

Private orthopedic clinic goes belly up

Public purse to rescue bankrupt beacon of privatized health-care.

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by Gillian Steward

A Calgary for-profit hospital, once a beacon of hope for medical entrepreneurs across the country, declared bankruptcy last week. And who will have to pick up the pieces? None other than the public health-care system and ultimately Alberta taxpayers.

For years, critics predicted that this experiment in privatized health care would prove unreliable and expensive. But no one imagined a scenario in which publicly funded Alberta Health Services would go to court in a bid to keep the lights on over the operating tables in an investor-owned hospital. No one imagined that AHS would be paying receivership fees in order to keep the doors open.

The health authority acknowledged that private surgeries cost 10 percent more than in a public hospital, but it was short of operating theatres.

But this is, in fact, what has happened because Calgary's public health-care system is so reliant on private partners.

In the meantime, hundreds of people waiting for scheduled hip and knee surgeries have been left in limbo.

The private hospital, Health Resource Centre, was once the focal point of premier Ralph Klein's health-care strategies. It was for the benefit of HRC and its bevy of investors and orthopedic surgeons that in 2000 the Alberta government passed the Health Care Protection Act, which allowed private surgical clinics to keep patients overnight, thus allowing HRC to perform hip and knee replacements that had previously been permitted only in public hospitals.

At first, HRC catered mostly to clients of Workers' Compensation. Since it could not offer surgery to patients who wanted to pay out of their own pockets, it soon became clear that it could not survive without lucrative contracts from the publicly funded health-care system.

The Klein government had already closed three public hospitals in Calgary as it pared its budget in order to eliminate the deficit. So there was indeed a shortage of operating theatres, a shortage HRC was quite prepared to fill.

The HRC had taken over space in one of the hospitals that had been closed and sold off. And it had been lobbying government ministers and local health authority administrators in an effort to secure contracts to provide surgeries for publicly insured patients who could not be accommodated in the public hospitals.

In 2004, HRC finally hit pay dirt. The regional health authority awarded it a two-year contract worth \$20 million for the provision of 2,500 hip and knee surgeries. The health authority acknowledged that it was paying 10 percent more than what it would cost if the surgeries were done in a public hospital but, given the shortage of operating theatres, it didn't have much choice.

The contracts continued and HRC became so successful that it decided to expand and rent expensive space in a new development. That's when HRC ran into trouble. Before it had even moved in, the developer claimed HRC had defaulted on payments. HRC claimed that Alberta Health Services had cut back on promised contracts, and declared bankruptcy.

AHS then went to court to try and save HRC, for without it there are not enough operating theatres to accommodate all the patients scheduled for surgery.

HRC is not the only for-profit surgical hospital in trouble. Private surgical clinics in Vancouver have created a different set of problems. Some patients are suing the BC government for reimbursement of fees they paid for surgery normally covered by medicare.

Another clinic, another trip to the courts that will cost the taxpayer plenty and divert even more money away from health care.

Gillian Steward is a Calgary writer and journalist, and former managing editor of the Calgary Herald.