private partnerships (PPPs). A track record of openness to private sector input, supportive legislation and political messaging, and health sector growth many times that of Western markets should all add up to a buoyant market. Yet as this brief shows, healthcare PPPs are having a start that is slower than expected – with just a handful of confirmed projects, and fewer still unequivocal success stories. Some commentators have even gone so far as to declare the ‘demise’ of the PPP concept in the GCC. This is a premature judgement for sure, but one that begs the question of why we see so many governments hold back from making tangible progress of PPPs having put so much emphasis on giving them permission.**

Drawing on our local insights into the health systems, we find that in many cases there is good reason for this reticence to ‘take the plunge’. As a concept, healthcare PPPs have their roots in Western health systems looking to update existing elements of an ageing or outdated delivery system. Classical PPPs therefore developed primarily as an infrastructure and investment tool, yet the potential of the private sector in Saudi Arabia is not primarily in these areas but in innovation, implementation and insight to create efficient, high quality 21st century healthcare: reinvention, rather than renewal.



For this reason, we need to get back to the fundamentals of how the private sector can help to achieve their goals for the next 30 years, as part of an ecosystem that includes the full range of potential partnership models – including PPPs but many more partnership forms besides.

What matters is what we term ‘the triple win’ – finding a way to balance the interests of governments, businesses and citizens to achieve maximum social development for available state resources, achieve higher quality care at the same or lower cost for patients, and a sustainable return on investment for the private sector.

Our research shows that this shift is taking place in many other health systems that are pursuing PPPs from a similar place, and that the results can look very different from the traditional PPP hospital builds: leading to investments in clinical training, digital primary care, chronic disease management and much more. It also brings new kinds of partners into the health system, such as telecoms companies and retail chains, and results in novel partnership forms and contractual models.

In this sense, the fact that health has been overlooked as an early adopter for PPPs in the country and the region may be a blessing in disguise. The perceived complexity of healthcare has put off many governments and investors, when in fact this makes it an ideal candidate to develop this new approach, moving away from ‘me too’ infrastructure builds to more sophisticated means of extracting value from private sector human and financial capital.





# 2

## Great expectations: A brief history

### Global drivers for healthcare PPPs in emerging markets



#### For governments:


- PPPs can limit what many governments fear to be healthcare's 'bottomless pit' of potential costs and enable public capital to be spread across many more public projects.
- Many governments are attracted to idea of being payers or regulators of care, but not providers.
- PPPs can effectively shape provider markets by helping to direct the flows of private investment coming into a health system towards projects and locations where it is most needed.



#### For business:

- The middle east has one of the fastest growing healthcare sectors globally – a CAGR in excess of 12 percent in many countries – dwarfing growth rates in more mature health systems.
- Successful private health operators keen to expand across borders.
- The drive to universal coverage is increasing the scale of many healthcare PPP opportunities, such that even with relatively thin margins they can be attractive to private players.





Isolated projects have been undertaken on a PPP basis for decades across the region, but the wave of specific enabling legislation for PPPs that followed the 2014 collapse in global oil prices signalled a widespread ambition among almost all GCC countries to scale up their use. This meant that by 2017 almost every country in the region had either created, updated or was in the process of drafting new enabling legislation for PPPs.

Yet in most countries this legislative wave did not lead to a significant increase in PPPs delivered, and in fact may have distracted from it since many decisions and deals were put off while several years of legal and regulatory reform was undertaken. Many countries became mired in the complexity of project specifications, contracting negotiations, and building up reliable data with which to make the 20-30 year projections for the PPP's lifecycle.

In Saudi Arabia, there has been a substantial appetite for private sector investment and expertise in expanding healthcare capacity and new models of care – as envisioned by Vision 2030 and following a promising draft PPP law that is currently moving through the legislative stages. This follows on the back of a large-scale privatization of almost 300 state hospitals and over 2,000 primary care centres that is currently underway.

Investor interest is high, with both domestic and foreign capital identifying health as a key sector, and a number of external private operators looking to enter the market, often in partnership with existing private providers.

It remains to be seen what level of risk sharing models and time commitments will suit the Kingdom's priorities and risk appetite. We should avoid the statement that autonomization could stall the progress. Instead we can say "as well as the impact of autonomization of the Ministry of Health into regional clusters."



# 3

## From hospitals to health: Reinventing the PPP

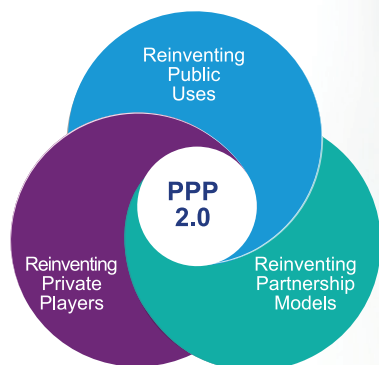
The Saudi health system is not alone in struggling to adapt classical PPP models – predominantly developed in Western countries – to their specific requirements. With the global drive to universal health coverage, dozens of major, rapidly growing economies are looking to better align the private sector to the ambitions of ‘health for all’

KPMG refer to this balance as the ‘triple win’ – findings the right projects and deals whereby:

1. Governments get a project or service that is executed at lower cost and/or higher quality than they would have been able to achieve themselves
2. The public get access to healthcare that they or the government would not have been able to afford through taxation or debt alone
3. Private sector partners can deliver fundamental changes to public services for the long term and make a reasonable

**Three trends in particular are emerging:**

Reinventing the kinds of public uses for PPPs, the types of private sector organizations involved, and the nature of the partnerships negotiated.





## Reinventing 'Public':

Expanding hospital capacity is a central component of many countries' strategies, but with many emerging economies acutely aware of the mistakes made by hospital-centric Western health systems, there is also a strong desire to use PPPs to improve community care, supply chains, IT infrastructure, digital health and even the running of entire national health insurance schemes.

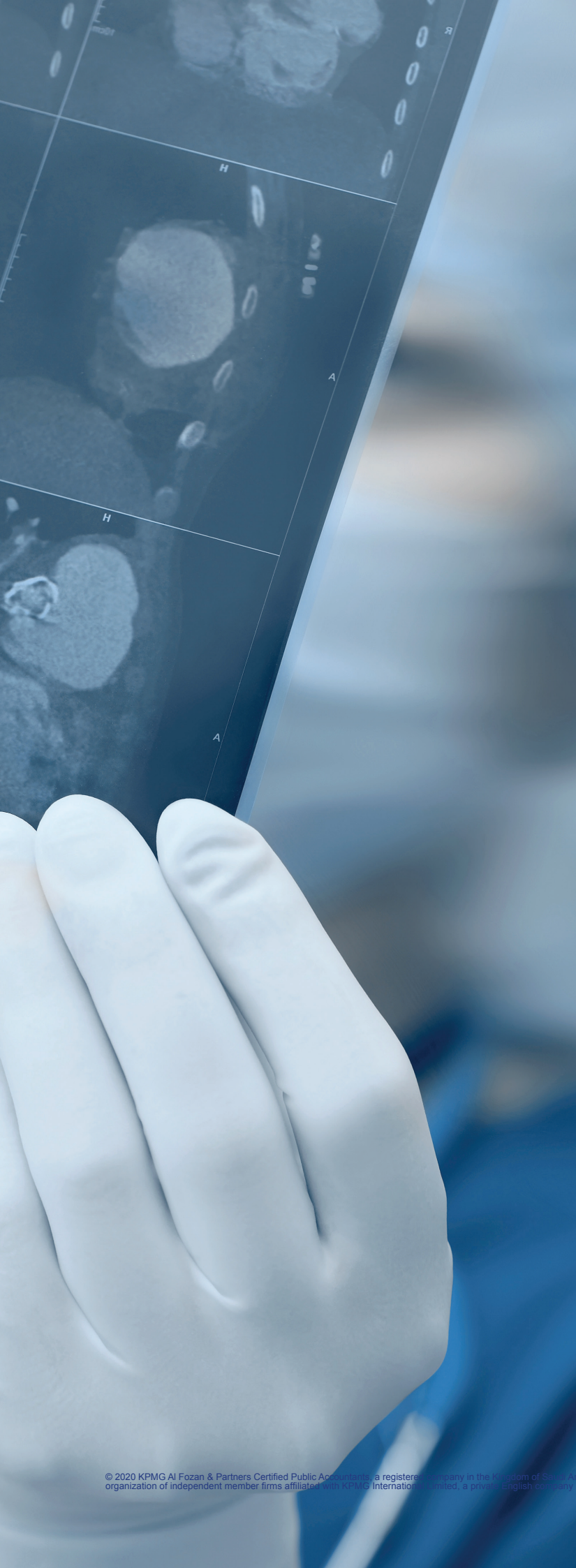
For example, primary healthcare has historically been one of the toughest services to engage private sector providers in delivering. This is changing, however, with clinic chains and telemedicine providers agreeing primary care PPPs in China, India, Brazil, Russia, Romania, South Africa and Singapore in recent years. Brazil's famously primary care led system has been one of the most enthusiastic markets to experiment with these models.

Like many countries, Brazil's PPP program began with hospitals, such as the 250 bed Hospital do Subúrbio in Bahia Province which opened in 2010 – the project achieved an affordable, high quality service that was, as a result of this, swamped by very high demand. This revealed the lesson that improving hospitals in isolation was not a sustainable strategy. Several primary care deals have subsequently been signed across the country. The Alliar group are working with Bahia state and others to establish 'hub and spoke' diagnostic imaging and laboratory testing clinics across Brazil. The network professes an 'obsession' with efficiencies through scale, and is pioneering the use of remote scanners and an MRI 'Command Center' to bring diagnostics into areas where there are no radiologists, as well as reducing the costs of delivery.

In 2016 the neighboring state of Minas Gerais, the city of Belo Horizonte agreed a 20 year concession deal to build, remodel, operate and maintain 77 primary care clinics, covering around a million people on low and middle incomes.







## Reinventing 'Private':

Related to these changing asks from governments, the types of private players that are operating in the healthcare PPP space are also expanding. While hospital operators have traditionally dominated in these deals, new providers – including organizations from non-health sectors – are increasingly looking to break into the rapidly expanding healthcare market. Telecommunication firms provide a number of these examples, such as the expanding reach of Telenor's digital health start-up 'Tonic' in Bangladesh, a platform that launched in June 2016 offering a 24-7 doctor-led health-line, wellness coaching, discounts and the country's first fully portable health record. The service already boasts some five million subscribers and is actively now signing partnership agreements with a number of major donors and NGOs, such as BRAC, to further expand its services to the most in need.

Medical schools and private healthcare training colleges are another new player in the space, responding to the critical need in many countries to rapidly expand the supply of health professionals. One of the longest-standing partnerships of this kind is the Melaka-Manipal Medical College (MMMC), a PPP between the state government of Melaka in Malaysia and Manipal Academy of Higher Education (MAHE) in India. For decades, thousands of Malaysian doctors were trained in India at MAHE but this came to an abrupt end in 1993 when the Indian government introduced a policy preventing foreign medical students from training there. This created a shortage of opportunities for Malaysian medical students, leading to the MMMC joint venture. MMMC's medical degree takes five years, with the first half spent in India and the second in Malaysia, with trained faculty from MAHE.



The state government grants MMMC the use of two public hospitals and two medical centers, plus some teaching staff on a part-time basis. MAHE, in turn, manages and operates the program. Closer to home, Saudi Arabia has had a number of long-standing international partnerships with educational institutions, for example since 2011 King's College Hospital in London has been a major provider of nurse training for one of its largest hospitals – King Fahad Medical City.

### Reinventing 'Partnerships':

One of the most distinctive features of innovative social sector PPPs is the adoption of payment-by-results frameworks or even the taking on of population risk by providers themselves. Under such contracts, rather than have the contract focussed on providing a set of services, it is improvements in patient and public health outcomes and experience which is incentivised – freeing up the provider to achieve these by whichever means they deem most efficient.

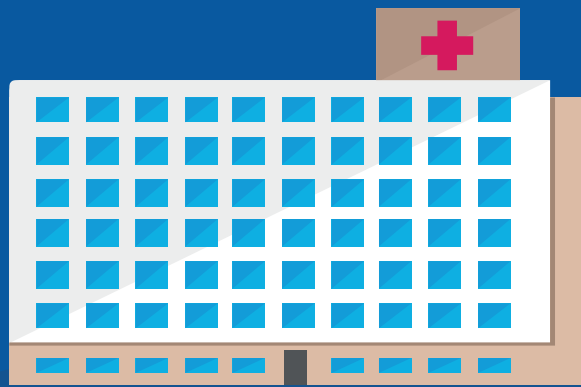
Such 'value based' PPPs are not unique to healthcare – private sector operators of employment support contracts in the UK, USA, Ireland and Saudi Arabia now routinely have the sustainable employment rates of their job seekers factored into how much they are paid by government, for example.

However, the model is proving increasingly popular in the health sector, with more and more PPPs including payment structures based on clinical improvement and population health, rather than simply the number of patients through the doors. While these value-based PPP contracts can be highly complex, and require strong data systems, the rewards for success can be considerable, as demonstrated by the Manises story overleaf.





## Map of the Manises model

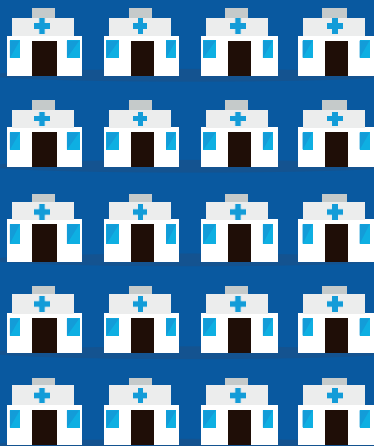


### Manises Hospital (acute care)

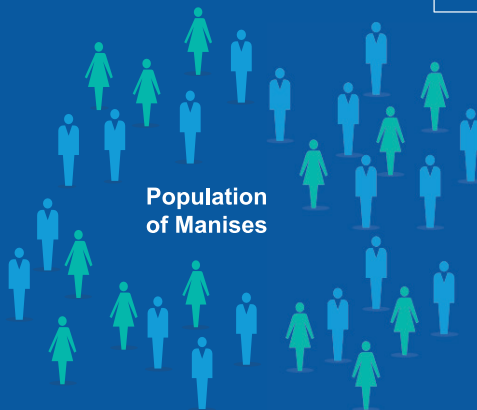
- 219 single rooms
- 11 large multipurpose operating theatres
- 24 post-surgery recovery rooms
- 32 outpatient examination rooms
- 6 pre-delivery labour rooms
- 2 delivery rooms
- 53 outpatient consultation rooms
- 10 intensive care rooms
- 34 dialysis units

### Primary health centers (primary care)

- 20 centers



### Population of Manises



### Specialist center in Aldaia (specialist care)

- 20 outpatient consultation room



### Specialist center in Mislata (specialist care)

- 21 outpatient consultation rooms



### Mislata Hospital (long-term care)

- 21 beds





# 4

## A way forward for the Kingdom

**Saudi Arabia has made great strides in unlocking the potential of healthcare PPPs in the Kingdom and a lot more activity is expected in the near future. To further support this, the following thoughts need to be further built out and solidified for success:**

1. The public healthcare authorities have to further communicate their **clear and practical objectives** for its privatization program. Those objectives strive for a win-win scenario between government, private sector and citizens.
2. The **communication and transparency** around these objectives will be instrumental in a success or failure in roll out of the next wave of PPP programs.
3. **Education and co-ownership of the emerging health clusters** in PPPs is in line with the Vision 2030 and of vital importance in their efforts to move to Accountable Care Organizations.
4. Installing regulations will not be sufficient to accelerate healthcare PPPs. However, **unblocking the regulatory environment** by developing the right regulations for PPPs is a critical step forward.
5. The government has to continue its efforts into **creating effective healthcare regulator** to oversee the sector and to support the penetration of PPPs in healthcare.
6. The government and public healthcare authorities have to **create the right governance** for the private sector participation.

Finally, a partnership goes both ways. The public healthcare authorities should not simply aim at pushing its problems to the private sector as this will prove inefficient. In return the private sector should seek long term partnerships with the public based on value creation and not simple short-term material gain. As a result, citizens of the Kingdom should benefit and be offered a higher functioning health system at lower cost.





# 5

## How KPMG can help

**Whatever your stage of PPP progress – strategic planning or project implementation, traditional hospital build or innovative new models – KPMG has the skills and experience to help make the triple win a reality.**

**Our global network for healthcare PPPs helps public and private players alike through the entire lifecycle of healthcare partnerships, including:**

- **Developing a coherent strategy**

Whether for investors, private providers or policy makers, our teams can add insights to set the right vision, goals and priorities, and bring all the necessary stakeholders together.

- **Shaping and evaluating specific opportunities**

Selecting and preparing the right partners and specific projects to take forward.

- **Designing partnership models**

Creating the target operating models and share of risk/reward, as well as developing the values and trust that will future-proof any agreement.

- **Executing deals**

Negotiating partnerships terms and contracts, drafting and assessing bids, and securing a final agreement that works for all parties

- **Implementing PPPs**

Establishing the partnership, including support for transition to new arrangements and integration of existing services and organizations

- **Evaluating and governing ongoing performance**

Monitoring real change against the agreed plan and seeking alignment in any areas of disparity

- **Communication and Education**

Coordinating the sharing of knowledge and expertise around PPPs to and with all stakeholders involved.





# Contacts



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## Special thanks to contributor

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