

Request for Decision

City of Greater Sudbury Commitment to the Operation of Pioneer Manor

Presented To:	City Council
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Type:	Managers' Reports

Recommendation

This report is for Council direction.

Finance Implications

The net budget for Pioneer Manor has gone from \$1.4 million in 2004 to \$3.7 million in 2011. The proposed operating subsidy for 2012 is \$4.2 million and may increase to \$4.7 million in 2013. In addition, the 2012 Health and Social Services Capital Envelope of approximately \$700,000 has been dedicated to Pioneer Manor as has been the practice in previous years.

Background

This report is a result of an information request during the 2011 Budget process. On February 28, 2011, the following item was approved as a parking lot item:

"Reaffirm commitment of current strategy for long term care and operation of Pioneer Manor"

Municipalities & Long-Term Care

The municipal operation of long-term care homes in the Province of Ontario has roots dating back over 130 years. Today, of the total 622 Long-Term Care Homes in the Province of Ontario, 103 homes or 17% are operated by municipalities representing 22% of all Long-Term Care Beds. Other operators of long-term care homes include both profit and not for profit organizations.

The role of municipalities in the provision of long-term care has been at the forefront in recent months. Such examples of discussion, debate and review include the City of Toronto [Core Service Review](#) and an Association of Municipalities of Ontario paper titled: [COMING OF AGE: The Municipal Role in Caring for Ontario's Seniors](#).

Added Costs of Delivering Care in the Municipal Sector

There are added costs for the provision of long-term care through municipally run homes in comparison to

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for profit and not for profit homes. Such added costs are primarily higher than average salary and benefit costs directly or indirectly as a result of an arbitration process that perceives municipal employers as having an ability to pay and the on-going impact of pay equity requirements.

These added costs are best illustrated through the following example; the largest classification of employees in long-term care homes is Personal Support Workers or Health Care Aides as they are referred to at Pioneer Manor. As a result of the factors previously mentioned the current hourly rate of pay at Pioneer Manor for Health Care Aides is on average 20 to 30% greater than what is paid for the same position at local for profit and not for profit homes. Salary and benefit costs at Pioneer Manor are also significantly higher than what would be typical for a not for profit or a for profit home due to higher than industry averages of absenteeism and modified work.

Other differences between various operators include "service" levels. For example all long-term care providers receive \$7.46 per resident per day for raw food purchases. Projected actual expenditures for Pioneer Manor for 2011 are \$8.75 per resident per day or in excess of \$200,000 above and beyond funded amounts.

The other difference between Pioneer Manor and a typical not for profit or for profit home is the accommodation type. Whereas legislation allows for 60% of beds to be private/preferred and hence the ability to charge residents an additional \$18 per bed per day, Pioneer Manor operates with only 40% private/preferred beds. The potential lost income is approximately \$570,000 on an annual basis.

A Brief History of Pioneer Manor

The origins of Pioneer Manor date back to 1953 when it opened as a 123 bed District Home for the Aged established under the *Homes for the Aged and Rest Homes Act* with the support of some 16 participating area municipalities. With the enactment of the *Regional Municipality of Sudbury Act* in 1973, the responsibility for operation of Pioneer Manor transferred to the Region while area municipalities continued to provide financial support.

With the coming into force of the *City of Greater Sudbury Act, 1999*, the City of Greater Sudbury assumed the operation and maintenance of Pioneer Manor and continues to do so now under the authority of the *Long-Term Care Homes Act* which came into force on July 1, 2010. The Act specifies that a "northern" municipality with a population of more than 15,000 may establish and maintain a municipal home. A by-law passed in 1999 also removed any financial obligations from area municipalities for the operation of Pioneer Manor.

Thus the City of Greater Sudbury operates Pioneer Manor at the discretion of City Council under approval from the Ministry of Health & Long-Term Care. Unlike municipalities in "southern" Ontario, there is no legal obligation for the City of Greater Sudbury to operate a home. Furthermore there is also no obligation to operate a home under agreement with other area municipalities.

Pioneer Manor Today

Pioneer Manor is approved to provide long-term care for 433 residents, making it the second largest municipally operated home in the Province of Ontario. The number of beds operated in recent years has increased from 342 to the current 433 in response to Council's efforts to assist with community Alternative Level of Care (ALC) pressures.

The approximately \$30 million 2011 operating budget for Pioneer Manor is funded through contributions from the Province of Ontario, resident co-payments and a municipal contribution in the amount of \$3.7 million.

The City of Greater Sudbury is also responsible for any operating budget over expenditures. Pioneer Manor's anticipated over expenditures for 2011 are currently estimated at \$1 million. As part of the 2012 budget process, Council has been asked to increase the operating subsidy by \$500,000 to reflect expenditures that are currently not adequately captured in the operating budget. Examples of such expenditures include increasing levels of absenteeism (an average of 30 sick days per employee in 2010), modified work (a projected increase from 15,000 hours in 2010 to in excess of 22,000 hours in 2011) and costs associated with overtime as a direct result of absenteeism, modified work and staffing shortages in general. If these expenditures are not controlled or eliminated, then it expected that the budget may require a further correction of up to \$500,000 in 2013.

In an effort to address cost pressures at Pioneer Manor an operational review was completed in November 2008, an Outreach Recruitment & Retention Plan was finalized in the spring of 2011 and an attendance management program was introduced in October 2011. In early 2012 Pioneer Manor will be engaging a Long-Term Care expert to review scheduling related processes and functions at Pioneer Manor which may reduce overtime expenditures.

In addition to annual contributions toward the operating budget, the City of Greater Sudbury has also invested capital dollars along with the Province of Ontario totaling approximately \$50 million over the past decade toward upgrades and the redevelopment of Pioneer Manor. The City of Greater Sudbury contribution toward these capital investments has been funded in part through an annual contribution of approximately \$700,000 from the Health & Social Services Capital Envelope.

Municipal Funding of Long-Term Care Homes

As per the [2010 OMBI \(Ontario Municipal Benchmarking Initiative\) Benchmarking Report](#), the City of Greater Sudbury, even with a 2010 over expenditure of \$1.2 million, was the second lowest cost provider of municipally operated and managed long-term care homes in the Province. The median cost for the OMBI participating municipalities in 2010 was \$206 per bed per day compared to \$184 per bed per day for the City of Greater Sudbury. To reach the median expenditure of \$206 per bed per day, the City of Greater Sudbury would have had to have spent in excess of an additional \$3,000,000 in 2010.

Pioneer Manor Operating Budget & Actuals 2007 - 2011

Year	Gross Budget	CGS Budgeted Contribution	CGS Actual / Projected	Variance
2007	\$23,201,013	\$2,052,077	\$1,957,745	(94,332)
2008	\$24,524,769	\$1,843,967	\$2,648,368	\$804,401
2009	\$26,003,105	\$2,061,787	\$3,889,400 ¹	\$1,827,613
2010	\$26,834,056	\$2,824,542	\$3,753,823 ¹	\$929,281
2011	\$29,980,516	\$3,656,696	\$4,636,696	\$980,000

Note: ¹Adjusted to reflect \$260,996 of NEER (WSIB) costs which were expensed in 2010 but should have been accrued in 2009

Pioneer Manor Master Plan

In 1994, an extensive study was initiated by Regional Council and the Ministry of Community and Social Services for the purpose of master planning for seniors' services on the site of Pioneer Manor. The study was accepted by Regional Council on January 26, 1994 through resolution #94-10.

The report spoke to several recommendations many of which have been realized;

- Investigate the opportunity to have Pioneer Manor become a seniors' campus
- Bring rooms at Pioneer Manor up to current government standards in long term care
- Renovations for decentralized dining areas
- Supportive housing to be explored
- Regional commitment of one (1) central long term care facility for the Regional Municipality of Sudbury on one site.

Pioneer Manor Strategic Plan 2010 - 2014

Based on a [Report](#) dated February 3, 2010 the following recommendation was carried upon presentation of the Pioneer Manor Strategic Plan 2010-2014;

2010-06 Dupuis-Rivest: WHEREAS the 2003-2007 Pioneer Manor Strategic Plan has been completed in its entirety resulting in the North East Centre of Excellence for Seniors' Health;

AND WHEREAS the long-term care facility is primarily comprised of resident accommodation areas meeting the highest standard of long-term care;

AND WHEREAS partnerships with the Sudbury Alzheimer Society, City of Lakes Family Health Team and the North East Specialized Geriatric Services are now in place expanding services at the facility;

AND WHEREAS the 2010-2014 Pioneer Manor Strategic Plan sets direction for the facility for the next four years;

THEREFORE BE IT RESOLVED THAT the 2010-2014 Pioneer Manor Strategic Plan be received and supported by the City of Greater Sudbury Council.

As highlighted in the strategic plan, the vision of Pioneer Manor is to be recognized as a leading provider of Long-Term Care in the Province of Ontario. The accomplishments of the following goals as outlined in the strategic plan will help realize the vision;

1. Develop specialty areas of clinical care via internal champions, in areas such as palliation, pain management, dementia, wounds, fall and injury prevention.
2. Establish leadership and best practice research in dementia care through partnerships with research institutions and providing specialized care in a state-of-the-art 64 bed, dementia designed LEEDS building.
3. Upgrade building and equipment to maximize resident and staff safety and building efficiencies.
4. Establish stronger internal controls and accountability to maximize resources and bring increased value to residents.
5. Engage the residents of Pioneer Manor and the facility as a whole to work toward specific actions which model and mentor a healthy sustainable community, recognized by the United Nations University.

CGS Considerations for Pioneer Manor

The following approaches could be investigated further if they are of interest to Council;

- 1. Continue to operate Pioneer Manor in a manner and direction consistent with the current**

Strategic Plan

The City of Greater Sudbury could continue to operate Pioneer Manor and subsidize operations through the municipal tax levy. For the 2012 Budget, the proposed operating subsidy for Pioneer Manor is \$4.2 million or approximately 2% of the total municipal tax levy. This will potentially increase to \$4.7 million in 2013 if high levels of absenteeism, modified work and overtime are not reduced and or eliminated through initiatives such as the attendance management program, recruitment plan and scheduling review identified earlier in this report.

2. Transfer Municipal Beds to a For Profit or Not For Profit Operator

Should the City of Greater Sudbury wish to get out of the business of providing long-term care services then the home could be "transferred" to a for profit or not for profit operator. A prospective operator (for profit or not for profit) would need to be approved for a licence to operate Pioneer Manor by the Ministry of Health & Long-Term Care. Thus the value of "purchasing" Pioneer Manor as a long-term care home would be tied to the "purchaser" being able to obtain a licence to operate Pioneer Manor as a Long-Term Care Home. This is a simplified overview where as the process for what in essence is a "transfer" is very detailed and involves several steps and consideration as specified in the Long-Term Care Homes Act. These would need to be given further consideration should Council wish to pursue further.

The property in the hands of a third party would likely result in it becoming taxable and thus add to the municipal tax base. Depending upon if the operator were a for profit or not for profit and based on the current assessed value of \$34 million, the resulting annual property taxes would be approximately \$500,000 to \$1,500,000. It should be noted that 85% of all property taxes payable by either a for profit or a not for profit are reimbursable by the Ministry of Health & Long-Term Care.

A "transfer" of the property may impact the future budgets and viability of the North East Specialized Geriatric Services, The City of Lakes Family Health Team and the Alzheimer Society as they are currently tenants on the site and currently do not pay rent. The leases of the City of Lakes Family Health Team and the Alzheimer Society expire in 2018 and 2026 respectively.

Upon disposition, the City of Greater Sudbury would no longer be liable for the annual operating subsidy for Pioneer Manor nor any future increases in the operating subsidy and or over expenditures that may arise. Full operating subsidy savings would not be realized since there are costs that would not necessarily be reduced dollar for dollar.

Other considerations or challenges to a "transfer" of the property and the business will include successor rights legislation as it pertains to Collective Bargaining Agreements and administrative issues such as transferring individual employee OMERS memberships to a non municipal employer.

There are additional considerations for non-union employees. Non-union employees are not subject to successor rights legislation and have signed contracts with the City of Greater Sudbury and not Pioneer Manor. Thus with the sale of Pioneer Manor, non-union employees who would not continue to be employed by the organization assuming ownership of Pioneer Manor would either need to be redeployed elsewhere in the Municipality or the City of Greater Sudbury would have termination and severance obligations at the time of their lay off.

Should Council wish to proceed with a "transfer", additional due diligence would also be required to determine the amount and nature of reimbursement that may be demanded by the Province related to capital funding that has been previously provided.

3. Engage an Industry Expert to Advise on Best Practices

The City of Greater Sudbury can continue to own Pioneer Manor but may engage industry experts to provide

advice on best practices.

As a result of undertaking this approach in 1996, the District of Muskoka was able to eliminate their operating subsidy of \$400,000 and the additional costs associated with the engagement of the consultant (Extendicare) by December 2000.

The City of Kingston in November 2010, engaged Extendicare to provide expertise to Rideaucrest, a 170 bed long-term care home owned by the City of Kingston. The 2011 operating subsidy for Rideaucrest is \$5.7 million.

4. Contract out Management of Pioneer Manor.

The *Long-Term Care Homes Act* provides that the City of Greater Sudbury may enter into an agreement with someone to manage Pioneer Manor subject to appropriate approvals and conditions being met to the satisfaction of the Ministry of Health & Long-Term Care. It should be noted that the Ministry of Health & Long-Term Care may withdraw approval at any time at which time operation of Pioneer Manor would revert to the City of Greater Sudbury.

Contracting out management would necessitate operating with existing unionized staff under present Collective Bargaining Agreements with some or the entire complement of non union staff. In the event that some or all of the non-union staff were not required and could not be redeployed elsewhere in the Municipality, there would be onetime costs associated with termination and severance obligations.

The costs associated with contracting out of the management function could either be covered through operational savings if they materialize and or through an additional municipal contribution. Fees typically range from 2% to 3.5% of gross expenditures for contracting out of management of a Long-Term Care Home.

As part of a review in completing this report, no examples were identified of this approach involving other municipalities. There were a number of examples where by a hospital had contracted out management of their Long-Term Care Home. In these cases, such contracting out of services was associated with a new build as opposed to contracting out of an existing facility.

Next Steps

Should Council wish to maintain the status quo, no further action is required at this time. Should Council wish to consider one or all of the other alternatives as described in this report then such direction could be given to staff. As there is significant additional analysis and due diligence required for a project of this complexity and magnitude, a third party will need to be retained to assist with some or all of this work. Prior to engagement of a third party, Council could request staff to prepare a report outlining the terms of engagement, process of analysis and due diligence to be undertaken including stakeholder consultations.