

Success Stories

PUBLIC-PRIVATE PARTNERSHIPS

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

IFC Advisory Services in
Public-Private Partnerships
2121 Pennsylvania Ave. NW
Washington D.C. 20433
ifc.org/ppp



Health



Photo © Bojan Fatur/iStockphoto

Moldova: Radiology and Diagnostic Imaging Center

Moldova's government has been reforming and modernizing its health care system, which suffers from insufficient funding and outdated equipment. To address these problems, the Moldovan Ministry of Health turned to IFC to attract private sector investors through Public-Private Partnerships (PPPs) in the health sector. Its first health PPP transaction will modernize diagnostic imaging and radiology services for public patients at the Republican Hospital in Chisinau, thereby addressing an important gap in existing healthcare services.

Magnific, a Moldovan healthcare services provider, won the 12-year concession to renovate, construct, equip and operate a new diagnostic imaging and radiology center. The transaction mobilized \$7 million in private sector investment and is expected to benefit over 100,000 people annually. The concession, Moldova's first PPP, lays the groundwork for further private sector participation in the health sector and other public services. The agreement was signed in November 2011.

IFC's advisory work was supported with funds from the Ministry of Foreign Affairs of the Netherlands.



IFC

**International
Finance Corporation**
World Bank Group

BACKGROUND

Moldova, a small country of 4.2 million with a per capita gross domestic product of \$1,100, has struggled since the breakup of the Soviet Union in 1991. Although it is one of Europe's poorest countries, it has made serious efforts to improve health care for its citizens. Moldova's Ministry of Health has implemented several key reforms in recent years, including the introduction of national health insurance and reducing surplus hospital capacity. However, its health system remains underfunded, underequipped, and poorly managed. In 2010, for example, there were only three centers in the country providing MRI scan services; only one of these uses the latest generation of equipment.

With few financial resources available for further modernization, the Moldovan Ministry of Health looked to the private sector to address gaps in existing healthcare equipment and services for public patients. This effort complements a World Bank loan program to upgrade hospital infrastructure.

IFC'S ROLE

Moldova's Ministry of Health asked IFC to identify potential public-private partnerships (PPPs) in the health sector. After a thorough assessment, IFC concluded that one of the most attractive options for private sector investors would be to modernize the radiology and diagnostic imaging center at the Republican Hospital in Chisinau.

The objective was to find a private-sector partner to provide high-quality medical services to public patients while operating within Moldova's existing healthcare system. Although the Republican Hospital was state owned, its diagnostic imaging and radiology center would be renovated, equipped, and operated by a private firm—a new model for providing healthcare services in the country that would not strain public finances.

IFC's project team worked closely with the Ministry throughout the project, which spanned several election cycles and changes in government counterparts. The team started by identifying the clinical services and equipment needed to provide high-quality healthcare services and reviewing relevant legislation. The team also built financial models to forecast operational and capital costs, determining how much revenue would be required for the center to operate. This revealed a key issue—tariffs paid by the National Health Insurance Fund (NHIF) were too low to support a modern diagnostic imaging center, which would make it unattractive to potential investors. To tackle this, IFC worked with government to increase tariffs to a economic level that would properly reflect efficient capital and operating costs.

The IFC team also marketed the project to potential investors with a solid track record in health care service delivery. It worked through the details of key provisions, such as contract duration, scope of services, payment issues, and performance obligations. These were reflected in tender documents and draft agreements.

Finally, IFC assisted the Ministry in the competitive bidding process, including the procedures for tendering, evaluating and awarding the bid.

TRANSACTION STRUCTURE

IFC proposed a 12-year concession to build, equip, and operate the facility with the possibility of a 12-year extension. The hospital will provide the facilities, refer patients, and pay for the costs of basic

radiology services. Complex radiology services (MRI and CT) will be directly contracted and reimbursed by the NHIF. The operator will:

- Renovate and construct the new center.
- Provide state-of-the art equipment, including CT scan, MRI, and digital x-ray machines.
- Provide all clinical services and operate the facility.

The operator will receive reimbursement from the NHIF and the hospital for each service rendered to public inpatients and outpatients within yearly fixed volume contracts. The provider can also provide services to private patients at market rates.

The winning bidder was required to meet minimum technical bid requirements. These included two years' experience operating radiology/diagnostic imaging facilities with minimum testing volumes for specific testing methods. Bidders were required to have operational experience with the PACS filmless radiology system and demonstrate that they had managed healthcare financing of at least €5 million.

The financial bid price was expressed as a fixed percentage discount from the contracted level of tariffs for each service provided. Payment will be made as annual lump sum to the hospital.

BIDDING

Under the bidding rules, the contract was awarded to the bidder offering the highest percentage discount from among those meeting minimum technical requirements. Nine bidders registered and participated in discussions on the tender documents. One valid bid was received from Magnific, a Moldovan health services company.

Magnific's offer provided for five percent of revenues to be paid to the hospital and proposed more sophisticated equipment than was required in the bidding documents. The agreement was signed in November 2011.

POST-TENDER RESULTS

- This was the first PPP executed in Moldova. It will serve as a model for further private sector participation in the country's health sector.
- The Republican Hospital in Chisinau will be able to provide modern and efficient diagnostic imaging services which will benefit over 100,000 patients annually.
- The operator will return five per cent of annual revenues to the Republican Hospital, with an estimated annual value of \$50,000.
- The PPP mobilized \$7 million in private sector investment.