Ontario Health Coalition

MEDIA RELEASE

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Health Care costs more, delivers less at investor-owned private for-profit hospitals, major study finds

TORONTO, June 7, 2004 - Canadian governments would pay an extra $7.2 billion in annual health care costs if Canada switched to investor-owned private for-profit hospitals, according to a major study to be published in the Canadian Medical Association Journal (CMAJ) tomorrow.

The research builds on earlier findings released in 2002 by the same McMaster University research group that revealed higher death rates in investor-owned private for-profit hospitals and kidney dialysis centres in the United States.

"Our previous study showed the profit motive results in increased death rates, and this one shows it also costs public payers more," said Dr. P.J. Devereaux, lead author of the study. "With for-profit care, you end up paying with your money, and your life."

The systematic review is based on a study of over 350,000 patients between 1980 and 1995 who were treated in private for-profit and not-for-profit U.S. hospitals. The study found that care cost the patients 19% more at for-profit hospitals. In an accompanying CMAJ editorial Drs. Steffie Woolhandler and David Himmelstein from Harvard University described the systematic review and meta-analysis by Dr. Devereaux and colleagues as, "meticulous."

"Patients pay more for care at investor-owned for-profit hospitals because the for-profit hospitals have to generate revenues to satisfy investors, highexecutive bonuses, and high administrative costs," said Dr. Devereaux. "Not-for-profit providers charge less for care because they do not have investors and have lower executive bonuses, and administrative costs," he adds.

The results of this review are directly relevant to Canadians for three major reasons:

* The statistically significant higher payments for care at a wide range of investor-owned hospitals spanned a 12 year period, despite significant changes to the American health care system

· The results were demonstrated among both publicly funded patients and among privately funded patients.

· If Canada moves to for-profit hospitals, the same large American hospital chains included in the review would be purchasing Canadian hospitals.

"Health care is a central issue of the federal election campaign. As well, a number of provinces have allowed for-profit surgical facilities and radiology facilities and the Conservative party advocates a permissive stance with regards to investor-owned private for-profit health care facilities," notes Dr. Devereaux.

"Our results should raise serious concerns about moves to private for-profit care, whether in hospitals, day surgeries, or other outpatient facilities. Evidence strongly supports a policy of not-for-profit health care delivery."

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**Study: Payments for care at Private For-Profit and Private Not-For-Profit Hospitals:
Systematic Review and Meta-analysis**

Advocates of investor-owned private for-profit health care delivery argue that the profit motive optimizes care and minimizes costs. However, some fear for-profit facilities are more likely to respond to financial pressures by cutting the quality of care and charging more to maintain shareholder returns.

These viewpoints have resulted in a heated debate.

An experienced research team from McMaster University conducted this study to determine the impact of the profit motive on costs to patients or third party payers - that is, insurance companies, or governments. The current study builds on prior work by the same McMaster University research group that showed higher death rates in investor-owned private for-profit hospitals and kidney dialysis centres in the United States than comparable not-for-profit facilities.

When discussing our health care system it is important to distinguish between funding (who pays for our health care) and delivery (who owns and runs our health care facilities). Currently, hospital services in Canada are publicly funded - we pay through our taxes. In terms of delivery, although commonly referred to as public institutions, Canadian hospitals are almost all private not-for-profit

institutions owned and operated by communities, religious organizations, and regional health authorities.

The debate concerning for-profit versus not-for-profit provision centers on delivery: whether we should introduce investor-owned private for-profit health care facilities into our dominantly private not-for profit health care delivery system. This study compared how much care cost in U.S. for-profit versus not-for profit hospitals.

The study used a methodology called systematic review and meta-analysis which synthesizes the results of existing high quality studies that all address a single question, in this case: "is there a difference in payments for patient care received at private for-profit compared to private not-for-profit hospitals?" The research team developed explicit criteria for deciding whether a study was eligible; conducted a comprehensive search to identify all relevant studies; applied eligibility criteria to potentially eligible studies in an unbiased manner; examined the quality of the eligible studies; and conducted a rigorous statistical analysis of the data from the studies that ultimately prove eligible and of adequate quality.

In this case the McMaster team identified 7,500 medical articles through an extensive search. Over seven hundred of these passed an initial eligibility screen. The team then undertook an extremely important measure to eliminate bias in the selecting which studies to include in the systematic review. The team trained research staff to read through all the articles and use a black marker to obscure the results of the studies. Two reviewers then independently examined these articles with the results blacked out and determined study eligibility. As a result of this process the researchers could not select studies to reach a specific conclusion. Eight studies including data on over 350,000 patients met eligibility and quality criteria for the systematic review. Given the approach the investigators took, it isn't surprising that, in an accompanying editorial in the Canadian Medical Association Journal, researchers from Harvard University described the systematic review and meta-analysis as "meticulous."

The results show that care costs health care payers 19% more at for-profit than not-for-profit hospitals. Canada currently spends $120 billion annually on health care, and hospital care accounts for 32% of overall expenditures. Therefore, if Canada switched to investor-owned private for-profit hospitals the Canadian governments would pay an extra $7.2 billion in annual health care costs.

Why do investor-owned for-profit facilities cost payers more. Private for-profit facilities have to generate profits to satisfy shareholders, pay high executive bonuses, and have high administrative costs. Not-for-profit providers do not have investors and have lower executive bonuses, and administrative costs. In their editorial, Harvard researchers Woolhandler and Himmelstein provided an additional explanation: greed.

The U.S. results are directly relevant to Canadians for three major reasons:

· The statistically significant higher payments for care at a wide range of investor-owned hospitals spanned a 12 year period, despite important changes to the American health care system during this time

· Payments proved greater in for-profit facilities among both publicly funded patients and among privately funded patients.

· If Canada moves to for-profit hospitals, the same large American hospital chains included in the review would be purchasing Canadian hospitals.

This systematic review shows substantially higher payments for patient care at private for-profit hospitals. Combined with the previous two studies that showed higher death rates in private for-profit hospitals and dialysis centres, this research raises serious concerns about moves to private for-profit care.

Evidence strongly supports a policy of not-for-profit health care delivery.

Please click here for the study itself.

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