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Health Care Entrepreneurship: Overcoming the Obstacles

For the past fifteen years, increases in health care spending have outpaced the growth of the Canadian economy (see Figure 1). As a result, this spending takes up an increasing share of government budgets. The share of provincial and territorial program spending taken up by health care expenditures reached 37.7% in 2010.[1] Not all sources of increased spending should be viewed as problems, of course. New medical technologies, for instance, even if sometimes quite expensive, can provide valuable services,[2] and perhaps reduce other costs. For example, they might replace surgical treatments or reduce the number of hospital visits, thereby leading to a decrease in total health care spending.

In an efficient industry, greater expenses are not necessarily a source of concern, especially if the quality of goods and services obtained is higher. Also, there is nothing unusual about a population demanding more of a certain kind of service when its income levels increase. A higher standard of living is in fact among the factors that have led to the growth in health care spending in recent decades.[3]

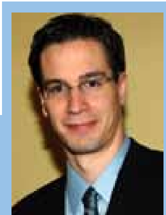
However, when increased expenses do not lead to better services, there is every reason to be concerned. In this respect, the performance of Canadian public health care is far from satisfactory, despite the allocation of growing sums to the system over the years.

The Canadian population is not getting its money's worth from its health care system as compared to the systems of the vast majority of OECD countries,[4] and the situation does not seem to be improving. In Quebec, nearly 1.7 million people, or 25% of the population, still had no family doctor in 2010.[5] Patients have to wait an average of 17.6 hours at the emergency room, which is nearly two hours more than a decade ago.[6] In addition, the median wait time between seeing a general practitioner and treatment by a specialist has more than doubled from 1993 to 2010, going from 7.3 to 18.8 weeks.[7]

These delays are not only tough on patients; they're also very costly from an economic standpoint. According to a study carried out on behalf of the Canadian Medical Association in 2008, the total economic cost of prolonged waits for four types of treatments amounted to $2.9 billion in Quebec alone ($14.8 billion across the country).[8]

Obstacles to health care entrepreneurship

In most sectors of the economy, the many problems facing the health care system would be perceived as opportunities by entrepreneurs. However, since hospital and medical services deemed to be "essential" are monopolized by the government – which finances 70% of the country's total health care expenditures[9] – entrepreneurs are by definition excluded from a large part of the health sector. Even in areas in which the private delivery of services is allowed, numerous obstacles in Quebec undermine the drive of those who have good ideas and want to go into business.



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1. Canadian Institute for Health Information, *National Health Expenditure Trends, 1975 to 2011*, November 2011, p. 56.
2. See: Amalia R. Miller and Catherine E. Tucker, "Can Health Care Information Technology Save Babies?" *Journal of Political Economy,* Vol. 119 (2011), No. 2, pp. 289-324; David M. Cutler, "The Lifetime Costs and Benefits of Medical Technology," *Journal of Health Economics,* Vol. 26 (2007), No. 6, pp. 1081-1100.
3. Robert E. Hall and Charles I. Jones, "The Value of Life and the Rise of Health Spending," *Quarterly Journal of Economics,* Vol. 122 (2007), No. 1, pp. 39-72.
4. Brett J. Skinner and Mark Rovere, *Value for Money from Health Insurance Systems in Canada and the OECD,* Fraser Institute, October 2010.
5. Statistics Canada, CANSIM Table 105-0501.
6. Sara Champagne, "Palmarès des urgences : une attente incurable," *La Presse,* May 27, 2011; Pascale Breton, "Urgences : 'c'est clair que ça se détériore'," *La Presse,* February 7, 2007.
7. Bacchus Barua, Mark Rovere and Brett J. Skinner, *Waiting Your Turn: Wait Times for Health Care in Canada – 2010 Report,* Fraser Institute, December 2010, p. 33.
8. For orthopaedic surgery, heart surgery, cataract surgery and magnetic resonance imaging tests. See: Ernie Stokes and Robin Somerville, *The economic costs of wait times in Canada,* Centre for Spatial Economics, January 2008.

According to a recent Fondation de l'entrepreneurship poll, 27% of entrepreneurs who want to start a business in Quebec, all sectors combined, admit that their projects are stopped by the complexity of the administrative, legal and tax procedures.[10]

In the health care sector, the obstacles that entrepreneurs have to overcome are even greater.[11] For example, laws have been adopted by the Quebec National Assembly in the wake of the Supreme Court's 2005 *Chaoulli* decision in order to regulate the services offered by private surgery clinics – now called specialized medical centres (SMC). In practice, however, these laws have had the effect of significantly restricting the ability of these centres to attract capital and get their businesses going.

First of all, the law's provisions forbid anyone who is not a member of Quebec's professional corporation of physicians from holding even a 5% share in an SMC. Moreover, an SMC must be run either exclusively by doctors who participate in or exclusively by doctors who do not participate in Quebec's Health Insurance Plan.[12]

Among businesses that do manage to get off the ground, several have recently been investigated by the Régie de l'assurance maladie du Québec (RAMQ) concerning the charging of fees considered to be illegal.[13] The RAMQ even recently formed a squad of inspectors whose mandate will be to visit the 1,900 clinics and health co-ops in the province in order to fight such illegal billing.[14]

The Canadian population is not getting its money's worth from its health care system as compared to the systems of the vast majority of OECD countries, and the situation does not seem to be improving.

This phenomenon keeps growing not only in Quebec, but also elsewhere in Canada. In Ontario, for example, a record 189 clinics were investigated in 2010-2011 for illegal billing.[15] Yet in the majority of cases, these are groups of physicians-entrepreneurs who are trying to offer solutions to deal with the shortage of family doctors and other shortcomings in the public health system. Insofar as patients often have no other options but to turn to such private clinics for a timely medical test, it is worth asking if the need to follow the rules is not taking precedence in many cases over patients' interests.

The law is also slow to adapt to the realities of the very rapidly evolving health care sector. A good example of this is the Ville Marie Breast Centre in Montreal, a specialized private clinic that in 2003 equipped itself with two full-field digital mammography machines, a technology that is more expensive but also more effective at detecting breast cancer. Since the RAMQ only reimburses the cost of treatment with the old technology, the centre is faced with a loss that it cannot legally recoup by requiring a financial contribution from its patients.[16] This kind of constraint has the effect of strongly discouraging any initiative aimed at innovating or acquiring new equipment.

Especially burdensome legal and administrative constraints also lead Quebec entrepreneurs to look to other markets. This is the case of Myca Health, a company headquartered in Quebec City, which is now a leader in the virtual consultation field in the United States. After bumping up against what they call a "disheartening bureaucracy" while trying to set up their project, the two main shareholders have given up on the idea of developing their business in Quebec, despite having benefited from venture capital, tax credits and a specialized workforce in the province.[17]

Finally, the emergence of new entrepreneurial initiatives is held up by numerous interest groups in the field of health care, first and foremost the unions and professional associations, which benefit economically from the public monopoly in the delivery and financing of health services.[18] As a result, these groups almost systematically oppose all health reforms aimed at modifying the status quo.[19]

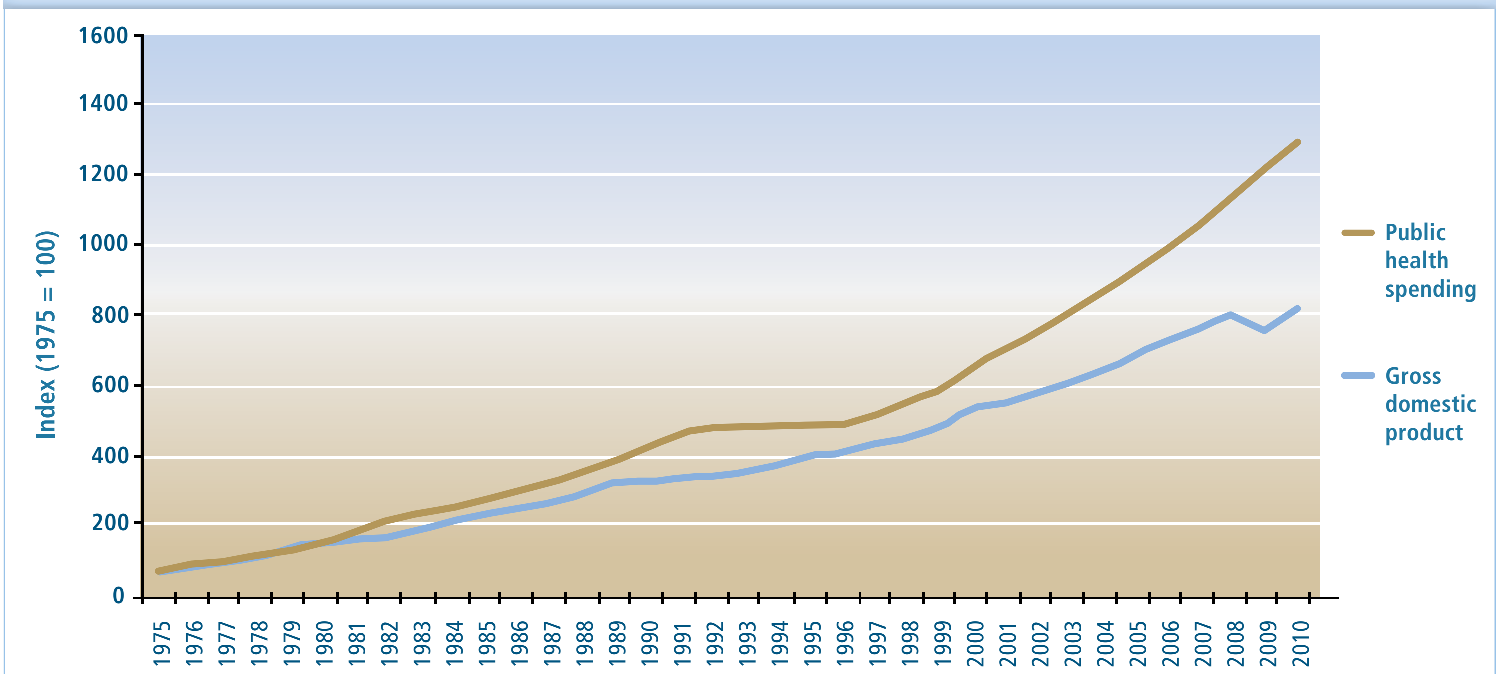
The representatives of these groups very often use language that sets the principles of efficiency and fairness in direct opposition to each other, as if the two were irreconcilable. These political pressure tactics often end up blocking private sector initiatives. For example, the Ontario government's rejection in 2007 of the private Don Mills Surgical Unit's offer to carry out knee operations for $5,800 each – or $1,082 less than the cost in public hospitals – is a notorious case in point.[20]

Examples to follow

Yet entrepreneurship brings with it undeniable benefits on several fronts,[21] especially with regard to wealth and job

9. Canadian Institute for Health Information, *op. cit.,* footnote 1, p. xv.
10. Fondation de l'entrepreneurship, *Indice entrepreneurial québécois 2011*, April 2011, p. 12.
11. Tara Perkins, "Small-business solutions to health care woes," *The Globe and Mail,* April 20, 2011.
12. See especially: Sylvie Bourdeau, "Bill 34 Significantly Limits Operation of Specialized Medical Centres and Medical Imaging Laboratories," *Health Law Bulletin,* Fasken Martineau, May 2009.
13. Louise-Maude Rioux Soucy, "Le brouillard autour d'une loi," *Le Devoir,* January 15, 2010.
14. Amélie Daoust-Boisvert, "La RAMQ met sur pied une escouade des frais illégaux," *Le Devoir,* November 8, 2011.
15. Government of Ontario, *McGuinty Government Cracks Down On Illegal Billing For OHIP-Insured Services*, press release, June 21, 2011.
16. John R. Keyserlingk *et al.*, "Access delayed is access denied," *The Gazette,* March 11, 2011.
17. Suzanne Dansereau, "Myca crée un 'Facebook' de la santé," *Les Affaires,* April 16, 2011, p. 18.
18. Brett J. Skinner, "Why nothing changes: Interest group incentives," in *Canadian Health Policy Failures: What's wrong? Who gets hurt? Why nothing changes?,* Fraser Institute, 2009, pp. 167-179.

Figure 1 - Evolution of public health spending and GDP in Canada (1975-2010)



Sources: Statistics Canada, CANSIM Table 384-0002; Canadian Institute for Health Information, *Public health spending Trends, 1975 to 2011*, November 2011.

creation, poverty reduction, innovation and capital injection, etc. In almost all sectors of our economy, significant numbers of entrepreneurs have been free to take risks and innovate in order to offer consumers better products and services, more choice and lower prices.

It is worth asking if the need to follow the rules is not taking precedence in many cases over patients' interests.

There is no reason to believe that relying more on entrepreneurship would not bring these same benefits to the health care sector. In those areas of health care in which entrepreneurial initiatives are encouraged, the market is dynamic, innovations abound, and the quality of service and care is constantly improving, as several experiments across the country show.

A good example is LASIK, the revolutionary laser surgery that has improved the vision of several thousand people over the course of the last decade. A growing number of clinics are now competing to offer this service, and the results are conclusive. While ten years ago, surgery for both eyes cost around $5,000, the price is now between $1,000 and $2,000.[22] Contrary to the situation that prevails in the public health care system, prices have fallen despite the adoption of more advanced technologies over the years. According to an exhaustive study, the satisfaction rate for patients who have undergone LASIK surgery is over 95%.[23]

Certain specialized private clinics that have been given some elbow room by governments demonstrate the same entrepreneurial spirit found in other sectors of the economy. For example, the Kensington Eye Institute, a private, not-for-profit centre in the Toronto region, is seen as a model of innovation in the field of cataract surgery. The clinic manages to perform 7,200 surgeries a year,[24] at a cost that is 23% lower than the financing received by public hospitals in the province.[25]

Kensington's efficiency allowed traditional hospitals to free up resources in order to concentrate on the most complicated cases. Specialization and emulation thereby contributed to an overall wait time reduction of 60% for cataract surgery in the Toronto region since 2005.

In Quebec, private entrepreneurs have also shown that they can be very useful in filling the shortcomings of the public hospital

19. Aaron Derfel, "Health-care unions go to court to challenge privatization," *The Gazette*, March 16, 2009.
20. "Medicare shouldn't mean monopoly," *The Globe and Mail*, August 14, 2011.
21. See: William J. Baumol, *The Microtheory of Innovative Entrepreneurship*, Princeton University Press, 2010; Randall G. Holcombe, *Entrepreneurship and Economic Progress*, Routledge, 2007.
22. Nathalie Vallerand, "La force d'une vision," *Les Affaires*, February 26, 2011.
23. Kerry D. Solomon et al., "LASIK World Literature Review: Quality of Life and Patient Satisfaction," *Ophthalmology*, Vol. 116 (2009), p. 691.

system. The partnership between the Hôpital du Sacré-Cœur and the private RocklandMD surgery centre in Montreal provides the perfect example. Since 2008, over 6,000 day surgeries have been carried out thanks to the agreement linking the two establishments. This initiative significantly shrank the list of patients waiting for an operation, freed up the hospital's operating block and increased by an average of 400 the number of more complex surgeries carried out there each year.[26] Patients suffering from breast cancer have since seen their average wait time for surgery drop from over six months to under two weeks. As for bariatric (obesity-related) surgery, the wait time is 12 to 18 months compared to an average of 5 to 7 years in the province of Quebec.[27]

In those areas of health care in which entrepreneurial initiatives are encouraged, the market is dynamic, innovations abound, and the quality of service and care is constantly improving, as several experiments across the country show.

The Ontario Telemedicine Network, one of the largest telemedicine networks in the world, arose thanks to the entrepreneurial spirit of one of its founders, Ed Brown, a doctor from the Toronto region. One of its recent programs for over 800 patients suffering from chronic heart or lung disease led to a 65% reduction in hospital admissions and a 75% reduction in emergency room visits.[28] On the national level, telehealth initiatives saved the various health care systems a total of $55 million in 2010.[29]

Conclusion

Despite governments having set up numerous working groups and commissions, and despite the investment of significant sums of money in recent years, our health care system is still struggling to fulfill the public's expectations. There is no doubt that entrepreneurs could be called upon to take up the challenges posed by the aging of the population and the growing costs of health care in this country.

We have examples of efficient practices; what we need are more entrepreneurs to make these examples the norm. For this to happen, government regulation will have to loosen the public monopoly's grip on essential services and try to make life easier for entrepreneurs instead of throwing a wrench in the works when they try to get things done.

24. Karen Howlett, "How the factory floor inspired a new model for health care," *The Globe and Mail,* November 9, 2010.
25. Brian R. Golden, "(Re)Aligning the stars: Design thinking for health systems," presentation at the 6th Annual Canadian Academy of Health Sciences Forum, September 2011.
26. Louise-Maude Rioux-Soucy, "Avec RocklandMD, Sacré-Cœur multiplie les chirurgies," *Le Devoir,* May 11, 2011.
27. Ronald Denis, "Moins d'attente, plus d'opérations," *La Presse,* June 6, 2011.
28. Morgan Holmes and Anton Hart, "Profile: Ed Brown and the Development of the Ontario Telemedicine Network," *Healthcare Quarterly,* Vol. 12 (2009), No. 4, pp. 28-31.
29. Praxia and Gartner, *Telehealth Benefits and Adoption – Report Summary*, a study commissioned by Canada Health Infoway, May 2011, p. 9.

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