Closing gaps in health care

Many developing countries struggle to finance public health care: hospitals and other relevant facilities tend to be neither properly equipped nor sufficiently staffed. The private sector can help solve such problems. A private hospital that is supported by Deutsche Investitions- und Entwicklungsgesellschaft (DEG) and others in Mozambique shows how.

By Julian Frede

Health care is crucial for human well-being. But in developing countries, providing health-care services is a massive challenge. The state revenues they collect and the official-development assistance they receive are normally not enough to fund nationwide health-care systems that serve all people. Experts reckon the funding need for adequate health-care for the world's poorest countries will amount to $ 51 billion in 2015 and rise to $ 80 billion by 2035. Some of that money could come from the private sector.

But private-sector involvement is controversial. The civil-society organisation Oxfam criticises growing reliance on private-sector engagement in public services and demands that universal health care be guaranteed by the state. The World Bank, on the other hand, points to the shortage of public funds and welcomes contributions from the private sector.

Publicly supported, affordable health care for everyone is important. A mixture of public and private funding may be a sensible solution for some components of a health-care system. Even in the industrialised world, there is actually no such thing as an exclusively public or exclusively private health-care system. In Germany, for instance, government-run, statutory health-insurance funds are flanked by private-sector insurances, and many hospitals are private enterprises. In developing and emerging nations, too, there are no purely public health-care systems.

The World Health Organization (WHO) sees opportunities in the integration of private and public services. It argues that well-managed hospitals, a professional workforce and smoothly operating structures are vital for an efficient national health-care system – and private-sector involvement can play a useful part in ensuring them.

Hospitals as hubs

The Maputo Private Hospital (MPH) in Mozambique is an example of a successful private hospital. The 105-bed facility is run by Lenmed Health, a South African private hospital group. It opened in October 2012. Private donors invested $ 38.5 million. KfW subsidiary DEG, which has the mission to promote private-sector investments in developing countries and emerging markets, was among the financiers that furnished long-term capital.

The impacts of the private hospital are particularly visible in Mozambique where, unlike in other African countries, the private sector so far has hardly played a role in health care. Accordingly, Mozambique has huge gaps, both in basic medical services and in hospital care. The MPH is improving matters. It has state-of-the-art equipment and imports pharmaceuticals that were previously unavailable in the country. The MPH guarantees emergency services, mother-and-child health care as well as obstetrics, paediatrics, radiology and treatment for chronic complaints.

The hospital will thus help improve national health care. Patients, who previously travelled to South Africa each year, can henceforth be treated in Mozambique. The number of potential medical tourists rose from about 8,000 in 2003 to about 230,000 in recent years. The MPH is not only a facility that treats patients in need, it is also a business that helps to generate incomes and add value. The example of South Africa indicates how great the potential is: In 2010 alone, some 500,000 patients spent the equivalent of over $ 138 million for medical treatment there, and 90 % of them were from neighbouring countries, especially Lesotho, Swaziland and Mozambique. They travelled to South Africa because they could not get adequate care at home.

Apart from patients, the entire country can benefit from the investments made in the new hospital. For example, the MPH is cooperating with local businesses on occupational health – which, in Mozambique, is a new component to basic health services and benefits workers and their families. At the same time, the hospital makes Mozambique look safer and thus more attractive in the eyes of tourists, foreign investors and skilled experts. MPH is actively recruiting foreign staff moreover.

Alexander Klein/DEG

Up-to-date technology: the ward for new born babies at the Maputo Private Hospital.

The South African parent company offers basic and advanced training courses. It is transferring management, marketing and business capacities to Mozambique. It does so by exchanging staff with hospitals in South Africa. It also offered nursing training, equipment training and a three-month intensive course that is regularly held for staff members.

The MPH is opening up new prospects. To date, it has created almost 200 jobs, almost half of which are full-time and occupied by medical professionals. Providing opportunities for high-skilled staff matters very much: From 1980 to 2006 a mere 723 doctors were trained in Mozambique, and about 25 % of them have left the country. Such medical brain drain is considered one of the main obstacles to health-sector development in sub-Saharan Africa. In 2011, more than 7,000 doctors who were trained by African universities were working in the USA. The social costs of medical brain drain amount to billions of dollars, according to the World Health Organization.

Last but not least, the MPH management's mission includes a developmental mandate. It provides weekly access to free vaccinations against measles, polio, mumps, hepatitis B, tuberculosis, diphtheria and tetanus. It also runs free clinics for chronic complaints such as diabetes, high blood pressure and HIV/AIDS on certain days each month. The gynaecology department offers free pregnancy screening and advice. Moreover, half of the 200 jobs at the hospital are low-skill jobs, so the hospital employs some poor community members.

The Maputo Hospital did not have an easy start: delays in construction, cost overruns and low initial utilisation rates put cooperation between hospital management and the group of investors to the test. After intensive consultations and restructuring initiated by DEG, the MPH became operational in 2013. All of the investors have remained on board, the costs were covered and the MPH is now a profitable business.

The hospital was financed on a pro-rata basis by DEG and European Financing Partners S. A., a joint venture which involves the European Investment Bank and twelve members of EDFI (European Development Financing Institutions, an umbrella organisation). For DEG, hospital financing is one component of its involvement in the health sector. Other investments focus on manufacturing of pharmaceuticals or funding of care providers and health insurances. Currently, the DEG portfolio in the health sector is worth about € 240 million.

The example of MPH shows that with intensive preparation and support, private hospital financing is possible even under difficult conditions and can help achieve a major development-policy objective.

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