



Public-Private Partnership Stories

Brazil: Bahia Health 2 - Imaging Diagnostic



The State Government of Bahia had been facing a number of challenges in delivering public health services, including rapidly growing demand for imaging tests, low bed turnovers and overcrowded hospitals. To address this, the State Government of Bahia decided to partner with the private sector to provide people with critical imaging and telemedicine services, including radiology, mammography, resonance, tomography and hemodynamics through the State healthcare system. To achieve this, the Government signed a cooperation agreement with IFC as the lead transaction advisor, and in February 2015, entered into a PPP agreement with AFP consortium.

The AFP consortium, composed by Alliar, Phillips do Brasil, and FIDI, won the bid for a 11.5 year concession to build, operate and maintain imaging units in 12 hospitals in the State of Bahia, as well as to build and operate a new diagnostic center, where specialist medical staff will provide rapid diagnostic information to doctors back at the hospitals. The concessionaire is expected to invest over USD 40 million in new medical equipment and infrastructure.

This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.

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IFC's advisory work was undertaken in partnership with the Brazilian National Development Bank (BNDES) and the Inter-American Development Bank (IDB). IFC, BNDES and IDB work together in Brazil through the Brazil PSP Program, which aims to fund and foster the development of PPPs.



BACKGROUND

The Health Secretariat of the State of Bahia faces major constraints in meeting the demand for high quality and complex imaging tests in the State. The Government believes that improving the provision of imaging and diagnostic services will contribute significantly to the hospital's operations, increasing the bed turnover rate and reducing the long wait that patients face to receive a diagnosis from doctors. The Bahia Health 2 project is the third healthcare PPP project to be implemented in the State of Bahia and the second in partnership with the IFC.

IFC'S ROLE

After having successfully closed the Hospital do Suburbio project in partnership with IFC, the first hospital PPP implemented in Brazil, the State Government of Bahia approached IFC to discuss a potential imaging and diagnostic PPP for the State. In December 2011, the Government engaged IFC as the lead advisor on the structuring, tendering, and implementation of an imaging and diagnostic PPP project. IFC's unique experience with PPPs, especially in the healthcare sector in Brazil, was seen as a major plus. IFC undertook this task in partnership with the Brazilian Development Bank (BNDES) and the Inter-American Development Bank (IDB), which together manage the Brazil PSP Program fund, which aims to foster the development of infrastructure and services in Brazil through private sector participation.

TRANSACTION STRUCTURE

After thorough technical and financial analysis, IFC proposed a transaction structure based on an 11.5-year concession agreement for a private partner to invest in, and operate, the imaging units of 12 hospital units, and for these units to be connected to a diagnostic center where diagnostic medical reports would be developed. The PPP scope encompasses X-ray, Mammography, CT Scan and MRI tests. The concessionaire will also be responsible for supporting services, such as help desk, cleaning, laundry, and security of the imaging units. All units should be fully operational upon 18 months from the date the PPP agreement was signed.

The agreement also spelled out the Government's responsibility to pay the Concessionaire for providing the services under an availability payment structure.

IFC then helped the government run an open and competitive bidding process with the lowest availability payment fee as the main bid criteria.

The PPP agreement sets out 10 quality and 7 availability indicators to be met by the private partner in order to receive the availability payment; the concessionaire would have to ensure it meets these key performance indicators. Otherwise, the

government can enforce penalties or deductions set-forth in the PPP agreement.

BIDDING

The AFP consortium won the bid for the Imaging and Diagnostic PPP in Bahia. The winning proposal was composed by a yearly maximum Government payment of USD 30 million. The consortium is composed by highly qualified companies: Phillips do Brasil (a medical equipment provider), Alliar (one of the largest diagnostic-medicine networks in Brazil with over 30 health facilities that offer patients image-based diagnostic exams in cities throughout Brazil) and FIDI (the largest diagnostic-medicine operator that provides services to SUS, the Brazilian public healthcare system). The bidding took place at Bovespa, the Brazilian stock exchange, reinforcing the Government's commitment to a fair and transparent bidding process.

The concession agreement was signed in February 2015 and it is the first PPP with the scope of imaging and diagnostic services in Brazil.

EXPECTED POST-TENDER RESULTS

- Improved access to high complexity tests for underserved areas, both in the capital and countryside.
- Over **\$40 million** in private investments in operating equipment and infrastructure.
- Quality and availability indicators to guarantee higher efficiency, including the delivery of diagnostic reports in less than one hour for emergency patients.
- **One new** diagnostic center inaugurated in Salvador.
- **45 new equipment**, including 4 new CT scan services and 3 new MRI services.

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