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The Case for New Healthcare Infrastructure in Canada

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Our Healthcare Conundrum

- Province needs healthcare infrastructure redevelopment AND other healthcare investments
- Province lacks sufficient public capital funding to address all healthcare needs
  - This affects the effective, timely and safe delivery of patient care
- The sustainability of our system at 46% of Provincial budget

Our Healthcare Conundrum (cont'd)

- Romanow says:

  "The system is as sustainable as we want it to be … if we are prepared to act decisively."

- Is there a role for private participation in addressing our aging infrastructure?

Current Health Capital Limitations

- Province must provide significant up-front investment to redevelop infrastructure
- Province has limited resources and significant investment needs
- Limited number of projects can proceed simultaneously
- Processes need to be streamlined

Current Health Capital Limitations

- Process is structured around 5 review stages
- Several Ministry departments play a role
- Approximately 1,000 projects “on the books”
- Process:
  - is reactive/lacks strategic direction
  - results in inconsistencies
  - is weak on monitoring, evaluation
  - is hindered by delays, miscommunication
  - results in inefficient use of time, resources
  - unclear accountabilities

What’s the Alternative?

- Ministry of Health is working with Ministry of Public Infrastructure Renewal, Ontario Hospital Association and other stakeholders to:
  - develop a long term strategic vision for capital planning
  - streamline internal processes
  - develop a range of alternative financing options
  - get funds in the health sector sooner

- Health Capital Review Panel is working to:
  - advise on strengthening and streamlining the current health capital planning processes

Can Private Investment Support the Public System?

- Public Private Partnerships used for 80%+ of UK's recent hospital capital projects transferring non-clinical responsibilities to private sector
- The structures can take several forms – the predominant form in health care is DBFO: design-build-finance-operate
- UK seems to believe PPP option is most promising for resolving capital pressures facing hospitals

Will They Work in Ontario?

- Old Ontario Decision-Makers:
  - 2 Ontario hospitals planned redevelopment within a DBFO model
  - 6 others were given the go-ahead to proceed with a similar plan
- New Ontario Decision-Makers:
  - Is there room for private investment in infrastructure?
  - Yes

How Will They Work?

- Public policy control and ownership
- Private sector will finance
- Private sector will share risk
- Private sector involvement will strengthen accountability
- Private companies will be accountable to hospitals

First Principles: What Matters in Health Care?

- Cost
- Access
- Quality
- Outcomes

Cost

- Critics say: “*private investment is more expensive because private sector can recover investment and earn a return…*”

- I suggest:
  - redevelopment can begin faster, on a larger scale
  - hospital can share risk with private project
  - hospitals do not have ad hoc teams leading the planning and construction
  - incentive for efficient operation to ensure return

Cost (cont'd)

- more capital public funding can be directed to:
  - purchasing major equipment
  - developing new medical technologies
  - developing information technology
  - improving health care delivery
  - investing in teaching and health research

Access

- Critics say: *"private infrastructure investment leads to two-tiered health care…"*
- I suggest:
  - bricks and mortar is affected
  - non-clinical services affected
    - Many hospitals have already contracted out the delivery of these services (e.g. laundry, food services, etc.)
  - delivery of clinical services remains with the hospital
  - the *Canada Health Act* principles of **universality**, **comprehensiveness** and **accessibility** are protected

Quality

- Critics say: *"hospital services will deteriorate…"*
- I suggest:
  - private sector role is limited to building hospital facilities and, perhaps, delivery of non-clinical services
  - hospitals are free to focus on providing health care
  - public resources are freed up for capital investment in other areas and quality of care could improve
  - potential to improve hospital service with risk of penalties and contract termination

Outcomes

- Critics say: "*health care will be privatized…*"
- I suggest:
  - delivery of clinical services remain with public sector – no privatization
  - private infrastructure investment enables:
    - access to private sector capital, expertise
    - access to management skills and risk management
    - enhanced buying power; and
    - potential to speed up modernization of hospital infrastructure

Outcomes (cont'd)

- hospitals can focus on health care delivery
- all of which could lead to better patient outcomes

Characteristics of Successful Private Infrastructure Investment Projects

- Value for money
- Transfer of significant risk
- Private sector skills and innovation
- Large-scale redevelopment
- Community and hospital buy-in
- Compliance with *Canada Health Act*
- Improvement in health care delivery

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