FINANCIAL TIMES

July 31, 2012 10:06 pm

Brazil: Mixed message of public-private partnerships

By Henry Mance

For a leftwing politician in Brazil, there are few bolder policies than auctioning the right to operate a public hospital – and doing it through a ceremony at the country's stock exchange.

That was the approach taken by Jacques Wagner, governor of the north-eastern state of Bahia, who launched Brazil's first healthcare public-private partnership (PPP) in 2009.

Modelled on experiences in Spain, the Hospital do Subúrbio was built by the public sector, but privately equipped and operated. It was the first new emergency unit for two decades in the city of Salvador.

"I think the government took one look at the challenge of running a hospital, and decided they weren't up to it," says Jorge Oliveira, chief executive of Promédica, part of the consortium that now operates the facility.

The backing of Mr Wagner, a member of the statist Workers' party, was significant.

"If [PPPs] hadn't been introduced by the Workers' party, I don't think they would have survived," says Ana Maria Malik, a professor of health policy at the Getúlio Vargas Foundation in São Paulo.

Brazil's health system is no stranger to radical initiatives.

A campaign against H1N1 influenza saw 89m doses delivered within a few months in 2010.

Its well-regarded transplant scheme, one of the world's biggest, continues to grow, with the number of operations rising by 11 per cent last year.

A domestic market of 190m people has boosted the local pharmaceutical industry, now backed by the government's preferential purchasing policies.

However, on issues related to the structure and financing of healthcare, change has been slower.

Private actors already account for more than half the country's healthcare spending, with a robust jobs market pushing the spread of insurance schemes.

But, on the provision of primary services, policy makers are seeking to reconcile European models with public expectations.

While supporters of PPPs point to improved agility in hiring and procurement, critics argue that private providers lack experience and legal backing.

"The Brazilian constitution states that public health services should be executed by the public sector. [Today] we have situations that risk illegally ceding everything to the private sector," says Gilson Carvalho, a doctor and writer on health financing.

One boon for PPPs may be a proposed tax reform. The federal government is considering making all such projects exempt from social contribution taxes worth 3.65 per cent of revenues, as part of an effort to overhaul the country's infrastructure. Its openness to private investment was in evidence this year, when it speedily auctioned concessions over three important airports.

In healthcare, however, the big commissioning decisions come from regional and local governments. The International Finance Corporation, the private-sector arm of the World Bank, that supported the Subúrbio project, is facilitating two other PPP projects.

One, in the city of Belo Horizonte, would be closer to a UK private finance initiative, where the private sector invests in the construction of the hospital but does not operate clinical services.

The private-finance model has also been adopted by the city of São Paulo, which is planning to commission and refurbish several hospitals.

São Paulo's tender process is on hold, having been suspended by the audit court for using out-of-date financial estimates. Meanwhile Odebrecht, one of Brazil's leading construction companies, is among those to have approached the government of Rio de Janeiro about investing in that state's public hospitals.

Where private companies are not permitted to bid for clinical services, that role could be handed over to non-profit groups – known as "social organisations".

Such organisations already run hospitals. Yet their role, modelled on experiences in Barcelona, is itself subject to criticism.

"The state chooses who can or cannot be a social organisation," says Alberto Kanamura, a professor at the Insper business school. "It transfers a public hospital without a bidding process."

Expectations for the spread of PPPs are muted. "If it does happen, it's going to be very slow," says Prof Malik, adding that it is unclear whether such arrangements can prove viable outside the big cities.

"There are some regions in Brazil that private operators don't want to go to."

Yet Salvador's Hospital do Subúrbio has won preliminary plaudits. In July, it was chosen as one of 100 innovative infrastructure projects worldwide by KPMG.

The only big hospital in a poor suburb of 1m inhabitants, it has had to increase its beds to meet demand. The A&E unit runs 28 per cent over capacity.

The demand for services may be a lesson for future projects. Mr Oliveira at Promédica argues that the public sector should pay concessionaires per service provided, rather than require them to renegotiate the PPP contract if the number of patients exceeds forecasts.

"The risk of demand should stay with the government," he says. "Otherwise you end up being a victim of your own success."

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