



EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
<u>Project name</u>	DIAKONESSENHUIS HOSPITAL
<u>Promoter or financial intermediary</u>	STG DIAKONESSENHUIS
<u>Country of implementation</u>	Netherlands
<u>Summary project description</u>	<p>The Netherlands has one of the highest per capita health care expenditures in the world, and the growing healthcare needs of its rapidly ageing population might cause further increase of costs. Through the Dutch Health Insurance Act (Zorgverzekeringswet - Zvw) that came into force in 2006, the Dutch government intends to reform the country's health care market and to make health care more efficient through the introduction of regulated competition for both health insurance and healthcare provision. The reform has fundamentally changed the roles of patients, insurers and providers. Health insurers negotiate with providers and purchase efficient care of good quality. Patients critically assess and select both the health insurer and the providers of health care services they need. The process of adapting infrastructure and service delivery model to the new market conditions by individual providers is still ongoing in the country.</p> <p>In the Netherlands, there are six types of institutions that provide hospital or medical specialist care: (i) university hospitals, (ii) non-university major "top-clinical" hospitals, (iii) general hospitals, (iv) day care clinics, (v) trauma centres, and (vi) narrow-specialised hospitals. Diaconessenhuis (the promoter) is a renowned general hospital (500 beds, 1800 staff, EUR 237 million revenues in 2017), with locations in Utrecht (headquarters), Zeist and Doorn. It participates in medical education and conducts scientific research. It has achieved a number of top category scientific publications. The hospital is a private not-for-profit entity. While it is exposed to competition risk, as a result of its clinical excellence and good management, Diaconessenhuis has been able to maintain its competitive market position and long-term financial stability. The promoter has developed its own strategic investment program "Diaconessenhuis Nearby", aiming to adapt its model of care and infrastructure to the reform objectives under the motto "<i>Patient-centred healthcare provided at the right place, at the right time, and by the right professional</i>".</p>

¹ This Scoreboard of indicators reflects the information presented to the EFSI Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision. Parts of this document that fall under the exceptions for disclosure defined by the EIB Group Transparency Policy, notably under the articles 5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

	<p>This project supports the Diaconessenhuis strategic investments for the period 2018 – 2022 that aims to improve the quality of the medical services provided and maintain Diaconessenhuis' competitive position in the region: (i) New construction and rehabilitation works in existing locations of Utrecht and Zeist; (ii) Acquisition of medical and non-medical equipment; and (iii) Implementation of a new Electronic Medical Record.</p> <p>The main components of the project will be:</p> <ul style="list-style-type: none"> ➤ Construction of a healthcare centre in Utrecht. ➤ Construction of a new hybrid operating theatre in the Utrecht Hospital. ➤ Construction and rehabilitation projects included in the Diaconessenhuis Long Term Building Plan: <ul style="list-style-type: none"> ○ Utrecht Hospital: replacement of the old administrative T-building with compact new facilities, expansion of the parking lot and rehabilitation of the current main axes in the hospital to create optimal patient flows with good orientation. With approximately 26 550 m2 GFA of rehabilitation works, 8,350 m2 GFA of car park expansion and 1,500 m2 GFA of new construction. ○ Zeist Hospital: upgrade of the outpatient clinics with approximately 16,250 m2 GFA of rehabilitation works and 400 m2 GFA of new construction (warehouse). ➤ Acquisition of Medical and non-medical equipment for the Hospitals in Utrecht and Zeist. ➤ Implementation of a new Electronic Medical Record. ➤ Other construction and rehabilitation works not included in the Diaconessenhuis Long Term Building Plan (Fire safety improvements, rehabilitation works in Urology/ENT/Allergology/Waiting areas/Offices, etc.) <p>Thanks to redesign and improved processes, after the implementation of the project Diaconessenhuis will be able to provide higher quality medical services with less need for space. The total gross floor area of the medical facilities will be reduced after the implementation of this project from 80,000 m2 to 70,000 m2. The number of beds will be also reduced from the current 500 to 450. This will have a significant impact on the efficiency and thus also positively contribute to the overall affordability of the services provided.</p>
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PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy	Significant
EFSI	
Contribution to EFSI	100.00%
EFSI: Research, development and innovation	4.00%
Projects that are in line with Horizon 2020	4.00%
EFSI: Human capital, culture and health	96.00%
Other human capital, culture and health	96.00%

Pillar 2

Quality and soundness of the project	Good
1. Growth	[...]
2. Promoter capabilities	[...]
3. Sustainability	[...]
4. Employment	[...]

This pillar evaluates the quality and soundness of the operation. This pillar is composed of four indicators which include:

- (i) "Growth" i.e. for example and where relevant the economic rate of return ('ERR'), which considers the project's socioeconomic costs and benefits, including its spillover effects;
- (ii) "Promoter capabilities" i.e. the capacity of the promoter/intermediary to implement the project and create the expected impact at the [final] beneficiary level;
- (iii) "Sustainability" i.e. environmental and social sustainability²;
- (iv) "Employment" i.e. the project's direct employment effect.

Pillar 3

EIB Technical and financial contribution to the project	Moderate
1. Financial contribution	[...]
2. Financial facilitation	[...]
3. Advice	[...]

This pillar measures the EIB's particular contribution to the project and its financing scheme in the form of financial and non-financial benefits which go beyond what commercial players would normally be able to offer. This dimension of value added is assessed through three indicators:

- (i) "Financial Contribution" i.e. improving the counterpart's funding terms compared to market sources of finance (interest rate reduction and/or longer lending tenor),
- (ii) "Financial Facilitation" i.e. helping to attract private financiers (for example through positive signaling effects), promoting synergies in co-financing with other public sources of funds including National Promotional Banks or EU financial instruments,
- (iii) "Technical Contribution and Advice" i.e. providing advice with a view to optimizing the financing package (financial structuring), or technical advisory services in the form of expert input / knowledge transfer – provided in-house by the EIB or in the form of assignments to external consultants – to facilitate the preparation or implementation of a project.

² For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website.

Pillar 4 – Complementary indicators

Additionality

This operation finances the construction and renovation of existing hospital facilities as well as the purchase of medical equipment and the implementation of a new electronic medical record system of Stichting Diaconessenhuis, a regional general hospital. The contribution of this operation is therefore in alignment with the EFSI objective of health and support of innovative health solutions and increases EFSI support towards social infrastructure.

This operation addresses a market failure and sub-optimal investment situation as can be demonstrated by the following aspects:

The Dutch authorities aimed at enhancing the healthcare sector and healthcare spending by introducing several regulatory reforms. These reforms triggered a switch from a budget to a performance based revenue system, the re-designing of the basic insurance packages and caused the Ministry of Health to be no longer involved in investment decisions causing healthcare providers being obliged to obtain adequate financing themselves. Due to a significant reduction of the availability of a guarantee by the state guarantee fund for healthcare institutions loans obtaining adequate financing from the market has become increasingly difficult.

The operation represents significant risks, which cause this operation to fall into the Special Activity category of the EIB. This is primarily due to its long tenor and the general pressure on the revenues due to the reduced public budget in the healthcare sector, which makes the EIB loan repayment dependent on the performance related revenues of the hospital. Such a loan, due to the overall risk profile to the proposed financing, could not have been provided at the same terms and conditions by the EIB without the support of the EFSI guarantee.

While significantly enhancing the project's financing profile, the EIB loan will also contribute to the diversification of the funding structure in regard to the maturity profile and creditor base.

The EIB participation as an anchor investor will confer a strong signal to the market through its seal of approval. This signalling will give confidence to private sector investors as well as a promotional bank co-financing this operation.

Stichting Diaconessenhuis will be a new client for the EIB and this operation will have a strong signalling effect for investments under EFSI in the health sector, demonstrating the availability of long-term non-guaranteed financing by the EIB and should have a strong stimulus impact on co-financiers for the sector at a time when financing options are experiencing constraints.

Set of indicators related to the macroeconomic environment

Netherlands - Economic environment

Economic Performance

	NL	EU	US	NL
	2018	2018	2018	2001-2007
GDP per capita (EUR, PPS)	37,509	29,440	42,615	37,307
GDP growth (%)	2.2	1.9	1.6	2.0
Potential GDP growth (%)	1.3	1.3	2.1	2.1
Output gap (% of potential GDP)	-0.76	-0.75	-0.03	-0.41
Unemployment Rate (%)	5.4	8.2	4.7	4.7
Unemployment Rate (%) - Y/Y change (% points)	-1.2	-0.8	-0.3	0.09
Bank-interest rates to non-financial corporations (%)	1.2	1.4	1.8	3.8
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	0.07	-0.21	-1.4	-0.06
Investment rate (GFCF as % of GDP) - Total	19.8	19.7	19.6	21.3
Investment rate (GFCF as % of GDP) - Public	3.4	2.7	3.4	4.0
Investment rate (GFCF as % of GDP) - Private	16.4	17.0	16.2	17.3

General Sector Indicators

	2013	2014	2016	2018	EU (latest available)
Value added in Human health activities (% of total)	—	—	—	—	5.3
Employment in Human health activities (% of total)	—	—	—	—	—

Health

	2013	2014	2016	2018	EU (latest available)
Life expectancy (years)	81.4	81.8	81.6	—	80.6
Healthy life years at birth (Males)	61.4	63.3	—	—	61.4
Healthy life years at birth (Females)	57.5	59.0	—	—	61.8
Old age dependency ratio (65+/ 15-64 years)	25.5	26.4	27.2	27.8	29.3
Perinatal mortality per 1,000 live births	3.8	—	—	—	—
Hospital beds per 100,000 inhabitants	—	—	—	—	550.3

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms

- EU value for "Bank-interest rates to non-financial corporations" corresponds to Euro Area average; Country average is the simple average between 2003 and 2007

- The EU value is displayed as the value in the year that corresponds to the latest value of the indicator in a particular country

Other indicators³

Key project characteristics

	Expected at PCR
Start of works	01.01.2018
End of works	30.12.2022
Project investment cost	106.12 MEUR
EIB/EFSD eligible investment mobilised	106.12 MEUR
External EFSD multiplier	2.46
External EIB (non-EFSD) multiplier	
Amount of private financing	47.12 MEUR
Quick start (% of expenditure during 2015-2018)	
Co-financing with national promotional banks	16.00 MEUR
Co-financing with structural funds (ESIF)	0.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc)	
Energy efficiencies realised	0.00 MWh/a
Climate Action indicator	
Employment during construction - temporary jobs	540 person years
Employment during operation - new permanent jobs	50 FTE

³ For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website. The abbreviation PCR stands for Project Completion Report. If applicable, a difference between the amount of Project investment costs and EIB/EFSD eligible investment mobilized might derive from the fluctuation of the underlying exchange rate.