



# Public-Private Partnership Stories

## Romania: Outpatient Dialysis Services



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More than a quarter of Romania's dialysis patients have received better health care as a result of a public-private partnership to provide dialysis on an outpatient basis. This was IFC's third public-private partnership transaction with the government of Romania in the health care sector since 2002.

Four international operators won four-year contracts (extendible to seven years if the operators opt to build new facilities) to refurbish, operate, and manage dialysis centers at eight hospitals around the country. The companies have invested more than €28.6 million to modernize the facilities and expand services. Between 2005 and 2008, the government of Romania saved €2.9 million as a result of this outsourcing of public dialysis services to private providers. The transaction closed in November 2004.

*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

Prior to the transaction, the government of Romania was spending an average of 6 percent of the country's gross domestic product (GDP) on health care, which was comparable to other countries with similar GDPs, but the quality of and access to services remained problematic. In 2003, Romania had 36 hemodialysis machines per million population, compared with 93 in Hungary and 102 in the Czech Republic. Hospitals were severely undercapacity in terms of their ability to diagnose and treat existing patients or to accommodate new ones. Therefore, the government wanted to address three key issues. First, in 2005, the number of patients in Romania who received dialysis services was 70 percent below the average treatment rate in Western Europe. Second, the quality of services was poor because of outdated equipment, poor follow-up, and lack of specialized staff training. Third, multiple funding streams and fragmented procurement systems resulted in a lack of transparency and accountability in the management of operating budgets for dialysis services.

## IFC'S ROLE

In 2002, the government hired IFC as its adviser to launch a series of public-private partnerships in health care, including private management of radiology and laboratory services, and public hospitals. For dialysis services specifically, the government hoped to:

- Increase public access to dialysis.
- Improve the quality of all dialysis services.
- Streamline payments from the National Health Insurance House to dialysis providers.
- Enhance the system's overall accountability.

IFC recommended that the government outsource the provision of dialysis services, which would then allow it to focus on its role as strategic purchaser. Under the mandate, IFC:

- Designed the pilot program taking into account the government's priorities.
- Defined the responsibilities of the private providers and the government.
- Established technical and financial prequalification criteria.
- Set the fixed price for dialysis treatments.
- Revised national dialysis standards to reflect international best practice.
- Prepared contracts and tender documents.
- Helped the government conduct the tender process.

## TRANSACTION STRUCTURE

In line with the government's decision to maximize the amount invested in clinics, IFC structured the transaction so that contracts were awarded on the basis of investment levels rather than price. Operators are paid a flat fee per hemodialysis treatment and an annual fee per peritoneal dialysis patient. The operators assumed full responsibility for renovating and/or equipping facilities; maintaining and operating equipment; procuring all medical supplies; recruiting, training, and managing all staff; and treating patients.

## BIDDING

Bidders were restricted to winning no more than two dialysis centers to limit concentration. Four international companies and their local partners passed the prequalification criteria and submitted winning bids: B. Braun (Germany), Baxter (United States), Fresenius (Germany), and Gambro (Sweden).

## EXPECTED POST-TENDER RESULTS

- The operators have invested more than €28.6 million to upgrade and expand dialysis facilities.
- The operators have replaced dialysis equipment in all the pilot centers.
- The operators have opened two new public dialysis clinics and as of mid-2008, 17 more were under construction or planned.
- The introduction of a fixed fee for treatment, which is now also being applied to publicly managed clinics, has resulted in a more transparent pricing system for dialysis services.
- The government has adopted strict national quality standards applicable to both privately and publicly managed clinics.

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