

**BALANCING RISK AND INCENTIVES:
INTEGRATING MRG INTO FIXED PAYMENT MECHANISMS ON HOSPITAL PPP STRUCTURES**

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ABSTRACT

For public-private partnerships (PPPs) to succeed, an effective transfer of risk from the government to the private sector is crucial. This risk transfer ensures high-quality and cost-effective service delivery. However, it must be balanced to avoid overburdening private investors, which could deter their participation in PPP projects. From a public finance perspective, this balance is essential to protect the public interest while fostering competitive procurement. Governments use tools like minimum revenue guarantees (MRGs) to support PPPs by mitigating operating revenue risks for private investors. This conceptual research offers insights to improve the design and implementation of PPPs in public hospital projects, with a focus on Indonesia. The study examines the adaptation of MRGs within Fixed Payment mechanisms in hospital PPPs. It aims to explore how integrating MRG principles into Fixed Payment structures can enhance financial sustainability and incentivize private sector engagement in healthcare infrastructure. The paper provides a comparative analysis of Fixed Payment and Availability Payment models, highlighting their similarities, differences, advantages of Fixed Payment, and the role of the Reserve Fund Account in Fixed Payment models.

Keywords: Public-Private Partnerships (PPPs), Risk Transfer, Minimum Revenue Guarantees (MRGs), Fixed Payment Mechanisms, Healthcare Infrastructure

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