

**Ontario Health Coalition**  
**Issues in Long-term Care Facilities**  
**Briefing Note**

January 2007

**Why Is Protecting Public and Non-Profit  
Long Term Care Homes So Important?**

**Profit Taking**

For-profit nursing homes are required by investors to maximizing the profit and growth potentials of their companies. The investors in Extendicare, Chartwell or the others, seek to maximize the rate of return on their investment and to pursue a growth strategy that maximizes return down the road. That means profit has to be found from the mix of government (public) funding and private fees that residents pay.

**Siphoning from Care to Find Profit**

In Ontario's nursing homes there are several funding envelopes, including:

- nursing and personal care
- programs and support services
- accommodation

Only in the accommodation envelope do the facilities keep funding if they do not spend it all. In the nursing & personal care and programs & services envelopes the homes must return funding received from the government if it exceeds what they spend. In the for-profit facilities this means that the accommodation envelope is the one from which they can take profits. This is the envelope also into which premiums charged for private and semi-private beds go.

Over the years, the operators have done a number of things to shift costs from the accommodation envelope into the nursing and personal support envelope, including moving incontinence supplies, moving costs for building cameras and surveillance equipment, and shifting the work of accommodation staff to personal support staff. The fewer the costs in the accommodation envelope, the more room for profit-taking. In recent years, it has been reported that the government is directing the operators move incontinence supplies and surveillance and security costs back into the accommodation envelope so that nursing and personal care funds are not siphoned off into these other items. We are now hearing reports that this has not yet been done.

The operators have also conducted public campaigns and lobbying to increase the amount of funding in the accommodation envelope. The fee increases for residents adopted by the Harris-Eves Conservative government go into the accommodation envelope.

The for-profit homes have an interest in increasing fees for seniors and in shifting costs out of the accommodation envelope, even if it lowers care staff levels, because it fits their requirement to maximize rates of return for their investors. Thus the profit and growth requirements of the for-profit nursing home industry are in direct conflict with the public interest in accessible and affordable care.

**Beds for Care or Revenue Streams for Investors?**

Ontario's non-profit and public facilities have always had "approved beds" which means that the number of beds they operate is approved by the provincial government. The for-profits have bed "licensed beds" which have a value on the open market. Thus, the for-profits can buy and sell bed licenses as revenue streams for their companies. Nursing home beds are places of care for vulnerable seniors. Most Ontarians would be appalled to realize that the for-profits see them as commodities to be bought and sold for investor revenue streams.

**Case Study: Extendicare**

To a for-profit, long term care homes are an investment. They move from jurisdiction to jurisdiction depending on the market conditions. For example, in the same period as Extendicare was being sued in Florida for negligence resulting in death and falsifying records, it was awarded a significant portion of Ontario's new long term care beds. The Florida court awarded the largest penalty to that point in the state's history in the civil trial against Extendicare. Shortly thereafter, Extendicare sold off their facilities in the state and moved shop.

While we think of nursing homes as places to live for our aging parents, or spouses, or friends, Extendicare Canada sees these homes as one part of its "portfolio" providing a revenue stream to investors as follows:

"Today, the Company is focused on growing its business in both the assisted living and nursing home sectors of senior care. The Company expects to continue making selective acquisitions to increase the size and scale of its portfolio."

<http://www.extendicare.com/aboutus/history.html> (Dec. 19, 2006)

## What Does the Research Show?

Research from well-over a decade of experience in the United States shows that care in non-profit and public long term care homes is superior to that of for-profit homes.

- When releasing his recent study revealing better performance in non-profit versus for-profit nursing homes, University of Toronto PhD candidate Michael Hillmer noted that the difference, “could be as simple as them being required to put any profits back into the homes.” His study found non-profits performed better, especially in measures of patient care, than for-profits. Findings in the for-profits included higher rates of pressure ulcers (bed sores) and use of psychoactive medications to subdue patients and more use of restraints. (Hillmer, Michael et al. Study is published in Medical Care Research and Review, April 2005.)
- His conclusions were echoed in the June 2005 release of the University of Toronto, University of Maryland study on caregiver injuries and staffing levels in nursing homes. Lead researcher Dr. Carles Muntaner state, “Reductions in staffing ratios and numbers of staff hours lead to lower quality of care. At the end of the day, it’s a policy option, but the consequences are clear. If you try to squeeze the budget to maximize profits, it creates the dangerous situation we see in the United States.” (medicalnewstoday.com)

**In his investigative report on Ontario’s long-term care homes, Ottawa Citizen reporter Paul Mackay reports on the claims of the for-profit lobby group the Ontario Long Term Care Association as follows, “Karen Sullivan contends her members make no profit on the provincial subsidies. Instead, she says, they earn their profits by charging higher fees to wealthier residents who can afford private rooms, and by buying food and other supplies in bulk and setting lower wage scales for staff.”** (“Ontario’s Nursing Home Crisis - Part 1: Cut-Rate Care”, Ottawa Citizen, April 26, 2003)

**Take away the public relations spin and it is clear that even the for-profit association admits that cutting on food and staff costs, and charging higher fees is the practice to maximize profit taking from the homes. Conversely, municipalities are pouring funding into the operational budgets of the facilities to improve care. Non-profits fundraise to provide activities and amenities. They act to levy additional resources to *put into* the homes.**

### ***From the Canadian Medical Association Journal Commentary, January 2, 2007:***

There is now increasing evidence that the for-profit and not-for-profit sectors in Canada make different spending decisions.

- In an Ontario study, government-operated facilities were found to provide more hours of direct patient care per resident than for-profit facilities, although the public-sector facilities also care for residents with greater health needs. Berta W, LaPorte A, Valdemanis V. Observations on institutional long-term care in Ontario: 1996–2002. Can J Aging 2005;24:70-84.
- In British Columbia, not-for-profit facilities were also found to provide more hours of direct patient care per resident than for-profit facilities. McGregor MJ, Cohen M, McGrail KM, et al. Staffing levels in not-for-profit and for-profit long-term care facilities: Does type of ownership matter? CMAJ 2005;172:645-9.
- Although this was not the primary question under study, Shapiro and Tate found that, in Manitoba, for-profit long-term care facilities had higher rates of acute care hospital admission of residents because of several quality-of-care related diagnoses than did not-for-profit facilities. Shapiro E, Tate RB. Monitoring the outcomes of quality of care in nursing homes using administrative data. Can J Aging 1995;14:755-68.

---

#### Ontario Health Coalition

15 Gervais Drive, Suite 305, Toronto, Ontario M3C 1Y8 tel: 416-441-2502 fax: 416-441-4073  
email: [ohc@sympatico.ca](mailto:ohc@sympatico.ca) [www.ontariohealthcoalition.ca](http://www.ontariohealthcoalition.ca)