P3 hospitals: The secret is out

The secret is out on public private partnerships (P3s) in hospitals. They don't improve service or provide good value for money.

But P3s do fundamentally change the ownership of Canadian hospitals from not-for-profit to for-profit. Health funding and service delivery will be altered forever.

A P3 hospital is a private hospital

P3s are a way to privatize public facilities and services. Canada's planned P3 hospitals are modeled on the British private finance initiative (PFI) introduced by Margaret Thatcher in 1992. Under these schemes, a private corporation may finance, design, own and operate the building, leasing the hospital back to a health authority or a local hospital board for a profit.

Across Canada, there are a number of P3 hospitals in the works. Planning is furthest ahead in Ontario and British Columbia but the governments of Québec, New Brunswick and Alberta are also pushing P3s as the way to meet demands for new and updated facilities.

Why P3s?

P3s are a clever ploy to deceive taxpayers. First governments choke off public funds to build new hospitals. Then they propose P3s with 25 to 60 year lease arrangements, claiming the leases are not debt. Canadians are blackmailed by this logic into accepting P3s as the only way to get a new hospital. Nothing could be farther from the truth.

P3s fail the test

P3 hospitals mean fewer beds, longer waits, lower quality of care and fewer jobs. At the Edinburgh Royal Infirmary in the UK, the P3 resulted in 30 per cent fewer beds and 25 per cent fewer staff – and the 30-year lease arrangement cost the public $4 billion more than it would had the hospital been owned publicly.

P3s cost more

It costs the private sector more to finance construction. For example, in the UK private financing added 39 per cent to the cost of P3 hospitals in North Durham, Carlisle and Worchester.

The Great Western PFI Hospital in Swindon, Wiltshire opened its doors in 2002. The cost of construction was estimated at $330 million. The actual cost was $720 million. When annual leaseback payments over 30 years are factored in, it will cost the public purse $1.05 billion. Worse yet, the government had to top up funding for the deal to allow the building of an additional ward after they realized the hospital was too small.

As well, British corporations re-finance their loans after construction at a lower rate without changing the P3 agreement with government. This results in windfall profits for corporations and the loss of hundreds of millions of dollars for taxpayers.

A debt is a debt

P3s do not reduce public debt. While an accounting dodge may shift leasing costs to operating budgets, auditors are not fooled in Canada and the UK. Locked-in lease payments for 25 – 60 years are still a debt to government.

Whether you are tied into a 30-year lease or a 30-year mortgage, they are both long-term financial obligations. But the mortgage will cost you less – and you have full control of your asset.

Quality of care suffers

P3s reduce staffing levels to make profits. Waiting times increase as beds are cut. Shortcuts in the design are good for corporate profits but jeopardize quality care. Cutting corners has meant improper ventilation and air conditioning, water and sewage leaks, electrical problems, crowded work areas and poor sanitation leading to the spread of infections like SARS.

Local economies are hurt

P3 hospitals destroy good paying jobs. Workers get lower wages, fewer benefits, no pensions, no job security, no union protection and poorer working conditions.

When P3s fail …

- Projects remain unfinished. For example, the Bodmin Hospital (UK)
- Corporations are bailed out. For example, the Edinburgh Royal Infirmary (UK) will need $53 million per year in handouts so that it can break even
- Supposed savings evaporate. For example, the Dartford and Gravesham Hospital (UK) didn't deliver on the promised $27 million savings – and in fact, required an additional $9 million to meet commitments

P3 hospitals don't deliver value for money

P3 contracts always build in a percentage return to corporations for 'risk' yet experience shows that the real risk remains with taxpayers, patients and workers.

In Abbotsford, BC, a PricewaterhouseCoopers report set the private sector advantage at a slim one per cent and only then if collective agreements were ripped up and labour legislation changed.

For-profit hospitals are bad for your health

P3 hospitals are a giant step toward fully private hospitals. You are more likely to die in a for-profit hospital than in a not-for-profit one. Patient death rates are 2 per cent higher in for-profit hospitals – 9 per cent higher for newborns.

Doctors at the largest for-profit hospital in the US (owned by Tenet) are being investigated for conducting unnecessary heart surgeries in order to make more money.

What's the alternative?

That's no secret. We need new hospitals. Governments can borrow at a much lower rate of interest than the private sector can. Keep it public. It just makes sense.

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