DISCUSSION AND DEBATE

Commentary: Critical to Care – The Problem of Profit in Ontario's Long-Term Care Home Sector

Commentaire : Soins essentiels – le problème du profit dans le secteur des foyers de soins de longue durée en Ontario

SUSAN BRAEDLEY, MSW, PHD
Professor
School of Social Work
Carleton University
Ottawa, ON

Abstract
The search for profit in the Ontario long-term care (LTC) home sector means that inspections and fines are unlikely to drive quality improvement. For-profit ownership, operations and contracts thwart accountability for quality and financial stewardship while blocking full public reporting, thus preventing public oversight. Laying out the problems presented by the for-profit LTC homes' financial and operations infrastructure with examples, this commentary presents policy paths forward to address the problem of profit and improve accountability.

Résumé
La recherche du profit dans le secteur des foyers de soins de longue durée (SLD) en Ontario implique que les inspections et les amendes sont peu susceptibles d'améliorer la qualité. La propriété, les opérations et les contrats à but lucratif empêchent la reddition de comptes en matière de qualité et de gérance financière tout en bloquant l'établissement de rapports publics complets, ce qui nuit à la surveillance publique. En présentant les problèmes posés par l'infrastructure financière et opérationnelle des établissements à but lucratif, ce commentaire présente des pistes stratégiques pour résoudre le problème du profit et pour améliorer la responsabilisation.

Accounting for Care

Accountability for care quality and financial stewardship are intertwined problems in Ontario's long-term care (LTC) home system. Miller and MacEachen (2024) take up these issues in their analysis of the Ontario LTC home inspection regulations instituted in 2021 to argue for quality improvement at a system level. They warn that the legislation's deterrence-oriented accountability regime – that punishes individual LTC homes for non-compliance – will not drive quality improvement in a context that simply does not have sufficient staffing and other needed resources to care safely and well. For decades, Ontario has relied on deterrence-oriented audits and inspections (Choiniere et al. 2016). The recent legislation adds more inspectors and fines to the already available mechanisms, including compliance orders, withholding funds, appointing a temporary manager or revoking a license. The authors are correct that the additional measures are unlikely to drive quality improvement, given staffing and other resource issues (Miller and MacEachen 2024).

In their discussion, Miller and MacEachen (2024) note the higher incidence of quality problems in for-profit homes, a relatively consistent finding across many studies over more than a decade (a few examples are Akhtar-Danesh et al. 2022; Ronald et al. 2016; Tanuseputro et al. 2015). However, they fail to address the accountability challenge presented by the 57% of all Ontario LTC homes that have for-profit ownership, the largest percentage of any Canadian jurisdiction. Ascribing to a quality distinction between *good* mission-driven for-profit owners and *bad* commercial-driven for-profit owners (that includes private equity firms), Miller and MacEachen (2024) completely miss the structural inverse relationship between profit and accountability.

This issue is important. Ontarians have a huge stake in LTC homes' quality, first, because this service is mandated to offer care security to Ontario's most vulnerable, frail citizens and their families; second, because the sector should provide decent work to the thousands of Ontarians it employs; and third, because of the public investment and costs this sector represents. To drive quality improvement together with fiscal responsibility in the LTC home sector, accounting scholars have articulated three key types of accountability necessary to quality improvement (Graham et al. 2024). The first type, healthcare accountability, relies on the government LTC home inspection system and is Miller and MacEachen's (2024) focus. The second type is financial accountability for the use of public funds. The third type is ensuring accessible public information on these other types of accountability that can inform the media and advocates, who, in turn, inform the public (Graham et al. 2024: 6).

For-profit provision prevents or obscures all these types of accountability. First, it is difficult to impossible to know *how public funds are spent by for-profit providers, including how much public funding ends up as profit*. Second, it is increasingly difficult to know *who is responsible for care quality and has the power to address quality deficits*.

The Profit Problem

Similar to all municipal services and charities, municipal and non-profit charitable LTC homes are subject to regulations that require them to provide regular, publicly available financial information. Municipal LTC home funding allocations can be assessed by accessing municipal-audited financial statements and LTC committee minutes and reports. Non-profit charitable LTC homes' spending can be assessed through accessing annual reports, audited financial statements and information published by the Canada Revenue Agency. For-profit companies, however, operate under different legislative requirements, making these assessments difficult to impossible to access or decode.

Among for-profit corporations, differences in structure produce an assortment of barriers to financial and healthcare quality accountability. First, some for-profit LTC homes and chains are entirely privately owned and thus have no regulatory requirement to publicly disclose their financial information. For example, Schlegel, the fifth largest for-profit chain in Canada, is a fully privately owned business owned by one family. All its homes are in Ontario. Revera is a privately owned international chain that has a Canadian public sector pension plan as its principal shareholder and operates many Ontario LTC homes. It is impossible to determine how these owners and operators spend public monies or what funds end up as profit.

A second group of for-profits are publicly traded. These company financial statements are publicly available, but in many cases, their financial and operational infrastructure is so complex that determining how they spend public funds, and with what rate of profit, is obscured and disguised. Extendicare is one relatively straightforward Canadian example. It owns LTC homes in Ontario, Alberta and Manitoba and two companies that provide management (Extendicare Assist) and procurement services (SGP) to LTC homes and related services in the aforementioned provinces, plus British Columbia and Quebec. It also has a homecare division. An Extendicare presentation to investors in August 2024 refers to recent LTC home joint ventures with Revera and Axium, a limited-partnership LTC home investor. This infrastructure complexity obscures clear information about where public monies go and the rate of profit in any facility or province. However, the presentation notes that recent increases in Ontario LTC funding have more than offset cost increases due to inflation, producing more net revenue and profit (Extendicare 2024). Furthermore, management services reported a 50–55% net operating income margin – an incredible rate of profit that, in LTC homes, comes primarily out of public monies. It is worth noting that LTC homes managed by Extendicare Assist had COVID-19 death rates of 81%, well above the industry average, with reports that residents were not cleaned or fed. Yet, by 2023, Extendicare Assist had won contracts to manage 134 Revera and other Ontario LTC homes, or about 20% of all LTC homes in the province (Roy 2023).

Both privately owned and publicly traded LTC home ownership types intertwine in complex corporate forms, including private equity firms, real estate investment trusts

(REITs) and institutional investors interested in cashing in on senior's housing. These interests have made substantial investments in both retirement homes and LTC homes, a sector ranked as Canada's third *hottest* real estate investment in 2019. In 2020, financial firms had acquired 22% of all Canadian LTC homes outside Quebec (August 2022: 654). Both REITs and private equity firm investors expect a high return from these financial instruments. Executive compensation is tied to profit maximization and asset value increases over short timeframes, with penalties for failures to achieve targets (August 2022; Harrington et al. 2014). Chartwell is one such company. During the pandemic, Chartwell refused "staff personal protective equipment … voted against living wages for employees but paid out stable investor distributions during the pandemic and issued record-high executive bonuses" (August 2022: 656).

A third group is the many LTC homes of all ownership types, including for-profit, municipal and non-profit homes, that contract out one or more of the food services, laundry services, housekeeping, human resources and payroll, management and/or even some of their clinical nursing and other care staffing to for-profit companies. Often, residents and families are unaware of these sub-contractors, and they are not often mentioned on LTC home websites either. However, Schlegel Homes and Revera have contracted with Extendicare Assist to manage some of their LTC homes.

This discussion only skims the surface of the sector's financial complexity. For example, some LTC home ownership configurations mean that land and/or buildings are owned by one company and operations owned by another that, in turn, sub-contracts to one or more companies for some service delivery. Furthermore, LTC homes, or pieces of them, are being bought, sold, closed and opened in a flurry of market activity (Armstrong 2023; Roy 2023). The accountability consequences are obvious. Not only is it difficult to know where public monies go, but also it is incredibly difficult to sort out which entity is responsible for non-compliance or making necessary quality improvements.

The results of failed accountability mechanisms are starkly illustrated in the case of Orchard Villa, with a government failure to hold for-profit providers accountable amid a murky, layered financial and operational infrastructure. Orchard Villa was one of five Ontario LTC homes taken over by the military at the height of the COVID-19 pandemic, with 78 of its 233 residents dying from the virus. The military report describes finding cockroaches, flies, rotten food, inappropriate infection control, residents left in soiled undergarments, residents left without proper hydration or mouth care, serious resident health concerns left unattended, residents sleeping on bare mattresses due to lack of linens and many more quality problems (4th Canadian Division Joint Task Force 2020). Orchard Villa is owned by CVH (No. 6), a division of Southbridge Care Homes Inc, a property development company. Now, Southbridge Health Care LP is managed by Southbridge Health Care GP Inc, which is a wholly owned subsidiary of Southbridge Capital Inc. This is a limited partnership, with no requirement to publish financial information (Armstrong 2024).

Furthermore, Extendicare Assist, the management firm with tremendous profit that managed homes with high mortality rates during the pandemic, was managing Orchard Villa.

When the military report was released, Ontario premier Doug Ford said, "Nothing drives me more crazy than these big corporations saying, 'No, we're watching dollars and cents.' There's a lot more we can do. Number one, we can pull their license" (Bochove 2020). Yet, Orchard Villa's license was not pulled. Confounding logic, in 2023, the Ministry of Long-Term Care awarded Orchard Villa a 30-year license that includes an initial expansion of 87 new beds and a promise for more, a decision that is now the subject of a court challenge.

This result was not due to regulatory loopholes, the lack of compliance mechanisms or an absence of policy alternatives. It is, however, a problem of accountability by both owners and government, shaped by the problem of profit.

Policy Solutions

In agreement with Miller and MacEachen (2024), my assessment is that system-level measures can improve the three kinds of accountability laid out earlier in this commentary, but they must directly address the problem of profit. In a recent international forum on profit in LTC, Armstrong (2024) laid out strategies to address this issue, and they are worth repeating. First, governments can acquire and retain land and buildings, so that licenses can be revoked from for-profit license holders that fail to provide adequate care without losing facilities. Second, regulations can require full transparency of both the ownership and operation of every individual LTC home and of the financial flows among *related parties* involved in LTC home ownership and operations. Third, contracting out could be eliminated completely, whether to *related parties* or to independent providers. Furthermore, given that many LTC homes are owned by international companies that transfer money to tax havens, Armstrong (2024) recommends that owners should be required to pay taxes in the jurisdiction(s) in which they own or operate a facility. Finally, LTC homes should be required to fully and regularly report on their direct care staffing numbers and skill mix, with rules that prevent institutional *gaming*, such as LTC home staffing reports of direct staffing hours that fail to exclude staff who are absent while on sick leave and vacation.

To be successful, these measures require political will and a wise long-term public investment strategy to acquire and maintain land and buildings. Furthermore, they require regulations that will likely deter LTC home sector for-profit investment. To date, no Ontario government has shown interest in this path, although in other countries, many of these measures are implemented or being considered. Without them, the problem of profit continues and so does the problem with quality.

Correspondence may be directed to Susan Braedley by e-mail at susan.braedley@carleton.ca.

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