SUMMARY

Assisted Living in British Columbia

TRENDS IN ACCESS, AFFORDABILITY AND OWNERSHIP

BY ANDREW LONGHURST

February 2020

Download the full report at: policyalternatives.ca/Assisted-Living-BC

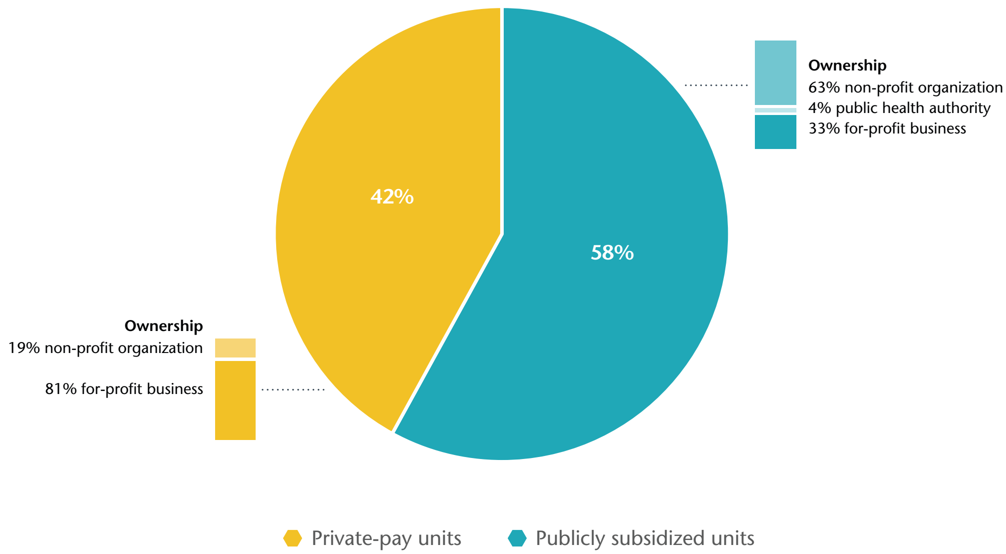
CCPA
CANADIAN CENTRE for POLICY ALTERNATIVES
BC Office

TODAY, SENIORS IN BRITISH COLUMBIA HAVE LESS ACCESS to publicly subsidized assisted living than in 2008.

This is because the provincial government's reliance on a market-based approach to capital financing has failed to increase access to publicly subsidized assisted living. For-profit providers have focused new construction on more profitable private-pay units. However, private-pay assisted living is unaffordable for most low- and moderate-income seniors.

This report looks at trends in access, affordability and ownership of assisted living services, focusing on BC's challenge of maintaining and increasing access to publicly

Figure A: Assisted living units by funding type in British Columbia, 2016



subsidized assisted living. More specifically, the report examines the effects of the provincial policy approach that relies on private-sector financing for new assisted living facilities. It determines that this policy approach has not been effective.

The provincial government's reliance on a market-based approach to capital financing has failed to increase access to publicly subsidized assisted living.

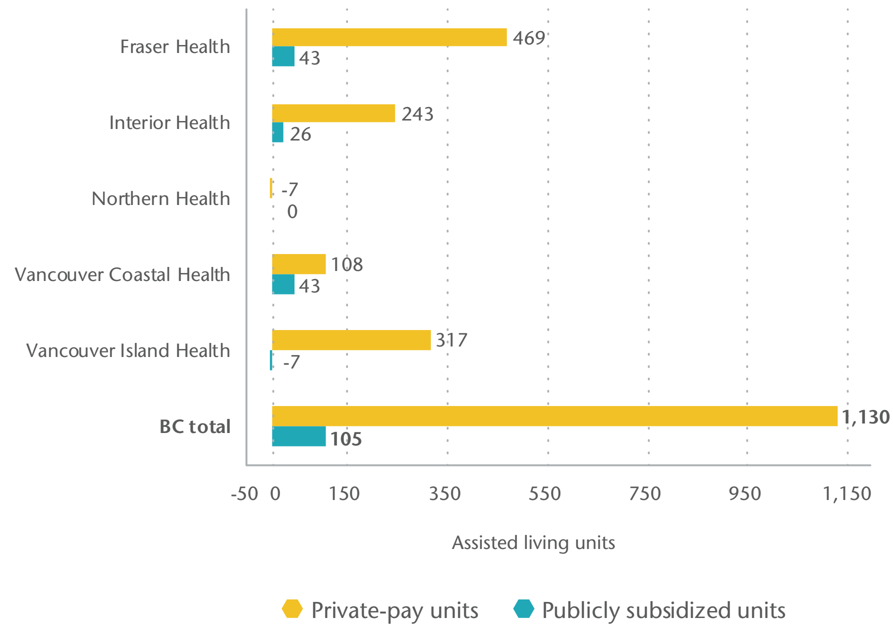
Part I explains the policy and fiscal context under which the assisted living model originated in BC. Part II uses Ministry of Health data to demonstrate that the result of the government's capital financing decisions means seniors have less access to publicly subsidized assisted living today than in 2008. Part III turns to the broader public policy implications of relying on private-sector financing. It analyzes what share of seniors' care is controlled by corporate chains and why the financialized business practices of these chains are a risk to seniors and the public health care system.

Policy and fiscal context of assisted living in British Columbia

In 2002, the BC government introduced a new assisted living model with the promise that it was an appropriate substitute for long-term care and would allow more seniors to live in home-like settings. At the time, this direction was attractive because it was assumed that the cost of assisted living to government would be about half the cost of long-term care. Available evidence did not support this rationale then, nor can it be justified now.

Also in 2002, the BC government embarked on a far-reaching agenda of fiscal austerity that included program cuts, public-sector layoffs and health care privatization. In particular, the provincial government aimed to reduce public capital spending by attracting private-sector investors to finance new capital infrastructure through public-private partnerships (P3s).

Figure B: Net new private-pay and publicly subsidized assisted living units added by health authority in British Columbia, 2010 to 2017



Sources: The 2010/11 data are from BC Ombudsperson (2012). The 2017 data are from the Assisted Living Registry as of March 31, 2017, and published in the Office of the Seniors Advocate, 2017, 16.

Aside from an initial injection of federal and provincial capital funding in the early 2000s, virtually all new assisted living and long-term care infrastructure in BC has been financed through a public-private partnership approach. A health authority and an operator sign a contract for an indefinite term. The operator receives a per diem (daily resident rate) from both the health authority (for care services) and BC Housing, a crown corporation (for housing costs).

Assisted living thus evolved as a new model of seniors' care that favoured investment from the private, for-profit sector—an approach aligned with the provincial government's fiscal austerity objectives in the early 2000s.

Unlike other P3 arrangements where government assumes ownership over the capital asset at the end of the contract term, BC's P3 model of financing assisted living and long-term care infrastructure means that British Columbians pay for the assisted living infrastructure but the private sector owns it. Thus, only the private-sector partners realize the benefits of asset ownership (including increased property value).

But this policy approach is not working. This report shows that access to publicly subsidized units has fallen and the private, for-profit sector—especially corporate chains—are more likely to build private-pay assisted living units where the rate of return on capital invested is higher.

This report shows that access to publicly subsidized units has fallen and the private, for-profit sector—especially corporate chains—are more likely to build private-pay assisted living units.

Declining access to publicly subsidized assisted living

In 2016, 63 per cent of all publicly subsidized assisted living units in BC were owned and operated by non-profit organizations, and 33 per cent were for-profit owned and operated (see Figure A). Health authorities owned only 4 per cent of publicly subsidized units in 2016. Of the total number of private-pay units in BC, 81 per cent were in the for-profit sector while 19 per cent were owned and operated by non-profit organizations.

Between 2010 and 2017, BC added only 105 new publicly subsidized assisted living units (Figure B). And while the number of publicly subsidized assisted living units marginally increased in absolute terms between 2008 and 2017, access to publicly subsidized units fell by 17 per cent in BC. This access is measured by the number of units relative to the population of seniors aged 75 and over who are likely to require assisted living.

As access to publicly subsidized assisted living has fallen, the private-pay assisted living market has benefited.

In BC in 2008, there were 14.7 publicly subsidized assisted living units per 1,000 seniors 75 and over, but by 2017 that number had fallen to only 12.2 units.

In four of the five regional health authorities in BC, access to publicly subsidized units fell between 2008 and 2017: Vancouver Coastal Health (-25 per cent), Fraser Health (-19 per cent), Vancouver Island Health (-17 per cent), and Interior Health (-11 per cent). The assisted living access rate increased by 5 per cent in Northern Health over this period. In 2017, Vancouver Coastal Health had the lowest number of units relative to the population aged 75 and over (10 units per 1,000 seniors).

As access to publicly subsidized assisted living has fallen, the private-pay assisted living market has benefited.

Private-pay assisted living unaffordable for many BC seniors

Drawing on data from Statistics Canada and the Canada Mortgage and Housing Corporation (CMHC), the cost of private-pay assisted living exceeds the financial resources of seniors at or below the median income.

The CMHC definition of affordable housing assumes that households should spend no more than 30 per cent of their income on housing. BC seniors couples at the median income ($61,900) can scarcely afford an average rent, private-pay *bachelor unit* (39 per cent of their income). Only with considerable financial difficulty and risk can they afford a private-pay *one-bedroom unit* (58 per cent of their income). For seniors living alone, even a bachelor suite would require over 80 per cent of their income, which is clearly unaffordable.

The effect of declining access to publicly subsidized assisted living means that private-pay assisted living often becomes the last resort for seniors and their families, and trends suggest that the private-pay market is likely to become even more unaffordable over time.

For-profit ownership, corporate chains and the financialization of seniors' care

The absence of significant ongoing public capital funding to support health authorities and non-profit organizations in developing new spaces has meant that very few new publicly subsidized assisted living facilities are being built. This lack of public capacity has benefited the private-pay market as some seniors and families will—in the absence of alternatives—pay for private-pay care even if it puts significant pressure on their financial resources.

For-profit companies are more likely to build and own private-pay units when the government fails to provide publicly subsidized ones. We know this from the fact that 81 per cent of private-pay units in BC are owned by for-profit businesses (Figure A).

A stagnant supply of publicly subsidized units has significant financial consequences for seniors and their families, given the reality that most lower- and middle-income seniors cannot afford private-pay assisted living.

Corporate chain consolidation in seniors' care is a reflection of *financialization* in the health care and housing sectors. Financialization occurs when traditionally non-financial firms become dominated by, or increasingly engage in, practices that have been common to the financial sector.

Investors are interested in the real estate assets in seniors' care.

Globally, there is growing interest among investors in seniors' care because assisted living and long-term care are capital-intensive and require real estate. Therefore, seniors' care facilities and housing are treated as financial commodities that are attractive to global capital markets.

Financial services giant UBS identifies Canada as the second most-attractive market for investing in independent living, assisted living and long-term care facilities behind Japan and slightly ahead of the US. For-profit assisted living operators can expect a 30 to 40 per cent operating margin compared to 15 to 25 per cent in long-term care. Ultimately, investors are interested in the real estate assets in seniors' care.

In 2016, corporate chains controlled 29 per cent of publicly subsidized spaces and 66 per cent of private-pay assisted living and long-term care spaces in BC. Although chains did not control the majority of total assisted living and long-term care units in 2016, they had a strong presence in BC, particularly in the private-pay segment of the seniors' care sector.

The BC government's longstanding reliance on attracting private capital into the seniors' care sector has benefited corporate chains with the ability to finance new developments.

There are three main concerns with financialized corporate chains increasing their dominance in BC:

- First, government can finance new seniors' care infrastructure at a lower rate than the private sector. BC is thus paying more by relying on private-sector financing, The financialization of seniors' care is at odds with the basic social purpose of providing care to vulnerable seniors, many of whom have low and moderate incomes and cannot afford private-pay services.

but getting less capital infrastructure than it would through government financing and working with the non-profit sector and public health authorities.

- Second, as a handful of financialized corporate chains increase their market share of publicly subsidized capacity, government becomes increasingly reliant on these chains for the delivery of publicly subsidized services.
- Third, we do not know what effect business practices of financialized corporate chains has on the quality of care, but based on the evidence from the long-term care sector, more research is required.

In sum, the financialization of seniors' care—in which real estate assets are treated as financial commodities to be bought and sold on international markets—is at odds with the basic social purpose of providing care to vulnerable seniors, many of whom have low and moderate incomes and cannot afford private-pay services.

A lack of provincial government capital funding has constrained the expansion of publicly subsidized assisted living services provided by public health authorities and non-profit organizations. The private-pay assisted living market grew more quickly than the supply of publicly subsidized assisted living units between 2008 and 2017. And, financialized corporate chains benefit from a policy approach that relies on the private sector to finance construction and deliver assisted living services. Chains are more likely than non-profits and small companies to have access to capital on the scale required to build seniors' care infrastructure.

Also, government has no long-term guarantee that these publicly funded, privately owned assets will remain part of the publicly subsidized seniors' care system. Ultimately, however, it is the failure of provincial governments to invest in new public and non-profit-owned assisted living units that has contributed to the shortfall in publicly subsidized spaces.

This report makes two major recommendations:

1. Create new capital and operating funding opportunities for non-profit organizations and health authorities to increase the supply of publicly subsidized assisted living units as part of a home and community care capital and operating funding plan. The most effective way to address the shortfall in access to publicly subsidized care is to create new capital and operating funding opportunities for non-profit organizations and regional health authorities to develop publicly subsidized assisted living facilities. These should begin in communities where new units are most urgently needed.
2. Require detailed disclosure and public reporting to improve transparency and accountability in assisted living and long-term care. A large body of evidence demonstrates the importance of public disclosure and reporting of ownership, costs and quality of services to enhance accountability and transparency in the seniors' care sector.

PUBLISHING TEAM

Shannon Daub, Jean Kavanagh, Emira Mears and Terra Poirier
Layout: Susan Purtell and Paula Grasdal
Copyedit: Lucy Kenward
Cover photo: Diego Cervo / Shutterstock

ISBN 978-1-77125-468-7

This document is a summary. The full report is available at: policyalternatives.ca/Assisted-Living-BC.

ABOUT THE AUTHOR

ANDREW LONGHURST, BA (Hons), MA, is a research associate with the BC Office of the Canadian Centre for Policy Alternatives (CCPA–BC), a policy researcher with the Health Sciences Association of British Columbia and served as senior advisor to the BC Ministry of Health's Primary and Community Care Research Initiative. He is also a PhD student in the Department of Geography at Simon Fraser University, researching the political and economic geographies of health care reform in Canada and internationally. He has authored numerous academic and CCPA publications including a book chapter on the history of labour restructuring and nursing home privatization in British Columbia (with S. Ponder and M. McGregor, in *The Privatization of Care: The Case of Nursing Homes*, edited by P. Armstrong and H. Armstrong, Routledge, 2019), *The Importance of Community Health Centres in BC's Primary Care Reforms* (with M. Cohen, CCPA–BC, 2019), and *Privatization and Declining Access to BC Seniors' Care* (CCPA–BC, 2017).

ACKNOWLEDGEMENTS

The author would like to thank Marcy Cohen, Shannon Daub, Adam Lynes-Ford, Margaret McGregor and three anonymous reviewers for their helpful comments and suggestions.

The opinions and recommendations in this report, and any errors, are those of the author and do not necessarily reflect the views of the funders of this report.

C C P A
CANADIAN CENTRE
for POLICY ALTERNATIVES
BC Office

CCPA-BC Office
520 – 700 West Pender Street
Vancouver, BC V6C 1G8
604.801.5121
ccpabc@policyalternatives.ca
policyalternatives.ca/offices/bc

The Canadian Centre for Policy Alternatives is an independent, non-partisan research institute concerned with issues of social, economic and environmental justice. Founded in 1980, it is one of Canada's leading progressive voices in public policy debates.

The CCPA–BC is located on unceded Coast Salish territory, including the lands belonging to the xʷməθkʷəy̓əm (Musqueam), Skwxwú7mesh (Squamish) and səl̓ílwətaʔɬ /Selilwitulh (Tsleil-Waututh) Nations.