Has the Private Finance Initiative increased health care efficiency and medical innovation in the UK?

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Why is it Important?

1. Sovereign Debt Crisis
2. Financial Crisis
3. Infrastructure Argument
4. Healthcare Argument
Why is it Important?

Sovereign Debt Crisis

- Is it Over? Future Uncertainty and Shocks?
- EU evolution – Banking Union? Fiscal Union?
- EU Budget (and infrastructure)
- National Budgets, Austerity and Investments
- Quantitative Easing – Inflation – Interest Rates
Why is it Important?

Financial Crisis

- Form of Regulation Across Countries
- Liquidity
- Leverage
- Competition (and stability)
- Impact on Securitization
Why is it Important?

Infrastructure Argument

- Global Competitiveness Report, World Economic Forum
- ASCE Rating D+
- President Obama Reply
- EU Infrastructure
- Other Countries
- New Challenges and Threats
Why is it Important?

Healthcare Argument

- Is there enough Healthcare Infrastructure?
- Fiscal and Other Constraints
- Healthcare Reforms (ObamaCare, UK, etc).
- Rising Healthcare Costs and Innovation

- Financial Innovation
- Competition Innovation
- Healthcare and Medical Innovation
- Privatization Innovation
PFI in Healthcare

Privatization Innovation
- Governments cannot afford the projects
- Cannot Maintain them or expand them
- Cannot Fulfil Demand – Opportunity Cost

Financial Innovation
- Incomplete Markets
- Information and Competition
- Cost of Capital
PFI in Healthcare

Competition Innovation
- Decentralization
- Monopoly Power Breakup
- Welfare Effects

Healthcare and Medical Innovation
- Competition, Efficiency, Innovation
- R&D, Managerial Innovation
- Incentives Structures Contracts and Efficiency
Case Study

Join with Dr Oliver Salge – Publication in Progress

NHS

Data from 169 Hospital Organizations

Dates from 2005 – March 2007 (thus 338 observation points)

Return on Assets – Positive on PFI
Additional Thoughts

Structure of Healthcare Market

Liberalization of other markets (i.e. Labour)

Novice Tools (i.e. Embedded Real Options)

Synergies (i.e. Transportation and Health)

Benchmarks, Performance Measurements, Information

Securitization and Financial Engineering
Conclusions

General infrastructure investment trends and macroeconomic factors are important for the evolution of PPPs.

The financial and sovereign debt crisis are altering the PPP investment landscape and have a profound impact.

PFIs have delivered innovation and increased efficiency and performance in UK healthcare.

Nevertheless, there is significant capacity for additional innovation. Further liberalization is essential to achieve that, and encourage the private sector to invest more.
Thank You

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