What is the Public-Private Partnership Laboratory and Diagnostic Directory?

The Public-Private Partnership Laboratory and Diagnostic Directory is a joint publication between the Medical Laboratory Scientists Association of Tanzania (MeLSAT) and the USAID Strengthening Health Outcomes through the Private Sector (SHOPS) project. The directory was created to serve as a source of information for public and private health leadership, facility owners, laboratory personnel, and other health sector stakeholders who are seeking to strengthen their provision of laboratory and diagnostic services through multi-sectoral partnership.

In Tanzania, Public-Private Partnerships (PPPs) are broadly defined by Tanzania’s Health Sector Strategic Plan III 2009–2015 (HSSP III); which states:

*PPPs in the health sector can take a variety of forms with differing degrees of public and private sector responsibility and risk. They are characterized by the sharing of common objectives, as well as risks and rewards, as might be defined in a contract or manifested through a different arrangement, so as to effectively deliver a service or facility to the public.*

The government of Tanzania actively promotes contracts, purchasing agreements or other PPP arrangements between public and private providers in the health sector. However, to date, the creation of PPPs for laboratory services have been less common in Tanzania compared to other countries in East Africa. This directory is intended to support the government of Tanzania, the private not-for-profit, and the commercial for-profit health sectors to scale up dialogue, collaboration, and cooperation within Tanzania’s laboratory sector. The creation of PPPs between Tanzania’s various multi-sectoral laboratory stakeholders may be a critical tool in addressing gaps in patient access to essential laboratory services, personnel, or equipment.

**Purpose**

This directory is intended to support the creation of PPPs in Tanzania’s laboratory sector by providing comprehensive information on the availability and location of laboratory tests and services in the Dar es Salaam region. Provider contact details and laboratory service availability have been provided for over 75 facilities in order to help users of this directory to identify where required diagnostic tests, equipment, expertise, and/or infrastructure may be available. The directory is divided by district, by provider, and by diagnostic service so that health stakeholders utilizing this information can identify potential partners that are within close proximity, who provide a specific diagnostic service or test, or who possess specialized diagnostic equipment. Depending on their needs, healthcare managers, service providers, and laboratory managers may seek out various collaborators within this directory and/or seek ways to improve their current partnerships for laboratory service access.

**Types of PPP Arrangements**

Health system stakeholders interested in forming PPPs for laboratory services should look through this directory for potential collaborators by location, service type, or specific provider on page 3. The organizations in this directory may be offering laboratory services that your facility does not offer but that clients are demanding, or a laboratory partner identified from this directory could be partnered with to provide services to your clients during times when resources are overwhelmed or constrained. Once stakeholders have identified their needs and found a laboratory service provider that they may want to collaborate with, they should consider the various options for PPP arrangements and collaboration. Table 1 presents examples of collaboration that you may take in partnering with another provider to deliver a laboratory service.
### Table 1: Types of PPP Arrangements for the Laboratory and Diagnostics Sector

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<th>Type of Arrangement</th>
<th>Example of Arrangement</th>
<th>Pros and Cons</th>
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</thead>
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| 1. Outsourcing of Laboratory Services | Referral arrangements without payment | Pros:  
- Expands availability of laboratory services without needing to purchase new equipment or other infrastructure  
- Expands reach of specialty services for patients with ability to pay  
- Simple to administer  
- Receiving laboratory receives higher number of clients |
|                     | This arrangement is useful when a provider/facility cannot offer a specialty diagnostic service, prefers not to purchase additional equipment or infrastructure, and when patients have relative mobility between providers. In this model, a healthcare provider signs an informal agreement, usually in the form of a memorandum of understanding (MOU) to refer patients to laboratory service providers that have been pre-selected for their proximity, quality, or willingness to offer discounts to referred patients. An MOU is generally not legally binding, not enforceable, and does not involve the exchange of money between the healthcare provider and the laboratory service provider. MOUs are useful because they are simpler and more flexible than contracts, but can still help stakeholders develop a mutual framework for achieving shared goals for expanding access to necessary laboratory services. In this model, patients are typically responsible for paying the laboratory service providers directly for the services they consume. This arrangement works best when patients can pay using private health insurance, their National Health Insurance Fund (NHIF) or Community Health Fund (CHF), or out-of-pocket. This arrangement does not typically benefit low-income or impoverished clients. |
|                     | Pros:  
- Expands availability of laboratory services without needing to purchase new equipment or other infrastructure  
- Expands reach of specialty services for patients with ability to pay  
- Simple to administer  
- Receiving laboratory receives higher number of clients |
|                     | Cons:  
- Limited formal controls after patients are referred  
- Referred clients may not have ability to pay for the services offered at the receiving facility |
| Purchasing Agreements | Contracting out via simple service contracts or other forms of purchasing agreement allow LGAs or facilities to make use of existing local private sector resources to fill service gaps or address excess need. This model of contracting is less formal than agreements that fall under the service level agreement (SLA) policy that is described below. In this model, LGAs sign purchase agreements or simple service contracts with private sector providers to deliver services in exchange for payment from the LGA's budget. Careful analysis of the local context, available resources, supply and demand are necessary before deciding if contracting-out will be preferable to direct public provision. Local relationships between the purchaser and provider will be an important determinant in the success of the contracting process. Furthermore, a clear understanding of the terms and conditions of the contract is essential before final implementation. Clear payment and reimbursement mechanisms are also essential, and will minimize the time required by both parties post-procurement to maintain the contract. |
|                     | Pros:  
- Expands availability of laboratory services without needing to purchase new equipment or other infrastructure  
- Increases the availability of services, even for low-income populations because the LGAs will be paying  
- More flexible than executing an SLA under the national policy |
|                     | Cons:  
- Less formal and does not subscribe to the same protections as an SLA  
- Might require frequent renegotiation of terms  
- Still require robust detail |
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<td>For example, a reimbursement arrangement is when the laboratory service provider invoices the purchaser on regular basis (e.g., monthly) after the services have been delivered. In a prospective payment arrangement, the purchaser pre-pays for a specified number of laboratory services.</td>
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| **Service Level Agreements (SLAs) between a government and a private provider** | The SLA structure in Tanzania was developed in 2007/08 as a mechanism that LGAs use to expand PPPs that expand service delivery via non-state providers. The National Health Service Act authorizes the MOHSW to establish coordinating mechanisms between public and private health actors. SLAs were standardized in a template by the MOHSW in collaboration with other stakeholders in 2007, and after the approval of the template, implementation began the following year in 2008. LGAs may use this directory to identify laboratory service providers that are offering diagnostic services demanded in the LGA’s regions. The LGAs may include laboratory services in existing SLAs or sign new SLAs with these laboratory service providers. LGAs may structure these SLAs using a reimbursement or prospective payment method. In this situation, funding from the LGAs may wholly or in part subsidize patients’ own contributions toward financing their healthcare. | **Pros:**  
- Increases access to essential diagnostics without needing to purchase new equipment or other infrastructure  
- Formality of SLAs gives government control  
- Private sector receives revenue source  
**Cons:**  
- Rely on LGAs’ budgetary constraints  
- Private sector costs are likely to differ from public sector costs, which makes budgeting difficult |
|                    |                        |               |
| **2. Outsourcing of public services** | In this model, the public sector provides in-kind subsidies to private providers (e.g. free test kits, reagents, etc.) so that private providers can deliver public services. This is a common strategy for extending the reach of national programs—especially for HIV and TB—by leveraging private sector infrastructure. The private provider is often allowed to charge an administrative fee, but does not recover costs associated with overhead or staff time. Private providers do benefit from staff training, supportive supervision, and marketing to new clients. | **Pro:**  
- Increases access to essential health services  
**Con:**  
- The private provider incurs costs (i.e., staff time and overhead) that are typically not reimbursed |
| **3. Placement** | Placement of laboratory equipment by private companies in public facilities is the most common form of PPP in East Africa. In this model, a private company gives equipment to a public facility and trains staff on how to operate it at no cost. In exchange, the public provider commits to the regular purchase of an agreed minimum quantity of reagents from the same company. The public provider benefits because they gain access to essential equipment. Likewise, the private company benefits from the consistent sale of reagents. | **Pros:**  
- Increases access at public facilities  
- Eliminates need for facility expenditure on high cost equipment  
- Private sector receives consistent revenue  
**Cons:**  
- Forecasting the demand for reagents is required before initiating the agreement  
- Maintenance is dependent on private sector |

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| 4. Transport of specimen | In this model, a company (typically in the commercial private sector) is contracted to courier lab samples from a collecting facility to a partnered processing facility. | **Pros:**  
- Specimens may be collected at sites different from where they will be processed  
- No need for large capital purchase of transport  
- Small groups of samples from multiple facilities could be batched and transported collectively (multiple partners)  
**Cons:**  
- Private courier costs may be high  
- Results may be delayed due to third party transport  
- May be logistically challenging if small number of samples |
| 5. Pooled Procurement | In this model, government procurement officials coordinate with private laboratories to negotiate discounted quantities of reagents. | **Pro:**  
- Ability to negotiate discounts from suppliers  
**Con:**  
- Requires consistent coordination. |
| 6. Training | In this arrangement, private sector institutions are paid to train public sector technicians (or vice-versa). | **Pros:**  
- Multisectoral knowledge exchange. Additional laboratory technicians (public or private) receive training.  
**Cons:**  
- Technicians may need quality supervision after the training period for skills that may not be available in the public sector. |
Once stakeholders have selected a mechanism for collaboration, it is important to document the arrangement so as to avoid confusion and to adhere to any legal requirements. Referral arrangements may be documented in the form of an MOU, which formalizes agreements between collaborators, but is not legally enforceable. Drafting an MOU will likely not require the assistance of a legal professional, but partners should think carefully about the roles and responsibilities expected when entering into the partnership.

Any collaboration that involves financial transactions requires service contracts that legally document the processes, services, and payments that will be exchanged between the collaborators. Authoring service contracts shall require a lawyer to help partners understand how the terms of the contract are legally enforced. Failure to set clear processes for payment, pricing, and dispute resolution processes may threaten the operations of both the purchaser and the service provider.

Entering into a purchasing agreement or SLA should be carefully considered by LGAs and their partners. Since this type of arrangement greatly depends on the availability of public funding that is allocated to LGAs, policy-makers should be involved in the development of such contracts.

**How to Design a PPP**

An MOU describes an agreement between two or more parties that indicates a common line of action. It is often used in cases when partners do not need a legally enforceable agreement. An MOU may be appropriate for a referral agreement as described in Table 1. However, if a financial transaction is involved, it is best to develop a contract. Contracting for laboratory services is when a financing agency (for example, a healthcare provider, facility/hospital or laboratory service provider), pays an external laboratory service provider to provide a specified set of services over a defined period.

In Figure 1, the SHOPS Contracting-Out Lifecycle Framework illustrates five key stages of a contractual relationship, which is also applicable for the design of an MOU.

![THE SHOPS CONTRACTING-OUT LIFECYCLE FRAMEWORK](image)
Stage One: Evaluate Feasibility. In the first stage of the contracting-out lifecycle, stakeholders should evaluate the feasibility of entering into a contractual arrangement for laboratory service referral, purchasing or other collaboration. As an initial step, you must assess your laboratory service needs and then determine if your needs may be best met by collaborating with another stakeholder listed in this directory or through investing in laboratory service strengthening or equipment at your own facility.

If you have not yet collaborated with another provider for laboratory services, you should start by answering the following questions:

- What are my organizations’ laboratory service needs?
- Does my organization frequently receive requests from clients for certain diagnostic tests that I do not offer?
- Does my organization have to turn clients away because too many clients are asking for the same laboratory service?
- Are my current arrangements with laboratory service providers sufficiently documented and working properly?
- Can collaboration with an external laboratory provider reduce or eliminate the financial requirements of new laboratory infrastructure or human resources at my own facility?

Stage Two: (Re)Design Contractual Relationship. In designing a new contract or redesigning an existing contract for laboratory services, the purchaser and provider should define the payment of services to be delivered and note any expectations regarding the quality of services. A reimbursement arrangement is when the laboratory service provider invoices the purchaser on regular basis (e.g., monthly) after the services have been delivered. In a prospective payment arrangement, the purchaser pre-pays for laboratory service. For example, the payment may be made at the start of every month and would cover all the laboratory tests or services expected to be provided during that month. Prospective payment (e.g., capitation payment arrangements) arrangements help stakeholders manage their payments by ensuring that they are consistent and predictable.

These considerations should be noted in a request for proposal (RFP) or similar document that includes instructions to the bidders on how to prepare their bids and the criteria by which contractors will be selected, the terms of reference (TORs), and the draft contract. In almost all situations, it should be possible to complete a competitive bidding process for a formal contract in six months.

Stage Three: Implement and Manage Change. To implement the contract, stakeholders must train staff to implement new invoicing or billing processes and ensure that they have adequate resources. Purchasers should ensure they have adequate budget available to pay for their services. Laboratory service providers should ensure that they have the equipment in good condition and have an adequate supply of reagents needed to deliver the services.

Stage Four: Monitor and Evaluate. Laboratory service contracts should be monitored to ensure that services are being delivered at adequate quality and that service providers are being paid accurately. Stakeholders should monitor the implementation of the contract on a regular basis (e.g., monthly) and have designated meetings with one another (e.g., quarterly) to solve any issues or challenges that might arise in the implementation of the contract.

Stage Five: Close the Contractual Relationship. Termination or closure of a contract is the last stage of the contracting-out lifecycle. Termination refers to the end of a contract before its full performance by the affected parties. Closure of a contract refers to the natural end of the contractual relationship based on the designated period or attainment of objectives defined in the contract. A contract should explicitly provide for protocols for termination and closure in order to prevent any miscommunication and to assist in planning for phase-out.
In summary, public-private collaboration in the laboratory sector through MOUs, purchasing agreements/contracts, or SLAs, have the potential to significantly and rapidly improve access to laboratory services across both sectors. LGAs may benefit by expanding the delivery of essential laboratory services through SLAs or other contracts with the not-for-profit and commercial sector laboratories in their area. Laboratory service providers may benefit by increasing their case loads and gaining access to higher patient volumes. Lastly, patients benefit by gaining access to a larger number of outlets that they can use to obtain laboratory services. It is important to note that these agreements should be treated carefully and established through a transparent dialogue and planning process in order to ensure that the arrangements meet all stakeholders’ needs and goals.

Next Steps
The information in this directory is intended to assist public and private healthcare managers or providers who are seeking to increase access to laboratory services at their facility or in their community. As next steps, facility managers that are interested in developing PPPs for laboratory services should:

- **Review** what their facility’s short-, medium-, and long-term needs are. These can include access to additional laboratory tests and services, more efficient referral mechanisms, and the like.
- **Identify** nearby facilities in this directory that have the capacity to meet these needs. Using the contact information provided, initiate dialogue with the facility managers and owners to gauge their interest in developing a PPP. Reach out to your local LGA or MeLSAT representation if you require assistance in initiating the process.
- **Follow** the steps of the *Contracting-Out Life Cycle* to develop and implement your new contractual arrangement.

More Information
The following sources provide more information on engaging the private health sector, contracting, and other forms of public-private partnerships for health:

- The Strengthening Health Outcomes through the Private Sector (SHOPS) project Website: [www.shopsproject.org/about/what/contracting-out](http://www.shopsproject.org/about/what/contracting-out)