

THE RISKS OF PRIVATISING THE WELLINGTON REGION'S LABORATORY SERVICES



APPROVAL FOR THE PROPOSAL TO PRIVATISE THE HOSPITAL LABORATORIES AT CAPITAL & COAST AND HUTT VALLEY DHBS ULTIMATELY RESTS WITH THE MINISTER OF HEALTH.

(L) DR JEANNETTE MCFARLANE | CLINICAL HEAD, ANATOMIC PATHOLOGY, LABPLUS, AUCKLAND HOSPITAL
(R) DR ANJA WERNO | MEDICAL DIRECTOR MICROBIOLOGY, CANTERBURY HEALTH LABORATORIES



At the time this article was written for publication, his decision was not known. However, concern about the clinical and operational risks of privatisation was so strong, the ASMS asked Drs Jeannette McFarlane and Anja Werno to outline the essential points the Minister must consider when reaching his decision.

The Wellington region DHBs (Capital & Coast and Hutt Valley) are attempting to merge the community and hospital laboratories, and privatise the latter. Local clinicians, including pathologists, were excluded from the privatisation decision, and no details are yet available, but it appears likely the successful bidder will be a subsidiary of one of the two large Australian laboratory companies, Healthscope and Sonic Healthcare (45% shareholding of Aotea). Both companies are listed on the Australian Securities Exchange.

Subsequently, however, Aotea has withdrawn its bid, citing strong criticisms of the DHBs' process. If the privatisation proceeds the hospital laboratories would be run by Healthscope.

As specialists committed to the long term future of laboratory services in New Zealand, we hope the Minister of Health will reflect very carefully before supporting this recommendation. He should consider the long term consequences and take into account other DHBs' experiences of private laboratory services elsewhere in the country before succumbing to the siren song of short term cost savings that may not be maintained once a private company is in a sole regional provider position.

Laboratory services are at the centre of health care, and neither the hospital or community health service can survive without them. If the Wellington privatisation goes ahead, the three DHBs will have ceded control of an essential function to an outside entity whose raison d'être is to maximise profit for its overseas shareholders - an economic short-sightedness at

best as this does not constitute financial re-investment into the New Zealand market.

Once public hospital laboratories become privatised there is effectively no back up if parts of the service fail, and no way to reinstate pathology in the public health system. Small, highly specialised services such as immunopathology will be very vulnerable and may collapse entirely. The private company's bid will cover only the most basic investigations, and all of the extra unfunded work that public laboratories currently do will be lost. Highly specialised and innovative tests might not be offered, or they might be sent to public laboratories at other DHBs within New Zealand, provided they are not already privatised, or the tests will be sent to an overseas provider at substantial cost with diminished control over quality. Alternatively, there is a significant risk that patients will be asked to pay for these investigations themselves.

There are very strong incentives for Healthscope to under-price their bid for the contract in the expectation that they would be able to renegotiate later. Once ensconced and the other laboratories closed, the DHBs would in practice have very little control or governance role.

In other regions, the privatisation of laboratories and changes of contracts between private providers have proved much more problematic than expected, and there are continuing issues that will take many years to resolve.

In some instances, DHBs have had to engage in lengthy and costly legal action, money that was effectively taken away from patient care.

Seemingly simple matters like achieving compatibility between computer software systems have required substantial investments that had not been allowed for.

We appreciate that the DHBs need to spend their budget responsibly and should be looking for ways to improve efficiencies, but have serious concerns that any short term savings will not be maintained and that there

will be unforeseen long term costs that will not be in the best interests of our patients. If New Zealanders are to have access to the highest standards of healthcare in years to come, it is essential to invest in the laboratory services that underpin advances in treatment. The money that would be taken overseas as profit under a private company would be better spent on new technology and long term investment in the laboratories.

There is a major part of the pathology services' function that is invisible on the DHB's balance sheets - the close working relationships between the laboratories and their end users. Communication, discussion and advice from pathologists to clinicians are largely hidden from hospital management but behind the scenes we are deeply involved in the care of individual patients. Wellington and Hutt Valley pathologists are also integral to the teaching and training of medical students and resident doctors from a wide range of clinical departments.

Any change of ethos if the laboratories are contracted out to a private provider risks losing the hospital culture that underpins those working relationships.

We believe that this proposal is an inherently high risk venture that will destabilise the health services of the wider Wellington region for years to come and, in reality, is unlikely to achieve the savings promised by those promoting privatisation.

We would strongly urge the Minister of Health to evaluate all options for the future of laboratory services in the Wellington region and take the advice of local specialists before making any decision.

OTHER READING

- ASMS Health Dialogue - Proposed privatisation of hospital laboratories: weighing the risks of unintended consequences (Wairarapa, Hutt Valley and Capital & Coast DHBs). http://www.asms.org.nz/wp-content/uploads/2014/11/Health-Dialogue-Laboratories-Privatisation-CCDHB-HVDBH-WDHB_162600_3.pdf
- Auckland Region District Health Boards: Review of transition to new community laboratory services provider - a report by Graeme Milne and Jens Mueller, 30 September 2010.