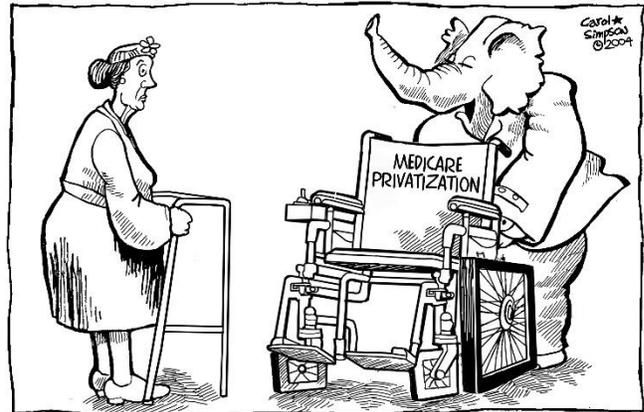


Privatization is a highly-debated and complex issue and process. Care Watchers ask: *What does privatization involve in the health care systems of Canada? Who benefits? Who might be harmed? What does privatization mean for home and community care?* Here are some of the facts.

“Privatization” is generally defined as “*the transfer of ownership of property, business or role from a government to a privately owned entity.*” Sometimes, management or control rather than ownership is transferred.



“Care to take it for a spin?”

The tricky part of this concept is the term “private entity” because there are many types of **private** entities involved in health care in Canada:

- Private can refer to **individuals** like patients, service recipients/consumers and taxpayers
- Private can refer to **individual providers** like physicians
- Private can refer to **for-profit organizations** like some long-term care homes (Extendicare, Revera Living, Siena Homes, etc.) and some home care delivery organizations (Bayshore, Para Med, Spectrum, etc.)
- Private can refer to **not-for-profit organizations** of all sizes, like most hospitals, some long-term care homes (charitable, religious, or cultural) and many community-based home care organizations (like SPRINT, St. Elizabeth Health Care, and VHA)
- Private can also refer to **for-profit insurance companies** that pay for covered health services on behalf of their paying clients (subscribers).

Health care privatization in Canada affects the **financing**, the **management**, and the **delivery** of health services, as well as the recipients of health services.

Financing:

Governments, individuals, insurance programmes and combinations of these **fund**, or finance, health services in Canada. For example:

- Governments, through Medicare and other tax programmes, cover most of the costs of *medically necessary* hospital, physician and nursing services and public health services (like immunization). This places physicians and the medical establishment as gatekeepers to health service

- Governments also pay a portion of long-term care residential services and home care services (and the client pays the rest through a “co-payment” arrangement)
- Individuals and, in some cases, governments and insurance plans, pay some or all of the costs of dental services, medications, eyeglasses, and mobility aids like walkers or wheelchairs
- Individuals also pay directly for health services in a number of ways: through the private purchase of unfunded services (like some home care services or experimental drug therapies); via user fees for services that are otherwise funded by government (like extra physician administrative fees; dispensing fees at the pharmacy; etc.); and through a co-pay arrangement for services that are partially funded by government or individually-purchased insurance
- Individual taxpayers also contribute to health services financing through payment of personal income taxes and various health-specific supplementary taxes
- In summary, government pays for about 70% of Canada’s health care while individuals and/or insurance companies pay for the rest (30%)¹.

Management:

Governments, government agencies, not-for-profit corporations, and individuals (or a combination of these) have responsibility for coordinating and managing health care services for those who need it. For example:

- Governments (e.g., through ministries of health) generally have responsibility for planning, managing and coordinating both the financing and delivery of health services
- Governments often delegate (or out-source) the regional/local planning and management of health services to arms-length public agencies (like Local Health Integration Networks) or not-for-profit corporations like hospitals. However, hospitals have always been responsible for planning and managing the health services they will deliver, within the funding and other service plans established by governments. Many municipalities, which are legislatively required to provide long-term care facilities, now out-source the management of their seniors’ homes to private corporations, like Extencicare, under “managed-care” agreements
- Individuals and/or family caregivers may also be responsible for coordinating and managing the purchase and delivery of both medically necessary and supportive health services on behalf of themselves or loved ones (e.g., self-directed care).

Delivery:

- Governments, private not-for-profit providers, private for-profit providers, and combinations of these **deliver** health services in Canada. Physicians are considered small businesses (private for-profit providers), compensated on a piece-work or fee-for-service basis even though they must abide by government rates for services covered by Medicare. A minority of physicians are employees of non-for-profit organizations (e.g., community health centres) and are salaried
- Increasingly, provincial governments in Canada deliver fewer and fewer health services **directly**. For example, Ontario used to run many MRI, laboratory and x-ray facilities, but there are now

¹Karen Born & Andreas Laupacis. (2011). Public and private payment for health care in Canada
<http://healthydebate.ca/2011/07/topic/cost-of-care/publicprivate>

many private providers offering these services. The delivery of long-term care and in-home care is more frequently being undertaken by large for-profit companies as opposed to not-for-profit or government bodies

- Family and other informal caregivers also provide direct services and support, and increasingly, management and coordination of health services for family members and friends.

Why worry about Privatization?

The most popular public programme in Canada is “Medicare”, which provides publicly funded health services to all residents. It is one of the defining characteristics of Canadian culture. Medicare is, in fact, a *public health insurance programme* funded through taxation, which spreads the cost of health care across all taxpayers to ensure access to medically necessary services for all.

Privatization of health services carries a variety of different risks:

- **Privatization of funding** means that we are collectively (via government) paying a smaller proportion of the cost of health services and the individual, regardless of their financial ability, is paying for more. This move carries obvious problems for Ontarians in terms of accessibility, affordability, and erosion of valued public services, as well increasing the likelihood of queue jumping by wealthier people
- **Privatization of responsibility** for coordinating and managing health services mean that individuals and family/other informal caregivers must navigate the highly complex health system to identify and gain access to needed health services, often at significant cost to their own health and resources. Governments increasingly promote self-directed funding and care programmes, which transfers the responsibility for purchase, coordination or management of health services to individuals
- **Privatization of the delivery** of health services is not, on the surface, a “bad thing,” providing that service organizations abide by government regulations and deliver high quality services. But there are inherent risks involved in order to maximize profits relating to the quality of service; cherry picking by providers to serve those with less intense health needs (i.e., cheaper service users); lowering of wages to front line providers; and predatory pricing and business strategies by large corporations that undercut not-for-profit service providers and eliminates them as competitors to maximize future profits from governments and individuals.

For home care and community services, with its focus on individual or private corporate management and financing responsibility, privatization may well result in a system that only well-off seniors in Ontario can afford. Low- and moderate-income seniors, seniors in rural and remote communities, and seniors who are on their own and/or are cognitively impaired may be left out.



It is important for consumers to understand the issues involved in privatization. Join Care Watch in monitoring this trend.