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Private health firm built on tax dollars: Ontario trying to sell shares

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As politicians here debate the private sector's role in health care, a Canadian company with ties to provincial governments, public hospitals and universities is opening and operating new private medical facilities in Britain and the Persian Gulf.

One of InterHealth Canada's latest projects, in Kuwait, is actually called the Elite Hospital. In Britain, it recently began providing orthopedic surgery under a new, taxpayer-funded program that uses for-profit operators in a controversial effort to try to cut waiting times.

The brainchild of Ontario's NDP government of the mid-1990s, InterHealth was originally designed to export the expertise of a predicted excess of doctors and nurses. The company has since recruited many professionals, although the personnel surplus turned out to be a dire shortage.

The Ontario government -- like British Columbia -- was a founding shareholder in the company, and the Ontario Health Ministry has provided advice and expertise to the firm.

But the current Liberal government, a strong proponent of public medicare, is now in the throes of selling its shares, mainly for financial reasons, said David Spencer, a spokesman for George Smitherman, the health minister. The nature of InterHealth's business was a factor, too, he suggested.

"The fact this particular company is focused on private health concerns is not something that is lost on this particular minister's office," said Mr. Spencer.

Other early stakeholders in the company -- including B.C., universities and hospitals -- have also sold their shares in recent years. But some public institutions are still listed on InterHealth's Web site as "partners" in the venture, offering expertise and advice.

Dalhousie University is not a shareholder but has worked with InterHealth on projects, such as one involving a mental health hospital in Lebanon, said Jim Vibert, a university spokesman.

He called it a positive example of the "Canadian health care system going outside and actually making money that it returns to the Canadian health care system."

Kingston General Hospital in Ontario has a standing agreement with the company to provide help on specific contracts, though has yet to get involved in any, said Joe DeMora, the hospital's CEO.

He said it is only natural that the firm's business would focus on private health care, since that is where the money is to be made overseas.

But Dr. Brian Day, whose Cambie Surgery Centre in Vancouver is a controversial pioneer of private health care in Canada, calls public-sector involvement in the company hypocritical.

"Here was a Who's Who of public institutions ... entering the field of private, for-profit health care abroad, while they considered it unethical in their own country," he said yesterday.

InterHealth's chief executive, Eric Parsons, could not be reached for comment.

The company operates the Sheikh Khalifa Medical Centre in Abu Dhabi, United Arab Emirates. It also has a contract to manage the Elite Hospital in Kuwait, a women and children's facility described by the construction company that built it as offering "five-star hotel quality of service."

In Britain, InterHealth was chosen as one of several private companies to help alleviate long wait times under the Labour government's "independent-sector" initiative.

In Canada, the Registered Nurses Association of Ontario was an early investor in InterHealth but sold its stake in 2002, feeling that the company's involvement in private-sector delivery of health care did not mesh with its own beliefs, said Doris Grinspun, the RNAO's executive director.

The company actually grew out of a suggestion by Michael Decter, a deputy health minister in the 1990-95 NDP government in Ontario. Graham Scott, a top Toronto corporate lawyer, said yesterday that Mr. Decter asked him in 1994 to convene health care consultants and come up with an idea to export Canadian health care expertise.

"It sounds strange now, but in the late 1980s, early 1990s, they thought we were going to have too many nurses, too many doctors," he said.

The Ontario government put up half the original investment, but the going was tough in the early years, said Mr. Scott. The tide began to turn when some British investors got involved a few years ago, adding seed money and connections in the Middle East that helped win contracts in that region, he said.

About two or three years ago those investors bought out most of the other shareholders, though not the provincial government, then under Conservative control. The province is in negotiations now on a sale price for its shares, said Mr. Spencer.