

No. 3/7/2021-PPP
Ministry of Finance
Department of Economic Affairs
Infrastructure Finance Secretariat
Private Investment Unit
ISD Division

5th Floor, Jawahar Vyapar Bhawan,
Tolstoy Marg, New Delhi
Dated 20th September, 2022

OFFICE MEMORANDUM

Subject: Record of Discussion of the 42nd Meeting of the Empowered Committee to consider granting In-Principle approval for VGF support to the project proposal regarding 'Development of Medical Colleges in 'six' districts of Uttar Pradesh', received from Government of Uttar Pradesh.

The undersigned is directed to forward the Record of Discussion of the 42nd Meeting of the Empowered Committee held on 24th August 2022 to consider granting In-Principle approval for VGF support to the development of Medical Colleges in the districts of Bagpat, Mainpuri, Hathras, Kasganj, Mahoba, and Hamirpur on PPP mode, received from the Government of Uttar Pradesh, for information and necessary action.

2. This issues with the approval of the 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
3. Secretary, M/o Health and Family Welfare
4. Chief Secretary, Government of Uttar Pradesh

Copy to:

1. Sr. PPS to Secretary , DEA
2. Sr. PPS to Joint Secretary (ISD), DEA
3. Principle Secretary (Shri Alok Kumar), Department of Health, Government of UP

Record of Discussion of the 42nd Meeting of the Empowered Committee to consider granting In-Principle approval for VGF support to the development of Medical Colleges in the districts of Bagpat, Mainpuri, Hathras, Kasganj, Mahoba, and Hamirpur on PPP mode, received from the Government of Uttar Pradesh.

The 42nd Meeting of the Empowered Committee Chaired by the Secretary, DEA was held on 24th August, 2022 for considering In-Principle approval of VGF support to the project proposal for the development of Medical Colleges in the districts of Bagpat, Mainpuri, Hathras, Kasganj, Mahoba, and Hamirpur on PPP mode, received from the Government of Uttar Pradesh. List of attendees is placed at **Annexure I**.

Name of the Project	Development of Medical Colleges in the districts of Bagpat, Mainpuri, Hathras, Kasganj, Mahoba and Hamirpur on PPP mode						
Type of PPP	Augment Operate Transfer (Augment, Operate, Finance, Design, Maintain, Transfer)						
Sponsoring Authority	Government of Uttar Pradesh (GoUP)						
Implementing Agency	Directorate of Medical Education & Training (DGME), GoUP						
Concession	33 years + 33 years in accordance with the NMC standards & GO 28/2021/1/98702/2021/71-4099/1045/2021-4 dated 17.09.2021						
Project Implementation Schedule	District	Bagpat	Hathras	Hamirpur	Kasganj	Mahoba	Mainpuri
	No of Beds (Existing)	268	134	125	100	184	230
	Additional beds to be added	62	196	205	230	146	100
	Minimum capacity required for setting up MC under NMC	330	330	330	330	330	330
	Subsequent Development	100	100	100	100	100	100
	Proposed Bed Capacity	430	430	430	430	430	430
	Medical Seats	100	100	100	100	100	100

	Particular	Milestone I	Milestone II	Milestone III
	Scope of Work	Upgradation of existing district hospital to 330 beds	Development of minimum 100 seat medical college	Subsequent upgradation of district hospitals per NMC norms
	Timelines	On the day of first anniversary from the Appointed Date	On the day of third anniversary from the Appointed Date	On the day of fifth anniversary from the Appointed Date
Construction Period	Total construction period is 5 years			
Revenue streams of the project	<p>Proposed revenue streams of the project are as below:</p> <ol style="list-style-type: none"> 1. From District Hospital <ol style="list-style-type: none"> a. Patients' revenue: <ul style="list-style-type: none"> • IPD services • IPD related diagnostic services • AB-PMJAY/MJPJAY Scheme based reimbursements b. Pharmacy revenue from private patients 2. From Medical College <ol style="list-style-type: none"> a. UG seats revenue (Fees paid by students) b. Hostel Fees Revenue 			
Tariff	<ol style="list-style-type: none"> I. OPD services: The Concessionaire shall ensure that the out-patient Healthcare Services are provided free of cost to the Patients (Free Patients & Paid Patients) II. IPD services: <ol style="list-style-type: none"> a. Free IPD services for Free Patients up to number of beds in the existing district hospital plus 20% of the additional beds b. Remaining beds to be charged up to 1.5 times of the applicable CGHS rates prevailing in Lucknow (Paid Patients) III. Drugs: The Authority shall provide drugs which are listed under national list of essential medicines, free of cost to the Free Patients as per the Applicable Laws. IV. Diagnostics: <ol style="list-style-type: none"> a. OPD related diagnostics to be free of charge for all Patients b. IPD related diagnostics to be chargeable at KGMU rates for all patients <p>For patients covered under insurance, Concessionaire may seek reimbursement in accordance with the applicable insurance schemes.</p>			
Source of Financing	Debt (70%) and Equity (30%)			
Land	Authority will provide the required land (in accordance with NMC			

Acquisitions	regulations) on lease to the Concessionaire				
VGF proposal	VGF under sub scheme II: <ul style="list-style-type: none"> • 40% of TPC as capital grant and NPV of 25% of O&M Cost for the first 5 years after COD. • No State Share in VGF is proposed. 				
Concession Agreement	The document is based on the Guiding Principle of MCA by NITI Aayog.				
Bidding Parameter	Lowest Grant sought by the Concessionaire (total of capital grant and NPV of O&M grant)				
Bidding Process	Single Stage two envelope				
Likely Amount of VGF required for the project	District	TPC (Rs. Cr)	CAPEX Grant of 40% (Rs. Cr)	NPV of O&M Grant (Rs. Cr)	Gol Contribution (Rs. Cr)
	Mahoba	249.9	100.0	66.7	166.7
	Mainpuri	230.8	92.3	67.1	159.4
	Bagpat	215.0	86.0	66.6	152.6
	Hamirpur	274.5	109.8	67.2	177
	Hathras	270.7	108.3	67.0	175.3
	Kasganj	284.9	114.0	67.5	181.5
	Total	1525.8	610.4	402.1	1012.5
	Project NPV and IRR for all 6 project proposals	District	WACC	Project NPV at WACC (Rs. Cr)	Project IRR
Mahoba		9.5%	206.0	12.2%	15.8%
Mainpuri		9.5%	185.8	12.3%	15.8%
Bagpat		9.5%	173.2	12.1%	15.7%
Hamirpur		9.4%	222.2	12.2%	15.7%
Hathras		9.4%	219.3	12.3%	15.8%
Kasganj		9.5%	233.5	12.3%	15.8%

1. On behalf of the Chair, the JS(ISD) welcomed the attendees to the meeting. The EC was apprised that the project proposal is for the development of Medical Colleges in 'six' districts of Uttar Pradesh, received from the Government of Uttar

Pradesh, under the Sub Scheme - II of the VGF Scheme. Under the Sub Scheme – II of the VGF Scheme, 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. In the proposal under discussion, the GoUP has intimated that they will not be providing any financial support. As a result, CAPEX VGF support of upto 40% of the Total Project Cost (TPC) and O&M VGF support of upto 25% of the O&M Cost for first five years after COD has been sought from the Government of India (GoI). The Project documents have been duly circulated to all Empowered Committee (EC) Members and their appraisal has been forwarded to the GoUP for the response. The responses of the GoUP have also been received and circulated. Thereafter, the GoUP was invited to make the presentation.

2. The GoUP made the presentation and informed that the State plans to establish one Medical College in each district of the State. Currently there are sixteen unserved districts and the State Government has adopted two models to bridge this gap. In the first model, inter alia, the land for medical college or the hospital, or both is brought in by the private player and in the second model, land for medical college and a functional district hospital is to be provided by the Government. The second model is more suitable for the geographically challenging and under developed districts where the paying capacity of the user is low and it is difficult to find private player who will come up with either the land or the hospital. The six projects under discussion are being developed under the second model, in the eastern part of the state. These are underdeveloped districts and there is limited paying capacity of the people. It is with the aid of VGF that these projects become viable. Discussions have been made with reputed operators outside the State and it is expected that with the provision of VGF, there will be active participation in the bid. The project documents have been revised in line with the comments of the EC members and within the next six months bidding is expected to be completed. The project documents list out three Milestones and the Schedule Completion Date is the fifth anniversary from the appointment date.
3. The Chair invited the EC Members (Department of Economic Affairs (DEA), NITI Aayog, Ministry of Health & Family Welfare (M/o H&FW) and Department of Expenditure (DoE)) to raise their substantive comments, if any. The EC Members raised the following issues:
 - a) NITI Aayog
 - i. The distance between the Medical College & the District Hospital as per NMC norms cannot exceed 10 Km, however for the two projects under consideration the distance is more than 10 Km.

- ii. As per the Draft Concession Agreement (DCA) the Concession term will be extended for a period of 33 years with automatic extension subject to all approvals being in place and a Concessionaire Default not subsisting. However, under the Lease agreement for the site for medical college, extension will be based on mutual agreement. It is recommended that these two documents be in sync with one another.
- iii. It is stated that paid patients may be charged up to 1.5 times of the applicable CGHS rates to 2 times of the applicable rates under Aayushman Bharat Yojana for IPD services. There is ambiguity regarding the ceiling on tariff that can be charged. It is recommended that either it be made the lower/higher of the two or a single (either of the two) parameter may be specified.
- iv. When the proposal was originally submitted, there were eight locations identified, however now VGF is requested for only six locations. It was requested to clarify why the two projects were removed from the proposal .
- v. In the Guiding Principles for concession formulated by NITI Aayog subsequent to the Guiding Principle for setting up Medical Colleges through PPP, there is a provision for a dispute resolution board. This board is a forum for amicable resolution of any issue regarding the project between the Authority and the Concessionaire. Authority to consider including the same in the concession agreements for the proposed projects.
- b) DoE informed that it had no further comments and all its written comments have been duly answered by the GoUP.
- c) M/o H&FW had no further comments.
- d) DEA stated that the said proposal has been reviewed by DEA and the suggestions of DEA have been accepted by the GoUP. However, the issue of considering this project under sub-scheme II of VGF may be decided upon by the EC.

4. The Chair then made the following observations:

- a) Healthcare being a social sector, has its own challenges. There are certain services which are provided for free to Free Patients (as defined in the Concession Agreement). In this regard, the Chair requested further clarification on the mechanism to ensure that the Free Patients would get fair treatment.
- b) The Concession Agreement is for a period of 66 years and during this time the definition of free patients may change. Hence, the mechanism present in the Concession Agreement to deal with these changes may be elaborated.
- c) As certain services are to be provided for free to Free Patients, the mechanism to make this project viable may be explained.

- d) It may be clarified if the Concessionaire is to take any independent accreditation to ensure the quality of the services they offer.
 - e) If letter of permission as per NMC norms is not achieved for the medical college, then who will be in default and what will happen to the district hospital?
 - f) The current number of IPD,OPD patients in these districts and the expectations of the Government from these projects may be provided.
5. The GoUP submitted the following with respect to the observation made by the Chair and other EC members.
- a) Regarding the comments made by NITI Aayog
 - i. **NMC Norm on Distance:** The GoUP stated that in two projects, the distance between the Medical College and the District Hospital is more than 10 Km. However, as per NMC norms, the distance between the two can either be 10 Km or within a distance of 30 minutes. In the case of these two projects, assuming normal traffic conditions, the distance between the Medical College and the District Hospital is less than 30 minutes.
 - ii. **Concession Period:** As per the revised project documents, the lease agreement has been made co-terminus with the Concession Agreement. In this manner the two documents are in sync with one another.
 - iii. **Tariff Fixation:** As per the revised documents, the Paid patients may be charged up to 1.5 times of the applicable CGHS rates for IPD services. Now, it is not linked to the charges applicable under Ayushman Bharat Yojana.
 - iv. **Number of Projects:** Earlier, the proposal was for eight Districts. However, two districts have been dropped because certain private parties having their own hospitals have shown interests and the State Government through the alternate model will encourage them to invest in the project.
 - b) Regarding the comments made by the DEA
 - Eligibility under Sub-scheme II:** It may be noted that the VGF grant has been sought for the unserved districts in UP. All six districts are relatively underdeveloped, with low literacy rate and low HDI. In addition, there are other challenges faced in setting up of medical colleges characterized by deficient social and physical infrastructure, unwillingness of skilled manpower to work there and non-availability of quality healthcare services. Hence, CAPEX as well as OPEX support would be required to attract private sector interest and competitive bidding.
 - Furthermore, these projects are the first of their kind in Uttar Pradesh and they would serve as a demonstration/pilot project for

the remaining unserved districts of the State. As per the VGF guidelines, the projects under sub-category II should have operational cost recovery of at least 50%. As per analysis submitted and shown in the table below, cost recovery for each of the project over the 5 year period post COD is more than 50%.

Districts	OPEX recovery after COD				
	Year 1	Year 2	Year 3	Year 4	Year 5
Mahoba	58.5 %	70.9 %	75.1 %	94.6 %	95.5 %
Mainpuri	56.1 %	68.4 %	75.8 %	98.3 %	100.5 %
Bagpat	54.7 %	67.5 %	75.0 %	97.4 %	99.2 %
Hamirpur	60.3 %	71.9 %	74.8 %	94.1 %	95.5 %
Hathras	59.9 %	71.5 %	76.8 %	91.1 %	92.6 %
Kasganj	61.3 %	72.9 %	75.4 %	94.8 %	96.4 %

c) Regarding the Comments made by the Chair:

- i. **Fair treatment of free patients:** To ensure that the services provided by the Concessionaire meet standards set by the Authority, it has been hardcoded in Schedule Q of the Concession Agreement as Key Performance Indicators (KPI). If fee is taken from a Free patient, then Rs. 50,000 will be charged as damages for each instance (subject to a maximum of 10% of performance security). If five such instances occur in a year, it may lead to termination of the contract
- ii. **Change in definition of Free Patients over the concession period:** Free Patient as per the Concession Agreement is a patient who is enrolled in central government schemes like Ayushman Bharat or similar state government schemes as applicable from time to time and shall also include patients identified as below poverty line under any state government or central government initiatives. This definition of Free Patient is all encompassing and has no scope for any ambiguity.
- iii. **Project Viability:** Free Patients do not mean patients who are treated for free. They are just the customers who are not being charged for their treatment. The Concessionaire is to seek reimbursements for their treatment under the appropriate insurance schemes availed by the Free Patient. Government health insurance schemes reimburse the amount spent on all healthcare services unless explicitly mentioned. However, it is only in case of BPL patients who have not availed for any insurance

scheme that the treatment cost is to be borne by the Concessionaire. Currently certain services, such as dialysis, vaccination, etc., are being provided for free in the state under various schemes and the cost for the same is being borne by the government (State/Central). Furthermore, the hospital is being cross subsidised by the medical college.

- iv. **Accreditation:** The Concession Agreement states that the Concessionaire has to obtain NABH accreditation within 72 months from the Appointed Date and thereafter maintain the NABH Accreditation throughout the Concession Period for the District Hospital. The same has also been included as one of the KPI's in Schedule Q.
 - v. **Non-procurement of NMC letter of Permission:** If the Concessionaire is not able to procure the letter to commence operation of the Medical College, it will be treated as Concessionaire's Event of Default. The Concessionaire may try to fulfil this obligation during the cure period. If not, this will be a material breach and the Concessionaire may be substituted by the lender or the contract terminated and the District Hospital returned to the state.
 - vi. **Footfall & expectations:** For IPD patients and OPD patients the footfall is approximately 8,000 and 2,00,000 per year respectively in each of the districts. The State Government desires to provide quality healthcare infrastructure in these areas through PPP. The goal is to establish one Medical College in each district of the state. Currently there are 16 unserved districts and these six projects aim to bridge this gap.
6. Considering the above discussions, the Empowered Committee unanimously granted In-Principle Approval for VGF support to project proposals of Government of Uttar Pradesh for development of Medical Colleges in the districts of Bagpat, Mainpuri, Hathras, Kasganj, Mahoba, and Hamirpur on PPP mode under the Sub Scheme II of the VGF Scheme. VGF Support up to 40% of TPC (provided by Gol) and upto 25% of the O&M Cost (provided by Gol) for the first five years after COD shall be provided subject to the following observations:
- a) Revalidation of 'In Principle' Approval of the EC from the 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 Gol, on the higher side

- iv. Any change falling outside the threshold criteria as stated above shall be appraised by the Project Sponsoring Authority (PSA) without any need of revalidation by the Committee and the PSA shall proceed with the process accordingly.
- b) It may be noted that the CAPEX VGF from the Central Government is capped at 40% of Total Project Cost as per details provided in the table below and will not increase in case of any further increment in Total Project Cost.
- c) The O&M VGF Grant from Gol shall be subject to the lower of:
- O&M Grant for the year as approved by the EC
 - Annual O&M grant quoted by the concessionaire at the time of the bid
 - 25% of the actual O&M cost incurred during the FY as certified by the Statutory Auditor
- d) The maximum VGF is approved as follows -

Project District	Maximum CAPEX VGF admissible (40% of TPC) (Rs. in Crore)	Maximum Year-wise O&M Grant admissible (25% 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		
Mahoba	100.0	17.1	20.9	24.7	28.2	29.2	66.7	166.7
Mainpuri	92.3	17.0	20.8	24.8	28.6	29.9	67.1	159.4
Bagpat	86.0	16.9	20.7	24.6	28.4	29.5	66.6	152.6
Hamirpur	109.8	17.2	21.1	24.9	28.4	29.5	67.2	177
Hathras	108.3	17.2	21.1	25.0	28.1	29.2	67.0	175.3
Kasganj	114.0	17.2	21.2	24.9	28.5	29.7	67.5	181.5

- e) The mechanism for a Dispute Resolution Board will be included in the Concession Agreement. This board will exist for the entire life of the projects and will be a forum for discussion between the Authority and the Concessionaires for amicable resolution of any issue regarding the project. The Board will constitute of three independent members from the healthcare sector without any association/relation with the Authority or the Concessionaire.
- f) The following shall be considered as pre-determined user charges/tariffs and shall be appropriately incorporated/reflected in the Concession Agreement:

- i. Patients enrolled in Ayushman Bharat Scheme or equivalent central or state government schemes as applicable from time to time shall not be charged for treatment. The Concessionaire may seek reimbursement for such patients at the rates specified under these insurance schemes.
- ii. If Ayushman Bharat and its equivalent central/state schemes cease to exist in future without any successor scheme, then, the definition of Free Patients shall be revised mutually by the PSA and the Concessionaire for the remaining concession period and the User Charges/Tariffs along with escalation mechanism for them shall be recorded in a supplementary agreement (to the concession agreement) after factoring in the VGF granted under this Scheme.
- iii. For Paid Patients, the IPD service charges shall be capped at 1.5 times of the prevailing CGHS rates.
- iv. If CGHS ceases to exist in the future without any successor scheme, then, the User Charges/Tariffs for Paid Patients along with escalation mechanism shall be revised mutually by the PSA and the Concessionaire and shall be recorded in a supplementary agreement (to the concession agreement) after factoring in the VGF granted under this Scheme.
- v. OPD shall be free to all. However, OPD related diagnostic services (except those provided in Annex I of Schedule P of the Concession Agreement) and any diagnostic services not covered in IPD packages shall be chargeable at rates not exceeding rates prescribed (from time to time) by King George Medical University (KGMU), Lucknow, for all patients.

- vi. If KGMU rates ceases to exist in the future, then rates as decided in accordance with following sequence shall be applicable:
- a. Average rate prevailing in three government medical colleges closest to the project location (in Uttar Pradesh).
 - b. Rates available in CGHS (Lucknow, Patna, Delhi).
 - c. User Charges/Tariffs along with escalation mechanism shall be determined mutually by the PSA and the Concessionaire for the remaining concession period factoring in the VGF granted under this Scheme and be recorded in a supplementary agreement (to the concession agreement).
- vii. 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) Necessary amendments to the bid documents (including Concession Agreement) will be made to incorporate suggestions of the EC.
 - h) The PSA is to undertake legal vetting of the project documents post incorporation of changes. A copy of the revised project documents will be submitted to the EC members for record purpose.
 - i) 'Final Approval' for VGF support is contingent upon compliance of all conditions of the VGF Scheme.

7. The meeting ended with vote of thanks to the Chair.

Annexure I

List of attendees of the 42nd Meeting of the Empowered Committee held on 24th August, 2022 for considering In-Principle approval of VGF support to the project proposal for development of Medical Colleges in the districts of Bagpat, Mainpuri, Hathras, Kasganj, Mahoba, and Hamirpur on PPP mode, received from Government of Uttar Pradesh.

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
6. Sh. Rohan Nair, OSD

2. **Department of Expenditure**

1. Sh. Amit Kumar, Joint Director

3. **NITI Aayog**

1. Shri Partha Sarathi Reddy, Adviser (PPP)
2. Ms. Nidhi Arora, Legal Specialist

4. **Ministry of Health and Family Welfare**

1. Shri. Sanjay Roy, Director

5. **Government of Uttar Pradesh**

1. Shri Alok Kumar, Principal Secretary
2. Ms. Durga Shakti Nagpal, Special Secretary, Department of Medical Education
3. Ms. Shrutti Singh, Secretary, Department of Medical Education