

Ontario Health Coalition

MEDIA
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For immediate release
September 26, 2003

\$1.3 billion in private hospital deals since kick-off of election outrageous: Ontario Health Coalition

The Ontario Health Coalition responded today to the reported signing of the private (P3) hospital deal for the Royal Ottawa Hospital.

"With six days to go before a provincial election, the Conservatives are trying to push through the privatization of \$1.3 billion in hospital assets and services through secret eleventh hour deals," said Natalie Mehra, Provincial Coordinator of the Ontario Health Coalition. "If these deals are allowed to go through, we will be paying billions for hospitals that for-profit companies own and operate. This is an affront to democracy and an abuse of public office. As a party to the legal challenge launched this week, we will be arguing in court that this is unlawful and the deals should be quashed."

"The Conservatives are pursuing projects that move public debt off the books, making it look like they can build more but pay less. But they are contractually obliging taxpayers to pay more over the long run. We pay more to cover the costs of higher borrowing rates for capital raised in the private sector and capitalization rates -- or rates of return -- to the developers" noted economist and Atkinson Foundation scholar Armine Yalnizyan. "There's no free lunch -- if we need more hospitals we have to pay for them. The Liberals and the Conservatives need to come up with a clear plan to build the hospitals we need and show us why this is the most financially sound and sustainable way to build capacity. If we are going to pay for the things we need, what's the sense in volunteering to jack up the price by paying for higher interest rates and guaranteed profits to businesses and money lenders?"

The Ontario Health Coalition is comprised of over 300 organizations and thousands of individuals committed to enhancing a quality, universal, one-tier public Medicare system.

Media Briefing Note and Background

The deals that have been signed in Brampton and Ottawa have not been publicly released. Here is a closer look at the numbers as they have been revealed so far:

With the announced signing of the project agreement for the private (P3) Brampton hospital on September 3, the Ministry of Health released a summary of a Value for Money Benchmark (VFMB) report. By their figures, the net present value of the Brampton privatization deal is \$1.125 billion or higher in today's dollars. The ministry will not release the full report.

Media reports place the value of the new facility in Ottawa at between \$100-\$120 million, just for the facility. The private services agreement will add to that. We can estimate, based on this that the net present value of the Royal Ottawa Hospital deal will definitely exceed \$200 million.

At a net present value of \$1.125 billion for Brampton and \$200 million for Ottawa (a conservative estimate) the total value of assets and services privatized exceeds \$1.3 billion. The true cost of the deals, if allowed to proceed would be much higher as inflation and interest payments over the 28-60 year lease-back deals will increase the cost every year.

The British Medical Association Journal reports that the rate of return on investment (profit) for the private companies that own and operate British P3 hospitals, using the same model of privatization and many of the same private corporations as in the Brampton and Ottawa deals, is 15-25%. (see Gaffney, Pollock, Price, Shaoul. BMAJ. July 10, 1999). At even 15% profit, \$200 million in profits would be removed from the healthcare system by the Brampton and Ottawa deals.

The main objections to private (P3) hospitals are:

- The profit-taking, administration and higher borrowing costs suck money out of the hospitals that should go to patient care
- P3 hospitals cost on average 40% more than public hospitals, according to the British Medical Association Journal. The higher costs lead to bed and staffing cuts. On average, they report, beds are cut by 30% and staff are cut by 26%.
- The two separate managements in the hospital cause a host of problems, expensive legal wrangling over changing the usage of wards or rooms, and a host of operational difficulties
- The P3 hospitals in Britain have been characterized by shoddy construction and poor inspection reports due to inadequate space, high infection rates, and use of cheap construction materials.
- The high costs and reduced scope of services in P3s compromise the future sustainability of a comprehensive Medicare system.

Further analysis and copies of relevant studies are available on the Ontario Health Coalition website.

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