



# Neglecting The Most Vulnerable: The Privatization of Long-Term Care

Report

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The National Union of Public and General Employees (NUPGE) is a family of 13 Component unions. Taken together, we are one of the largest unions in Canada. Most of our 425,000 members work to deliver public services of every kind to the citizens of their home provinces. We also have a large and growing number of members who work for private businesses.

The office of the National Union of Public and General Employees is on the traditional and unceded territory of the Algonquin peoples and is now home to many diverse First Nations, Inuit, and Métis peoples.

We recognize the crimes that have been committed and the harm that has been done and dedicate ourselves as a union to moving forward in partnership with Indigenous communities in a spirit of reconciliation and striving for justice.

Bert Blundon, President

Jason MacLean, Secretary-Treasurer



## INTRODUCTION

COVID-19's appalling death toll has made conditions in long-term care facilities front-page news, but these problems are not new. For years, long-term care workers, their unions, and the families of residents in long-term care homes have been raising concerns about conditions in these facilities. Problems include staff shortages, high staff turnover, outdated facilities, and facility owners trying to cut corners on food and other vital supplies.

If these warnings had been heeded, long-term care facilities would have been far better prepared to respond to the COVID-19 pandemic. Instead, the warnings were ignored and governments continued to underfund and privatize long-term care.

The consequences of those decisions have been disastrous. At the time of writing, more than 12,000 people who lived in Canadian long-term care facilities, or worked in them, have died as a result of the pandemic.<sup>1</sup> It is all too likely that figure will climb a lot higher before the pandemic is over.

When the pandemic ends, long-term care cannot be allowed to "go back to normal." The federal government and provincial governments need to act to fix long-term care. They can do this by making it a full part of our publicly funded, publicly run health care system.

## BACKGROUND

Long-term care facilities provide accommodation, personal support, and health care services for people (mostly seniors) who require a high level of care. Approval from provincial or regional health authorities is generally needed for someone to be admitted to a publicly funded long-term care facility.

The terms used for these facilities vary from province to province. In some cases, the term used for a long-term care facility in one province is used for a facility offering a lower level of care in another province. Terms used for long-term care facilities include

- nursing home
- centre d'hébergement et de soins de longue durée (CHSLD)
- personal care home
- special care home
- continuing care centre

Although they are not considered long-term care facilities, most provinces also have residences with lower levels of care that also provide some health services. Generally, these homes are privately owned, and public subsidies for residents are less likely to be available.

## Long-term Care Not Covered by Canada Health Act

Long-term care occupies an odd position in the Canadian health care system.

It is a health care service that people rely on. Long-term care is delivered by highly trained health care workers. Much of the service is publicly funded.

However, long-term care is not included under the *Canada Health Act*. That means the principles of the *Canada Health Act*—public administration, comprehensiveness, universality, portability, and accessibility—don't apply. There are no restrictions on provincial governments imposing charges on people needing long-term care. And there are no barriers to provincial governments deciding to cut corners by privatizing services in long-term care facilities.

## Privatization is a Product of Underfunding

The lack of barriers to privatization has made long-term care a tempting target, particularly when combined with the fact that funding for long-term care has not kept pace with need in most provinces.

Having private for-profit companies build new facilities provides a short-term solution to long waiting lists for governments that are underfunding long-term care. But any savings from privatization are temporary, because privatization comes with its own set of costs: profits to be paid out to owners, higher salaries for senior executives, and costs associated with negotiating and overseeing contracts. Over time, the costs of privatizing long-term care will steadily rise because of that extra set of costs. This means that privatization will only produce savings if there is a reduction in the amount and the quality of the care that residents of long-term care facilities receive at the same time.

For the people who live in long-term care facilities, and for those who work in them, privatization means care and working conditions both suffer. When long-term care is privatized, funds that should be going towards care for residents are siphoned off for investor profits and all the other additional costs that come with privatizing public services. That leaves workers struggling to make ends meet and residents getting less care.

All too often, cutting corners on care has led to residents becoming ill or even dying. But the response to these tragedies usually overlooks the role of underfunding and privatization. As a result, the human costs of both underfunding and privatization have continued to grow.

## Covid-19 Pandemic Effects Made Worse by Privatization

The COVID-19 pandemic is having a devastating effect on residents of long-term care facilities and the people who work in them. In the first wave of the pandemic, over 80% of COVID-19 deaths in Canada were in long-term care facilities.<sup>2</sup> At the time of writing, more than 20,000 long-term care workers have been infected, and 19 have lost their lives.<sup>3</sup>

While many of the factors contributing to the tragedy in long-term care facilities are the result of underfunding, privatization is making the situation worse. In most provinces, the effects of the COVID-19 pandemic are more serious in for-profit long-term care facilities than in public or not-for-profit facilities.

Manitoba, Ontario, and Quebec provide the most detailed information on the impact of COVID-19 in individual long-term care facilities. In each of these provinces, the death rate is highest in for-profit facilities.

In Manitoba, only 13% of long-term care facilities are owned by for-profit corporations,<sup>4</sup> yet as of December 11, 2020, 55% of long-term care COVID-19 deaths in that province were in those facilities.<sup>5</sup>

There was a similar pattern in Ontario and Quebec. The numbers show that a disproportionate number of COVID deaths in LTC facilities occur in for-profit facilities.

Among Ontario long-term care facilities reporting 5 or more COVID-19 deaths, 73% of those deaths occurred in for-profit facilities. (Ontario does not report the number of COVID-19 deaths for facilities reporting 4 or fewer such deaths.) Yet in Ontario, only 57% of long-term care facilities are for-profit.<sup>6</sup>

In Quebec, only 14% of long-term care facilities are private (including both for-profit and not-for-profit). But in the first wave of the pandemic, 29% of all long-term care deaths were in those facilities.<sup>7</sup>

Many not-for-profit and publicly owned long-term care homes are also being hit hard by the COVID-19 pandemic. But the data from Manitoba, Ontario, and Quebec show that for-profit ownership exacerbates the consequences of the pandemic.

### **RESIDENTS SUFFER WHEN LONG-TERM CARE IS PRIVATIZED**

Privatization of long-term care affects the quality and the amount of care that residents receive. For-profit facilities provide fewer hours of care per resident per day. And when services like meals, cleaning, and laundry are contracted out, quality drops.

For-profit companies will try to reduce labour costs to increase profits, and the ways they do this don't harm just workers. Measures to reduce labour costs increase staff turnover, lead to labour shortages, and make it harder for staff to do their jobs in ways that keep residents as safe as possible.

None of the ways that privatization of long-term care reduces quality of care should be a surprise. Operators of for-profit long-term care facilities usually receive the same level of government funding as public or not-for-profit operators, but when costs like dividends for private owners are taken into account, it can only mean that there will be less money available to go towards care for residents. What has happened since the COVID-19 pandemic started gives us a real sense of the impact that investor profits have on care.

## **Corporations That Received Public Funding to Help Them Respond to the Pandemic Still Paid Out Dividends**

During the COVID-19 pandemic, when extra funds were desperately needed for front-line services, for-profit long-term care companies were still paying out millions in dividends. As of early December 2020, 2 of the largest for-profit long-term care operators in Canada had paid out \$74 million in dividends for that year.<sup>8</sup>

What is particularly outrageous about this is that companies continued to pay out dividends even as they accepted extra public funding to help them respond to the COVID-19 pandemic. Extendicare and Sienna Senior Living Inc., the 2 companies that paid out \$74 million in dividends, received over \$157 million in payments from federal and provincial governments.<sup>9</sup> Somehow, while the public, workers in long-term care facilities, and residents of long-term care facilities and their families are all expected to make sacrifices, the owners of for-profit long-term care companies are not.

This is just the tip of the iceberg. Most for-profit long-term care operators are privately owned, so what the owners receive in profits doesn't even have to be publicly reported.

### **Study After Study Has Shown For-profit Long-term Care Facilities Provide Less Care**

With the amount paid in profits to owners, it's not surprising that research has shown that for-profit long-term care operators generally provide fewer hours of care for residents than not-for-profit or public operators. That has a direct impact on quality. Fewer hours of care mean staff may not have time to look after residents properly. When staff are rushed, they also don't have time for the kind of social interaction with residents that is also a big part of quality of care.

A 2011 review of Canadian and U.S. research on long-term care found that "for-profit facilities are likely to produce inferior outcomes."<sup>10</sup> According to the researchers, "staffing differences between for-profit and non-profit facilities are one of the most consistent findings in the literature; numerous studies have found that non-profit and publicly owned facilities have higher nurse staffing levels than for-profit facilities."<sup>11</sup> A 2016 study of long-term care in Canada and 5 other countries concluded that not-for-profit and public long-term care facilities had "more or higher quality staffing" than for-profit facilities.<sup>12</sup> The study estimated that if all long-term care in Canada and the United States was public or not-for-profit, "residents would receive between 42,000 and 500,000 additional hours of nursing care per year, and have between 600 and 7,000 fewer pressure ulcers."<sup>13</sup>

Similar conclusions were reached in a 2016 study of staffing levels in Ontario long-term care facilities. The researchers found that "for-profit LTC homes—especially those owned by chains—provided significantly fewer hours of care, after adjusting for variation in the residents' care needs."<sup>14</sup> On average, publicly owned facilities were providing 20 minutes more of care for each resident per day than for-profit facilities.

While facilities owned by not-for-profit organizations provided slightly less care than publicly owned facilities, they still provided considerably more care than facilities owned by for-profit companies. As the researchers pointed out, residents received different amounts of care even though for-profit facilities, not-for-profit facilities, and publicly owned facilities in Ontario all get the same amount of per diem funding.<sup>15</sup>

Most recently, in late 2020, the Office of the Seniors Advocate in British Columbia reported that, while 100% of publicly owned long-term care facilities met the staffing guideline, only 22% of for-profit and not-for-profit facilities did.<sup>16</sup> On average, publicly owned facilities in B.C. provided 15 minutes more of care for each resident per day than for-profit and not-for-profit facilities. Given that most studies have shown that not-for-profit facilities provide more hours of care than for-profit facilities, the gap between the care provided in publicly owned facilities and for-profit ones is likely much larger.

Lower levels of care in for-profit homes also appear to affect hospitalization and mortality rates. A 2015 study of Ontario long-term care homes found that rates of hospitalization and mortality were significantly higher in for-profit facilities than in public and not-for-profit facilities.<sup>17</sup>

### **Food, Laundry, and Housekeeping Services Also Suffer with Privatization**

Privatization also affects the quality of food, laundry, housekeeping, and other services in long-term care facilities.

In many provinces, the funding governments provide for food services in long-term care facilities has not kept pace with costs. Many public and not-for-profit facilities find ways to top up their budgets for food beyond what provincial governments provide. But for-profit operators that are trying to generate as much profit as possible are unlikely to do so.

Two comparisons of what public and private long-term care facilities spend on food provide a good illustration of the impact of privatization. Both looked only at the cost of food and excluded the cost of preparing and serving meals. In British Columbia, in 2019–20, publicly owned facilities spent 14% more on food than for-profit and not-for-profit facilities.<sup>18</sup> At least one privately owned facility in British Columbia is spending as little as \$4.34 per resident per day on food.<sup>19</sup> In Ontario, the Auditor General reported that, in 2016, publicly owned facilities spent 9.4% more on food than for-profit facilities.<sup>20</sup>

### **Contracting Out a Common Method of Privatizing Services in Long-term Care Facilities**

Too often, long-term facility operators contract out services to reduce costs. While services like food, laundry, and housekeeping are common targets for contracting out, almost all work in long-term care facilities can be contracted out. This is a problem in public and not-for-profit facilities as well as in for-profit ones. Unfortunately, the only savings that contracting out or private delivery can realize come from reducing the level of service that residents receive.

What residents of long-term care facilities in Powell River, British Columbia, experienced is a good illustration of the problems with contracting out. Even though the facilities are publicly owned, food services are contracted out to a multinational company called Sodexo.<sup>21</sup> As a result of food shortages, some residents were given energy drinks instead of meals. And there had been long-standing problems with food quality. To add to the frustration, the public was not able to access the contracts to see what standards Sodexo was supposed to maintain.

The secrecy surrounding contracted-out food services that Powell River seniors encountered is not an isolated case. In 2012, a reporter trying to get information on food quality in Vancouver Coastal Health facilities, where food services were also contracted out, was told that information on ingredients and food sources was covered by “contractual confidentiality.”<sup>22</sup>

When laundry or cleaning services are contracted out, the needs of residents also take a back seat to reducing costs. Contracting out laundry services has led to more issues with residents’ clothes being damaged or lost.<sup>23</sup> And the problem with contracting out cleaning services in long-term care homes is similar to the problem of privatizing cleaning in hospitals. Research has found that when cleaning services in hospitals are contracted out, infections increase.<sup>24</sup>

Management of facilities owned by the public sector, not-for-profit organizations, and smaller for-profit companies is also being contracted out. For public and not-for-profit facilities, contracting out management services can mean that they start operating more like for-profit facilities. In Ontario, 3 of the 5 not-for-profit long-term care facilities with the highest death tolls due to COVID-19 contracted out their management services.<sup>25</sup>

Another concern about contracting out that has received more attention in 2020 is that it increases the risk of infections spreading in long-term care facilities. As a recent report on long-term care and COVID-19 pointed out, “contracting out brings even more people into the home on a daily basis, people who can present a risk and be at risk.”<sup>26</sup>

### **For-profit Long-term Care Companies Less Likely to Upgrade Facilities**

One reason that for-profit long-term care facilities in Ontario were hit harder by the COVID-19 pandemic is that the facilities owned by for-profit companies are less likely to have been upgraded to meet current standards. Standards for long-term care homes were strengthened in 1972, 1998, 2002, and 2015.

One change to standards that was an important step forward was a reduction in the number of beds permitted in each room. Prior to 1998, 4-person rooms were permitted in long-term care facilities in Ontario. To make it harder for infections to spread, more recent standards for long-term care facilities in Ontario don’t permit more than 2 beds per room, and rooms must be larger.



When the current standards were adopted, it was assumed that the owners of older facilities would upgrade them. Unfortunately, for-profit owners have been slow to do that. Currently, 49% of beds in facilities owned by for-profit companies meet only 1972 standards.<sup>27</sup> In contrast, only 12% of beds in not-for-profit facilities, and 8% of beds in publicly owned facilities, are still at that level.<sup>28</sup>

### **PRIVATIZATION COMES WITH LOWER PAY AND POORER WORKING CONDITIONS**

Making it easier to cut pay and benefits and to undermine working conditions are part of almost all privatization schemes. Saving money is one of the main reasons given for privatizing public services. But we know that privatization comes with extra costs like profits for owners, higher salaries for senior executives, and costs associated with negotiating and overseeing contracts. This means that the only way privatization won't increase costs is if services are cut. Most often this means forcing workers to accept pay and benefit cuts along with poorer working conditions.

The privatization of long-term care is no exception. When long-term care is privatized, attacks on pay and working conditions are usually not far behind.

### **Legislation Changes Made It Easy for For-profit Operators to Drive Down Pay and Working Conditions**

A particularly blatant example was legislation passed by British Columbia's Liberal government when it started privatizing long-term care in the early 2000s. With no negotiation, the *Health and Social Services Delivery Improvement Act* removed job security and contracting-out provisions from collective agreements. Then the *Health Sector Partnerships Agreement Act* removed successor rights, which allowed for-profit owners of long-term care facilities to get rid of collective agreements and undermine unions by selling or transferring all or parts of their businesses—a process known as *contract flipping*.

As a 2017 report on long-term care privatization found, these pieces of legislation “enabled a model in which public funding subsidizes the real estate acquisitions of private investors while allowing these operators to erode wages and working conditions through contracting out and contract-flipping.”<sup>29</sup>

Measures like this have made the owners of for-profit long-term care facilities wealthier, while workers and residents paid the price. Contract-flipping by long-term care facility owners meant some care aides saw their wages drop by more than 30%, from \$25/hour to as little as \$17/hour.<sup>30</sup> Workers also found it difficult to get full-time work and frequently had to work part-time at several facilities to make ends meet. As the COVID-19 pandemic has shown, when workers are forced to work at several facilities, it increases the risk of infections spreading rapidly.

### **Low Wages and Benefit Cuts for Workers Mean Poorer Care for Residents**

When workers in long-term care facilities are struggling, it affects the level of care that residents receive. In 2020, British Columbia's Senior's Advocate pointed out that facilities paying lower wages have fewer experienced staff and higher rates of staff turnover, and

are more likely to experience staffing shortages.<sup>31</sup> For residents of facilities with staff shortages, high turnover rates, and less experienced staff, it means the care they receive will suffer. Staff will have to rush to complete tasks and won't have the same knowledge of residents or the facility as staff who have worked at the same place for some time.

The legislative changes that allowed British Columbia long-term care operators to lay off care workers, and rehire them at lower wages, were reversed in 2017, when the NDP government banned contract flipping in long-term care homes.<sup>32</sup> However, the effects are still being felt.

One of the first outbreaks of COVID-19 in a long-term care facility was at the Lynn Valley Care Centre in North Vancouver. Contract flipping had taken place at that facility, and the result was a dramatic reduction in wages and the number of sick days and vacation days that workers could take. The reduction in sick days and vacation days, coupled with wage cuts, made it difficult for staff to take time off when they felt ill.<sup>33</sup>

While efforts to use privatization to undermine pay and working conditions were not as blatant in other provinces, the impact of privatization on workers is the same everywhere. And, as with what happened in British Columbia, the attack on the pay and working conditions of long-term care staff is harming the care that residents receive.

## **HOW PRIVATIZATION OF LONG-TERM CARE IS HAPPENING**

The methods being used to privatize long-term care fall into one or more of the following categories:

- backdoor cuts to service levels;
- borrowing in ways that hide debt, but cost more;
- residents having to pay a larger share of the cost of care.

### **Backdoor Cuts**

As the research shows, most methods of privatizing long-term care erode the quality of care that residents receive. However, that isn't something the privatization industry will ever admit. When services are being contracted out, or for-profit companies are being given access to the same funding sources as not-for-profit or public long-term care providers, proponents of privatization claim that for-profit providers will make long-term care more "efficient." But for the privatization industry, efficiency means saving money on front-line services to fund investor profits and executive salaries.

### **Keeping Debt Off the Books, But Pushing Up Borrowing Costs**

Privatizing the construction of new long-term care facilities is attractive to governments, because it allows them to borrow money while keeping some, or all of the costs, of borrowing off their books. This allows governments to pretend that they are spending less than they really are. However, while privatizing the construction of long-term care homes and other infrastructure may keep costs off government books, it ends up costing the public more in the long term.

When the construction of new long-term care facilities is privatized, governments sign contracts with private companies to provide long-term care services for several decades. The private companies building the facilities borrow the money. And it costs the private sector more to borrow money than it costs governments. Therefore, the payments governments make to the companies building new long-term care facilities will have to increase to cover those borrowing costs. This means that, over the life of the contract, payments to cover the cost of construction will be higher than if the facility had been built publicly.

Traditionally, when long-term care is privatized, the private sector would build and own long-term care facilities. More recently, P3 (public-private partnership) privatization schemes have been used. Alberta, British Columbia, Saskatchewan, Quebec, New Brunswick, and Newfoundland and Labrador are all using P3s for long-term care facilities.

Even when services in long-term care facilities built under P3 privatization schemes are publicly delivered, the problems of higher costs and loss of public control are still present. Reports on P3s in both Ontario and British Columbia have concluded that they add billions to the cost of new infrastructure.<sup>34</sup> And the way that contracts for P3 privatization schemes are written make adjusting services to meet changing or unanticipated needs very difficult.

### **People Who Need Long-term Care Paying a Larger Share of the Cost**

While some methods of privatization involve a deliberate decision by governments to have for-profit companies provide services that were once publicly provided, there are other, more subtle ways that governments privatize long-term care.

For example, the impact that government underfunding has on service levels means that many people are forced to look for alternatives. These alternatives are almost always private, so when people who need long-term care increasingly turn to them, this effectively increases the role of private delivery of long-term care. The difference is that, instead of public funds going to private providers, the people who turn to private alternatives are paying for services out of their own pockets.

### **Increasing Role of Other Types of Residential Facilities Leaves Seniors Paying More**

In many provinces, provincial governments have reduced waiting lists by making it harder to qualify for long-term care. This means there is an increasing role for facilities that aren't considered part of the long-term care system, but which accommodate people who would have qualified for long-term care in the past. Because these facilities are rarely publicly owned and operated, their growth is effectively adding to the privatization of long-term care.

The names for these facilities vary from province to province. Among the terms used are assisted living, designated supportive living, retirement homes, résidences pour personnes âgées (RPA), and residential care homes. Confusingly, some provinces use the term “personal care homes,” which is used to refer to long-term care facilities in some other provinces.

Originally, these facilities were meant to provide a home-like setting for people who needed various supports but who weren't at the point in their lives where long-term care was necessary. Unfortunately, what is happening more and more is that these facilities are being used to effectively privatize some long-term care services.

Alberta and British Columbia are among the provinces where people who once would have qualified for long-term care are now forced to turn to assisted living or supportive living facilities. Because these facilities were intended for seniors who are able to live independently, they don't always provide the necessary level of care. Residents are also often paying more for services than they would in long-term care facilities. Combined with the fact that a far lower percentage of assisted living units than long-term care beds are subsidized, it means seniors often find themselves living somewhere they can't afford.<sup>35</sup>

### **Those Who Are Well Off Can Avoid the Consequences of Underfunding**

Another example of privatization by underfunding is families of residents of long-term care facilities hiring paid personal companions to provide care beyond what is provided by the staff. These companions are employees of the resident's family rather than of the long-term care facility, but staff at long-term care facilities can end up spending time training or monitoring them.<sup>36</sup>

As a recent Canadian Centre for Policy Alternatives report pointed out, "an important indicator of the low staffing levels is the number of privately paid personal companions hired by families to compensate for the gaps in care."<sup>37</sup> Because of the cost, the use of personal companions means that people from better-off families can avoid many of the consequences of the underfunding of long-term care, while people from low- and middle-income families feel its full effects.

### **SECRECY AND LACK OF ACCOUNTABILITY AN INTEGRAL PART OF PRIVATIZATION**

The problems described earlier in this report that occurred when food services in British Columbia health care facilities were contracted out are just 2 examples of how privatization leads to secrecy and lack of accountability. These problems are widespread enough that we can view secrecy and lack of accountability as integral parts of privatization.

In New Brunswick, Shannex was able to prevent key sections of its contract with New Brunswick for-profit long-term care facilities from being released.<sup>38</sup> The information being kept secret included the per diem rate the provincial government is paying Shannex.

This is only the latest way that the privatization of long-term care in New Brunswick has undermined public accountability. In 2009, the Auditor General of New Brunswick criticized the Department of Social Development's decision to award Shannex a contract for a P3 privatization scheme for 3 long-term care facilities without going through a tendering process.<sup>39</sup> The Auditor General also found that the department "did not fully assess the risks of entering into a new service delivery model for acquiring nursing home beds."<sup>40</sup>

In the same report, the Auditor General recommended that the contract with Shannex be evaluated to see if there was any economic benefit to using P3 privatization schemes for long-term care facilities.<sup>41</sup> 7 years later, the New Brunswick government still hadn't done the evaluation the Auditor General recommended.<sup>42</sup> But the fact that long-term care P3s hadn't been evaluated didn't stop the New Brunswick government from continuing to use them for long-term care facilities.<sup>43</sup>

There have been similar issues around accountability with P3 privatization schemes for long-term care in Newfoundland and Labrador. In 2015, the Newfoundland and Labrador Association of Public and Private Employees (NAPE/NUPGE) raised concerns about the way the tendering process for the province's first P3 long-term care facility was rushed through with little chance for public scrutiny.<sup>44</sup>

The issues in New Brunswick and in Newfoundland and Labrador are typical of the problems with secrecy and lack of accountability that are built into P3 privatization schemes. As NUPGE's *Privatization Overview* has outlined, these problems include information being withheld from decision-makers and undermining freedom of information legislation.<sup>45</sup> Finally, 5 provincial auditors' offices have found that the reports used to justify the use of P3s make them appear cheaper than they really are.<sup>46</sup>

### **CORPORATIONS VIEW LONG-TERM CARE AS AN INVESTMENT, NOT A SERVICE**

Between 2010 and 2019, 3 of the largest companies that own for-profit long-term care facilities in Canada paid out \$1.5 billion in dividends to shareholders.<sup>47</sup> They spent \$138 million paying senior executives<sup>48</sup> and \$20.7 million on share buybacks.<sup>49</sup>

Among them, these 3 companies own 121 long-term care facilities and 203 retirement residences across Canada. Extendicare owns 58 long-term care facilities and 11 retirement residences, and provides contract services to another 53 facilities.<sup>50</sup> Chartwell owns 20 long-term care facilities and 165 retirement residences, and provides management services for some facilities it doesn't own.<sup>51</sup> Sienna Senior Living owns 43 long-term care facilities and 27 retirement residences.<sup>52</sup>

It's important to note that, because they are publicly traded, these 3 companies are the only ones that are legally required to disclose information on payments to their owners and senior executives. Companies that aren't publicly traded—and that includes most for-profit long-term care operators—don't have to publicly report how much profit they make and what they pay out to their owners and senior executives.

Revera, for example, owns and operates over 500 properties in Canada, the United States, and the United Kingdom,<sup>53</sup> but information on its finances is not publicly available. However, there is nothing to suggest that Revera and other privately owned long-term care companies are not generating the same level of profit as their publicly traded counterparts.

The profits being pocketed by the owners of the corporations operating long-term care facilities or running contracted services in long-term care facilities are the reason why conditions are usually better in public and not-for-profit long-term care homes. What has been happening during the COVID-19 pandemic is just the most recent example. Even before the pandemic, serious problems were common in private for-profit long-term care facilities.

In its 2019 annual report, Extendicare acknowledged that it was facing law suits for negligence.<sup>54</sup> In January 2020, the media reported that the death of a woman in an Extendicare facility in Alberta was due to neglect, and that the neglect occurred because staff “were too overworked to care for her properly.”<sup>55</sup> A month later there were media reports about another Extendicare facility in Alberta that was “constantly understaffed” and that “rationed diapers.”<sup>56</sup>

Similar incidents have occurred at other major chains. In 2018, a resident of a Sienna Senior Living facility in British Columbia was confined to an apartment with bed bugs.<sup>57</sup> In 2019, inspections found serious problems at Ontario for-profit long-term care facilities run by Rykka Care Centres, Sienna Senior Living, and Southbridge Care Homes, as well as at a not-for-profit facility.<sup>58</sup>

### **Corporations That Own For-profit Long-term Care Facilities Have Strong Political Connections**

Some of the companies that own long-term care facilities that have experienced serious problems continue to benefit from the privatization of long-term care. Southbridge Care Homes, which has had a death rate of 9 per 100 beds during the COVID-19 pandemic, was recently awarded 87 additional beds by the Ontario government.<sup>59</sup> Rykka Care Centres, which has had a death rate of 8.6 per 100 beds during the pandemic, is trying to take over a not-for-profit long-term care home in Toronto.<sup>60</sup>

The fact that companies with a poor track record are continuing to profit from privatization shouldn't be a surprise. For-profit long-term care companies have put a lot of effort into currying favour with provincial governments. This includes hiring individuals with strong political connections and making generous donations to political parties.

For example, when Mike Harris was premier of Ontario, he dramatically expanded the role of for-profit operators in delivering long-term care. Now, as Chair of the Board for Chartwell Retirement Residences, one of the largest owners of for-profit long-term care facilities in Canada, he receives a retainer of \$215,000 a year.<sup>61</sup>

For-profit long-term care companies have also been generous donors to political parties, particularly those they feel will support privatization of long-term care. In 2016, legislation banning corporate and union donations to political parties and lowering individual donation limits was passed in Ontario. But in the 3 years leading up to the ban, for-profit long-term care companies donated at least \$208,896 to the Liberals, \$70,229 to the

Progressive Conservatives and \$2,847 to the NDP.<sup>62</sup> Similarly, in the years before 2017, when a similar ban or cap on political donations was legislated in British Columbia, for-profit long-term care companies gave at least \$75,212 to the Liberals and \$9,560 to the NDP.<sup>63</sup>

It's important to note that both of these estimates are almost certainly too low, because the secrecy around company ownership makes it difficult to identify all of the companies connected with corporations registered in Canada and the amounts they have made in political donations.

While corporate donations may be banned in many provinces, for-profit long-term care companies are still able to influence the political process. One of the ways they can do so is by hiring well-connected lobbyists.<sup>64</sup>

### **Tax Dodging by For-profit Long-term Care Firms**

That for-profit long-term care companies receive most of their revenue from the public sector doesn't stop them from dodging taxes. For example, a recent report from the Centre for International Corporate Tax Accountability and Research (CICTAR) showed how Revera avoids paying its share in taxes on its operations in Britain by using a complex web of subsidiaries in European tax havens.<sup>65</sup>

According to the CICTAR report, Revera claimed a loss of US\$12.6 million on its British operations in 2019.<sup>66</sup> At the same time, a partner holding a minority stake in just one of the companies Revera owns in Britain reported a net operating income of US\$84.8 million from that investment.<sup>67</sup> CICTAR believes that, based on the difference between those 2 amounts, "it appears that Revera uses tax havens and complex related party transactions to avoid UK income tax on profitable businesses."<sup>68</sup>

Revera may not be alone. In 2011, before Extendicare began scaling back its operations in the United States, half of its U.S. subsidiaries were registered in Delaware, a known tax haven.<sup>69</sup> Only one of the 179 facilities that Extendicare owned in the United States was actually located in Delaware.<sup>70</sup> Similarly, the Extendicare subsidiary providing insurance for its U.S. operations was registered in Bermuda, which ranked third on the Tax Justice Network's Corporate Tax Haven Index in 2019.<sup>71</sup>

Tax dodging is not the only reason corporations register their subsidiaries in tax havens. But when almost half of a company's significant subsidiaries are registered in tax havens, questions should be asked.<sup>72</sup>

It's also worth noting that, because of the secrecy surrounding corporate registrations in Canada, the problem could be far worse than we know. Information on who controls companies registered in Canada is kept secret, which is one of the reasons that the Tax Justice Network considers Canada to be among the most secretive jurisdictions in the world.<sup>73</sup> Much of what we do know about what companies in the long-term care sector are up to is based on information we've been able to find in other jurisdictions like the United Kingdom and the United States. This is because it is harder for companies to hide information from the public in those countries than it is in Canada.

## Privatization Industry Skilled at Ducking Responsibility for Problems

While the privatization industry may not do a good job of running public services, it has been very effective at avoiding taking any responsibility for the problems caused by privatization.

Research into scandals in long-term care facilities has found that governments usually respond to them by introducing new regulations, and that “even though such scandals were more common in for-profit homes, none of the new regulations address questions of ownership although some try to limit where the public money goes.”<sup>74</sup>

A recent example of how the privatization industry tries to avoid being held accountable is a report from Revera that attempts to deflect blame from the company for what has happened during the COVID-19 crisis. For example, while the report blamed rooms with 4 beds per room for higher rates of infection, it ignored the obvious: that Revera could have used some of its profits to convert its facilities to rooms with 1 or 2 beds.<sup>75</sup> And Revera’s proposal to address staff shortages in long-term care facilities was to create a new, poorly paid category of worker, instead of valuing the workers that are there.<sup>76</sup>

The “independent” panel that prepared this report included people who had consulted for, or represented, Revera in the past.<sup>77</sup> Unsurprisingly, the report also overlooked the role privatization of long-term care has played.

Given how adept this industry has become at ducking responsibility for its effects, we need to ensure that we make the issues with for-profit delivery of long-term care very clear when we are fighting privatization.

## ENDING FOR-PROFIT LONG-TERM CARE

With the COVID-19 pandemic, there is growing recognition of the problems caused by privatizing long-term care. While banning for-profit long-term care isn’t a solution by itself, people are seeing that ending privatization would mean more resources would be available to care for residents.

This is reflected in the fact that 86% of Canadians support bringing long-term care under the *Canada Health Act*.<sup>78</sup> It is also reflected in things like the campaign to stop a not-for-profit home in Toronto being taken over by a for-profit corporation.<sup>79</sup>

People have also seen the difference it made when the provincial government in British Columbia took over staffing in long-term care facilities.<sup>80</sup> Public control made it easier for the province to ensure that workers and staffing levels didn’t suffer as a result of the restriction on people working at more than one long-term care facility.<sup>81</sup>

In the months and years to come, we need to keep pressuring governments to bring long-term care under public control.

At the federal level, that means bringing long-term care under the *Canada Health Act*. Along with bringing long-term care under the act must come recognition that federal health care funding needs to include provision for long-term care. This would help address the problem of chronic underfunding.



Provincial and territorial governments need to be pushed to end the use of for-profit care and to curb contracting out.

These steps will ensure that funding increases go toward improving long-term care instead of making the wealthy owners of for-profit long-term care companies even richer. They will also ensure that residents of long-term care facilities, and the workers in them, are treated with the dignity and respect they deserve.

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<sup>81</sup> Moira Wyton, “BC Boosts Pay for Long-Term Care Workers amidst COVID-19”, The Tyee, April 1, 2020, <https://thetyee.ca/News/2020/04/01/Long-Term-Care-Worker-Pay-Boosted/>.



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## COMPONENTS



B.C. GENERAL EMPLOYEES' UNION



CANADIAN UNION OF BREWERY AND GENERAL WORKERS



HEALTH SCIENCES ASSOCIATION OF ALBERTA



HEALTH SCIENCES ASSOCIATION OF BRITISH COLUMBIA



HEALTH SCIENCES ASSOCIATION OF SASKATCHEWAN



MANITOBA ASSOCIATION OF HEALTH CARE PROFESSIONALS



MANITOBA GOVERNMENT AND GENERAL EMPLOYEES' UNION



NEW BRUNSWICK UNION OF PUBLIC AND PRIVATE EMPLOYEES



NEWFOUNDLAND & LABRADOR ASSOC. OF PUBLIC & PRIVATE EMPLOYEES



NOVA SCOTIA GOVERNMENT AND GENERAL EMPLOYEES UNION



ONTARIO PUBLIC SERVICE EMPLOYEES UNION / SYNDICAT DES EMPLOYÉS DE LA FONCTION PUBLIQUE DE L'ONTARIO



PRINCE EDWARD ISLAND UNION OF PUBLIC SECTOR EMPLOYEES



SASKATCHEWAN GOVERNMENT AND GENERAL EMPLOYEES' UNION

The National Union of Public and General Employees is an affiliate of the Canadian Labour Congress and a member of the Public Services International.