

February 4, 2020

## **Contracted Long-term Care System Needs Better Monitoring of Care Hours, Tighter Financial Oversight and More Transparency**

### **VICTORIA, B.C.**

Today, B.C.'s Seniors Advocate Isobel Mackenzie released her latest report titled *A Billion Reasons to Care*. The report is the first provincial review of the \$1.4 billion-dollar contracted long-term care sector in British Columbia. The review examined industry contracts, annual audited financial statements and detailed reporting on revenue and expenditures for the years 2016/17 and 2017/18.

“Contracted long-term care homes costs taxpayers almost \$1.3 billion a year, and it is important to examine the levels of accountability, monitoring, and financial oversight in one of the largest contracted sectors within government. The public needs to know whether contracted long-term care homes are meeting the needs of both residents and taxpayers” said Mackenzie.

The review found:

- financial reporting systems were inconsistent between health authorities and they lacked openness and transparency
- there was insufficient detail for significant expenditures related to management fees, head office allocation and some administrative costs
- the method to report direct care hours was based on self-reported unaudited expense reports prepared by the care home operators with no ability to verify the reported worked hours
- less than half of care home operators are required to make their audited financial statements available to the public and no care homes publicly report their expense statements

Overall the contracted long-term care sector:

- generated \$1.4 billion in revenue of which \$1.3 billion came from public funding
- Spent 54% of revenue for direct care staff, the single largest expenditure
- Spent 15% of revenue on building costs
- Generated a net profit of \$37 million

The review found that expenditures and profits were not evenly distributed between care homes and there was a distinct difference based on type of ownership:

- care homes in the not-for profit sector spent 59% of revenues on direct care versus 49% in the for-profit sector
- not-for-profit care homes spent 9% of revenue on building expenses versus 20% in the for-profit sector
- for-profit care homes generated 12 times the amount of profit generated in the not-for-profit sector, \$34.4 million versus \$2.8 million

The report found that while receiving, on average, the same level of public funding:

- not-for-profit care homes spend \$10,000 or 24% more per year on care for each resident
- for-profit care homes failed to deliver 207,000 funded direct care hours
- not-for-profit care homes exceeded direct care hour targets by delivering an additional 80,000 hours of direct care beyond what they were publicly funded to deliver

The review found that for-profit care homes have lower costs than not-for-profit care homes for each worked hour of direct care across all direct care classifications and care aide wages in for-profit care homes can be paid as much as 28% or \$6.35 less per hour than the industry standard. “There is a pattern of for-profit operators paying lower wages, the degree to which this is impacting their ability to recruit and retain staff is unclear” said Mackenzie.

The review also found problems with building costs, particularly capital building costs that are publicly funded through payments to the operator. “We fund over \$200 million a year for building costs across the sector but we do not attempt to determine if the taxpayer is receiving good value for money and paying fair market rates” said Mackenzie.

The review found a lack of detail for how operators engage with related businesses as there was no requirement for them to declare if they have a financial interest in a company they contract with to supply goods or services to their publicly funded care home. There was no requirement for operators to declare if they were receiving executive compensation in addition to reported profits.

The report produced five recommendations.

The full report can be found at <https://www.seniorsadvocatebc.ca/>

***Please Note:*** In British Columbia there are more than 27,000 seniors who live in one of 300 publicly-funded long-term care homes. These care homes are owned and operated by health authorities, private companies and not-for-profit societies. There are an estimated additional 3,000 seniors living in privately run care homes that do not receive any government funding, these care homes were not part of the Advocate’s review.

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