



15th CARIBBEAN CONFERENCE ON NATIONAL HEALTH FINANCING INITIATIVES

Bucaramanga, Colombia
October 4th – 7th 2023

**INNOVATIONS IN PARTNER FINANCING -
EVIDENCE FOR PUBLIC HEALTH PRACTICE**

Presenter: Dr. Dexter James
Chief Executive Officer
Millennium Heights Medical Complex, St Lucia



THE PRESENTER

- Health Reform Consultant
- Professional Accountant
- Current CEO of Millennium Heights Medical Complex (St. Lucia)
- Professor of Practice (UWI - Cave Hill)
- >30 Years Management Experience
- >25 Years Hospital CEO Experience
- >25 Years consulting on Regional Health Reforms



DISCLAIMER

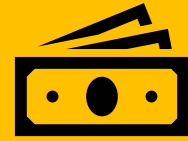
**THE NAMES OF INSTITUTIONS HAVE
NOT BEEN DISCLOSED IN THIS
PRESENTATION TO PRESERVE
ANONYMITY AND CONFIDENTIALITY**

BACKGROUND AND CONTEXT

HOSPITAL REALITIES – THE FINANCING DILEMMA



\$



**Demand for
& Cost of
Health Services**

THE RESOURCE GAP



**Availability of
Resources**



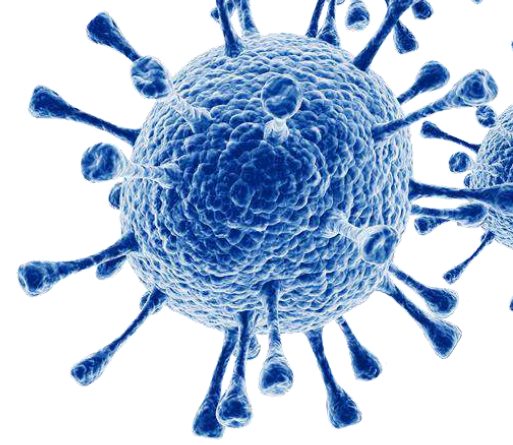
TIME PERIOD



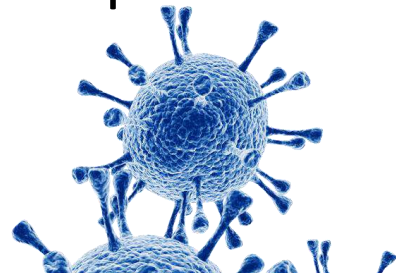
DRIVERS OF HOSPITAL/HEALTH CARE COSTS



DISEASE & HEALTH PROFILE



Changes in the demographic profile (aging population), sickness (NCDs), emergence of communicable diseases, injuries from accidents and violence, pent up sickness from COVID



EXOGENOUS FACTORS



Rising cost of drugs and medical supplies (consumes 17-20% of budget), advancing technology, need for technology refresh





SYSTEMIC FACTORS



Waste and inefficiencies, malpractice coverage (f) litigious nature of environment, overuse of diagnostics, medical errors (medication, adverse incidents), care provided in the wrong setting.





OTHER CONTRIBUTORS

High public expectations, the model of socialized medicine and expectations around entitlement



TRADE LIQUIDITY FINANCING & FACTORING



What is factoring?

- Factoring is a method of financing accounts receivables - in which a company that invoices their customers such as Public Hospital considers when they're in need of quick cash. Basically, the business gets a loan from a factoring company, typically a financial intermediary, using its accounts receivable as security.
- Typically, the factoring company will advance the business a percentage of its outstanding invoices **immediately** (the advance percentage, which is typically around 80%). When the invoices are paid by the customers like Public Hospitals, the factoring company gives the remaining 20% to the business, but subtracts a factoring fee.

THE PPP ECOSYSTEM/ACTORS

The 5Ps



PURCHASER



PROVIDER



PAYER



**POLICY
MAKER**



PROTECTOR



PURCHASER

Typically, the Public Hospital that contracts for the purchase of goods and services from a third party and carries the liability on its balance sheet

PROVIDER

Third party entity that contracts to provide goods and services to Public Hospitals. The invoice for these services are booked as trade receivables on vendors books



PAYER



On the basis of the statement of trade receivables and irrevocable commitment to transmit proceeds to the Financial Intermediary, the factor discounts the receivables and the provider receives immediate cash

POLICY MAKER

The Ministry of Finance is duty bound to execute the Government's Public Sector Financing Strategy and must transfer funding to the Public Hospital in accordance with the Parliamentary Budget provisions





PROTECTOR

**Central Bank acts as
Guarantor of last resort to
protect the integrity of the
Public-Private Partnership
relationships and the
ecosystem**

Everyone is a winner!!!

Roles	Intrinsic benefits
Purchaser	<ul style="list-style-type: none">■ Balance sheet of public hospital is cleaned-up – trade liabilities are settled, solvency ratios improved and institutional goodwill restored
Provider	<ul style="list-style-type: none">■ Creditor obtains immediate cash – at a discount from factor. No questions asked. Security is the trade receivables
Payer	<ul style="list-style-type: none">■ Factor derives fee revenues from discounted arrangement – earnings improved
Policy-maker	<ul style="list-style-type: none">■ Treasury management of MoF improves – settlement by Central Bank based on cash flows – usually within 60-days
Protector	<ul style="list-style-type: none">■ Central Bank guarantee of payment improves the integrity of the partnership, fiscal management of the public hospital and macroeconomics



LEASE FINANCING FOR MAJOR CAPITAL ASSETS

UNDERLYING PRINCIPLES

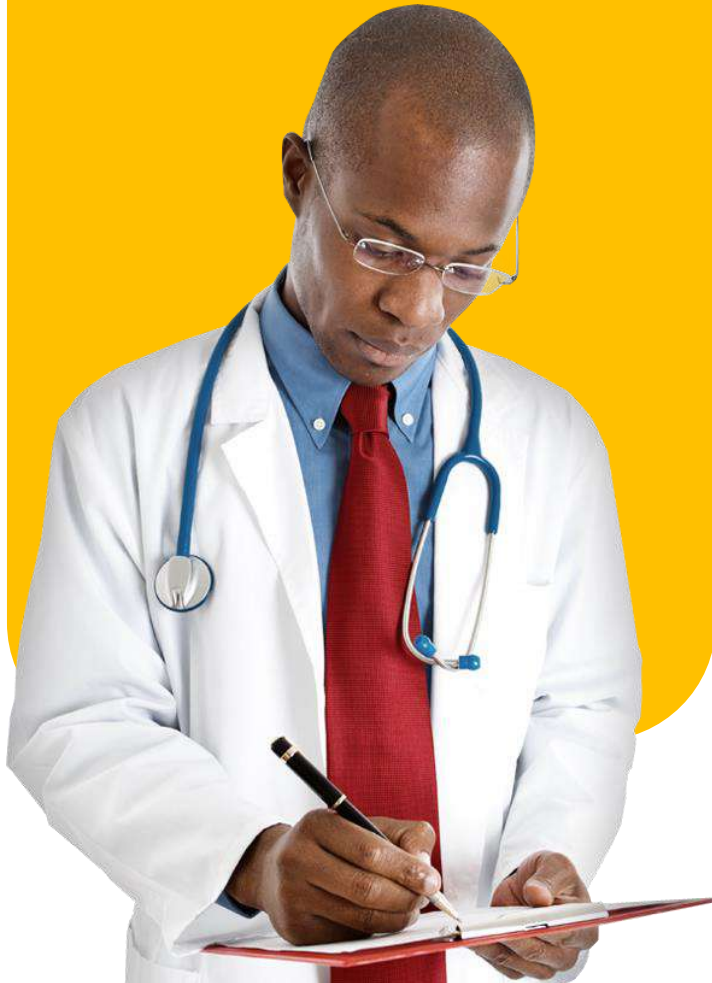
- The utility of an asset is not derived from ownership but through access to its use
- Typically, the Lessor (seller) front ends capital costs and installations
- Lease-reagent contract with the public hospital includes a payment structure that amortizes the capital and related costs through a direct sourcing of consumables under the PPP agreement
- Duration of contract: typically, 3-5 years
- Implied interest rate: >25 – 30 %

- No upfront capital costs for Public Hospital
- Preventative maintenance assured under the terms of the contract
- Provides for technology refresh replacements – no obsolescence
- Shifts burden of performance on lessor

PROS



CONS



- Hospitals may be vulnerable to the lessor – if payments are not made according to schedule. Cash forecasting must be strong
- Hospital management (lessee) needs to hone new skills at Value for Money.
- Implied cost of financing could be exorbitant – 15-20% per annum
- Very legalistic agreement
- Very stringent payment and default terms – linked to termination.

HOSPITAL PHILANTHROPY



TRUST DEED – KEY FEATURES

- The Trust is defined as an **EXEMPT CHARITY** within the meaning of the Income Tax Act
- Donated funds are not comingled with operating accounts - separate accountability
- Hospital management served as an ex-officio member of the board of Trust
- Overhead costs of the Trust are shared with the Public Hospital e.g. payroll, advertisements



DONATIONS RECEIVED – STRATIFIED BY FUNDED ASSET

FUNDED ASSET



VALUE OF DONATIONS



Surgical Intensive Care	424,500.00
Medical Intensive Care	1,600,000.00
Ward rehabilitation	550,000.00
Oncology/Nuclear Medicine	4,791,850.00
Gynaecology / Diagnostic Clinic	81,696.00
Cardiovascular Services	2,000,000.00
Others	142,390.00
Cash	691,858.00

Total

\$10,282,294.00

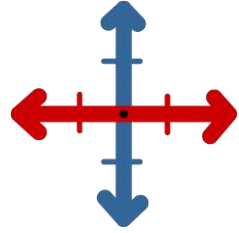
BUILDING HEALTHY PARTNERSHIPS

THE VIRTUALITY OF PAYMENTS

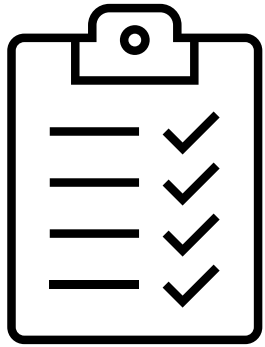




ROLE OF NGO



- Coordinate annual visiting diagnostics and surgical teams to Public Hospital
- Provide an integral part of each visiting team training opportunities in paediatric diagnostics, surgical procedures, and post-operative care for all medical personnel in country who desire to work with them



- Ensure that each team is comprised of the required number of medical professionals, with appropriate paediatric credentialed training to provide safe quality care and optimum outcomes.

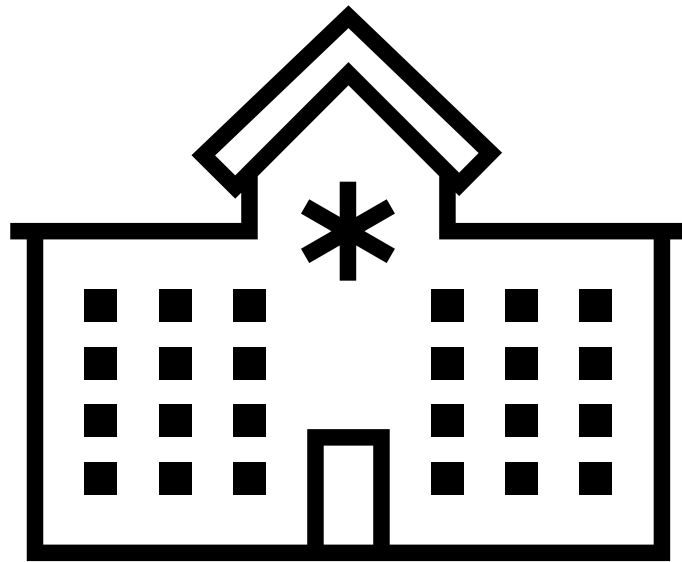


- Review cases submitted that are beyond the capacity of short-term visiting teams

ROLE OF NGO

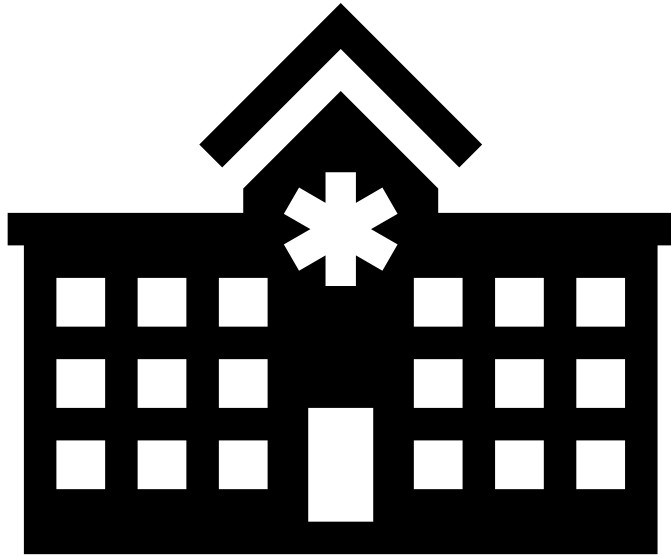


CAPACITY ASSESSMENT



FACILITY A

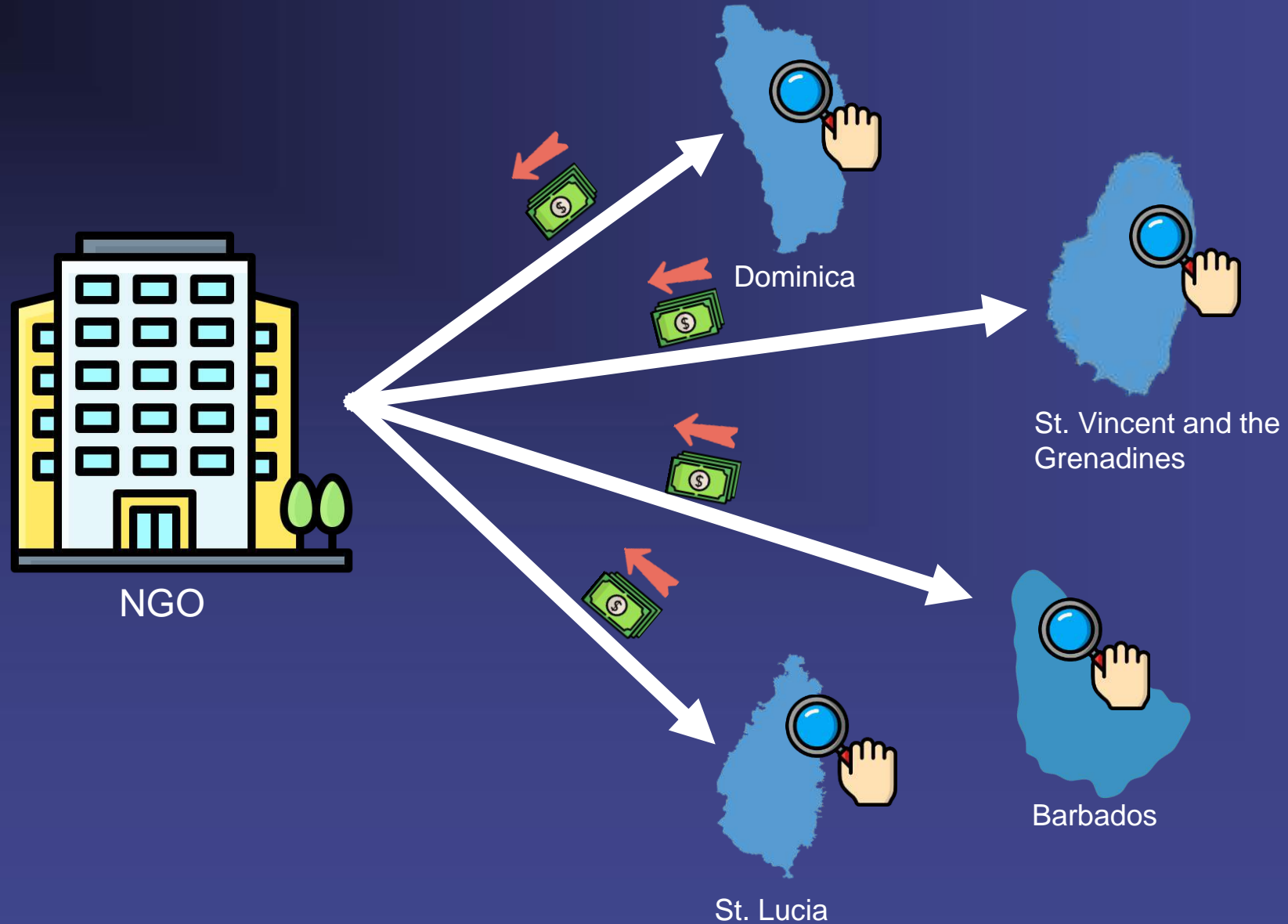
Centre of Excellence provides a package of surgical interventions including the cost of surgical services, diagnostic investigations and consumables and supplies to countries within the contribution agreement with the NGO. The value of these services are costed, and credit is given to the account of **Facility A**.



THE NGO

- Provides reciprocal services to Facility A for patients in country of Facility A.
- In like manner the cost of surgical interventions including the cost of surgical services, diagnostic investigations and consumables and supplies are estimates and credit is given to the account of Facility A

Partnership agreement with Member States



Separate supplementary partnership agreement with Centre of Excellence

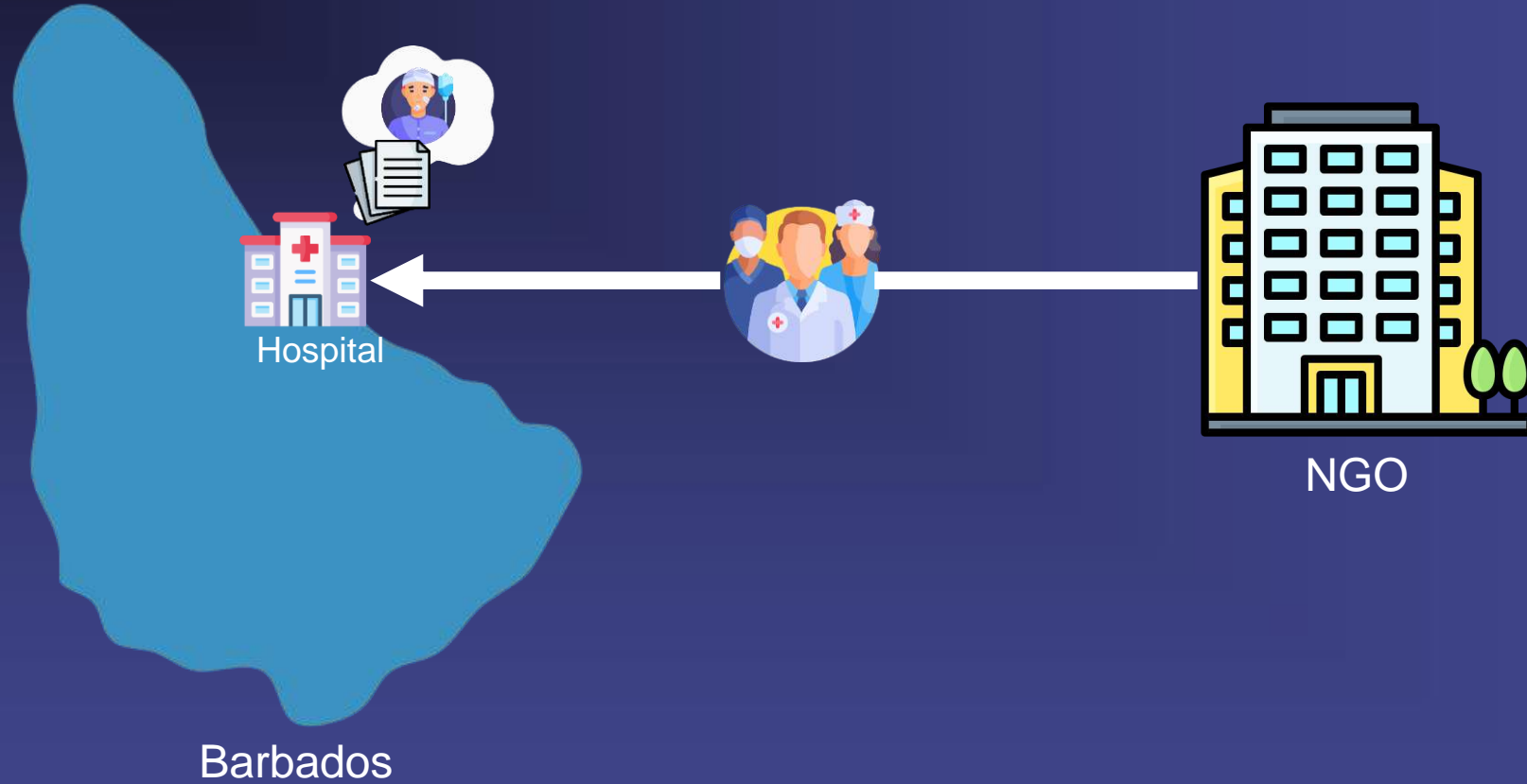


NGO Headquarters

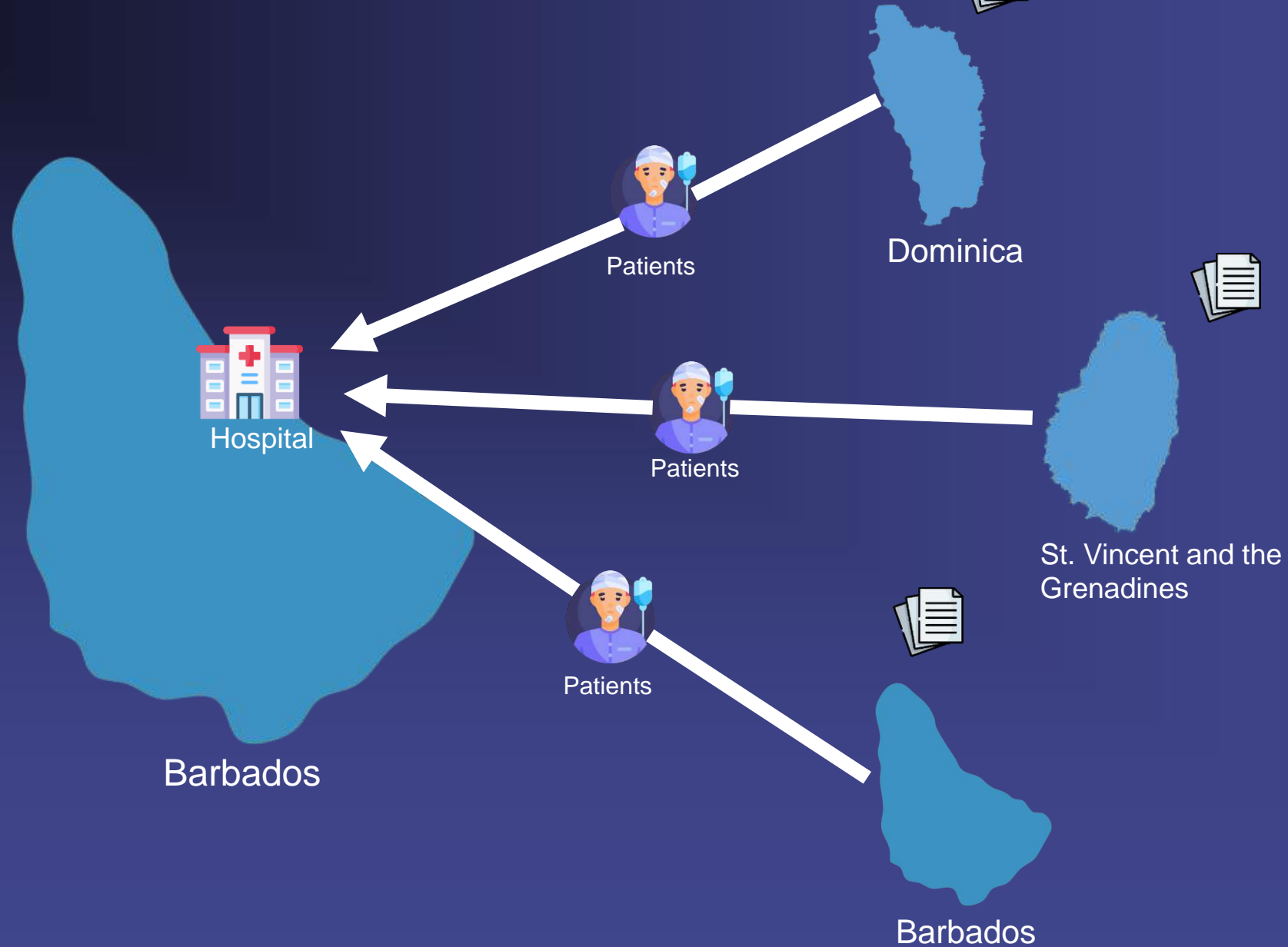


Barbados

PPP Agreement - NGO provides direct care to children of the public hospital of Centre of Excellence



PPP Agreement with NGO – patients from participating countries receives direct care from Centre of Excellence



- The capacity of country is fully utilized for the benefit of many.
- Wide range of medical expertise is available for the benefit of all patients.
- Cost-saving for foreign partner – medical expertise provided locally as opposed to foreign volunteers.
- Development of Centres of Excellence.
- Knowledge transfer and sharing of medical expertise.

PROS

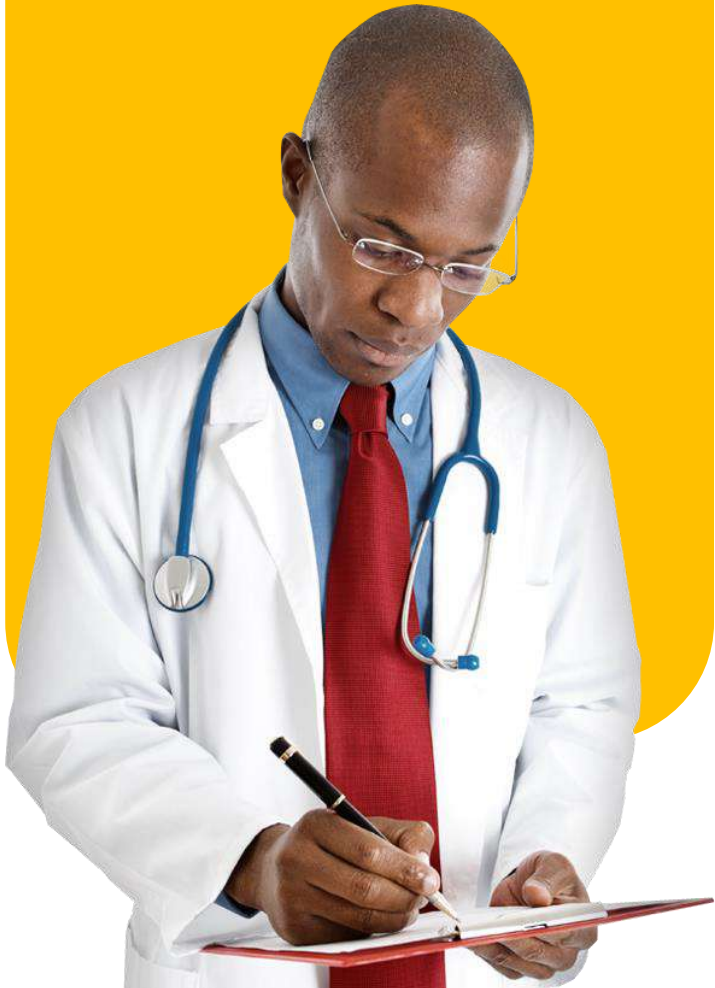


PROS

- Access to specialized medical equipment and consumables.
- Risks are shared equally.



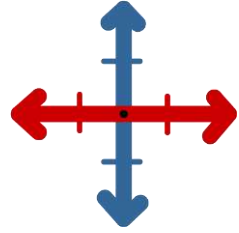
CONS



- Non payment of contribution by participating Member States.
- Foreign partner is likely to have higher out of pocket expenditure – net credit in virtual account
- Logistics for overseas missions require higher attention to detail
- Risk of withdrawal of foreign partner if payments under the contribution agreement are not kept.



Value of Services

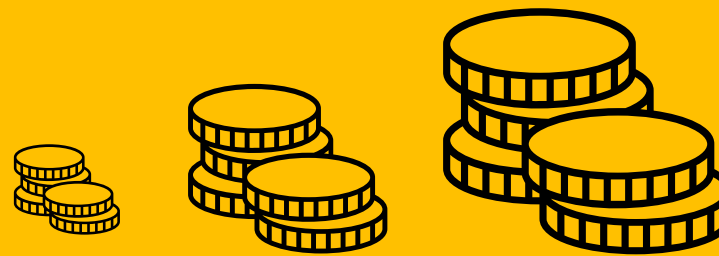


- Between 2008-2020, 22-children received medical care in US hospitals valued at **US\$4.8M**
- 81-visiting surgical/diagnostic team visits. Value of services – **US\$6.7M**
- Total number of children served (2008-2020) – 311. Value of Services - **US\$11.5M**

SOCIAL IMPACT BONDS



**Expanding Capacity For
Financing of Social
Programmes**



FINANCING INFRASTRUCTURE

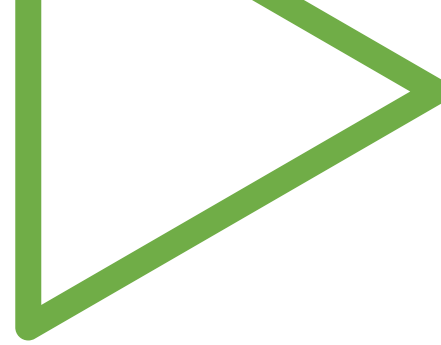


- A SIB is a pay for success contract between the government and Investors to provide improved social or economic outcomes.
- Investment is raised to pay for a range of interventions provided by public sector services that will improve these outcomes.





- If the outcomes improve, investors receive their initial investment plus a financial return.
- The financial return is a fraction of the savings made by the public sector in contracting the service provider.



WHO ARE THE MAIN PLAYERS



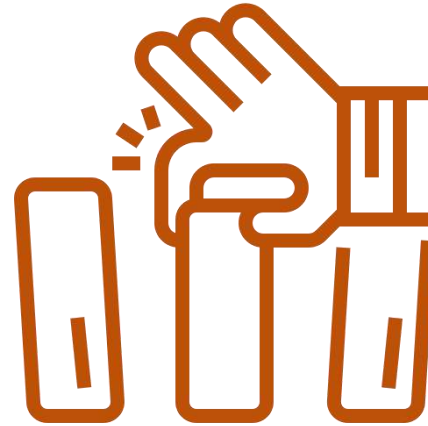
FUNDER

Private sector capital puts up the initial capital to fund the intervention.



A PAYER

Usually government, who makes payments to the investor based on the impact achieved.



OPERATOR

Performs the Intervention.

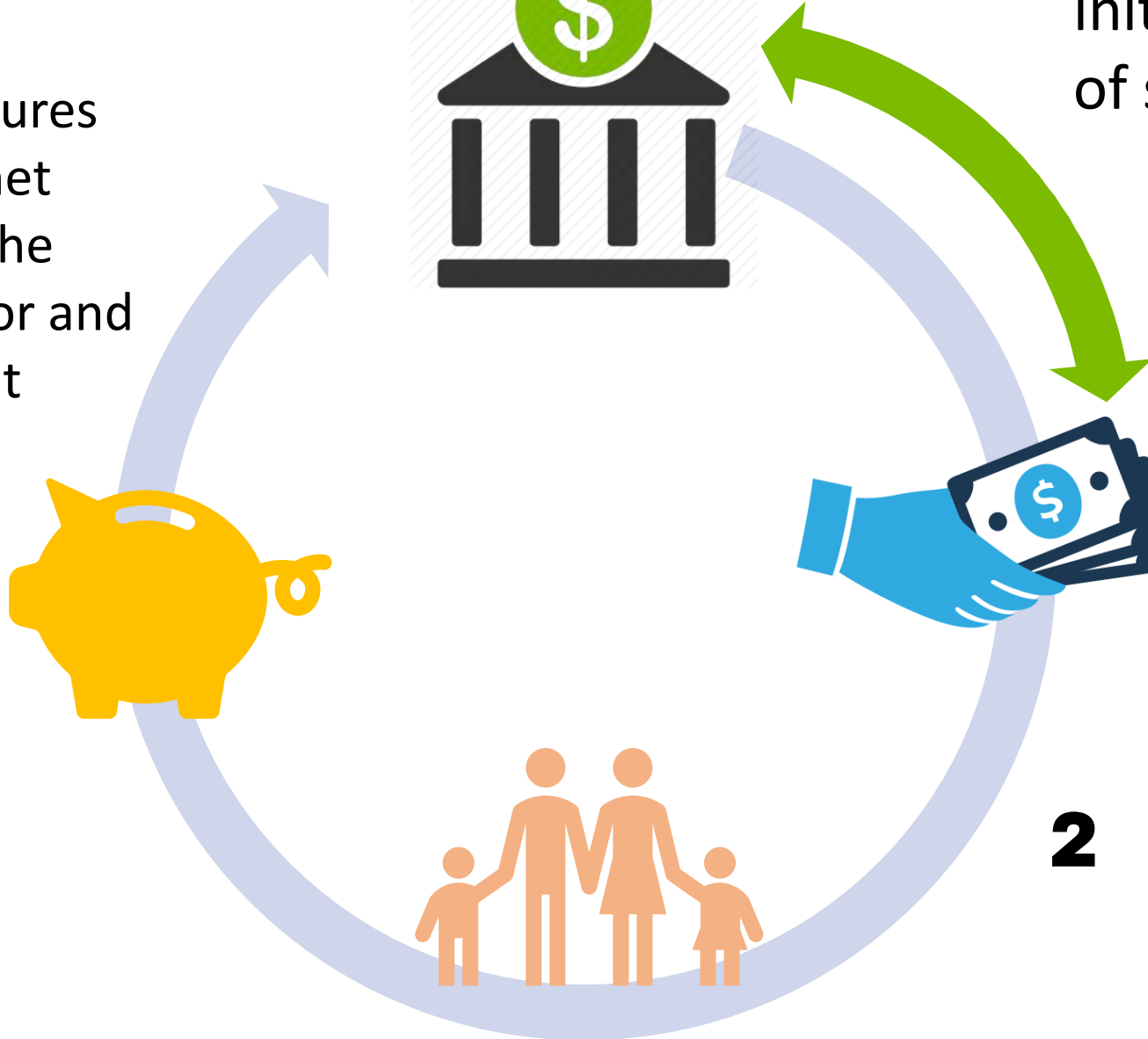
3 Service ensures impact is met and saves the public sector and government money



1 Government and investors enter into contract to ensure societal impact.

2 Investors provide operating funds for service(s) that will create impact.

4 Government pays back initial capital + fraction of savings made



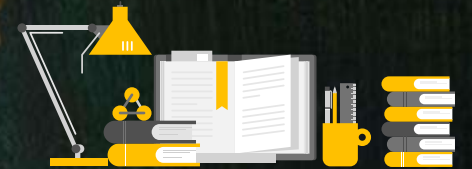
"Innovative financing mechanisms such as Social Impact Bonds stand to improve the efficiency of development assistance in the coming years – and that is what has brought us to the Working Group. As a vital component of the impact investing sector, outcomes-based finance can be a powerful means of enhancing the effectiveness of aid and development finance".

**Elizabeth Littlefield, Working Group co-chair,
Center for Global Development & Social Finance**

LESSONS LEARNT FROM PUBLIC-PRIVATE PARTNERSHIPS



- Developing trust in partnerships with the private sector and NGOs is key to sustaining an enduring financing strategy for public hospitals
- Innovation in healthcare financing is an imperative of public sector reform
- Adoption / adaptation to private sector financing mechanisms are relevant to health sector financing and sustainability of services
- Partnerships provide opportunities for expanded capacity for public health systems
- Resource mobilization is critical to sustainability of public health services e.g., the evolution of Social Impact Bonds



**LESSONS
LEARNT**



QUESTIONS