

Corporate

Report

DEPARTMENT/ DIVISION	Community Services Homes For The Aged	REPORT NO.	2005.250
DATE PREPARED	October 4, 2005	FILE NO.	100.090
MEETING DATE	October 31, 2005		
SUBJECT	D-Listed Homes for the Aged		

RECOMMENDATION

THAT with respect to Report No. 2005.250 (Community Services) we recommend that the City of Thunder Bay advise the Ministry of Health and Long-Term Care that the City will be discontinuing the operation of 300 of its 450 long term care beds by January, 2009;

AND THAT Administration work with the Ministry of Health and Long-Term Care to develop a three-year transition plan which would see additional long term care beds be operated by a not-for-profit organization;

AND THAT the City of Thunder Bay City send the attached letter (Attachment F) as recommended by the Ontario Association of Non-Profit Homes and Services for Seniors which requests that the Provincial Government honour its commitment to adequately fund Long Term Care in the Province;

AND THAT any necessary by-laws be presented to City Council for ratification.

EXECUTIVE SUMMARY

In recent years, the City of Thunder Bay has repeatedly asked the Province of Ontario to adequately fund Long-Term Care, particularly in light of its requirement that the City bring two of its three Homes for the Aged to the Province's "A-listed" standard by 2006.

Following are the key facts that lead to the conclusion that the City should limit its involvement in Homes for the Aged to the legislated requirement:

- The City of Thunder Bay, like other municipalities in Ontario, faces a property tax challenge in large part because the municipal tax base is required to fund social and health services to a far greater extent than in other Provinces.
- The City is required by legislation to provide one Home for the Aged and the City does operate one “A-listed” Home for the Aged. In addition, the City operates two “D-listed” Homes for the Aged.
- 10% of the City’s discretionary costs (i.e., those costs solely within the control of City Council) relate to the D-listed Homes for the Aged. By operating three instead of one Home for the Aged, the Homes Operating Budget exceeds the minimum legislative requirement by at least \$3 million.
- The Province of Ontario’s current funding formula would result in no contribution to capital if the two Homes for the Aged were rebuilt. The net cost to the taxpayers (including interest) over 20 years would be more than \$61 million.
- The City’s cost of care is competitive and efficient, based on benchmarking with other Ontario municipalities, and it is unlikely that the cost to the taxpayer can be reduced significantly through further operational streamlining.
- The number of beds/capita provided by the City of Thunder Bay is about three times that of the average of municipalities in Ontario (Attachment A).
- A reduction in the number of beds provided by the municipality is the only viable option available to significantly reduce the burden on the property taxpayer.
- Newly formed Local Health Integration Networks (LHINs) are not expected to be in a position to fund capital projects as the Ministry of Health and Long Term Care is expected to retain responsibility for funding for construction.
- The Province acknowledges the City of Thunder Bay is not obligated to continue providing the current level of long term care beds in the community.

DISCUSSION

Legislation

The City of Thunder Bay, like other municipalities, is required to maintain one Home for the Aged. The Homes for the Aged & Rest Homes Act, R.S.O. 1990, Chapter H. 13, states: “3. (1)...every municipality not in a territorial district and the District of Muskoka shall establish and maintain a home for the aged. 2002, c. 17, sched. F, Table.” The legislation makes no reference to the number of beds required.

While required to maintain one Home for the Aged, the City of Thunder Bay operates three Homes for the Aged, each providing 150 beds. This represents more than 40% of the beds available in Thunder Bay. Pioneer Ridge is “A-listed.” Dawson Court and Grandview Lodge are “D-listed.”

Property Tax Issues

Following is a summary of the Property Tax Issues facing Ontario municipalities in general and the impact of the Homes for the Aged in Thunder Bay specifically:

- Property taxes issues are regressive in that they are not based on ability to pay like income and consumption taxes.
- The Association of Municipalities of Ontario reports that the average property tax burden in Ontario is 14% higher than the next highest province and 26% higher than the Canadian average (2001 figures).
- 26.7% of property taxes in Ontario are dedicated to social and health care programs, compared to an average of 1.7% in the rest of the provinces in Canada (2002 figures).
- Fully loaded annual net operating cost of Seniors Services in Thunder Bay is \$101/capita while the average among municipalities is \$20/capita and the next nearest is \$46/capita.
- Of the City of Thunder Bay’s 2005 net operating budget of \$167 million, only \$32 million relates to discretionary services, which are completely within the control of City Council.
- Taking into consideration co-payments by residents, as well as the current provincial subsidies, the expense to property taxpayers in 2005 is \$4.6 million for operating costs for all three homes.
- Almost 10% of the City’s discretionary costs relate to the D-listed Homes for the Aged. By operating three instead of one Home for the Aged, the Homes Operating Budget exceeds the minimum legislative requirement by at least \$3 million.

Local Market

Thunder Bay has slightly more beds than the Provincial Guideline. Based on the Provincial Planning Guideline (99.1 beds per 1,000 people over 75 years of age), Thunder Bay should have 1,032 beds to service its 10,410 people over 75 years of age. Thunder Bay has 1,047 Long Term Care beds. The City of Thunder Bay operates 450 beds (43% of the total). Only 7 of the 450 residents come from outside the City of Thunder Bay (1.6%). The Ontario Senior's Secretariat reports that in 2004 only 7% of the senior population live in Long Term Care facilities. The average age of Ontario seniors in Long Term Care as reported by the Ontario Association of Non-Profit Homes and Services for Seniors is 82 years.

The number of beds/capita provided by the City of Thunder Bay is about three times that of the average of municipalities in Ontario. There are 4.05 municipal Long-Term Care beds/1,000 population in the City of Thunder Bay while the next nearest municipality has 2.81. The average is 1.30 beds/1,000 population.

Following are the anticipated future trends in the market:

- Demand for seniors' facilities will increase in Thunder Bay and across the Province (see Attachments B and C).
- Based on forecasts, demand will grow less quickly in Thunder Bay than in the rest of the Province.
- Therefore, pressure will be high for the Province to meet the demands in the rest of the Province and competition for available funding will increase with time.
- The level of health care service in Long-Term Care facilities will continue to escalate, with some areas functioning in a "hospital-like" manner.

Cost of Care

In 2004, the average cost per bed per day was \$158.99 among municipalities in Ontario, compared with \$156.28 for Thunder Bay. This demonstrates the City of Thunder Bay's Homes for the Aged operate efficiently and significant reductions in the cost of care are unlikely to be achieved through further efficiencies. While the City of Thunder Bay has elevated levels of care relative to the minimum Provincial requirements, the gap is closing. Even if it were acceptable, this would not leave much room to reduce the level of service. Reducing the cost per capita will require a reduction in the number of municipal beds.

Capital Needs

The D-listed Homes, Grandview Lodge and Dawson Court, are functional and accredited. To maintain them as they function today will require almost \$5 million for capital improvements over the next five years.

Current legislation under the Ministry of Health requires those two Homes to become compliant to the Province's "A" listing by 2006. Based on current estimates recently developed by the Architect who was working on the new Homes (see Attachment D), the cost of rebuilding the two Homes for the Aged is estimated to be \$82 million including financing charges over twenty years. Based on current policy, the Province's contribution would be \$22 million (also paid to the City over 20 years from 2008 to 2028), which would cover less than 65% of the interest on the debenture with no contribution to capital. This is a departure from the Province's previous practice of a relatively equal partnership in capital construction. For example, the Province paid 50% of the \$19 million construction cost of Pioneer Ridge in 1992/93.

Future Needs

The Closson Report was released in August of 2005 and recommended solutions to Thunder Bay Regional Health Sciences Centre's intake problems. The report addressed the need for Alternate Level Care and Long-Term Care beds. As well, Local Health Integration Networks (LHINs) are scheduled to "engage the community in integrated" planning and, at some time in the future, will provide this plan to the Provincial budget and planning cycle. In addition, the MOHLTC is conducting the Province's first ever Area Planning exercise to predict the demand for seniors' services in Thunder Bay and its District. If the City of Thunder Bay is to change its involvement in Long-Term Care, then the Province needs to be advised as soon as possible so that appropriate transition plans can be made to ensure that the current residents in the Homes are not negatively impacted by the change.

Current Issues

The current issues which affect the operations of the D-listed Homes fall into five categories. They are capital, operating costs, compliance regulations, Local Health Integration Network (LHIN), Closson Report, Ministry of Health & Long Term Care Area Plan for Long Term Care.

Capital

In order to keep the aging infrastructure of the Homes in good order, large amounts of capital are required annually. In 2006, \$1,116,700 is proposed in the capital budget to do no more than keep the two D-listed Homes operating within compliance standards. This is after spending almost \$1 million on capital this year. This investment of capital is

required to repair old and worn out mechanical systems and equipment. This level of capital expenditure is anticipated to continue for another three years beyond 2006 in order to ensure that the D-listed Homes will continue to be able to function. These expenditures will do nothing toward improving the design of these Homes to allow them to rise above the “D-listed” standard.

Operating Costs

The Operating budgets of the three City Homes (excluding unknown salary increases) rose by 6.8% in 2006 over the same budget in 2005. The increase assuming a typical wage settlement is expected to be 13.7%. While the expenditure budget rose by a little over 3%, the rest of the increase is the direct result of the Province’s arbitrary decision to freeze the resident fees for 2005 (until July of 2006) and the fact that the Province only increased the base funding for the Homes by 1.5% when the inflation rate is approximately 3%. Since the Municipal Homes are funded by three revenue streams, the Province, the Residents, and the City, when two of the streams do not increase at the rate of inflation, the other stream must make up the difference or programs must be cut to adjust to the decrease in funding. The municipality is exposed to the risk of the Province achieving its political goals while making the Municipalities pay for this achievement.

Compliance Regulations

Another increasing risk is that any accident or misadventure in any home in the Province can cause standards to be increased in all Homes to guard against such an event happening again. These kinds of changes require that the Municipality find the funds immediately and without regard for what is affordable nor what makes sense in our location. Residents are being admitted in increasingly frail states of health and we can expect that standards will rise to safeguard their well-being. As the Homes environment approaches the hospital standard, the Municipality will be expected to fund the upgrades required to meet this standard. It is unlikely, based on past experience, that the Province will increase funding to keep pace with the increasing standard.

Local Health Integration Network (LHIN)

While the full functioning of the Northwestern Ontario LHIN (#14) has been anxiously anticipated, the Chairman of the local LHIN has stated that LHIN will not be operational until April 1, 2007. It is also clear that the LHIN will not have within its mandate, the distribution of Capital funds. It is therefore, unlikely that the LHIN will have any direct influence on the funding required to rebuild the City of Thunder Bay’s D-listed Homes.

Closson Report

The Closson Report was released to the Public in August of 2005. It was anticipated that this Report would make some recommendations which would affect the City's decision with respect to rebuilding the D-listed Homes. While the Report addressed Alternate Level Care beds, supportive housing, and long term home care spaces in Thunder Bay, it did not recommend any change to the mix of Long Term Care beds that currently exists in Thunder Bay.

Ministry of Health & Long Term Care Area Plan

The Ministry of Health & Long Term Care (MOHLTC) is currently conducting the Province's first area plan for long term care. While the preliminary plan is not scheduled to be completed until later this fall, it is not expected that it will indicate the need for any fewer beds than are currently operated in Thunder Bay. Over the longer term, it is quite likely from all available demographic information that more beds will be required. This area plan will be of benefit to the Province in its long range planning but is not influential in considering who should be supplying long term care beds.

Transition Plan

The City of Thunder Bay has been asked by the Province to work with the Ministry of Health and Long-Term Care to develop a two- to three-year transition plan if a decision is made to reduce municipal involvement in Long-Term Care. The plan would be designed to reduce the impact on residents and the community. A significant aspect of the Transition Plan would be communication with the families of residents of the affected Homes for the Aged and an orderly and safe transfer of existing residents to the new facilities.

Role of the Province

Administration has met for discussions with the senior staff of the Ministry of Health and Long Term Care in Thunder Bay. It is apparent from those discussions that the Province accepts the fact that the City is able to decide not to operate the 300 beds which are in addition to its legislated obligation. It is also apparent that the Province would manage the redistribution of any beds and is not prepared to make any commitments about who would operate them.

The Province applies the same standards of care to the private sector as well as to the municipal and not-for-profit sectors. The fees which are charged to the residents are also regulated by the Province and they are the same in all sectors. The Province also regulates admissions (through the CCAC) to the homes and this responsibility is not in the hands of the operators.

In 2005, the budgeted gross expenditures for Grandview Lodge and Dawson Court are \$9.2 million and \$8.6 million respectively. The Province transfers directly to the City \$4.76 million for Grandview Lodge and \$4.6 million for Dawson Court. As stated above, the Province regulates resident fees and, in 2005, the residents will contribute \$2.5 million to Grandview Lodge and \$2.4 million to Dawson Court. The City's contribution is determined by the shortfall between these two revenue streams and gross expenditures. This shortfall will be larger in 2006 since the Province has arbitrarily frozen resident fees and has chosen to increase base funding to Long Term Care facilities at half the rate of inflation. The revenue shortfall will produce a substantial increase in the contribution which the City must make to this operation.

Private versus Public Sector Operations

General concerns have been expressed regarding the level of care in for-profit operations. Because the Province holds both sectors to the same standard, there is no indication that the level of care in the two sectors differs significantly. Both sectors have the same revenue streams from the Province and from the residents. It is also true that public and not-for-profit agencies tend to build to a higher standard than for-profit though the Province regulates the minimum standard.

The question has been raised: How is a private sector organization able to operate at a profit and yet the City Homes each have more than \$1 million shortfall? The analysis provided in Appendix G illustrates how typical private sector salary scales reduce costs for this sector by approximately \$700,000 a year (when compared to Dawson Court). In addition, as Schedule 1 employers, private sector operators pay an estimated \$453,000 less in Workers' compensation costs than Schedule 2 (Municipal) employers. New for-profit Homes tend to maximize the availability of private rooms which allow them to charge "preferred rates". Revenue from preferred accommodation is retained by the operator. The layout and design of Dawson Court does not allow for more private rooms. For Dawson Court, this represents a revenue loss of \$264,000 compared to a typical private sector home. Salaries, WSIB, and Preferred Revenue produce a total difference of \$1.4 million between the net budgets for a typical private sector home and Dawson Court. Additional savings are typically accrued to the private sector by reduced staffing in the non-care areas such as laundry, front office support, storekeepers, and other support functions.

Some concern has been expressed regarding the degree to which limited funding and the need to generate a profit influences the quality of care, quality of life, and customer service offered at the for-profit centres. This issue is a lesser problem in the not-for-profit sector. On this basis, Council should encourage that new beds be provided by the not-for-profit sector.

Options

If Council does not support the recommendations from Administration and wishes to pursue another option, the following information is provided to assist in reaching a decision:

- The unit cost of building a home for the aged in today's dollars is about \$152,700 per bed. Capital costs on a per bed basis do not vary much for different sizes of buildings though in the original review of the reconstruction, Enviromed (Consultants) advised that a \$1 million to \$2 million operating saving could be realized with the construction of one 300 bed home instead of the two 150 bed homes.
- A local engineering firm has reported that, from a preliminary review, it would be possible to add another wing to the existing structure at Pioneer Ridge.
- One of the features of the City's Homes operation which makes it not attractive for other operators in both private and not-for-profit sectors is the language and compensation contained in the existing collective agreements. Any attempt by the City to direct the operations of another operator or the Province will likely increase the probability that "successor rights" would cause the existing collective agreements to apply to any new operations.

CONCLUSION

It is concluded that the City of Thunder Bay is a cost-effective municipal operator of its Homes for the Aged and, therefore, significant reductions in the cost of service resulting in lower tax rates are unlikely to come from further efficiencies. It is also concluded that since the number of beds/capita provided by the City of Thunder Bay is about three times that of the average of municipalities in Ontario and, since the City of Thunder Bay is only mandated to maintain one Home for the Aged, a reduction in the number of beds provided by the municipality is the only viable option to significantly reduce the burden on the property taxpayer. It is further concluded that, in order to reduce the unfair and excessive tax burden on Thunder Bay property taxpayers, Council should advise the Province of Ontario, through the Ministry of Health and Long Term Care, that the municipality no longer wishes to operate 300 of its 450 long term care beds.

BACKGROUND

On April 19th, 2004, the Committee of the Whole passed a resolution directing Administration not to proceed with construction of two new Homes for the Aged to the Province's "A" standard. This direction was ratified on April 26th, 2004.

On July 29th, 2004, the General Manager of Community Services met with Local Ministry of Health and Long Term Care officials to discuss Council's decision not to proceed with construction of two new Homes and to consider future options.

On October 20th, 2004, the Chief Administrative Officer and the General Manager of Community Services met with the local Ministry of Health and Long Term Care staff, the Provincial Director of Long Term Care Facilities and two of his colleagues (teleconference in Toronto) to discuss the City's future options with regard to participation in the provision of local Long Term Care services.

On October 25th, 2004, the Committee of the Whole passed a resolution supporting the District Health Council's recommendation for 100 additional long-term care beds in Thunder Bay to meet the needs for health care patients who no longer require acute care.

On November 19th, 2004, a delegation of Council, including Mayor L. Peterson and Councillors M. Bentz, and B. Scollie, and local Members of Provincial Parliament, Michael Gravelle and Bill Mauro, met with the Honourable George Smitherman, Minister of Health and Long-Term Care to discuss the City's future participation in local Long-Term Care services.

In recent years, the City has, in its presentations to the Province's Standing Committee on Finance & Economic Affairs, asked the Province to revise its capital funding for Homes for the Aged. For example, on February 5th, 2003, the City said: "There is a need for an infusion of additional capital funding by the Province in order that capital costs are shared on an equitable basis."

The history of the D-listed Homes is included in Attachment E.

REFERENCE MATERIAL ATTACHED

Attachment A – CTB Market Share vs Other Municipalities

Attachment B – Size of +75 Market in Thunder Bay

Attachment C – Accumulated % Change in +75 Market

Attachment D – Letter from Mr. Mel Mekinda, Architect regarding Cost of Construction

Attachment E – History of the D-listed Homes

Attachment F – Draft Letter from OANHSS regarding Homes Funding

Attachment G – Private Sector vs Public Sector Operation Analysis

PREPARED BY: Greg Alexander, General Manager - Community Services

This report signed and verified by Greg Alexander, General Manager - Community Services on October 26, 2005