

# Market Competition in Ontario's Homecare Sector: *Lessons and Consequences* Summary

## Introduction

In response to large protests in Ottawa, St. Catharines and Toronto, the Ministry of Health and Long Term Care has announced a review of the competitive bidding process in homecare. In our meeting with Elinor Caplan, appointed to conduct the government's review, Ms. Caplan made clear to the Ontario Health Coalition that her mandate is limited to a review of "procurement procedure". The system of "managed competition" or competitive bidding, introduced by the former Conservative government, will not be reviewed and will remain in place, despite the Health Minister's announcement.

The structure of Ontario's homecare system is a touchstone issue for organizations concerned about protecting public healthcare. Homecare is one of the fastest growing health sectors, used by successive governments to move patients out of hospitals more quickly. Competitive bidding in homecare has ushered in a number of for-profit corporations that now control the majority of market share at the expense of non-profits that provided services for decades. The culture of the sector has changed markedly since the introduction of the private market. By adopting a long-term strategy to continue competitive bidding, the Liberal government has excluded the possibility of homecare becoming a public service and has signaled its acceptance of long-term privatization. This report details the consequences of market privatization in homecare.

## Key Findings:

- 1) The culture of the homecare sector has changed due to the expansion of for-profit companies and the consolidation of the "market" in the hands of a few large providers creating a market oligopoly. Now, large companies, for-profit as well as not-for-profit, travel around the province making bids to secure market share. These corporations often do not exist in any tangible way in the communities they seek to serve. Our data indicate that 6 corporations held 76% of the contracts last fall, compared to 8 agencies holding 66% of the contracts in 1995. The market concentration figure would be even higher if it was based on volume of services delivered, figures that the Community Care Access Centres will not disclose.
- 2) The competitive bidding regime has resulted in a serious destabilization of working conditions for nurses and support workers. One study has shown that from 1997 to 2002 turnover among nurses in the homecare sector has ranged from a high of 73% in 1999 to a low of 24% in 2001<sup>1</sup>. In a snapshot picture of recent months, we have seen the dislocation of over 1,050 workers.
  - 1) In Haldimand-Norfolk, the nursing contract was lost by the VON to Comcare resulting in the lay off of 140 full and part time nurses and nurse practitioners by the time the contract ended in October 2004.<sup>2</sup>
  - 2) In Brant, in the summer of 2004, a contract held by the Red Cross for more than 50 years was lost to Comcare resulting in 115 full and part time workers being laid off.<sup>3</sup>

---

<sup>1</sup> Doran, Pickard et al, *Management and Delivery of Community Nursing Services in Ontario: Impact of Care and the Quality of Worklife of Community-based Nurses*, University of Toronto Community Nurses Services Study, 2004, page 16. This study found some key areas of dissatisfaction for nurses and clients. In addition, it drew conclusions from perceptions by for-profit providers and CCACs about conditions in the sector prior to competitive bidding, even though those entities were not in the sector prior to competitive bidding.

<sup>2</sup> *Brantford Expositor*, August 21, 2004, page A3

<sup>3</sup> *ibid*

- 3) VON and SEN have lost contracts in Niagara Falls to Care Partners and St Elizabeth Healthcare with at least VON 110 nurses<sup>45</sup> and an estimated 50 SEN nurses being laid off by the contract's end in September 2004. VON had provided service in the area for 85 years<sup>6</sup>.
- 4) Visiting Homemakers Association (VHA) Health and Home Support laid off 200 nurses and home workers, in Ottawa August 2004, when they lost their contract.<sup>7</sup> They had been providing services for nearly 50 years.<sup>8</sup>
- 5) In August, Community Care East York lost its contract to VHA Healthcare and Spectrum affecting 50 to 70 staff. They had been providing service for 20 years.<sup>9 10</sup>
- 6) Kingston VON lost its nursing contract to Paramed, All-Care and Red Cross forcing it to lay off at least 70 staff in April 2004.<sup>11</sup> VON has provided community nursing in the area for over 100 years. In the same community, Allcare staff was laid off when their contract was lost to the Red Cross and Paramed.
- 7) Not-for-profit SEN Community Care in Hamilton lost its Halton and Niagara contracts in March to Windsor-based for-profit Care Partners, which has no history in the Niagara/Halton region.
- 8) VON in Manitoulin-Sudbury closed its homecare division in June 2004 forcing the layoff of 300 to 350 employees<sup>12</sup> blaming its loss at the end of 2002 of a \$13 million contract to provide home care to seniors.
- 9) In December 2004, Community Home Assistance to Seniors (CHATS) lost their personal support contract in York Region forcing the layoff of 350 home care workers.<sup>13</sup>

3) In recent months over 22,000 clients have been affected by the loss of contracts through competitive bidding, resulting in change of careworkers:

- 600 clients in East York
- At least 1,700 clients in the Niagara region
- 1,300 clients in Ottawa<sup>14</sup>
- 15,000 clients in York region<sup>15</sup>
- 1,200 clients in Kingston
- 2,700 clients in Manitoulin-Sudbury<sup>16</sup>
- >1,000 clients in Wellington-Dufferin<sup>17</sup>

In the case of Manitoulin-Sudbury, the VON withdrew from its remaining contract with the CCAC, being unable to recover from the loss of an earlier \$13 million contract for in-home care for seniors.

---

<sup>4</sup> *Toronto Star*, October 5, 2005, page A7

<sup>5</sup> *St Catharines Standard*, September 30, page A3

<sup>6</sup> *Welland Tribune*, September 3, page A4

<sup>7</sup> *Brantford Expositor*, August 5, page A5

<sup>8</sup> "Premier Dalton McGuinty insists his government is not trying to put smaller, not-for-profit homecare agencies out of business", Broadcast News, August 5, 2004

<sup>9</sup> *East York Mirror*, August 20, 2004

<sup>10</sup> *Toronto Star*, August 19, page A4

<sup>11</sup> *Kingston Whig-Standard*, March 11, 2004, page 1 (Community section)

<sup>12</sup> *Sudbury Star*, August 5, 2004, page A3

<sup>13</sup> Ontario Community Support Agency press release, December 6, 2004

<sup>14</sup> <http://www.ocsa.on.ca/PDF/VHA%20Press%20Release%20Ottawa%20Rally%20Aug%2020-04.pdf>

<sup>15</sup> Ontario Community Support Agency press release, December 6, 2004

<sup>16</sup> *Sudbury Star*, August 5, 2004, page A3

<sup>17</sup> *Guelph Mercury*, July 26, 2004, page A4

3) Competitive bidding has created a climate in which agencies and staff fear criticizing policy and clients fear criticizing practices. Agencies in the market model are competitors and face disincentives to share information and resources with each other. Bill 130 has stunted CCACs' accountability to communities as they are now appointed by government rather than by communities. They are reticent to discuss the impacts of government funding changes and public policy decisions. Some CCACs are even refusing to divulge basic information about who has contracts and on what basis.

Many CCACs prohibit agencies from publicly criticizing homecare policies on penalty of forfeiting their contract or the implied threat of not having their contract renewed (in fact, this provision is in the template RFP provided by the Ministry<sup>18</sup>). Employees are required, in some cases, to sign oaths of confidentiality that is so broad that it prevents homecare workers from telling the public about problems with homecare services. Clients regularly report to us that they are unwilling to make complaints for fear of having their service reduced. CCACs are allowed to cut off service to a client if they complain about their service provider. Under General Conditions, Section 3.1.6 (5) of the Ministry's template RFP document, "the CCAC may, in its sole discretion, withdraw Services from an individual Client for any reason the CCAC deems necessary, including due to Client complaints about the Service Provider." Additionally, numerous service recipients have informed us that they fear publicly speaking out about problems with their homecare out of fear of being denied service.

4) Part of the argument for ushering for-profit providers into the sector and implementing "managed competition" is the claim that competition can introduce innovations. However, we have been able to find no evidence of bona fide innovation in care methods or administration. Instead, innovation has been limited to finding ways to drive down working conditions in order to allow bidders to outbid competitors while making room for profit. Changes that have been introduced by both for-profit providers and by not-for-profit providers trying to emulate their competitors, include piecemeal, split-shifts, strict time limits on care services, the elimination of travel pay for workers as well as benefit reductions. Costs are increasing with no public accounting of outcomes.

Contrary to claims of greater efficiency, there is, in fact, evidence that the agency "markup" portion of the rate charged by for-profit companies to CCACs is higher in than not-for-profit providers. The mark-up is the difference between the rate charged to the CCAC and the wage paid out. In Hamilton, in 2000, the agency "mark-up" by for-profit providers on personal support work is an average of \$8.12 per hour while the mark up by not-for-profit providers averaged at \$7.37, a difference of more than 11%. However, the hourly wages paid by the for-profit providers averaged \$11.08 an hour while the wages paid by not-for-profit providers averaged \$12.09.<sup>19</sup> The for-profit providers offered lower wages, while taking a greater portion in profit and administrative fees. This issue requires further study, but it information about contracts is secret and not accessible to the public, despite the fact that providers are paid through public funds.

---

<sup>18</sup> section 3.4 (4) specifies that prospective respondents, respondents and even successful respondents shall not contact or attempt to contact a wide list of individuals/organizations in the RFP process, including any staff of the Ministry of Health and Long-Term Care, any staff of the Premier's office, any MPP or their staff. Further, the General Conditions section of the template contract forbids the Service Provider from issuing "any publicity or news release or otherwise respond to or contact any member of the news media pertaining to this Agreement of the Services without prior consent of the CCAC."

<sup>19</sup> Aronson, Denton, Zeytinoglu, *Market Modelled Homecare in Ontario: Deteriorating Working Conditions and Dwindling Community Capacity*, Canadian Public Policy, XXX (I), 2004.

5) Both the Minister of Health and CCACs have asserted that “quality control” is given a priority in the awarding of contracts and that quality accounts for 70 to 80% of the points used to assess bids. However, the use of quality as criteria is problematic due to the nature of the bidders and is, in fact, largely a theoretical exercise. Agencies with few or no care staff are awarded contracts on the strength of their bidding documents. The creation of a “market” in homecare has resulted in an expensive consultant-driven proposal process that favours wealthy companies over small community-based agencies.

6) There is evidence that the bidding process and structure itself add considerably to the cost of homecare services. A 2000 study found that the cost to each service provider of preparing a response to a single RFP is \$30,000.<sup>20</sup> This does not include all the time and expense for all the provider agencies, such as staff time in dealing with complaints when contracts change hands. Most CCACs have at least two staff positions for handling the RFP process in their region. As well, each CCAC has from five to nine of its staff read each individual proposal and rate submissions.

Aside from the direct costs of producing and evaluating bids, the managed competition model requires a sector structure that is rife with duplication, redundancies and higher administrative costs. A 2001 study found that ending contracting out and competitive bidding with “free up a minimum of \$247.4 million from the current homecare budget”. The study found that contracting out and competitive bidding took up 19.4% of a nursing agency’s expenses, 12% of home support agency expenses and 21.7% of CCAC expenditures that could be “more effectively spent on patient care”.<sup>21</sup>

7) Ontario’s home care system is completely lacking in democratic process, community control and accountability. Bill 130 has eradicated democracy within the system. Boards are not elected by or representative of the community they serve. While many not-for-profit providers are run by boards of directors based in the community with varying degrees of democracy and community control, the for-profit providers are accountable only to investors.

## **Conclusion**

The Ontario Health Coalition calls upon the government to:

- 1) Place a moratorium on the competitive bidding process and allow CCACs to hire staff directly.
- 2) Conduct a real review of competitive bidding as promised and consider options that exclude continued for-profit privatization.
- 3) Make public Elinor Caplan’s report.
- 4) Provide public access to information regarding market share, contracts, administrative costs and other information that would allow public evaluation of the costs of bidding and privatization.
- 5) Recind Bill 130 and allow public memberships in CCACs, and elections for CCAC boards.

---

<sup>20</sup> OCSA, “The effect of the managed competition model on homecare in Ontario” (2000).

<sup>21</sup> Ross Sutherland, *The Costs of Contracting Out Homecare: A behind the scenes look at homecare in Ontario*, CUPE Research, 2001.