



# Public-Private Partnership Stories

## Brazil: Hospital do Subúrbio



Brazil's first public-private partnership (PPP) in health dramatically improved emergency hospital services for one million people in the capital of the state of Bahia, Salvador. Located in one of the most underserved districts, the Hospital do Subúrbio was the first state hospital built in the Salvador metropolitan area in 20 years. The transaction closed on May 28, 2010 and a new 298-bed hospital opened in 2010.

A consortium composed by Promedica, a leading Brazilian regional health care company, and Dalkia, a French company specializing in facilities management and non-medical services, won the bid. The concessionaire is responsible for equipping, maintaining and operating both clinical and non-clinical services at the hospital for a term of ten years. Promedica & Dalkia invested \$23 million in the first year to equip the hospital, and is expected to invest an additional \$9 million over the life of the concession.

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

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## BACKGROUND

Hospital do Subúrbio is located in the metropolitan area of Salvador, the capital of the state of Bahia in northeast Brazil. The country is characterized by widely diverging income levels across regions, cities and neighborhoods. Consequently, access and quality of health care is inequitable. Citizens with high income levels have access to private health services, whereas those with low incomes must rely on public services which are often poorly equipped and serviced, as well as overwhelmed with demand.

According to the United Nations Development Program, the Subúrbio Ferroviário district of Periperi, where the hospital is located, ranks much lower than the rest of the city and the country in the Human Development Index (0.813 for Brazil, 0.79 for Salvador and 0.668 for Periperi). Therefore, the objectives of the government of Bahia for this PPP were to ensure that all its population had access to high quality emergency health services while also establishing a new benchmark within the public health system that could be replicated throughout the country.

## IFC'S ROLE

In April 2009, the Government of Bahia engaged IFC to implement a PPP for the operation and management of Hospital do Subúrbio, which was already under construction. IFC assisted the government to set up the PPP, including performing technical studies and feasibility analyses, structuring the transaction, drafting the legal documents, conducting a promotional road show and managing the bidding process. The transaction followed best market practices and was completed in 14 months.

## TRANSACTION STRUCTURE

The project was structured as a ten-year concession contract that transferred the hospital's operation and management—including clinical and non-clinical services—to the private partner. The concessionaire also has the responsibility of equipping and maintaining the hospital, ensuring that technology standards meet those of the best private hospitals in the country. The concession contract may be renewed for an additional 10 years. The transaction was structured in such a way that payment to the private partner is linked to key performance indicators based on quantitative and qualitative targets, thus creating incentives for high levels of performance. Thirty-one different qualitative performance indicators were established, including the requirement to obtain accreditation for the hospital within 24 months from the start of operations. In addition, the contract required regular auditing of all performance indicators by a qualified company, as well as auditing of financial statements in compliance with the highest Brazilian standards. Moreover, a payment mechanism was established to mitigate the government's credit risk, thus increasing interest by the private sector and the possibility of obtaining financing for the project.

The 298-bed facility provides traditional emergency care as well as specialized treatment for trauma, orthopedic and cardiac emergencies, and other complex injuries. The hospital is equipped with a surgical center, a clinic, medical laboratories, a physical therapy unit, a hemodynamic unit, and a pharmacy.

## BIDDING

The Subúrbio Hospital Project was auctioned at the Bovespa Stock Exchange and was awarded to the Promedica & Dalkia consortium. The consortium is composed by Promedica, a leading health care company in the Northeast of Brazil, and Dalkia, a French company specializing in facilities management and non-medical services. This was the first time that a health PPP was bid in a stock exchange. Promedica & Dalkia is expected to invest approximately \$32 million over the life of the concession. Twenty-three million were invested just in the first year of the concession.

## POST-TENDER RESULTS

- The transaction was the first health PPP in Brazil and has served as a demonstration model for minimizing health care bottlenecks and improving access to medical services in an underserved urban area.
- Since it opened in 2010, the hospital has performed more than 1.8 million medical procedures, including 680,000 emergency procedures.
- In the first year of operation, the hospital's emergency demand surpassed forecasts by more than 50 percent.
- The hospital has created 1,200 new positions for doctors, nurses, physiotherapists and other health professionals.
- Six other Brazilian states are currently developing PPPs in the sector, including two in non-clinical services.
- Hospital do Subúrbio was chosen as one of the world's most innovative projects by KPMG in its "Infrastructure 100: World Cities Edition" report.