



## ALBANIA: LABORATORY SERVICES

Albania's health system faces a number of systemic challenges, such as high out of pocket payments for patients, outdated management practices, and a lack of effective health management information systems. The Ministry of Health introduced reforms to improve the public health system and the quality of care provided, and to reduce out-of-pocket healthcare expenses. Delivering reliable, affordable, and timely lab results for doctors and patients was a key element of the government's health sector strategy. In Albania's public labs, for example, reagents were frequently missing, patients often had to repeat tests at private labs, and results varied from one lab to another. As 70% of decisions affecting the diagnosis and treatment of patients are influenced by lab results, improving Albania's laboratory services was a priority for the government.

In February 2015, the Ministry of Health asked IFC to assist in designing a public-private partnership (PPP) with a qualified healthcare company to provide modern public laboratory services with international standards across 18 university and regional hospitals.

After a competitive bidding process, the Consortium of Labopharma (Albania) and Exalab (France) was awarded a 10-year contract, with PPP agreements signed in April 2019.

*This series provides an overview of public-private partnership stories in various infrastructure sectors, where IFC was the lead advisor.*

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## BACKGROUND

Albania's Ministry of Health (MoH) initiated a series of health sector reforms to i) increase access to essential health services, ii) improve the quality of care, iii) reduce out-of-pocket patient costs, and iv) improve the management of public facilities. The MoH's priority was to upgrade the provision of laboratory services with the aim of improving accuracy, reliability, and cost effectiveness, and making them more affordable for patients.

In public labs, reagents were frequently missing, forcing patients to perform tests in private labs with results often varying from one lab provider to another. Surveys in 2015 by the National Center of Quality, Safety and Accreditation of Health Institutions showed 57% compliance with national lab standards at public labs. At the same time, prices of the top 20 lab tests at private labs were nearly double in public labs, driving up healthcare costs in a country where 55% of health spending is out-of-pocket and among the highest in the region.

Improving public lab services was a priority for MoH, with the goal of ensuring consistency of service, quality control, and increased scope of tests resulting in greater quality of service and improved diagnoses that lead to better health outcomes for patients.

## IFC'S ROLE

IFC assisted MoH in designing and tendering a PPP that would help MoH partner with a qualified private healthcare company to invest in and manage public lab services in 18 public healthcare facilities, which will provide access to improved services for the country's entire population. IFC's role consisted of technical, legal, and analytical support, including:

- ▶ Conducting a detailed technical analysis to assess the demand for laboratory services, availability of infrastructure in the public facilities that would house new services, and range of services to be included under the PPP.
- ▶ Analyzing structuring options to allow introduction of the hub-and-spoke model for the provision of laboratory services, which would increase operational efficiency through pooling of resources, spreading fixed capital investment costs in expensive state-of-the-art equipment over a higher analysis volume and avoiding duplication of services.
- ▶ Preparing bid documents and assisting MoH with running a competitive and transparent tender process.

## TRANSACTION STRUCTURE

After thorough technical and financial analysis, IFC proposed a transaction structure based on a 10-year concession agreement for a private partner to finance, build or renovate, equip, and operate a network of 18 public laboratories through a hub-and-spoke model, involving all five university hospitals and 13 regional facilities. The agreement would require the winning

bidder to invest to bring the labs and testing up to international standards.

The winning bidder would be contractually obligated to meet clearly defined Key Performance Indicators (KPIs) for timely and quality services, such as maximum turn-around time, lab equipment downtime, daily quality controls, annual staff training program, and accreditation of a list of critical tests. The winning bidder is also obliged to meet IFC Performance Standards in relation to environmental and social issues and will be required to meet ISO 15189:2012 standard within 3 years.

The agreement also spells out the Government's responsibility to remunerate the Concessionaire on a transparent, fixed "pay for use" basis for laboratory services with a clearly defined budgeting process. The Government of Albania will retain full ownership of all laboratory equipment and assets at the conclusion of the contract.

## BIDDING

After a competitive tender process, the project was successfully awarded in April 2017 to a consortium of Labopharma (Albania) and Exalab (France) offering to invest €12.95 million (\$13.9 million) to set up and operate 18 laboratory centers over the term of the contract. The Concession Agreement was signed on April 10, 2019.

## EXPECTED POST-TENDER RESULTS

- ▶ 1.7 million Albanians will have access to improved lab services through the public system with doubled range of lab tests available to patients, within budget limits
- ▶ Free lab testing for an estimated 600,000 uninsured patients who previously had to pay for testing
- ▶ Within 3 years, all laboratories are obliged to reach the ISO 15189:2012 standard
- ▶ Introduce performance-based contracting for the first time, with the private operator obliged to meet contractually stipulated KPIs
- ▶ New health management information system will improve the reliability of results, doctor diagnoses, and reliable health data available to MoH