

For-Profit Health Care

Dispelling the Myths

Myth #4 For-Profit Health Care = Improved Quality Care

One of the principal justifications for extending for-profit provision of health care rests on the assumption that contracting with private, for-profit providers is a more efficient way of meeting health care needs than simply restoring some of the funding previously cut from the public system.

Alberta's decision to allow private, for-profit facilities to be the site of overnight care covered under the *Canada Health Act* provides a good example. "The Premier would appear to believe that his proposal is a more efficient approach to expanding the supply of needed services, that private sector organizations, operating under the incentive of profit opportunities, can provide as good or better quality care at lower cost."¹

While no one questions the need to find ways to improve the efficiency and effectiveness of the health care delivery system, most sources of "efficiency" in the for-profit provision of care are more illusion than reality. When it comes to

measuring quality, research solidly shows that the Canadian single-payer system works more efficiently than a for-profit system and protects against the deterioration of quality that is evident in for-profit organizations because of pressures to reduce operation costs and to protect larger operating margins.

"In short, the belief must be that private sector organizations, operating under the incentive of profit opportunities, can provide as good or better quality care at lower cost. The evidence, alas, does not support this belief"

"Private Highway, One-Way Street:
The Deklein and Fall of Canadian Medicare?"
Robert Evans, Morris Barer, Steven Lewis, Michael
Rachlis, Greg Stoddart

In Fact...

An overview of studies prepared by Michael Rachlis indicates that the available data on quality of care supports a not-for-profit approach.

- “Drs. Himmelstein and Woolhandler concluded in a 1999 article in the *Journal of the American Medical Association* that for-profit US health maintenance organizations (HMOs) rated lower than not-for-profit HMOs on all 14 quality indicators measured by the National Committee for Quality Assurance... The authors estimated that there would be an extra 5,925 breast cancer deaths annually in the United States if all HMOs were for-profit.”
- “Another 1999 *New England Journal of Medicine* report, by Johns Hopkins researchers, investigated all dialysis centres in the United States. It concluded that patients receiving care at for-profit facilities had 20 percent higher death rates and were 26 percent less likely to be placed on a waiting list for renal transplantation than those attending not-for-profit centres.”²

Race to the Bottom

“High-quality health care is increasingly the casualty of a corporatized medical marketplace striving for excessive profits. The race to the bottom must be stopped by limits on how much every patient’s premium dollar goes to profits rather than medicine... Unless action is taken soon to stem the managed care industry’s reckless cost-cutting, the rationing of high-quality health care will result in more deaths and injuries from medical negligence based solely on the HMO industry’s pursuit of profit.”³

Harvey Rosenfield
Consumers for Quality Care (U.S.)

The Profit Motive

“The critical point that cannot be over-emphasized is that the very powerful incentive driving for-profit organizations is to make profit. Period. It is not to improve the efficiency of the health care system, or to provide high quality care, or to advance the health of the population. If these turn out to be profitable strategies, well and good, they will be pursued as means to the overriding end...”

If instead the organization concludes that anti-social behaviour – cream skimming the least costly patients [taking on only clients whose needs are most easily and cheaply met], misleading or pressuring patients to pay privately for extra services, for example – is more profitable, then that is what it will do.”

“Private Highway, One-Way Street: The Deklein and Fall of Canadian Medicare?”

References

1. R. Evans, M. Barer, S. Lewis, M. Rachlis, G. Stoddart, *Private Highway, One-Way Street: The Deklein and Fall of Canadian Medicare?*, a discussion paper of the Centre for Health Services and Policy Research, University of British Columbia, 2000, pg. 15.
2. M. Rachlis, *A Review of the Alberta Private Hospital Proposal*, The Caledon Institute of Social Policy, 2000, pg. 5.
3. *Health Care, Limited: The Privatization of Medicare*, a synthesis report prepared by the Canadian Council for Policy Alternatives, 2000, pg. 19.