Private Health Care Dossier

FINES, FAILURES AND ILLEGAL PRACTICES IN NORTH AMERICA

The Implications for Health Care in Britain

NUPE/SCAT

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This report was compiled and written by Dexter Whitfield of SCAT and 'Public Service Action' following a two week visit to Canada and the USA funded by Toronto City Council, NUPE and Public Service Action.

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The Lessons for Britain

This dossier summarises reports and documents which we have obtained from trade unions in North America. It provides very damning evidence about the quality and cost of health care in private hospitals and nursing homes. We have produced the dossier because there are important lessons to be learnt about the consequences of expanding private health care in Britain.

Private hospitals are growing in number and there is rapid expansion of private nursing and residential homes for the elderly. American multinationals like the Hospital Corporation of America, American Medical International, Humana, and National Medical Enterprises already have a strong foothold in private health care in Britain. Other companies like ARA Services and ServiceMaster Industries are seeking contracts in health and social services. This report spells out the consequences of further growth in private health care.

Ownership of private nursing and residential homes in Britain is spread across a wide range of relatively small companies and business. Many of these are what are called 'mom and pop' operations in North America. But it is unlikely to stay that way for long. The experience from America and Canada shows clearly that a few large companies will quickly come to dominate the 'market' through aggressive takeover tactics.

These companies exploit public money paid in patients fees by local and Federal government in America and Canada. Without it they could not expand or profit so extensively. The same situation applies in Britain because the DHSS pays patients fees for those entitled to social security. These payments have recently been increased substantially. Local authority homes receive no such payments.

There are increasing demands from patients organisations, trade unions and political parties for an end to this exploitation. The Canadian Medical Association task force on health care last year called for all nursing homes to be taken into the public sector. Mounting evidence and concern about 'warehouses of death' where the elderly are exploited until they die is putting increasing pressure on companies.

The Tories constantly claim that the private sector gives better 'value for money'. Yet the evidence from major studies in North America show that this cannot be backed up by facts.

Community Care

The effects of imposing community care, also called 'deinstitutionalisation' in North America, without coordinated and planned alternative care, retraining, etc has been well documented in North America. When community care is used to try to save money it has had devastating consequences for people in need of care. Again the Tory government in Britain is attempting to impose 'care in the community' by closing institutions but providing little in the way of alternative care. (Sources: Madness: An Indictment of the Mental Health Care System in Ontario, John Marshall, Ontario Public Service Employees Union, Toronto, 1982 – results of a public inquiry carried out by a commission of doctors appointed by OPSEU. See also Ontario's Mental Health Breakdown, OPSEU, 1980 and Submission to the Royal Commission on the Economic Union and Development Prospects for Canada, OPSEU, November 1983.

The effects of cuts

Rapid growth of private health insurance in America after 1945 put additional pressure on public hospitals which county authorities had owned and operated to provide health care for working class people, particularly the elderly. The demand for private hospitals increased. The Medicare and Medicaid Acts of 1965 accelerated the decline of public hospitals, many medically respected, because the Federal system of paying patients fees encouraged private hospitals at the expense of public hospitals. The spiral of decline set in. The lack of investment to improve public hospitals, the growth of private hospitals, further cuts in spending due to financial crises in the 1970's and 1980's coupled with the tax revolt has led to the present situation. During the 1970's many counties opted to hire private hospital managtement firms, ususally subsidiaries of the large private hospital companies, to operate public hospitals and to 'cut costs'. This rarely happened

The problem is not new

The evidence in this dossier focuses on the late 1960's and early 1970's. Fines, failures and illegal practices in private health and social services are not a result of some temporary or transitional problem. They are inherent in the system. There was mounting evidence twenty years ago. A US Senate Sub-committee on Long Term Care in 1974 revealed poor treatment of patients, deliberate physical injury, unsanitary conditions, mis-use of drugs, neglect of eye and dental treatment, profiteering and mis-appropriation and theft. The committee concluded that at least 50 per cent of the nursing homes were so substandard as to be life-threatening. The subcommittee hearings also heard frequent testimony that running homes for profit acts as an incentive to keep beds occupied and runs counter to the aims of returning people to the community as soon as possible. An AFL-CIO investigation (America's Nursing Homes: Profit in Human Misery, 1977) also discovered that most deficiencies were concentrated in private nursing homes.

In 1975 an AFSCME report 'Out of Their Beds and into the Streets' described the effects of closing state mental hospitals and forcing 'care in the community'. Modern Healthcare, December 1975, stated: 'About 12 years ago, the concept of 'deinstitutionalisation' was hailed as a grand vision for reforming the care of mentally impaired people, a welcome alternative to the wretched conditions found in many huge, overcrowded state mental hospitals. Since then, the vision has become a nightmare, and the very word 'deinstitutionalisation' has been twisted into a cruel euphemism for dumping hundreds of thousands of sick, dazed people into an unprepared society'.

The US Senate Sub-committee reported that 'there are few commodities on the market that are more of a 'blind item' than nursing home care'. A Federal Trade Commission investigation by the Seattle Regional Office reported that the quantity and quality of information supplied by nursing home owners impeded users decision making and obscured accountability to users and their families.

Business lobby against legislation

As the private health and social services industry has become more powerful they have exerted increasing pressure on government to minimise state legislation and inspections and to argue for self-regulation. This is despite the clear conclusion from the AFL-CIO study that self-regulation was 'inadequate, unworkable, and unacceptable as a substitute for strict government enforcement of standards'.

Relevant in Britain

The supporters of private health care and the companies will no doubt try to deny much of this evidence or say that it is not relevant in Britain. This of course is nonesense. Subsidiaries of multinational companies in Britain, America, Canada or elsewhere follow the corporate startegy set out by the parent company. Centralisation of decision making within companies is increasing. Companies and their subsidiaries often have a web of interlocking directorships, profits are usually channelled back to the parent company, assets are switched between parents and subsidiaries frequently, and these firms usually win contracts by boasting about their corporate resources, assets and 'experience' from contracts around the world.

The evidence we document in this dossier is only a sample. We have copies of all the reports mentioned in the text. The evidence on fines and failures covers only a handful of American states or Canadian provinces. The companies have a distinct advantage because it takes substantial resources to regularly monitor all their activities across 50 states in America each with separate records and legislation. These fines and failures are only the tip of the iceberg. Many of the state and provincial inspection schemes and controls on nursing homes are inadequate and often ineffective. There are increasing demands for much tighter controls.

Growth of Multinational Private Monopoly

Private health care is more extensive and is growing at a faster rate in North America than currently in Britain. Private hospitals and nursing home companies constantly refer to 'savings', 'improved efficiency' and 'economies of scale'. The evidence from North America proves exactly the opposite – and corporate profits continue to soar. The private sector boasts about competition and increased choice. But all the evidence points to the rapidly increasing power and domination by a handful of multinational companies. Private monopolies take control at the expense of patients and public money. In this section we look at how a few companies have sought to dominate health care in North America.

Competition: Growth of a private monopoly

A 'new medical industrial complex' is developing with major consequences for health care warned Dr Arnold Relman, editor of the influential New England Journal of Medicine in 1980. Since then the top four multinational health companies have continued to expand at a rapid pace. Between 1979-83 the number of hospital beds operated by the four biggest companies almost doubled to 90,100 beds. **Four companies, Hospital Corporation of America (HCA), Humana, American Medical International (AMI), and National Medical Enterprises (NME) owned 75 per cent of private hospital beds in 1983.** They also operated 58 per cent (20,572 beds) of beds in hospitals operated under management contracts. **One company dominates – HCA owns 3 times the number of beds of the the next largest company, Humana.**

Rapid expansion

Between 1975-80 the four major companies had an average annual growth rate in turnover of between 19.0 per cent and 42.7 per cent. (Source: Investor Owned Hospital Management Companies: Growth Strategies and Their Implications, Western Center for Health Planning, San Fransisco, 1983) Between 1977 and 1982 the number of privately owned hospitals grew by forty per cent. AMI president Walter Weisman predicts that the five largest firms will acquire between 50 to 100 hospital annually over the next five years. The larger companies are growing at a much faster rate than the rest of the 'industry'. (Source: Multi-Unit Providers, Modern Healthcare, May 15, 1984)

Profits soar

Profits have also soared. **Combined profits of the top four companies increased by a massive 344 per cent between 1979-83.** (Source: In Unity, Strength: Report to Healthcare Division, Service Employees International Union, Washington DC, May 1984.)

Increasing private control

Private companies now own or manage approximately fifteen per cent of all US hospital beds. By 1990 it is expected to rise to 30 per cent. (Non-profit voluntary hospitals currently own about seventy per cent and public hospitals account for the remaining fifteen per cent). Independently controlled hospitals are decreasing rapidly. Virtually all hospitals will be part of chains by the end of the decade. Even the voluntary hospitals, including those operated by churches, are increasingly operated by management organisations along business lines.

In Canada hospitals are mainly run by public and voluntary bodies. However, the major American hospital firms have started to win contracts to manage public hospitals. Private hospitals are also expanding – there are now 17 in Ontario alone.

Big business nursing homes

Seventy per cent of nursing home beds in America are now privately owned (1983).

Voluntary agencies owned 22 per cent and public bodies the remaining 8 per cent. **Beverley Enterprises dominates the nursing home business in the same way that HCA dominates the private hospital sector. HCA owns 18 per cent of Beverley and has a director on the board.** At the end of 1983 Beverley owned 783 nursing homes across America with 88,500 beds. (Source: HCA, Form 10-K, Securities and Exchange Commission file, Washington DC). The other major firms are Hillhaven, owned by National Medical Enterprises with 35,000 beds; ARA Services with 32,000 beds followed by Manor Care with 13,000 beds.

The top five or ten private nursing home companies are expected to control 50% of all beds by 1990. Beverley Enterprises is expected to dominate with 30% of the 'market'. Most of this growth will be by takeovers of existing homes owned by other companies. Between 1976-82 Beverley acquired 391 homes by taking over 16 companies. In 1983 it acquired 192 homes (18,188 beds) and plans to acquire at least 15,000 beds and construct a further 2,500 annually between 1984-87. Beverley already has near monopoly control in Michigan. In 1983 it controlled 75% or more of beds in ten counties and half or more of all beds in twelve counties in the twenty four county state.

Canadian business

In Canada 62% of all nursing home beds are privately operated and 43 per cent of 'long term care beds' in nursing and rest homes are in private homes. Ten companies own over 40 per cent of Ontario's 29,000 nursing home beds. One company Crownx Inc owns 17 per cent of the beds (through its Extendicare subsidiary which was originally part of Humana). Extendicare has expanded in a similar way to Beverley. In 1983 it bought the rival Cikent Corporation and Villacentres Ltd. It also purchased Unicare Services Inc which had 62 nursing and health care centres in the US.

Extendicare used its profiable nursing home activities (its profits soared 96 per cent to $32.7m in 1983) to expand into life insurance, advertising, oil and gas exploration and communications technology. Other companies, for example Trizec Corporation, the large property firm, have diversified **from** other sectors **into** nursing homes. In 1983 Trizec bought up the Central Park Lodges in Canada Ltd nursing home chain. (Source: NDP Research, Toronto, 1983/84). Some local authorities in Canada eg. Cornwall County and Essex County have recently sold publicly owned homes to private companies.

Monopoly control: how it is done

The major private health companies are expanding rapidly by buying up rival firms, diversifying into other growing parts of health services, and building and buying hospitals in other countries.

- **Acquiring rival companies:** In 1978 Humana doubled in size when it acquird American Medicorp for $304m. Three years later HCA paid $950m to acquire Hospital Affiliates International. In 1983 American Medical International acquired the Lifemark Corporation – two-thirds of Lifemarks rapid growth – profits up 308 per cent between 1979-81 had come from acquiring other hospitals.

- **Acquiring public hospitals:** Over fifty public hospitals have been sold in recent years as well as independently operated ones.

- **Seeking contracts to manage public hospitals:** With more public hospitals facing cuts and financial crises over 100 county authorities have turned to private hospital management companies. HCA is very keen on such contracts. A management contract allows the company to spend a couple of years deciding whether they should buy it or not and assessing the 'local health care growth potential'. The often-repeated pattern is for public hospitals to be managed in this way for a few years while the private hospital company builds a new replacement 'medical centre' – owned by the company and usually in more affluent suburban surroundings. Firms have recently moved away from acquiring urban and suburban surroudings and focused more on buying up rural voluntary and public hospitals (Source: Investor-Owned Hospital Management Companies: Growth Strategies and their Implications, Western Center for Health Planning, San Francisco, August 1983). The rationale behind this is simple – companies can more rapidly gain monopoly control of health facilities. (see example under AMI)

- **Providing facilities for doctors to channel patients to their hospitals:** Most of the companies provide new facilities and special offers to doctors who are expected to turn to channel their patients into the company's hospital. Companies often offer free rent for a certain period, moving expenses, low interest loans, salary guarantees and other inducements to doctors.

- **Anti-union activities:** Much of the expansion of private hospitals and nusing home companies has occured in the sunbelt states where trade union organisation is weak. However, having become powerful companies, they are spreading their operations across the US and into Canada. Firms have also adopted specific anti-union activities (see later).

Monopoly through diversification
The large companies not only dominate the growing number of private hospitals but they are spreading their control throughout health care services.

HCA, the largest hospital chain, has 18 per cent stake in the largest nursing home firm, Beverley Enterprises, which in turn has a 50/50 partnership with UpJohn Health Services, North America's largest nursing and home help agency.

The cradle-to-the-grave multinational is fast becoming a reality . You can be born in an HCA hospital, have your tonsils, appendix and hernia operated on, stay at an HCA psychiatric hospital or alcoholic treatment centre, and die in a Berverley nursing home. There'll be a handsome profit with every move you make.

Other companies are also diversifying. National Medical Enterprises operates acute care hospitals, nursing homes, psychiatric hospitals, hospices, nursing and home help agencies, medical equipment supplies, hospital management firms and emergency care centres.

Boom in home health care
Nursing and home help agencies are expanding rapidly as the cost of hospital and nursing home care increases. In 1982 about $2.5 billion was spent on home health care and this is expected to have trebled by 1986. Beverley, AMI, NME and other companies now own rapidly expanding agencies. So too are drug companies like Abbott Laboratories and American Hospital Supply Corporation.

Emergency care centres, outpatient surgical centre, cardiac rehabilitation centres and birthing centres are opening at an increasing rate. They offer health care at a cheaper rate than hospitals, but again the major companies are becoming increasingly dominant.

Overseas expansion
All the major American hospital firms have expanded their overseas operations in recent years. HCA, which claims to be the world's largest health care corporation, owns or manages hospitals in Australia (eleven hospitals), Brazil (six), Britain (seven), Panama (one), Saudi Arabia (four), India (two), Malaysia (one) and the Virgin Islands (one), a total of over 4300 beds (at the end of 1983). AMI and NME also have substantial overseas health care operation particularly in Britain and the Middle East.

Waste monopoly
A similar pattern has developed in refuse collection and waste disposal in North America. Two multinational companies now dominate the 'market'. Waste Management Inc and Browning Ferris Industries grew rapidly in the last fifteen years buying up small and large competing firms by aggressive, ruthless and sometimes illegal tactics.

Savings: the myth exposed
A number of studies have shown that privately owned and operated hospitals are more costly than public or non-profit hospitals.

- An investigation of 280 hospitals in California by Pattison and Katz (New England Journal of Medicine, August 1983) showed **that pricing and marketing stategies and not efficiencies and management know-how resulted in high profits.** Private hospitals charged 24 per cent more per admission than comparable voluntary hospitals and 17 per cent higher prices than on average. They ordered 10 per cent more lab tests and administered 50 per cent more medicine than did other hospitals. Private hospitals charged 38 per cent more for ancillary medical services compared to non-profit hospitals. Claims that centralised management saves money were also shown to be false. Private hospital charges for 'fiscal services' and 'administrative services' (including head office costs allocated to each hospital) were 37 per cent higher in private hospitals than voluntary ones.

- A study by Lewin and others in 1981 (Source: Investor Owned and Non-Profits Differ in Economic Performance, Hospitals, Vol 55 No 13, 1981) compared 53 private hospitals with 53 non-profit hospitals in Florida, Texas and California. **The private hospitals had higher inpatient charges, higher costs per patient day, higher ancillary medical costs than non-profit hospitals.** Patient day charges per admission were 17 per cent higher in private hospitals – an average $55 a day more.

- Another study by the Florida State Hospital Cost Containment Board of 72 private and 82 voluntary hospitals using 1980 and 1981 data found that private hospitals costs were on average 15 per cent than voluntary hospitals.

● In 1982 Medicare paid out $300m to private hospitals to cover their return on equity. It costs 8 per cent more for Medicare patients in private hospitals compared to voluntary ones. (Source: For Profit Hospitals and the Poor, Geri Dallek, National Health Law Program, October 1983).

● Canadian private hospitals also receive substantial public funds. The 17 private hospitals in Ontario received $21.4m in 1982/83 from the Ministry of Health. (Source: Privatisation of Health Care: The US and Ontario, NDP Research Dept, Toronto, June 1984)

● Private hospitals increasingly rely on public funds. Medicare provided 43 per cent of HCA's turnover in 1983 – up from 36 per cent in 1979 (Source: HCA Form 10-K, Securities and Exchange Commission, Washington DC, 1984). Sixty-six per cent of Beverley's turnover comes from Medicare and Medicaid. 'Beverley frequently boasts of bringing "efficiency" and "economies of scale" to nursing home care. The company does not offer any hard evidence for this assertion.... The higher-than-average administrative costs indicates an **inefficient** operation, and, while some savings may be realized through bulk buying of supplies, most of the costs of patient services are staff and food – neither of which particularly lends itself to economies of scale... public health dollars – which make up the majority of funds for long term care – buy **less** services for residents in Beverley homes than the same dollar spent in non-Beverley homes.' (Source: Beverley Enterprises Patient Care Record, Beverley Employees CARE, Washington DC, 1983)

● AMI took over the management of Hawkesbury General Hospital, Ontario, Canada in January 1983. The deal gives AMI $300,000 annually for twelve years plus half of any 'profits' over $750,000 a year. An anticipated $350,000 deficit was turned into a projected $400,000 surplus the following year in a blaze of publicity. What actually happened had very little to do with AMI. The hospital's deficit was eliminated by a special government grant of $345,000. In addition, the hospital saved $85,000 on interest payments, plus $140,000 from cuts in staffing (closing a floor in summer and not replacing staff off sick). More patients came from Quebec so the provincial government paid the hospital an additional $200,000. This makes a total of $425,000 and equal to the projected surplus. Three quarters of the finance to effect this change had come from public funds.

● Medical research is often a costly but essential part of health services. Private hospitals 'save' money by not doing research. In the study of 280 hospitals in California reported by Pattison and Katz (New England Journal of Medicine, August 1983) **company run private hospitals spent nothing on medical research** (compared to $17.68 per admission in voluntary hospitals). They also 'save' on education, spending a mere $1.45 per admission compared to $7.92 and $3.53 per admission in public and voluntary hospitals respectively. Yet the combined financial and administrative costs per admission were almost 40 per higher in company run private hospitals.

A Chronicle of Fines and Failures

The quality of care for patients in private hospitals and nursing homes is dominated by the constant motive to increase profits. Its called tender loving greed. There has been documented evidence about private hospitals carrying out unnecessary operations, refusing to admit poor patients and so on. In this section we reveal a chronicle of fines and failures in North America by large health care companies, most of whom now operate in Britain.

HOSPITAL CORPORATION OF AMERICA

By December 1983 HCA owned or managed 391 hospitals (56,144 beds) in America and overseas. Turnover in 1983 was $3,917m, nearly a fourfold increase since 1979. Profits, after tax, shot up 450 per cent in the same period. As well as the 18 per cent stake in Beverley Enterprises HCA also has a share stake in the Republic Health Corporation (to which HCA sold 18 hospitals in 1983). In 1983 HCA set up the HCA Capital Corporation to make investments in the health care industry. It now owns shares in Scientific Leasing (25 per cent) and other medical equipment firms, a chain of outpatient surgical centres, and has a director on the board of each company.

In October 1984 HCA acquired 14 hospitals from the Forum Group for $194m. The Wall Street Journal (19 October 1984) reported that this was part of HCA's 'ambitious three year plan to increase the number of hospitals it operates by at least 50 per cent to more than 600'. HCA owns six relatively small private hospitals in Britain and is building a new 100 bed private hospital in Southampton. (Source: HCA Form 10-k, Securities and Exchange Commission, Washington DC, 1984) HCA was launched in 1968 from a Nashville hospital by two doctors and Jack Massey of Kentucky Fried Chicken (he bought KFC for $2m in 1964 and sold it for $250m seven years later) and Wendy Hamburgers fame.

Patients and government forced to pay takeover costs

In 1981 HCA acquired Hospital Affiliates International Inc (54 hospitals, 18 nursing homes, 10 medical office buildings and 42 subsidiaries) from the INA Corporation. INA received $425m in cash and 5.39m HCA shares valued at $190m. In addition HCA took responsibility for $270m long term debt. HCA later sold all the acquired nursing homes to Beverley Enterprises for $11.5m plus 1.1m Beverley shares. It also resold some of the hospitals it acquired from HAI.

An investigation by the United States General Accounting Office (GAO) initiated by Representative Willis D. Gradison showed that during the first year after the acquisition, **the 54 acquired hospitals' costs increased by about $55.2m due to increased depreciation and interest costs.** The GAO examined HCA's corporate records and received information from the firm's officials.

The GAO then examined HCA's records for repayments for treating Medicare and Medicaid patients. The GAO allocated HCA's claimed costs for depreciation, interest and office expenses to these two programmes for two (of the 54) hospitals identified by HCA. GAO estimated that for the year following the acquisition:

- **The overall increase in costs due to changes in these three items was about $1 million at one hospital and $300,000 at the other.**
- **The portion of these increases allocated by HCA to Medicare and Medicaid was $465,000 at one hospital and $117,000 at the other.**
- **The per patient day increase in Medicare costs shown in HCA's cost reports as a result of these changes was about $26 and $21 respectively. The increases in Medicaid costs were about $31 and $27 respectively.**

The GAO report also reported that: 'HCA believes that substantial savings will be realised through management improvements it instituted at the acquired hospitals, and it estimated these savings in a report to the Department of Justice before the acquisition. That report cited such items as lower supply costs through increased volume of purchases and decreased data processing costs through better contracting. GAO could not evaluate these claimed savings because, among other reasons, the report lacked the necessary details.

According to HCA officials, they could not quantify the savings at the time of GAO's fieldwork for a number of reasons, and quantification in the future would be extremely difficult.' The report concluded that the Department of Health and Human Services were considering the GAO's findings and its request to clarify Medicare repayment policies. (Source: General Accounting Office/HRD-84-10, December 22, 1983. Released January 1984).

Representative Gradison issued a statement in which he said: 'This report by the General Accounting Office confirms that hospital mergers increase the cost of Medicare and Medicaid. At this time, I am requesting that the Health Subcommittee of the Ways and Means Committee hold hearings on the conclusions of and implications made by the GAO report. I am also considering introducing legislation limiting reimbursement to original costs.' HCA 'believes that the final resolution' ... 'will not have a material effect upon the Company's financial position or results of operations'. (Source: HCA Form 10-K, March 1984, Securities and Exchange Commission, Washington DC)

Prior to the takeover by HCA, Hospital Affiliates International (HAI) had a $183,000 management contract with New York City's Health and Hospital Corporation which oversees the city's recommendations which critics said would have drastically reduced services for lower income residents in the city. John Holloman, head of the Health and Hospital Corporation was very critical of the HAI report. **'The results were proposals that would have served the interests of expediency, but not the patients, the workers, or the community. Among their proposals were that staff should be cut back to dangerously low levels, that the social services department be largely dismantled, and that emergencies be handled on a much more selective and smaller scale... (HAI) tried to plug us into a formula that would have cheated the poor people of this city out of decent health care'.** (Source: Passing the Buck: The Contracting Out of Public Services, AFSCME, Washington, DC, 1983)

Poor Patients Discriminated

● A study of six HCA hospitals by the Georgia State Health Planning and Development Agency in 1979 showed **that five out of six HCA hospitals served less than half of the Medicaid patients they could be expected to serve.** Coliseum Park Hospital served only 2% of its 'fair share' of Medicaid patients while West Paces Ferry Hospital served just 18%. Not only did the HCA hospitals fail to serve Medicaid and ethnic minority patients but they also failed to provide charity care. Five hospitals reported no charity care during the survey month, and the sixth provided only 1.4% in charity care. (Source: For-Profit Hospitals and the Poor, Geri Dallek, National Health Law Program, October 1983.

● Four out of five HCA hospitals in Nashville, Tennessee (HCA's corporate headquarters) reported providing no charity care during 1980. A hospital's bad debts are often used as one measure of charity care. In 1981 the five Nashville HCA hospitals provided a total of $1.8m bad debts compared to $30m in charity care and bad debts provided by the city's eight voluntary hospitals (which are not known to their service to the poor). HCA's 'flagship' hospital, Parkview, served only 330 Medicaid patients in 1980 – just 2% of total patients. (Source: For-Profit Hospitals and the Poor, Geri Dallek, National Health Law Program, October 1983.

● The HCA managed George W. Hubbard Hospital in Nashville, Tennessee was accused of charging patients $26 at the front desk before they were admitted. Various organisations declared the policy as 'insensitive, anti-cultural and probably illegal'. (Source: Passing the Bucks – The Contracting Out of Public Services, AFSCME, Washington DC, 1983).

● 'HCA makes no bones about the fact that it wants dollars and not promises from patients ... Say an uninsured person with empty pockets shows up with a gall bladder that needs removing. HCA will check to see if the person qualifies for Medicare or Medicaid and will help him sign up. If he doesn't qualify, it will recommend a bank loan (though not arrange one). If that does not work, it will point the way to the nearest voluntary hospital and wish the patient luck.' (Source: Operating for Profit at Hospital Corporation, N.R. Kleinfield, *New York Times,* 29 May 1983)

● HCA failed in its bid to buy the McLean psychiatric hospital from the Massachusetts

General Hospital, one of America's noted hospitals and part of the Harvard Medical School. (HCA already owned or managed 24 psychiatric hospitals). Despite a reported bid of between \$40-\$60m, a promise to rehabilitate the hospital at a cost of \$35m, to underwrite faculty costs and continue teaching and research functions, McLeans professional staff were overwhelmingly opposed. The Harvard Medical School surveyed 17 HCA hospitals and declared that 'the operation of hospitals, and particularly teaching hospitals, should not be influenced by the motivation of profit'. (Source: Investor Owned Health Care Chains in America: Their Impact on Communities and Workers, AFSCME File Report)

BEVERLEY ENTERPRISES

In 1979 Beverley had 25,000 nursing home beds and \$5.9m profits. By 1983 it had 88,500 beds and \$35.4m profits. In 1982 the firm had a 46 per cent rate of return on equity – 4 times the 1982 median rate of the Fortune 500, 2 to 4 times the rate achieved by major oil companies and more than twice the average rate of return of the private nursing home industry. It now dominates other private nursing home companies. HCA has a 18 per cent share stake in Beverley which is also expanding into home health care and nursing and home help agencies.

Profits and Deficiencies in Michigan

● Michigan Department of Public Health nursing home inspections in 1982 reveals inadequate spending on care. **A disproportionate 23% of Beverley's home fall in the 'worse' grouping of homes.**

● **Nearly two-thirds of Beverley homes averaged nearly four staffing deficiencies per home in 1981 and 1982.**

● Beverley acquired the Provincial House chain (26 nursing homes) in 1982. **Staff performance deficiencies included insufficient staff to meet nursing standards, unreported accidents to patients, inadequate care, improper medication.**

● **The Provincial House takeover cost Michigan taxpayers (via the Medicaid budget) an additional \$2.3m in interest payments alone in 1981/82 – an increase of \$3.33 per patient day for Beverley loans to finance the takeover.** None of this money went for patient services. During the same period Michigan Medicaid cut hearing aids, fluoride treatment and prescription benefits to 'save' an estimated \$2.5m.

● **Inspectors found two or more food diet and service deficiencies in 75% of Beverley homes in 1981 and 82% of homes in 1982.** Deficiencies increased in Provincial Homes under Beverley Management.

● Beverley's profits per patient day in Michigan are nearly 30% above the average for all Michigan nursing homes. **High profits came from cutting patients services costs below Medicaid limits.**

● Beverley also has high administrative costs (15.5% of total costs) which are rising rapidly – up 26% in 1982 alone. Head office costs accounted for 72% of the total overhead cost increases 1981-82. **The firm uses the category of administrative costs to increase the flow of funds from individual homes to the corporate headquarters.**

(In 1979 a US General Accounting Office study concluded, after close analysis of audits of actual head office costs that firms generally overcharge states, taking advantage of the state's inability or failure to audit and share information with each other.)

● Using patients care performance developed in California and applied in Washington, Beverley's performance was abysmal. **With an average 2.31 deficiencies per home this was five times worse than church and non-profit homes and a third above the state-wide average.** (Source: Beverley Enterprises in Michigan: A Case Study of Corporate Takeover of Health Care Resources. Sept 1983. Prepared by The Food and Beverage Trades Department, AFL-CIO for Beverley Employees CARE – Cooperative Action and Reform Effort)

● Arkansas state authorities **suspended Beverley's operating licence for six months after a man died of scalding at the firm's Geriatric Nursing Centre in Blutheville.** Beverley was charged with negligence including inadequate supervision and assistance when bathing patients, and failing to promptly investigate the matter. The firm settled out of court with the patient's family for a reported substantial sum. (Source: Beverley Enterprises in Michigan)

● In Florida a Beverley home in St Petersburg was given a six month probation by the Pinellas County Court (Criminal Division) for denying a patient's 'right to receive adequate and appropriate health care and protective and support services'. **Beverley homes in Florida were recently fined $15,115 for continued staffing deficiencies. The state ordered a moratorium on admission to four Beverley homes in 1982.** (Source: Beverley Enterprises in Michigan and AFCSME File report)

● **Beverley recently paid $188,500 to settle five wrongful death suits in Michigan, Florida and Georgia.** (Source AFSCME File Report)

● Beverley nursing homes in California received 173 major patient care deficiencies in five years up to 1982 including 26 deficiencies which posed an imminent danger of death or injury. (Source: AFCSME File Report)

Trail of Neglect
Another study covering California, Texas, Florida and Arkansas where more than half of Beverley's homes were located in 1980/82 revealed the following:

● **Beverley spent between eight per cent and 14.2 per cent less on patient care (including nursing, food, domestic and cleaning services) in Texas, Florida and Arkansas than the average for all homes in these states.** Yet in all three states the firm allocated significantly more money to administrative fees, facility charges and profits than the statewide average.

● **Shortstaffing:** State inspectors found an average of 3.1 deficiences in 88 per cent of Beverley's homes in Arkansas in 1981. In Texas half the homes had average deficiencies of 1.6 and in California 47 per cent of homes had an average deficiency of 2.5 in the same year. Deficiencies for using untrained staff were even more extensive.

● **Food Deficiencies:** Inspectors reports on Beverley homes in Arkansas, Texas and California in 1980 and 1981 revealed widespread deficiencies. For example 63 per cent of the homes in California had an average 3.4 deficiences in 1981. Deficiencies included cockroaches in kitchens, patients not receiving proper diets, inadequate food etc.

● **Drug Deficiencies:** 94 per cent of Beverley homes in Arkansas had average deficiencies of 2.5 in 1981. In all three states deficiencies increased between 1980-81. Deficiencies included patients not getting prescribed drugs, excessive doses sometimes given, inadequate medical records.

● **Fines: Between 1980-82 Beverley was fined a total of $62,296 by state and local regulatory bodies in Florida.** These fines are for **recurring** deficiencies and because of the difficulties in obtaining the information it understates the total number of fines.

Beverley was fined $162,725 in California for deficiencies in 1980-81. In the three years prior to this period they were fined nearly a hundred thousand dollars for deficiencies.

Texas does not administer fines but has a three-tier enforcement system. If a deficiency is not corrected, a compliance letter is sent. If it still persists, the authorities can withhold public money due to the home and if this fails to remedy deficiencies, the state can decertify the home (forcing it to close) although this is rarely used . **In 1981 the state issued 54 compliance letters to Beverley homes, recommended withholding payments on 16 occasions, and recommended decertification eleven times.**

There were at least 23 civil law suits filed against the company in 1980-82 for wrongful deaths, injuries sustained in Beverley homes, poor care, and medical malpractice. (Source: Beverley Enterprises Patient Care Record, prepared by The Food and Beverage Trades Dept, AFL-CIO, for Beverley Employees CARE (Co-operative Action and Reform Effort), Washington DC, 1983)

ARA SERVICES

ARA owns the third largest chain of private nursing homes in North America. It has extensive catering contracts (including vending machines) in schools, colleges, hospitals and other public buildings. It ranks second to ServiceMaster in hospital ancillary services contracts and also has contracts for school bus transportation, vehicle maintenance, textile rental and laundry work and recently extended into child care acquiring Child Care Systems and National Child Care Centers. Its transport division is a major distributor of books and magazines. It subsidiary, V.S. Services has over 140 contracts in Canada in hospitals and homes for the elderly.

Turnover in 1983 was $3 billion mainly from its US activities. It has a subsidiary, ARA Services Ltd, based in Reading which had £49.6m turnover in 1982/3. The firm has contracts with a number of Crown Courts, Westminster City Council, British Gas, two police colleges and several other authorities. It is poised to get a Wandsworth Council catering contract for the borough's homes for the elderly. It is also seeking NHS cleaning contracts.

● **ARA has admitted making questionable and sometimes illegal payments totalling $393,000 to politicians and other persons in the USA and abroad between 1970-76.** The company also revealed to the US Government's Securities and Exchange Commission that it had received $504,000 in questionable and sometimes illegal rebates in the same six year period. The SEC launched a 33 month investigation into the company concerning the accuracy of the company's report which ended in 1982 without recommending further action.
(Source: Passing the Bucks, AFSCME, Washington DC, 1983)

● In 1981 some former ARA employees **accused ARA and some other firms of price fixing and collusion in tendering for school bus contracts.** A 21 month investigation by the Justice Department ended in 1982 'because there was insufficient evidence to proceed' (Source: Wall Street Journal, 21 April 1982).

● **The firm was fined $300,000 and $80,000 and twice ordered to sell-off several subsidiaries by the Federal Trade Commission in the 1970's for price-fixing and violating a ban agreed with the Commission several years earlier.**
(Source: Passing the Bucks, AFSCME, Washington DC, 1983)

● ARA employed an ex-FBI agent, Peter O'Neill, as its director of security in the 1970's and assigned him to investigate possible links between the company and organised crime. After he was dismissed by the company in 1977 O'Neill filed a $2m law suit **against ARA claiming that he had been fired because he had found evidence of organised crime infiltration into the company. ARA reached a settlement before the trial paying O'Neill $167,000 and $83,000 legal costs.** Documents disclosed by O'Neill and law enforcement agencies claimed that ARA's subsidiary vending machine companies, Paramount, Silco and Araven operating in New Jersey, New York and Detroit, had links with organised crime. **Associates of known crime bosses were employed as consultants and business managers by ARA.** O'Neill also claimed that 'approximately $1m from of ARA's money or assets were misappropriated'. ARA has denied all these claims.
(Source: New York Times, 4 December 1979; Passing the Bucks, AFCSME, Washington DC 1983)

ARA's nursing homes have been heavily fined in recent years.

● California: **fined $20,000 and four homes put on probation for 18 months after state authorities tried to close down the homes claiming that they did not meet the basic needs of patients.**

● Texas: **$6,000 fine in 1979 for deficiencies in one ARA home in which conditions created 'an immediate threat to the health and safety of the residents'.**

● Texas: **ARA centre for retarded children de-certified after public health officials had twice found major deficiencies in 1981.** ARA immediately closed the centre.

● Colorado: an ARA subsidiary, Geriatric Inc, was forced to give up operating a home in Denver after an elderly patient died. The State attorney said that ARA's operation of the home showed 'the most severe disregard of patient care of any case to my knowledge'.

● Colorado: ARA have been involved in a long legal battle over the state's attempts to close its nursing home in Durango, also operated by Geriatrics Inc. The state's health department has concluded that Geriatric's violation of minimal standards was 'intentional, deliberate and wilful'. (Source: Passing the Bucks, AFSCME , 1983)

● ARA's school bus contracts have also run into difficulties. **In 1978 ARA paid the Milwaukee School Board $225,000 following a law suit which charged the company with a national conspiracy in bidding for bus contracts.** Authorities in Nebraska, Tennessee and Hawaii have also investigated the companies activities. (Source: Passing the Bucks, AFSCME, 1983)

● ARA won a five year vehicle maintenance and repair contract for the 1600 vehicles operated by Prince George's County, Maryland in late 1974. Within a year the fire brigade voted to refuse to allow their equipment to be serviced by ARA because they claimed the repairs were of a poor quality. The County cancelled the contract in 1976. They employed direct labour (42 mechanics – 6 fewer than ARA) and saved $300,000 compared to ARA's contract. The President of the County federation of Police Officers stated; 'The way we look at it, anything would be better now than ARA. We would prefer to go to a system, any system, where we could get our vehicles repaired properly' (Source: Government for Sale, John D. Hanrahan, AFSCME, Washington DC, 1977)

SERVICEMASTER INDUSTRIES

ServiceMaster is the largest hospital ancillary services contractor in North America and claims to have about 75 per cent of all such contracts. The firm operates management only contracts – the hospital employs the workers who are supervised by ServiceMaster and use the company's cleaning equipment and supplies. It started out as a carpet cleaning franchise and now has nearly 3000 franchises. ServiceMaster also provide laundry management, building maintenance, medical equipment maintenance and has recently extended operations into cleaning schools and other public facilities.

The company is overtly religious – its annual report is scattered with religious references. The company takes its name from 'Serving the Master' and promise to 'honour God in all we do'. Turnover is now over $700m and profits have increased constantly at more than 25 per cent annually for the past decade. The company is now seeking NHS contracts through a British based subsidiary.

● A ServiceMaster management cleaning contract for Coney Island Hospital, operated by New York's Health and Hospital Corporation, was cancelled in late 1981 following a series of problems. ServiceMaster were to work with management to develop more effective cleaning methods but extended this to direct supervision of cleaners. Promised training failed to take place. After numerous demonstrations by AFSCME Local 420 the contract was terminated. 'We simply decided that the work can be done more effectively and efficiently without the services of this company' said Robert Bradbury, Executive Director of the hospital. (Source: Public Employee Press, AFSCME, October 1981)

● In 1981 the University Hospital at the University of Michigan decided not to renew its three year management cleaning contract with ServiceMaster and re-establish its own in-house management. One of the stated reasons for sacking ServiceMaster was a survey carried out earlier by the University in which a large majority of the hospital's staff strongly disapproved of the company's management audits negative impact on services in the hospital. (Source: Letter to all employees from Senior Associate Hospital Director, University Hospital and Michigan AFSCME News, November 1981)

● ServiceMaster were forced by the Commission on Human Relations, City of Pittsburgh to pay $14,768 compensation to a cleaner employed by the Childrens Hospital in Pittsburgh. ServiceMaster had earlier cut staff by a third, altered job responsibilities and harassed those cleaners who fought against the company's tactics. One cleaner was fired after ServiceMaster had submitted critical reports. (Source: Findings of the Commission on Human Relations, Countz v ServiceMaster Industries Inc, March 1980)

● **Only half of ServiceMaster's hospital contracts are renewed.** About 20 per cent of American hospitals have contracted out the management of domestic and cleaning services. 'A study of ServiceMaster contracts may allow the company to deliver a reduced level of service at a far higher unit cost of labour.' (Source: Report to Healthcare Division, SEIU, Washington DC, 1984)

AMERICAN MEDICAL INTERNATIONAL

AMI is the third largest private hospital company operating in America with 14,272 beds in 104 hospitals at the end of 1983. Its rapid growth – turnover more than doubled since 1980 – was achieved by acquiring other competing firms, eg Hyatt Medical Enterprises ($69m), Brookwood Health Services ($156m) and Raleigh Hill chain of 24 alcoholic treatment centres ($87m). More recently AMI acquired the 32 hospital Lifemark Corporation. Turnover is expected to exceed $2 billion in 1983/84. AMI has also expanded into outpatient surgical centres, home care services and hospital design.

AMI owns the Harley Street Clinic, and the Princess Grace Hospital in London in addition to others in Canterbury, Manchester, Glasgow and Birmingham. AMI acquired Sloane Independent Hospitals in a £9m deal last year bringing their total number of private hospitals in Britain to 9. The company has introduced a credit card scheme for patients. It was at the centre of the 'kidneys for sale' scandal last year. AMI also operates hospitals in the Middle East. (Details in Public Service Action No 10, page 5)

● 36,000 people in Texas who have health insurance were told that they will no longer be covered for non-emergency medical services at two AMI hospitals in Houston after May 1982. AMI to cut over-utilization costs at the Westbury Hospital and the Docters Hospital after a review of the hospital's laboratory and radiology charges and diagnostic procedures.

● **A Federal Trade Commission judge found AMI guilty of price fixing in San Luis Obispo, California.** AMI purchased its main rival hospital, French Hospital, to add to the two it already owned in the area. AMI made uniform hospital charges at all three hospitals. AMI increased its share of the hospital 'market' to 87.2 per cent of inpatient days. The judge rules that AMI was attempting 'to monopolise the market' and ordered the firm to sell the French Hospital and to seek FTC approval for all hospital acquisitions in thirteen states for the next decade. AMI is appealing the ruling. (Source: For Profit Hospitals and the Poor, Geri Dallek, National Health Law Program, October 1983)

● AMI tookover the York General Hospital from the York County authorities in Rock Hill, South Carolina in December 1980. It then built a new replacement medical centre. In the meantime inpatient charges at York rose 35 per cent in 1982 under AMI control. A chest x-ray doubled in price to $36. The average charge per admission for supplies jumped 133 per cent in two years compared with only a 31 per cent increase in other nearby hospitals. Medicare bills increased $111,000 in 1982 under AMI (Source: Wall Street Journal 28 Jan 1983).

HUMANA

By the end of 1983 Humana owned 89 hospitals with 17,704 beds with a turnover exceeding $2.3 billion. In the five years to 1982 Humana had an average growth in profits of 39 per cent annually, much higher than the 26 per cent average for its major competitors. It started business in 1961 as the Extendicare nursing home chain but these were eventually sold-off. In 1978 Humana acquired American Medicorp, then the second largest hospital company. But Humana has also sold many hospitals usually because they were not profitable enough. Most of the firm's hospitals are located in the sunbelt states eg Florida, Texas, California. It considers hospitals in the north eastern states to be 'overregulated'. Humana owns the 270 bed Wellington Hospital in St Johns Wood, London.

● **Parents were told that their new-born babies would be kept at Humana's Lake Cumberland Hospital, Somerset, Kentucky, until they had paid their bills.** Some patients were told they had to pay over $1,000 before they would be released from the hospital. Others had to sign documents for loans. In 1982 the local office of the Appalachian Research and

Defense Fund of Kentucky received 100 complaints from people who had been harassed by Humana for unpaid bills. Following a 9 month investigation by the Consumer Protection Division of the Kentucky Attorney General's Office, Humana agreed in June 1983 to sign a voluntary agreement lodged with the Franklin Circuit Court, not to violate the state's consumer protection laws and agreed to stop its debt collection practices.

Somerset had sold its public hospital to Humana in 1973 who later replaced it with the new private Lake Cumberland hospital. It was reported in 1983 that Humana were demanding pregnant women pay a $1,200 deposit before they were admitted, forcing many poor women to travel over 100 miles to obtain hospital delivery care. The hospital's policy was to treat all emergency patients but poor patients were transferred to voluntary hospitals as soon as their condition stabilized. (Source: For Profit Hospitals and the Poor, Geri Dallek, National Health Law Program, October, 1983)

FINES AND FAILURES IN CANADA

The Toronto-based Concerned Friends of Ontario Citizens in Care Facilities (founded in 1980 and has 300 members) produced an extensive report on nursing home care in Ontario in September 1982. This called for the gradual phasing out of all profit-making nursing homes and the development of alternative systems of care. 'In fact, no free market conditions apply and so all the old arguments put forward by private owners in favour of private enterprise fall by the wayside.' Drawing on detailed reports from their membership the organisation also called for far stricter inspections, licencing and controls on nursing homes, a Bill of Rights for residents, public control of monitoring the quality of care, access to information and increased penalties for deficiencies. (Source: Consumer Concerns and Recommendations Related to Nursing Home Care in Ontario, Concerned Friends of Ontario Citizens in Care Facilities, Toronto, 1982)

● Between August and October 1983 Concerned Friends documented 143 complaints from relatives in 26 privately-owned homes in the Toronto area. (Source: The Citizen, Toronto, 13 January 1984)

● The Ontario Ministry of Health received 385 complaints about conditions in private nursing homes between April 1982 and March 1983. Between March and October 1983 there were a further 213 complaints. (Source: The Citizen, Toronto, 13 January 1984)

● Fifteen homes operated by five companies in Ontario had 460 separate violations of the Nursing Home Act regulations when visited by inspectors in 1983.
Extendicare Ltd – four homes inspected – 127 deficiencies
CiKent Corp (now part of Extendicare) – three homes inspected – 89 deficiencies
Carewell Corporation – three homes/81 deficiencies
Canadian Nursing Homes – four homes/151 deficiencies
Central Park Lodges – one home/12 deficiencies.

The deficiencies included cockroach infestation, poor food and inadequate care.

● Details of major deficiencies in private nursing homes were spelt out in a speech in 1983 in the Legislative Assembly of Ontario by Bob Rae, leader of the Ontario New Democratic Party. He cited many specific reports from relatives of those in care. (Source: Nursing Homes in Ontario, Hansard Official Report of Debates, 25 April 1983)

● The Canadian Medical Association (equivalent to the BMA in Britain) set up a national task force on the allocation of health care resources in Canada. The task force held a series of public hearings and received numerous written reports from a wide range of organisations across Canada. Its report, published in 1984, recommended **'that all jurisdictions move as quickly as possible towards the elimination of "care for profit" institutions and establish non-profit facilities. The invaluable contributions of many charitable and service organisations, in establishing accomodation for senior citizens, is acknowledged.... However, the vast bulk of the accommodation should be an integral part of a publicly financed and operated program. In this way, both the sufficiency and the quality of accommodation**

for Canada's elderly will be better guaranteed.' Source: Health: A Need for Redirection, Task Force on the Allocation of Health Care Resources, Canadian Medical Association, 1984)

● An investigation by the Social Planning Council of Metropolitan Toronto (Caring for Profit: The Commercialisation of Human Services in Ontario, October 1984) called for an immediate moratorium on funding and awarding further commercial operations in social and health services. The Council also called for a comprehensive investigation of all commercial social and health services, the true scale of public subsidy to be revealed, the immediate introduction and enforcement of clear and measurable standards of the quality of services and the full public disclosure of inspection reports. Over 90 per cent of Ontario's 332 nursing homes, a third of residential accommodation for children, half the 70,000 licenced day care spaces, and most of the 450 residential homes for the elderly are run commercially.

● There were 174 'unnatural' deaths in private nursing and residential homes in Ontario in 1983 according to the Chief Coroner of Ontario. In contrast there were 47 similar deaths in charitable and local authority homes yet there are the same number of residents in private homes as in charitable and public homes. Many of the verdicts of coroners' inquests into deaths in private homes expressed concern about inadequate staffing and staff training. (Source: Caring for Profit Social Planning Council, Toronto, October 1984)

● A new practice has started where private nursing home operaters are encouraging patients 'requiring too much care' to hire 'private nurses' from agencies to supplement the care provided in the home. At least six agencies in Toronto report that they frequently send private nurses to nursing homes where residents are forced to pay the extra charges. (Source: Caring for Profit, Social Planning Council, Toronto, October 1984)

Crownx Inc
Now has over 100 nursing homes both in Canada and the US. It has also bought up competing firms eg. CiKent Corporation and Villacentres in Canada and Unicare in America. Its Extendicare health care division is also expanding into hospital management with two contracts in Saskatchewan, a 20 year partnership with the Queensway General Hospital, and another in Etobicke. Crownx now includes the Crown Life Insurance Company, Para-Med Health Services (nursing and home help agency), a network of clinical labs, and other subsidiaries are active in oil and gas exploration, advertising, and data processing. Crownx profits rose 96 per cent in 1983 to $32.7m

ANTI-UNION ACTIVITIES

Most of the large private health companies have a long record of anti-union activities. HCA employed 71,000 workers at the end of 1983 yet not one of the company's hospitals had a contract with a trade union. In both America and Canada trade unions can only represent workers for negotiating purposes after there has been a majority vote for union recognition by the workforce. This system allows companies to hire union-busting firms and employ all sorts of tactics to harass and intimidate workers not to vote for the union. (see the article on Pritchard Services Group activities at the end of the dossier).

Where companies like HCA have bought hospitals from public or voluntary bodies which already have trade union recognition they will invariably propose massive cuts in working conditions, try to force the union out on strike, and then attempt to organise to get the union decertified. In the 10 years between 1973-83 HCA reported collective bargaining agreements or negotiations in progress in only 7 locations. None of these lasted more than five years.

The Beverley Employees CARE (Cooperative Action and Reform Effort) did however succeed. Jointly organised by the Service Employees International Union and the United Food and Commercial Workers Union the campaign carried out detailed investigation of Beverley's activities and conditions in their homes. They took up the concerns of patients and their families and launched a media campaign against the firm. Eventually, Beverley reached agreement with the unions in late 1983. The unions would stop their media campaign and Beverley would not hinder trade union organisation in its homes. Since then the SEIU and the UFCW successfully organised a number of homes.

Workers pay for 'savings'

Private hospitals employ fewer workers per patient, 2.5 compared to 3 workers per patient in public and voluntary hospitals.

● Average hourly wage increases between 1979/80 and 1982/83 were consistently lower than hospital cost increases. In 1983 wages accounted for 49 per cent of hospital budgets compared to 62 per cent in 1965. (Source: Report to Healthcare Division, SEIU, Washington DC, 1984)

● In 1983 workers in nursing homes were paid on average 60 per cent less than hospital workers. Again average hourly wage increases lagged well behind the annual average nursing home cost increase in recent years. (Source: Report to Healthcare Division, SEIU, Washington DC, 1984)

● Agency staff are the worst paid of all health workers usually getting only the very minimum rates. However, agency staff cost hospitals substantially more than direct labour. Hospitals in Ohio surveyed by the Ohio Department of Health showed that agency staff from private firms were 30 per cent higher than the total labour costs (wages and benefits) of equivalent staff nurses. Another survey in 1981, carried out nationally by the University of Maryland showed that hospitals paid between 29 and 62 per cent more per shift for contracting out nursing services. They also spent an average 43 per cent more for one eight hour shift by a general duty agency nurse than they did for a similar shift by a permenent staff nurse with one years experience.

● Contracting out has now spread to private hospitals and nursing homes. At least 7 large nursing homes in Ontario have recently sacked over 300 unionised workers. These homes then hire non-union agency workers to make substantial cuts in wages. The agencies are owned by the multinational companies operating the homes and hospitals. For example Crownx own the Extendicare nursing home chain and Para-Med Health Services agency in Canada. (Source: The Business of Health, Privatisation of Health Care in Canada, Canadian Union of Public Employees, 1984)

The British Connection

British multinational firms are increasingly active in private health care in North America as well as in Britain. These activities could have major implications for public services in this country.

British multinational companies like Grand Metropolitan and Pritchard Services Group, heavily engaged in privatisation in Britain, are also expanding similar activities in North America. These firms are clearly gaining experience, and profits, from the more extensive privatisation which has taken place in North America with a view to importing them into Britain if or when the opportunity arises. Recent takeovers included:

● Grand Metropolitan: controls Childrens World Inc, the second largest creche chain in North America with over 100 centres. Daily fees start at over $30.

● Grand Metropolitan: owns Quality Care Inc, a nursing and home help agency operating across the US.

In August 1984 Grandmet acquired Quality Care Inc for £110m. Quality Care is one of the largest home nursing agencies in North America. It provides nurses, care assistants and home helps to patients at home on a temporary or permanent basis. It also provides agency staff to hospitals and nursing homes from 162 offices in 42 states. Quality Care also provided escort services for handicapped children travelling on school buses in New York City. This terminated in July 1984 'because this activity declined in importance to Quality Care'. In fact the contract ran into major problems. Half way through the contract with the New York City Board of Education the firm subcontracted half of the work to a number of bus companies who later demanded that the terms of the contract be re-negotiated. Quality Care refused and cancelled their contracts.

● Pritchard Services Group: owns Kimberley Services Inc, a nursing and home help agency operating from 71 offices in America.

● Pritchard Services Group: owns Omaha Surgical Center Inc and has a 45 per cent stake in Ambicare Inc. Both firms provide private outpatient surgery.

● Pritchard Services Group: recent acquisition of Food Concepts Inc and Automatic Catering Inc have helped to expand its Crothalls subsidiary gain more hospital cleaning, catering and laundry contracts in America and Canada.

Pritchards 1983 annual report stated: 'we see home health care in the USA as particularly attractive. It is clearly a future possibility that the expertise we are developing will have profitable applications elsewhere in the world'. Pritchard's remains the largest hospital cleaning contractor in Britain.

Grand Metropolitan owns and manages private hospitals in Britain. Its Bath Clinic recently agreed a £50,000 deal to undertake ear, nose and throat operations for 120 NHS patients. This so called cut price deal will still cost the Bath District Health Authority 10 per cent more than if they had been carried out at the Royal United Hospital in Bath.

Other companies like the Hawley Group are also increasingly active in contract cleaning in North American public services. Both Pritchards and Hawley specifically concentrate in the sunbelt states to avoid regions which have stronger trade union organisation. The following two pages contain an account of Pritchard Services Group anti-union activities reported in Public Services Action No 12. Details of the Hawley Groups activities can be found in Cleaning Up?, a 6 page broadsheet, 40p from SCAT Publications.

National Medical Enterprises now operates private hospitals in Britain, In January 1985 it acquired the British hospital assets of United Medical Enterprises from the London and Northern Group for £9.95 m. United Medical was previously part of the National Enterprise Board. NME will now operate the private Alexandra Hospital, Maidstone, a new hospital in Halifax (opening July 1985), two hospital sites in Bristol and Cheshire, and management contracts in two London hospitals. UME is reported to be considering using the proceeds of the sale to move into providing private homes for the elderly.

PRITCHARD'S HIRE UNION BUSTERS

This is the story of a ruthless campaign by Pritchard Services Group to try to prevent workers having trade union representation on the firm's Atlantic International Airport cleaning contract. At the end of a long a bitter dispute in which Pritchard's paid thousands of pounds to union-busting firms, the workers won. The Service Employees International Union (SEIU) recently negotiated a collective agreement.

We cover Pritchard's activities in detail because it could happen here in Britain sooner than you think. This is not a far-fetched idea nor an exaggeration. Pritchard's North American subsidiaries are wholly owned by the parent group based in London. Some American union-busting firms have links in London. The Hospital Corporation of America which operates six private hospitals in Britain has used them to try to prevent hospital workers organising in America. Thatcher Government legislation has ended the closed shop and attempts to force unions to ballot members before strike action and the political levy. The government would clearly like to crush the trade union movement to such an extent that workers would be forced to ballot even for trade union representation and negotiation with an employer. This would effectively end national bargaining which would fulfil another government aim.

Pritchard's dirty fight

In December 1981 the SEIU filed an initial petition for union recognition with the National Labour Relations Board. Section 7 of the National Labour Relations Act guarantees the right to workers to organise a union and to bargain collectively with their employer. The Act lays down specific procedures and regulations. An election was set for 22 January 1982 with SEIU (Local 579) and the Textile Processors union (Local 218).

Immediately Pritchard's learnt of the union organising drive at Atlanta Airport, one of the busiest in the world, they hired a union busting 'independent labour consultant' Gerry Woodward from Affiliated Business Resources Inc (ABR) of Jacksonville, Florida. According to reports filed with the US Department of Labour, Pritchard's paid Woodward and ABR over £49,000 in fees in 1982 plus £760 for printing anti-union posters and leaflets. They also paid thousands of dollars to the notorious anti-union law firm, Ford and Harrison, to deal with legal aspects and delaying tactics. Pritchard's have cleaning contracts at about ten other US airports.

Pritchard sent letters to all employees warning that the firm may lose its contract with the Atlanta Airport Terminal Corporation. They blamed union activity for the firms poor performance and its fines for failing to implement the contract satisfactorily. They also accused workers of 'stealing from the airlines'. The letter also referred to the Air Traffic Controllers strike in which Reagan systematically destroyed the union. The firm raised doubts about whether the planned wage increase in March would be paid if the union won.

Pritchard's also started mandatory weekly meetings for all workers on each shift to spell out why they didn't want a union. They tried to claim that the unions were only after the workers' money and would impose fines, initiation fees and assessments. When Pritchard's managers couldn't answer all the questions they abolished the the large meetings in favour of a series of meetings with 3-4 workers.

Special meetings were held for supervisors who were told what they could or couldn't say to the workers. Supervisors were told to divide the areas of work into pro- and anti-union groups. They did favours for anti-union employees and tried to solicit lists of union supporters.

Woodward produced anti-union leaflets and posters. An anti-union crossword puzzle contest was even launched with 15 prizes of ten dollars for correct entries!

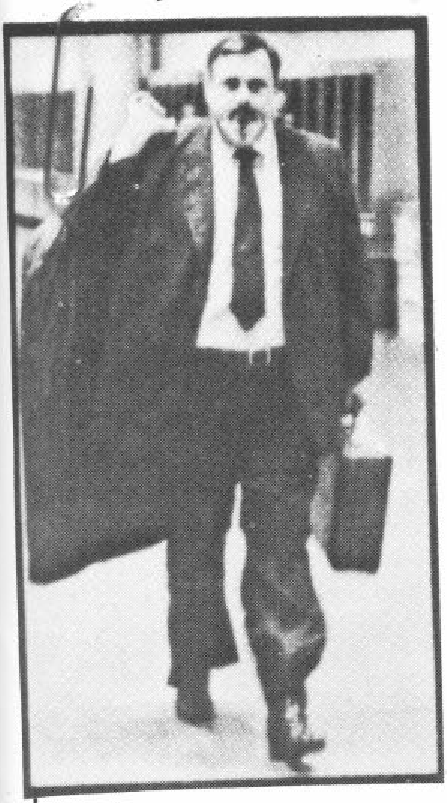
No win

The election on 22 January resulted in SEIU 90 votes, Textile Processors union 26 and Pritchard's 94. Since no group had a majority, a run-off election between the SEIU and Pritchard's was set for 5 March.

The anti-union tactics became more aggressive. Workers were threatened with dismissal if they talked about the union at work. Pritchard's constantly tried to trash the union and the way it was run and financed in workplace meetings. The company made several videos using workers at their place of work asking questions about the union. The employee asking the 'best' question was given a £100 prize. Various schemes

Photo Co-op

Union meeting discussing problems of working for Crothalls at Long Island Jewish Hospital, New York



Pritchard's hired union buster Jerry Woodward of Affiliated Business Resources.

and rumours were used to pit anti-union against pro-union workers whilst Pritchard's tried a 'give us another chance' approach on the undecided. Throughout February and March the company continued anti-union workplace meetings, contests with cash prizes and had anti-union posters and leaflets in all rest rooms and offices, all in direct violation of NRLB procedures.

The company then changed the pay day of the pro-union second shift from Friday (the voting day) to the Thursday. They also spread the rumour that the SEIU was way ahead hoping that some union supporters would not bother to come in and vote. The election result was SEIU 90, Pritchard's 95.

However the SEIU filed major objections to Pritchard's illegal activities and the NLRB ordered another election. Pritchard's appealed to NLRB headquarters in Washington, but this was dismissed. Pritchard's were reprimanded for using the threat of losing the contract, mass sackings, stopping the planned wage increase and threatening cuts in benefits to try to coerce the workers to vote against the union.

Another election was set for December 1982 which the SEIU won 103-101 out of 252 eligible workers and despite the continuing activities of Pritchard's and ABR. Two votes were challenged by Pritchard's and they immediately filed frivolous charges against the union to further delay the start of contract negotiations. In November 1983 the NLRB held another hearing to resolve Pritchard's objections. A month later the Board threw out most of these objections. Pritchard's then spent Xmas trying to think up new objections to the election and the NLRB hearing. Three days later the SEIU became the sole collective bargaining representative for all full time cleaners, equipment and supply maintenance workers employed by Pritchard's at the airport.

The SEIU negotiated a lump sum settlement for back wages for one cleaner who was suspended indefinitely for putting union literature on a company bulletin board. Another pro-union worker was reinstated and paid back wages. The NLRB forced Pritchard's to post a notice to employees for 60 days publicly stating that they would not threaten or harass workers or prevent them exercising their rights as union members.

Contract eventually signed

PSA talked to Susan Eaton of SEIU Local 579 who told us that Pritchards had recently signed a 2 year contract with the union. The firm had also lost the cleaning of one concourse to another contractor but many of the 35 workers displaced were taken on by the new, but non unionised firm. Pritchards were scared that they might lose the rest.

Their anti-union tactics continue. They have already cut hours and switched some full time workers to on-call status thus taking them outside the scope of the contract. They also refuse to recognise shop stewards and have introduced a points attendance system.

SEIU has never had such a hard time as with Pritchard's who are supported by some of the anti-union airlines who also want to cut their costs at any price. It is rumoured that Delta Airlines has helped Pritchards finance its anti-union activities.

The SEIU is now carefully monitoring the contract. They intend to seek major improvements in wages and conditions when it comes up for renewal in 1986.

Further details: Local 579, Service Employees International Union, 161 Spring Street, Atlanta, Georgia 30303, USA.

Pritchard's lose Minneapolis contract

Pritchard's anti-union activities have contributed to them losing contracts. PSA talked to Bob Welby of SEIU Local 26 in Minneapolis where Pritchard's have just lost the cleaning and maintenance contract for two large Prudential Insurance buildings. Workers at one building were represented by the SEIU but Pritchard's continued to pay below union rates.

Prudential criticised Pritchard's poor performance — they regularly hired teenagers to the 70-strong workforce. Despite Pritchard's anti-union activities, an election for union representation in the second building was won by the SEIU in February 1984. Pritchard's refused to reach agreement and when the 3-year contract came up for renewal in the autumn this year, Pritchard's were thrown out. Prudential got the new company to start a day earlier because they were afraid to leave Pritchard's responsible for the building on Halloween night, 31 October. Pritchard's Regional Director was heard to say that they would 'not stay here now'.

More illegal activities in Canada

Meanwhile in Canada, Pritchard's hospital services subsidiary, Crothall Services Ltd, recently illegally assisted two cleaners who tried to stop the Canadian Union of Public Employees (CUPE) representing them for collective bargaining.

The rules for unions to win the right to present workers in bargaining with employees are similar to those in America. The two workers had to prove to an Ontario Labour Relations Board hearing that a majority of workers were against the union representation.

CUPE represented eight full time Crothall cleaners at Ongwanada Hospital in Kingston, Ontario. The hearing was held in Toronto. Crothall's gave the two workers two days off, paid them return train fair to Toronto, and hotel and meal expenses. Crothall's manager, James Cooper, travelled with the workers, stayed at the same hotel and they all had dinner together. (The striking Crothall's cleaners at Barking Hospital will no doubt be very surprised at this display of generosity by the company.) In January this year the Labour Relations Board dismissed the case because of Crothall's flagrant intervention.

In March 1984 CUPE reached collective agreement with Crothall's covering both full and part time workers at the hospital. Unusually, the contract aslo states that if Crothall's gain more contracts in Kingston, Ontario, they will automatically be represented by CUPE. The contract includes wages of £5.00-£5.60 an hour for 37½ hour week (overtime at time and a half), two weeks paid holidays plus 11 statutory holidays and all health insurance plus three quarters of the costs of life insurance, sick pay and disability paid by Crothall's.