PUBLIC PRIVATE PARTNERSHIPS IN CANADIAN HEALTHCARE
A CASE STUDY OF THE BRAMPTON CIVIC HOSPITAL

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Agenda

- INTRODUCTION
- METHODOLOGY
- PUBLIC-PRIVATE PARTNERSHIPS IN HEALTHCARE
- GENERAL ANALYSIS OF SURVEY RESULTS & INTERVIEW RESULTS
- CASE STUDY
- CONCLUSIONS & RECOMMENDATIONS
The PPP Model in Canadian Healthcare

- Canadian health care is unique: all hospitals, by law, must be public institutions
- Use of the PPP model has traditionally been restricted to less policy sensitive areas
- Rising costs and the need for enhanced public service has resulted in PPP experiments in healthcare delivery
- Aging infrastructure and provincial deficit driving interest in use of alternative financing mechanisms
Methodology

- A pilot PPP health capital project was identified
- An detailed literature review was conducted
- A survey of over 2300 healthcare professionals in the province of Ontario with at 10% response rate
- Interviews with selected knowledge leaders in the field
- A review of the report of the Auditor General of Ontario
- Benchmarking key health indicators
- A factor analysis based upon the responses to risk related questions in the survey
This paper analyzes the Brampton Civic Hospital:

- Brampton a suburb of the capital city of Ontario, Toronto
- Planning for a new Brampton Civic Hospital was begun in the late 1990s
- Part of the William Osler Health Center. The key decisions and cost estimates for the project were made in the late 2003
- The 3P was composed of a design and build component, not including the clinical portion of the hospital
- Physical construction of the hospital occurred over the period 2004-2007
- The hospital was anticipated to open with over 600 beds, however due to Ministry of Health restrictions the hospital opened with only 479 beds in December of 2007
- In addition the existing hospital, Peel Memorial, was closed
Applying an NIE Framework

**Qualitative Elements**
- Equity, Access & Improved Performance
- Sociality & Political Rhetoric
- Governance
- Risk

**Quantitative Elements**
- Transactions costs
- Agency Theory
- Property rights
- Risk
- Efficiency
- Cost Reduction

**Contextualized Outcomes**
# Phase 1: Decision to Build

## Key Decisions

<table>
<thead>
<tr>
<th>Phase</th>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘95 – ‘99</td>
<td><strong>Late 1990s:</strong></td>
<td>Health Services Restructuring Commission recognizes need for new hospital in Brampton area.</td>
</tr>
<tr>
<td>2000</td>
<td><strong>May 2001:</strong></td>
<td>Minister of Finance, Jim Flaherty, announces that the hospital will be built using the P3 model.</td>
</tr>
<tr>
<td>2001</td>
<td><strong>November 2001:</strong></td>
<td>Government approves development of 2 new hospitals using the P3 model (Brampton Civic Hospital and the Ottawa Hospital).</td>
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<tr>
<td>2002</td>
<td><strong>August 2003:</strong></td>
<td>Health Infrastructure Company of Canada awarded 28 year contract to design, build and provide non-medical services the 608-bed facility.</td>
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## Cost Estimates

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>2000</td>
<td><strong>September 2000:</strong></td>
<td>External consulting firm estimates the capital-cost for the 1.275 million square-foot, 716 bed facility at $375 million CAD.</td>
</tr>
<tr>
<td>2001</td>
<td><strong>October 2001:</strong></td>
<td>WOHC updates the capital-cost estimate for the new facility to $318 million CAD to reflect cost estimate increases.</td>
</tr>
<tr>
<td>2003</td>
<td><strong>January 2003:</strong></td>
<td>Second external consulting firm estimates cost of new hospital under traditional model to be $507 million CAD.</td>
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## Issues and Challenges in Phase 1:

- Governance complexity with multiple changes in provincial government.
- Best practice with respect to decision to pursue a PPP model not followed.
- Public Sector Comparator done very late in the decision-making process.
Issues and Challenges in Phase 2:

- PPP agreement reached and new capital estimates determined
- Additional capital costs arise and changes in design result in additional cost overruns
- Additional governance complexity in introduced (Infrastructure Ontario, LHINs)
Phase 3: Initial Opening

**Issues and Challenges in Phase 3:**
- Poor communications with the general public throughout the project result in sociality and political rhetoric issues arise.
- Government intervention with additional funding and ultimately supervision.

**October 2007:** Hospital opens with 479 funded beds in service.

**Late December 2007:** Supervisor is appointed to oversee.

**January 2008:** Top executives resign in wake of turmoil at the hospital. CEO, CNO and Executive VP leave BCH.

**October 2007:** Peel Memorial Hospital closes. A flash-cut is used to move patients, equipment and staff to the new Brampton Civic Hospital over the weekend prior to the opening of the new hospital.

**December 2007:** Two patients die at BCH and community claims medical error occurred in the Emergency Room. Some say the role private sectors role at BCH is to blame. More than 1,500 Bramptonians march in protest.
## Analysis and Key Implications

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<thead>
<tr>
<th>NIE Element</th>
<th>Implications Analysis</th>
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| **Sociality & Political Rhetoric** | 1. In a politically sensitive area, such as healthcare, the case presents a very strong argument for the need to have a robust communications plan  
2. Community management was poorly done including communications and stakeholder engagement  
3. Unique needs of the community were not met or well-managed in this case  
4. PPP is a new model in Canada, evolving model – not well understood |
| **Risks**                        | 1. Sound methodology exist for transferring risk – case study suggests that project specific implementation is challenging and actualizing of theory was difficult  
2. A best practice methodology was not followed and as risk not effectively transferred  
3. Knowledgeable and experienced participants must be involved to assist in accurate risk estimate and assurance of transfer  
4. To effectively transfer risk, some control must be relinquished |
| **Equity, Access & Improved Performance** | 1. The perception of access and delivery issues in PPP’s was not supported by an analysis of mortality rates and patient satisfaction  
2. William Osler Health Center patient satisfaction outcomes remained consistent prior and subsequent to the opening of BCH  
3. Analysis suggests with respect to the privatization effects on equity and access in the PPP model  
4. Public perception that model is precursor to private healthcare (not well understood) |
## Analysis and Key Implications

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<th>Implications of Analysis</th>
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| Cost reductions  | 1. PSC and VFM were not done correctly for BCH as compared to best practice  
2. Cost of capital in developed countries is always less for the public sector– but over a 25 year timeframe the efficiencies of the private sector in the operations and maintenance of the facility may result in lower costs  
3. Cost overruns associated with changes in the design of the facility due to technology enhancements were not adequately considered. Contracts should incorporate flexibility to allow for design revisions  
4. Presumption that public sector time is free – not well represented in case study’s PSC  
5. Proper accounting ensures that projects are appropriately reflected on the government accounts – in Ontario current accounting practices are full-costs and therefore liability is represented |
| Governance       | 1. Lack of in-house resource expertise at the hospital with no government agency at the time to provide expertise or oversight to the PPP project  
2. Comparison of contract to current best practices revealed BCH contract was suboptimal - nature of contract, dispute resolution , etc.                                                                                                                                                  |
| Agency Theory    | 1. DBFM better model to try to integrate the interests of the public and private sector given incomplete contracts                                                                                                                                                                                                                                       |
Key Case Study Issues

• Communications based on well-articulated goals are critical to the successful execution of PPP in policy-sensitive areas such as healthcare
• Public education on the PPP model is required to align perceptions with actual outcomes achieved using this model
• Public sector control of key risk factors must be relinquished in order for risk transfer to the private sector to be actualized
• Issue in Canada re: of concern ‘privitization’ must be addressed for the PPP model to further evolve
• A PPP model is required that addresses the timing, flexibility, best practice and governance in four stages of design, build, finance, maintain
Communications based on well-articulated goals are critical to the successful execution of PPP in policy-sensitive areas

Conclusions:

• Breakdown of communications with the public was evident in this case study as evidence by:
  – Thousands of citizens marched in the streets of Brampton to protest their dissatisfaction with the project
  – News coverage, government intervention
  – And ultimately supervision

• Infrastructure projects in Ontario continue to evolve into more complex environments in terms of governance and infrastructure (e.g. health information technology)

Recommendation: A formal communications and engagement plan for managing public perceptions, particularly in Canada given the sensitivity of ‘privitization’ of health services will assist in the management of critical issues in a timely manner.
Public education on the PPP model is required to align perceptions with actual outcomes achieved using this model.

Conclusions:

• Upon opening of the hospital there was considerable concern with respect to efficiency and effectiveness of the new hospital; deaths at the hospital exacerbated these concerns.

• Key interest groups suggested the PPP was at fault for the perceived issues of effectiveness and efficiency.

• Analysis of key health metrics indicate that deaths and negative clinical outcomes were no different at Brampton Civic Hospital than its peers.

• Survey analysis revealed that the PPP model is not well understood within the informed health care community in Ontario.

Recommendation: As the PPP model evolves into more policy sensitive areas such as healthcare, care must be taken to clarify the nuances of the PPP model in order to effectively manage the elements of sociality and political rhetoric that can have significant influence on PPP project outcomes.
A PPP model is required that addresses the timing, flexibility, best practice and governance in four stages of design, build, finance, maintain

Conclusions:

• Since the building of the Brampton Civic Hospital, a crown corporation called Infrastructure Ontario has been established to provide expertise and oversight to PPP projects in Ontario

• The Infrastructure Ontario model has enhanced the ability for PPP projects to manage many of the quantitative elements including risk transfer, agency theory and cost reductions

• It appears that the DBFM model would best align the incentives of the private and public sectors and hedge against incomplete contracts

Recommendation: Opportunities to enhance the current model include additional support to health service providers post-construction and enhance communications with the public to improve PPP project outcomes.