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# Cautionary Tale

PETER MANSBRIDGE: Health care savior or its very undoing. For many, privatization falls under that last category. But with the public health care system in a crunch, for-profit facilities can provide much needed services that Canadians are unlikely to get anywhere else. But what happens to the patients when profits go down? Here's Leslie MacKinnon with one cautionary tale.

UNIDENTIFIED WOMAN (1): We're going to take two x-rays for your lungs. Okay?

LESLIE MACKINNON (Reporter): As a patient who needs an x-ray, you'd likely never guess you were in a private for-profit clinic because you don't pay a cent.

UNIDENTIFIED WOMAN (1): Okay. You stay as close as you can. It's perfect.

MACKINNON: But in many parts of Ontario, and in other places in the country, radiology labs have been taken over by the private sector. This is called publicly paid privately delivered health care.

UNIDENTIFIED WOMAN (1): You take a big breath in.

MACKINNON: The government pays the x-ray fee to the private company which runs the clinic as long as it makes a good profit.

DR. PIERRE LANOIS: This is as basic as a carpenter needing a hammer.

MACKINNON: Dr. Pierre Lanois works in a family medicine partnership in Rockland, just outside Ottawa. His practice sees about 500 patients a week. But there is no x-ray lab here anymore. A private company called DiagnostiCare shut it down because it wasn't making enough money.

LANOIS: We need these basic services. They're not the most expensive services. And we're not asking for an MRI in our community and I don't think that is warranted. We're not asking for more expensive things but yes, these are extremely basic things that physicians need on a daily basis.

MACKINNON: Rockland is a small but growing satellite community outside Ottawa. Patients who need x-rays now have to travel elsewhere. But not very far. And where's the hardship, you might ask? In a 15 minute drive by car since there's no public transit to another clinic. But x-rays are often needed quickly especially for the old and frail. Dr. Lanois describes a typical elderly patient.

LANOIS: Mr. X comes in with chest pain or shortness of breath and as a physician, we decide

that we need a basic x-ray to help us with the diagnosis, whether he's in congestive heart failure, pulmonary embolism etcetera. Well for getting this basic x-ray, we tell Mr. X that he has to go to Orleans. He has to drive to Orleans or get there somehow and Mr. X decides that it's snowing outside and that the weather is not very good and he doesn't want to go to Orleans. And we get this on a regular basis. And what that does is that, that puts the patient at significant risk.

MACKINNON: The story of DiagnostiCare which closed or threatened to close several clinics in Ontario, can be viewed as a cautionary tale about the role of the private sector in health care delivery. Because despite the fact that that company got quite a bit of government money, a provincial grant, subsidies from municipalities, some patients were left worse off. It started in 1996, DiagnostiCare plunged into the medical imaging business and soon owned over 160 clinics in five provinces generating revenues of \$70,000,000 a year. But it had borrowed a lot of money to acquire those clinics and it came dangerously close to insolvency. It also suffered from Ontario cutbacks to health care. DiagnostiCare was taking a hard look at some of its less profitable clinics.

JEAN-PIERRE PIERRE (Mayor of Clarence-Rockland, Ontario): We had the meeting with the DiagnostiCare. They indicated to the municipality that they were working on the profit margin and that the level of profit which they had estimated weren't being met. So they say they had, one of the options they were looking at is closing down some clinics.

MACKINNON: Jean-Pierre Pierre is the mayor of the amalgamated towns of Rockland and Clarence. Doctors who relied on the DiagnostiCare clinic in Clarence received a sort of a form letter from DiagnostiCare. Similar letters were sent to other communities.

UNIDENTIFIED MAN (1): DiagnostiCare needs to maintain a minimum operating profits of 23 percent of revenue. Currently our clinic in your area runs at 15 percent to date. I would propose that DC - DiagnostiCare - receives in the form of a subsidy an amount that would maintain the required percentage. This could come through elimination of the \$500 per month in rent, a cash subsidy.

PIERRE: Their attitude was very blunt. This is how we're going to do it. Okay. You like it, take it. Don't like it. It's the same to us. We're here to make money regardless of what the people want, what the people need. If we don't make money, we're out of here. That's it.

MACKINNON: So, the municipality agreed to subsidize DiagnostiCare's rent. And the local doctors picked up part of the x-ray technician's salary. It meant the clinic here didn't close although it did cut its hours by half. And presumably, DiagnostiCare's costs here went down.

PIERRE: I have a business and if I could walk away at the end of the year with 23 percent, okay, I mean I'm saying they wanted 23 but they were only getting 15. Give me 15 and I'm laughing to the bank.

MACKINNON: But overall, DiagnostiCare's finances were still very shaky. It was teetering near bankruptcy. It needed a lucky break and it got one.

ALLAN ROCK: (September 11, 2000) Part of the money being made available today by the federal government in the targeted funding is for equipment...

MACKINNON: Just before the last federal election, the federal government committed \$23.4 billion new dollars to the provinces for health care. Including over a billion dollars just to buy new medical equipment.

ROY ROMANOW (December 2, 2002): Too often in the past...

MACKINNON: It was how this money was spent or misspent that led Roy Romanow to question the wisdom of giving provinces cash without strings attached.

ROMANOW: And today, here we are two years later saying and where has it gone? What has it achieved? How have wait lists improved? How has access been enhanced? Or quality gotten better? What the real end purpose of this whole exercise is about. We don't know is the simple answer to all those questions because as the Auditor General of Canada points out, we have no way of knowing. No accountability.

MIKE HARRIS: And I fought hard.

MACKINNON: Well, we do know now that back then, of all the provinces and territories, only Ontario gave some of its share of that federal money earmarked for new medical equipment to private sector health care companies. DiagnostiCare got about \$9,000,000.

PIERRE: Yeah, the private sector. I'd like the province to give me money to run my business. Two things, I think it's outrageous that the way the money was given to them. I think there should be some monies given to them like any other people that are involved with the health department but it should always be conditional in the sense that what the monies is for, if it's to help the general public, then make sure it's not related or translated into profits.

MACKINNON: We asked Ontario's Minister of Health, Tony Clement why government would buy equipment for the private sector. Our private sector isn't the point of their saving money. It's supposed to be that they make the capital investment in equipment, not the taxpayer.

TONY CLEMENT: It's important that they be modernized as well and from our perspective, it was all about greater access to better equipment and better diagnostics and better health care for Ontarians.

MACKINNON: Okay. But shouldn't they do the investment themselves?

CLEMENT: It's always been a part a partnership. And you know they made the initial investment. What happened as a result of this kind of funding was they were able to upgrade with some very modern equipment.

MACKINNON: That money for modern equipment was very good for DiagnostiCare. Very soon after, DiagnostiCare was sold by mutual agreement to a much larger private medical imaging company. Canadian Medical Laboratories of Mississauga. After DiagnostiCare's huge government grant, it received substantially more than any hospital. It must've seemed a much more attractive company.

NORMAND LABERGE (Canadian Association of Radiologists): The book value prior to the government grant was 12 or 13 cents. After the government grant, it was 35 cents. So quite clearly, they had a gain there.

MACKINNON: Normand Laberge is CEO of the Canadian Association of Radiologists. He followed the DiagnostiCare story closely. He points out that Canadian medical labs offered 60 cents a share for DiagnostiCare, a 71 percent increase over DiagnostiCare stock value at the time. Some shareholders might've done very well indeed.

LABERGE: So they gain from their position a few months before. They gain from their position five or seven years before that is really had to say, but quite clearly short term they gain from the situation where at least they covered loss that they already incurred in the past.

MACKINNON: The sale of DiagnostiCare meant the shareholders were happy. It also mean that the public was happy because without it, DiagnostiCare might've gone bankrupt and closed down all its clinics leaving patients in a lurch. The buyer, Canadian Medical Labs, is much more financially healthy and has to plans to shut down anymore facilities. But in the DiagnostiCare saga, how well has the public health been served by private delivery of a vital health service.

LANOIS: I don't completely agree that the system should be completely run by the public system. I think we need an injection of private system because the public system is so overburdened.

MACKINNON: Like many physicians, Dr. Lanois is not anti-private sector. After all, he too is paid publicly but his practice is an incorporated business. But what's different here?

LANOIS: Well, what's different here is that it's a perfect example of how private medicine failed and I think what happened was that there was not enough controls or strings attached, if I can use the words by Mr. Romanow.

MACKINNON: A small community like Rockland doesn't expect to have its own hospital. It doesn't expect high tech MRI equipments but in the past, it always had the basic tool the lab x-ray. Now it always had the basic tool of the lab x-ray. Now in the private health care delivery world, it's a loser.

LABERGE: The issue is more do we mix profit in health care? It's unacceptable to have a company taking hostage areas of the province to make a profit, especially not in health care. That could be possible for hamburger sales or something like that but certainly not in health care and that's the issue here, not quality of care, not patient payment.

MACKINNON: We asked Ontario's Minister of Health, Tony Clement, about the profit motive in health care delivery. What about citizens who lose access to a private clinic, an x-ray for instance, that's been shut down in their community because it's not make enough profit.

CLEMENT: Well I think we, as the funders of the system, the Ontario government has to always be concerned accessibility and if one bit of accessibility is lot, either because a hospital can't deliver it anymore or because another clinic is closed down, we should take a look at that and make sure the accessibility is available. That's got to be the key concern.

MACKINNON: But it's not in some of the communities we've looked at. They've lost their x-ray clinic because DiagnostiCare, which has since been bought by medical labs closed those clinic because they were making enough profit. Not that they were losing money, not that they weren't making profit, they weren't making enough profit.

CLEMENT: Well I'd be concerned if there was a loss of accessibility. That's my number one concern so if there's no other alternative within a reasonable distance, I've got to be concerned about that and got to deal with that.

MACKINNON: Canadian Medical Laboratories did not want to talk to us on camera. It says there's a different management in place now and while it states it is in business to be profitable, it says it's motivated b patient care. And it's now preparing a bid for one of Ontario's new privately run for-profit MRI clinics.

For The National, I'm Leslie MacKinnon in Ottawa.