



dialogue

November 30, 2006

A bi-weekly update on issues
affecting health care in Ontario

Straight Goods on the Federal Fiscal Update
<http://www.straightgoods.ca>
**Canadian Centre for Policy Alternatives on
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Flaherty demands provinces explore private option

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“It’s not about saving money”
— Flaherty

The McGuinty government needs little encouragement to embark on infrastructure to be built, financed and operated by large private consortiums. With more than 30 privately-developed hospitals already announced, the McGuinty Liberals have already embraced private control over these public facilities.

Yet federal finance minister Jim Flaherty announced in his November fiscal update that they will require provinces to explore the privatization option before the senior government will contribute their share to any infrastructure project.

Aware of the criticism that these projects cost more than publicly-run facilities, Flaherty said the point of private sector involvement "is not to save money."

"We can have toll roads that are owned by the government and toll roads that are owned by the private sector, like the 407," he said in reference to Ontario's controversial private toll route between Burlington and Pickering through the suburbs of Toronto.

Flaherty instead suggested that privately-run projects would be more likely to get off the ground faster, despite a lack of any evidence to back up this claim.

While Flaherty insists the provinces look at the private sector to fund and operate infrastructure, the World Health Organization (WHO) has published a new paper critical of public-private partnerships (P3s).

The WHO did a systematic review of 149 comparisons of for-profit and not-for-profit

health facilities undertaken over the past two decades in the United States. Of these studies, 88 concluded that non-profit facilities performed better with respect to cost, outcomes of care, access and social mission. 43 studies found no difference, and only 18 reported for-profit facilities to be better.

The paper notes the high cost of legal, financial and other technical advice involved in these deals — a process that remains daunting for parties on both sides of the transaction.

Ontarians were recently made aware of this when it was revealed \$8.1 million was spent on such costs to establish the deal to build the \$146 million Royal Ottawa Mental Health Centre.

The report also notes the higher cost of borrowing by the private sector. "The corporate bonds used to finance PFI (Private Financed Initiatives) deals are typically awarded BBB+ status by financial rating agencies, just above junk bond status, while government bonds are considered less risky, and for many European governments, attract AAA ratings."

With every detail outlined in the infrastructure contracts, the report notes the lack of flexibility in these deals. "The lack of flexibility has meant that the configuration of some hospitals has been out of date by the time they are opened." There are few incentives to build in flexible design solutions since the cost of future modifications fall on the client.

The report concludes the practical results "seem not to have lived up to what was expected from privately funded ventures."

2007 Health Council Planner coming soon

Every OPSEU health care worker will receive an early Christmas present this year.

The OPSEU Health Care Divisional Council is now putting the finishing touches on a 2007 pocket planner.

The pocket planner will include critical OPSEU dates, including the Broader Public Sector (BPS) Conference and Convention, as well as other useful information.

The planners are expected back from the printer in mid-December and will be sent out via the regional offices as soon as possible.

Rural hospital service cut despite LHIN plan

The Central LHIN health plan includes a rural strategy to "ensure that people who live in rural areas have equitable access to services." In November the Stevenson Memorial Hospital in Alliston said it was eliminating births at the hospital, leaving new mothers to travel 40 minutes to Newmarket. The LHIN did not oppose the service cut, calling into question their commitment to the just-released plan. Earlier this year, LHIN CEO Hy Eliasoph told us he didn't anticipate any need for closures given the high population growth in the area. How things change!