The Regional Municipality of York

Committee of the Whole
Community and Health Services
May 9, 2024
FOR DECISION

Report of the Commissioner of Community and Health Services

Municipal Operation of Long-Term Care Homes

1. Recommendations

1. Regional Chair write to York Region Members of Provincial Parliament requesting they advocate to the Province of Ontario to:

    a. Establish a sustainable and equitable multi-year funding formula that covers the total cost of operating municipal long-term care homes (including shortfalls met by property taxes, $18.6 million in 2023) and includes a comprehensive assessment of an individual’s ability to contribute to the cost of their care

    b. Provide municipal governments with an option in whether to participate in establishing and maintaining any long-term care home

2. Regional Clerk circulate this report for information to York Region Members of Provincial Parliament, local municipalities, York Region Human Services Planning Board, Home and Community Care Support Services Central, Ontario Health Teams in York Region, Ontario Health Central Region, AdvantAge Ontario, Ontario Long-Term Care Association, and the Association of Municipalities of Ontario.

2. Purpose

This report provides information requested by the Regional Chair on March 7, 2023, about reducing the property tax burden of the Region's two long-term care homes, Maple Health Centre and Newmarket Health Centre (the Homes).

Private Attachment 1 is private pursuant to section 239(2)(d) of the *Municipal Act, 2001*, because the subject matter relates to the operation of the Homes, labour relations and employee negotiations.

Key Points:

- The *Fixing Long-Term Care Act, 2021,* requires every southern upper or single-tier municipality to establish and maintain a municipal long-term care home or contribute to the maintenance and operation of a municipal home
- Operating long-term care homes is increasingly more expensive as they are becoming more like hospitals, providing medical care, supervision, and skilled nursing care of residents with complex care needs
- The province controls funding and how much operators can charge residents for accommodation, leaving a gap in covering actual costs that property taxes must fill
- Without changes to the current provincial funding model for long-term care, the Homes will continue to increasingly need property tax to subsidize the shortfall in revenues. Property tax subsidy is projected to increase from a five-year average of $19.4 million (39.4%) per year (2019 to 2023) to $22.9 million (45.5%) by 2026

3. Background

Southern Ontario's municipalities must be involved in the delivery of long-term care

Under the *Fixing Long-Term Care Act, 2021,* "every southern municipality that is an upper or single-tier municipality" must establish and maintain a municipal long-term care home or contribute to the maintenance and operation of a municipal home (Sections 122(1), 122(2), 124(1) and 113). Considerations permitted by legislation for how York Region can meet this requirement are discussed in Private Attachment 1.

York Region operates two of the 29 long-term care homes and 232 of the estimated 4,041 long-term care beds in the region.

Though health care is a provincial responsibility, the municipal role in long-term care has evolved from basic care to providing complex health care

Up until the early 1990s, long-term care homes were an extension of the community, providing accommodation and basic care supports for those in need of housing and social supports. See Appendix A for more information on the history of municipalities operating long-term care homes and how long-term care beds are licensed/approved.

Long-term care homes now operate similarly to health care facilities. Although health care is a provincial responsibility, the *Fixing Long-Term Care Act, 2021,* requires long-term care homes to provide a level of care and services to residents that is usually provided by hospitals (such as wound care and pain management). Today's long-term care residents have multiple complex chronic health conditions. Ontario Long-Term Care Association says "of those moving into long-term care homes in 2022-2023:

- Nearly 75% of people require eight different medications, with 30% requiring 13 or more
- 76% of people have mild to severe cognitive issues, an increase of 25% since 2011

Increasing resident acuity increases the cost to provide care as residents need more staff time, staff need specialized training, and residents need more specialized equipment.

Provincial subsidy and resident co-payments insufficiently fund costs of providing care required and municipalities close this gap through property taxes

Funding to operate a long-term care home comes from two main sources:

- Provincial funding [basic (level of care) and supplementary] – set by the province
- Resident co-payments (accommodation rates) – set by the province

See Appendix B for a detailed explanation of how long-term care homes are funded.

All operators find it challenging to fund total operating costs of their homes with only two main sources of revenue. Municipalities subsidize these total operating costs with property tax. In 2018, Ontario municipalities spent approximately $1.8 billion on long-term care (operating and capital) costs, with only 46% of this total offset by provincial transfers (Institute on Municipal finance and Governance).

Municipal concerns about overspending in areas of provincial responsibility, including long-term care, remain unaddressed by the province

Reports from research organizations and sector associations repeatedly flag concerns with the municipal role in funding long-term care that have yet to be addressed by the province:

- “Given that long-term care has evolved to provide complex health care services, AMO believes that the municipal property tax base is neither a sufficient nor fair source to top up provincial funding” (Association of Municipalities Ontario)
- “Costs of operating a long-term care home are escalating, especially in relation to human resource requirements. To offset these increasing pressures, municipalities make up the shortfall from provincial funding on the property tax base to provide their current levels of care – this is especially worrisome since municipalities have limited revenue tools available to them to generate income” (Ontario Long-Term Care Association)

Council recently adopted a resolution supporting AMO’s provincial ask to complete a “Social and Economic Prosperity Review” (January 2024) to promote the stability and sustainability of municipal finances across Ontario.

Providing municipalities with an option to participate in establishing and maintaining any long-term care home would allow flexibility for municipal governments to invest their property tax dollars in other types of services for seniors most appropriate to their residents’ needs (April 2022).

4. Analysis

Inability to achieve economies of scale, higher wages and inefficient home designs contribute to high operating costs

When compared to Greater Toronto Area municipalities, the Region's long-term care operating costs trend higher because of:

- Limited economies of scale in areas such as administrative supports, management and overhead costs, due to operating fewer beds and smaller homes than other municipalities
- Higher salaries for unionized staff compared to other municipalities and private (for profit and not-for profit) long-term care homes. More than 75% of the Homes' gross operating costs are salaries and benefits
- Older building designs, which lack efficiencies available in newer homes
- Not being situated within a campus-of-care model and the revenue generating opportunities the model may offer to off-set property tax subsidy

Recently announced investments from the province are helpful, but still do not cover total costs of operating municipal long-term care homes

The pandemic drew attention to gaps across the long-term care sector. In response, provincial and federal governments took action intended to transform the sector to directly benefit resident care and safety (as reported in January 2021, October 2021, April 2022, May 2022, April 2023, June 2023 and October 2023).

Recently announced investments to enhance the long-term care sector's capacity to provide enhanced levels of care and free up hospital beds under *Your Health: A Plan for Connected and Convenient Care* and 2024 Ontario Budget will help relieve financial pressures and address key priorities. However, they do not cover the total cost of operating municipal long-term care homes.

For example, between 2022 and 2023 the Region added 35.6 full-time equivalent positions to address legislated hours of care (Sections 8 and 9). The Region received $3.4 million from the province, leaving a gap of $305,000 that property taxes subsidize (primarily due to higher wages and benefits).

Property tax subsidy allocated to the Homes is projected to increase from a five-year annual average of $19.4 million to $22.9 million by 2026

Provincial investments are insufficient to cover the total cost of operating municipal long-term care homes and property tax subsidy bridges the gap. Property tax subsidization of the Region's Homes is projected to increase by 18% by 2026 because:

- **Provincial subsidy (capped by the province) has not kept pace with inflation**: Between 2019 and 2023, total basic provincial subsidy increased by 8.2% ($180.80 to $195.69 per resident per day), below the Consumer Price Index increased 15.5% over that same period

- **Resident co- payments (capped by the province) have not kept pace with inflation:** Between 2019 and 2023, basic accommodation rates increased by 5% ($62.18 to $65.32 per resident per day) versus the Consumer Price Index increase of 15.5% over that same period

- **Provincial staffing investments do not cover the Region's staffing costs:** The province sets strict rules for operating the Homes, impacting staffing levels and composition. The province's staffing investments are based on sector-average wage rates. The Region's wages for union staff are higher than most comparable municipalities and private (for profit and not-for profit) long-term care homes

- **Funding for resident acuity is based on outdated data:** Funding for 2023/24 is based on assessments of resident health from 2021-2022, no longer reflecting residents' current care needs

- **Regulatory changes and oversight of the long-term sector have increased:** Resources are needed to continually support on-going changes to legislation (policy changes, enhanced infection and prevention control and staff education) and inspections where monetary penalties are possible for non-compliance

Though the Homes achieve the system-level average direct care targets set out in the *Fixing Long-Term Care Act, 2021,* they continue to face health human resources challenges placing pressure on property taxes to support staffing costs such as overtime. This challenge is being addressed in 2024 through a new nursing schedule that will help to reduce overtime costs.

Provincial investments included in the 2024 Ontario Budget are not included in the Region's endorsed budget outlook.

Long-term care funding formulas need to better balance public funding and the ability of individuals to contribute towards the cost of their care

Ontario faces a crisis in funding future care needs of its rapidly increasing number of seniors, either in institutional care or at home. By 2029, the population of seniors over 65 in Ontario is expected to grow by 23%, and the population of those over 75 is expected to grow by 27%. In York Region, the senior population is forecasted to more than double by 2051. There's an urgent need for research and discussion on better ways to fund long-term care for seniors and consider the balance between public funding and the ability of individuals to contribute towards the cost of their care (National Institute on Ageing and Institute for Research on Public Policy). To achieve an equitable and sustainable long-term care funding formula, the following factors should be considered:

- **How much individuals should contribute towards their care:** Basic co-payment rates represent up to 25% of the total daily revenue for homes ($65.32 per resident per day)

- **An individual's ability to contribute towards the costs of their care:** A new funding model could consider assets as well as income in determining an individual's ability to contribute to the cost of their care. Currently only income is assessed

Advocacy to the province aligns with goals of Vision and Strategic Plan 2023 to 2027

Advocacy to the province aligns with the goals of Vision and the Strategic Plan 2023 to 2027, and continues the priority to Support Community Health, Safety and Well-Being of the Strategic Plan 2019 to 2023 with the key objective of Improving Access to Health and Social Support Services and key activity to Advocate to Improve Policy Planning and Decision-Making for Long-Term Care.

5. Financial Considerations

While post-pandemic transformative change to support resident-centred care and safety has led to increased investments from the province, property tax subsidized the total cost to run the Homes with $19.4 million (39.4%) per year on average (2019 to 2023). This represents 1.5% of the Region's net budget in 2023. Table 1 shows total revenues received from resident fees and provincial funding, as well as property tax allocated to the Homes to subsize operations from 2016 to 2023:

Table 1

Revenues and Property Tax Allocated to the Homes, 2016-2023

Revenue Source, $ (million)	2016	2017	2018	2019	2020	2021	2022	2023	Five- Year Average (2019-2023)
Resident Fees and Subsidies*	5.2	5.5	5.3	5.3	5.3	5.4	5.4	5.5	5.4
Provincial Funding**	13.1	13.3	14.6	14.8	19.6	29.2	34.6	28.8	25.4
Property Taxes	13.6	15.3	16.4	17.6	20.0	23.4	17.5	18.6	19.4

* Includes resident co-payment contributions and other sources of revenues (donations).

** Provincial funding includes COVID-19 provincial subsidy for 2020-2022. COVID-19 Prevention and Containment funding ended on March 31, 2023.

A sustainable and equitable multi-year funding formula covering total cost of operating municipal long-term care homes is needed

In addition to annual provincial funding provided, "The Ministry currently has over 40 funding initiatives to support homes to address specific issues. However, the funding system is complex and administratively burdensome, with different requirements for each initiative" (Office of the Auditor General of Ontario). Many of the funding initiatives are time-limited, constraining the ability to plan for long term solutions. This funding model restricts operators in how they can reduce costs or generate revenue.

Staff continue to maximize funding opportunities, implement operational efficiencies, and explore ways to augment revenues to offset pressures on property tax. However, a new provincial funding formula covering the true costs of operating a municipal long-term care home is needed.

6. Local Impact

Although the Homes are located in the Town of Newmarket and the City of Vaughan, they are accessible to residents across York Region and beyond through the placement process managed by Home and Community Care Support Services Central.

7. Conclusion and Next Steps

To mitigate growing property tax pressures required to subsidize the Homes, the Region must continue to advocate to the provincial government to establish a fair, sustainable multi-year funding formula that covers the total cost of operating municipal long-term care homes.

Staff will continue to:

- Maximize funding opportunities, find and implement operational efficiencies and explore ways to augment revenues
- Seek opportunities to influence policy, planning and decision-making for long-term care at provincial and national levels

For more information on this report, please contact Lisa Gonsalves, General Manager, Paramedic and Seniors Services at 1-877-464-9675 ext. 72090. Accessible formats or communication supports are available upon request.

Recommended by: **Katherine Chislett**
Commissioner of Community and Health Services

Approved for Submission: **Erin Mahoney**
Chief Administrative Officer

April 30, 2024
15961239

Appendix A – Municipal Involvement in Operating Long-Term Care Homes
Appendix B – Information on Funding for Long-Term Care Homes
Private Attachment 1 – Considerations Permitted by Legislation for Municipal Involvement in Long-Term Care (15961308)

MUNICIPAL INVOLVEMENT IN OPERATING LONG-TERM CARE HOMES

Purpose

This appendix provides information about: 1) Licensing or approval of long-term care beds, 2) Municipal long-term care homes as resident's preferred choice, and 3) The history of municipalities operating long-term care homes, including the Region's two long-term care homes.

Introduction

Long-term care beds are licensed for not-for-profit and for-profit operators and approved for municipalities

Publicly operated long-term care homes are those owned by municipalities. Privately owned long-term care homes include those owned by for-profit and not-for-profit organizations (Canadian Institute for Health Information).

Not-for-profit and for-profit operators have "licensed" beds. These operators are issued licenses by the Ministry for a fixed term, not exceeding 30 years. At the end of the term, licenses expire or must be renewed. Licenses may also be transferred to other entities or changed in accordance with the *Fixing Long-Term Care Act, 2021*.

Municipalities receive "approval" from the Ministry to operate long-term care beds. While they operate "approved" beds, municipalities are still considered "licensees" under the *Fixing Long-Term Care Act, 2021*. Unlike other licensees, however, municipal "approved" beds do not expire. Municipalities also cannot transfer their approvals. Municipalities may seek changes to their approvals, or close approved beds, only in accordance with the *Fixing Long-Term Care Act, 2021*.

Ontario municipalities are vital partners in Ontario's long-term care system and offer homes that are often the preferred choice for individuals

"By investing in long-term care and being actively involved in operating homes, municipalities make a huge difference in seniors' lives, in the sector and in their communities" (AdvantAge Ontario).

Ontario Long-Term Care Association notes that municipalities:

- Are the order of government closest to people's daily lives, and are key service providers and partners in delivering long-term care and other seniors' services
- Leverage their local knowledge and expertise to operate their homes in a way that is highly responsive to the unique needs of local residents, resulting in high satisfaction rates and quality resident outcomes

- Have a critical role to play in the development and re-development of long-term care homes as planning and building approvals fall under their jurisdiction

Municipal long-term care homes are often preferred due to their community-centric approach and higher quality indicators. A 2023 paper from the University of Toronto highlights several advantages, including proximity to communities, local decision-making, social connections, and community involvement. Municipal homes boast better quality indicators such as lower rates of bed sores, falls, medication use, and hospital transfers, attributed to higher staffing levels and lower turnover.

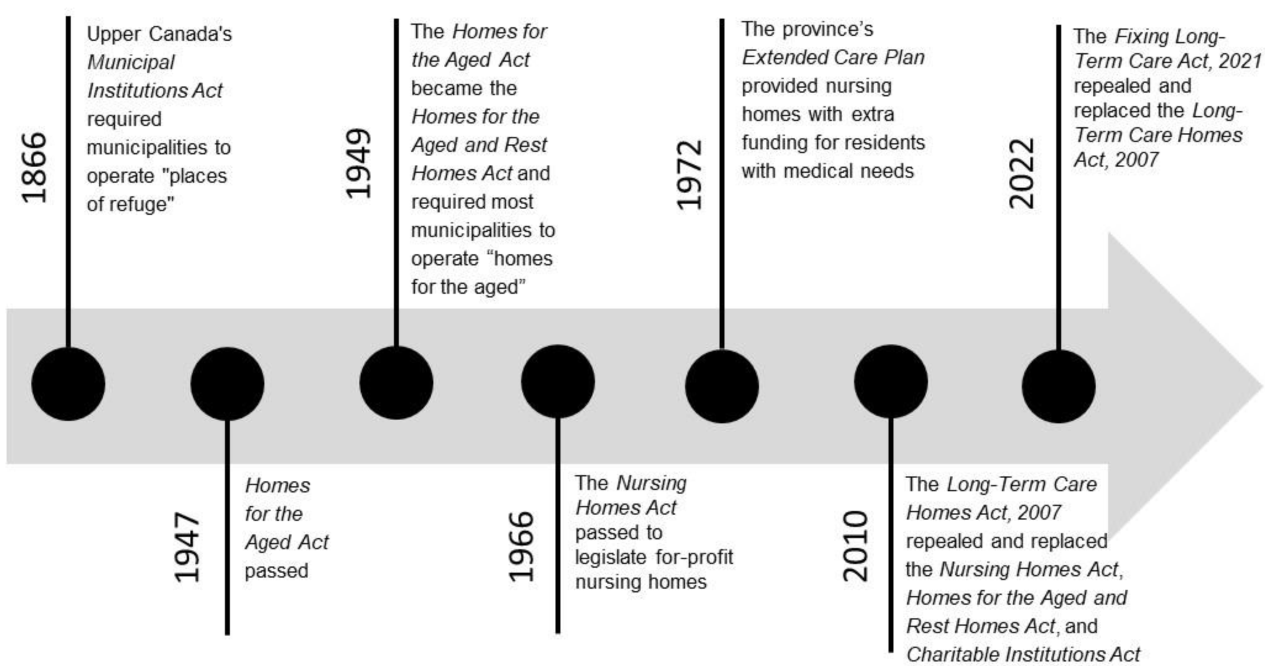
Sharing strategies, information, and resources within and across municipalities further enhances their effectiveness. During the COVID-19 pandemic, the Region's two Homes benefited from being embedded within the Regional structure, with Regional staff redeployed for assistance and access to resources like Personal Protective Equipment and support from Paramedic Services (June 2023).

History and Evolution of the Municipal Role in Long-Term Care

As part of the not-for-profit sector, municipalities have been operating homes and providing care for seniors for more than 150 years, since the *Municipal Institutions Act* was enacted in Upper Canada (Ontario) in 1866. The *Homes for the Aged Act, 1947* required every municipality in Ontario to establish and maintain a "home for the aged," and provide custodial care (assistance with activities of daily living).

Figure 1 provides an overview of Ontario's long-term care legislation from 1866 to 2022:

Figure 1: Timeline of Ontario's Long-Term Care Legislation for Municipal Homes



In the 1940s, municipalities were required to establish homes to free up hospital beds occupied by elderly persons

During the 1940s, residential care outside hospitals was increasingly filled by for-profit providers (Tamara Daly). However, concerns arose about poor conditions in some for-profit facilities and a lack of municipally run homes as an alternative.

The *Homes for the Aged Act* was passed in 1947 and required every municipality in Ontario not in a territorial district (defined geographic areas, largely in northern Ontario) to establish and maintain a "home for the aged," which replaced "houses of refuge."

In 1949, the *Homes for the Aged Act* was revised to the *Homes for the Aged and Rest Homes Act* to provide more guidance on operating a home for the aged. The *Homes for the Aged and Rest Homes Act* required municipal homes to provide a range of accommodation types for any older persons who "required a measure of care and supervision that could not be obtained in their own homes," focusing on those who were poor more than those who were sick.

With provincial funding to support construction and operation of homes for the aged and rest homes, more municipal homes were built: from 1949-1961, 33 new homes and 34 additions were built, with municipal beds increasing from 3,732 to 9,190 (County of Huron). **Error! Bookmark not defined.**

In 2010, legislation and funding were standardized for all three types of homes: municipal homes, charitable homes and nursing homes

Concerns that provincial funding models favoured municipal and not-for-profit homes led to standardization in legislation and funding. For-profit operators argued that municipal and not-for-profit operators that provided nursing care in addition to custodial care had access to more public funds.

In 2010, the *Long-Term Care Homes Act, 2007* was passed, repealing and replacing the *Nursing Homes Act*, *Homes for the Aged and Rest Homes Act* and *Charitable Institutions Act.* Municipal, not-for-profit, and for-profit long-term care homes were now required to operate under the same rules and provide the same personal and medical care, programs and services.

The *Long-Term Care Homes Act*, 2007 maintained the historical requirement from its predecessor, the *Homes for the Aged and Rest Homes Act,* for southern municipalities to establish and maintain a municipal home.

The *Fixing Long-Term Care Act, 2021* repealed and replaced the *Long-Term Care Homes Act, 2007.* Despite advocacy from associations to consider giving municipal governments a choice in whether or not to operate a long-term care home, the *Fixing Long Term Care Act, 2021* continued the requirement for municipalities to "establish and maintain a municipal home" (Section 122) (April 2022 and April 2023).

History of Municipal Long-Term Care Homes in York Region

In York Region, there are two municipal long-term care homes: one in Newmarket since 1958 and another in Vaughan since 1998:

- **Newmarket Health Centre, Town of Newmarket**: This home – previously known as Greenacres – was constructed in 1958 and was originally operated by Toronto's Metropolitan Housing and Welfare Committee. The building underwent major renovations in 2004 when York Region took over its operation. It now has 132 "New" beds and is estimated to have approximately 35 years of useful life until it needs replacement.
- **Maple Health Centre, City of Vaughan**: This home opened in 1998 and has 100 Class A beds. The building is estimated to have approximately 40 years of useful life until it needs replacement.

In Ontario, long-term care homes are categorized by the building standards that they meet. There are five basic categories: New, A, B, C and D. New beds meet or exceed the province's current design standards. Beds in Class A meet the design standards. Beds in the B, C and D categories were built to 1972 standards and may require redevelopment (2021 Spending Plan Review Briefing Deck).

INFORMATION ON FUNDING FOR LONG-TERM CARE HOMES

Purpose

This appendix provides information about how long-term care homes are funded.

Introduction

Funding to operate a long-term care home comes from two main sources:

- Provincial funding: 1) basic subsidy (level of care) and 2) supplementary funding
- Resident co-payments (accommodation rates)

Basic subsidy funding for all long-term care homes (level of care) is standardized and based on a per-bed per-day allocation rather than a cost-share basis

Unlike other provincial cost-share programs delivered by municipalities (grants and subsidies), provincial funding for long-term care is largely based on a per-bed day allocation.

All three types of homes – municipal, not-for-profit and for-profit – receive the same basic subsidy (level-of-care) per resident per day, for care, programs and services. Table 1 shows the current basic subsidy for each bed:

Table 1: Long-Term Care Homes Level-of-Care Per Diem Funding Summary

Funding Envelope	Level-of-Care Per Diem, April 1, 2023
Nursing and Personal Care (NPC)	$105.96
Programs and Support Services (PSS)	$12.48
Nutritional Support (NS)	$12.07
Other Accommodation (OA)	$57.65
Global Per Diem	$7.53
Total Level of Care Per Diem	**$195.69**

Source: Long-Term Care Homes Level of Care Per Diem Funding Summary

Basic subsidy funding is based on measuring residents' needs through a standard assessment tool, but Homes only receive a proportion of associated provincial funding

Most of a long-term care home's per diem funding is tied to the Homes' average assessment of "resident acuity" (Case Mix Index). An increase in acuity (Case Mix Index) means, on average, the residents in a home require more complex interventions and require additional staff and other resources. The province uses the Case Mix Index of all homes to distribute basic subsidy (level-of-care) funding on a per bed per day basis. Positive or negative movement to a home's Case Mix Index impacts the provincial funding provided (an increased Case Mix Index can lead to more funding and a decrease can lead to less funding; see Attachment 2 in October 2021).

Supplementary funding is often short-term, targeted, insufficient, and inflexible

In addition to basic subsidy (level of care) funding, the province has over 40 supplementary funding initiatives to support homes to address specific issues.

Supplementary provincial funding is a positive step to meet the increased medical care needs of long-term care residents, and improve working conditions for staff, but these programs are often short-term (two to three years), insufficient (do not cover the full cost) and inflexible (short application deadlines). The lack of permanent funding leaves the Homes unable to fund and sustain permanent solutions or hire permanent staff.

All residents contribute towards cost of accommodation and meals at long-term care homes

All long-term care home residents are required to contribute towards the cost of accommodation and meals. This is called a co-payment fee. The amount of a resident's co-payment fee is based on whether they live in a basic, semi-private or private room.

The Ministry of Long-Term Care sets maximum co-payment fees each year. These fees are standard across all long-term care homes in Ontario, whether for municipal, for-profit or not-for-profit homes.

Residents who cannot afford the basic co-payment fee may be eligible for financial help through the Long-Term Care Rate Reduction Program. Regular semi-private or private accommodation rooms are not eligible for a rate reduction.