hope
European Hospital and Healthcare Federation

Capital investment in hospitals and healthcare services

HOPE SURVEY

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INTRODUCTION

The 2007 financial and economic crisis has affected the European healthcare systems in various ways. In its report "The Crisis, Hospitals and Healthcare" published in April 2011, several HOPE members mentioned investment being postponed or even abandoned. More recently the report by the High-Level Task Force on Investing in Social Infrastructure in Europe mentioned a huge investment gap in healthcare.

The database "A System of Health Account 2011"[1] (SHA) provides information on investment through the Gross Fixed Capital Formation. This is presented in the first part of this report.

But to get a better picture, HOPE decided to collect existing information and to complement it by producing a questionnaire to collect not only figures but also capital investment procedures in hospital and healthcare services. The answers presented in the second part of the report have been provided by HOPE Liaison Officers and their colleagues.

GROSS FIXED CAPITAL FORMATION

SHA defines investment in healthcare *gross capital formation*, which is measured by the sum of three components:

- Gross fixed capital formation (e.g. hospital buildings or ambulances);
- Changes in inventories (e.g. vaccinations kept in stock);
- Acquisitions less disposals of valuables (e.g. artworks).

G*ross fixed capital formation* is the most relevant component measured by the total value of the fixed assets that healthcare providers have acquired during the accounting period (less the value of the disposals of assets) and that are used repeatedly or continuously for more than one year in the delivery of health services. Examples of fixed assets in the health sector include, among other things, hospital buildings, ambulances and medical imaging machines. Healthcare providers can acquire fixed assets by purchase or barter or as transfers in kind. Symmetrically, healthcare providers can dispose of the assets by selling them, surrendering them in barter or as transfers in kind. Gross fixed capital formation could be negative. This would occur if the value of the disposed assets exceeds the value of those acquired.

The data presented here refers to years 2000, 2005, 2010 and 2015. The closest year is considered when data is not available in the year of reference. Data has been extracted on OECD Health Statistics 2017 (last update: November 2017) and on the WHO Global Health Expenditure Database (last update: June 2018).

[1] A System of Health Accounts 2011 is the result of a four-year extensive and wide-reaching consultation process gathering inputs and comments from a multitude of national experts and other international organisations around the world. The manual strives to reach a consensus while also reflecting different perspectives and priorities within the expanding domain of health accounts. It is the result of collaboration among OECD, Eurostat and WHO to produce a global standard in health accounting.

Table 1 lists gross fixed capital formation for all providers expressed in million constant Purchasing Power Parities (PPP) prices. Constant prices reflect the real values that have been "deflated" from the effect of price increases, making it possible to compare expenditure over time. Purchasing Power Parities are used to adjust price aggregates expressed in different currencies to compare the volume of output (or consumption) between countries.

Table 1: Gross fixed capital formation for all providers expressed in million constant PPP. Source: WHO Global Health Expenditure Database.

Country	2000	2005	2010	2015
Austria	1,871.9	2,058.4	2,433.8	2,717.7
Bulgaria	136.6	167.7	47.4	37.8
Croatia	237.9	336.6	0.5	162.0
Cyprus	124.3	85.6	45.8	38.2
Czech Republic	648.5	609.6	528.5	356.7
Denmark	838.3	1,013.4	943.9	1,640.1
Estonia	23.8	9.1	-	213.4
Finland	473.5	594.8	732.2	905.5
France	4,847.6	9,469.7	15,165.7	14,875.7
Greece	945.9	1,163.5	-	-
Hungary	478.4	535.3	-	-
Ireland	707.5	752.9	687.1	1,057.9
Latvia	110.5	30.3	184.0	-
Lithuania	99.8	107.7	120.1	190.5
Luxembourg	408.5	317.8	190.8	-
Malta	2.2	6.1	5.3	96.1
Netherlands	2,387.5	5,608.3	-	-
Poland	1,110.2	2,297.9	3,724.9	3,552.0
Romania	319.9	31.0	434.2	2,016.8
Slovakia	94.0	313.4	668.7	367.2
Slovenia	146.0	200.8	179.3	204.1
Spain	2,586.5	3,246.5	-	-
Sweden	1,181.2	1,499.2	2,095.2	2,460.1
United Kingdom	5,091.7	8,323.5	9,246.7	8,198.2

Data on gross fixed capital formation reported in Table 2 refers to all healthcare providers while Table 3 concerns only hospitals. It is worth noting that only seven countries provided specific figures for hospitals.

In both cases, indicators are expressed as a share of GDP. Figures on current health expenditure as a share of GDP are also reported to give the reader a good overview of the main aggregates of total health expenditure. Current expenditure refers to final consumption, which is the demand for healthcare goods and services by households, government and non-profit institutions; gross capital formation refers to the demand for capital goods by health providers.

Table 2: Current health expenditure (CHE) and gross fixed capital formation for all providers (GFC) as % of GDP. Years: 2000, 2005, 2010 and 2015. Source: WHO Global Health Expenditure Database.

Country	2000		2005		2010		2015	
	CHE % of GDP	GFC % of GDP	CHE % of GDP	GFC % of GDP	CHE % of GDP	GFC % of GDP	CHE % of GDP	GFC % of GDP
Austria	9.2	0.6	9.6	0.6	10.1	0.7	10.3	0.7
Belgium	7.9	-	9.0	-	9.9	-	10.5	-
Bulgaria	5.9	0.2	6.9	0.2	7.1	0.0	8.2	0.0
Croatia	7.7	0.3	6.9	0.4	8.1	0.0	7.4	0.2
Cyprus	5.3	0.6	5.3	0.4	6.3	0.2	6.8	0.2
Czech Republic	5.7	0.3	6.4	0.2	6.9	0.2	7.3	0.1
Denmark	8.1	0.4	9.1	0.4	10.4	0.4	10.3	0.6
Estonia	5.2	0.1	5.0	0.0	6.3	0.5	6.5	0.6
Finland	6.8	0.3	8.0	0.3	8.9	0.4	9.4	0.4
France	9.5	0.2	10.2	0.4	10.7	0.6	11.1	0.6
Germany	9.8	-	10.3	-	11.0	-	11.2	-
Greece	7.2	0.4	9.0	0.4	9.6	0.4	8.4	-
Hungary	6.8	0.3	8.0	0.2	7.6	-	7.2	-
Ireland	5.9	0.5	7.6	0.4	10.5	0.3	7.8	0.4
Italy	7.6	-	8.4	-	9.0	-	9.0	-
Latvia	7.9	0.6	8.9	0.1	8.6	0.7	5.8	0.8
Lithuania	5.8	0.2	5.6	0.2	6.8	0.2	6.5	0.3
Luxembourg	5.9	1.2	7.2	0.8	7.0	0.4	6.0	-
Malta	6.5	-	8.7	0.1	8.2	0.0	9.6	0.7
Netherlands	7.1	0.4	9.3	0.8	10.4	-	10.7	
Poland	5.3	0.2	5.8	0.4	6.4	0.5	6.3	0.4
Portugal	8.4	-	9.4	-	9.8	-	9.0	-
Romania	4.2	0.1	5.5	0.0	5.7	0.1	5.0	0.5
Slovakia	5.3	0.1	6.6	0.3	7.8	0.5	6.9	-
Slovenia	7.8	0.3	8.0	0.4	8.6	0.3	8.5	-
Spain	6.8	0.2	7.7	0.3	9.0	-	9.2	-
Sweden	7.4	0.4	8.3	0.4	8.5	0.5	11.0	0.6
United Kingdom	6.0	0.3	7.2	0.4	8.5	0.4	9.9	0.3

Figure 1: Gross fixed capital formation for all providers (GFC) as % of GDP. Years: 2000, 2005, 2010 and 2015. Source: WHO Global Health Expenditure Database.

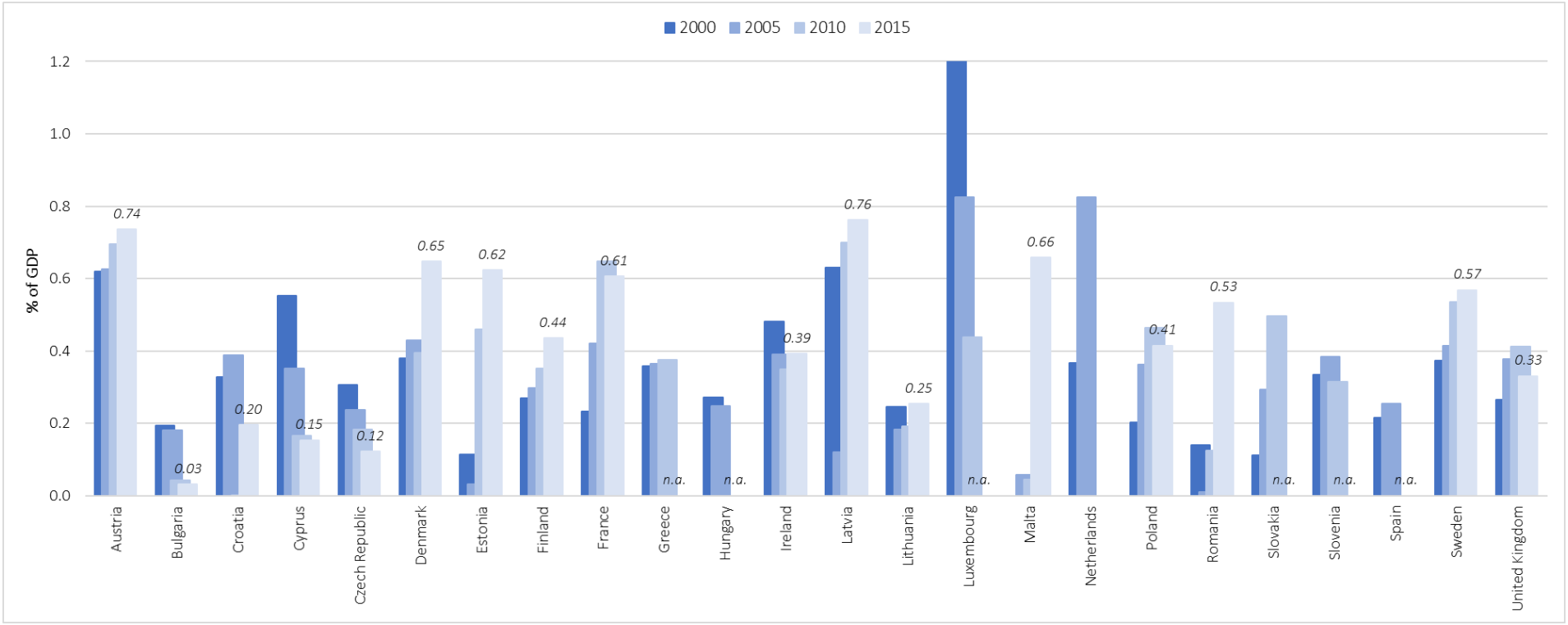
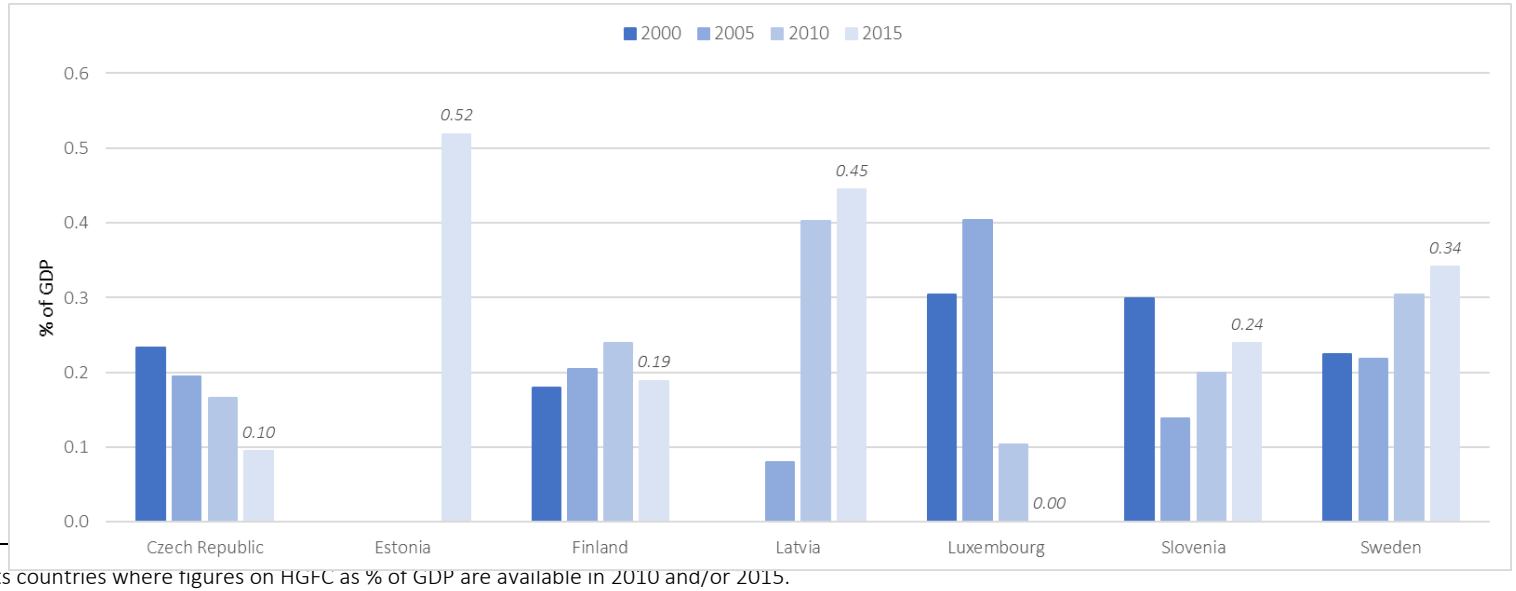


Table 3: Current hospital expenditure (CHosE) and gross fixed capital formation for hospitals (HGFC) as % of GDP. Years: 2000, 2005, 2010 and 2015. Source: OECD Health Statistics 2017[2].

Country	2000		2005		2010		2015	
	CHosE % of GDP	HGFC % of GDP	CHosE % of GDP	HGFC % of GDP	CHosE % of GDP	HGFC % of GDP	CHosE % of GDP	HGFC % of GDP
Czech Republic	2.9	0.2	2.9	0.2	3.1	0.2	3.0	0.1
Estonia	1.9	-	2.3	-	3.0	-	3.1	0.5
Finland	2.2	0.2	2.8	0.2	3.0	0.2	3.3	0.2
Latvia	-	-	2.4	0.1	2.1	0.4	1.9	0.5
Luxembourg	1.8	0.3	2.1	0.4	2.2	0.1	1.9	-
Slovenia	-	0.3	3.1	0.1	3.5	0.2	3.5	0.2
Sweden	-	0.2	-	0.2	-	0.3	4.2	0.3

Figure 2: Gross fixed capital formation for hospitals (HGFC) as % of GDP. Years: 2000, 2005, 2010 and 2015. Source: OECD Health Statistics 2017.



[2] Table 3 reports countries where figures on HGFC as % of GDP are available in 2010 and/or 2015.

Austria

FIGURES

Capital investments in hospitals and healthcare services

According to the WHO System of Health Accounts, investment in hospital and healthcare services for the year 2015 amounts to approximately €2.5 billion or to 6.7 % of total health expenditure.

Definitions

This €2.5 billion investment for the year 2015 refers to the public and private sectors. The figure contains amongst other things investments in hospitals, investments by medical practitioners, specialists and dentists, investments in residential long-term care facilities and investments in emergency care.

PROCEDURE

The procedure changes according to the ownership/sponsorship of the hospital/healthcare setting. Investments are paid by the hospital owners, partly supported by regional (Länder) government grants (subject to the legal status of the hospital) based on hospital development plans.

Belgium

FIGURES

Capital investment in hospitals and healthcare services

In Belgium, each community is now defining its own funding system of costs on infrastructures.

Until mid-2014, hospital infrastructure was subsidised by the communities and the federal government. As from mid-2014, the subject fell under the full jurisdiction of the communities.

Investments made by hospitals (academic, general and psychiatric) have declined by €411 million (i.e. down 20%) dropping from €2,046 million in 2013 to €1,636 million in 2016. Only the university hospitals showed increased investment figures between 2013-2016. However, the 2015 to 2016 period experienced a 7% drop in investment. The main reason behind this was the investment wave of 2012-2013 aimed at renewing old hospitals, which led to a fall in government funding.

The figure below shows investment of university, general and psychiatric hospitals.

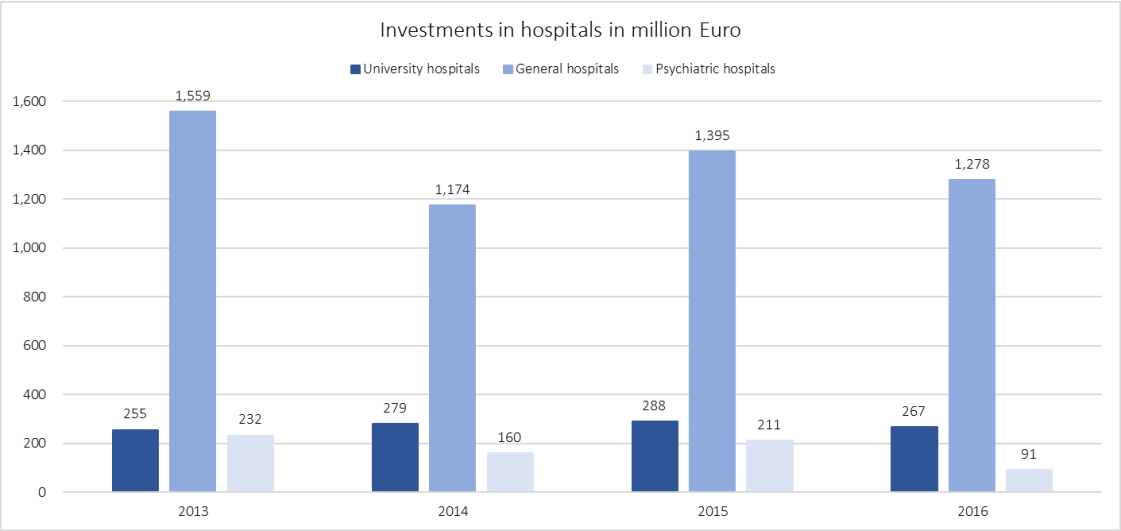


Figure 3: Investments in hospitals in million Euro (Source: Belfius Maha-analyse).

Bulgaria

FIGURES

Capital investments in hospitals and healthcare services

State and municipal funding of hospitals is very limited and is done as an exception or under European and other research or development programmes. Hospitals in Bulgaria are self-supporting. Private hospitals are neither funded by the state nor by municipalities. Not-for-profit hospitals do not exist in the country and there is no funding for hospitals from charities. Not-for-profit organisations or charity campaigns fund single individual cases requiring complex or rare treatments.

Table 4 includes figures on capital investment in state owned, municipality owned or state and municipality owned hospitals from 2000 to 2016.

Year	Capital investments (Million Euro)	GDP (Million Euro)	% of GDP
2010	25.2	38,230	0.066
2011	32.8	41,291	0.079
2012	34.6	41,946	0.082
2013	22.8	42,011	0.054
2014	64.2	42,761	0.15
2015	28.4	45,286	0.063
2016	52.2	48,128	0.11
TOTAL	**260.2**	**299,653**	**0.087**

Table 4: Capital investment in state owned, municipality owned or state and municipality owned hospitals in given year.

Table 5 provides figures of capital investments funded by the Ministry of Health (MoH) in state owned or state and municipally owned hospitals in 2015, 2016 and 2017.

	Capital investments by MoH (Million Euro)	GDP (Million Euro)	% of GDP
2015	7.86	45,286	0.017
2016	11.6	48,128	0.024
2017	4.46	n.a.	n.a.

Table 5: Capital investment funded by the Ministry of Health in state owned or state and municipality owned hospitals in given year.

Denmark

FIGURES

Capital investment in hospitals and healthcare services

In 2016 the Danish Regions spent around €0.8 billion on capital investment in hospitals. This corresponds roughly to 0.3 % of GDP.

Gross fixed capital formation in the healthcare system for all domestic providers accounts for 0.6% of GDP, according to OECD, since there is also capital investment in the health sector coming from the municipalities and the state.

Definitions

The figures above on Danish Regions, relate to capital investment for buildings, information technology and medical technology. This is exclusively public spending on hospitals.

The OECD figures provided above relate to the total amount of healthcare capital investment in all sectors including long-term and nursing care/social care.

Figures on the different sources of funding of capital investment

The regional and municipal capital investment is funded through subsidies from the state.

PROCEDURE

In Denmark, capital investment is divided into two types: capital investment from the so-called governmental quality foundation and other capital investment.

Investment from the governmental quality foundation covers the building of a number of new hospitals and rebuilding of other hospitals, accounting for 60%. The remaining 40% is covered by the regions themselves. These projects were agreed upon when the governmental quality foundation was established in 2009. It has a fixed budget to cover the period until 2025. In the same way, each project has a fixed budget that cannot be exceeded. The regions, which manage the building process, have to agree with the Government every year how much money they are going to spend. In addition, they regularly have to report on how the money is spent and how the building process is advancing. Within this framework the regions are free to prioritise. The governmental quality foundation covers 16 building projects including five completely new green field hospitals.

The governmental quality foundation is funded partly through the sale of existing buildings and land. Moreover, some of the projects take the form of a Public Private Partnership (PPP), where a private company builds and maintains the new facility for an agreed number of years and the region pays the private company during that period. The regions are free to choose this formula for their own building projects that are not partly funded by the quality foundation, but they have to deposit an amount of money equal to the project budget. This money is then given back over a 25-year period. Every year the regions' other capital investment is also capped. This level is set in the yearly negotiations between the government and Danish regions for the coming year. Within this limit the regions are

free to prioritise capital investment as they see fit. Each region has internal procedures to ensure that the capital investment is spent in the optimal way.

In the same way the municipalities" capital investment is capped and within this scope they may prioritise spending on the health policy areas that come under their responsibility (health promotion, prevention and long-term nursing care/social care).

There is a limited number of private hospitals in Denmark. They decide their capital investment level individually.

Estonia

FIGURES

Capital investment in hospitals and healthcare services

Hospitals are responsible for their investment that is funded by the hospital owners.

Investment in the health sector accounted for €126 million, corresponding to 0.6% of GDP while investments in hospital sector accounted for 105 million, corresponding to 0.5% of GDP.

Definitions

The figures on investment reported in the previous answer, include:

- buildings (€81.9 million, of which 75.1 for hospitals);
- medical equipment and machines (€41.2 million, of which 28.1 for hospitals);
- other investments (€3.3 million, of which €1.9 million for hospitals).

Finland

FIGURES

Capital investment in hospitals and healthcare services

Information about private investment in hospitals and healthcare services is not available unless it refers to a single provider.

PROCEDURE

Currently, the Ministry of Social Affairs and Health may grant permission to invest in publicly owned hospitals and healthcare services if the amount exceeds €5 million. Up until now, permission had been granted for an amount of €2 billion.

France

Premises

Information provided by *French Hospital Federation – FHF* refers to public hospitals, as the federation represents all French public hospitals. The French Hospital Federation has launched a mission on public hospital investment and the results will be published by the end of 2018. So far, only preliminary results are available.

Public hospitals do not have capital investment strictly speaking, unlike the private sector. Indeed, they do not purchase shares or bonds. Investment is mostly paid through governmental subsidies (for example the *AC - Assistance in Contractualisation*), which complete activity-based payments. Substantial investment was also made possible thanks to two plans: "*Hospital 2007*" and "*Hospital 2012*", whose goal was to modernise hospital infrastructure. Consequently, the information provided deals with investment in general, as they cannot focus on capital investment.

Other information was provided by the *French Federation of Comprehensive Cancer* Centres - *UNICANCER* that covers the 18 comprehensive cancer centres in the country. These are not-for-profit health institutions exclusively devoted to healthcare, research and education & training in oncology.

FIGURES

Capital investment in hospitals and healthcare services

FHF

Public hospital investment efforts have constantly been decreasing since 2010, from 10.5% of the public hospital expenditure in 2010 to 6.5% in 2015. In 2016, investment represented €4.2 billion, accounting for 6.0% of the public hospital expenditure and dropped below €4 billion in 2017. In 2002, the investment effort stood at 7.0%. As far as substantial investments are concerned, the trend was downward. Indeed, teaching hospitals investment effort is 5% in 2016, which is the result of a 30% decrease since 2010.

UNICANCER

In 2015, investment accounted for 7.4% of total UNICANCER hospital expenditure. This does not include lease or group purchases, or similar set-ups. However, investment levels have remained stable in recent years.

Definitions

See *Premises*.

Figures on the different sources of funding of capital investment

FHF

In 2015, the self-financing capacity was around €3.2 billion while other resources of financing accounted for €1 billion. Self-financing capacity remained at a high level to avoid an increase in debt[3].

UNICANCER

In 2015, 27% of investment was financed by loan, 42% by cash flow and 31% by subsidies (public or private) or equity.

PROCEDURE

FHF

The most important public hospitals investment projects are submitted to the Interdepartmental Committee for Hospital Care Performance and Modernisation (*Comité Interministériel de la Performance et la Modernisation de l'Offre de Soins Hospitaliers - COPERMO*).

The selection process for investment projects has been increasingly strengthened for public hospitals. Investment projects are systematically subjected to a detailed socio-economic evaluation if their budget exceeds €20 million. Projects whose budgets exceed €100 million are submitted to an independent counter-expertise led by the General Commission for Investment (*Comissariat Général à l'Investissement*).

UNICANCER

Even in private not-for-profit hospitals, authorisation is needed for the biggest investments (for example: MRI, etc.)

[3] Situation financière des hôpitaux publics : premiers résultats 2016.

Germany

FIGURES

Capital investment in hospitals and healthcare services

Figures come from the German Hospital Federation (DKG), but only refer to grants from the Länder unfortunately. The full amount of hospital investment might be higher.

According to information provided, from 1991 to 2015, the total cost of hospitalisation followed an upward trend consistent with the pace of GDP in the same years. Conversely, the Hospital Financing Act (KHG) funds decreased.

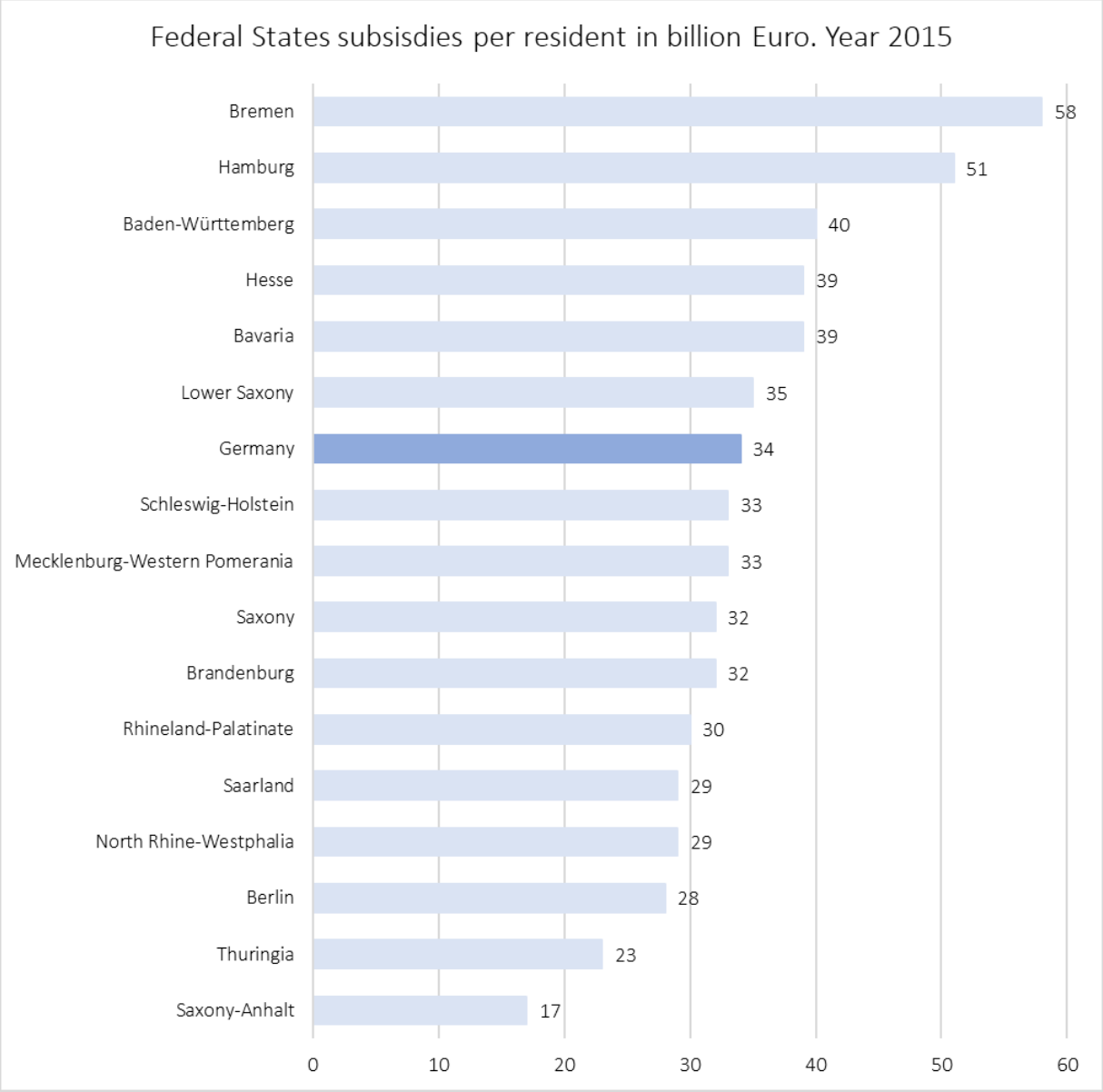


Figure 4: Federal States subsidies per resident in billion Euro. Year 2015 (Source: DKG).

From 1993 to 2005, the Länder followed a downward trend, slipping from 3.9 to 2.8 billion Euro and recording a negative variation of -28.5% (equal to roughly €1 billion)[4].

Definitions

As stated above, this graph only includes public investment for hospitals, which are accredited in the hospital plan.

Sources of funding of capital investment in hospital and healthcare services

There is no comprehensive data. The figure below shows the origin of investment funds for hospitals (Year 2012-2014). The sample includes 170 hospitals.

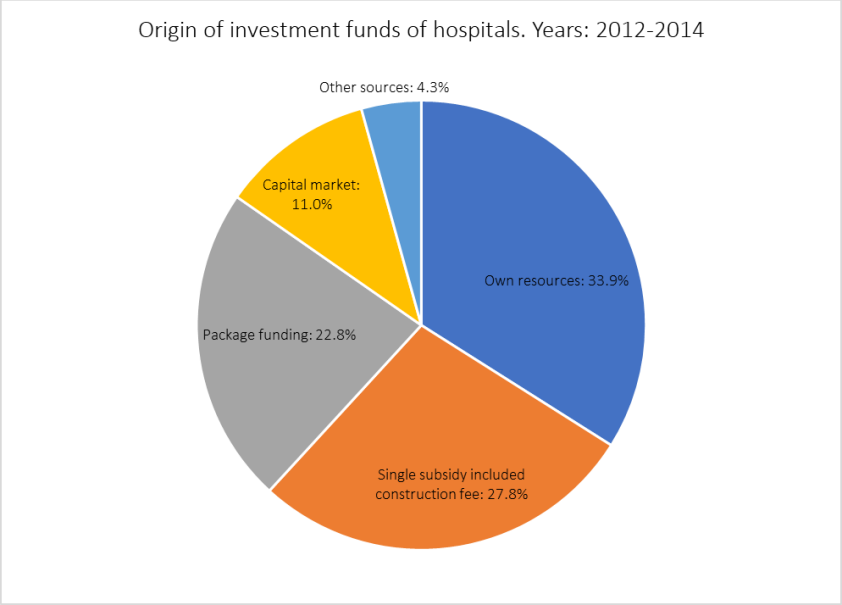


Figure 5: Origin of investment funds for hospitals. Year 2012-2014 (Source: DKG).

PROCEDURE

Public investment varies a lot amongst the Länder. Grants for individual projects comply with federal laws that regulate the distribution of resources. Spending procedures therefore differ in legal or organisational terms.

[4] Key data of Germany's hospitals.

Ireland

FIGURES

Capital investment in hospitals and healthcare services

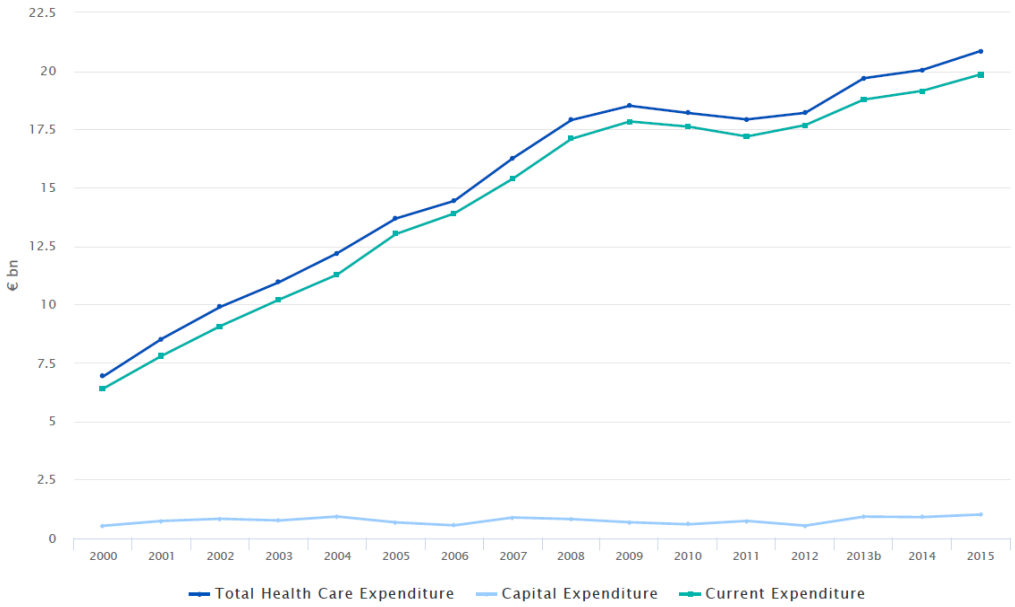


Figure 6: Total healthcare expenditure and its component (capital and current expenditure) in billion Euro. Year: 2000-2015 (Source: Central Statistic Office – CSO).

The figure above reports the trend 2000-2015 of total healthcare expenditure in Ireland, and its component (capital and current expenditure), expressed in billion Euro. The source of information is the Central Statistic Office (CSO). Capital expenditure in healthcare followed a stable trend in the years taken into consideration. No relevant variation has been recorded, contrary to what has happened to current expenditure, which is the component that has the most influence over the total health expenditure trend.

Malta

FIGURES

Capital investment in hospitals and healthcare services

Information on capital investment and healthcare services referring to public sector is available on the New WHO System of Health Account (SHA). According to this source, this figure amounts to €61 million in total, of which €41 million is devoted to hospitals. The WHO National Health Account estimated capital expenditure on health for the year 2015 at 0.65% of GDP (which corresponds to €8,796.5 million).

Definitions

The figures on capital investments provided above refer to gross fixed capital formation whose definition is provided in the Introduction.

Sources of funding of capital investment in hospital and healthcare services

On source of funding, the SHA return for 2015 includes €42 million as transfers from central Government (of which €25 million for hospitals). An additional €19 million for hospitals came from other sources. These are likely to include mostly European Union (EU) and European Economic Area (EEA) funding.

PROCEDURE

In Malta different funding processes are applied to hospitals and healthcare depending on the source. In terms of general Government transfers, there is an annual budgetary cycle whereby the Ministry of Health applies to the Ministry of Finance. This is negotiated and finally published in the annual budget, all within the framework of the Fiscal Responsibility Act.

In terms of EU/EEA funding, this is usually project oriented with competitive calls being issued periodically by PPCD and FPD, both of which have tight governance frameworks on all aspects of the process up until around 5 years post-investment. Whilst justifications need to be presented to the Ministry for Finance for direct government transfers, more rigorous needs exist when it comes to EU or EEA funding, as these would require not only extensive justification but also, in many cases, a cost-benefit analysis of the project submitted, plus intensive returns on the progress recorded.

The Netherlands

FIGURES

Capital investment in hospitals and healthcare services

Hospital investment declined between 2009 and 2014. In 2009, hospitals invested roughly €2.7 billion. In 2014, this amount decreased by 28% to €1.9 billion. This is the sum of all investments in fixed assets, such as buildings, installations and medical (and other) inventories. The figure below shows total investment in billion Euro in university hospitals, specialised hospitals and general hospitals from 2009 to 2014.

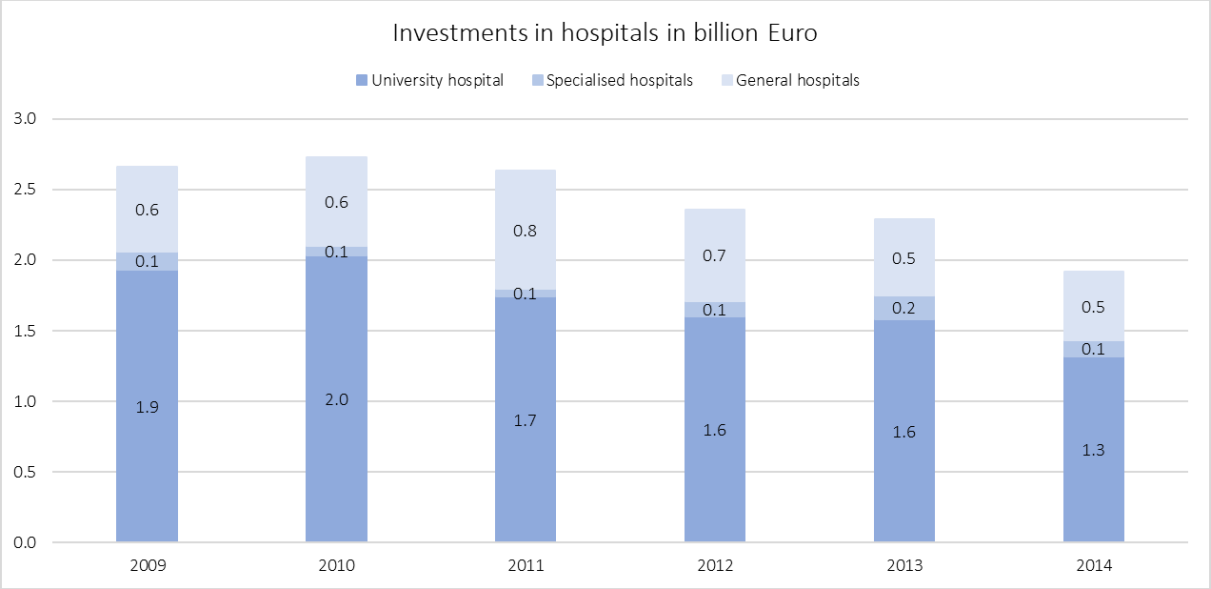


Figure 7: Investment in hospitals in billion Euro. Years: 2009-2014 (Source: Central Bureau for Statistic).

Definitions

The data collected by the Central Bureau for Statistics refers to investment intended as goods purchased with the aim of being used as capital goods in the production process. Generally, these are defined as goods with a life expectancy of more than one year (such as buildings, homes, machinery, means of transport).

Spain

FIGURES

Capital investment in hospitals and healthcare services

	PUBLIC		PRIVATE		TOTAL	
	Euro	%	Euro	%	Euro	%
Investments in intangible fixed assets	19,896,536	5.20%	9,924,822	3.33%	29,821,358	4.38%
Investments in tangible fixed assets	325,568,393	85.10%	275,735,478	92.46%	601,303,871	88.32%
Other investments	37,107,580	9.70%	12,566,665	4.21%	49,674,245	7.30%
TOTAL	**382,572,509**	**100%**	**298,226,965**	**100%**	**680,799,474**	**100%**
Investments/GDP (2014)	0.04%		0.03%		0.07%	
Investments/Health Expenditure (2014)	0.39%		0.31%		0.70%	
Investments/Public Health Expenditure (2014)	0.55%					
Investments/Public Hospitals Expenditure (2014)	1.02%					

Table 6: Capital investment in hospitals and healthcare services, public and private (Source: Statistics of health centres for specialised care, 2014).

Definitions

The figures in the table above show data both for public and private hospitals.

Sources of funding

Funding for the investment in public hospitals comes from taxes (general taxation) while investment in private hospitals generally comes from revenue.

PROCEDURE

Public investment in hospitals is subject to the contract law of the public administration; this involves a competetive public tender and requires an available budget.
Regional health service budgets are approved by the parliaments of the Autonomous Communities.

Sweden

FIGURES

Capital investment in hospitals and healthcare services

Capital investment for Swedish county councils/regions were SEK24.6 billion (roughly €2.5 billion), corresponding to 8.2 % of total expenditure in 2017. Almost all of this investment went on healthcare.

Definitions

The figures above provide information only on investments in public hospitals and healthcare.

Sources of funding of capital investment in hospital and healthcare services

Swedish county councils/regions finance investments by using available assets or loans. At the end of 2016 total long-term liabilities were SEK62 billion (roughly €6.3 billion). Total equity and provisions was SEK159 billion (roughly €16.2 billion).

PROCEDURE

Investment decisions are taken at political level by each county council/regional council. Prior to these decisions, the administration prepares a decision guidance document.

United-Kingdom

FIGURES

Capital investment in hospitals and healthcare services

The figures put forward refer to Private Finance Initiative (PFI), which is the main source of capital investment for NHS. The NHS accounts for a large proportion (17%) of PFI contracts in the UK. According to data available on the HM Treasury website, as of March 2015, PFI has financed for the NHS:

- 125 projects across the Department of Health, of which 106 are in the hospital sector;
- The capital value of the hospital projects combined is £12 billion (roughly €16 billion);
- Total unitary charges outstanding amount to £65 billion pounds (roughly €89 billion).

Trust	Project	Year agreed	Work complete	Estimate end	Capital Value (Million GBP)	Total charges (Million GBP)	Capital Value (Million Euro)	Total charges (Million Euro)
Barts Health	Construction of Royal London Hospital and St. Bartholomew's Hospital	2006	2016	2049	1,149	7,194	1,347	8,434
UH Birmingham and others	Contruction of Queen Elizabeth Hospital and new MH facilities	2006	2010	2047	695	2,974	815	3,487
Central Manchester	Construction of four new hospitals	2004	2009	2043	512	3,282	600	3,848
North Bristol	Construction of Southmead Hospitals	2010	2014	2046	430	2,078	504	2,436
UH of North Midlands	Construction of Royal Stoke University Hospital	2007	2012	2045	415	2,700	487	3,165
UH Coventry and Warwickshire	Construction of University Hospital, Coventry	2002	2006	2043	379	3,761	444	4,409
St. Helens and Knowsley	Construction of Whiston Hospital and St. Helens Hospital	2006	2008	2048	338	2,596	396	3,043
Peterborough and Stamford	Construction of Peterborough City Hospital	2007	2010	2043	336	2,004	394	2,349
Royal Liverpool and Broadgreen	Construction of Royal Liverpool University Hospital	2013	2017	2047	329	712	386	835
Sherwood Forest	Construction of King's Mill Hospital and refurbishment of Newark Hospital	2005	2011	2043	326	2,243	382	2,630

Table 7: Ten biggest PFI agreements in the NHS by capital value (Source: NHS, January 2017).

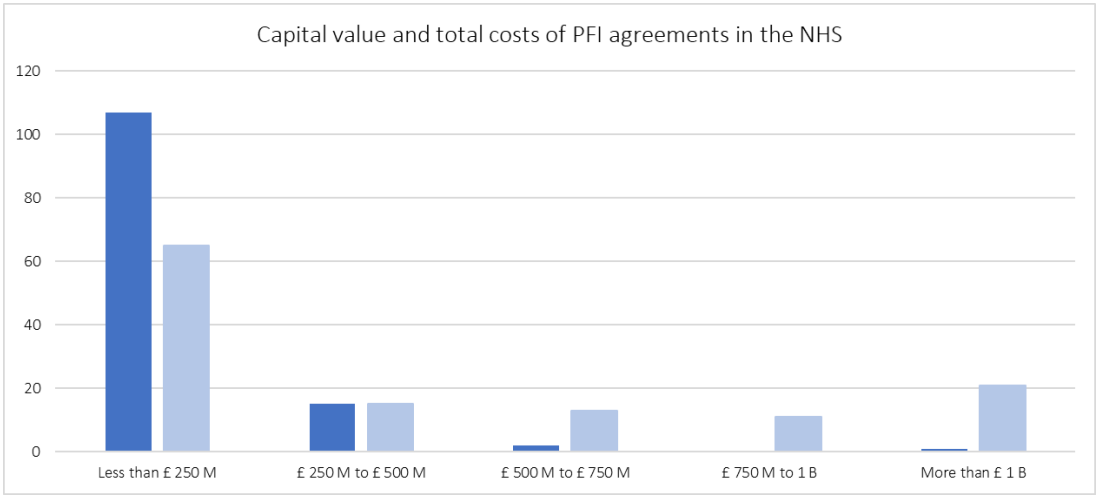


Figure 8[5]: Capital value and total cost of PFI agreements in the NHS (Source: NHS, January 2017).

Definitions

PFI payments currently total around €2.2 billion, which represents 2.4% of the total budgeted expenditure of NHS providers. PFI payments cover the financing costs for initial construction, including debt repayment and interest. They also cover costs of other services, such as building maintenance and support services, which are also provided over the lifetime of the contract.

Sources of funding of capital investment in hospital and healthcare services

The figures reported in the questionnaire refer all to PFIs, which were introduced in 1992 and have been used to fund many major projects since then, including to build schools, prisons and hospitals. The case for PFI includes highlighting the new public building and services delivered through external investment, which might not otherwise have been commissioned. The use of PFIs peaked for NHS projects in 2007 and it has declined considerably since then. In 2012, the Government created a new scheme, called Private Finance 2 (PF2), which enables private finance to continue to be used in the delivery of public infrastructure and services. PFI and PF2 are the UK's preferred form of Private Public Partnership (PPP) model.

[5] The values in Figure 8 are expressed in pounds, as indicated by the source (NHS). In January 2017, 1 pound corresponded to €1.17 (Source: INFORERURO, European Commission). The range of values in Euro are: less than 293 million Euro; between 293 and 586 million Euro; Between €586 and €879 million; between €879 and €1.17 billion; more than €1.17 billion.

PROCEDURE

PFI is a mechanism used to source major capital investment, where private companies are contracted to manage public projects. Instead of funding expensive projects upfront, the Government repays a private company for doing so over a longer period of time, usually 25 or more years. A private company will often build a new hospital and lease it to an NHS trust for an annual payment until the contract expires, at which point it becomes the property of the trust.

One key difference between conventionally procured projects and those procured using PFI and now PF2 is the timing of payment from the public sector to the private sector. Under conventional procurement, the public sector pays the capital cost for the project upfront, followed by an ongoing amount for maintenance services over the life of the asset. Under PFI and PF2, the public sector does not pay for a project's capital costs over the construction period. Once the project is operational and is performing to the required standard, the public sector pays a unitary charge which includes payments for ongoing maintenance of the asset, as well as repayment of, and interest on, the debt used to finance the capital costs. The unitary charge, therefore, represents the whole life cost associated with the asset. Some organisations have developed alternatives to PFI, for example the use of non-profit distributing (NPD) in Scotland and Wales. This creates a structure whereby the private sector taxes a fixed rate of return and surplus profits can be returned to the public sector.

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