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MONITOR

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Contracting-Out Dialysis in Romania: What Was the Impact

IFC has become a leader in public-private healthcare partnership programs that engage private management of publicly-funded health services and deliver quality healthcare at efficient prices. These partnerships can be especially effective at curbing rising costs and satisfying the growing demand for expanded and improved services treating chronic diseases in poor and middle-income countries.

Romania was an ideal place to undertake these efforts. A 2002 IFC study in cooperation with the Government of Romania found a national system that was failing to deliver badly-needed health services, including dialysis. Its access to health services, quality of care, and management ranked far below that of its European neighbors.

Romania had 36 hemodialysis machines per million people (ppm), compared with 93 ppm in Hungary and 102 ppm in the Czech Republic. Approximately 300 ppm in Romania were receiving treatment for end-stage renal disease, one-third the European average in 2002. Independent studies also revealed severe problems, including inadequate care, deficient pharmaceuticals and supplies, insufficient physician follow-up with patients, lack of national care standards, and poor cost-management and accounting practices. The growth of kidney disease in Romania was among the highest in Europe, and Romanian government-provided services were relatively costly and of inferior quality.

Establishing privately-managed public clinics that improve care and lower costs.

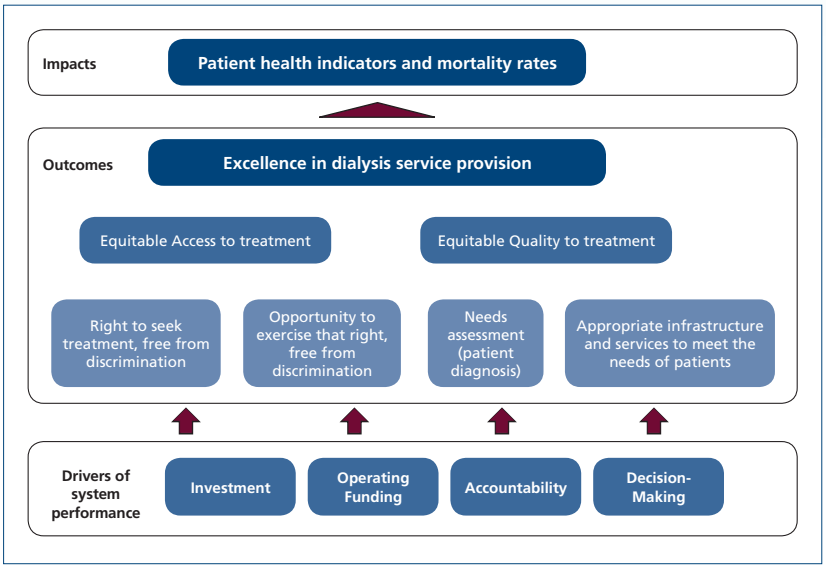
- IFC advised Romania on the planning and implementation of a pilot program that contracted-out dialysis provision in eight Romanian public clinics and advised on the reform of national dialysis performance standards.
- Clinics participating in the pilot offered better care for more people. Costs of treatment—which were fully covered by the national health insurance system—were lower in the pilot clinics. The winning bidders also committed to building new clinic facilities.
- The contracting structure that IFC helped develop enabled quality dialysis provision to become a profitable operation, thereby making it sustainable. Privately-run clinics are now pursuing new additional contract opportunities.
- A cost/benefit analysis showed USD $40-million in new investment by private contractors to upgrade facilities with modern equipment and nearly USD $4.5-million in savings for the Romanian National Health program. The program cost approximately USD $1 million.
- Lessons learned in this pilot are being used in subsequent IFC-promoted public/private health related partnerships around the world.

[1] FIAS. Improving the Business Environment in Latvia: The Impact of FIAS Assistance. FIAS Occasional Paper no. 18. Washington, D.C.

Monitor shares key findings from in-depth reviews of IFC programs and projects conducted by external evaluators. The reviews address the relevance, efficiency, effectiveness and sustainability of these programs. For more information about the evaluation of IFC programs visit http://www.ifc.org/results.

IFC and the program's purpose

In 2003, IFC and the Romanian government began a pilot program to convert eight publicly-managed dialysis clinics to private management and operations. IFC offered its expertise in structuring and tendering private-public partnerships (PPPs) and its knowledge of best practices in contracting for publicly-funded health services. The Romanian government was enthusiastic at the outset and successfully contracted-out dialysis provision at eight clinics throughout the country.



IFC's role was to ensure that the tender process for contracting-out dialysis provision was fair, clear, transparent, and effective. The public tender had to be structured and marketed to attract knowledgeable, well-capitalized bidders that could credibly commit to delivering high-quality health care within the national system run by Romania's Health Ministry. IFC and the Romanian Government worked to together to ensure that contractors would meet clear performance standards, and that access would expand to meet growing national demand. IFC's tender and contracting process also included a monitoring program for all clinics and a comprehensive set of national quality standards for public and private dialysis providers.

At project start, the eight clinics participating in the pilot were providing care to about one in four Romanian dialysis patients. With IFC's advisory services, the Romanian government organized a public tender in which firms bid for the right to provide dialysis in these clinics, and the winning bidders were the private providers with the most significant experience and scale of existing operations, who were able to credibly commit to investing in expanding and improving care. But six months after they began operating, six of the eight pilot clinics had not met their requirements to build new facilities. The delays were not entirely the fault of the clinic operators. Frequent changes in the national government and indifferent or hostile local officials kept the contractors from getting timely licenses and construction approvals.

Nevertheless, the selected privately-run clinics convincingly demonstrated that they could deliver higher-quality less expensive care, and make money doing it. By November 2005, the private clinics had spent $USD 4.6-million on new equipment, including dialyzers and crucial water treatment facilities. By 2008, when IFC hired an external team of international consultants to evaluate the project, the privately-managed clinics had further upgraded existing facilities in public hospitals, and had begun building new ones. They were providing better care than their public counterparts despite a larger patient load.

Methodology

IFC hired a team of international consultants to assess the Romanian pilot program and identify lessons learned. The evaluation design employed three approaches. First it looked at "before and after" performance indicators to measure differences in the quality, access, equity, efficiency, and effectiveness of the treatment the clinics were delivering. Second, it compared the performance of the eight privately-managed clinics with a carefully selected control group of eight publicly-managed clinics. The study

Before & after analysis

- ✓Drafted an evaluation framework and discussed with IFC
- ✓Drafted a set of evaluation indicators and discussed with IFC
- ✓Visited local dialysis clinics to verify indicators
- ✓Tested indicators with Romanian nephrology expert to ensure that they are comprehensive
- ✓Checked availability of data for evaluation of indicators with Romanian nephrology expert
- ✓Confirmed final set of indicators with IFC

Pilot program vs. publicly managed clinics

- ✓Drafted principle/criteria to select matches
- ✓Vetted relevance of selection criteria for publicly managed clinics with expert
- ✓Obtained data from Romanian stakeholders for selection of comparator group
- ✓Analyzed data to select matching clinics, as well as back-up clinics
- ✓Confirmed selection with Romanian experts and the IFC

Stakeholder interviews

- ✓Identified and discussed relevant stakeholders to be interviewed
- ✓Confirmed and scheduled selected interviews through local stakeholders
- ✓Drafted interview guides based on stakeholder groups
- ✓Conducted interviews and followed up with questions via email and phone
- ✓Followed up via email and phone with stakeholders that were not present at the time of the field visit

team wanted to be sure that it was comparing clinics of similar size, treatment challenges, and location. Third, the team directly-interviewed stakeholders in the pilot. It visited 20 clinics and talked with more than 100 medical staff and more than 100 patients.

To confirm and validate baseline data about dialysis treatment in the country, the study team developed a quantitative clinic survey with Romanian nephrology expert Dr. Gabriel Mircescu, Professor at the Davila Teaching Hospital of Nephrology in Bucharest. The survey was sent to 20 public and private clinics, with a supporting letter from the Ministry of Health asking for participation and cooperation. All 20 clinics returned completed questionnaires.

Program results and impact

The program helped generate new investment in dialysis treatment and clinics, led to upgraded care, lowered costs, and helped demonstrate that privately-managed public clinics provide more and better services at lower cost than their publicly managed counterparts. The tendering process was found to be less-effective in changing government attitudes toward establishing meaningful measures for quality-assurance and accountability. Contrary to IFC recommendations and the initial government intention, no national monitoring agency was established for supervising dialysis or health services.

No mechanism exists for assuring universal compliance with the national financial and health performance standards that were developed as a key element in the pilot. Moreover, the tender, bidding, and screening system set up in the pilot is not being used by the Romanian government as it establishes new private clinics. The evaluators recommended that future projects should incorporate a follow-up monitoring/evaluation service to help government partners implement their plans.

That said, the pilot program boasts significant achievements. It created about $US 42 million in private sector investments to upgrade treatment facilities and build new clinics between 2005 and 2008, and there was no evidence of any investment or quality-improvement in the public clinics (in the control group) during this period. Return on investment for the private providers is an important indicator of future development effectiveness, because projects that produce money-losing operations are rarely sustainable in the long-run.

The pilot also created a clear and transparent pricing system for dialysis services which has helped continue to fuel reform processes by highlighting the private clinics' lower costs and higher quality of services. Prior to the program, the government funded its public clinics in a complex manner, with separate payment streams for different clinic operations. This pilot project broke with the status-quo by establishing a fixed price that the government paid per treatment.

By 2006, national health was paying EUR131 per treatment in public clinics and EUR124 in the private ones. A year later, the payment had dropped to EUR118, even as privately managed clinics also began providing transportation services for their patients. The fixed fee-for-treatment framework developed by IFC is now being rolled out across the health care system, lowering costs overall and providing a transparent financial benchmark that encourages accountability.

Also created as part of the pilot were rigorous national quality standards that established high-level criteria for day-to-day clinic management and the awarding of future dialysis-provision contracts. Despite the fact that these standards apply to both public and private clinics, nationwide enforcement is lacking in publicly-managed facilities. Even so, operators of pilot clinics were found to adhere to these standards, largely because the Ministry of Health credibly threatened to take significant punitive actions to punish any non-compliance.

For instance, privately-operated clinics perform frequent regular maintenance and provide patient counseling and education services that are not typically available in their public counterparts. Privately-run clinics absorb new patients by installing additional dialysis units and water treatment systems, whereas the public clinics were found to be compromising care by introducing night shifts, and providing less frequent treatment. In publicly-run clinics, nineteen percent of patients received less than three treatments a week, the optimal level. The comparable number in privately-run clinics was 6%. All eight of the privately-run clinics are required to

NHIN disbursements for each HD treatment
in EUR (1 RON = 0.280475 EUR)

Year	Public	Private
2006	130.73	124.15
2007	NA	118.00
2008	118.00	118.00

Source: Romanian Renal Registry and National Health Insurance House, 2006

Year	Publicly managed clinics	Privately managed clinics
% of clinics complying with national standards for running diagnostic blood tests:	50–63%	100%
Control of Anemia: % of patients that meet national standards for Hb levels (>10.5/g/dL)	52%	78%
Deaths per 100 patients		
2005	3.21	6.39
2008	11.64	11.6

Source: Survey for 8 privately managed and 8 publicaly managed clinics

ensure the safety and quality of their facilities and equipment with professional preventive maintenance contracts, and regular chemical and microbiological tests of their water. Only half the public clinics surveyed did this.

The evaluators determined that the project successfully leveraged significant private-sector investment, achieved important treatment-csot savings for NHIH, and improved quality-of-care for patients. As noted earlier, the pilot cost about USD$1 million. Between 2005 and 2008, private investment in equipment and new facilities totaled nearly $40 million. At the same time, the national health insurance agency was paying nearly USD $4.5 million less for dialysis treatment while the number of treatments was increasing. These cost-benefit estimates do not include the intangible health benefits to the patients themselves.

Conclusions, problems, and lessons learned

Following the pilot program, quality of care is better at the private clinics, and is also now improving across the country. Quality of care is better at the private clinics, but is also improving across the country. Government officials said they were very satisfied with the IFC contribution, especially its expertise in project structuring and contracting for services, its thorough knowledge of the Romanian health system, and international best practices in health care.

The successes of the pilot are particularly noteworthy because they were accomplished while the Romanian government was changing regimes, objectives, and key personnel. There were five different Health Ministers during the pilot and succeeding administrations did not always embrace the public private partnership as enthusiastically as the government that initiated it. An important lasting benefit of the pilot project was the transparent, fixed-fee funding system that IFC helped to developed. In the pilot clinics, this system delivers higher quality services with more reliable payments from the national health system, all of which make clinic operations better for patients, government, and providers.

This project sparked significant investment in clinic renovation and modernization, but did not catalyze the investments in new clinic construction that had been anticipated. Part of the reason for this was that the bids and contracts did not explicitly mandate how much money was to go for renovation versus new construction, and some contractors concluded that their investment in new equipment and clinic renovations satisfied their commitment. In other cases, private operators were eager to start new construction and could not obtain the necessary permits. Frequent regime changes made it difficult for contractors to win the support of important political actors. Local authorities that had not been included in the pilot's development process also delayed new projects. Many of these problems have finally been resolved, new clinics are now being built, and the operators of privately-managed clinics are currently applying for new contracts.

IFC continues to improve its public-private health partnership programs, incorporating many suggestions from independent evaluations and internal quality assessments. The Romania dialysis experience clearly demonstrated the importance of early government cooperation, and highlighted the value of government capacity to manage these programs over a sustained period of time. The other major lesson from this dialysis project was that IFC's advisory services should include assistance with follow-up (post-tender) monitoring, to help build the capacity necessary for regulatory functions to work effectively, enforcing necessary standards and mandated procedures.

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