

F. No. 5/1/2021-ISD
Government of India
Ministry of Finance
Department of Economic Affairs
Private Investment Unit

North Block, New Delhi
Dated 4th July, 2022

Office Memorandum

Record of Discussion of the 40th Meeting of the Empowered Committee to consider granting In-Principle approval for VGF support for the project proposal for development of Affordable Healthcare Projects on PPP mode in Angul, Jharsuguda, Barbil and Bhadrak districts of Odisha, received from Government of Odisha

The undersigned is directed to forward Record of Discussion of the 40th Meeting of the Empowered Committee to consider granting In-Principle approval for VGF support for the project proposal for development of Affordable Healthcare Projects on PPP mode in Angul, Barbil, Bhadrak and Jharsuguda districts of Odisha, received from Government of Odisha, held on 03rd March, 2022 and follow up meeting held on 18th May, 2022, for information and necessary action.

2. This issues with the approval of Secretary, Economic Affairs.

Encl: As Above



(Dr. Molishree)

Deputy Secretary to the Government of India

To,

1. CEO, NITI Aayog, Yojana Bhawan, New Delhi
2. Finance Secretary & Secretary, D/o Expenditure, North Block, New Delhi
1. Secretary, M/o Health and Family Welfare
2. Chief Secretary, Government of Odisha

Copy to:

1. Sr. PPS to Joint Secretary (ISD), DEA
2. Sr. PPS to Joint Secretary (ISD), DEA
3. Dr. Jasmine Patnaik, Joint Secretary to Govt. of Odisha
4. Dr. Krushna Satapathy, Director, PPP, Finance Deptt., Govt. of Odisha

Record of Discussion of the 40th Meeting of the Empowered Committee to consider granting In-Principle approval of VGF support to the project proposal for development of Affordable Healthcare Projects on PPP mode in Angul, Jharsuguda, Barbil and Bhadrak districts of Odisha, received from Government of Odisha.

1. The 40th Meeting of the Empowered Committee chaired by Secretary, DEA was held on 3rd March and follow up meeting held on 18th May, 2022 for considering In-Principle approval of VGF support to the project proposal for the development of Affordable Healthcare Projects on PPP mode in Angul, Jharsuguda, Barbil and Bhadrak districts of Odisha, received from Government of Odisha. List of attendees is placed at **Annexure – I & II**.

Particulars	Angul	Barbil	Bhadrak	Jharsuguda
Name of the Project	Affordable Healthcare Project – Angul	Affordable Healthcare Project – Barbil	Affordable Healthcare Project – Bhadrak	Affordable Healthcare Project – Jharsuguda
Type of PPP (BOT, BOOT, BOLT, OMT)	Design Build Finance Operate and Transfer			
Location (State/District/Town) State – Odisha	Angul, District – Angul	Barbil, District – Keonjhar	Bhadrak, District – Bhadrak	Jharsuguda , District – Jharsuguda
Description of Project	The project entails development of greenfield higher secondary/tertiary care hospital and operation of the facilities for 30 years. These facilities shall offer cashless service to the patients covered under the state insurance / assurance scheme of Government of Odisha, and the expenses shall be paid by the Government at applicable rates notified. All these facilities shall be NABH accredited and maintained at pre-decided standards and good industry practices.			
Proposed under	Sub Scheme – II of VGF Scheme for Pilot/Demonstration projects in Health Sector			
Construction Period	Phase-I (50% Capacity) - 2 years from Effective Date			
	Phase-II (100% Capacity) - 5 years from Effective Date			
Concession Period	32 Years (extendable for further 30 years on ROFR basis)			
Capacity (No. of beds)	200	200	100	100
Cost of the Project (In INR Cr)	97.54	97.54	48.35	48.35

Particulars	Angul	Barbil	Bhadrak	Jharsuguda
Total Capex VGF	78.03	78.03	38.68	38.68
Total O&M VGF	69.82	69.82	53.95	53.95

2. On behalf of the Chair, DS, PIU welcomed the attendees to the meeting. It was apprised that the project proposal for development of Affordable Healthcare Projects on PPP mode in Angul, Barbil, Bhadrak and Jharsuguda districts of Odisha have been received from the Government of Odisha, under the Sub Scheme - II of the VGF Scheme. Under the Sub Scheme – II of the VGF Scheme, only Pilot/Demonstration projects from Health and Education sectors are eligible for higher Capex VGF support of upto 80% of the Total Project Cost (TPC) and O&M VGF support of upto 50% of the O&M Cost for first five years after COD. The EC was apprised that these are the first projects being considered under the newly introduced Sub Scheme – II of the revamped VGF Scheme. The Project documents have been duly circulated to all EC Members and their appraisal have been forwarded to Government of Odisha for their response. The responses of Government of Odisha have also been received. Thereafter, Government of Odisha was invited to make the presentation.

3. The Government of Odisha made the presentation and informed that the State plans to roll out quality health care facilities in each of the identified 25 districts covering aspirational districts and high priority districts of the State. These districts have a higher proportion of BPL population, and underserved in terms of healthcare facilities and services. This sector and these districts have not seen many successful PPPs. However, with adequate VGF support, successful PPP healthcare projects at these locations could be demonstrated. Therefore, the current proposal is on a pilot basis for four locations namely Angul, Barbil, Bhadrak and Jharsuguda. If these four locations are successfully bid out, the model may be replicated in other districts of Odisha as well as in other States.

4. The ACS Health, Government of Odisha said that these projects have gone through a lot of support and handholding by the DEA and NITI Aayog which has

resulted into substantial value addition. It shall mobilise Private Sector investment of more than Rs.1300 Crore, and create employment of more than 10,000 people across the State in medical, nursing & paramedic services. The comments of EC members have been agreed to except those which are flagged afresh in today's discussion. The decision of the EC shall be duly incorporated and the bidding documents will be revised accordingly.

5. The Chair then asked EC Members (DEA, NITI Aayog, M/o H&FW and Department of Expenditure) to raise unaddressed substantive comments, if any. The EC Members, while supporting the proposal raised following issues:

a) DEA raised the following issues:

- i. Considering the remote locations of the projects, how will be the availability of quality medical staff in sufficient numbers be ensured?
- ii. Whether BSKY rates provide better viability than AB-PMJAY rates? Why AB-PMJAY Scheme rates are not considered?
- iii. One of the basic tenets of the VGF Scheme is that the tariff/user charges should be pre-determined with an escalation matrix. Therefore, all market determined rates like OPD charges, Non - Select IPD patients charges, diagnostic charges, etc. should be within a cap of a multiplier to the corresponding BSKY rates.
- iv. There may be services for which no rates are specified under BSKY. The rates for these services should not be left open ended and suitable mechanism for rate determination may be provided.
- v. Whether there is an inbuilt escalation matrix for rates under BSKY Scheme through which rates are automatically periodically revised? Also, what will be the mechanism for determination of rates in case the BSKY Scheme is discontinued during the tenure of the concession period.
- vi. Under the VGF Scheme, O&M Costs is defined to include Salary and Consumables only. It may be explained how the reasonability for the same will be determined so as to avoid the possibility of

over-charging etc. Further, basis of determination of such estimates also needs to be explained.

- b) NITI Aayog also supported the issues raised by DEA.
- c) M/o H&FW raised the issue that there should not be duplication of health care facilities in terms of health care infrastructure developed under the PM-ABHIM Scheme.
- d) DoE informed that it had no further comments and all its written comments have been duly answered by the Govt. of Odisha.

6. Govt. of Odisha submitted the following replies to the above observations:

- a) The responsibility of hiring the human resources for the hospital vests with the private partner. The requirement of Medical Officers and requisite specialists for the project constitute only ~10% of the annual output of medical professionals from Odisha. One of the major reasons for developing the project under PPP mode is to leverage on the private sectors ability to attract and retain specialists with competitive remuneration in remote cities which is not usually possible to offer in Government hospitals. Further, the following provisions in the DCA will also ensure availability of quality manpower:
 - i. Housing complex is proposed as part of the project itself to provide amenable residential facilities to the medical staff.
 - ii. The reputation of the hospital and its market response and acceptance would be dependent upon the quality of medical facility available.
 - iii. Full National Accreditation Board for Hospitals and Healthcare facilities (NABH) accreditation within 4 years of COD will ensure adherence to delivery of quality healthcare standards through quality medical staff.
 - iv. The hospital operations are to be carried out in compliance with KPIs with penalties for non-adherence.

- b) The BSKY rate of 146 packages is higher than PMJAY rate (ranging from 20 per cent to 130 percent). The BSKY rates of rest of the packages are at par with PMJAY rates for non- NABH hospitals. In addition, there are additional advantages in BSKY to PMJAY also in terms of incentives and actual cost reimbursement under certain circumstances. In view of above, the BSKY rates improve the financial viability of the project and reduce the VGF requirement.
- c) BSKY packages rates are determined and notified by Government periodically to align with the market requirements. The Technical Committee recommends revision of rates under BSKY as per emerging need and basing on the inputs of all the stake holders and inputs of empanelled hospitals and accordingly the package rates are revised. Further, under BSKY policy, there is a mechanism for rate determination for packages not provisioned in the scheme.
- d) The fixing of tariff across patient category and year wise escalation for all treatment packages with a predetermined formula and monitoring would be very complex, expensive and raise the possibilities of continuous disputes throughout the concession period. However, the suggestion of putting a cap on market determined rates like Non-Select IPD patient charges, diagnostic charges, etc. in terms of a multiplier to the corresponding BSKY rates can be agreed to with the exception of the cost for consumables including drugs, implants and premium rooms which are beyond the scope of BSKY package.
- e) In case the BSKY scheme is discontinued and a new Government Health Scheme (whether by way of substitution of BSKY, BKKY or OSTF or otherwise) is introduced, the rates under new scheme shall be applicable during the tenure of the concession period. If this new scheme is notified anytime during the first seven years of the Effective Date and the package rates are lower than that of the BSKY rates, the concessionaire shall be compensated for the reduction in tariff as per the formula

prescribed in the concession agreement. And after the expiry of seven years from the effective date, if the new scheme is introduced and the rates are lower than that of BSKY rates, then the concessionaire shall be compensated for the reduced tariff for a period of 1 year only after the introduction of new scheme.

- f) O&M estimates considered in the model are based on market rates and location-based incentives have also been factored into it. O&M VGF is available for first 5 years of operation only and is to be discovered through bidding. Actual outgo of the expenditure towards salary/ consumables would be verifiable from the audited books of accounts of the partner. Select patients are treated cashless and the Concessionaire gets the claims from the State insurance / assurance society at a predetermined package rate. Hence, possibility of over charging from Select patients does not arise.
- g) There would be no duplication of health care facilities in terms of health care infrastructure developed under the PM-ABHIM Scheme and these projects.

7. Considering the above discussions, the Empowered Committee unanimously granted In Principle Approval to the proposal for VGF support for the project proposal for development of Affordable Healthcare Projects on PPP mode in Angul, Jharsuguda, Barbil and Bhadrak districts of Odisha, received from Government of Odisha, under the Sub Scheme – II of the VGF Scheme i.e., with VGF Support upto 80% of TPC (upto first 40% of the TPC by GoI) and upto 50% of the O&M Cost (upto first 25% of the O&M Cost by the GoI) for the first five years after COD, subject to the following observations:

- a) Revalidation of 'In Principle' Approval of the PPPAC from VGF angle is required for following pre-bid changes in the approved project documents:
 - i. Any change in the formulation of pre-determined user charges/tariff
 - ii. Any change in concession period by more than 20%
 - iii. Any changes having impact on In-Principle approved amount of VGF for DEA, on the higher side.

- iv. Any change falling outside the threshold criteria as stated above shall be appraised by the PSA without any need of revalidation by the Committee and the PSA shall proceed with the process accordingly.
- b) The formulation of pre-determined user charges/tariff should be specified in the Concession Agreement (as part of bid documents).
- c) It may be noted that the Capex VGF from the Central Government is capped at 40 per cent of Total Project Cost as per following details (in sub para (v) below) and will not increase in case of any further increment in Total Project Cost.
- d) The O&M VGF Grant from Gol shall be subject to the lower of:
- i. O&M Grant for the year as approved by the EC,
 - ii. Annual O&M grant quoted by the concessionaire at the time of the bid,
 - iii. 25% of the actual O&M cost incurred during the FY as certified by the Statutory Auditor.
- e) The maximum VGF is approved as follows: -

Project	Maximum Capex VGF admissible (80% of TPC) (Rs. in Crore)	Maximum Year-wise O&M Grant admissible (50% of O&M Cost) (Rs. in Crore)					Total O&M VGF Grant (Rs. in Crore)	Total VGF admissible - CAPEX+ O&M (Rs. In Crore)
		1	2	3	4	5		
Angul	78.03	8.97	11.30	13.50	17.34	18.71	69.82	147.85
Barbil	78.03	8.97	11.30	13.50	17.34	18.71	69.82	147.85
Bhadrak	38.68	7.01	8.39	10.60	13.46	14.49	53.95	92.63
Jharsuguda	38.68	7.01	8.39	10.60	13.46	14.49	53.95	92.63

Project	Gol Share of VGF Grant		
	CAPEX (Rs. In Crore)	OPEX (Rs. In Crore)	Total (Rs. In Crore)
Angul	39.02	34.91	73.93
Barbil	39.02	34.91	73.93
Bhadrak	19.34	26.98	46.32
Jharsuguda	19.34	26.98	46.32

Grand Total (Rs. In Crore)	116.71	123.77	240.48
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- f) The following shall be considered as pre-determined user charges/tariffs and shall be appropriately incorporated/reflected in the Concession Agreement:
- i. The rates specified under the BSKY scheme (and its successor schemes, if any) along with capped market rate in terms of multiplier of BSKY rates.
 - ii. If BSKY Scheme ceases to exist in future without any successor scheme, then, the User Charges/Tariffs along with escalation mechanism shall be determined mutually by the Project Sponsoring Authority and the Concessionaire for remaining concession period factoring in the VGF granted under this Scheme and be recorded in a supplementary agreement (to the concession agreement).
 - iii. In case, any regulatory/statutory mechanism subsequently comes into existence for determination of these user charges/tariffs from time to time, then such regulatory/statutory mechanism shall determine the user charges/tariffs for remaining concession period factoring in the VGF granted.
- g) In consideration of the reasoning submitted by the Government of Odisha, the cost for consumables including drugs, implants and premium rooms shall not be capped and shall be market determined. It is expected that this would further reduce the VGF requirement of the project.
- h) The mechanism for determination of the charges for OPD services and any other services may be decided/determined by the State Government considering market amenability of the project and as well as affordability of such services.

- i) Necessary amendments to the bid documents (including Concession Agreement) will be made to incorporate suggestions of EC.
 - j) The Project Sponsoring Authority to undertake legal vetting of the project documents post incorporation of the changes. A copy of the revised project documents be submitted to the EC members for record purpose.
 - k) 'Final Approval' for VGF support is contingent upon compliance of all conditions of the VGF Scheme.
8. The meeting ended with vote of thanks to the Chair.

Annexure – I

List of attendees of the 40th Meeting of the Empowered Committee for considering In-Principle approval for VGF support for the project proposal for development of Affordable Healthcare Projects on PPP mode in Angul, Jharsuguda, Barbil and Bhadrak districts of Odisha, received from Government of Odisha held on 03.03.2022.

1. Department of Economic Affairs, Ministry of Finance

1. Shri Ajay Seth, Secretary, EA - In Chair
2. Dr. Molishree, Deputy Secretary to the Government of India
3. Ms. Arya B Kumari, Deputy Director
4. Dr. Kartik Agrawal, Deputy Director

2. Department of Expenditure

1. Sh. Aayush Bansal, Deputy Director

3. NITI Aayog

1. Sh. Partha Sarthi Reddy, Adviser (PPP)
2. Ms. Nidhi Arora, Legal Specialist

4. Ministry of Health and Family Welfare

1. Dr. Neha Garg, Director

5. Government of Odisha

1. Shri R K Sharma, Additional Chief Secretary, H&FW Department
2. Shri Nidhi kumar Rautray, Special Secretary, Finance Department
3. Dr. K C Sathpathy, Director PPP, Finance Department
4. Smt. Usharani Sahoo , Additional Secretary, H&FW Department
5. Shri Shubhananda Mohapatra, Additional Secretary, H&FW Department
6. Dr. Jasmine Patnaik, Joint Secretary H&FW Department

Annexure - II

List of attendees of the 40th Meeting of the Empowered Committee for considering In-Principle approval for VGF support for the project proposal for development of Affordable Healthcare Projects on PPP mode in Angul, Jharsuguda, Barbil and Bhadrak districts of Odisha, received from Government of Odisha held on 18.05.2022.

1. Department of Economic Affairs, Ministry of Finance

1. Shri Ajay Seth, Secretary, EA - In Chair
2. Shri Baldeo Purushartha, Joint Secretary (ISD)
3. Dr. Molishree, Deputy Secretary to the Government of India
4. Ms. Arya B Kumari, Deputy Director
5. Dr. Kartik Agrawal, Deputy Director

2. Department of Expenditure

1. Sh. Aayush Bansal, Deputy Director

3. NITI Aayog

1. Ms. Nidhi Arora, Legal Specialist

4. Ministry of Health and Family Welfare

1. Dr. Sachin Mittal, Director

5. Government of Odisha

1. Shri R K Sharma, Additional Chief Secretary, H&FW Department
2. Shri Nidhi kumar Rautray, Special Secretary, Finance Department
3. Dr. K C Sathpathy, Director PPP, Finance Department
4. Smt. Usharani Sahoo , Additional Secretary, H&FW Department
5. Shri Shubhananda Mohapatra, Addlitional Secretary, H&FW Department
6. Dr. Jasmine Patnaik, Joint Secretary H&FW Department