

When Public Relations Trump Public Accountability: The Evolution of Cost Overruns, Service Cuts and Cover-Up in the Brampton Hospital P3

Ontario Health Coalition January 7, 2008

Summary of Key Findings

In November 2001, Tony Clement and Jim Flaherty announced the new Brampton Civic Hospital was to be built as a P3 project (along with the Royal Ottawa Hospital redevelopment) in the first deals of this sort in Canada. The hospital was to house 608 beds and cost \$350 million with a construction deadline of 2005. The justification for the P3 privatization policy by both the Harris/Eves and McGuinty governments was that the hospital would be built on time and in budget. But by the end of the negotiations with the private sector consortium the capital costs alone had risen to \$650 million and the number of beds had decreased to 479 and the construction deadline was delayed by two years.

In the Brampton hospital, the private sector manages and runs services amounting to about 50% of a normal hospital budget for 25 years. They also have significant control over the lands and commercial development inside the hospital. This is unprecedented.

The costs and consequences of the P3 privatization can now be evaluated through the public record and newly released internal government and hospital documents disclosed after a court order in 2007. They include:

1. Significant cost increases of 186% from the outset of negotiations with the P3 consortium to the most recent public revelations in March 2007.
2. Changes to the hospital plans from a three-building facility housing 20 Operating Rooms to a two-building facility housing 12 Operating Rooms.
3. Significant bed reductions of 22% in the new facility alone, and 34% across both Brampton hospital sites. These bed reductions happened after the cost increases in the P3 negotiations.
4. More than 2 years delay in the construction deadlines.
5. An increase in the local community fundraising burden of more than 200% as the costs escalated in the P3 negotiations.

The model for P3 privatization used in Brampton is as follows:

In the Brampton hospital P3, (Public Private Partnership) the private sector formed a group of companies called a "consortium" including architects, financiers, service privatizers, and property management firms to finance, build and operate the new hospital. The consortium makes profit from the deal in at least five ways:

1. the costs for building the hospital are paid back through a lease-to-own deal which commits Ontarians to 25 years of payments to cover the building costs and provide a significant profit margin for the financiers, construction company and consultants involved.
2. all the support services from patient records to food are given to the consortium to run for their own profit for the 25 year contract, bundled into the real estate deal.
3. the consortium is allowed to develop the lands, and "ancillary business opportunities" including technology deals and vendor contracts for private clinics or businesses inside and outside the hospital to provide additional streams of revenue from which they take profit, also bundled into the real estate deal.
4. user-fees such as parking fees are given as an additional stream of profit for the private consortium for the duration of the deal.
5. the consortium is entitled to take 50% from the windfall of refinancing or selling off its interest in the hospital.

From the records, the actual figures are as follows:

Cost Increases:

Cost estimate at outset of negotiations with P3 consortium: \$350 million

Most recent "final cost": \$650 million disclosed in 2007

Government claim: the hospital was "on budget"

Bed Reductions:

Promised at outset of negotiations with P3 consortium: 720 beds for the community by 2008, including 608 at the new hospital and 112 at a planned redevelopment of the old hospital

January 2008 total number of beds: 479 beds at the new hospital, plans to redevelop the old hospital as a hospital are cancelled. (Community consultations on what should be done with the site are beginning in January 2008.)

The plans for the new hospital were altered to cut one of the three planned clinical care buildings.

Most recent assessment of community need for hospital beds: 930 beds required by 2008 (District Health Council Regional Hospital Infrastructure Plan 2003)

Project Delays:

Original completion deadline: 2005

Actual completion of the project: October 2007

Government claim: the hospital was completed "on time"

Cover Up:

For more than half a decade the hospital and the province denied the obvious privatization and attempted to keep secret the details of the hospital deal and their internal documents relating to it. At every stage, as deadlines were missed, as costs ballooned, as the capacity of the hospital was reduced, elected officials responded to public questioning with a string of broken promises, denials and obfuscation.

Finally, on October 28, 2007, two years late and double the original cost, the new hospital was opened. The government and hospital officials reported to the public that the new hospital was opened "on time and in budget". Despite the fact that every clinical service in the hospital is reliant on the private sector consortium's services and cooperation, and that the size and capacity of the hospital beds for the community have been reduced dramatically as the P3 costs mushroomed, the Health Minister claimed in December in the legislature that the P3 has nothing to do with the operations of the hospital.

In fact, as the newly released internal government and hospital documents reveal:

- the final Brampton P3 project agreement was clearly negotiated by both the Harris/Eves and McGuinty governments. They reveal that while the McGuinty government amended the original project agreement, it did not "cancel" nor reverse the P3 deal as it claimed.
- The negotiated amendments neither provided public transparency nor public control as claimed by the minister and the premier. They reveal the extent of the documentation that remained hidden until a court order forced its release in the spring of 2007.
- The project deadlines became "moving targets" as costs escalated and the size shrank.

Two successive governments have allowed PR spin to trump honest reporting on the consequences of the P3 decision. The provincial auditor has never audited the Brampton and Ottawa deals, despite the controversy and repeated promises by the government that the P3 deals would be audited. Two Ministers of Health, two Premiers and three hospital CEOs have deliberately misled the public about the consequences of their choice to embrace P3 privatization of the Brampton hospital. These decision-makers, have misled the public about:

- the model used in the hospital financing and redevelopment
- the increasing costs of the hospital and the consequent reductions in planned capacity

- the progress of the construction
- the amendments to the P3 deal
- the unprecedented extent of privatization
- the cancellation of the planned redevelopment for the Peel Memorial hospital site

The Ontario Health Coalition is calling for:

1. A review of the P3 policy and a moratorium on all hospital P3s
2. An audit by the Provincial Auditor General of the P3 deals signed to date, including Brampton's
3. The redevelopment of the Peel Memorial hospital to bring the total beds up to the promised 720 at minimum, with a needs assessment and a plan to bring the total hospital beds up to assessed community need as soon as possible
4. Provincial funding support and human resources recruitment support to alleviate the financial pressures and staffing shortages in the new hospital
5. Complete disclosure on the Royal Ottawa Hospital P3 deal, and the additional P3 deals that have been signed to date

The full report is available at www.ontariohealthcoalition.ca

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