

Use of PLICS to make an informed decision between in-house operation vs outsourcing for Satellite Renal Dialysis Unit

Problem statement

A public sector client having multiple hospital and health clinics based out of GCC region wanted to open a new Satellite Renal Dialysis Unit in south of Dubai. The costing team was engaged by the Public Private Partnership (PPP) team to understand how much the running cost of the facility will be and whether partnering with a third-party vendor would be more sensible.

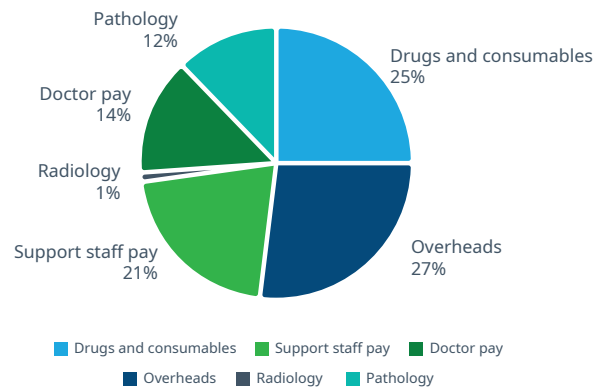
Methodology and outputs used

The cost of running the new facility was then estimated using both existing cost information and estimation about manpower required, equipment procured and an estimate of activity at the new facility. Several models were created based on operating either a 30 bed or 60 bed unit. 2 session vs. 3 sessions were factored into the modelling. Finally, the cost per session was calculated based on 70% utilization.

Outcome

Based on the analysis, the costing team suggest that if the third-party vendor is willing to agree a fixed contract price below client’s cost per session and the quality of the service delivered is standardized and outlined in the RFP, then it should strongly consider that, as the risk of utilization then sits with the third-party vendor.

Dialysis cost per session % split



Summary of cost of running new facility and per unit cost based on different utilization Dialysis Cost Per Session Split percentages

Cost head (All costs in US\$M)	2 shifts, 30 beds	3 shifts, 30 beds	2 shifts, 60 beds	3 shifts, 60 beds
Doctor pay	1.7	2.7	2.9	4.5
Consumables	0.7	1.1	1.5	2.2
Laboratory	0.3	0.4	0.5	0.8
Medications	0.4	0.6	0.8	1.3
Equipment cost	0.7	0.7	0.7	0.7
Overheads	0.9	1.4	1.6	2.4
Total operating cost @70% utilization	4.7	6.9	8.1	11.9
Cost per session in US\$				
70% utilization	360	352	308	302
60% utilization	397	388	337	330
80% utilization	332	325	287	282

From the above analysis and discussion with PPP team it was indicated that the preferred option would be to start with 30 beds and operate 3 shifts. Based on the that the cost per session was calculated at US\$352 at 70% utilization.