

Lesotho hospital PPIP under fire

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Our post [“Ailing public hospitals in PNG: a radical remedy from Africa?”](#) on the Devpolicy Blog last year summarized available information of a public private integrated partnership (PPIP) in Lesotho as a possible model to consider in the reconstruction and operation of dilapidated hospitals in PNG. We posed the question: “If PNG wishes to reconstruct its major hospitals and improve the quality of their services, is the Lesotho PPIP model an option to be considered?”

Since then, two reports have become available on the Lesotho PPIP. These are the 133 page final report of the [Endline study for Queen Mamohato Hospital Public Private Partnership \(PPP\)](#) conducted by the Centre for Global Health and Development at Boston University, published on 20 September, 2013; and an Oxfam Briefing Note of 7 April, 2014, entitled, [A dangerous diversion: will the IFC’s flagship health PPP bankrupt Lesotho’s Ministry of Health?](#) Both make interesting reading and highlight lessons from the Lesotho model, identifying ways in which the model could be improved and what further evaluation is needed. Beyond that, the reports are quite divergent in their purpose and conclusions.

The Boston University report was commissioned by the IFC and conducted by the Lesotho Boston Health Alliance (LeBoHA). LeBoHA researchers collected detailed baseline and endline indicators on the situation at Queen Mamohato Hospital (QEII) and the filter clinics, including indicators of access to services, utilization, clinical quality of care, referrals, patient satisfaction, staffing and health outcomes. The data show substantial improvements in clinical quality, access and patient satisfaction compared to baseline. The report rejects criticisms including that “quality of care, patient experience, and outcomes ... are not much different from baseline and yet the GoL is paying a great deal more”.

The report acknowledges that the PPIP hospital costs more than the old QEII for a variety of reasons, including the addition of new services (such as a 10 bed intensive care unit and an eight bed neonatal intensive care unit, along with additional labor rooms, operating theatres, and accident and emergency), as well as significant increases in volume. The former QEII expenditures were calculated as 38.5% of the Ministry of Health (MOH) budget at baseline. The report estimates that at the originally contracted service level, which was 25% more for hospital services

and 87% more for outpatient visits, the PPP hospital would have consumed 37.2% of the MOH budget. But improved access has made the utilization levels much higher than anticipated and, when this excess volume is considered, the costs of the PPIP have risen to 41.2% of the MOH budget.

The report recommends the need for improved monitoring and oversight of the partnership, a process for reviewing Independent Monitor reports to assure accuracy of data and the need to examine the full cost of services more closely.

In contrast, the Oxfam report comes out strongly on the attack against the Lesotho PPIP, the IFC, World Bank, Netcare (the hospital operator) and private sector solutions in general. It is highly critical of the quality of the advice given to Lesotho in the lead up to the PPIP decision, and the quality of support provided subsequently. It incorrectly states that the replacement of the referral hospital was not part of a broader health sector investment plan. It also raises the need for resources for primary and secondary care in rural areas, which were part of the original health sector plan, but were unfortunately never implemented.

While the Oxfam report recognizes that services have improved under the PPIP, it calls for another independent, system-wide evaluation of clinical performance and impact. It also claims that the new hospital cost at least three times what the old public hospital would have cost today, at more than half (51 %) of the total government health budget, significantly higher than the LeBoHA and MOH calculations .

Some of the Oxfam criticisms of the project include:

- Unfavourable terms in the PPIP contract and inflexibility have left the government exposed to escalating costs in the future.
- There is a lack of transparency associated with the contract terms because of commercial confidentiality.
- Referrals to South Africa have increased, despite the rationale for the health PPIP being to reduce the need for these referrals.
- There has been poor management and oversight of the PPIP by the Government of Lesotho, and insufficient IFC support to the government on PPIP capacity-building of the project.
- Rapidly escalating costs have meant that the the MOH is struggling to pay the monthly fees and penalty charges are being incurred for every late payment,

Both Lesotho's MOH and Netcare have disputed the Oxfam report in the media. MOH operations adviser for health planning and statistics, Majoel Makhake, has defended the project as a good one and the health outcomes as very impressive.

She has countered that Oxfam did not undertake a lot of research to come to the conclusions they made. She stated that the percentage of the health budget going to the PPIP was closer to 30%. In the same press report, **Netcare CEO Richard Friedland disputed Oxfam's claim** that Netcare would get a 25% return on its investment as “grossly inaccurate”.

There is not a great deal that the reports agree upon. They were written for different purposes with different methodologies. They do agree that the PPIP hospital has delivered far better services than its dilapidated predecessor, but that financial sustainability is a key challenge that needs to be addressed.

Tertiary hospitals are part of every country's health care system. They are complex, expensive and difficult to manage and maintain the quality of. One of the most important lessons to be learned from the Lesotho and other PPIP projects is that enhanced access to high quality health services will lead to an increased use of these services by the people. Making choices to balance the iron triangle of cost, quality and access are issues that governments at all income levels must confront.

Beyond that, the recent reports certainly show that there are further lessons to be learned and questions that remain to be answered from the Lesotho experience, which we will continue to follow with interest.

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