

## Public-Private Partnerships (P3s) in Health Care

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### BCMA Position

- *British Columbians deserve an effective, efficient, accessible, and publicly funded health system. The BCMA supports the expansion of privately delivered, publicly funded health services provided that these services are delivered efficiently and that high quality care is ensured.*
- *Standardized and transparent criteria for assessing whether a public-private partnership (P3) is the most cost-effective option for building health care infrastructure and delivering health care services is a necessary prerequisite to the initiation of any P3.*
- *Independent, ongoing evaluations of public-private partnerships are needed to assess total costs, their impact on patient care, wait times, and professional and public satisfaction. These evaluations should be made available to the public.*

### Background

A P3 is a contractual arrangement between a payor (usually government) and a private entity for the provision of assets and/or the delivery of services. The contract allocates responsibilities and risks among the various partners. Some P3s involve outsourcing or “contracting out” to the private entity. In others, public assets are sold to the private entity.<sup>1,2</sup>

A Private Finance Initiative (PFI), the most frequently used P3 arrangement, uses the private sector to design, build, finance, and operate facilities based on ‘output’ specifications decided by the public sector. Under the PFI, the public sector does not own an asset, but pays the PFI private sector contractor a stream of committed revenue payments for the use of the facilities over the contract period. Once the contract has expired, ownership of the asset either remains with the private sector contractor or is returned to the public sector, depending on the terms of the original contract.<sup>3</sup>

Canada is struggling to develop and maintain healthcare system infrastructure that matches the needs of patients. P3s are seen by governments as a means to secure more capital resources, provide affordable public infrastructure, introduce efficiencies in project management, and deliver projects on time.

Since the BC government made it a priority to explore P3s for the provision of services and infrastructure in health care, transportation, and other priority projects in

2002, almost \$12.5 billion have been invested in more than 35 P3 projects, of which \$5 billion comes from private capital.<sup>4</sup> For projects with \$50 million or more of provincial funding, a P3 will be considered the base case unless there is a compelling reason to do otherwise. P3 healthcare projects in British Columbia have encompassed a variety of care settings, including building rural and urban hospitals, tertiary care centers, and assisted living facilities.

In 2002, Partnerships BC was created to serve as the BC government’s centre of expertise for establishing policies and best practices for the development of major capital projects through P3s. Its mandate is to facilitate and manage partnerships on behalf of public sector agencies. P3 agencies are fully operational in Ontario, Quebec, and Alberta. Other jurisdictions such as Nova Scotia, New Brunswick, Saskatchewan, and Prince Edward Island are exploring the use of P3s to meet infrastructure needs. The federal government has established PPP Canada Inc., an office which will administer the \$1.25 billion Public Private Partnerships Fund to support innovative projects.

BC’s Auditor General has reviewed the accounting used by Partnerships BC to determine value for money and found it to be fairly presented but suggests that ongoing evaluations are needed throughout the life of the contract because of the difficulties of verifying future-orientated information.<sup>5</sup> It is estimated that the Abbotsford Regional Hospital and Cancer Centre project and the Gordon and Leslie Diamond Health Care Centre

will cost \$39 million and \$17 million less than a traditional public sector procurement model, respectively.

In 2008, the Ontario Auditor General concluded that the Ontario government could have saved \$50 million in the Brampton Civic Hospital P3 project if a public procurement process had been chosen. The Auditor General called for the costs and benefits of all feasible procurement alternatives to be evaluated before entering into a P3, and value-for-money assessments should have relevant and clear criteria.<sup>6</sup>

Contracting out publicly funded services to the private sector has been advocated as one way to reduce lengthy wait times. The *Canada Health Act* does not prevent provinces from allowing private clinics to deliver and be reimbursed for provincially insured health services so long as extra-billing or user charges are not involved.

BC has contracted out selected publicly funded services to the private sector in order to increase the timeliness of services. In 2004, St. Paul's Hospital in Vancouver contracted out elective surgeries to three private clinics in response to a shortage of operating room nurses.<sup>7</sup> Since 2004 the Interior Health Authority has contracted for surgical services with two private clinics within its region to increase surgical capacity and reduce waitlist times. In 2011, a five-year agreement was added for cataract services to address wait times as well as to create capacity in a tertiary hospital for more acute cases.<sup>8</sup> The Vancouver Island Health Authority continues to contract selected procedures to private partners in three health care delivery areas. These procedures are funded by the Health Services Purchasing Organization and are focused on long-waiting day care cases.<sup>9</sup>

According to a 2010 Ipsos Reid survey, almost nine out of ten Canadians said they either strongly agree or somewhat agree with the proposition that governments are having trouble keeping pace with the demand for new or improved roads, hospitals, schools, public transit systems, safe water systems, supplies of electricity, etc. In 2010, six out of ten British Columbians expressed support for P3 involvement in the financing and construction of public hospitals and in the delivery of non-health related hospital services such as cleaning and food operations.<sup>10</sup>

In the *Health Care in Canada Survey* (2006), 51% of Canadians supported the idea of government contracting

out the delivery of publicly covered health services to private clinics.<sup>11</sup>

## Analysis

BC's extensive experience with P3s, the published research, and survey data of the public suggest the following:

- Standardized and transparent criteria for assessing whether a P3 is the most cost-effective option for building health care infrastructure and delivering health care services are necessary;
- Information on the unit cost of procedures performed in public hospitals needs to be readily available in order to improve the costing and evaluation of contracts;
- P3s need to operate within a properly regulated framework with provincially determined quality controls;
- Private facilities should be required to report, on a standardized and comparable basis, the extent of their contracting, numbers and types of services being contracted, and total amounts and rates; and
- Proper, transparent evaluations of P3s and contracting out are critical. Independent, ongoing evaluations are needed to assess their cost effectiveness as well as their impact on quality of and access to care.

## References

<sup>1</sup> Partnerships BC. *Understanding Public Private Partnerships*. <http://www.partnershipsbc.ca/index.html> Accessed Nov. 1<sup>st</sup> 2010.

<sup>2</sup> Deber R. *Delivering Health Care Services: Public, Not-For-Profit, or Private? Discussion Paper No. 17 for Commission on the Future of Health Care in Canada*. August 2002.

<sup>3</sup> Allen G. *The Private Finance Initiative (PFI)*. House of Commons research paper 01/117. London: December 2001.

<sup>4</sup> Partnerships BC. *2011/12-2013/14 Service Plan*. Retrieved on January 23, 2012 from [http://www.partnershipsbc.ca/files-4/documents/partnershipsbc\\_2011-12serviceplan\\_final\\_000.pdf](http://www.partnershipsbc.ca/files-4/documents/partnershipsbc_2011-12serviceplan_final_000.pdf).

<sup>5</sup> Partnerships BC. *Project Report: Achieving Value for Money – Abbotsford Regional Hospital and Cancer Centre Project*. February 2005.

<sup>6</sup> Office of Auditor General of Ontario. *2008 Annual Report of the Office of Auditor General of Ontario*. 2008

<sup>7</sup> Sheppard, R. *Canadians More Open to Private Health Care*. Maclean's Magazine. December 20, 2004.

<sup>8</sup> H. Cray (personal communication, February 2, 2012)

<sup>9</sup> D. Blackie (personal communication, January 26, 2012)

<sup>10</sup> Canadian Council for Public-Private Partnerships. (2010) *Building Canada's Future: Canadians' Attitudes to Public-Private Partnerships*. 2004-2010.

<sup>11</sup> Pollara. *Health Care in Canada Survey 2006: Summary of findings*. [http://www.hcic-sssc.ca/index\\_e.asp](http://www.hcic-sssc.ca/index_e.asp). Accessed on Sept. 10, 2008.