Case Study

INDRAPRASTHA APOLLO HOSPITAL NEW DELHI

Urban Health

CASE OVERVIEW

Country: India

***ULB*:** New Delhi, Delhi

Sector: Health ***Sub-Sector:*** Urban Health

Award Date: July 1993

Type and Period of concession: Build-Operate-Maintain concession for 30 years

Stakeholders:

Contracting Authority	Government of National Capital Territory of Delhi (GNCTD)
Concessionaire	Indraprastha Medical Corporation (IMC) Limited, Joint Venture (JV) between GNCTD and the Apollo Hospital Group
Oversight Arrangement	Concessioning Authority

Present Status of Project: IMC has been running the hospital since 1996 (year of commissioning)

PROJECT TIMELINE:

1988	*Constitution of Indraprastha Medical Corporation (IMC) Limited*
1994	*Lieutenant Governor of GNCTD signs a contract with IMC for developing a multi-speciality hospital in Delhi*
1996	*Commissioning of the Hospital*

1. PPP CONTEXT

1. Delhi has experienced rapid demographic growth in the last couple of decades leading to shortfalls in the supply of adequate healthcare services. The gap is particularly acute for households living below the poverty line (BPL), whose access to advanced and affordable hospital services is highly constrained.
2. This led to a felt need for upgrading the health-care infrastructure of the city through modern state-of-the-art facilities, hospitals, pre-medical emergency response systems etc. with emphasis on ensuring access to the poor. Given the lack of adequate reach of existing public infrastructure, there was also a felt need to engage with the private sector for meeting the demand-supply gap.
3. With such an objective as the backdrop, the GNCTD entered formed a JV with the Apollo Hospital Group (AHG) in 1988 to constitute a Public Limited Company called Indraprastha Medical Corporation (IMC) Limited. IMC Limited is a listed company with 26% shares each held by GNTCD and AHG. The JV was chosen as the private partner for the Indraprastha Apollo Hospital Project.

2. PROJECT DEVELOPMENT

2.1 PROJECT CONCEPTUALIZATION

The GNCTD with a vision to provide its citizens with modern hospital facilities, proposed to develop a multi-speciality hospital through its JV – IMC, which had the technical capacity (in the form of Apollo Hospital Group as the JV partner) to establish and operate such an advanced facility. The Government was to provide land and a proportion of the Capital expenditure (Capex) for the hospital building and the Concessionaire was to contribute towards the remaining building component and other medical infrastructure and operate the hospital. In lieu of the contribution of the Government, the hospital was expected to provide in-patient and out-patient treatment free of cost to poorer citizens of Delhi. Following were the key features of the proposed facility:

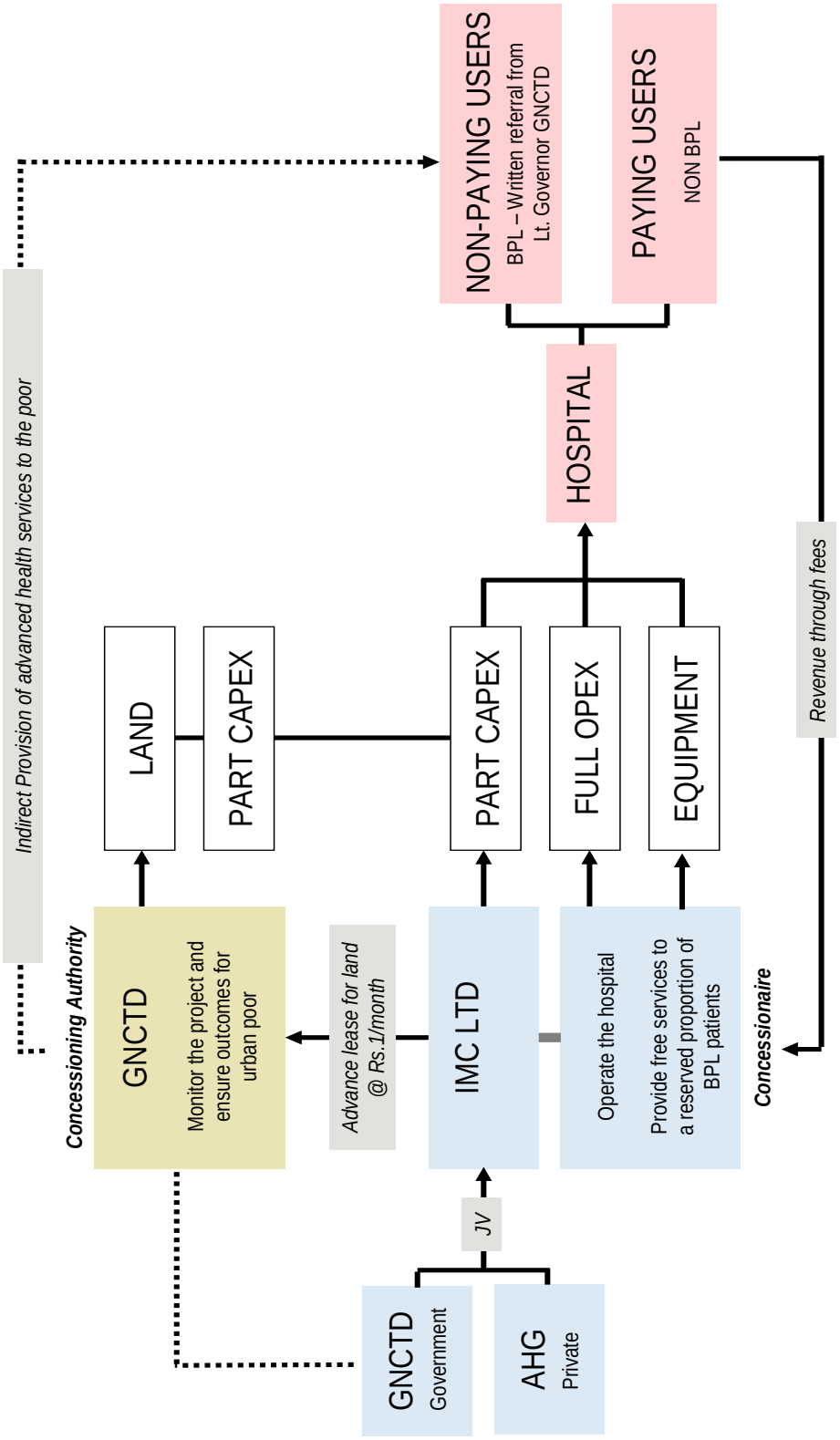
1. Largest Corporate Hospital in India and the fourth largest in the World; spread over 675,000 sq.ft with a capacity of at least 600 beds (with a provision for expansion up to 1000 beds)
2. Wide range of diagnostic, medical and surgical facilities for patients in a wide range of medical disciplines.
3. Speciality centres such as cardiac centre, cancer centre and a surgical science centre amongst others.
4. Large out-patient facility and other facilities such as ambulance (including air ambulance) services

2.2 PROCUREMENT PROCEDURE

In 1994, the Lieutenant (Lt.) Governor of GNCTD awarded a 30 year contract (directly through negotiations) to IMC Limited for the establishment of the Indraprastha Apollo Hospital in Delhi.

3. CONTRACTUAL ARRANGEMENTS

3.1 PROPOSED CONTRACTUAL STRUCTURE



RENEWAL OF THE CONTRACT

The contract provided for extensions (beyond the 30 year original contract) in the form of renewals on such terms and conditions as may be mutually agreed upon by both parties. Application for renewal had to be made at least a year in advance of the date of expiry of the concession.

PROVISIONS IN CASE OF TERMINATION

In case of termination, either due to Concessionaire default, non renewal of contract after expiry or otherwise:

1. IMC was entitled to all removable (without causing damage to the building) machinery, equipment, instruments, installations, furniture, fixtures, fittings and other assets belonging to IMC
2. Government was to compensate IMC for all machinery it decides to retain within the premises or which cannot be removed as per the amount determined by an expert valuer.
3. Government was to have the first option to purchase IMC's ownership in the building based on the amount determined by an expert valuer. If Government failed to exercise such an option within 6 month, IMC had the right to purchase the Government's share in building and the land.
4. In case neither party exercised its rights, the building and the land was to be sold at the best possible price and the proceeds divided between Government and IMC in proportion to their share of investment.

3.2 OPERATOR OUTPUT OBLIGATIONS

The Concessionaire was responsible for developing, operating and managing the facility with a minimum capacity of 600 beds. Obligations of IMC included:

1. Provide facilities for diagnostics and treatment covering at least a minimum list of disciplines as provided within the contract
2. In-Patient treatment – reserve at least 1/3rd of the beds for BPL beneficiaries, and provide free medicines and diagnostic services, provided that the patient has been referred to the Hospital by the Lt. Governor (referral to be produced in writing)
3. Out-Patient Department (OPD) – provide free OPD services to at least 40% of the patients free of cost, maintain separate records for such patients and provide information for inspection by the GNCTD
4. Undertake management of the land and building, including conduct of periodic repairs.
5. Seek permission of the GNCTD for all matters regarding additions/alterations to the building, leasing of the building premises to a third party, transfer of possession of land/building and carrying on businesses within the land/building premises. Permission was not needed in case of consultants, drug stores, post office, cafeteria, flower shop, beauty parlour and stationary store.
6. Participate in the ongoing National Health Programmes of Government of India

3.3 OBLIGATIONS OF THE CONCESSIONING AUTHORITY

The Government's contribution to the project included two components:

1. Land component: The GNCTD procured a 15 acre site on Delhi-Mathura road from the Delhi Development Authority (DDA) and leased it to IMC for 30 years
2. Building Component: The Government deposited Rs.14.83 Crore in a separate account (in a Nationalized Bank) for funding a part of the construction of the hospital building

3.4 REGULATORY AND MONITORING ARRANGEMENTS

GNCTD was responsible for monitoring the project as per the provisions of the contract. For this purpose the hospital authorities were required to allow inspection of the premises and render assistance as may be required.

3.5 PROJECT FINANCIALS

1. IMC was responsible for all investments required for construction of the building (in addition to the fixed amount of Rs.14.83 Crore contributed by the GNCTD) and procuring equipment and systems for the hospital. All operation and maintenance expenditure including building and equipment maintenance, hiring of staff, payments to consultants etc. were also to be borne by the Concessionaire.
2. IMC was to bear all relevant taxes and other charges such as insurance amounts, electricity bills etc.
3. IMC was to pay the Government an advance rent @ Rs.1 per month in lieu of lease of land for the hospital.
4. All revenue from provision of medical services and any other revenue from letting out cafeteria services etc. accrued directly to the Concessionaire.

3.6 PROJECT RISKS AND ALLOCATION

Investment and Revenue Risk	Predominantly borne by the Concessionaire since all investments (excepting land and part financial contribution by GNCTD) were made by IMC Ltd. Revenue risk was also borne by the Concessionaire.
Performance risk	Borne by the Concessionaire particularly with respect to obligations towards providing free services to the poor. Default on such obligations could lead to termination of the contract
Force Majeure risk	Repairs to the hospital building were the responsibility of the Concessionaire except when they resulted from a Force Majeure. Causes for the damage and value of repairs were to be determined by an expert valuer (appointed mutually by both parties).

3.6 DISPUTES RESOLUTION MECHANISM

All disputes were to be resolved amicably through direct discussion between the parties involved. In the event of non resolution the dispute was to be settled through arbitration processes as prescribed under the Arbitration and Conciliation Act, 1996.

4. PARTNERSHIP IN PRACTICE

The hospital has been running successfully since 1996, and has provided a world class healthcare infrastructure for treating varied ailments.

4.1 PROJECT OUTCOMES

1. The hospital has been able to provide high quality services to citizens in various general and specialized areas of healthcare. The hospital has performed 7.4 million operations since its inception.
2. The hospital has developed several centres of specialized care such as a cardiac centre, a cancer centre and a surgical sciences centre amongst others.
3. The facility caters to a wide catchment area including several surrounding states and serves a large number of international patients as well
4. The hospital was the first in the country to be internationally accredited in 2005 by the Joint Commission International (JCI), the healthcare accreditation body of USA.

4.2 PROJECT SHORTCOMINGS

1. The purpose of the project was to enable ordinary citizens of Delhi to gain access to good quality healthcare, particularly specialized services which are often inaccessible due to the high costs. However several litigations have been filed against the hospital charging them with not honouring their social commitments as per contract and in fact charging fees from deserving BPL beneficiaries under the project.
2. The PIL filed by NGO 'Social Jurist' also alleged that the hospital does not adequately display free beds norms and procedures leading to inconvenience to possible beneficiaries.
3. In November 2009 the Delhi High Court issued a notice to the Hospital for allegedly charging money from patients belonging to economically weaker sections, who were referred by the medical superintendant of Lok Nayak Jai Prakash Hospital (LNJP) – State Government Hospital.
4. Tariffs for in-patient treatment are very high and are increased frequently, rendering the services unaffordable to a large number of willing-to-pay patients. For instance in 2004 the tariff per day for a general ward was Rs.1000 which was increased to Rs.2700 by 2009. This meant an increase of 170% on the lowest bed category despite an increase of only 53% in the consumer price index within the period.

4.3 LEGAL/CONTRACTUAL ISSUES

As elaborated in 4.2 the project has been embroiled in a number of PILs regarding non compliance with the social obligations built into the contract.

5. LESSONS LEARNT

1. The project though initially well structured in terms of both project viability and protection of public interests, has not met its objectives (at Government's end). This is largely due to lack of a strong monitoring framework. Considering that a very large amount of public money has been invested in

the project it is important to ensure that the social objectives of the project are fulfilled. The project thus highlights the need for better post contract management through independent third party monitoring.

2. The GNCTD performs three contradictory roles in this particular PPP arrangement - that of a Concessioning Authority, that of the project oversight agency and that of an equal partner in the JV selected as the Concessionaire. The resultant conflict of interest can often impact the neutrality of monitoring processes and affect project outcomes.

3. The procedures for availing benefits under the project by BPL patients were fairly complicated with the prospective beneficiary having to carry a signed letter from the Lt. Governor of GNCTD. Such processes need to be simplified so as to allow target beneficiaries to avail services without difficulty, as seen in PPPs such as the Chiranjeevi scheme in Gujarat where possession of vouchers or BPL cards is the only pre-condition.