Lesotho Health Network Public Private Partnership

Johannesburg, 14 April 2014 In 2009 in the old Queen Elizabeth II hospital (QEII) in Maseru, Lesotho, the predecessor to Queen ’Mamohato Memorial Hospital (QMMH), 12% of patients admitted died and of these 35% died within 24 hours of admission; the infant mortality rate was 22% and 34% of children with pneumonia died. Five years later a new hospital and four primary care centres built and operated through a public private partnership (PPP) - turned this situation into a major success story in terms of significantly widening access to quality healthcare for the people of Lesotho and providing patients with healthcare services previously not available.

The Lesotho healthcare PPP is not just a hospital. It is an integrated healthcare system that includes the only national referral hospital for the entire population of Lesotho and four primary healthcare clinics.

Access to quality healthcare is every citizen’s right but this was previously not fully realised, especially in the old QE II hospital. This 100 year old facility was decrepit, dirty and unhygienic. Patients who were given beds lay in dirty linen, others were left lying on the floor, babies slept in baths, sickening odours filled the wards and corridors, there was no ICU and no trauma unit and it lacked the technology and skills to perform a number of life-saving medical interventions.

The facts about the Lesotho PPP:

- Lesotho has a population of 1,894,194\(^1\) and this PPP covers a population catchment of approximately 500,000, in additional to referrals from all corners of the country.
- Significant infrastructure shortcoming in the 100-year old QEII national hospital in Maseru rendered the facility not economically viable for rehabilitation.

\(^1\) Lesotho Bureau of Statistics: http://www.bos.gov.ls/
• The Government of Lesotho (GoL) chose to replace the QEII in 2011 with a new 425-bed national referral hospital and a network of four primary healthcare clinics – three are termed filter clinics (built in 2010) and one is a gateway clinic at the hospital campus.

• A PPP was chosen to ensure efficient, high quality care and expanded access to services for the population. This model also sought to address a number of critical issues such as the significant capital investment required; limited management capacity; and the difficulty in attracting and retaining qualified healthcare professionals due to the dire state of the existing hospital (significant infrastructure shortcoming rendered it not economically viable to rehabilitate).

• The PPP meant that clinical and financial risk was transferred to the private sector. The operating company is liable for the full cost of delivery, including cost overruns, with limited relief offered contractually. It also offered the benefit of access to new technology; skills transfer and management development.

• A competitive tender process chose Tsepong, a consortium of several Lesotho owned businesses and Netcare.

• The tender required a funded solution which necessitated that the bidder had to procure funding for the project. At a time of global economic crisis in 2008, capital raising of R1.2bn was near impossible for most entities, government and corporate alike. This PPP was jointly financed with public (33%) and private (67%) funds. Tsepong’s contribution of R800 million, (US$100m) was financed by the Development Bank of SA (DBSA) and the World Bank provided an output-based grant of US$6m.

• A contract between the GoL and Tsepong governs the relationship. The PPP facilities were accredited by the Council for Health Service Accreditation of Southern Africa (COHSASA). This is a major achievement, not previously attained by any health facility in Lesotho, and only one other public hospital in Sub-Saharan Africa outside of South Africa is accredited by COHSASA. Output based principles are included in the monitoring and evaluation of effectiveness. A broad review of performance is done quarterly through an independent monitor, who review 35 categories every quarter i.e. 1208 questions and 6881 measurements per quarter, each of which trigger a financial penalty if criteria are not met.

• Use of the facility is free to patients at the point of delivery, except for a nominal co-payment in respect of some services. For example, it costs M15 for a tooth extraction and M15 per day to stay in the hospital for treatment. The fee for a hospital stay per day reduces to R7.5 after seven days. These fees go directly to the GoL and not to the healthcare consortium managing the facilities.
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- It must be emphasised that if the patient cannot afford these co-payments they are waived. (M1.00 = R1.00).
- At the end of the contract terms these facilities need to be returned to the GoL in good condition.
- Several new clinical interventions were introduced for the first time in Lesotho including the following:
  - A sophisticated, multi-purpose (Level 1) trauma unit
  - Adult intensive care units
  - Neonatal intensive care units
  - Peri-natal monitoring of mothers and their unborn babies
  - Digital imaging technology including MRI (magnetic resonance imaging) and CAT scan
  - Comprehensive pathology laboratory service
  - Selected neurosurgical procedures
  - Laparoscopic surgery
  - Ventilation of patients.

### Comparison of key data between QEII and QMMH

<table>
<thead>
<tr>
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<th>Old Hospital (QEII)</th>
<th>New Hospital (QMMH)</th>
<th>%</th>
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<tbody>
<tr>
<td>Inpatient admissions (hospital)</td>
<td>15 465</td>
<td>23 341</td>
<td>51</td>
</tr>
<tr>
<td>Inpatient days (hospital)</td>
<td>91 808</td>
<td>116 648</td>
<td>27</td>
</tr>
<tr>
<td>Outpatient visits (incl filter clinics)</td>
<td>165 584</td>
<td>374 669</td>
<td>126</td>
</tr>
<tr>
<td>Deliveries (incl filter clinics)</td>
<td>5 116</td>
<td>7 431</td>
<td>45</td>
</tr>
<tr>
<td>Average length of stay (hospital)</td>
<td>5.94</td>
<td>5</td>
<td>-16</td>
</tr>
<tr>
<td>Hospital occupancy</td>
<td>61%</td>
<td>82%</td>
<td>33</td>
</tr>
<tr>
<td>Death rate (incl filter clinics)</td>
<td>12.00%</td>
<td>7.10%</td>
<td>-41</td>
</tr>
<tr>
<td>Maternity death rate (incl filter clinics)</td>
<td>0.24%</td>
<td>0.21%</td>
<td>-10</td>
</tr>
<tr>
<td>Paediatric pneumonia death rate (hospital)</td>
<td>34.40%</td>
<td>11.90%</td>
<td>-65</td>
</tr>
<tr>
<td>Still birth rate (hospital)</td>
<td>4.00%</td>
<td>3.10%</td>
<td>-22</td>
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</tbody>
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*Source: Boston University: Endline study of Queen ‘Mamohato Hospital Public Private Partnership (PPP)*
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- Admissions increased 51%
- Outpatient visits more than doubled
- The hospital and filter clinics assisted 45% more deliveries
- Length of stay for an inpatient was 16% lower
- A 41% reduction in the overall death rate
- A 65% reduction in paediatric pneumonia death rate
- A 22% decline in the rate of stillbirths and 10% lower maternal deaths;
- Patient deaths within 24 hours of admission has fallen in every ward
- A better emergency service, prompt laboratory tests and access to surgical procedures not performed previously.

Previously midwives were not available after the end of the day shift, but mothers can now be attended to by a midwife for deliveries any time of the day or night, 7 days a week.

Additional points of clarity
Statistics of those employed in the hospital and primary care clinics shows that 40% were previously unemployed and 90% of all staff are local. All support services are outsourced to local companies who only employ Basotho as workforce. Of all pharmaceuticals procured 80% is through the local Government owned National Drug Service Organisation (NDSO).

The Government of Lesotho pays the operating company an annual unitary payment (escalated by a contractually agreed inflation linked index) as part of the contract. Furthermore this unitary fee under the original tender catered for 16,000 inpatient admissions and 278,000 outpatient visits per year. For the same fee, Tsepong committed to treat 20,000 inpatients and 310,000 outpatients per annum.

Treatment of more than these volumes entitles the company to an incremental payment per patient, according to a pre-negotiated rate. QMMH has an extraordinary demand beyond these volumes as patient preference often results in bypassing other facilities to access care at Tsepong facilities. Sometimes, remote district hospitals drop an ambulance full of patients at reception at night and disappear.

According to GoL for FY2013/14, about 35% of its budget is spent on this integrated health network, not 51% as espoused by Oxfam. According to the World Bank “In terms of budget resources, the report
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(Boston University) finds that 2012 payments for the QMMH health network were 427.6 million Maloti or 37.2% of the MOH budget. By contract, QEII expenditures accounted for 38.5% of the MOH budget baseline.

“QMMH figures include additional cost not seen at QEII, including the cost of capital repayment (DBSA loan), the need to include value added tax (VAT) in the unitary payment (even though VAT is returned to government, so it is net-zero cost); and additional services offered at QMMH that were not included at QEII such as the neonatal intensive care unit ………… With debt and VAT removed to make comparable (sic), since these did not apply to the QEII, QMMH health network accounts for 27.7% of the total MOH expenditure”2. This is roughly the same share of the Ministry of Health budget as was spent on old, underperforming, QEII facilities, but delivering a broader array of services and achieving significantly better health outcomes to an increased patient base.

QMMH serves the entire country, not just the Maseru district. It is the only national referral hospital, just as QEII was. The four primary care clinics serve the people of Maseru district. Boston University’s Center for Global Health and Development estimates that after capital costs and taxes are removed, this network is 22% more efficient.

Tsepong is not the only non-state provider of public health services. A number of NGOs are also providing health care to the people of Lesotho and their allocations from Ministry of Health are increasing every year. Christian Health Alliance of Lesotho’s (CHAL) allocation doubled since 2011/12. CHAL mainly serves the rural population, so significant investments are being made in rural areas across the country by the GoL as part of their health policy.

As with most investments, the returns are not guaranteed. This investment was made with an expectation of earning a return that compares with the norm on similar hospital Finance Initiative projects in the UK of between 13% and 18%3, notwithstanding the higher cost of capital in emerging markets. There have been no distributions to shareholders to date, with all cash generated reinvested in the health facilities.

2 World Bank Group. Factsheet: Lesotho Health Network PPP – GPOBAENDLINE STUDY FINDINGS
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This is one of the most ambitious PPP healthcare projects procured internationally and Netcare believes it remains extremely well positioned to support the Government of Lesotho in its quest to make health services more accessible and to improve health service delivery to the community they serve.

At Netcare, we are particularly passionate of the QMMH and totally dedicated to this project which offers significantly improved healthcare to the Basotho people. We continue to work with the Ministry to meet our commitment in both the spirit and the letter of the contract. This project is furthermore able to respond to changes in government priorities or needs.

The difference this PPP health network has made in the lives of the Basotho people who use it is evident. We are privileged to be involved in this innovative and pioneering project.

Two studies have been carried out during the past 12 months on the QHHM in Lesotho. The Boston University’s Center for Global Health and Development spent three months comprehensively interrogating the data and validated it by cross referencing many sources. The mixed methods study used quantitative and qualitative data collection and produced a 142 page report. Oxfam, in producing its 27 page briefing report, spent less than an hour at the hospital and, we understand, was in the country for under two weeks. It references much anecdotal information from unnamed sources.

Queen Elizabeth II
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Queen 'Mamohato Memorial Hospital