*Aged care a growth industry for investors; Government funding subsidizes profits from pensions of seniors; published (without footnotes) Edmonton Journal, August 06, 2007 Carol Wodak Freelance*

## What's behind the 5% increase in long term care fees?

On the surface, there isn't much to be concerned about with a 5% ($2 a day) accommodation fee increase. But behind the bland press release announcing the fee increase, there's a lot that wasn't said, including no answer to why long term care residents with average incomes are paying up to 75% of their income for required supports in what used to be health care facilities.

The real issue isn't just inflation increases for facility operators; the rates have nearly doubled in the last 8 years and are now more than the income of more than half the residents. It's really about the increasing user-pay basic health care for the very ill elderly. It's about subsidizing the service providers' profits (or "investment funds") with public funds for which they are not accountable.

**First, Some Background**

The vast majority of the province's14,400 long term care centre residents (0.5% of Alberta's population) are over the age of 75, have multiple medical diagnoses, can't move independently', suffer serious cognitive and physical impairments, and have unstable complex health needs which are beyond the ability of their familiy or friends to manage in home environments.[1] On average, a resident will live for about 2 years after admission; some will die within a few months.

Long term care facility services are funded in two "envelopes". The available health care services are funded by allocations to the facilities by the Regional Health Authorities, out of the global funding from Alberta Health and Wellness (AHW). The facility expenses (described by the industry as "hotel costs"), including room and board, housekeeping, administration, and building operation and maintenance, have been shifted to the resident-paid accommodation revenue "envelope".

**Residents' Financial Means**

Single residents with incomes over $23,000 will be paying up to 75% of their before tax income in accommodation fees; a senior couple with a combined income of $36,000 will pay half their income for one person in a facility and 98% for both. More than half of all residents have incomes under $25,000; 40%, under $15,000.[2] The 2005 median income for single Canadian seniors was $19,600, and for senior families, $40,400.[3]

**Taxpayer Subsidy of Resident Fees**

The maximum before taxes qualifying income for the Alberta Seniors Benefits subsidy program is $22,000 (($1,833 per month) for a single senior, and for senior couples, $35,900 combined income. In 2004/05, the subsidy was about $23 million; in 2006, $37.8 million[4]; and this year, more residents will be getting higher subsidies.

The benefits calculation provides for a "minimum disposable income" of $265 left for the (single) resident after the accommodation fee has been paid. The accommodation fee increase averages an additional $75 a month, while the benefits will increase by an average of $40;[5] that will mean more folks left with the minimum disposable income, and everyone else with $35 a month less.

**"Disposable Income'**

Over the past 20 years, the care services, including physical therapies and direct care by professional nursing staff, have been significantly reduced. That "disposable income" is needed for care services now

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[1] LTC Residents by age.doc; http://www.health.gov.ab.ca/regions/e1-03.htm Table E-1, 2002/03 total 14,559;11,829 over 75 (81%); 7,157 over 85 (49%); Health Services Utilization in the Population Aged 65 and Older: Review of the Literature 1999 http://www.health.gov.ab.ca/key/01_report.pdf *Residents aged 65+ had an average of 4.6 diagnoses*; Ontario Ministry of Health and Long-Term Care, 2005 Levels of Care Classification On file with author.

[2] ALTCA 2006 Survey

[3] http://www.seniors.gov.ab.ca/policy_planning/factsheet_seniors/factsheet-seniors.pdf 2003 data.

[4] http://www.finance.gov.ab.ca/publications/measuring/measup06/measup06.pdf MEASURING UP 2005-06; assistance was extended to DAL residents, so 8,900 persons received an average of $354/month ($37.8 million); Alberta Seniors and Community Supports, Financial Assistance Branch, July 30 2007

[5] *loc cit*.

considered "optional" (such as wheelchairs and Geri-chairs; foot-care; rehabilitative therapies; dental care; and companion and nursing care) as well as toiletry items, adapted clothing, and the glasses, dentures and hearing aids that so often disappear or are broken.

Residents can apply to the income-tested Aids to Daily Living program for assistance with the costs of some "optional" health care supplies, like wheelchairs, but there are limits to what is covered and how often assistance is available, regardless of the changing needs of the resident.

**Accommodation and Other Operator Revenues**

The resident fees produced revenue of $169 million for the facility operators in 2005[6]. In 2003/05, facility operators also received $15.4 million from General Revenue Grants under a 20-year mortgage assistance/renovations plan.[7] Facilities built under the supportive housing programs get forgivable loans for up to half the construction costs.

**Where's The Money Going?**

Short answer: we don't know. The 2005Auditor Genera's Seniors Report noted that he couldn't track any of the money spent for continuing care facilities and there was no policy or cost information for accommodation rates. AHW reports that "Facility-based continuing care (operating) expenditure" in 2005/06 was $594 million[8]; most of that was taxpayer dollars, but there is no accounting for how it was spent. Neither the facility financial statements nor their contracts with the health regions are reported. The government has refused to answer questions in the Legislature about public and private costs for a resident in continuing care[9], and the Privacy Commissioner has ruled that access to these documents is "not in the public interest".[10]

However, it's clear that shareholders gain from funding increases. After the 2003 fee increases, the 3rd quarter Extendicare Canadian revenue improved by $3 million, which Extendicare acknowledged was due in part to the improved funding for long term care by the governments of Ontario and Alberta[11] ; dividends to shareholders increased by 70%[12]. Aged care is a growth industry in the investment marketplace, as governments offer funding to subsidize investor profits[13] from the pensions of seniors.

**Why are the operators calling for fee increases?**

In 2003, the operators lobbied the government for an increase funding, claiming increasing costs of insurance, deregulated energy and utilities, and staffing. The government increased the accommodation fee by 40%. Care staffing funding increases didn't occur until 2006 – and then it was just 15% of what the former Health Minister said was needed[14].

In 2006 the operators lobbied the MLAs for further increases, claiming that operators were being forced to use care funding to offset the effect of inflation on accommodation fee revenue[15], and that the new costs of the new electronic health assessment system would divert facility resources from resident care.[16]

In 2007, their report to Alberta MLAs asked for an annual fee review (in 2005, both the Auditor General and the MLA Task Force had recommended a clear policy process based on actual cost data). The submission goes on to say that four other provinces have a higher daily rate, and that they need an 8%

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[6] Correspondence from Alberta Health and Wellness

[7] 2003-04 and 2004-05 General Revenue Fund Grant Documents; Hansard, December 1, 2005; Correspondence from Lethbridge East constituency office;

[8] Alberta Ministry of Health and Wellness Annual Report **2005/2006**

[9] Hansard, April 3, 2006; May 1 and 9, 2006; March 20, 2006;

[10] Office of the Information and Privacy Commissioner, Order F2006-032

[11] http://www.extendicare.com/news/EIQ303.txt; http://www.secinfo.com/dRX7g.1Fx.d.htm#ykr ;

[12] http://www.prnewswire.com/cgi-bin/stories.pl?ACCT=104&STORY=/www/story/11-07-2003/0002053830&EDATE=

[13] http://www.macquarie.com.au/mcag/about_us/retirement_care_aust.htm; http://www.uow.edu.au/arts/sts/bmartin/dissent/documents/health/austrbanks.html

[14] Hansard: February 28, 2006 , March 1, 2006, March 23, 2006, April 4, 2006, May 1, 2006, May 4, 2006, May 8, 2006

[15] Information Update for Alberta MLAs April, 2006 Alberta Long Term Care Association

[16] *loc cit*.

increase now to address the "*growing burden of regulation and monitoring",* particularly the costs of the electronic health information system and training for care staff to meet new provincial standards.[17]

But other provinces have very different funding, subsidy and service arrangements, and I'm not sure they offer a model of good care. The information system and care staff costs are paid from the operating funding provided by AHW through the health authorities, not from the accommodation fees.

Originally, the "user fee" for nursing homes and auxiliary hospitals was applied to the entire cost of care in these facilities, in recognition that these individuals no longer needed to maintain a primary residence. It was the same for everyone, and set so even those with the least pension income could afford it. By the mid-90s, the government started to "unbundle" the costs of accommodation and direct care services, allow the accommodation fees to increase to "market rates", and to provide a separate set of subsidies, based on income testing and administered from another Ministry, for those who could not afford the fees.

How do you separate care for a chronically ill person into housing or health care? Is the cleanliness of one's residence, or the food one eats, a housing or a health issue? What about the administrative costs of staffing?

**The Bottom Line**

By renaming the auxiliary hospitals and nursing homes as "continuing care centres" and redefining extended care as a housing issue rather than a health care service, costs are being shifted to our most vulnerable citizens. But these are not folks who need government rent subsidies to pass on to landlords – they are very ill citizens who now need the health care they believed a lifetime of paying taxes would provide.

If requiring care facility residents to pay all but the direct nursing costs of their health care is acceptable, then any over-night hospital stay should be accompanied by a similar bill for accommodation costs. Would we then ask the service providers to justify their costs and account for the public funding?

As it is, the fee increase is going to cost both the taxpayer and the residents and their families more, and the facility operator and service provider profits will continue to improve – but the care provided to the residents won't. That's the price of free market health care.

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Carol Wodak
213 Village Close, Sherwood Park AB T8A 4Y2
(780)417-1705
Email: cwodak@techwcs.com

[17] Sustainable Continuing Care Information for Alberta MLAs June 2007, Alberta Continuing Care Association (formerly Alberta Long Term Care Association)