PERLEY HEALTH

2022 Ontario Pre-Budget Submission

Prepared for The Standing Committee on Finance

January 2022

"This pandemic brought into sharp relief the long-standing vulnerabilities of the province's long-term care sector. It uncovered unimaginable horrors, allowed because of decades of underfunding and neglect."

- Lieutenant Governor of Ontario,

Speech from the Throne, October 4th 2021

About Perley Health[1]

Perley Health is home to 600 seniors. It is a community where Seniors and Veterans thrive – from long-term care to independent living. We support each resident along a person and family-centric continuum of care to improve, not only their physical well-being, but their mental and emotional health, as well. And we do it with compassion and respect.

Our commitment to empowering Seniors and Veterans to maximize their full potential is a pledge without bounds. We actively invest in research and new methodologies in frailty-informed care and share our findings, best practices, and breakthroughs with the greater community – so we can help all seniors live life to the fullest.

[1] On October 6, 2021, The Perley and Rideau Veterans' Health Centre revealed its new name and brand, **Perley Health**; a symbol of its vision and commitment to lead and advocate for innovative, holistic, person- and family-centered care solutions that improve the quality of life for all Seniors and Veterans.(https://www.perleyhealth.ca/upload/documents/media_release_perley-health.pdf)

Recommendations - Long-Term Care Home Capital Development Funding Policy, 2020:

1. Increase and index funding: Revise the Construction Funding Subsidy (CFS) structure to respond to inflationary factors over the 25-year pay-out.

2. Enable the participation of private developers: As per the recommendations of the Long-Term Care COVID-19 Commission, initiate policies to facilitate the construction of new and redeveloped long-term care homes by private developers, for operation by not-for-profit and charitable licensees.

3. Invest in a fund that addresses repairs and maintenance of the LTC home over its lifecycle.

Introduction

Ontario has an aging population and inadequate infrastructure to support it. This reality is reflected in the substantial increase in demand for long-term care spaces and staff that is projected for the years to come. Within 7 years, between 2011 and 2018, the population of those over 75 increased by 20 per cent (from 876,886 to 1,053,097). However, there was only a net gain of 611 long- term care beds during this period of time. More than 38,000 Ontarians are on the waitlist for long-term care beds. At Perley Health alone, over 1000 individuals are waiting or a LTC bed.

On April 30, 2021, the Hon. Frank N. Marrocco, Angela Coke, and Dr. Jack Kitts, Commissioners of Ontario's Long-Term Care COVID-19 Commission (the Commission), submitted their final report. The Commission concluded that the province needs to create 55,000 more LTC beds by 2033 just to maintain current capacity. The Commission further estimates that Ontario will need between 96,000 and 115,000 new beds by 2041 to keep up with the growing demand for LTC placements.

The scale of required capital to meet the capacity demands is significantly more than the funding currently allotted to LTC. Not for profit homes are challenged to add capacity to the system given the massive capital costs of building new LTC homes and the existing inadequate funding formula and funding structure set out by the Long-Term Care Home Capital Development Funding Policy, 2020. The volatility of construction costs post-pandemicand the

uncertain economic environment make LTC development out of reach for many mission driven non-profit operators.

Perley Health was awarded 240 provisionally allocated LTC licenses that we very much want to build to meet the needs in the community. Perley Health did benchmark estimates for the cost of adding 240 beds to our existing campus, which suggest the project would cost approximately $100 million. During the investigation work, it became apparent that there is a significant shortfall (40% or $40 million) in the capital funding available from the Ministry that needs to be addressed to make this a viable project. To put this shortfall into perspective, Perley Health's most ambitious fundraising campaign to date has a target of $10 million. While it is reasonable to expect operators to fundraise a portion of project costs, a gap this size is simply unmanageable.

Recommendation 1: Increase and Index Funding

Revise Construction Funding Subsidy (CFS) structure to account for inflationary factors over the 25-year payout term.

An eligible operator is entitled to receive a CFS by way of a per diem payment, for each day of operation of an eligible LTC bed. The CFS will be paid by or on behalf of the Ministry to the operator on a monthly basis for a period of 25 consecutive years, beginning on the day the home is authorized for occupancy by the Ministry. The CFS is not intended to cover the full amount of the construction but rather being a subsidy. Each home must arrange for its own construction financing that is subsequently taken out by a mortgage on the home that is paid down through the CFS per diem and through the Other Accommodation envelope of operating funding from the Ministry.

The LTC sector saw a great leap forward in 2014 with the announcement by the Ontario government to stimulate renewal with the Enhanced Long-Term Care Home Renewal Strategy (ELTCHRS). It launched a multi-year program that offered welcomed improvements to the 2010 program to renew more than 30,000 beds by 2025. However, the challenge encountered by many operators is that the program was built on a flat capital subsidy. The CFS does not increase to keep pace with inflationary growth related to construction costs. Further, the CFS will contribute to servicing a mortgage that will be in place at a rate between 1.5% (if a favorable rate can be provided and locked in) and 3% (if historical market rates are applied) resulting in the funding gap actually growing over the life cycle of the mortgage repayment.

We suggest the following solutions:

- Lock in financing at 1.5% over the life of the mortgage.
- If the gap is to be funded annually over the 25-year term, it will need to be indexed in order to keep pace with inflation.
- As an alternative approach: Instead of paying out the CFS over a 25-year period, provide a lump-sum payment from the Ministry upon construction completion.

Recommendation 2: Enable the Participation of Private Developers

As per the recommendations of the Long-Term Care COVID-19 Commission, initiate policies to facilitate the construction of new and redeveloped long-term care homes by private developers, for operation by not-for-profit and charitable licensees. The Independent Commission recognized that entities skilled in the construction of long-term care homes are not necessarily skilled in the operation of those homes. The Commission recommended that the government establish a new procurement and funding model whereby private developers would construct long-term care homes—and receive an appropriate return on investment for doing so— while experienced not-for-profit operators would hold the bed licenses and operate the homes. To be clear, the private developers would have no role in the operation of the homes and would assume none of the risks involved in doing so.

Perley Health believes that innovative approaches such as this are absolutely necessary if Ontario is going to be able to develop and redevelop the necessary stock of not-for-profit-operated long-term care homes that the system requires and that the current government has promised. As already indicated, Perley Health has conducted an exhaustive analysis to try to find a way to fund and finance construction of the 240 beds that have been provisionally allocated to us. Despite best efforts, there is simply no way under existing funding programs that the funding gap can be closed to enable Perley Health to proceed. An increase to the CFS, combined with the option of involving private developers would offer more options to those non-profit operators who need to transfer risk and access a lower cost of capital.

Accordingly, Perley Health urges the government immediately to assign the resources necessary to advance and test the feasibility of this "developer" concept. Perley Health offers itself to assist in development of the model and to be a demonstration project in order to test and exhibit its feasibility.

Recommendation 3: Invest in a Fund that Addresses Repairs and Maintenance of the LTC home over its Lifecycle

As with any infrastructure, over the lifecycle of a home, which easily spans decades, material infrastructure repairs and replacements will inevitably be required. Examples can include a roof replacement, parking lot and walk way resurfacing, building systems repairs and modernization and updating of the overall infrastructure.

To date there is no specific fund or grant available that LTC operators can tap into or apply for. Hospitals and Community sector are able to apply every year for a Hospital Infrastructure renewal fund (HIRF) and Community Infrastructure Renewal Fund (CIRF); however, none of those funding streams are available to the LTC sector. While policies envisioned to set aside funds to address deferred maintenance, the reality is that those funds are largely used for direct care.

In order to maintain new LTC infrastructure, it is imperative for the Province to be proactive and invest in a funding stream that allows operators to keep the infrastructure up to date for residents and staff through the lifecycle of the home.

Conclusion

Perley Health is grateful to see that the Province put actions into place to show their commitment to Ontarians to invest in the LTC sector and make seniors care a priority. The government's promise to four hours of care is the appropriate response to address issues highlighted both before and during the pandemic.

Increasing the supply of long-term care beds is also a priority for both the government and the health system. The Ministry of Long-Term Care has established a target of constructing an additional 30,000 beds over 10 years. However, this target will unlikely be achievable given the challenges mentioned in above paragraphs.

This is why Perley Health has proposed the above 3 recommendations. The budget is able to help unlock innovative solutions to allow not-for-profit operators to add capacity to the system. Perley Health, as a leader in the field, has direct experience driving innovation through evidence-based design and

partnerships and is looking forward to working together with the government to increase LTC capacity for Ontarians.

Thank you for considering the above recommendations as part the 2022 budget.

Sincerely,

Akos Hoffer
Chief Executive Officer
Perley Health