

An Iranian-Islamic Model of Public-Private Partnership in Hospital Management: Introducing Moheb Hospital Model

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Abstract

Regarding the fiscal constraints and management difficulties of public hospitals, several countries have used public private partnership model to improve their health facilities. Public private partnership enables using public resources and private investment and expertise in a combined structure. Moheb hospital is the first Iranian hospital managed according to public private-partnership. The private wing of this partnership is Moheb Medical Institute which is built upon a combination of previously existing models i.e. the “design, build, finance, and operate” model as well as the co-location model. Since the hospital and all its properties are endowed by Moheb Institute through an Islamic tradition (Vaghf) to all Iranian people (not necessarily government), Moheb model can be introduced as an Iranian-Islamic extension of public-private partnership model. In this model people are also a wing of partnership. Thus, it should actually be considered as a public-private-people partnership. This experience reveals that this model could be an efficient solution to some of the healthcare system difficulties, provided that it is based on a precise plan designed by skillful managers.

Keywords: Public Private Partnership, Hospital Management

Background and Objectives

While in 1950, three percent of gross domestic product (GDP) was spent in health sector on a global basis, this portion increased by an average of 8 percent (US\$ 3 trillion) in 1999 [1]. Over the years, spending in health sector has increased because of several key drivers, including increased public income and expectations, demographic and epidemiological changes along with rapid ageing of the population, advancing expensive pharmaceuticals and diagnostic and therapeutic technology, and growing range and number of possible interventions [2]. The increased expenditure has been largely provided by private sources, while public share has decreased by 6 percent from 1977 to 1997 [3]. Fiscal constraints, particularly recent world financial crisis, have made governments decrease expenditures in various public sectors including public health. This has caused new challenges for the indebted public sector in healthcare manage-

ment and finance [4]. Regarding the inherent complexity of management issues in a hospital involved in different activities and considerable share of hospitals from health expenditures (30-50%) [3], hospital management looks like a double burden in the current situation. In addition to the financial problems and shortage of resources, the public sector is suffering from huge bureaucracies, making it inefficient and unresponsive [5]. On the other hand, the market mechanisms are expected to promote efficiency and ensure cost-effective and high quality services. Governments of both developed and developing countries have sought various approaches to resolve these problems largely through greater involvement of the private sector in health provision and financing. To benefit from the capabilities of public and private sectors in a combined model, public-private partnership model is increasingly applied in several countries to reform healthcare system.

In almost all countries, some forms of cooperation between private and public system exists in the health sector. However, the phrase Public-Private Partnership (PPP) has a specific meaning, defined as a “contractual arrangement between a public sector institution and a private party in which the latter per-

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forms an institutional function or uses state assets and assumes substantial financial, technical and operational risk in the design, financing, building, and operating the project in return for a benefit" [6]. This definition distinguishes PPP from other forms of cooperation between public and private sectors. PPP could provide the opportunity to apply available public resources not utilized optimally in many instances along with the much-needed expertise and investment of the private sector in an integrated model to improve healthcare delivery. Partnership, if precisely planned and structured, can be a powerful tool not only to keep public hospitals viable but also to address cost and investment challenges, improve efficiency and service quality, increase expertise, attract more rapid and substantial investments in infrastructure and new medical technologies, and to employ and retain better performing staff viability [7].

Various public-private partnership models may be applied in building and/or running a hospital which include design, build, finance and operate (DBFO) model, franchising model, build, own, operate (BOO) model, build, own, operate, transfer (BOOT) model, buy, own, lease back (BOLB) model, and Alzira model. In DBFO model, a private company designs, builds, finances, and operates a hospital. This model is applied in the United Kingdom, Canada, and Portugal. In franchising model, a private company manages an existing public hospital. This model has been used in Sweden and Italy. BOO is a model in which a public authority purchases services for a fixed period of time after which ownership remains with a private provider. BOOT is similar to BOO model but the ownership reverts to the public authority after the fixed period. In BOLB model, a private contractor builds hospital; facility is leased back and managed by the public authority. Alzira model refers to a model applied in the Alzira Hospital, in Valencia, Spain. According to this model, a private consortium builds and operates a hospital, with a contract to provide care for a defined population in return for an annual per capita payment. Moreover, in each model, the private contractor can be a for-profit organization or a not-for-profit corporation that functions only to provide health care [8-10].

Co-location Model

Co-location is a PPP model in which a private wing is located within or beside a public hospital. The private sector manages the private wing for private patients and the public sector operates the public wing for the public patients. Patients could choose to go to the

public or private wing. Joint costs, staff, and equipment are shared by both parties under a contract. A very unique opportunity for implementation of this model is when redundant assets such as an old under-utilized ward, or extra beds and rooms are available in a public hospital, but could not be renovated by the public sector, due to management or finance issues. The private sector can invest in running and managing the private ward(s) and optimize the extra assets utilization. On the other hand, decrease in the public wing size through omitting the inefficient sections, could improve the service quality in the remaining active public wards [3, 6].

Here, we present a case study of Moheb Hospital which is a public-private hospital designed, built, financed and operated according to the co-location model beside Hasheminejad Kidney Center. To our knowledge, this is the first PPP project in hospital management in Iran. Moreover, a combination of previously described PPP models have been used and resulted in a new Iranian-Islamic model of PPP in hospital management, based on contribution of a not-for-profit corporation.

Moheb Hospital, Description

Hasheminejad Kidney Center (HKC), a teaching hospital affiliated to Iran University of Medical Sciences, is a national referral center for nephrology and urology. HKC has been conducting postgraduate courses for the past 35 years, including residency urology courses and internal medicine, and subspecialty and fellowship courses of nephrology, endourology, and renal transplantation. Between 2000 and 2003, HKC faced some challenges due to financial constraints, shortage of therapeutic facilities, and simultaneous need to improve the quality of health care delivery. The renovation process could be time consuming and sub-optimal within the traditionally frameworks. Hence, partnership with a private partner seemed to be an attractive solution for the situation. Moheb Medical Institute started its activities as a not-for-profit institute and the private partner of HKC to establish a ward with 16 beds inside the HKC building in 2004. High quality services previously provided only by private hospitals with a high cost became available in this ward with a price affordable for virtually all patients. Patients had the right to choose to be hospitalized in the public wards or the new ward, and lots of them selected for the new ward. Therefore, another ward with 16 beds was established by Moheb Hospital in 2008.

Success of the two Moheb wards triggered the idea of

building Moheb Hospital adjacent to HKC. Constructing the hospital was started in June, 2008. Design and construction of Moheb hospital was performed by top engineers according to the highest international standards. In October 2009, in less than 18 months, Moheb Hospital was inaugurated with ten floors and 100 inpatient beds. Timely completion of the project was a new record in the Middle East. Since then the hospital has been working with 5 wards, 7 specialty and subspecialty clinics, and 8 operating beds. On average, one hundred and thirty patients are seen in the clinics daily, 1300 patients are hospitalized and 1500 patients are operated monthly. Urology and kidney transplantation, endourology, laparoscopy, nephrology, cardiology, angiography and angioplasty, ophthalmology, heart surgery, vascular surgery, and orthopedics are the services provided by Moheb Hospital. High quality of medical services, affordable cost, specially when compared to private hospitals, and having contract with all Iranian insurance companies have resulted in the satisfaction of Moheb Hospital patients.

Moheb model is a unique Iranian-Islamic model of PPP incorporating a combination of previous models, including DBFO and co-location models in which the private partner is a not-for-profit institution (Moheb Medical Institute). In this Iranian-Islamic model, Moheb Institute has endowed to the Iranian people (not necessarily government) through an Islamic tradition known as "Vaghf". Nevertheless, Moheb institute is liable to pay 800,000 dollars monthly towards the settlement of the banks. Transferring the ownership to the Iranian people has indeed turned the Iranian-Islamic Moheb model into a public-private-people partnership (PPPP) model instead of a common PPP model. Moheb Institute has designed, built, financed, and operated Moheb Hospital as a co-located hospital beside HKC. Moheb Institute invested 30 million dollars to inaugurate the hospital. HKC is the public wing of this model providing high skills and expertise of academic specialists to Moheb Hospital. Co-location model enables academic specialists to support both public and private sectors in one place, while they will no longer need to go elsewhere. Moheb Institute does not make any profit from the hospital; rather all of the profit is spent to promote health services in HKC and Moheb Hospital, and also to expand Moheb Institute services to other hospitals. One million dollars obtained from Moheb Hospital have been spent by Moheb Institute to renovate HKC. Using Moheb investment, HKC renovation has progressed in a timely and efficient manner. Actually the not-for-profit structure and the endowment of the hospital to gen-

eral population has eliminated a major criticism of PPP hospitals, which claims that PPP model causes the profit of the hospital to go to the private sector. Vaillancourt Rosenau *et al.* published a systematic review of 149 studies which had compared for-profit and not-for-profit health facilities. Of those, 88 studies revealed better performance by not-for-profit facilities, 43 showed no difference, and 18 reported better results with for-profit facilities [11]. Moreover, Moheb Hospital has been selected as a top Iranian entrepreneur with more than 300 personnel, nurses, and physicians. While this is a general preliminary introduction of Moheb experience, each aspect of Moheb success could be described quantitatively and qualitatively by separate studies.

Conclusions

Moheb Hospital introduces a new Iranian-Islamic model of PPP based on a combination of previously described PPP features, including DBFO, co-location, and not-for profit partnership. In addition to operating a new hospital, this model provides a framework for renovation and modernization of an old hospital. 'Moheb Model' could be an efficient solution to some of the healthcare system difficulties, provided that it is based on a precise plan designed by skilful managers.

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