

PUBLIC PRIVATE PARTNERSHIPS IN HEALTHCARE 20 YEARS OF UK EXPERIENCE

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Before PPP



SWINDON HOSPITALS 2000



BIRMINGHAM HOSPITAL 2000



Ward in 1920's



Before PPP

- Early 1990's – little capital in National Health Service available circa 75 billion (RR) per annum (3% approx of revenue) – to be shared amongst 300 hospitals = incremental improvements
- Mid nineties – circa 375 billion (RR) backlog maintenance problem
- In cancer treatment early 2000 – 38% of all linear accelerators 10 years or older



- Public Sector Projects – over budget, overrun
- Risks of construction costs, time long term maintenance borne by NHS
- Hospitals competed for access to capital
- Major change to improve patient care difficult

Previous experience (1999 Government survey)

Construction projects
where cost to the public
sector exceeds price agreed
at contract

73%

Construction projects
delivered late to
public sector

70%



After PPP

SWINDON HOSPITAL 2012



BIRMINGHAM HOSPITAL 2012

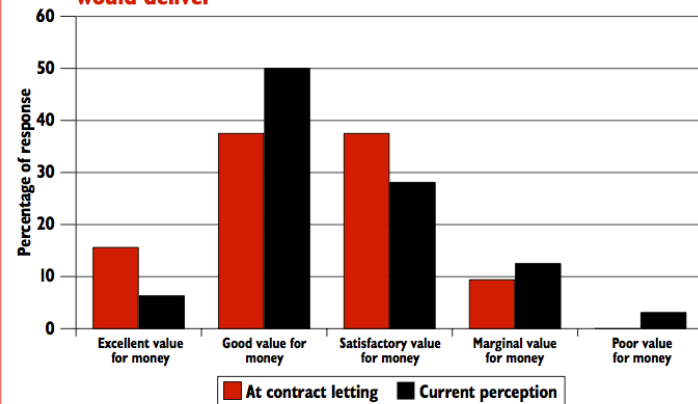


After PPP

- Over 165 major infrastructure projects – 800 billion (RR) – transformational change!
- Nearly 50 projects over 4.5 billion (RR)
- In cancer treatment increase from 433 to 690 linear accelerators by 2010 – only 13% over 10 years old

	Previous experience (1999 Government survey)	PFI experience (2002 NAO census)
Construction projects where cost to the public sector exceeds price agreed at contract	73%	22% ¹
Construction projects delivered late to public sector	70%	24% ²

Chart 4.7: Perceptions of the value for money the contract would deliver



Source: CEPA/Scottish Executive.



Issues still to resolve

- Public Relations - transparency
- Length of time of procurement – bid costs
- Risk transfer
- Poor business case assessment

Chart 1.D: Estimated future unitary charge payments (in nominal terms, undiscounted) under signed PFI projects

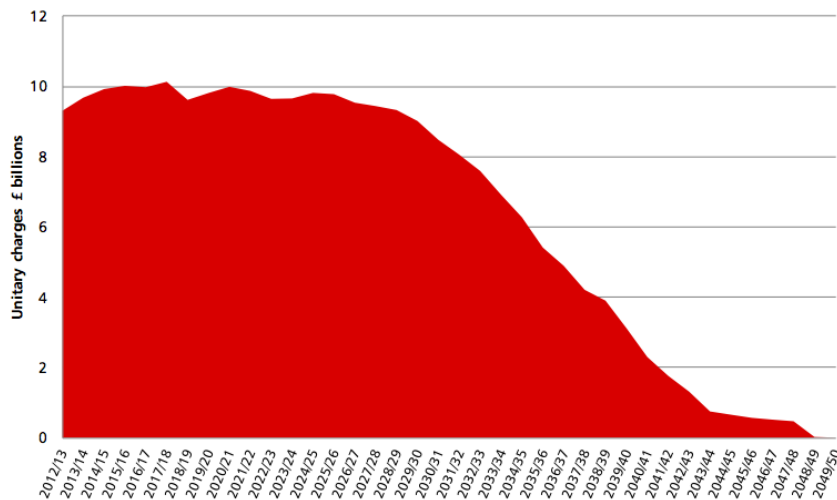
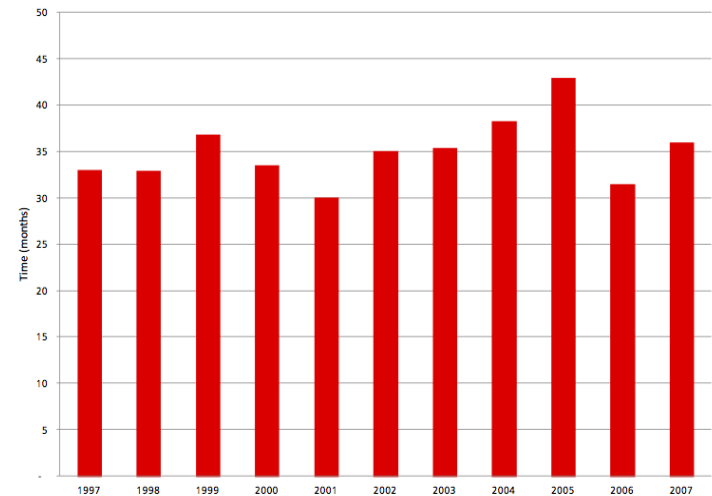


Chart 3.A: Average procurement times (OJEU to Financial close) in England



Source: HM Treasury



Proposed Resolutions

- Publishing at every stage project information
- Limiting to 18 months from advert to award of preferred bidder - regulated
- Risk transfer – risk matrix to be published
- Transparency - public sector to take minority equity stake (models already exist)

