

Expanding for-profit health care invites health care fraud Hamilton Spectator and Straight Goods, March 21, 2003

By Dr. Gordon Guyatt

(Spectator headline: Fraud is part of for-profit health care)

February 12, 2002, 80 Hamilton police officers swarmed in for a major raid.

A drug bust? Mafia? No, health care fraud.

Ontario's Conservative government is telling us that investor-owned, for-profit health care delivery is an idea whose time has come.

Ontario has replaced not-for-profit home care provision with for-profit providers. Health minister Tony Clement is pushing private-public partnerships in which for-profit firms build and operate hospitals. Ontario favours for-profit providers to run community MRI facilities

Advocates claim that investor-owned, for-profit delivery will be less expensive, and higher quality.

As part of his Royal Commission report examining the Canadian health care system, Roy Romanow looked at the evidence, pro and con. In down-home, Prairie style, the Commissioner asked, "Where's the beef?"

Romanow found no evidence to support increased efficiency of for-profit delivery.

In fact, for-profit provision tends to be more expensive. Cancer Care Ontario recently, and wisely, decided to close the for-profit Sunnybrook cancer clinic. The for-profit clinic was costing the Ontario government \$500 more per patient than not-for-profit facilities delivering the same services. A Manitoba clinic offering surgical procedures has cut costs from \$1,000 per patient to \$700 by converting from for-profit to not-for-profit.

Research from McMaster University has demonstrated increased death rates in both for-profit hospitals and for-profit dialysis facilities in comparison to not-for-profit delivery.

No wonder Romanow recommended against investor-owned, for-profit health care. But his report missed one additional issue.

In the U.S., where investor-owned, for-profit health care delivery plays a much larger role than in Canada, fraud is part of business.

The biggest American fraud bust involved the nation's largest for-profit hospital chain, then known as Columbia/HCA Healthcare. At the end of 2000, the company pleaded guilty to a variety of fraud charges. It admitted cheating government programs and agreed to pay a total of \$1.7 billion in fines and penalties, the largest fraud settlement in U.S. history.

The companies' practices included striking illegal deals with home care agencies, filing false data about how hospital space was being used, and overcharging the government.

One of the latest fraud reports is horrifying. At the end of October 2002, 40 FBI officials raided a hospital owned by Tenet Healthcare, one of America's largest for-profit hospital chains. The FBI was seeking information for an investigation into unnecessary surgeries, including open-heart surgery, and Medicare billing fraud.

An affidavit by the FBI claims that "many known and unknown patients have been victims of a scheme to cause patients to undergo unnecessary invasive coronary procedures," including bypass surgery and heart valve replacement. The New York Times reported that hundreds of such unnecessary procedures might have put patients' lives, and well-being, at risk.

In 1994, Tenet, under a previous name, National Medical Enterprises (NME), had been convicted of health care fraud, with a total settlement of \$379 million.

NME's operations extended in to Canada. "There were head-hunters who encouraged people to come to the U.S. for treatment; there was inappropriate treatment provided; people were unnecessarily detained," said then Ontario Health Minister Elizabeth Witmer, explaining why, in 1998, the province sued the company for \$175 million US.

These examples, while among the largest, are not unusual. The U.S.

Justice Department estimates that \$100 billion, or 10% of the \$1 trillion Americans spend on health care each year, may be lost in fraud.

The magnitude of the problem, and the efforts to address it, are staggering. In 1992, the FBI had 112 agents working health-care fraud dealing with 600 cases annually. By the end of 2000, that had grown to 500 agents and over 3,000 cases. And that doesn't include the other government branch dealing with fraud, the Justice Department.

The US public pays not only for the fraud, but the costs of investigating and prosecuting offenders.

Coming back to Canada, what was the Hamilton bust all about? Fine Analysis Laboratories Limited, an investor-owned for-profit firm, conducted tests on pharmaceuticals, water, and soil.

Health Canada is supposed to inspect laboratories every two years, but had not inspected in nearly three years when they received an anonymous tip on January 2, 2001.

Police have charged a former chemist and 2 senior Fine employees with conspiracy to utter forged documents. They allege that Fine Laboratories issued results when no test had been conducted and altered results on test certificates.

For investor-owned, for-profit health care providers, money is the mission. When health care delivery is the business, fraud is often too easy, and too tempting.

In commenting on the Tenet unnecessary surgery fraud, the New York Times stated that the "accusations raise questions about the role of the profit motive in health care."

Indeed they should. Fraud is virtually unknown among not-for-profit providers. Expanding investor-owned, for-profit health care provision will inevitably increase costly fraud, and costly policing of fraud.

At one of the NME trials, Dr. Charles Arnold noted "the provision of mental health care has changed from what was once a professional and caring environment to one that is based on commercialism and profit. The

changes are pervasive, deeply entrenched, and have occurred across the entire US.”

Is this what we want for Canada? If not, let’s stop the spread of investor-owned, for-profit health care.