Backgrounder

Highlights of Auerbach's report on the Abbotsford Hospital and Cancer Centre Request for Proposals

THE LACK OF convincing cost savings or risk assessment analysis, and the restrictive structure of a 30-year agreement as defined in the Request for Proposals, suggest that a public-private partnership (P3) arrangement for the Abbotsford Hospital and Cancer Centre (AHCC) may not be in the public's best interest, concludes independent consultant Lewis Auerbach, a former director in the Office of the Auditor General of Canada.

In a review commissioned by the Hospital Employees' Union, Auerbach identifies eight key issues of concern:

- The government's only shareholder, Partnerships British Columbia, has a mandate to pursue only public-private partnerships and not publicly owned and operated facilities, *even if the latter are less expensive*. This leaves open the question of who represents the public interest;
- Bidders are asked to find "opportunities to enhance the value of the project through entrepreneurial development strategies". The criterion by which these proposals will be judged may not lead to outcomes most in the public interest because simply saving the government money does not necessarily lead to better or less expensive health care for taxpayers;
- A 30-year operational contract is far too long and bundles up too many disparate elements. From the point of view of the taxpayer, one large umbrella contract provides fewer opportunities for taxpayers to share in the savings that could result from changing technologies, productivity improvements and similar developments. The arrangement, says Auerbach, "is analogous to a homebuyer who must take out a mortgage. However, instead of just borrowing the money to acquire the house, as part of the mortgage contract the buyer also agrees to bundle, or turn over responsibility for all 'necessary' maintenance, painting, laundry, snow removal, and cleaning in a 30-year commitment to the bank" which then arranges subcontractors of its own choosing;
- The structure of a P3 arrangement could crowd out other health care initiatives by requiring a fixed, rather than discretionary expenditure within the health budget. "For

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Abbotsford, the risk is that the necessity to pay the obligations in a 30-year contract might at some point crowd out needed expenses for other health care services, and in other parts of the region";

- The requirement that "no part of the AHCC…can be temporarily shut down or otherwise compromised…as a result of labour relations/collective bargaining matters" assumes that current legislation such as Bill 29 would still be in effect throughout the course of the 30-year contract. This ignores the possible impact and expenses created by a change in government and/or legislation;
- The current estimated cost of the hospital would be significantly increased over the life of the contract. The danger for excess and unwarranted additional payments is real and should be subject to an independent audit by a third party. If public-private partners don't achieve goal congruence, the result could not only lead to higher costs, it could also compromise public service objectives, including quality and level of service;
- Although the estimated cost of the hospital operations would increase over the life of the contract, the RFP does not indicate how adequate monitoring and audits would take place, nor if these would take place, nor who would bear the costs. Concerns about safety, patient satisfaction, and costs require that the government establish regulatory and oversight mechanisms that do not appear to be in place; and
- The province seems poised to pay the winning bidder to assume risks that might be beyond its financial capacity. And yet, if the project fails, the public sector must assume the risk it has already paid the private sector to assume.

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