

Explaining mysterious government policy

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(Spectator headline: Investor-owned health care great deal for Tories)

Investor-owned, private, for-profit health care delivery is a bad deal for Ontario citizens. Yet the government is pursuing a policy of handing over health care delivery to profit-making companies. If for-profit delivery threatens public health, and the public pocket book, why is the government persisting?

Is investor-owned health care delivery really such a bad idea? A team of researchers from McMaster University has examined all the research studies comparing investor-owned private for-profit health care to private not-for profit delivery.

These systematic reviews summarize all relevant, high quality research. The results, published in the leading Canadian and American medical journals, showed higher death rates in both the for-profit hospitals and for-profit kidney dialysis clinics.

When investor-owned firms reward shareholders with money that should be going to patient care, they must cut corners. And cutting corners results in higher death rates.

The results mean that if we converted all Canadian hospitals to for-profit status, the price would be 2,200 additional deaths each year.

Perhaps if for-profit care saved enough, we could endure the extra deaths in hospitals and use the savings to improve care elsewhere. Health care commissioner Roy Romanow looked hard for evidence of cost savings with for-profit delivery, and found none.

In fact, Canadian experience suggests higher costs to for-profit delivery. For instance, the recently terminated for-profit cancer clinic at Sunnybrook Hospital cost the government \$500 more per patient than the not-for-profit provincial cancer clinics.

Furthermore, the figures omit a hidden cost of investor-owned health care: the risk of fraud. In the U.S., where for-profit health care is a much bigger player than in Canada,

the Justice Department estimates that fraud costs the health system \$100 billion each year. That doesn't count the cost of policing. The FBI has 500 agents investigating health care fraud.

With such compelling evidence against investor-owned, for-profit health care, why have the Tories replaced not-for-profit provision of home care services in Ontario with investor-owned delivery? Why have they chosen for-profit firms to run new MRI facilities? Why are they so enthusiastic about public-private partnerships (so-called P3 arrangements) that mandate private sector management of Ontario's new hospitals? Why do they support investor-owned medical laboratories and nursing homes?

Perhaps ideology is the explanation. If your philosophy is that the private sector always does it better, evidence becomes an annoyance to be ignored and dismissed.

Maybe. But a look at whom the Conservatives chose to receive the recently awarded contracts to deliver MRI services in the community suggests another explanation.

Five of the seven facilities will be owned and operated by companies that have made major donations to the Conservative party in the last four years.

Canadian Medical Laboratories got three clinics – the maximum allowed under bidding rules. The company donated \$25,000 to the Tories in 1999, more than \$4,000 in 2000, and gave \$10,000 to Premier Ernie Eves' leadership campaign.

KMH Cardiology and Diagnostic Centre, which will own and operate two clinics, donated \$11,000 to Health Minister Tony Clement's failed leadership bid.

Looking at the bidders for the contracts to build and manage P3 hospitals shows the same story. Tony Clement received donations last year from partners in all three private consortiums short-listed to build and operate

a re-developed Royal Ottawa Hospital. Three consortium companies made donations to Ernie Eves' leadership campaign.

Same story in nursing homes. Between 1995 and 1999, long-term care companies donated \$336,545 to the Conservatives, \$72,918 to the Liberals and \$2,000 to the NDP.

One long-term care company, Retirement Residences REIT, and associated companies have given more than \$17,000 to the Tories since 2002. The companies also gave Eves' leadership campaign \$10,500, Jim Flaherty's campaign \$10,000, and Tony Clement's campaign a whopping \$43,568.

REIT later received contracts to build 2,653 beds, with a potential of over \$1.3 billion in government subsidies. Nursing home giant Extencicare donated \$36,727 to the Tories and got contracts for 1,613 beds. Leisureworld gave Clement's campaign \$18,000 and received 1,895 beds.

Same story with laboratories. The Dynacare Health Group, the largest private laboratory company in Ontario, gave Eves \$25,000.

The provincial Conservatives point out that bureaucrats at arm's length from the government make the individual award decisions. Focusing on the impact of political donations on individual funding decisions, however, misses the crucial point.

If new MRI units, like the existing machines, were housed in our hospitals, investor-owned firms would have no opportunity to benefit from expanding diagnostic facilities. If the government used traditional funding mechanisms, no large consortiums could profit from managing publicly-funded hospitals.

What health-care companies expect when they make donations is expanded for-profit delivery. Once in the running for public money, they anticipate their share of success.

So, we have the explanation for provincial government policy. Investor-owned for-profit health care delivery is a bad deal for Ontario citizens, but a great deal for Ontario's Conservative party.