COMMENTARY

Brampton P3 Hospital Target of Massive Community Unrest:

Province Needs to Help Out Hospital and Stop Secrecy

By Natalie Mehra, Director
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Brampton's new hospital was supposed to be the cause of celebration. Instead, after being open for only one month, it is mired in controversy. Last weekend, thousands of people took to the streets to protest two patients' deaths which the public is attributing to inadequate beds and lengthy waits. Today, the provincial government appointed a supervisor to take over the hospital to "restore public confidence".

The hospital is the province's first - and largest - P3 (public private partnership). A group of multinational corporations built the hospital in return for a contract that pays them not only large profits for putting up the money for the building, but also gives them a guaranteed 25-year contract to take over the hospital support services and lands to run them for profit. The Brampton P3 hospital features the deepest, longest-term for-profit privatization of any hospital built in Ontario since the inception of Medicare.

Since major cost escalations across all Ontario's new P3 hospital deals have rendered unbelievable the claim that P3s come in "on time and in budget", the McGuinty government's new line is that P3 privatization has nothing to do with service cuts. But the government's own documents show that the size of the planned hospital was reduced to contain the costs escalations of the for-profit consortium. From the outset of negotiations with the private consortium when the hospital was projected to cost $350 million, to the end of negotiations when the hospital cost $550 million, the negotiated size of the hospital shrunk from 608 to approx. 350 beds. In response to community pressure, the government gave another $100 million early this year and the bed total was increased to 479.

Bottom line? For almost double the original cost ($350 to $650 million) the hospital has 3/4 of the promised beds (608 to 479).

Independent experts who have looked at the contracts have raised serious concerns about the costs of the scheme. The interest rates for the private consortium were about 120 basis points higher than government financing rates. The difference means that the deal is $174 million more expensive than if the province had financed the hospital through its own means. In addition to the extra interest costs, the private sector is taking exorbitant profits out of the hospital. The equity investors are receiving $260 million in dividends plus the return of their initial $61 million investment. ($260 million is enough to build en entire new community hospital. It is an extraordinary amount in profits on a hospital that was originally supposed to cost $350 million.)

The contract is ultimately paid from the Ministry of Health budget. So every dollar that has been siphoned off for the management fees, dividends and consultants' profits (none of which would exist if the hospital was publicly financed) is a dollar less that should have gone to health care – doctors, nurses, support services, beds.

In all new hospitals, local towns are expected to raise a percentage of the costs. Here, because the costs doubled, the community fundraising portion increased from an original reported target of $100 million to more than $230 million. For months community members have been alternately cajoled and threatened with service cuts by hospital officials and the local press, as the hospital has struggled to raise money for the local fundraising share. The Punjabi community, in particular, has been the target of a multi-million dollar fundraising campaign for the hospital. But fundraisers and the government never told the community that large sections of the hospital are privatized and run for profit. According to newspaper reports, the family of Mr. Harnek Singh Sidhu, one of the patients who died in the hospital in recent weeks, gave the hospital a donation of more than $20,000, for example.

Cost is not the only problem. So too is loss of control over vital hospital services to private interests. All the hospital support services are managed by the private sector for their own profit for the 25 year duration. If there are quality issues such as increases in infection rates or loss of patients' records, the hospital must follow an arbitration and legal process set out in the P3 contract in order to assert their control. For example, if the private companies lose a patient as they transport her around the hospital, the hospital's only recourse is set out in the "project agreement". They can seek a fine from the private company: so much if the patient is missing for a certain number of hours, more if she is gone for longer etc. If the private sector refuses, everyone has to bring in their lawyers to fight it out. At every step of the way the hospital has to decide whether it spends its remaining money on doctors and nurses or on lawyers and arbitrators.

No wonder Standard and Poors (credit rating agency for the financial industry) has considered P3s to be low risk investments in which the private sector takes on little real risk while reaping more-than-healthy profit margins from public taxes. After all, the interests of the government and hospital board require them to keep open a functioning hospital while the profit-seeking mandate of the private investors hold them to no such scruples. They can sell off their interest in the hospital at any time and walk away with the windfall.

Ultimately, the Brampton P3 hospital will cost us at least $3.5 billion with the 25 year service deal and equipment included. Residents of Brampton and Ontario will have to pay the high costs of the scheme, whether we like it or not. But we should not do so without requiring the provincial government to answer for why they have committed the next generation to paying out $3.5 *billion* for a gain of only about 130 new hospital beds. And they need to clear up whether additional monies will be given to the private sector to get the bed totals up to the promised numbers.

The people of Brampton never asked to be guinea pigs in an experiment about an expanded role for profit-seeking companies and financiers in our hospitals. In fact, both the Harris/Eves and McGuinty governments have gone out of their way to confuse the community about the nature of the P3 deal, even going so far as to deny the obvious privatization and rename the P3s as “Alternative Financing” or “Alternative Procurement” as cover up. This strategy of denial and obfuscation must stop. A proper evaluation of the policy must be made and private interests must not be allowed to trump the public interest. For at stake is a huge hospital building program covering dozens of new hospitals.

A clear public plan must be put into place to provide the support that the hospital needs to provide adequate services to the community and get the bed totals up to promised levels. The provincial government must provide these. Brampton’s hospital needs financial aid and human resources recruiting help. It is time that the province evaluate and learn the lessons of the Brampton P3, including a full audit by the provincial auditor. For their part, the local hospital must stop the secrecy and come clean with the community about how many beds are actually open and operational, how much of a budget deficit they are facing, and what the consequences of these shortfalls are. The fundraising drive must not be allowed to eclipse public accountability and sound democratic practice. We are citizens not customers and should be treated as such. And as community members, who fund the hospital through taxes at multiple layers of government and local fundraising, and who require hospital services as a matter of life and death, we have a right to at least this minimal level of public accountability.