

KSA RADIOLOGY PILOT PPP

NOTICE OF INFORMATION

May 2018

DISCLAIMER

- This Notice of Information (“Notice”) is intended to provide interested parties with further information on the project to enter into a concession to deliver radiology and nuclear medicine services to a cluster of 7 hospitals in the Greater Riyadh region of the Kingdom of Saudi Arabia (“KSA”), including 3 in Riyadh city, and 4 in more remote rural enclaves (the “Project”). The International Finance Corporation (“IFC”), a member of the World Bank Group, is acting as the Lead Transaction Advisor to assist the Ministry of Health of the Kingdom of Saudi Arabia (“MoH”) in structuring and tendering the Project, with the legal support of Abuhimed Alsheikh Alhagbani Law Firm, in cooperation with CliffordChance.
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1. INTRODUCTION

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INTRODUCTION

BACKGROUND

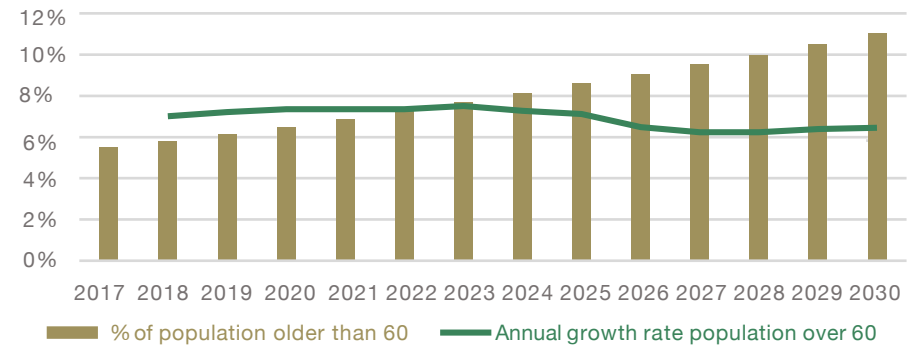
- The Kingdom of Saudi Arabia (“KSA”) is going through a period of major economic transformation as part of a National Transformation Program across all sectors of the economy, including the health sector, where a number of initiatives aim to ensure sustainability of financing, improved access, and better quality of services for all KSA residents.
- KSA’s health and social affairs budget consumes 20% of government spending, with US\$ 45bn spent annually on health. The Ministry of Health (“MoH”) has identified several areas of improvement in terms of efficiency and utilization levels.
- As part of its responsibility to raise service levels and extend coverage, MoH is seeking to develop a number of initiatives with the private sector in line with the National Transformation Program.
- MOH is seeking to attract a private provider (the “Concessionaire”) to enter into a concession to deliver radiology and nuclear medicine services to a cluster of 7 hospitals in the Greater Riyadh region, including 3 in Riyadh city, and 4 in more remote rural enclaves which are underserved today (the “Project”).
- The Concessionaire will take over the existing radiology facilities in all 7 hospitals, as well as nuclear medicine in 2 hospitals, and will be responsible for operating and maintaining these facilities over the concession term with required reinvestments.
- The International Finance Corporation (“IFC”) is acting as the Lead Transaction Advisor to assist MoH in structuring and tendering the Project, with the legal support of Abuhimed Alsheikh Alhagbani Law Firm, in cooperation with Clifford Chance.

INTRODUCTION

CONTEXT – KEY SECTOR CHALLENGES

- Demand for healthcare in KSA is rising, driven by population growth and ageing as well as rising incidence of non communicable diseases such as diabetes, heart disease and cancer.
- The large size of the country and the dispersed nature of its population has made it more challenging to deliver care to all segments.
- These factors will continue to put pressure on the capacity of KSA's health system to respond to the increasing demand.
- Health expenditure in KSA as a % of GDP is lower than most Western countries partly due to the relatively young population. However, expenditure has been growing steadily over the years with the rise in aging population.
- All Saudi nationals (75% of the population) are automatically eligible to receive free healthcare in MOH hospitals, although in practice, Saudi citizens working in the private sector will also have private health insurance.

KSA Ageing Population



Source: United Nations, Department of Economic and Social Affairs, Population Division (2015). World Population Prospects: The 2015 Revision, custom data acquired via website.

Health Expenditure (% of GDP)

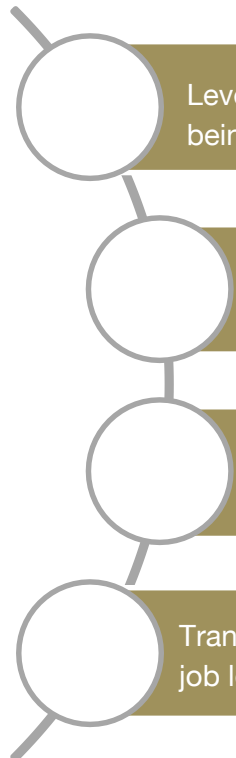


Source: World Bank Health Nutrition and Population Statistics, 2017.

INTRODUCTION

GOVERNMENT OBJECTIVES

Through implementing the Project and introducing Private Sector Participation (“PSP”), MOH aims to:

- 
- Leverage private sector expertise to improve the quality of services being delivered and patients being reached, including outside Riyadh city in remote locations
 - Improve operational efficiencies and utilization of existing equipment
 - Make better use of the scarce radiology human resource by incorporating a tele-radiology network to allow more remote facilities to transfer images to the hub facility in the cluster (KFMC) for reading and reporting
 - Transfer know-how and expertise to MoH existing staff through periodical trainings and on-the-job learning

INTRODUCTION

INVESTMENT OPPORTUNITY – KEY STRUCTURING ELEMENTS

| | |
|---------------------------|--|
| CONCESSIONAIRE SCOPE | Finance, refurbish, equip, operate and maintain the 7 radiology sites as well as invest in and operate nuclear medicine (“NM”) imaging installations. |
| THE NETWORK | Radiology departments at King Fahad Medical City (“KFMC”), Prince Mohamed Abdul Aziz Hospital (“PMAA”), Al Yamamah Hospital, King Khalid Al Majmaah Hospital, Al Dawadmi Hospital, Al Zulfi Hospital and Al Artawayah Hospital. Network will be operated as a Hub (KFMC) and Spoke model. |
| PROJECT TERM | 10 years, subject to extension on the terms agreed in the concession agreement |
| INVESTMENT | The Concessionaire will be responsible for investing in (i) equipment replacement over the Project term; (ii) IT infrastructure and network to set up tele-radiology solution; and (iii) any required refurbishment. Existing equipment will be transferred to the Concessionaire on a “right of use” basis at the onset of the Project. |
| PAYMENT MECHANISM | Ongoing payments by MoH to the Concessionaire will be on a per-scan basis. Concessionaire will invoice MoH directly. |
| DISCOUNT/VOLUME THRESHOLD | The Concessionaire will offer an overall discount on MoH price list (this will serve as the financial bidding criteria). In addition, MoH will apply a discount above a predetermined volume threshold per modality. |

INTRODUCTION

INVESTMENT RATIONALE

EXISTING EQUIPMENT, FACILITIES & STAFF

- ✓ Instant access to a total of **154 well-maintained imaging equipment** across the network (right of use)
- ✓ International standard medical facilities
- ✓ Experienced staff

SIZABLE VOLUME

- ✓ Current volume of **469,339 scans** across the network with growth potential
- ✓ Project includes King Fahad Medical City, one of the flagship hospitals of the Capital City, JCI accredited

FAVORABLE INVESTMENT PROFILE

- ✓ Investment required for equipment replacement is phased out over the Project term lowering the Project risk profile (only c. 16% of the existing equipment will need to be replaced upon commencing operations)

FIRST MOVER ADVANTAGE

- ✓ The Project is a pilot for PSP which MoH is planning to replicate across the Kingdom
- ✓ The Concessionaire will gain access to the rapidly developing Saudi market

PAYMENT SECURITY

- ✓ The Government will provide comfort to bidders with regards to payment obligations to the Concessionaire, through the issuance of a letter of comfort from Ministry of Finance, as well as an escrow account funded by MoH to cover ongoing payment obligations

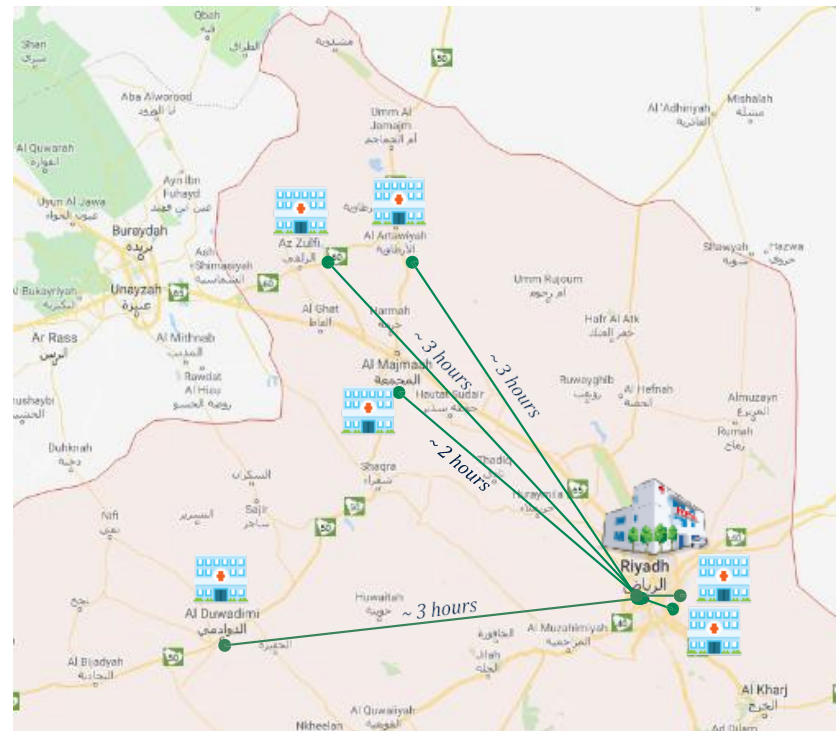
2. PROJECT OVERVIEW

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PROJECT OVERVIEW

THE NETWORK

- The Concessionaire will be responsible for taking over the existing radiology facilities in the 7 hospitals, as well as nuclear medicine services in 2 of those, and running these facilities over the concession term with reinvestments.
- The network will be operated based on a Hub and Spoke model with the hub (KFMC) servicing the other facilities in the cluster by receiving images through a tele-radiology network which the Concessionaire will set up.










→ Hub (KFMC)



→ Spokes

PROJECT OVERVIEW

HOSPITALS OVERVIEW

| Hospital | Location | Catchment Area | Type | Size (beds) | Total Patients Volume (2016) |
|---|---|------------------|---|-------------|---|
| King Fahad Medical City (KFMC) | Riyadh City | 1,040,000 people | Tertiary hospital / University hospital | 1800 | 377,631  |
| Prince Mohammed bin Abdulaziz (PMAH) | Riyadh City | | Secondary hospital / General | 500 | 226,406  |
| Al Yamamah | Riyadh City | | Specialized hospital / Maternity | 280 | 228,727  |
| Al Majmaah | Al Majmaah City, c. 200 kms northwest of Riyadh | 97,000 people | Secondary hospital / General | 204 | 34,696  |
| Al Dawadmi | Al Dawadmi City, c. 200 kms west of Riyadh | 53,000 people | Secondary hospital / General | 200 | 32,810  |
| Al Zulfi | Al Zulfi City, c. 260 kms northwest of Riyadh | 86,000 people | Secondary hospital / General | 170 | 240,414  |
| Al Artaweyah | Al Artaweyah City, c. 270 kms northwest of Riyadh | 9,000 people | Secondary hospital / General | 50 | 88,704  |

● Outpatients
 ● ER
 ● Inpatients

PROJECT OVERVIEW

RADIOLOGY AND NUCLEAR MEDICINE SERVICES PER HOSPITAL

| | KFMC | PMAA | Al Yamamah | Al Majmaah | Al Dawadmi | Al Zulfi | Al Artawayah |
|------------------|------|------|------------|------------|------------|----------|--------------|
| CT | ✓ | ✓ | | ✓ | ✓ | ✓ | |
| MRI | ✓ | ✓ | | ✓ | ✓ | | |
| US | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mammography | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| X-ray | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Nuclear Medicine | ✓ | ✓ | | | | | |

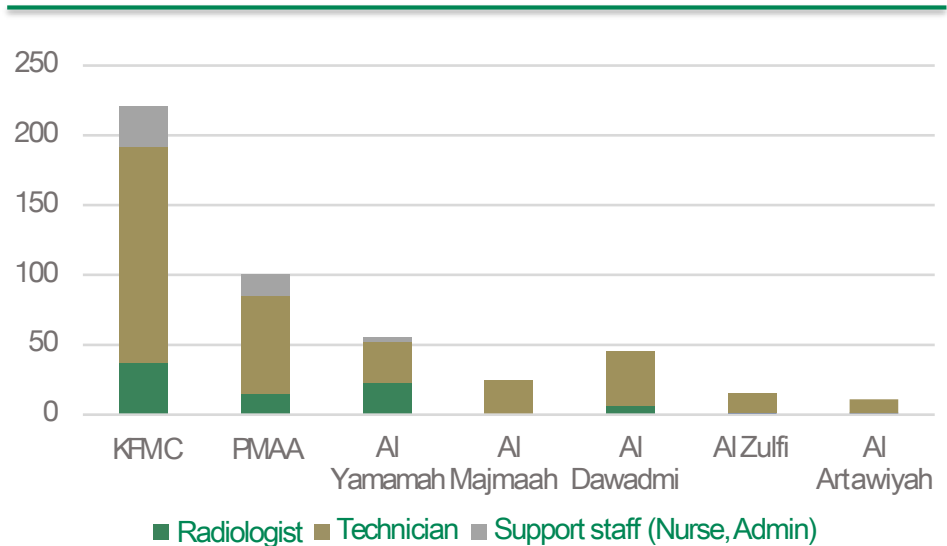
- Within KFMC, the Project scope includes the following imaging departments:
 - a. Main Hospital, KFMC Central Emergency Room (ER) & Outpatient Department (OPD)
 - b. Children's Hospital
 - c. Oncology Center
 - d. Operating Room required Mobile C-Arm imaging: would be operated by the Imaging Department radiology technicians
- Excluded from the scope:
 - a. Women's Hospital
 - b. Interventional Cardiology (Cardiac Cath Labs) located in the KFMC Cardiology Center and associated assets and clinical expertise
 - c. Oncology services: simulation, planning and therapy
 - d. Research and research related services
 - e. Interventional Radiology imaging (such as Interventional Angiography)

PROJECT OVERVIEW

HOSPITALS OVERVIEW

- A total of **472 imaging staff** are currently employed in all 7 hospitals with KFMC accounting for c.47%.
- KFMC and PMAA figures include radiology as well as nuclear medicine staff.
- There are 2 nuclear medicine specialists in KFMC and 2 in PMAA in addition to dedicated technicians.
- There is a shortage of radiologists/specialists in the remote hospitals: Al Majmaah 0, Al Zulfi 1, Al Artaweyah 1, Al Dawadmi 6.
- Staff (primarily technicians, nurses, etc.) typically work in 3 shifts of 8 hours each.
- In addition to the clinical staff, there is also management-level staff mapped to the radiology department of some of the hospitals (KFMC, PMAA and Al Yamamah).

Existing Staff by Hospital



PROJECT OVERVIEW

EQUIPMENT LIST

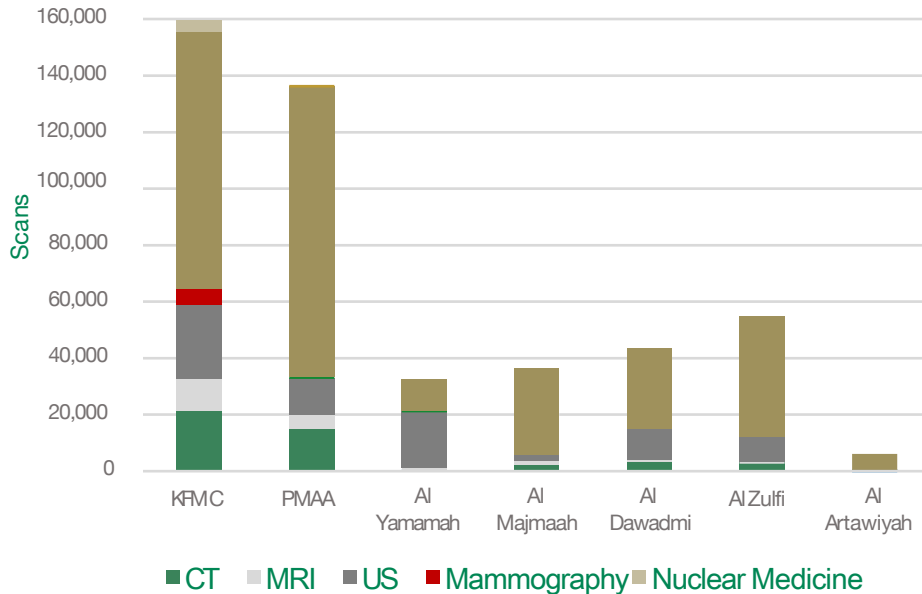
| | KFMC | PMAA | Al Yamamah | Al Majmaah | Al Dawadmi | Al Zulfi | Al Artaweyah | Total |
|-------------------|------|------|------------|------------|------------|----------|--------------|-------|
| CT | 4 | 2 | 0 | 1 | 1 | 1 | 0 | 9 |
| MRI | 5 | 2 | 0 | 1 | 1 | 0 | 0 | 9 |
| US | 14 | 3 | 6 | 2 | 2 | 2 | 2 | 31 |
| Mammography | 3 | 1 | 1 | 1 | 1 | 2 | 0 | 9 |
| X-ray (RAD/Fixed) | 12 | 4 | 3 | 2 | 3 | 3 | 2 | 29 |
| X-ray (Mobile) | 7 | 10 | 5 | 3 | 4 | 5 | 1 | 35 |
| X-ray (Fluoro) | 3 | 1 | 1 | 1 | 1 | 1 | 1 | 9 |
| X-ray (C-Arm) | 7 | 6 | 0 | 1 | 0 | 0 | 0 | 14 |
| X-ray (BMD) | 1 | 1 | 0 | 1 | 1 | 0 | 0 | 4 |
| NM | 4 | 1 | 0 | 0 | 0 | 0 | 0 | 5 |
| Total | 60 | 31 | 16 | 13 | 14 | 14 | 6 | 154 |

- A total of **154 existing equipment** across the 7 hospitals are included in the scope of the Project with KFMC accounting for c.40%.
- It is estimated that c. 16% of the existing equipment will need to be replaced upon commencing operations.
- Some of the equipment is relatively new and will only require replacement after around 5 years.

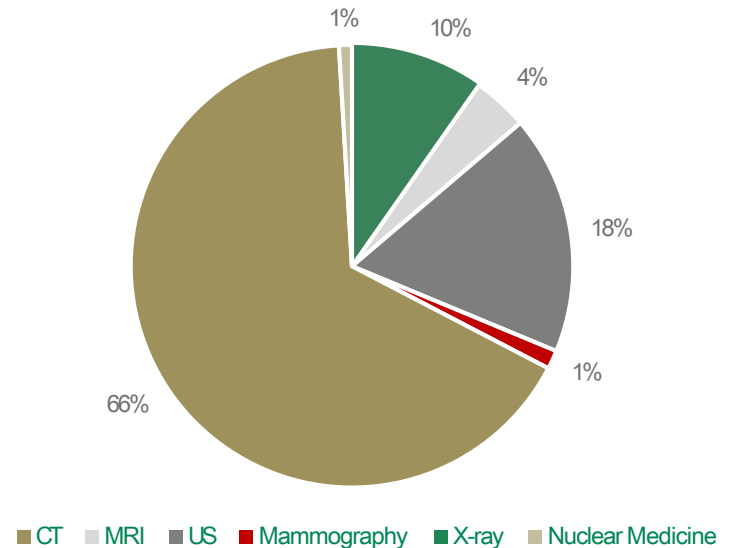
PROJECT OVERVIEW

ACTUAL VOLUME (FY 2016/2017)

Actual Volume by Hospital



Overall Network - Volume Breakdown by Modality



- In FY 2016/2017, a total of ~~469,339 scans~~ were performed in all 7 hospitals with KFMC and PMAA accounting for c.63%.
- Low level of scans in the remote hospitals is primarily attributed to the lack of sufficient radiologists/specialists on-site and/or equipment operating issues.
- In addition, reported wait times (between appointment request and actual examination) as well as turnaround times (TAT) are not systematically recorded across the network. Existing statistics show room for improvement.

PROJECT OVERVIEW

IT INFRASTRUCTURE

Existing IT Systems by Hospital

| | KFMC | PMAA | AI Yamamah | AI Majmaah | AI Dawadmi | AI Zulfi | AI Artaweyah |
|---|------|------|------------|------------|------------|----------|--------------|
| Picture Archiving & Communication System (“PACS”) | ✓ | ✓ | ✓ | | | | ✓ |
| Radiology Information System (“RIS”) | ✓ | ✓ | ✓ | | | | |

Envisaged Investments in IT

To create a tele-radiology network, the following tasks, by the Concessionaire, are envisaged:

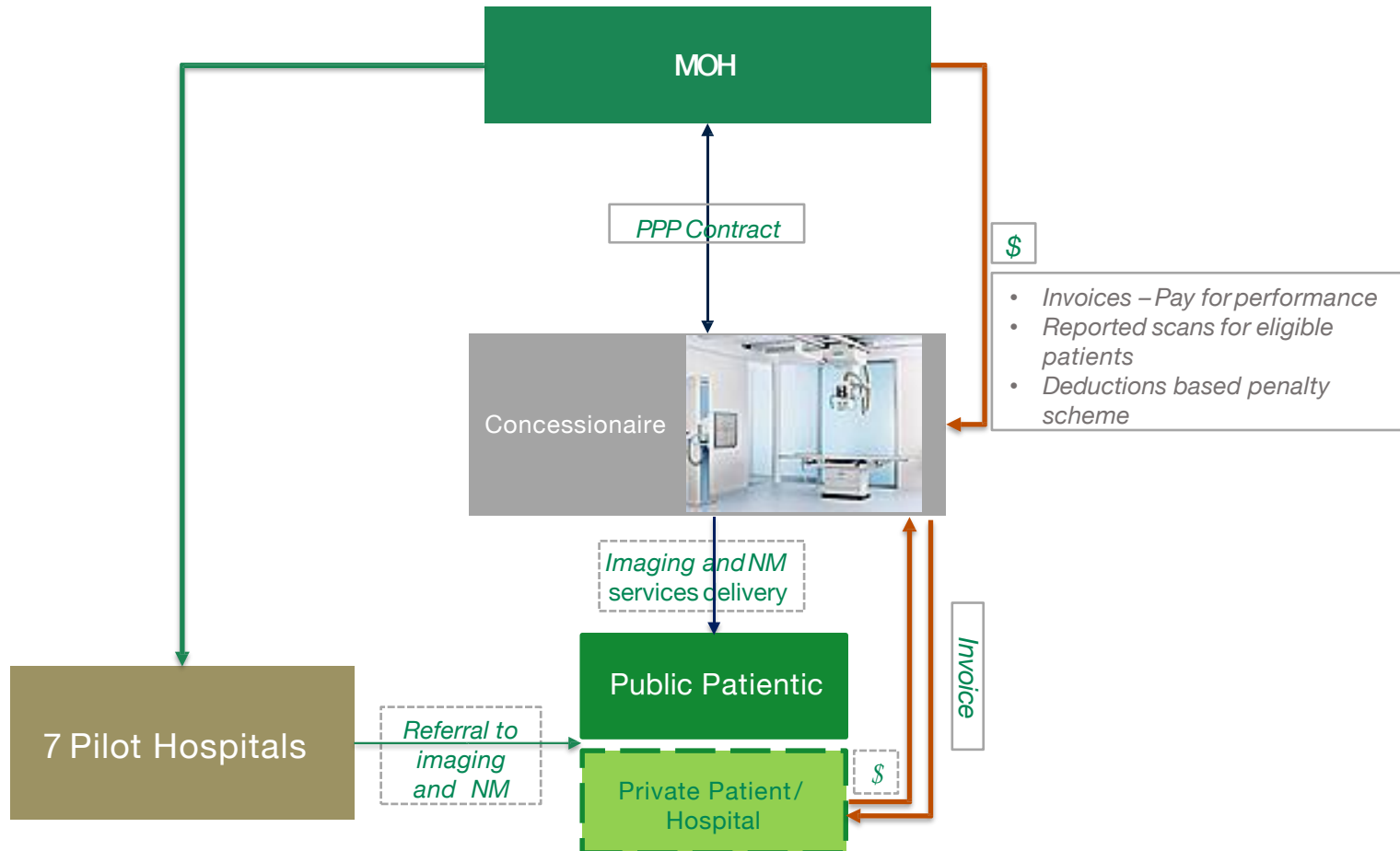
- PACS and RIS solutions in the hospitals where these systems are not present;
- Integrate the existing PACS and RIS system to a newly created central Vendor Neutral Archive (“VNA”), which will serve as a central hub for image exchange between the hospitals, using multisite integration platform;
- Create and implement a multisite integration platform, which will be responsible for image and report exchange between all involved sites.

3. TRANSACTION STRUCTURE

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TRANSACTION STRUCTURE

FLOW OF SERVICES AND FUNDS



TRANSACTION STRUCTURE

PARTIES' OBLIGATIONS

| CONCESSIONAIRE | MoH* | HOSPITALS |
|--|--|---|
| <ul style="list-style-type: none"> ▪ Design, build, finance, operate and maintain an imaging network (incl. tele-radiology facilities and equipment) ▪ Invest in replacement of equipment/IT and renovations when required as per the concession agreement ▪ Perform scans for referred patients within agreed TAT ▪ Establish appropriate PACS/RIS where required and Central Solution ▪ Report on the scans requested, reported (maintain records for audit purposes) ▪ Invoice and collect payments from MoH for scans at prevailing regulated price list ▪ Adhere to all national and international requirements and guidelines | <ul style="list-style-type: none"> ▪ PPP Agreement Contracting party ▪ Monitoring Concessionaire's compliance with contract requirements including quality standards ▪ Manage payments to Concessionaire and billing insurance companies where applicable (for privately insured patients being served by the Project) ▪ Periodic adjustment of imaging price list ▪ Monitoring performance management: <ul style="list-style-type: none"> ▪ MoH heads the Joint Service Review Committee ▪ Monitoring KPI compliance and applies penalties ▪ Facilitate development of Service Level Agreements (SLAs) between the Concessionaire and various departments within the hospitals | <ul style="list-style-type: none"> ▪ Provide access to the Concessionaire to specified premises for express labs and collection points ▪ Ensure provision of utilities and other shared services as agreed (e.g. waste management) for premises (cost to be paid by Concessionaire based on usage) ▪ Refer inpatients to Concessionaire <p>➤ In due course, it is anticipated the role of providing healthcare currently provided by hospitals will be provided by stand-alone "accountable care organisations" or "clusters".</p> |

*In due course, it is anticipated that the MOH will move into a pure-regulator role, so that the concession contract will be novated to another government/ government-owned entity and the funding will be provided by the government-owned Purchasing Programme

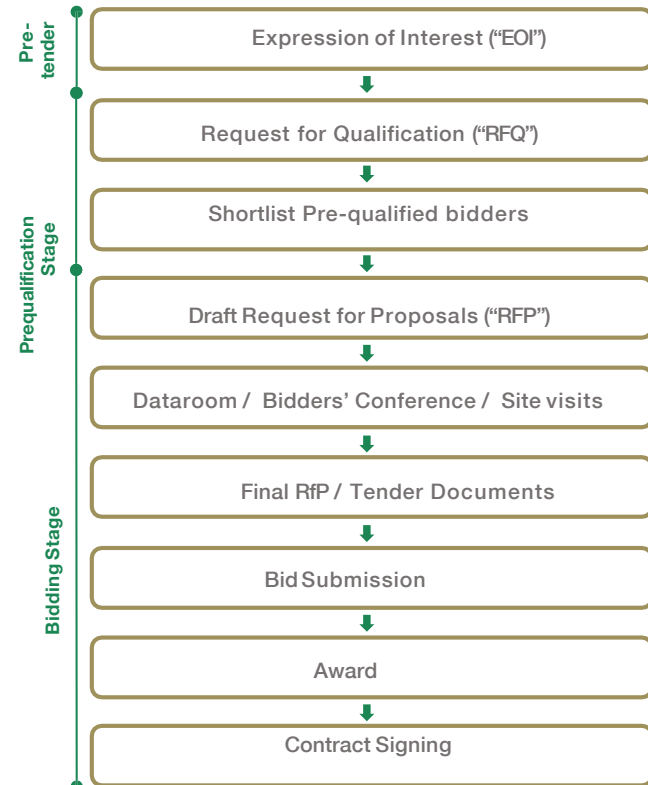
4. TENDER PROCESS & TIMELINE

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TENDER PROCESS & TIMELINE

TRANSACTION PROCESS OUTLINE

- MoH will follow a competitive two-stage tender process.
- An invitation for EOI has been advertised by MoH on XX,2018.
- The RFQ will specify the requirements and details for submission of prequalification application. Bidders will be evaluated based on legal, technical and financial criteria.
- Only prequalified applicants will proceed to the bidding stage.
- Upon issuance of the draft RFP, the Project data room will be made available to shortlisted bidders providing detailed technical, commercial, legal and regulatory information related to the Project. The data room will remain available till the end of the tender process.
- A Bidders' Conference will be organized to address bidders' questions on the technical and legal aspects of the Project.
- Draft tender documentation will be provided to shortlisted bidders for review. Comments and mark ups will be reflected where possible, at the discretion of the MoH.
- The winning bidder will be selected on the basis of a two-envelope system based on technical and financial proposals. Financial bidding criteria will be the discount offered to MoH price list.



TENDER PROCESS & TIMELINE

ELIGIBILITY AND PREQUALIFICATION CRITERIA

- Either an individual firm or a consortium may bid for the Project provided they comply with the prequalification process and criteria
- All prospective bidders must be from a country with diplomatic relations with the KSA
- Once pre-qualification applications have been submitted, an evaluation committee will shortlist qualified bidders based on minimum technical and financial criteria (as well as legal) that prospective bidders need to demonstrate (on a pass/fail basis) in order to be qualified to participate in the bidding stage:
 - Legal criteria – Includes, but is not limited to, submission of all completed pre-qualification documents in the required form and substance.
 - Technical criteria – Includes, but is not limited to, (i) a proven track record of providing specified radiology and nuclear medicine services for a specified number of years and minimum annual volume; (ii) operating experience in multiple geographical locations; (iii) experience in delivering services to public partners; and (iv) experience is running a multi-location network via tele-radiology.
 - Financial criteria – Includes, but is not limited to, (i) minimum net worth; (ii) minimum revenue generated from radiology and nuclear medicine services; and (iii) proven ability to raise capital for the Project.

TENDER PROCESS & TIMELINE

BIDDING PROCESS

- Following the completion of the prequalification stage, a transparent competitive bidding process will be implemented during the RFP phase for selection of the winning bidder.
- RFP will be issued to qualified bidders and shall:
 - Require that the Concessionaire to maintain a minimum shareholding in the Project Company incorporated in KSA (as will be detailed in the RFQ/RFP);
 - Permit qualified bidders to form consortia subject to a maximum number of consortium members; and
 - Invite bidders to further site visits, undertake due diligence and provide comments on the draft concession agreement.
- The winning bidder will be selected on the basis of a two-envelope system based on technical and financial proposals:
 - Following an initial legal check to ensure the bid submitted is substantially responsive to the RFP, and all required documents have been submitted in required form, the Technical proposals shall be evaluated overall on a pass/fail basis against pre-defined criteria (e.g. business plan, financial commitment, operational approach and plan, staffing strategy, etc.).
 - Qualified bidders that submitted passing technical proposals shall have their financial proposals evaluated.
 - The bidder offering the highest financial bid, i.e. discount to the official price list provided by MoH, shall be awarded the contract.

TENDER PROCESS & TIMELINE

INDICATIVE TIMELINE

| Stage | Milestone | Date |
|------------------|---|------|
| Pre-Tender | Invitation for EOI | [x] |
| | Deadline for Submission of EOI | [x] |
| Prequalification | Issuance of RFQ and Information Memorandum | [x] |
| | Deadline for Submission of Prequalification Application | [x] |
| | Announcement of Prequalified Bidders | [x] |