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
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
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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