



Backgrounder

Medavie Blue Cross

May 2018



Summary

Medavie Blue Cross started as a health insurance provider in Nova Scotia, New Brunswick, and Prince Edward Island. In recent years, the company has emerged as an operator of an increasing number of health care services.

Medavie started with ambulance services and has become the largest private operator of ambulance services in Canada. In the last 2 years, Medavie started to take over other health care services like home health services management and telehealth. As of 2018, Medavie Blue Cross operates health care services in Nova Scotia, Prince Edward Island, New Brunswick, Ontario, Saskatchewan, and Alberta, as well as in the state of Massachusetts.

While it originally took over services provided largely by for-profit or not-for-profit companies, it is starting to take over services that were public and are being privatized.

Medavie uses the fact that it is a not-for-profit organization to try to muddy the waters when concerns about privatizing health care services are raised. However, even though Medavie is a not-for-profit corporation, there are still problems with Medavie controlling public services. Its growing role in the privatization of public services means increasing problems with the lack of financial accountability and secrecy around decision making. Related to both of these issues is the registration of its American subsidiary in a tax haven.

Another concern is that very few of Medavie's subsidiaries appear to be not-for-profit. What makes that potentially serious is that Medavie is not subject to freedom of information legislation and very little information about its operations is made public. That includes information about the company's finances.

Corporate Description

Company history

The origins of Medavie can be traced to Maritime Medical Care Inc. and Blue Cross of Atlantic Canada. These 2 companies were established in the 1940s. Both were not-for-profit medical insurance companies operating in the Maritimes.

The 2 companies announced that they were amalgamating in 1999 to form Atlantic Blue Cross. In 2003, the amalgamated company became Medavie Incorporated. Medavie's insurance operations and the parent company adopted the name Medavie Blue Cross in 2005.

Similarly, Medavie's involvement in health care services can be traced to those of Maritime Medical Care Inc. In 1997, Maritime Medical Care Inc. set up EMC Emergency Medical Care Inc to operate ambulance services in Nova Scotia. And in 2006, when

Medavie took over ambulance services in PEI, Medavie EMS Group of Companies was set up as an umbrella company for Medavie's health care subsidiaries.

In 2009, Medavie started operating ambulance services in Ontario. In 2012, Medavie took over ambulance services in Alberta and Massachusetts, and in 2013, Medavie took over MD Ambulance in Saskatoon.

In 2016, Medavie's health care operations expanded beyond ambulance services when it took over telehealth services in PEI and Nova Scotia and began discussions with the New Brunswick government about taking over telehealth and the Extra-Mural Program in that province. That expansion and likely future ambitions were reflected in Medavie EMS being renamed Medavie Health Services in March 2017.

Corporate structure

As the organization chart shows, Medavie Inc. has 3 distinct brands. Medavie Blue Cross is the name used for Medavie's health insurances business. The Medavie Health Foundation Inc. makes donations to selected causes. Medavie Health Services Inc. controls the subsidiaries delivering health care services.

Medavie Blue Cross is registered as a business name, while Medavie Health Foundation Inc. and Medavie Health Services Inc. are registered as separate corporations. All 3, as well as Medavie Inc., are registered in Nova Scotia.

Medavie Blue Cross

Medavie Blue Cross runs insurance and benefit programs. These include group life and health plans in Atlantic Canada, Ontario, and Quebec, and individual life, health, and travel insurance in Atlantic Canada. Medavie Blue Cross also administers a number of provincial and federal government programs.

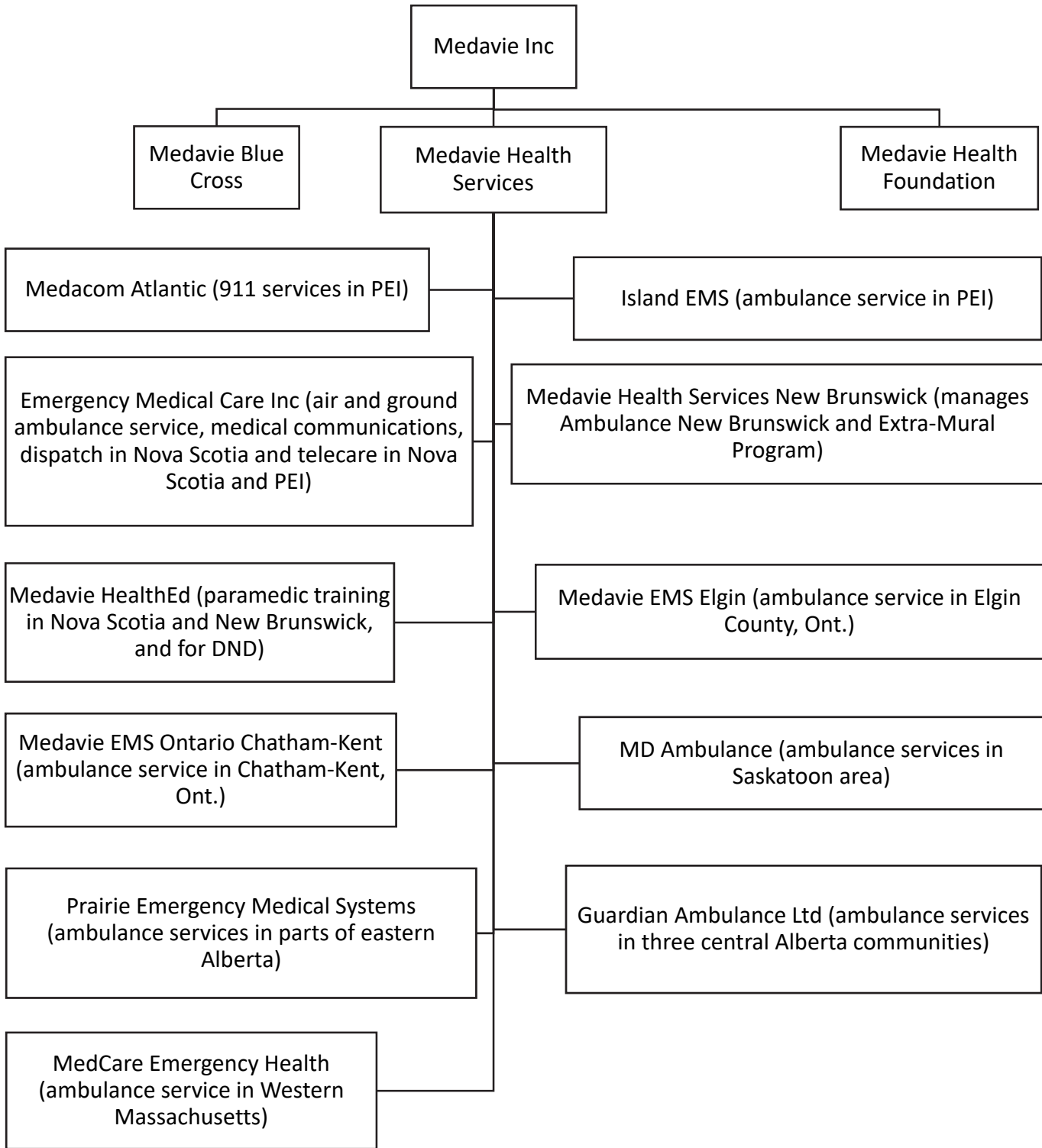
Medavie Health Services

Medavie Health Services controls Medavie's health care operations. Health care services are operated by a number of companies controlled by Medavie Health Services. Most subsidiary corporations are registered in Nova Scotia. Other Medavie Health Services subsidiaries are registered in New Brunswick, in Saskatchewan, in Alberta, and federally. Even though it operates ambulance services in the state of Massachusetts, Medavie Health Services' American subsidiary is registered in the state of Delaware.

Medavie Health Foundation

The Medavie Health Foundation provides funding to organizations working on child and youth mental health, post-traumatic stress disorder, and type 2 diabetes. According to Medavie, 10 per cent of net revenues go to the Medavie Health Foundation.

Medavie Organization Chart



In addition to the companies shown in the organization chart, Medavie Inc. has registered the following subsidiaries:

- Medavie Management Foundation, which is registered as a Limited by Guarantee (usually meaning not-for-profit) company in Nova Scotia
- EMT Emergency Medical Technology Services Inc., registered in Nova Scotia
- Medavie Healthworx Inc., registered federally
- MedWest EMS Incorporated, registered federally

MedWest EMS Inc owns at least 2 Medavie subsidiaries—MD Ambulance in Saskatchewan and Prairie Emergency Medical Systems (Prairie EMS) in Alberta. There is no publicly available information on the role of the other 3 companies.

Services being operated

Federal and provincial benefit programs

Medavie administers programs for the federal government, the Nova Scotia government, and the New Brunswick government. These programs are ones that would be delivered by public employees in many jurisdictions, as opposed to employee benefit programs, which Medavie Blue Cross also provides.

Government drug and benefit programs administered by Medavie Blue Cross include

- provincial government's Medical Services Insurance Programs (MSI) in Nova Scotia
- provincial government drug plans in New Brunswick and Nova Scotia
- drug prescription monitoring programs in New Brunswick and Nova Scotia
- Veterans Affairs Canada health services and benefits for veterans
- Interim Federal Health Program (IFHP) for resettled refugees and refugee claimants

Ambulance services

Medavie's ambulance operations can be traced to a subsidiary of one of its predecessor companies, Maritime Medical Care. The latter took over ambulance service in Nova Scotia in 1997. In 2006, Medavie took over ambulance services in Prince Edward Island.

In both provinces, there were a number of private for-profit companies operating ambulance services before Medavie started operating a province-wide service. From an ownership perspective, the effect of Medavie taking over was to replace private for-profit companies with a private not-for-profit company.

There have been 3 areas of Ontario where Medavie operates or has operated ambulance services—the District Municipality of Muskoka, Elgin County, and the Municipality of Chatham-Kent. In each one, Medavie took over from private contractors—though in Chatham-Kent an internal bid was considered. In 2016, Medavie lost the contract in the District Municipality of Muskoka after the municipality decided to

bring its ambulance services under public control to save money and improve accountability.

In Alberta and Saskatchewan, Medavie has purchased 3 private ambulance companies. Prairie EMS was purchased in 2011 and operates in the Alberta communities of Fort Saskatchewan, Lamont, Andrew, Two Hills, Saddle Lake, Elk Point, Vermillion, and St. Paul. MD Ambulance was purchased in 2014 and operates in the Saskatoon area. Guardian Ambulance was purchased in 2016 and operates in the Alberta communities of Innisfail, Ponoka, and Wetaskiwin.

Medavie expanded to the United States in 2014 with the purchase of Baystate Health Ambulance, which became MedCare Emergency Health Inc.

The one place where Medavie was replacing public as well as private operators was New Brunswick. In 2007, New Brunswick set up Ambulance New Brunswick to replace 39 contractors. Ambulance New Brunswick took over regional health authorities, municipalities and First Nations as well as private for-profit operators.

While Ambulance New Brunswick is provincially owned, Medavie has a contract to manage the service through a subsidiary, Medavie Health Services New Brunswick Inc. The management contract was originally for 10 years, but it was extended until January 1, 2028, when Medavie took over management of the Extra-Mural Program and Tele-Care services.

Paramedic training

In New Brunswick and Nova Scotia, paramedic training is controlled by Medavie. The Medavie Health Services subsidiary Medavie HealthEd runs training programs for paramedics in both provinces. Medavie HealthEd also has a contract to train primary care paramedics for the Canadian military. Medavie HealthEd has facilities in Moncton and Dartmouth and satellite facilities in Fredericton, Bathurst, and Cape Breton.

Before Medavie HealthEd took them over, paramedic training facilities in New Brunswick and Nova Scotia were operated by St. John Ambulance. However, in most other provinces, paramedic training is provided through public community colleges.

The other training for primary care paramedics in the Maritimes is at Holland College in PEI. While the cost is similar to Medavie HealthEd, the course is longer—2 years compared to 44 weeks.

The high level of training paramedics require means there is also reason to be concerned about potential conflicts when one company is responsible for both paramedic training and delivering ambulance services.

Expanding the range of medical services it operates

In 2011, Medavie signed a contract with the Prince Edward Island government to take over the operation of 911 services in the province. Previously 911 services had been operated by the RCMP and police forces in Charlottetown and Summerside. Those three centres were replaced by one province-wide centre operated by Medavie subsidiary Medacom Atlantic.

Then, in its 2016 budget, the New Brunswick government announced it planned to privatize management of the Extra-Mural Program, which provides home health services and Tele-Care, by having Medavie run them. In spite of considerable opposition, privatization went ahead and Medavie took over management of these services on January 1, 2018.

Medavie will manage the services through its New Brunswick subsidiary, Medavie Health Services New Brunswick Inc. Medavie will receive \$2.6 million a year, plus an additional \$1.8 million a year if it meets targets in the contract.

The contract to privatize the Extra-Mural Program and Tele-Care also requires Medavie to pay the New Brunswick government an honorarium if it gets a contract outside of Atlantic Canada to set up a program like the Extra-Mural Program. The thinking behind this provision is similar to the thinking behind the ill-fated attempt to privatize air ambulance services in Ontario: that governments can make money selling their expertise in providing services to other governments.

Medavie has also taken over operation of Telehealth services in Nova Scotia and 811 services in PEI. These services were previously provided by a private for-profit company, McKesson Canada. On November 1, 2016, McKesson Canada transferred its contract to the Medavie subsidiary Emergency Medical Care Inc., which also operates ambulance services in Nova Scotia.

Criticisms of Medavie

Expansion health care service operations will involve privatization

Initially, much of Medavie's expansion into operating health care services involved taking over services that were run by private for-profit corporations. While people may have preferred to see public control of those services, in most cases, Medavie taking over those services just meant replacing one private company with another.

Medavie's takeover of the Extra-Mural and Tele-Care programs in New Brunswick has changed how Medavie's health care operations are viewed. Both programs were publicly controlled and Medavie's taking over the management functions is clearly privatization.

Based on Medavie's enthusiasm for privatizing management of the Extra-Mural and Tele-Care programs, it is safe to assume that any expansion plans the company has include attempting to privatize more public health care services.

No transparency and accountability

New members of the Board of Directors of Medavie's parent company, Medavie Inc., are picked by the existing board. The only people they are accountable to are the other 11 members of the Board of Directors.

Medavie claims "our shareholders are the employees, clients, and communities we serve," but that's not reflected in the way the company is run. Employees, clients and communities where Medavie delivers health care services have no control over Medavie's operations. Instead, power is concentrated in the hands of a 12-member board that is accountable only to itself.

Even though much of Medavie's income comes from managing public services, the public have very little information about Medavie's operations. What is provided is glossy promotional material rather than details of how decisions that affect publicly funded services are being made and the basis for those decisions.

Financial statements kept secret

With all the publicly funded services it operates, Medavie is responsible for how over \$1 billion in public funds are spent. Yet information about Medavie's financial situation remains a secret. The board refuses to release financial statements. Information about Medavie's finances that is publicly available is several years old, dating back to before much of the expansion of Medavie's health care operations took place.

Medavie executives gets indignant when it's claimed they're profiting from privatization. They claim that the 10 per cent of Medavie's net revenues that are supposed to go the Medavie Health Foundation for grants to fund health programs mean that the public is receiving any profit. But when financial statements remain secret, there is no way for the public to be sure this is the case. (Or for the public to know what is happening to the 90 per cent of net revenues that don't go to the Medavie Health Foundation.)

The public also have no way of knowing whether the publicly funded services Medavie operates are well run.

US subsidiary incorporated in a tax haven

Medavie's US subsidiary, Medicare Emergency Health Inc., operates ambulance services in Western Massachusetts. That is over 400 km from the state of Delaware. But like many companies in the US, Medicare Emergency Health Inc. was incorporated in Delaware.

Because incorporating in Delaware allows companies to avoid taxes, Delaware is a popular location for companies to incorporate. Often companies have no presence in the state other than a mailing address. As the New York Times reported a few years

ago, one small office building served as the mailing address for over 285,000 companies.ⁱ

While incorporating a company in a tax haven does not automatically mean businesses plan to avoid taxes, Medavie's decision to incorporate its US subsidiary over 400 km away from the state where it delivers services does raise questions.

Well connected

Bernard Lord, a former premier of New Brunswick, and Robert Ghiz, a former premier of PEI, both sit on Medavie's board of directors. Bernard Lord also serves as CEO. The chair of Medavie's board, Michael Decter, is a former deputy minister of health for Ontario and former cabinet secretary in the government of Manitoba.

Some former Medavie officials occupy positions of power. For example, the chair of the Nova Scotia Health Authority is a former chair of the Medavie Incorporated board.

Medavie's connections have likely meant that it has been possible for the company to lobby to take over public services in ways that don't get public attention. It has also meant that in areas where Medavie is involved in delivering public services, it is sometimes hard to tell where the government's role ends and Medavie's begins.

Conclusion

What upsets people about privatization is the loss of public control, the loss of transparency and accountability, and public funds being used for private profits. When Medavie takes over a service, it reduces the level of public control, transparency, and accountability. The secrecy around Medavie's finances means we have no way of knowing how lucrative operating publicly funded services is for those involved in the company.

But what is safe to assume is that, based on its actions over the last few years, Medavie will continue to attempt to take over the operation of more health care services.

ⁱ Leslie Wayne, "How Delaware Thrives as a Corporate Tax Haven," *New York Times*, June 30, 2012, <http://www.nytimes.com/2012/07/01/business/how-delaware-thrives-as-a-corporate-tax-haven.html>



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- Health Sciences Association of British Columbia (HSABC)
- Health Sciences Association of Alberta (HSAA)
- Saskatchewan Government and General Employees' Union (SGEU)
- Manitoba Government and General Employees' Union (MGEU)
- Ontario Public Service Employees Union (OPSEU)
- Canadian Union of Brewery and General Workers (CUBGW)
- New Brunswick Union of Public and Private Employees (NBU)
- Nova Scotia Government and General Employees Union (NSGEU)
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