

Australian private hospital giant's liquidation threatens jobs and patients

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Australia's second biggest private hospital operator, Healthscope, was placed in receivership on Monday. This means the future prospects of 38 hospitals, 19,000 staff and hundreds of thousands of patients are now in the hands of ruthless international hedge funds, to which the private equity fund-owned company owes an estimated \$1.6 billion.

Healthscope, which operates hospitals in every Australian state and territory, had 650,000 patients last year. Its liquidation by its owners, Brookfield Asset Management, puts a spotlight on the destructive character of the increasing subordination of the health system, by successive Labor and Liberal-National governments, to the corporate profit-driven dictates of finance capital.

No faith can be placed in the "assurances" of the Albanese Labor government, along with those of Healthscope's management, owners and financiers, that the company's liquidation will not mean retrenchments, cuts and closures. Even before Monday's receivership announcement, Healthscope had moved to shut its maternity hospitals in Hobart and Darwin, causing patients distress.

Healthscope also sought an early handover of ownership of its one "public" hospital, the 400-plus bed Sydney Northern Beaches Hospital, to the New South Wales government, ahead of the 2038 deadline. The proposal came after Healthscope's financial crisis had been aggravated by the preventable deaths of children at the facility. The state Labor government declined, implying that Healthscope was seeking to be paid out for "13 years of fictional profits."

Healthscope chief executive Tino La Spina, a former Qantas and Boral executive, said the company's hospitals would operate as usual. However, he did not rule out the company being broken up if individual hospitals were sold off to separate buyers. And there is no guarantee that future owners will not close down the least profitable hospitals.

According to the *Australian Financial Review*, Healthscope was pushed into receivership by "international hedge funds, including London's Polus Capital Management and Los Angeles-based Canyon Partners, which control large parcels of Healthscope's debt." They favoured a "quick solution that would likely lead to receivership and asset sales to maximise their returns."

Healthscope and the Albanese government claim that 10 or so operators have expressed "non-binding" interest in buying Healthscope's facilities, or parts of it. Yet those sales will only proceed on the basis of slashing operations to make the hospitals

more profitable.

Brookfield, a Canadian-based investment giant, bought Healthscope in 2019 for \$5.7 billion. It was scouring the world in the hope of reaping quick profits in the burgeoning "health industry." Typically for such operations, Brookfield borrowed heavily from hedge funds to finance the deal. It then sold 22 of the hospital properties for \$2.5 billion, before leasing them back at rents that it then said became unaffordable.

These cost pressures intensified in 2020 when the COVID-19 pandemic initially shut down the thousands of "elective surgeries" on which Healthscope and other private operators financially depend. With Labor's agreement, the then Liberal-National federal government bailed out private hospitals, handing them more than \$1.3 billion, but that was apparently not enough. This was followed by a cost-cutting industry shift to less lucrative day-surgeries.

At a media conference a few hours after the Healthscope announcement, federal Health Minister Mark Butler attempted a damage-control public relations effort to quash public concern. He claimed he had received an assurance from Healthscope CEO La Spina that "the thousands of Australians who right now have a birth planned or a knee reconstruction booked at a Healthscope hospital can be confident that procedure will go ahead, as planned and as booked."

This is a coverup. Healthscope's looming liquidation had been mooted in the financial and political establishment for months, but the Labor government was desperate to delay the announcement until after the May federal election.

Butler conceded: "We've been meeting as the government with Healthscope now for some considerable time as speculation about this decision has really been spreading through the community."

Healthscope had been in receivership in all but name since the start of May, when Brookfield handed back the keys to its health empire to its lenders.

Healthscope has been handed a \$100 million "funding lifeline" of loans by two banks, Commonwealth Bank and Westpac, to supposedly buy time to find new owners for its hospitals. But any sales will inevitably involve drastic restructuring to satisfy the profit appetites of the financial giants that dominate the health industry in Australia and globally.

As on every other front, the Labor government's concerns are not the interests of patients and workers but the protection of the billionaires' profits, against the outrage and concerns of patients

and workers. Butler began his media conference with a strident defence of the supposed “success” of the corporate-dominated health system.

In fact, he boasted of the crucial part played by the previous Labor governments of Whitlam, from 1972 to 1975, and Hawke, from 1983 to 1991, in establishing this system, through the Medibank scheme, which Hawke’s government rebadged as Medicare.

Medicare heavily subsidises private hospitals and other medical businesses, including by handing rebates—totalling about \$8 billion a year—to the 15 million people, or 55 percent of the population, who have bought private health insurance to avoid relying on the chronically underfunded and understaffed public system.

“One of the drivers of the success of Australia’s healthcare system is its blended nature,” Butler said. “We have universal healthcare delivered through 700 public hospitals underpinned by Medicare principles, as well as a really strong primary care system.

“But from the introduction of Medibank by Gough Whitlam, and certainly the introduction of Medicare by Bob Hawke, that has always been supported by a strong private hospital system, funded in large part by private health insurance payments paid by millions and millions of families. And that private hospital system is responsible for about 70 percent of all elective surgeries, about 1 in 4 births, and receives very significant taxpayer support amounting to about \$8 billion through the private health insurance rebate.”

The latest available statistics indicate that private hospitals, including day surgeries, make up nearly half of all hospitals in Australia. About two thirds of them are commercial for-profit operations. The other third are mostly run by church-linked organisations.

Responding to a journalist’s question, Butler insisted that Healthscope’s shut down was not an indictment of this system. Instead, he asserted that it was a “unique case, something of an outlier.”

Nothing could be further from the truth. Brookfield’s pulling of the plug on Healthscope epitomises the rapacious and parasitic operations of finance capital. Brookfield, listed on the New York stock exchange, is one of the world’s biggest asset managers, with \$US1 trillion (\$A1.6 trillion) under administration.

Brookfield invested via a then-newly raised private equity fund, Brookfield Capital Partners V, at a time when money was cheap and flowing loosely around the world. The biggest investor in that fund was Brookfield’s sister company, Brookfield Business Partners, which had about one-third of the fund. Other investors included Canadian and US pension funds, Qatar and Kuwait’s sovereign wealth funds, and institutions in Japan, Germany, France, Israel, the UAE, Malaysia, Hong Kong, Finland and Switzerland.

Having miscalculated how much debt it could load into the Healthscope business, Brookfield has now walked away, leaving corporate receivers McGrathNicol and administrators KordaMentha to haggle with potential buyers.

Profit-taking will dominate the entire process. Among other calculations, sales will depend on Healthscope’s two big

landlords, David Di Pilla’s HMC Capital and Toronto-listed Northwest Healthcare Properties Real Estate Investment, agreeing to lower rents.

Healthscope’s liquidation also increases pressure on private health insurers, such as Medibank Private, Bupa and NIB, to increase their funding to private hospital operators. Last September, Healthscope threatened to end agreements with the insurers. Any sharp rise in health insurance premiums, however, will further expose the Labor government’s claims to have “turned the corner” in the cost-of-living crisis.

Private Healthcare Australia (PHA), which represents the big private health funds, bluntly said some of Healthscope’s hospitals might have to shut. PHA chief executive Rachel David said that would “likely be part of a natural correction in a market undergoing transformation to deliver more sustainable models of care, including shorter hospital stays, more day procedures, and more community and home-based care.”

The Australian Nursing and Midwifery Federation, Health Services Union and other trade union bureaucracies covering health workers have proposed no action to fight the likely closures and job destruction. Instead, they joined the Labor government in fostering illusions in Butler’s “assurances,” while seeking meetings with Healthscope and the receivers to be involved in the network’s carve-up.

To fight this line-up, healthcare workers need to form independent rank-and-file committees at all facilities to develop a strategy to protect jobs and establish free, first-class healthcare as a fundamental social right. As the Healthscope liquidation demonstrates, that means a struggle for a socialist healthcare system, based on public ownership and democratic workers’ control.

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