

## ONTARIO HOMES FOR SPECIAL NEEDS ASSOCIATION

2729 DOANE RD., QUEENSVILLE, ONTARIO L0G1R0

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July 20, 2017

Via E-Mail [erennie@ola.org](mailto:erennie@ola.org)

Standing Committee on Finance and Economic Affairs  
Room 1405, Whitney Block  
Queen's Park, Toronto, Ontario M7A 1A2

Attention: Mr. Eric Rennie, Clerk of the Standing Committee on Finance and Economic Affairs

Dear Sirs/Mesdames:

**Re: Submission to the Standing Committee on Finance and Economic Affairs regarding  
Bill 148: *Fair Workplaces, Better Jobs Act*, 2017**

The Ontario Homes for Special Needs Association (OHSNA) is the voice for approximately 6000 persons suffering from mental health issues, cognitive impairments, addiction, physical challenges and the frail elderly who require a supportive environment to live in the community. OHSNA is comprised of member homes which operate to care for our province's vulnerable population under the *Homes for Special Care Act* or the Housing with Related Supports program funded by the Community Homelessness Prevention Initiative of the Ministry of Municipal Affairs and Housing.

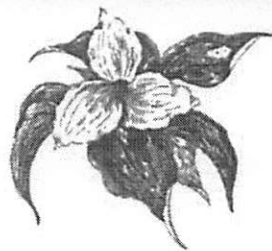
On behalf of its members, OHSNA is writing to express our significant concerns with respect to certain proposed amendments to the *Employment Standards Act, 2000* as introduced by the *Fair Workplaces, Better Jobs Act, 2017* (Bill 148). In our view, these proposed amendments signal a considerable increase in labour costs for our member homes which they will not be able to withstand based on current funding programs. The effect of the proposed amendments under Bill 148, if passed, will make it incredibly difficult for our member homes to remain financially viable while continuing to provide quality services to residents and meet minimum care standards. The inevitable result of the proposed amendments will be a diminished level of care or lack of permanent housing for impoverished, frail adults with a wide range of special needs as our member homes will be forced to cut costs by reducing their services or face the closure of their operations.

### **HOUSING PROGRAMS:**

As mentioned above, OHSNA's member homes operate under one of two housing programs: the Homes for Special Care program or the Housing with Related Supports program.

The Homes for Special Care ("HSC") program has approximately 1,600 clients. This program provides an alternative to institutional care for former patients of provincial psychiatric hospitals. Most clients require supervision or assistance with daily activities which are provided through the HSC program. The HSC program is funded by the Ministry of Health and Long Term Care under

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the *Homes for Special Care Act*. Effective July 1, 2017, the per diem funding by the Ministry of Health and Long-Term Care is \$51.18 per bed.

The Housing with Related Supports (HWRS) program serves approximately 4,400 clients. The average client is under the age of 65, suffers from physical or mental health problems and has been in a support home for five (5) years. More than 33% of clients have a history of homelessness, many are at risk of being homeless. Funding for the HWRS program is provided by the Ministry of Municipal Affairs and Housing through the Community Homelessness Prevention Initiative (the "CHPI"). The Ministry of Municipal Affairs and Housing provides funding from the CHPI to Regions/Municipalities, which, in turn, allocate funding and set standards for operators. However, funding available through the CHPI is also allocated by the Regions/Municipalities to non-HWRS programs that are temporary solutions to homelessness. The HWRS program is the only long-term solution to homelessness as it offers permanent housing to clients. The HWRS program receives varying levels of effective per diem funding ranging between \$49.00 to \$55.00 per bed.

Per diem funding received by the Ministry of Health and Long-Term Care and the Ministry of Municipal Affairs and Housing (together, the "Ministries") through the HSC program and the HWRS program is intended to compensate our member homes for direct and indirect costs required to provide a *minimum* standard of care to persons in need.

### ACTUAL COSTS AND PER DIEM RATES:

Over the past several years, the per diem rates funded by the Ministries through the HSC and HWRS programs have not increased at a rate that is consistent with the increase in service costs experienced by our member homes. For our member homes, direct costs are expenses directly related to the operation and maintenance of the home, driven primarily by non-management labour costs. While the per diem rate has risen evenly with the rate of the Consumer Price Index since 1993, it has failed to keep pace with the rising cost of labour. As a result, non-management labour costs represent a significant portion of the member homes' direct costs and have created a funding deficit. Consequently, member homes are needing to cut costs and find efficiencies in order to operate with a shortage of funding. No funding is available for indirect costs (such as managerial labour) or costs associated with increase service level expectations identified by the Ministries. Unfortunately, insufficient per diem rates and rising labour costs have put at risk the quality of service provided by our member homes to their vulnerable residents.<sup>1</sup>

In October 2014, OHSNA engaged Raymond Chabot Grant Thornton ("RCGT") Consulting Inc. to conduct a financial and economic analysis to assess whether HSC program and HWRS program per diem rates had increased at a rate that was consistent with the increase in service costs experienced by our member homes. A copy of the report prepared by RCGT Consulting Inc. (the

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<sup>1</sup> "Ontario Homes for Special Needs Association: Study of Cost and Per Diem Rate for Housing with Support Homes and Homes for Special Care", prepared by Raymond Chabot Grant Thornton Consulting Inc., October 14, 2014.



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“Report”) is attached, for your information. According to the Report, direct labour costs represented a weighted average of 41.7% of direct costs for homes in fiscal year 2012-2013.

The Report found that “[t]he minimum wage rate in Ontario and the average residential care facility salary costs per bed [per] day have risen at high rates (61% and 78% respectively), and as this represents a significant portion of operator direct costs, this has created a funding deficiency”. It was concluded in the Report that, in order to account for the direct costs (e.g. non-management labour) and indirect costs (e.g. managerial labour) incurred by homes, an increase in the per diem rate to between \$58.90 and \$59.32 was required for the 2013 fiscal year. Thus, our member homes are currently operating at a deficit in the per diem rate of at least \$7.72 per bed under the HSC program and between \$3.90 and \$9.90 per bed under the HWRS program.

### **BILL 148:**

Several of the proposed amendments to the *Employment Standards Act, 2000* under Bill 148 will result in a very significant increase in labour costs for our member homes which cannot be sustained under the current funding.

#### ***Minimum Wage Increases***

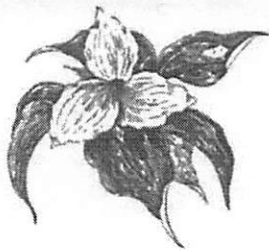
For instance, a key component of Bill 148 is an increase to the general minimum wage. Most of the non-management staff employed by our member homes are compensated at the current minimum wage rate (i.e. \$11.40 per hour) or at a rate that is less than \$15.00 per hour. An increase to the general minimum wage to \$14.00 per hour effective January 1, 2018 and a further increase to \$15.00 per hour the following year will undoubtedly result in a direct and substantial increase in labour costs for our homes. Furthermore, the minimum wage increase will invariably result in a “ripple effect” such that senior staff members and management employees will expect a corresponding increase to their salaries. Our member homes are already struggling to meet the needs of their residents in the current state – that is, where the per diem rates are insufficient to cover today’s labour costs. The impact of an increase to the general minimum wage cannot be endured by homes without a substantial and immediate increase in government funding.

#### ***Wage Parity***

Bill 148’s proposed provisions with respect to wage parity are also quite troubling to our member homes. Our homes are continuous operations – they operate on a continuous basis 24 hours per day, 7 days per week. As a result, homes rely considerably on part-time and casual staff members to supplement their full-time lines. Part-time and casual employees are often remunerated at a lower rate given that they have less experience performing the work than their full-time counterparts. A system of wage parity for part-time and casual employees is simply not economically feasible for a home that relies exclusively on limited government funding to maintain its continuous operations. In conjunction with the increase in minimum wage, the result may be fewer employees scheduled to work in order for homes to control labour costs. This is not a positive outcome for homes or their employees, and especially not for the vulnerable populations which they serve.

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### ***Scheduling***

The proposed rules with respect to scheduling are problematic for our member homes from both an operational and financial perspective. As providers of care to vulnerable and disabled adults, homes must maintain minimum staffing levels. If a front-line staff member calls in sick unexpectedly, or there is an emergency (flood, power outage, outbreaks and etc.) in the home which renders several of them unable to work, or more workers are required, homes must be able to arrange for immediate coverage. The proposed rule which entitles employees to refuse a request to work without repercussion where the request is made fewer than 96 hours in advance of the shift carries the real possibility that homes will experience inadequate staffing levels which places residents at risk. Furthermore, homes will be required to implement an on-call system (which again increases labour costs for operators who must pay at least three hours' wages to each employee on call) or increasingly rely upon temporary (assignment) workers (whose agencies will certainly be charging higher rates in view of the proposed minimum wages increases and provisions regarding wage parity).

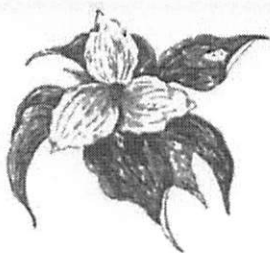
Bill 148 legislates blanket scheduling rules for all industries. However, as noted by "The Changing Workplaces Review: An Agenda for Workplace Rights Final Report", scheduling can be "a very complex and difficult subject", and "cannot be the same for all employees employed in all businesses". In our view, scheduling is especially complicated for continuous operations which are expected to maintain minimum staffing levels and operate with unpredictable workforce requirements. Therefore, the proposed blanket scheduling rules are impractical, unrealistic and need to be reconsidered in the context of our specific industry.

### ***Paid Vacation***

Many of the employees of our member homes have been employed for greater than five (5) years. Staff are committed to their residents, which seems to translate into longer-term service. Typically, these employees are provided two (2) weeks' paid vacation per year. A legislated increase in paid vacation to three (3) weeks after an employee has worked for the same employer for five (5) years or more will definitely adversely impact our member homes. Again, this proposed amendment will increase overall labour costs for small business operators – particularly for our member homes operating exclusively on limited government funding within the small business community.

### ***Personal Emergency Leave***

Bill 148 proposes significant amendments to the personal emergency leave provisions. Of large concern to our member homes are the amendments which provide for the first two (2) days of the leave to be paid without a requirement to provide corroborating medical documentation. In the interest of protecting residents from outbreaks of communicable diseases, our homes require medical documentation from employees who have taken sick time in order to ensure that it is safe for them to return to work. Thus, the amendment which proposes that employees cannot be required to provide a certificate from a qualified health practitioner to substantiate their absence will adversely impact the health and well-being of our residents. Furthermore, the requirement to



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provide two (2) paid sick days per year to every employee is yet another direct and substantial labour cost which cannot be borne by our operators given the inadequacy of current per diem rates.

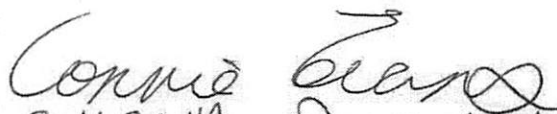
### CONCLUSION:

The legislative changes proposed by Bill 148 have serious and insurmountable financial consequences for our member homes. Each of the proposed amendments discussed above carry a labour cost that is not currently accounted for, and cannot be covered, by existing per diem rates which are already insufficient. Based on an economic analysis completed by OHSNA, relying upon data contained in the attached Report, we estimate that per diem rates must be increased by \$22.34 in order to cover the increased labour costs resulting to member homes if Bill 148 becomes law (Please see Appendix "A" attached). In our view, such an increase in funding cannot be realistically expected from the Ministries in view of their history of marginal increases year after year. However, without increased funding and/or an industry exemption to the amendments proposed by Bill 148, our homes simply cannot continue to provide quality services to residents. There is an increasing and real risk of facility closure, which will increase homelessness and lead to other unfortunate outcomes for residents such as hospitalization of displaced individuals. This would be a most unfortunate outcome for the vulnerable population served by our members. In view of the foregoing, we ask that the Standing Committee on Finance and Economic Affairs give serious reconsideration to the amendments proposed by Bill 148.

OHSNA welcomes the opportunity to provide additional information or submissions, upon request. If you have any questions with respect to the foregoing, please contact me.

ONTARIO HOMES FOR SPECIAL NEEDS ASSOCIATION

Per:

  
OHSNA President

cc: MPP

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## APPENDIX A

### FINANCIAL IMPACT OF MINIMUM WAGE, VACATION TIME INCREASE AND PERSONAL EMERGENCY DAYS.

Increase in minimum wage to Jan 2019 (15-11.4)/11.4	31.5%
Vac pay after 5 years	2.0%
Paid emergency leave 2/5x2%	<u>.40%</u>
	33.90%
Employer cost 20% rate used by most	<u>6.78%</u>
Total % increase	<u>40.68%</u>

Wages between 40-50% of costs, based on 45% 18.31%

Average effective per diem impact based on  
Per diem of \$51.00 \$9.34

Note: This does not include on call, scheduling  
Changes, public holiday and other

\*Recommended increase in Doan, Raymond  
Report Appendix B Indexed to include  
Impact on costs based on CPI, Utilities,  
Food costs: \$64.00-51.00

Total Fair per diem increase needed \$13.00  
\$22.34

Financial Impact 2018/19  
6,000 clients at \$22.34 per diem increase rounded \$48,900,000

**\*For a third party confirmation of per diem see attached last page from the SHS Consulting Report of 2011, ROOM FOR POTENTIAL; A REVIEW OF THE CITY OF HAMILTONS DOMICILIARY HOSTEL PROGRAM. REPORT COPIES AVAILABLE. \$55.00 ADJUSTED FOR CPI, FOOD AND UTILITIES.**



**Raymond Chabot  
Grant Thornton**

**ONTARIO HOMES FOR SPECIAL  
NEEDS ASSOCIATION (OHSNA)**

**STUDY OF COST AND PER DIEM RATE  
FOR HOUSING WITH SUPPORT  
HOMES AND HOMES FOR SPECIAL  
CARE**

**October 14, 2014**

**RCGT Consulting Inc.**

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### APPENDIX A – Supporting Per Diem Comparison Data

### APPENDIX B – Ontario Residential Care Facility Data and Calculations

### APPENDIX C – HSH/HSC Revenue to Cost Ratio Comparison 2007 to 2013



# 1. EXECUTIVE SUMMARY

## Background

The Ontario Homes for Special Needs Association (OHSNA) is a not-for-profit organization representing the owners, operators and product/service suppliers involved in the Ontario Housing with Support Homes (HSH) and Homes for Special Care (HSC) Programs. The HSH and HSC operators are funded on a Per Diem per bed which is intended to compensate for direct and indirect costs required to provide a minimum standard of care to persons in need. OHSNA's representation is encouraged to ensure that standards are maintained and that resident quality of life is made a priority in the programs offered by participating operators. Residents of the Housing with Support Homes Program and the Homes for Special Care Program are unable or have not had the opportunity to maintain a minimum quality of life for themselves generally due to a lack of financial capacities, mental or cognitive impairments, or frailty.

## Objectives

The Ontario Homes for Special Needs Association (OHSNA) has engaged Raymond Chabot Grant Thornton Consulting Inc. (RCGT) to provide an update to the study performed in 2012 on the Cost and Per Diem rates for fiscal year 2011. RCGT performed a financial and economic analysis to assess whether OHSNA's Housing with Support Homes Program and the Homes for Special Care Program Per Diem rates funded under the Ministry of Municipal Affairs and Housing and the Ministry of Health respectively, have increased at a rate that is consistent with the increase in service costs experienced by the participating operators.

## Approach

To assess the Housing with Support Homes Program and Homes for Special Care Program estimated delivery costs against the current Per Diem rates, RCGT was provided with financial information for eight (8) operators in Ontario. The estimates identified in this report are calculated based on the historical expenditures as provided by the eight (8) operators using the current levels of service standard. There was no work performed to identify whether the current levels of service are above or below that which is expected or was intended in 1993, when the original standards were put in place. The cost estimates are an evaluation of expenses and is meant to assist in the discussion of Per Diem rate increases between the service providers and the funding agencies.

## Observations

Our analysis of the financial information provided indicates that the direct costs for Housing with Support Homes and Housing with Special Care operators, defined as the expenses directly related to the operation and maintenance of the operator, are driven primarily by non-management labour costs, dietary costs and property costs.

While the Per Diem rate has risen relatively evenly with the rate of the Consumer Price Index (CPI) over the period of 1993 to 2013 (45%<sup>i</sup> and 44%<sup>ii</sup>, respectively), it has failed to keep pace with the rising cost of labour. The minimum wage rate in Ontario and the average residential care facility salary costs per bed day have risen at similar rates (61%<sup>iii</sup> and 78%<sup>iv</sup>, respectively). This represents a significant portion of the operator's direct costs and has created a funding deficiency. The average and median labour costs have declined as a percentage of revenue earned which is a result

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<sup>i</sup> As provided by OHSNA, see Appendix A

<sup>ii</sup> Statistics Canada, see Appendix A

<sup>iii</sup> Government of Canada, see Appendix A

<sup>iv</sup> Statistics Canada, See Appendix A

of the operators needing to cut costs and find efficiencies in order to operate with a shortage of funding. This puts at risk the quality of service and sub-standards provided by the operators to their clients.

Our analysis indicates that the Per Diem provided is fully utilized to fund direct operating costs. As a result, there is no funding available for the indirect costs of operators, or the costs associated with the increased service level expectations identified in the Community Homelessness Prevention Initiative Framework.

In May 2013, the Ontario Fire Marshal's announced amendments to the 2007 Fire Code that would come into force on January 1, 2014 and would amongst others, impact all of the Housing with Support Homes and Homes with Special Care operators. These impacts may carry large financial implications not being accounted for in the current Per Diem structure. In order to comply with the requirements of the new Fire Regulations, service providers will need financial assistance from Municipal and/or Provincial Governments to help reimburse the significant costs of installing the new systems.

### **Conclusion and Recommendations**

The Per Diem rates being provided to Housing with Support Homes and Homes with Special Care operators has not been sufficient to cover the increasing cost per bed as measured by the Consumer Price Index, or the labour required to provide care and support to clients.

To alleviate the funding deficiencies facing these operators, OHSNA should consider bringing up the following discussion items with both the Ministry of Municipal Affairs and Housing as well as the Ministry of Health:

#### ***Discussion Item #1***

An increase in the Housing with Support Homes Program and Homes with Special Care Program Per Diem rates to between \$58.90 and \$59.32, and continue to make inflationary adjustments (for increasing costs, such as both for CPI and labour) on an annual basis in order to maintain current client service levels.

#### ***Discussion Item #2***

An evaluation of standards within the current Community Homelessness Prevention Initiative to determine the extent and impact of the increased overall costs to Housing with Support Homes and Homes with Special Care operators and adjust base level funding for these operators accordingly. Proactively, funding agencies should assess the impact of costs and Per Diems on an annual basis.

#### ***Discussion Item #3***

To examine the cost benefit and favorable impact of the Community Homelessness Prevention Initiative as an effective solution to continue to reduce the burden on nursing homes and hospitals.

#### ***Discussion Item #4***

The possibility of introducing a funding assistance program to help Housing with Support Homes and Homes with Special Care operators attain compliance with the new Fire Regulations set out by the Ontario Fire Marshals.

#### ***Discussion Item #5***

Without sufficient funding and discussion of item #1 and #4, it is increasingly difficult for operators to remain financially viable whilst continue to provide quality services to clients and meet minimum standards – facing the potential for facility closures.

## 2. INTRODUCTION

### 2.1 BACKGROUND, OBJECTIVES AND SCOPE

The Ontario Homes for Special Needs Association (OHSNA) is a not-for-profit organization representing the owners, operators and product/service suppliers involved in the Ontario Housing with Support Homes (HSH) and Homes for Special Care (HSC) Programs. The HSH and HSC operators are funded on a Per Diem per bed which is intended to compensate for direct and indirect costs. OHSNA's representation is encouraged to ensure that standards are maintained and that resident quality of life is made a priority in the programs offered by participating operators. Residents of the Housing with Support Homes Program and the Homes for Special Care Program are unable or have not had the opportunity to maintain a minimum quality of life for themselves generally due to a lack of financial capacities, mental or cognitive impairments, or frailty.

The Ontario Homes for Special Needs Association (OHSNA) has engaged Raymond Chabot Grant Thornton Consulting Inc. (RCGT) to provide an update to the study performed in 2012 on the Cost and Per Diem rates for fiscal year 2011. RCGT performed a financial and economic analysis to assess whether OHSNA's Housing with Support Homes Program and the Homes for Special Care Program Per Diem rates funded under the Ministry of Municipal Affairs and Housing and the Ministry of Health respectively, have increased at a rate that is consistent with the increase in service costs experienced by the participating operators.

The main focus of this study is to evaluate the adequacy of the Per Diem rates for Housing with Support Homes as well as Homes for Special Care (operators). In addition, the report will highlight RCGT's evaluation of the potential cost impacts of new industry changes and regulations (e.g. Fire), and summarize recommendations for financing the new requirements. This study looks at economic indicators for the fiscal year January 1, 2013 to December 31, 2013. Operators were compared based on their Fiscal Year 2013<sup>v</sup>.

### 2.2 HOUSING PROGRAMS

OHSNA represents two programs with similar sets of objectives that help contribute to lessening poverty in communities and increasing the capacity of the Ontario health care system, by creating options for people who may otherwise end up on the streets or in hospitals. Both Programs provide services to residents with a wide range of profiles including: psychiatrically diagnosed, dually diagnosed, victims of drug and alcohol abuse, or challenged developmentally or physically. The Housing with Support Homes Program and the Homes for Special Care Program are funded through separate organizations, however, since they exist within similar industries many of the cost increases they face are the same.

The Housing with Support Homes Program (formerly named Domiciliary Hostel Program), aims to minimize poverty by providing housing for the at-risk population. Some characteristics of residents include:

- The average resident is under the age of 65;
- It is common that residents face physical or mental health problems;
- The average resident has been in a Support home for five years;
- More than 33% of residents have a history of homelessness; and
- Close to 0% of residents participate in the paid workforce.

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<sup>v</sup> Fiscal year end for operators vary and does not always coincide with the period in scope.

Funding for Housing with Support Homes is supplied by the Community Homelessness Prevention Initiative (CHPI), a recent initiative under the Ministry of Municipal Affairs and Housing. CHPI provides a lump sum payment of the funding on a quarterly basis for the Per Diem rates to the service providers who allocate the amounts to the appropriate operators.

The Homes for Special Care Program, which is funded by the Ministry of Health, provides an alternative to institutional care for former patients of Provincial Psychiatric Hospitals. Most residents require supervision or assistance with daily activities, which are provided through this Program, however the Program also provides and supports more resident self-determination and independent community living.

### **3. RESTRICTIONS AND LIMITATIONS**

This study does not constitute an audit and we do not provide an expression of assurance (audit or review opinion). Our study is based on the information made available to us at the time of this report. We have not attempted to audit or otherwise verify the information presented to us, beyond the expressed scope of work stated in this Report. This Report is not intended to be used for any purpose other than as stated in our Report without our prior consent, and we specifically disclaim any responsibility for losses or damages incurred through use of this report for any purpose other than as herein described. It should not be reproduced in whole or in part without our express written permission, other than as agreed upon and for defined requirements by OSHNA. We reserve the right, but will be under no obligation, to review and/or revise the contents of this report if additional relevant information becomes known to us after the date of this report.

### **4. METHODOLOGY AND APPROACH**

#### **4.1 METHODOLOGY**

To assess the Housing with Support Homes Program and Homes for Special Care Program estimated delivery costs against the current Per Diem rates, RCGT was provided with financial information for eight (8) operators in Ontario. The estimates identified in this report are calculated based on the historical expenditures of the eight operators provided using the current levels of service. There was no work performed to identify whether the current levels of service are above or below that which is expected or was intended in 1993, when the original standards were put in place. The cost estimates are an evaluation of expenses and is meant to assist in the discussion of Per Diem rate increases.

Using the estimates, a financial analysis was completed on the primary cost elements of the operators. Cost elements were measured against economic indicators and compared against actual increases to assess the adequacy of Per Diem funding. An extrapolation of actual costs against independent economic indicators was then used to develop a suggested Per Diem that would reasonably reflect the increased costs resulting from inflation and increased service demands. It is assumed that the results from the Housing with Support Homes analysis can be projected onto the Homes for Special Care Program as their costs are comparable.

## 4.2 SAMPLE POPULATION

In 2012 RCGT performed a study of Per Diem rates for fiscal year 2011, in order to update and reassess the gap in costs versus the Per Diem rate increases in 2013, RCGT was provided with financial information for eight (8) operators in Ontario. The sampled homes consisted of the following:

- Two (4) small home – less than 25 beds
- Three (3) medium homes – 25 to 70 beds
- One (1) large home – more than 70 beds

This data was reviewed, analyzed and compared against former financial information provided by a similar sample for the 2011 analysis.

Due to the sample size of homes included in this study it cannot be ascertained whether the sample is free from bias, nor is the sample size large enough to perform statistical analysis. The analysis presented in this report assumes that the participating homes are representative of the Ontario population of both Housing with Support Homes and Homes for Special Care. We have used data from institutions such as the Bank of Canada and Statistics Canada as a source of corroborating independent support for our analysis.

## 4.2 APPROACH

In order to evaluate a case for a Per Diem rate increase, it must be demonstrated that operators under the HSH and HSC Programs are facing rising costs of providing their service, and that these increasing costs are not being adequately funded through adjustments to the CHPI Per Diem rates. Our analysis summarizes the cost information provided to us by grouping the different accounts into standard cost categories like Labour, Dietary Costs and Patient Care in order to gain an understanding of a typical operator's cost structure. It is important to note that none of the eight (8) sets of financial statements which were relied upon for the study were audited financial statements. We did not attempt to audit, validate or verify the information provided to us. To the extent that there are any material changes in the information provided to us, these will impact and change the weighting of particular cost categories, results may therefore vary widely from those herein provided.

## 5. ANALYSIS

In order to gain an understanding of the cost structure of operators and identify important areas subject to inflation and increase, the financial information obtained was separated into various cost categories. Using the standardized cost categories we identified trends, ratios and were able to compare operators using a common denominator.

### 5.1 COST STRUCTURE

As shown in Table 1 below, the operator's costs seem to be driven primarily by direct labour costs (excluding management and admin labour), dietary costs, patient care and property costs.



Table 1 - Breakdown of Direct Costs of Sampled operators<sup>vi</sup>

Item as a % of Direct Costs	Fiscal Year 2010-2011			Fiscal Year 2012-2013		
	Weighted Average <sup>1</sup>	Average	Median	Weighted Average <sup>1</sup>	Average	Median
Direct Labour <sup>2</sup>	50.1%	43.0%	39.3%	41.7%	37.4%	37.9%
Property costs <sup>3</sup>	20.5%	23.7%	22.6%	18.7%	21.7%	18.7%
Dietary costs	18.8%	19.8%	18.7%	15.4%	13.2%	13.1%
Patient care	4.5%	4.7%	4.0%	15.6%	13.2%	2.3%
General and admin <sup>4</sup>	4.9%	7.2%	6.7%	2.8%	3.9%	2.3%
Other direct costs	1.2%	1.6%	1.0%	5.8%	10.6%	10.7%

1. The weighted average helps to account for the variation in facility cost structure as size increases
2. Excludes management labour
3. Property costs includes items such as insurance, property taxes, utilities, maintenance
4. General and admin includes items such as advertising, professional fees and telephone service

We observed that the average ratio of all cost categories except Patient Care and the Other Direct Cost category have decreased since 2011. Discussions with operators has revealed that they are trying to cut costs or are finding efficiencies in their operations as a result of their "lack of funding". As a result the quality of care provided by the operators may not be as high as intended due to increased pressure and workload on a reduced staff.

For most operators sampled, Direct Labour and Property Costs make up greater than 50% of their direct expenses. The high average Patient Care Costs is a result of two of the operators having high costs under this category. Both operators with high Patient Care Costs are larger facilities and which may have an impact on this cost category, however an analysis of the outliers and the source of the differences for the operator's cost structure was not within the scope of this study. It can be hypothesized that larger facilities may have client groups with greater needs and therefore may require increased assistance and/or supervision which could increase personnel requirements and therefore labour and patient care cost.

## 5.2 PER DIEM RATE CHANGES AND MACROECONOMIC COMPARATORS

Of the operators sampled, the Direct Labour, Patient Care, Dietary Costs and Property Costs Categories were found to be most material. It is then useful to compare economic indicators for these cost categories. OHSNA members provided RCGT with information regarding the historical Housing with Support Homes formerly Domiciliary Hostel Program, Per Diem rates given to the United Counties of Prescott Russell from April 1993 to July 2013. We have compared the change in these rates over time against the following economic indicators:

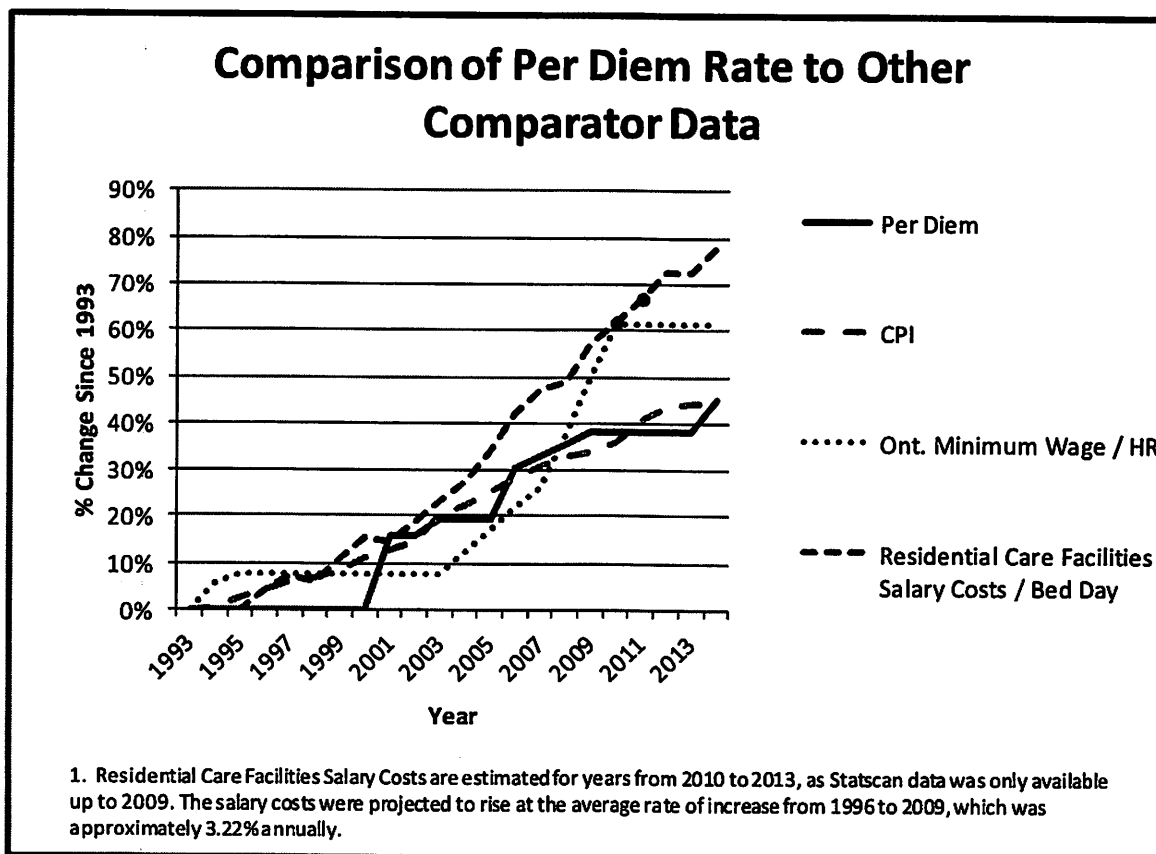
Cost Category	Related Economic Indicator	Brief Description of Economic Indicator
Direct Labour	Minimum wage rate (Ontario)	Indicates the minimum legal hourly wage of an employee in Ontario. This represents a proxy for low skill labour in the Housing with Support Homes (e.g. Housecleaning)

<sup>vi</sup> Information provided by sampled operators, see Appendix C

Cost Category	Related Economic Indicator	Brief Description of Economic Indicator
Patient Care	Salary Costs of residential care facilities (Ontario)	This represents a proxy for both low skill labour and high skill labour (e.g. Nurses) that may be provided in some Housing with Support Homes.
Dietary Costs	Consumer Price Index (CPI)	Measures the increase in the price of a standardize basket of consumption goods and services. This represents a proxy for cost increases related to dietary costs, patient care and property costs.
Property Costs		

The following graph illustrates the increase in each of the three aforementioned measures, as well as the increase in the Per Diem rate over the 1993 to 2013 period.

Figure 1 - Comparison of Per Diem increase to Cost Indicators



While the Per Diem rate has risen relatively evenly with the rate of CPI over the period of 1993 to 2013 (45% and 44%, respectively<sup>vii</sup>), it has failed to keep pace with the rising cost of labour. The minimum wage rate in Ontario and the average residential care facility salary costs per bed day have risen at high rates (61% and 78%, respectively<sup>viii</sup>), and as this represents a significant portion of operator direct costs, this has created a funding deficiency. As noted in

<sup>vii</sup> See Appendix A

<sup>viii</sup> See Appendix A

Section 5.1, the Direct Labour cost category represents a weighted average of 41.7% of the Direct Costs, down from 50.1% in 2011.

### 5.3 ESTIMATED PER DIEM RATE ADJUSTED FOR CPI AND LABOUR COSTS

As a result of the deficiency between labour costs and the Per Diem amounts, we have calculated the increase in funding operators require, based on our sample, in order to meet current direct cost volumes. In order to provide an estimated Per Diem rate for operators that may keep pace with both CPI and labour costs, we will assume the following:

1. The Per Diem will be divided into two categories:
  - i. labour costs, and
  - ii. all other costs.
2. The estimated rate of inflation for labours costs will be the average of Ontario minimum wage and residential care facility salary costs per bed day (69.8%).
3. The rate of inflation for all other costs is estimated to be equal to the increase in the CPI (44%).

A range of estimated Per Diem rates based upon the estimated distribution of labour to all other costs experienced by operators is provided below. This range is based upon the averaging figures provides in Section 5.2.

Table 2 - Estimated Adjusted Per Diem Rates

Analysis on Proposed Increase						
Cost Distributions	Weighted Average		Average		Median	
	Labour	All Other Costs	Labour	All Other Costs	Labour	All Other Costs
Per Diem (April 1993) <sup>ix</sup>	\$34.50		\$34.50		\$34.50	
	x		x		x	
Allocation of costs <sup>x</sup>	41.7%	58.3%	37.4%	62.6%	37.9%	62.1%
	=		=		=	
Subtotal (A)	14.39	20.11	12.92	21.58	13.08	21.42
	x		x		x	
Estimated Increase from Apr. 1993 to Jul. 2013 <sup>xi</sup>	69.8%	44%	69.8%	44%	69.8%	44%
	=		=		=	
Difference (B)	10.04	8.85	9.01	9.50	9.12	9.43
Subtotal (A + B)	24.43	28.96	21.93	31.08	22.20	30.85
Proposed per diem	\$53.39		\$53.01		\$53.05	

<sup>ix</sup> As provided by OHSNA, see Appendix A

<sup>x</sup> See Table 1 - Breakdown of Direct Costs of Sampled operators

<sup>xi</sup> See Appendix A

The current Per Diem is based on \$50 per bed, the estimated increase would range between \$3.01 and \$3.39 and is based on the assumption that the province and municipalities expect a level of service today that is similar or the same to that which was provided in 1993. This analysis does not account for the increase in service demands or responsibility by operators as a result of creation of the Community Homelessness Prevention Initiative, nor does it account for any other regulatory measures that have been imposed by the Province of Ontario or other municipalities since 1993. It is our understanding that additional service level demands, responsibilities and regulations have materially affected operators. Section 5.4 addresses a portion of the additional gap created by indirect costs and increased service level expectations.

## 5.4 IMPACT OF INDIRECT COSTS AND INCREASED SERVICE LEVEL EXPECTATIONS

In addition to the funding gap in the Housing with Support Homes Program Per Diem rate for goods, services and labour, the Per Diem rate does not include sufficient funding for the indirect costs of operators, or the costs associated with the increased service level expectations identified in the 2012 Community Homelessness Prevention Initiative (CHPI). Indirect costs such as the interest on facility mortgage payments, managerial labour or other costs associated with managing the facilities are no less critical than direct costs. CHPI recognizes that there are costs associated with administering the program. The initiative allows Service Managers to use up to 10% of their CHPI annual allocation for program administration, however as seen in Section 5.3, the current Per Diem is being utilized completely by Direct Costs (not management fees).

In order to include indirect costs in the Per Diem, we have performed a calculation based on the proposed Per Diem rate in Section 5.3 and added the Indirect Portion (program administration). The proposed Indirect Portion of the Per Diem amount would be as follows:

Table 3 - Proposed Indirect and Managerial Cost Allowance

Cost Distributions	Weighted Average	Average	Median
Proposed Per Diem - Direct Portion (A) <sup>xii</sup>	\$53.39	\$53.01	\$53.05
	/	/	/
Proposed Indirect Portion rate (B)	90%	90%	90%
Proposed Per Diem - Indirect Portion (C) = [(A / B) - A]	\$5.93	\$5.89	\$5.89
Total Proposed Per Diem (A + C)	\$59.32	\$58.90	\$58.94

We have assumed that in addition to compensation for providing direct care to the operator's clients, operators should have access to some relief for managerial labour and the indirect costs of servicing their clients. Although the

<sup>xii</sup> Refer to Table 2 - Estimated Adjusted Per Diem Rates.

average ratio of indirect costs for the operators sample was 16.1%, our calculation was made based on an estimated 10% program administration allowance rate, as per the CHPI allocation. Using the 10% estimate, the Per Diem increase to account for indirect costs should be between \$5.89 and \$5.93 bringing the total Per Diem allowance to an amount between \$58.90 and \$59.32.

## 5.5 COMPARATIVE FINANCIAL DISPARITY OF HOUSING WITH SUPPORT HOMES

There are numerous benefits provided by the existence of Housing with Support Homes and Homes for Special Care operators; not all of which are purely quantifiable. To illustrate the comparative financial disparity of these operators, gain an appreciation for the significant services that are being delivered, and provide a value for the benefits of reduced homelessness and provided care to vulnerable adults, we will assess the disparity in funding being provided in Nursing Homes and Hospitals against the annual cost per bed of a Housing with Support Homes operator.

Table 4 provides a simplified analysis of the cost difference between an individual living in a Housing with Support Home versus living in a nursing home or being hospitalized.

Table 4 - Comparative Financial Requirements of Various Care Options

Analysis on the Comparison between Housing with Support Homes Program and Other Housing Options				
Solution	HSH <sup>xiii</sup>	Emergency Shelters <sup>xiv</sup>	Nursing Home <sup>xv</sup>	Hospital <sup>xvi</sup>
Daily cost to Province of Ontario	\$50.00	\$53.00	\$159.66	\$800.00
	x	x	x	x
Days per year	365.00	365.00	365.00	365.00
	=	=	=	=
Cost per year	18,250.00	19,345.00	58,275.90	292,000.00
	/	/	/	/
Cost per year for the HSH Program	18,250.00	18,250.00	18,250.00	18,250.00
	=	=	=	=
Number of individuals housed in the Housing with Support Homes Program at that cost	1.00	1.06	3.19	16.00

The above table shows that the cost of one hospital bed is approximately 16 times, and in a nursing home over 3 times the cost of housing and services provided through HSH and HSC Programs. As a final comparison, the cost of providing emergency shelters, which do not provide any dietary or medical assistance to individuals, is \$53.00 per day, which exceeds the current cost of the HSH Per Diem. While this analysis does not assess the severity of illness

<sup>xiii</sup> As provided by OHSNA, see Appendix A

<sup>xiv</sup> Government of Ontario, "Building Foundations: Building Futures - Ontario's Long-Term Affordable Housing Strategy", 2010.

<sup>xv</sup> As provided by OHSNA

<sup>xvi</sup> The Ottawa Hospital, <https://www.ottawahospital.on.ca/wps/portal/Base/TheHospital>



or level of care required, it is important to note that clients of these operators suffer from conditions such as mental illness, cognitive impairments or frailty which might also be found in clients of other facilities such as nursing homes or hospitals.

## 5.6 IMPACT OF REGULATION CHANGES

In May 2013, the Ontario Fire Marshal's announced amendments to the 2007 Fire Code that would come into force on January 1, 2014. These new Fire Code changes will affect both the Housing with Support Homes and Homes with Special Care operators. The key Fire Code amendments being introduced include:

- Revised definitions for "care occupancy" and "residential occupancy", and a new definition for "retirement home";
- New requirements for an annual fire drill for an approved scenario representing the lowest staffing level complement to confirm adequacy of supervisory staff level to carry out required duties under the approved fire safety plan and notification to the Chief Fire Official of the fire drill;
- New requirements for mandatory automatic sprinklers for long-term care homes and large homes for special care that are care occupancies or care and treatment occupancies;
- A new retrofit section for care occupancies and retirement homes to include mandatory automatic sprinklers and fire alarm monitoring for all buildings with more than 4 persons, smoke alarms in suites, self-closing devices on suite doors, and emergency lighting;
- New qualification requirements for people responsible for implementing fire safety plans, and for Chief Fire Officials responsible for approving fire safety plans

The operators will need to implement the new changes to be compliant with the Fire Code by the following dates:

Requirement to be implemented	Compliance Date
Smoke Alarms	March 1, 2014
Emergency Lights	January 1, 2015
Fire Signals	January 1, 2015
Self-Closing Devices (doors)	January 1, 2016
Voice Communication	January 1, 2016
Sprinklers	January 1, 2019

In addition to the above requirements, each operator's Administrator or another responsible person is required to implement a fire safety plan and must attend a 2-day training course acceptable to the Fire Marshal. Each of these new requirements carry a cost that is not currently accounted for in the CHPI Per Diem rate. In order to obtain an accurate estimate of the expenses that will be incurred by the operators implementing these changes, each operator would need to obtain building and construction estimates for each of the requirements to be implemented. Each operator will incur different costs in implementing these changes as costs vary as a result of size, age and type of facility.

As some of these changes require modifications to the structure of the facility, (installation of sprinkler systems and self-closing doors) the upfront cost can be significant. In order to comply with the requirements of the new Fire Regulations, Service Providers will need financial assistance from Municipal and/or Provincial Governments. Neither the current Per Diem rate nor the suggested Per Diem rate increase in this report account for, nor is it sufficient to cover, the significant costs of installing the new systems and requirements set out by the new Fire Regulations. The Per Diem rates are currently being used to cover current and continuing operating expenses not the cost of upgrades as required by the new Fire Regulation.

## 6. CONCLUSION

Based on the information provided and our analysis, the current Per Diem rates being provided to Housing with Support Home and Homes with Special Care operators has not been sufficient to cover the increasing cost of goods and services as measured by the Consumer Price Index, or the labour required to provide care and support to clients.

Without sufficient funding, it is increasingly difficult for operators to continue to provide quality services to clients. There is the potential for facility closure, which increases the risk for homelessness or other costly outcomes, such as hospitalization for displaced individuals. In addition, there is insufficient funding available to assist with the indirect costs of service delivery or the increased requirements placed upon operators in order to meet the standards of the Community Homelessness Prevention Initiative. To account for these factors and inflationary pressures, a total Per Diem of between \$58.90 and \$59.32 appears justified for the 2013 Fiscal Year.

## 7. RECOMMENDATIONS

To alleviate the anticipated funding deficiencies facing Housing with Support Homes and Homes with Special Care operators we believe OHSNA should consider bringing up the following discussion items with both the Ministry of Municipal Affairs and Housing as well as the Ministry of Health:

1. An increase in the Housing with Support Homes Program and Homes with Special Care Program Per Diem rates to between \$58.90 and \$59.32, and continue to make inflationary adjustments (for increasing costs, such as both for CPI and labour) on an annual basis in order to maintain current client service levels.
2. An evaluation of standards within the current Community Homelessness Prevention Initiative to determine the extent and impact of the increased overall costs to Housing with Support Homes and Homes with Special Care operators and adjust base level funding for these operators accordingly. Proactively, funding agencies should assess the impact of costs and Per Diems on an annual basis.
3. To examine the cost benefit and favorable impact of the Community Homelessness Prevention Initiative as an effective solution to continue to reduce the burden on nursing homes and hospitals.
4. Evaluate the possibility of introducing a funding assistance program to help Housing with Support Homes and Homes with Special Care operators attain compliance with the new Fire Regulations set out by the Ontario Fire Marshals.
5. Without sufficient funding and discussion of item #1 and #4, it is increasingly difficult for operators to remain financially viable whilst continue to provide quality services to clients and meet minimum standards – facing the potential for facility closures.

## APPENDIX A – Supporting Per Diem Comparison Data

Year	Month	Per Diem		CPI <sup>1</sup>		Ont. Minimum Wage / HR <sup>2</sup>		Residential Care Facilities Salary Costs / Bed Day <sup>3,4</sup>	
		Rate	% Change since April, 1993	Rate	% Change since April, 1993	Rate	% Change since April, 1993	Rate	% Change since 1993
1993	April	\$ 34.50	0%	85.2	0%	\$ 6.35	0.0%	\$ 22.31	0.0%
1994	April	\$ 34.50	0%	85.4	0%	\$ 6.70	5.5%	N/A	N/A
1995	April	\$ 34.50	0%	87.5	3%	\$ 6.85	7.9%	N/A	N/A
1996	April	\$ 34.50	0%	88.7	4%	\$ 6.85	7.9%	\$ 23.26	4.2%
1997	April	\$ 34.50	0%	90.2	6%	\$ 6.85	7.9%	\$ 23.93	7.2%
1998	April	\$ 34.50	0%	91.0	7%	\$ 6.85	7.9%	\$ 23.62	5.9%
1999	April	\$ 34.50	0%	92.5	9%	\$ 6.85	7.9%	\$ 24.75	10.9%
2000	April	\$ 34.50	0%	94.5	11%	\$ 6.85	7.9%	\$ 25.73	15.3%
2001	January	\$ 40.00	16%	96.3	13%	\$ 6.85	7.9%	\$ 25.60	14.7%
2002	January	\$ 40.00	16%	97.6	15%	\$ 6.85	7.9%	\$ 26.53	18.9%
2003	January	\$ 41.20	19%	102.4	20%	\$ 6.85	7.9%	\$ 27.44	23.0%
2004	April	\$ 41.20	19%	104.1	22%	\$ 7.15	12.6%	\$ 28.41	27.3%
2005	April	\$ 41.20	19%	106.6	25%	\$ 7.45	17.3%	\$ 29.94	34.2%
2006	April	\$ 45.00	30%	109.2	28%	\$ 7.75	22.0%	\$ 31.68	42.0%
2007	April	\$ 45.90	33%	111.6	31%	\$ 8.00	26.0%	\$ 32.84	47.2%
2008	April	\$ 46.82	36%	113.5	33%	\$ 8.75	37.8%	\$ 33.19	48.8%
2009	April	\$ 47.75	38%	113.9	34%	\$ 9.50	49.6%	\$ 35.01	56.9%
2010	April	\$ 47.75	38%	116.0	36%	\$ 10.25	61.4%	\$ 36.14	62.0%
2011	April	\$ 47.75	38%	119.8	41%	\$ 10.25	61.4%	\$ 37.30	67.2%
2012	April	\$ 47.75	38%	122.2	43%	\$ 10.25	61.4%	\$ 37.30	72.6%
2013	April	\$ 47.75	38%	122.7	44%	\$ 10.25	61.4%	\$ 38.50	72.6%
2013	July	\$ 50.00	45%	122.7	44%	\$ 10.25	61.4%	\$ 39.74	78.1%

1. Statistics Canada. Table 326-0020.

<http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3260020&paSer=&pattern=&stByVal=1&p1=1&p2=37&tabMode=dataTable&csid=>

2. Government of Canada <http://srv116.services.gc.ca/dimt-wid/sm-mw/rpt2.aspx?lang=eng&dec=3>

3. Note that Salary Costs per Bed Day was calculated by dividing total reported Residential Care Facility salary expenditures divided by the total reported number of beds, then dividing by 365 days. Source data obtained from Statistics Canada Cansim Table 107-5506.

4. Residential Care Facilities Salary Costs are estimated for years from 2010 to 2013 as Statscan data was only available up to 2009. The salary costs were projected to rise at the average rate of increase from 1996 to 2009, which was approximately 3.22% annually.

## APPENDIX B – Ontario Residential Care Facility Data and Calculations<sup>17</sup>

	Operating residential care facilities, approved beds (number)	Salary and wage expense in operating residential care facilities (000's)	Annual salary and wage per approved operating bed (000's)	Salary and wage expense per approved operating bed increase since 1993	Year over year increase in salary and wage expense per operating bed
	Statistics Canada		Calculated		
1993/1994	88,741	1,979,985	22.31	0%	0%
1994/1995	..	..	..	..	..
1995/1996	..	..	..	..	..
1996/1997	84,607	1,967,876	23.26	4%	N/A
1997/1998	89,041	2,130,705	23.93	7%	2.88%
1998/1999	88,735	2,095,759	23.62	6%	-1.30%
1999/2000	90,678	2,244,598	24.75	11%	4.81%
2000/2001	91,719	2,359,820	25.73	15%	3.94%
2001/2002	93,698	2,398,728	25.60	15%	-0.50%
2002/2003	99,127	2,629,668	26.53	19%	3.62%
2003/2004	103,010	2,826,124	27.44	23%	3.42%
2004/2005	106,046	3,012,376	28.41	27%	3.54%
2005/2006	110,762	3,315,908	29.94	34%	5.39%
2006/2007	112,797	3,572,932	31.68	42%	5.81%
2007/2008	113,160	3,715,799	32.84	47%	3.66%
2008/2009	115,927	3,848,119	33.19	49%	1.09%
2009/2010	113,082	3,959,025	35.01	57%	5.47%
<b>Average</b>					<b>3.22%</b>
2010/2011 Estimate	116,721	4,086,425	36.14	62%	3.22%
2011/2012 Estimate	120,477	4,217,926	37.30	67%	3.22%
2012/2013 Estimate	124,354	4,353,658	38.50	73%	3.22%
2013/2014 Estimate	128,356	4,493,757	39.74	78%	3.22%

### Notes

1: The following standard symbols are used in this Statistics Canada table: (..) for figures not available for a specific reference period, (...) for figures not applicable and (x) for figures suppressed to meet the confidentiality requirements of the Statistics Act.

2: Residential care facilities include all residential facilities in Canada with four or more beds providing counselling, custodial, supervisory, personal, basic nursing and/or full nursing care to at least one resident. Excluded are those facilities providing active medical treatment (general and allied special hospitals).

3: Facilities are defined by the principal characteristic of the predominant group of residents of the facility, for example, aged, persons with mental disorders and other characteristics. Although the survey collects data on more detailed principal characteristics, these were collapsed to meet the confidentiality requirements of the Statistics Act.

<sup>17</sup> Statistics Canada. Table 107-5506 - Salary and wage expenditures in residential care facilities, by principal characteristic of the predominant group of residents and size of facility, Canada, provinces and territories, annual (dollars unless otherwise noted)

## APPENDIX C – HSH/HSC Revenue to Cost Ratio Comparison 2007 to 2013

Percentage of expense items to the revenue - 2007									
	OP1	OP2	OP3	OP4	OP5	OP6	OP7	Average	Median
Labour	53%	44%	26%	30%	45%	31%	34%	38.2%	37.5%
Food / Patient Care	10%	10%	12%	22%	11%	12%	11%	12.8%	11.5%
Property Costs	15%	16%	21%	12%	18%	31%	16%	18.8%	17.0%
<i>Utilities</i>	7%	7%	5%	5%	6%	14%	4%	7.3%	6.5%
<i>Maintenance</i>	3%	5%	13%	4%	7%	9%	8%	6.8%	6.0%
<i>Insurance</i>	1%	1%	1%	1%	2%	5%	1%	1.8%	1.0%
<i>Property Taxes</i>	4%	3%	2%	2%	3%	3%	3%	2.8%	3.0%
<i>Other Property Costs</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interests	11%	9%	9%	4%	12%	N/A	8%	9.0%	9.0%
Other	8%	7%	18%	4%	27%	23%	13%	14.5%	13.0%
Management Fees and Salaries	4%	5%	N/A	N/A	N/A	N/A	13%	4.5%	4.5%
Amortization	5%	7%	7%	6%	N/A	5%	5%	6.0%	6.0%

Percentage of expense items to the revenue - 2011									
	OP8	OP9	OP10	OP11	OP12	OP13	OP14	Average	Median
Labour	44%	26%	37%	57%	28%	25%	19%	33.6%	28.0%
Food / Patient Care	12%	13%	27%	10%	13%	14%	25%	16.5%	13.4%
Property Costs	12%	21%	17%	15%	16%	24%	27%	18.7%	16.8%
<i>Utilities</i>	4%	3%	7%	5%	5%	6%	6%	5.2%	5.3%
<i>Maintenance</i>	3%	3%	5%	4%	5%	13%	8%	5.6%	4.6%
<i>Insurance</i>	1%	5%	1%	2%	3%	3%	3%	2.6%	2.5%
<i>Property Taxes</i>	3%	2%	3%	3%	2%	2%	N/A	2.5%	2.5%
<i>Other Property Costs</i>	1%	7%	N/A	3%	2%	N/A	10%	4.5%	2.5%
Interests	10%	13%	10%	3%	6%	14%	2%	8.2%	9.8%
Other	2%	7%	5%	2%	7%	11%	16%	7.1%	7.0%
Management Fees and Salaries	3%	14%	1%	5%	6%	0%	0%	4.1%	3.2%
Amortization	4%	10%	11%	4%	4%	N/A	N/A	6.3%	3.8%

This appendix forms part of our report and must be read in conjunction with the full report.



Percentage of expense items to the revenue - 2013											
	OP15	OP16	OP17	OP18	OP19	OP20	OP21	OP22	Average	Median	
Labour	44%	24%	1%	55%	40%	17%	39%	28%	31.1%	33.6%	
Food / Patient Care	12%	14%	65%	10%	17%	30%	19%	11%	22.2%	15.4%	
Property Costs	12%	8%	14%	14%	40%	20%	19%	28%	19.2%	16.5%	
Utilities	4%	2%	6%	6%	10%	8%	6%	9%	6.4%	5.9%	
Maintenance	0%	1%	0%	3%	2%	8%	4%	14%	4.1%	2.7%	
Insurance	0%	4%	1%	1%	8%	2%	1%	1%	2.5%	1.4%	
Property Taxes	3%	0%	3%	3%	3%	0%	2%	4%	2.1%	2.6%	
Other Property Costs	5%	0%	3%	1%	16%	2%	7%	0%	4.2%	2.3%	
Interests	9%	10%	16%	1%	5%	1%	0%	4%	5.9%	4.4%	
Other	2%	15%	5%	4%	29%	18%	17%	12%	12.8%	13.3%	
Management Fees and Salaries	3%	20%	0%	5%	0%	0%	0%	0%	3.5%	0.1%	
Amortization	3%	1%	8%	2%	0%	7%	4%	4%	3.8%	3.5%	

**Note**

1: OP refers to sampled operators which are not named for confidentiality.

occupancy rates. It is suggested that the City establish an evaluation framework with a series of criteria for new or expanded subsidy agreements to ensure a holistic and systematic analysis of potential facilities. Criteria could relate to the client group served, locational amenities, existing facilities for specific population groups, available support services, and size.

As part of the evaluation framework for new or expanded subsidy agreements the City should consider allowing service agreements to be awarded to facilities of any size. There are two reasons for this. First, the emphasis on smaller homes, based on the assumption that the more intimate environment provides a more home-like atmosphere, is negated by allowing a maximum of 24 subsidized beds in a Residential Care facility of any size. Second, the maintenance of the current 24-bed rule in any size facility may hinder the operator's ability to realize economies of scale. During consultations, a number of operators indicated that financial viability would be better achieved if the number of subsidized beds was relaxed.

### **Funding**

- 26. That the City increase the per diem funding to \$55, with annual adjustments for inflation, to better reflect the cost of operating Domiciliary Hostels, and encourage the Ministry of Community and Social Services to increase the per diem funding levels it establishes for the Program**

Consultations were conducted with operators on the adequacy of the current per diem funding. An analysis was conducted of the adequacy of the current per diem model. Both the consultations and the analysis found that the existing per diem funding is insufficient to respond to cost increases and expanded expectations for services and administration. Operators are now providing service to residents with higher needs that require greater levels of care at higher costs without being provided additional funding support needed to provide the higher levels of service required.

The analysis determined a recommended per diem of \$55.00 based on the current expense profile of sample operations and the cost required to fund the current service delivery model. The current service delivery model is not ideal. For example, many staff are paid minimum wage, and the quality of food in some facilities is poor. Additional funding increases would be warranted with corresponding service improvement requirements.

June 22, 2017

To Your Honorable Kathleen Wynne,

This letter is in response to the Ontario Government's May 30, 2017 announcement and the subsequent Bill 148, Fair Workplaces and Better Jobs, to raise minimum wage to \$14.00 per hour on January 1, 2018 and then to \$15.00 on January 1, 2019. I have the privilege of filling the role of the President of the Ontario Homes For Special Needs Association (OHSNA). With this role, it is my responsibility to act on behalf of our special needs clients and the operators of Homes for Special Care and Supportive Housing Homes (Homes) in Ontario.

### **Issue**

Our Homes provide housing and care for individuals with mild to severe mental health illnesses, individuals who would not be able to live independently. Our Homes make key contribution to in alleviating the housing crisis for individuals with special needs. Without our services, a significant number of these individuals would be homeless on the streets and/or seeking shelter in the already overcrowded temporary shelters in various communities. While we recognize the need for an increase in the minimum wages to match inflation, the magnitude of the proposed legislative increase of almost 25% over a two year period will have serious negative impact on these Homes and the vulnerable people they house and provide care. This situation is exacerbated by the historic under funding, which is reflected in the low per diem rate set by the Ontario government, for these Homes.

### **Background - Under Funding**

Our Homes have been underfunded over ten years by the provincial government. Our Homes received slightly over \$2.00 per day for nutrition as stated in the 2003 Housing for Special Care (HSC) guidelines. This figure is significantly lower than that of the provincial Correctional Centres that receive over \$11.00 per day and the nursing homes that received a recent increase to over \$8.00 per day. In the past four years our Homes have received a total of 3% cost of living increase. While, in the past year, our operating costs have significantly increased, for example, hydro costs have increased by approximately 40%, and food costs over 30%. In addition, each Fall minimum wage has increased to reflect the cost of living increase for each year. Yet, our Homes received less than cost of living or inflation increase each year – a mere 3% cost of living increase in four years to operate facilities with increasing government regulations, costly requirements and increasing utilities, and food costs.

The individuals who use our services, cannot afford to pay the market rate for housing and care in the privately funded homes. The individuals we serve rely heavily on the government to

provide funding for shelter and care. Therefore, the Homes, unlike the some private homes, cannot pass on the additional operational costs to the people we provide housing and care. Hence, the Ontario government needs to increase the per diem rate to reflect the cost in housing and providing care for the specials needs clients, one of the most vulnerable groups in communities across Ontario. The Ontario government's failure to react to inflation in respect to our Homes is truly unfair and demonstrates the continuation of a lack of concern for our clients and staff. We ask that the Ontario Liberal Government adequately fund/ increase the funding (per diem rate ) paid to Homes for Special Care and Supportive Housing Homes in Ontario. This increase can be staggered to correspond to or introduced before January 2018 and January 2019 legislative minimum wage increases.

### **Delay in Implementation of Homes for Special Care Program Modernization**

In March of 2016, the Ontario government announced the modernization of the Homes for Special Care Program. This was a very progressive and promising approach to provide services to our clients and would eventually extend to the Supportive Housing Program, Ministry of Housing. Due to various bureaucratic delays, the implementation date has been pushed to January 2018.

Ontario Homes for Special Needs Association (OHSNA) has continued to work consistently with the Ministry of Health providing numerous hours consultation with expertise to ensure the success of the modernization of Homes for Special Care (HSC). To date we have yet to get any kind of a commitment from the government to ensure the proper funding will be attached to enable us to continue providing appropriate standard of care. It is getting increasingly more difficult and challenging to keep operators on board with the lack of government commitment. We have asked to provide us with their planned funding figures and the process of implementation. We have attended many meetings, conference calls , emails and one on one phone calls only to received bureaucratic words of encouragement . This is the future of our Homes for individuals with a wide range of special needs. In recent months, two Homes in Barrie ON had to close their doors and there were no other Homes in the area with enough vacant beds. Hence, some of the clients had to leave the community they knew and seek housing elsewhere. Bill 148, Fair Workplaces and Better Jobs, with its drastic increase in minimum wage, will cause many more closures of Homes throughout Ontario, unless your government increase the per diem rate to these Homes to address these new exorbitant expenses.

### **Our Request**

We ask that the Ontario government increase the per diem to the Homes quickly (before our to correspond to the January 2018 and 2019 minimum wage increase) to an appropriate amount reflecting the years of under funding as stated above, and especially in light of the recent introduction of Bill 148, to increase minimum wage to \$15.00 by 2019. The Ontario government has made a promise to prevent and end homelessness. The passing of Bill 148,

3.

without a corresponding increase in per diem rate to our Homes, will most likely reduce number of Homes and push large numbers of vulnerable special needs individuals on the street.

I hope to get your response before the end of August 2017, regarding the issues I have outlined above. As time continues given the current per diem rate, it is likely that more Homes will close and more vulnerable special needs individuals will be without housing and appropriate care. I know this is not the plan or intent of government of Ontario, but it is a reality. Please act quickly taking into consideration the needs of the individuals we serve, our staff and the operators of Homes for Special Care and Supportive Housing Homes in Ontario. We have been forgotten for far too long.

Yours Respectfully,

Connie Evans

President of the Ontario Homes for Special Needs