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Mythbusters

A series of essays giving the research evidence behind Canadian healthcare debates

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Myth: For-profit ownership of facilities would lead to a more efficient healthcare system

Overcrowded emergency rooms and waiting lists are frequently cited as evidence that healthcare is in trouble and proof that public healthcare doesn't work. For patients, clinicians and others who experience these frustrations, it often seems that the way to a more efficient system is to allow for-profit companies to have a bigger role in running the healthcare system. Private sector efficiency and the profit motive are the cure for what ails the system, or so the argument goes.

But is this the solution? While enthusiasts argue that for-profit facilities can provide medical services more efficiently and with a lower price tag, the vast majority of studies shows the exact opposite. Research demonstrates that waiting lists and costs aren't reduced with private for-profit contracts — and American literature indicates that patients who receive care in for-profit facilities are more likely to die than those in non-profit ones.

Public funding, private delivery

Most evidence examining for-profit healthcare comes from the United States, where there is a mix of private for-profit, private non-profit, and public hospitals. And that evidence is overwhelmingly in favour of not-for-profit healthcare.

For example, a recent review of 149 studies and 20 years' worth of data looked at how these facilities performed against each other in the areas of access, quality, and cost-effectiveness. The researchers looked at six types of institutions — hospitals, nursing homes, HMOs, hospices, dialysis centres, and psychiatric hospitals. They found that 88 of the studies concluded that non-profit centres performed better, while 43 studies found that the performance was no different. Only 18 studies found for-profit centres were better.[i] The differences are particularly clear at psychiatric inpatient hospitals, where out of 17 studies, only one found for-profit facilities to be better.[ii]

American researchers have also examined what happens when governments pay for-profit hospitals to provide medical services. Using data from the federal Medicare program, researchers found health spending was higher and increased faster in communities served by for-profit hospitals compared to non-profit communities.[iii] Between 1990 and 1994, for-profit hospitals billed roughly $8,115 for every discharged patient, while non-profit hospitals billed $7,490. For-profit hospitals also spent significantly more on administration for each patient day.[iv]

When it comes to patient health, the costs can be even higher. Research shows quality of care is better in the American non-profit system, which provides higher rates of immunization, mammography, and other preventive services.[v] A good example is dialysis and kidney transplants, which are funded through Medicare but

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provided by both for-profit and non-profit dialysis centres. Tragically, a recent systematic review that followed 500,000 dialysis patients for a year showed patients receiving treatment in for-profit centres are significantly more likely to die than those treated in non-profit ones: expanded to all Americans who receive dialysis, this means as many as 2,500 premature deaths every year may be due to being treated at for-profit centres.[vi] As well, people treated at for-profit clinics are less likely to be referred for kidney transplants.[vii]

Despite this growing body of evidence, some researchers in Canada continue to question how relevant these American data are for Canadian policy, given the differences between the two systems in terms of purchasing, financing and delivery.[viii] However, since the evidence favouring non-profit care spans almost two decades, during which the American for-profit sector has gone through many changes in how it delivers care, it appears that for-profit care leads to higher mortality no matter what the administrative system is like.[ix]

Mixing it up

Advocates of for-profit healthcare often accuse Canada of having a "single-payer" system that is hostile to for-profit interests. However, there are already for-profit facilities in Canada, such as MRI clinics and other diagnostic centres, private laboratories, and other services. These have been defended on the grounds that they will reduce waiting times.

Some provinces allow staff, doctors in particular, to work in both these public and private systems. Manitoba and Alberta, for example, have mixed delivery of cataract surgery, in both private and public facilities. And in both provinces, patients paid extra out-of-pocket fees for high-end lenses and facility fees until governments introduced legislation to stop the extra billing; the provincial health plans now pay for all related costs.[x-xii]

The problem with mixed delivery is that it may bleed resources away from the public system and into the private one. Doctors and nurses can't be in two places at once, so it is possible the more care they provide in the for-profit sector, the less they can do in the public sector.[xiii] This can lead to longer waiting lists for patients using the public system. While public/private cataract surgeons in Alberta and Manitoba did not neglect their public-sector patients for their private-sector ones, waiting times for cataract surgery are longer for public/private surgeons than for those who only work in the public system.[x-xii]

For-profit clinics exist to provide care, but the individuals who own and operate these ventures also need to make money. These goals can collide — and sometimes to the detriment of patients. As Robert Evans, a health economist at the University of British Columbia, says, "Profit motives are the same everywhere."[xiii]

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