MYTH BUSTER

P3 Hospitals – A Closer Look

P3s are more expensive. *Way* more expensive

Private consortia building P3 hospitals borrow capital from the same markets that governments do – but governments can do so at rates 2-4% lower than the private sector. Over the life of a P3 hospital, this additional interest vastly increases the cost to the public, reducing the overall funds available for investment in health care. P3 pushers give the impression that the public is getting something for nothing. But for-profit companies won't give hospitals capital for free – they're in it for the money. Governments will end up repaying the capital, paying higher interest rates, and covering private companies' profits on top of everything else. The Australian experience with P3 hospitals showed that in the long run, P3 hospitals could cost twice as much as publicly financed hospitals. See the back of this page for a list of independent public auditors who have criticized P3s for costing more than traditional public financing arrangements.

P3s - not a partnership, just privatization

In many P3s, the private consortium owns the building, employs the staff, and provides the "non-clinical" service under a multi-decade contract. This is radically different from current systems of hospital governance in Ontario. Under some schemes the hospital can be made public when the contract expires – if it is then purchased at market rates.

Who *really* bears the risk?

Do you think the government will allow a hospital to fail if a P3 consortium goes bust? No. Ultimately, the public picks up the tab for cost overruns and shoddy management. Don't be fooled. The private consortia pushing P3 want to sell us a bill of goods. In 1998, The Canadian Council for Public-Private Partnerships awarded the first Halifax P3 school first prize in its "infrastructure category". By 2001, students and staff in that school were still drinking bottled water, 12 months after aresenic was found in the school's well water. A water filtration system had been installed to fix the problem, but it went unused as the school board and the private owner of the school argued over whose responsibility – whose "risk" – it was to provide students with clean water. In New Brunswick, a P3 school would not unload furniture delivered to the school because this was not in the P3 contract. Parents ended up doing volunteer labour to bring the furniture into the school. As even National Post columnist Andrew Coyne writes, "While public-private partnerships are often said to promote 'the best of both worlds,' *for taxpayers they have come to mean public risk for private profit*."

Efficiencies – another word for cuts

Profits don't come from nowhere. P3s create profits by cutting staff and beds, taking shortcuts on construction and design, introducing user fees, and providing lower levels of service. These are the "efficiencies" that P3s are supposed to provide. In Britain, according to the British Medical Journal, staff and beds were cut 26 - 30% on average in their P3 hospitals.

P3s have been a disaster elsewhere

P3 hospitals have been tried already in England and Australia. The experience has been such a disaster that the British Medical Journal says the British acronym, PFI ("Private Finance Initiative") really stands for "Perfidious Financial Idiocy". PPP hospitals have proved costlier and have offered shoddier service than their fully public counterparts. In Australia, the New South Wales state auditor found that at the end of the lease arrangement for its P3 hospital, the government will have paid for the hospital more than twice over- yet it still won't own it. Does that sound like a good deal to you?

In PEI, the government abandoned a P3 hospital when it realized it would cost more than keeping the hospital fully public.

Who's Criticizing P3s?

Auditors-General Nova Scotia, New Brunswick; State Auditor of New South Wales (Australia); the UK National Audit Office; Audit Scotland; the UK House of Commons Public Accounts Committee; the British Medical Journal

In Britain, the first P3 hospital, in Cumberland, is a showcase for the problems of P3s. Short-cuts in facility construction and design have created a shocking host of problems:

- two ceilings collapsed because of cheap plastic joints in piping and other plumbing faults - one joint narrowly missed patients in the maternity unit
- the sewage system could not cope with the number of users and flooded the operating theatre with sewage
- clerical and laundry staff cannot work in their offices because they are too small
- a transparent roof design flaw and no air conditioning mean that on a sunny day the temperature inside the infirmary reaches over 33 degrees celsius

P3s in Britain have led to a 30% reduction in hospital beds and a 25% reduction in clinical staff budgets; yet the first 18 P3 hospital projects in Britain cost 53 million pounds (over $110 million) in consultants' fees alone. Who are P3s really designed to benefit?

Planning the Corporate Takeover of Our Hospitals

The corporate takeover of our hospitals supported by the Ontario Hospital Association and Tony Clement lead down a very predictable path: hospitals that cost more and deliver less. Good for bankers, maybe. Terrible for the rest of us. Whose vision will you choose?

For more information, including citations and references, please contact us.

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