Public Private Partnership Project of the Department of Health
Provincial Government of the Western Cape

Experience of the Lentegeur Psychiatric Hospital and Western Cape Rehabilitation Centre for Persons with Physical Disabilities

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PROJECT SUMMARY

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1. The Public Private Partnership of the Department of Health: Provincial Government Western Cape at Lentegeur Hospital and Western Cape Rehabilitation Centre

The Public Private Partnership between the Department of Health (DoH), Western Cape and the Mpilisweni Consortium is the first of its kind within the DoH, Provincial Government of the Western Cape. Now in its 4th year of a 12-year Contract this "green fields" project has been both challenging and rewarding.

The uniqueness of this PPP lies in the fact that hard- and soft facilities management services are rendered by a Private Party to two hospitals on the same site, each of which provide unique specialised clinical services to very diverse categories of patients. Output specifications and the range of services rendered by the Private Party, differs between the two hospitals.

The physical site is extensive and accommodates various other organisations and service providers that are excluded from the PPP, making monitoring and implementation very challenging.

2. Introduction

This Report aims to provide readers with an understanding of the rationale for the PPP, how the PPP was procured, how it was implemented, how it is managed and the value that similar projects can bring to the Public Sector. In the compilation of the Report, consideration was given to focusing on the values of a PPP and the Management of implementation.

A Public Private Partnership (PPP) is described in Treasury Regulation No16 as a contract between a Public Sector institution and a Private Party, in which the Private Party assumes substantial financial-, technical- and operational risk in the design, financing, building and operation of a project. For a PPP project to be implemented it should be affordable and create value for money (VFM) for the Public entity before it can be approved. In this particular PPP the main risks assumed by the Private Party (PP) Consortium (Mpilisweni) are therefore operational and technical in nature. The PP did not assume financial risk at inception with respect to the construction of any health facility as in some PPP's, as both hospitals in this PPP are existing health infrastructure sites..

The PPP project on the Lentegeur Hospital (LGH) site situated on Highlands Drive in Mitchell's Plain, Cape Town, is one where integrated and comprehensive Hard- and Soft Facilities Management services are provided by a Private Party (PP) to two separate hospitals, situated on the same site, for a monthly Unitary Fee. (See Figure 3 for the site description,) Service output specifications differ for the two hospitals, making the implementation and monitoring of this particular

PP challenging and complex, which is now in the fourth (4th) year of a 12-year Contract period.

The following services are provided to LGH and the Western Cape Rehabilitation Centre (WCRC) respectively:

Table 1: Facilities Provided by Mpilisweni for each Institution

Service	**LGH**	**WCRC**
Soft Facilities		
Catering	Yes	Yes
Cleaning	Yes	Yes
Grounds and Gardens	Yes	Yes
Linen and Laundry	**No**	Yes
Pest Control	Yes	Yes
Security	Yes	Yes
Utilities Management	**No**	Yes
Waste Management	Yes	Yes
Helpdesk Services	Yes	Yes
Hard Facilities		
Medical & Therapeutic Equipment (Procurement, maintenance and replacement)	**No**	Yes
Estate Maintenance and Non-Medical equipment. (Procurement, maintenance and replacement)	**No**	Yes

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3. Background on the two Health Facilities

3.1. Western Cape Rehabilitation Centre

In 2002, the Department of Health, PGWC made a decision to sell the "old Conradie" hospital in Pinelands. Existing acute services were relocated to Groote Schuur- and Eerste River hospitals in accordance with the Department's Comprehensive Service Plan (CSP) for 2010. It was also decided to simultaneously relocate the Conradie Hospital Spinal Cord Injury Unit and other Neuro-Rehabilitation services to the LGH site, where there was underutilised Infrastructure. In the relocation to the LGH site, these services were also simultaneously amalgamated with the Neuro-Rehabilitation Unit of the University of Stellenbosch Medical Faculty, the Karl Bremer Rehabilitation Unit.

A new "State-of-the-Art", custom-built and "disability friendly" facility was subsequently designed and built by the Department of Transport & Public Works. The newly constructed WCRC was situated within the greater Lentegeur Hospital site, and this development involved establishing a separately demarcated and fenced-off health facility, with its own identity, within the existing Project Site.

Figure 1 : Front Entrance of Western Cape Rehabilitation Centre

The WCRC was officially opened on 03 December 2004 - appropriately so, as 03 December each year marks the celebration of International Day for Persons with Disabilities.

As a specialised Provincial hospital for the rehabilitation of persons with physical disabilities the WCRC is currently the only facility of its kind in the Public Sector. The facility has 6 wards, an out-patient department, radiology and pharmacy services, a wheelchair repair workshop. It also boasts an indoor heated swimming pool, basketball court and wheelchair obstacle- and time-trial courses.

There are 3 large therapeutic blocks each serving clients from the adjacent 2 wards. Clients are managed by interdisciplinary teams consisting of (amongst others) medical-, nursing- , therapeutic staff and social workers. Clinical Psychology, Dietetics and Speech Therapy services are rendered transversally across the site.

The Department of Health deemed a PPP as the most viable long-term option for the maintenance of this Capital Works project of R100m, and the PPP commenced in February 2007.

The capacity of the hospital is 156 approved beds for in-patients, with a bed occupancy rate (BOR) in excess of 85% Mondays – Fridays. However, as the majority of clients go home for week-ends as part of the community reintegration component of their rehabilitation programme, the BOR averages out at 75%.

3.2. Lentegeur Hospital

Lentegeur Hospital is the largest Psychiatric Hospital in the Western Cape, with a capacity of 788 usable beds (2009/10). Of these 788 beds, 398 were dedicated to Intellectual Disability Services and 390 to Psychiatric Services. The Hospital site is 104 hectares with 34 clinical units (wards) and 20 non-clinical units (buildings). The latter includes a Hostel, Crèche, Mortuary, Laundry, Kitchen, Stores, Pharmacy, Transport section and Workshops,

The main clinical service areas are: General Adult Psychiatry (Males and Females) Child and Adolescent Psychiatry, Forensic Psychiatry and Intellectual Disability Services.

Patients are managed by multidisciplinary teams consisting of Psychiatrists, Registrars, Medical Officers, Psychologists, Nurses, Social Workers, Occupational Therapists, Physiotherapists and a Dietician. The hospital was originally commissioned as a hospital with 1500 usable beds.

The usable bed number remained at 1500 between 1985 and 1987. However over several years the usable bed numbers have been gradually decreased in line with the Department’s policy on deinstitutionalisation of patients in chronic

care. There are currently 721 filled posts, of which 450 are nursing, with the remainder being Clinical - Administrative- and Support staff.

3.2.1. Vision

An accessible, specialised Mental Health Service aimed at enhancing the Quality of Life of its users**.**

3.2.2. Mission

To provide an integrated specialised mental health service to people with psychiatric and or intellectual disabilities, which is accessible and affordable*?*

To provide relevant, comprehensive and efficient, Mental Health Care based on respect for Human Rights using a psychosocial rehabilitative approach*.*

To maintain service excellence and a positive organizational culture through staff empowerment, support and research.

3.2.3. Background

At the inception of the PPP in February 2007, the usable bed total was 940. It is currently at 788 usable beds. The current average bed occupancy for IDS is 85% and Psychiatry 90%. Over the past 3 years the cost per PDE increased from R400 to around R600 per PDE. The increase is to some extent related to the cost of the PPP.

Outsourcing was not new to LGH as services such as Security, Waste Management, Grounds, Cleaning, Laundry services, Catering and Pest Control was outsourced before the implementation of the PPP. At LGH the maintenance of buildings is not included in the PPP specifications (as is the case at WCRC). In terms of catering, food is delivered in bulk to ward kitchens, and LGH staff then serves the food to the patients. At the WCRC the PPP output specifications make provision for the delivery of plated food to the clients. LGH site also manages its own medical equipment, linen and laundry and utilities.

Figure 2: The Admin Building of Lentegeur Hospital during spring

3.2.4. Impact of PPP at Lentegeur Hospital

The important difference for LGH with this facility management model, in relation to the previous model that was employed at LGH, is that calls can be logged to the Helpdesk when output specification are not met. Our ability to impose a penalty when the stipulated rectification times are not met is an excellent mechanism to ensure better contractual compliance and performance. However, continuous training of LGH staff is necessary to ensure compliance from the DOH side. Staff members are taking a while to adapt to the new system of contract management. The process of communication is also not directly to service providers, but via contract managers who objectively balance the interests of the contractual parties.

Expectations are steadily being met, despite challenges created by the complexity of the Service Level Agreement and Service Definitions for Lentegeur Hospital. The blurring of roles and responsibilities of staff (DOH and PP) in Catering, Grounds & Gardens and Ward Security, provide particular challengesthat must still be fully addressed.

The grounds on the LGH site are looking much better and small projects forming part of the Mpilisweni's CSI initiatives are definitely benefiting patients at Lentegeur Hospital as well as in the larger Mitchell's Plain community.

4. Implementation:

With the implementation of the PPP project, the DoH appointed a Contract Manager and four Contract Supervisors. The Private Party appointed a Facilities Manager and Contract monitors that monitor compliance of the service providers / sub-contractors. The role of the Contract Management section for the DoH is to monitor compliance of the Private Party with the Main Agreement of the Contract and the Output Specification Schedules, to ensure that the PP complies with service delivery needs. They also liaise between institutional staff and PP staff and assist with conflict resolution. While the DoH Contract Management section has to ensure that the PP performance is up to the expected standard, the Contract stipulates that the PP also has a self-monitoring- and where indicated, service improvement / compliance role.

The project is subject to Project Management principles, as is any other project. From the date of implementation attention was given to establishing processes, forms, tracking mechanisms, calculation of formulas, managing finances, interpretation and understanding of the agreement, DoH staff perceptions and understanding of the agreement. The processes for managing Private Party communication were also initiated e.g. email, post, tracking sheets for receipt of invoices etc. Operational- and other meeting structures were established e.g. weekly Operational- , monthly Project- and quarterly Steering Committee meetings.

To ensure appropriate management of finances and to have documentary evidence of the Agreement for provision of an Add-on or Pass through service costs, the use of flysheets was introduced. The PPP DoH Contract Manager ensures that the appropriate role players in the DoH first sign the flysheet, after which it is then signed by the DoH representative and posted to the PP. Invoices are then only accepted based on clear evidence that the DoH is liable for the cost. The supporting documentation for each invoice must be provided by the Private Party, based on the specific circumstances or context of the invoice, i.e. unitary fee is based on what is in the agreement, but payment for extra security, provided to LGH, is based on an agreement as per a flysheet. Invoices for repairs to the Nurse-Call system, at WCRC, must be substantiated by a Help Desk call that was made by a DoH official that requested the repair.

5. Staff perspectives of the PPP

The general perspective of the staff is that the PPP has added benefits to the hospital and impacted positively on service delivery in many regards. The turn-around time of services, in particular with respect to maintenance of the Estate and medical equipment, has been substantially reduced. Repairs of most of the medical- & therapeutic equipment as well as Estate Maintenance to buildings are

completed within a 48hour period. This allows clinical staff to focus on their core business of rendering services to clients.

Planned Preventative Maintenance which is a novelty for DoH staff has ensured that equipment and buildings are always in an acceptable and reasonable condition. Patient meals are prepared as if they are a home cooked meal and are enjoyed by patients. Initially there were complaints about the portion sizes of the meals, but through the co-operation of the dieticians of the DoH and the PP, the meal size and food standards have improved markedly. Fewer complaints are now managed by the Catering services.

The organizational milieu for patients and staff has been very positively influenced due to the excellent work of the Garden services. Pest control and the management of stray cats and dogs are appropriately managed, even by security services. The major benefit for the clinical staff has, however, been the management of the medical- and therapeutic equipment and there is constant consultation between the medical equipment service provider and staff.

6. Environmental Impact

The PPP agreement places stringent compliance requirements on the Private Party in respect of the recycling of waste, the use of chemicals that are SABS compliant and the conservation of utilities. The implementation of ISO9001 and OHSAS 18001 standards and the Private Party's subsequent accreditation further ensures that safety and environmental management are high on the agenda of management and staff. By adhering to these requirements the Private Party endeavours to balance best practice with the financial realities of the project.

Customer (beneficiary) value / impact

Patient satisfaction surveys since inception of the PPP confirm the positive benefits of this Public Private Partnership. Client satisfaction ratings are consistently high with regard to cleanliness and hygiene of toilets and ablution facilities, and the overall cleanliness and well-maintained state of the hospital infrastructure. Pest Control and Linen and Laundry services cannot be faulted. Hospital Management also regularly receive compliments on the appearance of the hospital as well as the Grounds and Gardens.

7. Risk Transfer (technology – medical and non-medical, operations, estate)

The full risk of attending to maintenance and repairs was transferred to the Private Party in the following areas:

Estate maintenance, Medical- and Therapeutic equipment and non-medical equipment (all furniture).

Contract Management

. The Department of Health LH&RC manages the performance of the private party in terms of the PPP contract. The Private Party has the responsibility of managing sub-contractors that provide services to Lentegeur Hospital and Rehabilitation Centre facilities. The management of contractors includes the management of contractors employed by the Western Cape Department of Health that performs but not limited to repairs of the nurse call system, maintenance of the electronic fence, the supply and maintenance of fax- and copier machines and the supply of Medical gases by Afrox. Logging a Helpdesk call for all problems experienced by the DOH staff irrespective of the service provider is one of PPP advantages.

Table 2: Risk Matrix

RISK	DESCRIPTION	MITIGATION	PROBABILITY	Date Last Updated/ Assessed
Medical Equipment	Movement of equipment Theft of equipment	Implement application form for movement of equipment on the premises as well as off-site, and ensure compliance of all staff with the procedure. Security to be aware of risk and ensure risk is mitigated	High	
Finance	In accordance with the PPP agreement, Sectoral determinations were accepted as a risk by the consortium. A	Transfer to or share the risk with sub contractors.	Low	

RISK	DESCRIPTION	MITIGATION	PROBABILITY	Date Last Updated/ Assessed
	considerable escalation has been seen over the project period to date, e.g. the cleaning sector's increases escalated with 50% over the past 2 years in respect of wages and bonuses. This has had a substantial impact on the PP's projected budget.			
Finance	The current penalty regime is stringent and with the penalty escalation provision a penalty can far exceed the monthly service fee due to the sub contractor. This implies that the penalty needs to be funded from consortium.	Renegotiate penalty regime and ensure better control mechanisms are in place to effectively manage calls.	High	
Finance	Food inflation significantly exceeds the	Negotiate an appropriate inflationary	Low	

RISK	DESCRIPTION	MITIGATION	PROBABILITY	Date Last Updated/ Assessed
	inflationary index (CPI current inflationary measure). This is why it is critical for the parties to establish an appropriate measure for the annual unitary fee increase.	measure to which the unitary fee escalates. The risk was high but an inflationary measure was put in place, which reduced this risk substantially.		
Financial	FOREX fluctuations	Plan most appropriate time for ordering of Medical equipment from Overseas	High	
Finance	Inflation index changes		High to Medium	
Legal	Changes in Policy or legislation	Establish whether the policy or legislation is a guide and a must for implementation. If just a guide consider the need for implementation If compulsory – see how cost can be shared or who should	Medium	

RISK	DESCRIPTION	MITIGATION	PROBABILITY	Date Last Updated/ Assessed
		bear the cost. Plan in advance based on white papers.		
Information-& Computer Technology (I & CT) Equipment	Support for Equipment	Need to have a backup I&CT equipment in case of delay in support. Alternatively a system for a workaround	Medium	
I & CT Equipment	Technology refresh	Monitor periods for technology refresh and have PPM's in place	Medium	
Operational	Staff succession	Staff training & upskilling	High	
Operational	Delay or failure to provide service	Financial penalties provide a "perverse" incentive to perform	Med	
Operational	Changes in contractors	Obligation on PP to inform DoH or in default	High	
Building	Latent defects	Manage the cost of the	High	

RISK	DESCRIPTION	MITIGATION	PROBABILITY	Date Last Updated/ Assessed
defects		defects via Department of Public Works & then risk transfer to PP		
Estate Maintenance	PPM's not completed on time	Both Parties jointly develop and set target dates for each PPM (Medical, Non-medical and Estate)	Med	

8. Affordability

The PPP budget and that of the internal contract management staff are ring-fenced and agreed upon with the finance section of the Department of Health. Budgetary changes are made based on the unitary fee escalation index. The PPP Contract initially made provision for an annual escalation based on CPIX. As STATSSA recently replaced the publication of the CPIX with CPI, the unitary fee escalation will now be based on the CPI.

9. Value for Money

Table 3: Cost per In Patient Day with and without PPP cost.

Element	LGH	WCRC
Cost/IPD before PPP 2006/2007	N/A	R976
2007/2008 excl PPP	R415.66	R869
2007/2008 incl. PPP	R488.93	R1159

Element	LGH	WCRC
2007/2008 difference	R73.28	R290
2008/2009 excl. PPP	R514.54	R926
2008/2009 incl. PPP	R597.13	R1207
2008/2009 difference	R82.59	R281

It is evident that at an additional cost of approximately R300 per in-patient day, the PPP offers exceptional value for money. (Refer back to Table 1: Facilities Provided by Mpilisweni for each Institution) This amount provides for all Hard- and Soft Facilities management, as well as the maintenance of all buildings, an area traditionally sorely neglected in the DoH. This amount also covers the maintenance, repair and cyclic replacement of all medical- and non-medical equipment at WCRC, ensuring that medical- and other clinical staff have at all times for patient management, modern equipment that is fully functional and in an excellent state.

Calls logged to the Help Desk are graded in Severity Levels, each with their own distinct rectification time, the longest of which is 2 days (Severity Level 3). The very fast turn-around times for rectification by the PP following calls logged to the Help Desk, ensures that clinical services are not disrupted / discontinued when services are required. DoH productivity is ensured. The positive milieu created by the Grounds and Gardens sub-contractor ensures that clients recovering from life-changing events, such as spinal cord injury, can recover in an environment conducive to promoting their emotional and psychological well-being.

10. Best Practices brought to site and PP sector innovation and management skills

The PPP has delivered significant benefits to the Department. Some of these are:

- A fixed monthly Unitary fee with the PP assuming significant risk on behalf of the Department
- Higher service delivery specifications and response times in the event of service failure
- Benefit to the local community through specific contractual employment, procurement and personnel development obligations

- Management of service providers to deliver in accordance with accepted industry practice and standards

- The scheduled maintenance and replacement of assets and infrastructure

- Fast turn around times and high standard specifications and a penalty regime that provides an incentive to sustain high performance

- Fast procurement processes

- 2 % of the PP's personnel expenses must be utilized for skills development / training and capacity-building of PP staff

11. Challenges/Changes needed

The challenges experienced in respect of the implementation of this PPP have been in terms of interpretation of the Contract and its various Schedules especially the application / implementation of some sections of the Service Level Agreements, the calculations of formulas and Asset transfer and management. The stringent Contractual Penalty regime remains a PP concern. The penalty regime is also a concern for the Department, especially in terms of failures that cannot be rectified. The understanding of staff about contract management, Service Level Agreements, outsourced services and integrated facilities management still needs some attention.

12. Achievements

At the inception of the PPP, DoH staff members were informed about the implementation of the facilities management service. Due to the differing output specifications for LGH and WCRC, LGH staff members were of the expectation that major changes would occur at LGH in terms of services like linen, medical equipment and estate maintenance. (It should be noted that the latter two components are excluded from the LGH specifications) The subsequent disappointment of LGH staff in respect of the latter 2 issues needed to be managed through group training and individual training sessions.

The staff of the Mpilsweni Consortium and DoH also attended a two day workshop on the contractual and financial issues to reach consensus on interpretation issues and to foster partnership – building.

13. Attachments

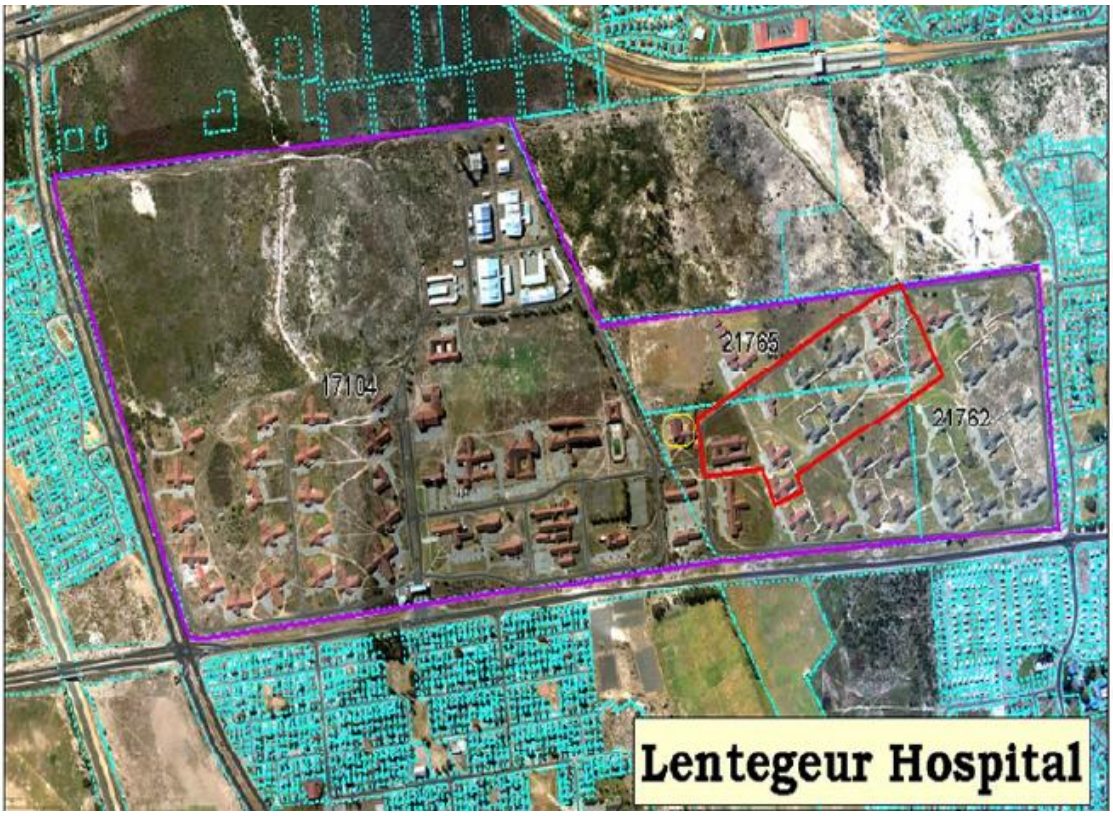

Figure 3: Map of the Lentegeur Hospital site