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INFORMATION BULLETIN

FURTHER EXPLANATION OF WHERE PROFIT COMES FROM IN LONG TERM CARE

June 4, 2020

This bulletin is intended to provide an explanation of where profit comes from in long term care.

Overview

In Ontario residents essentially pay room and board expenses in long term care - fees that are set by the province, while the province pays expenses related to care. These payments do not depend on who owns the facilities.

Financialized companies rely on government funding as well as subsidies for development of new beds and renovation of older beds. They also receive mortgage insurance from Canada Mortgage and Housing Corporation, reducing their risks, and optimizing potential rewards from involvement in the sector.

Profits are generated by cutting overall costs – services and supplies. Housing a lot of residents in large facilities provides economies of scale, allows centralized operations, and standardized services across many facilities, and this helps to contain costs thereby increasing profits (Brown, 2021). Customized services would cost more.

Long term care operators are only allowed to take profit from the Accommodations envelope which is mostly funded by long term care residents, not government. Long term care operators do get a subsidy equal to the basic accommodation rate for all beds in operation, which was \$56.52 per bed per day, but most of the subsidy is recovered from long term care residents. They must make monthly co-payments that vary according to type of accommodation. Part of the residents' co-payment is "retained by the Province, which offsets the vast majority of the cost of the accommodation subsidy. The rest of the co-payment revenue is retained by the LTC homes, and is largely where for-profit homes generate profit." (Ministry of Long Term Care, Financial Analysis Office, Toronto, June 3, 2021).

More information on resident co-payments can be found here:

<https://www.ontario.ca/page/get-help-paying-long-term-care>

SSAO has referenced Footnote 2 concerning long term care funding in several of its policy documents - most recently in [Why Is Ontario So Far Behind On Long Term Care?](#)¹

According to the Ministry of Long Term Care Financial Analysis office, this footnote “refers to a new per diem payment introduced in 2019 that increased per diem payments to LTC home operators by \$1.77 per bed. A maximum of 32% of that new \$1.77 per diem can be applied to the other accommodations funding envelope.” (Ministry of Long Term Care, Financial Analysis Office, Toronto, June 3, 2021).

This is the most comprehensive response we have been able to obtain concerning the 32% figure, and we appreciate receiving this information from the Ministry of Long Term Care Financial Analysis Office.

Has this per diem funding increase resulted in a bit of a financial windfall for the for-profit companies? An increase in per diem funding from the current government, almost a third of which can now be allocated to the budget line from which companies draw their profits?

The implications of this are likely clear to anyone reading this.

REFERENCES

Brown, J. (January 20, 2021). The dangers of financialized long term care.
<https://healthydebate.ca/2021/01/topic/dangers-financialized-long-term-care/>

¹ “Effective April 1, 2019, a global per diem increase to the level-of-care per diem funding is provided to LTC homes to enhance direct care services as well as to support other operating costs within any of the four envelopes. LTC homes may allocate up to 32% of the global per diem funding amount to the Other Accommodation envelope.”
https://www.health.gov.on.ca/en/public/programs/ltc/docs/level_of_care_per_diem_funding_summary_201908.pdf