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For-Profit Hospitals Cost More - Canadian Study

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By Maggie Fox, Health and Science Correspondent

WASHINGTON (Reuters) - U.S. hospitals owned by investors with the aim of making money are less cost-efficient than nonprofits, Canadian researchers said on Monday.

And experts who wrote a commentary on the study said converting all investor-owned hospitals to nonprofit status could have saved $6 billion in 2001.

The report, published in Monday's issue of the Canadian Medical Association Journal, adds fuel to the debate over whether health care should follow a business model.

Dr. P.J. Devereaux and colleagues at McMaster University in Hamilton, Ontario, reviewed medical studies on hospital care in the United States, covering 350,000 patients and hundreds of hospitals.

Devereaux, a cardiologist, said he had to study U.S. hospitals because "the U.S. is really the only country which has any large degree of investor-owned, for-profit health facilities," he said in a telephone interview.

But he said he wanted to contribute to a debate over Canadian health care.

"In Canada, there has been an intense debate for a number of years now over whether we should move beyond our current not-for-profit health care facility," he said.

"We all want to know what is the most effective way to deliver health care," he added. "It should be driven by evidence, not people's ideology."

Devereaux and colleagues earlier showed that for-profit hospitals had higher death rates.

"The reality is that for-profits face significant economic challenges. The first is they have to generate revenues that will satisfy shareholders," Devereaux said.

"Second, they have high executive bonuses. Thirdly, they are very top-heavy and have high administrative costs. Also, they have to pay taxes. That is a lot of extra money that they have to come up with," Devereaux added.

"Instead of finding new efficiencies, folks were cutting corners in quality health care, and also people were having to pay more for care."

In a commentary published in the journal, Dr. Steffie Woolhandler and Dr. David Himmelstein of Harvard Medical School (news - web sites) commented that 13 percent of all U.S. hospitals are for-profit, and said converting them to nonprofit status could have saved $6 billion of the $37 billion spent on care at investor-owned hospitals in 2001.

Woolhandler and Himmelstein, both prominent in a group called Physicians for a National Health Program, have long argued for comprehensive, nonprofitmaking health insurance for all Americans.

"Investor-owned hospitals charge outrageous prices for inferior care," Woolhandler said in a statement.

"The for-profits skimp on nurses, but spend lavishly on their executives and paper-pushers."

Himmelstein pointed to fraud cases involving for-profit health care companies including Columbia/HCA Healthcare Corp., which was hit by a Medicare scandal in 1997; Tenet Healthcare Corp., which is being investigated for allegedly overbilling Medicare; and HealthSouth, where 15 former executives have pleaded guilty to criminal fraud charges.

"In health care, crime pays handsomely," Himmelstein commented.