



Fate of €90m clinic in balance

Will the new Minister for Health be able to save Cork Medical Centre from closure, asks Susan Mitchell

VHI Healthcare's decision not to provide cover for the Cork Medical Centre, which has led to its closure and the loss of 75 jobs, will result in a legal challenge from hospital operator Sheehan Medical.

The hospital opened in October and was to provide cutting-edge treatment in a number of areas and employ up to 525 people when at full capacity. While Aviva and Quinn both agreed to provide cover, the VHI refused to come on board, making the facility financially unviable.

Management of Sheehan Medical met with health minister Dr James Reilly last week and discussed the possibility of using the centre to tackle the waiting lists in both public and private hospitals through the National Treatment Purchase Fund (NTPF).

James Sheehan, chief executive of Sheehan Medical, said while this may help to keep what was Ireland's newest private hospital open on an interim basis, the VHI's dominance in the market meant it would be impossible to keep the hospital open without the backing of the semi-state.

Sheehan said he would lodge a complaint with the Competition Authority within days. It will not be the first time the VHI has faced such a challenge. In the mid-1990s, the VHI announced in the national press that St Francis Medical Centre in Mullingar was no longer a fully participating hospital. The nuns in charge claimed the VHI had exercised its powers unfairly and instigated legal action. It resulted in the VHI being forced to restore cover.

The €90 million CMC was the first private hospital to open in Cork for 95 years.

The VHI, with more than 60 per cent of the private health insurance

market (2.2 million people), can determine whether hospitals remain open or not. The state-owned insurer has been accused of trying to stymie private hospital development. It has refused to cover the planned co-located hospitals in Cork, Limerick and Dublin (where two have planning permission).

The Galway Clinic was forced to make redundancies within two years of opening, as it was haemorrhaging cash.

Orthopaedic surgeon Jimmy Sheehan, one of the founders of the clinic, said the root of the problem was with the VHI. "It is acting more as a regulator than a health insurer," Sheehan said.

His brother Joe Sheehan (also an orthopaedic surgeon) is chairman of Sheehan Medical, which is the operator of the CMC, but Jimmy Sheehan has no involvement in the project.

In an effort to try to get the VHI to cover its members at CMC, management said it was willing to match the prices of any procedures, and accept the conditions that the VHI recently agreed with St Vincent's Private Hospital in Dublin. Those rates are believed to be very competitive.

The VHI refused the olive branch, and stated once again that it believed there was excess capacity in the private hospital market.

VHI figures suggest the decision was driven by cost-containment and related to concerns it had about supplier-induced demand.

The VHI stated that some 850 additional beds had been added to the private hospital sector, partially because of the availability of capital allowances. It said that "for each additional 100 new hospital beds, VHI Healthcare incurs additional costs of €50 million annually within a four to five-year period".

"That is very interesting data," said Colm Harmon, professor of economics and director of the Geary Institute at UCDC.

"It suggests that, in a sense, there

is a real capacity constraint and when that capacity constraint eases, people rush in. It is clearly not in their interest to see an explosion in private bed spaces so, even if there is capacity, they are shutting off supply of insurance cover and getting at it that way," said Harmon.

Harmon said the assertion that there was an excess of supply simply did not tally with claims that the covered more private hospital facilities. "It should not make a difference. Their arguments are clearly inconsistent," he said.

"It suggests that it is a business strategy as opposed to an actuarial strategy. VHI is probably trying to close off its exposure downstream. Commercially it is burst and its only means of survival is as the state provider [of insurance under Fine Gael and Labour's universal health insurance plan]."

That is of little comfort to backers, investors and staff at CMC.

Sheehan Medical said there were far fewer operating theatres in Cork compared to Dublin. Before developing CMC, Sheehan Medical obtained an analysis of the private healthcare market from two of the world's largest consultancy firms, KPMG and PricewaterhouseCoopers.

Sheehan Medical said those figures showed that there were fewer private health facilities per head in Munster than in Dublin, or indeed nationally.

The VHI said it had not received any complaints about waiting times for surgery. It also said that, for every VHI customer, the ratio of private beds (including those in public hospitals) was 228:1 in Dublin, 200:1 in Cork and 157:1 in Galway.

CMC said that the VHI "continued to show bias towards Dublin, where it recently approved the new 263-bed St Vincent's Private Hospital, which opened with full VHI cover last November, a full two months after the 73-bed Cork Medical Centre opened its doors to patients, in early September".

In Cork, the VHI "continues to insist that it would prefer its customers to be treated in hospitals that are over 90 years of age," CMC added. However, the VHI has covered St Vincent's Private for decades. The new build was bigger, but it was replacing the previous facility.

The VHI said it concluded that the facility was not required in order to meet members' healthcare needs. That argument was dismissed by doctors who spoke with this newspaper.

They claimed there were, in fact, longer waiting lists for private patients in Cork than in other parts of the country.

"VHI should come clean and admit that it is not covering the hospital for financial reasons. There is huge demand for private beds in Cork. Waiting lists are building both privately and publicly. Surgeons in particular are desperate for private beds," said consultant anaesthetist Dr Gehad El-Bastawisy.

CMC has also claimed that the VHI gave a verbal agreement that it would cover the project. The VHI has denied that. This newspaper has seen correspondence from VHI chief executive Jimmy Tolan to CMC which stated that its "preliminary view" was that it was unlikely the VHI would avail of its services.

Reilly met with clinic management on Thursday, after an urgent meeting was organised by Cork TD and agriculture minister Simon Coveney.

"VHI should not be able to provide a veto on what hospitals it provides cover to. I also do not accept that there is no need for the facility in Cork. The government wants to see the hospital opened and to save these jobs but we cannot instruct the VHI as to how they run the business," Coveney said last week.

Exactly where Reilly stands on the forced closure of a new clinic remains to be seen. The government can not instruct a semi-state company in how it should run its affairs, but it can exert serious pressure.

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Jerry Tolan of VHI Healthcare and Joe Sheehan of the Cork Medical Centre: the clinic last week suspended operations as a result of its failure to get cover from the VHI