UNIONS FOR NUPGE PUBLIC GOOD

Home Care Privatization

Report

November 2019

The National Union of Public and General Employees (NUPGE) is a family of 13 Component unions. Taken together, we are one of the largest unions in Canada. Most of our 425,000 members work to deliver public services of every kind to the citizens of their home provinces. We also have a large and growing number of members who work for private businesses.

The office of the National Union of Public and General Employees is on the traditional and unceded territory of the Algonquin peoples and is now home to many diverse First Nations, Inuit, and Métis peoples.

We recognize the crimes that have been committed and the harm that has been done and dedicate ourselves as a union to moving forward in partnership with Indigenous communities in a spirit of reconciliation and striving for justice.

Bert Blundon, President

Jason MacLean, Secretary-Treasurer

Background

Home care has become an essential component of our health care system. New technologies allow for more medical services to be provided in the community and home setting than ever before. When people are able to recover in their own homes it benefits both patients and the health care system. However, this growing and important component of our health care system is particularly vulnerable to privatization and for-profit providers.

One reason home care is vulnerable to privatization is that, while governments were keen to save money on hospital care, they were not prepared to provide the additional funding for services that were needed as a result of people spending less time in hospital. Instead of increasing funding to meet the new needs, governments have looked for ways to cut corners. One of those methods was privatization.

The failure of governments to increase funding for home care so that services could keep pace with demand is similar to what has occurred across the health care system. Years of tax cuts that primarily benefited large corporations and the wealthy have affected the ability of governments to fund public services. Instead of admitting they have a revenue problem, small-c conservative governments talk about “doing more with less” or “spending smarter.”

For front-line workers and the public, “more with less” means privatization, attacks on workers, and cuts to public services. These policies make it harder for low- and middle-income Canadians to make ends meet. At the same time, tax cuts mean the wealthiest Canadians own a growing share of our country’s wealth. In 2016, the 87 richest families owned as much as the 12 million Canadians with the lowest earnings.[1]

Ugly example of how privatization increases income inequality

Privatization of home care is a particularly ugly example of how privatization increases income inequality. The well-off are able to afford to pay for private services to make up for any loss of support from the public system. But in low- and middle-income families, people are quitting jobs or working part-time to care for family members.

Families and friends do pitch in to help people who don’t have the home care they need, but it is often difficult. Many people looking after family members or friends are in distress and struggling to cope. Women are particularly affected, as they are the most likely to end up delivering unpaid care when home care services are cut.

The conduct of Linda Knight, the owner of the for-profit home care company CarePartners, is a good illustration of how privatization increases income inequality by making those in senior positions wealthier, while short-changing those on the front lines. In a BMO Annual Report, Linda Knight was quoted as saying, “I value a clear plan for the retirement I want.”[2] Yet for many of the workers in her company, there is no clear path to retirement.

CarePartners has repeatedly forced its workers to endure strikes or lockouts. In 2015, members of OPSEU Local 294 were on strike for 8 months. One of the issues was a demand by the company that workers pay the employer contribution for the proposed Ontario Retirement Pension Plan.[3] In 2019, CarePartners locked out members of the United Steelworkers in Sudbury for 5 months and then laid them off because they resisted the company's attempts to cut benefits and slash pensions.[4] [5] Thanks to privatization, the company owner is wealthy enough to be quoted on her retirement plans in the annual report of a major bank, while the workers at her company are fighting to avoid living in poverty when they retire.

Gap in the Canada Health Act

What makes home care particularly vulnerable to privatization is that it is not included in the *Canada Health Act*. This helps explain why there is a hodgepodge of services and providers across the country. As well, because home care is not in the *Canada Health Act*, there is no explicit exclusion of for-profit providers.

Because of the growing role home care is playing in health care delivery, the failure to include it in the *Canada Health Act* is having increasingly serious consequences. If the privatization of home care is not reversed, a larger and larger portion of our health care system will be in the hands of for-profit corporations.

Cost of Privatization
Privatization industry sees home care spending as a profit source

The amount of money governments are already spending on home care, and the growing demand for home care, also make it an attractive target for the privatization industry. Over $3.7 billion a year is spent on home care.[6]

It is also likely that home care spending will increase. A 2018 Statistics Canada study, *Health Reports: Unmet home care needs in Canada*, reported that approximately 1/3 of Canadians who require home care aren't getting the care they need.[7] At the same time, the population is aging, and there is a continuing push to keep people in hospital for as little time as possible.

While austerity-minded governments will try to keep any increases in funding as low as possible, the aging population and the reduced amount of time people are spending in hospital will mean the demand for home care will be rising fast enough that they will have to provide at least some extra funding. And for-profit home care companies want as much of that extra funding as they can get.

Privatization profitable for former politicians and senior political staff

But it's not just for-profit home care companies that profit from privatization. Almost all privatization schemes end up creating work for lobbyists and consultants. And many of those lobbyists and consultants are people with political connections. For example, in Ontario a number of former senior staff for cabinet ministers and party strategists are currently working as lobbyists for companies operating privatized home care services.

Politicians who privatized public services in office can also profit from privatization after leaving office. When he was Premier of Ontario, Mike Harris oversaw a process that led to for-profit companies getting a significant number of contracts to provide publicly funded home care services.[8] Then, in 2012, he and his wife purchased a franchise from Nurse Next Door, a for-profit home care company.[9]

Publicly funded home care only option for most people

What has happened when people lose home care services shows that for most people publicly funded home care is the only option. When the Champlain Community Care and Access Centre in Eastern Ontario cut services for 575 people, only 21% paid for private care.[10] 62% relied on family and friends, while 17% got care from a non-profit support agency.

Illusion of savings from privatization

While privatization is sold to the public as a way of saving money, the only savings are from pushing down wages and benefits, and cutting services. Home care privatization is no exception to that rule. In one example from Alberta, the pay offered to displaced home care workers by for-profit companies taking over from non-profit agencies was 40%–50% less than what they had previously been making.[11]

The attack on workers' wages in Alberta is also a good illustration of how cutting wages for home care workers harms the quality of services being provided. After large for-profit corporations took over, there were numerous complaints about missed appointments due to staff shortages.[12] One company, Revera, provided such poor service that it was forced to give up a contract in southwest Edmonton.[13]

Privatization adds extra costs to home care

Without the cuts to wages and services, privatization actually pushes up the cost of home care. This is because privatization adds extra costs compared to when services are publicly delivered.

Those investing in private for-profit companies providing home care expect to make a profit. Salaries for senior executives in private companies are also higher than in the public sector. For example, Extendicare, the parent company of ParaMed Home Health Care Services, has paid its CEO between $2.4 million and $5 million in recent years.[14] These are costs that don't have to be paid when home care is delivered publicly or by community-based non-profit agencies.

Privatizing public services also adds new layers of administration

In addition to the work that needs to be done when services are publicly delivered, there is also the need to administer and monitor contracts with private sector providers. An Ontario Auditor General's 2015 report on Community Care and Access Centres (CCACs) found that a significant portion of the home care budget goes to administrative costs.[15]

What the report also revealed is that, even with significant problems with the CCACs, public delivery of services is more efficient. Once wage costs were factored out, delivering services through private providers was 35% more expensive than having CCAC deliver them directly. Without wages, the cost of service delivery was roughly $20/hour for CCACs, while delivering services through private providers cost $27/hour.[16]

Then there is also the cost of the bidding process if contracts are put out to tender. While many of those costs are incurred by the companies and organizations bidding for contracts, those costs will be built into their bids. A 2001 study for CUPE found that, in Ontario, the contracting process “took up 19.4% of a nursing agency’s expenses, 12% of home support agency expenses and 21.7% of CCAC expenditures.”[17]

Types of home care privatization

There are 3 ways home care services have been privatized in Canada: 1. giving contracts to provide publicly funded services to private for-profit companies; 2. restructuring services so that they end up being provided by private for-profit companies; 3. using individualized funding programs that seek to paper over some of the problems with privatization.

Contracting out is the most common form of privatization

In Ontario and Alberta almost all home care services are contracted out. A significant portion of the home care services in British Columbia were contracted out, but that is changing. Contracting out is also a problem in Nova Scotia. Most recently, the Manitoba government has announced plans to contract out some home care services.

Manitoba repeating past privatization mistake

In the 1990s, a Progressive Conservative government in Manitoba attempted to privatize home care services. After encountering strong opposition, including a province wide strike by home care workers, who were members of the Manitoba Government and General Employees Union (MGEU/NUPGE), these plans were scaled back. Instead, privatization was limited to 2 contracts that were supposed to run for 2 years. Both of these contracts were canceled within a year.

Now the Palliser government is repeating that mistake by partially privatizing service delivery for a home care program called Priority Home. The Manitoba government has signed contracts for 2 private companies to provide health care aides and other support workers. Nurses and occupational therapists will be provided by the Winnipeg Regional Health Authority (WRHA). Of the $15.7 million allocated for Priority Home, $10.5 million is going to private for-profit companies.

Neither of the private for-profit companies that will be splitting the $10.5 million in contracts is based in Manitoba. We Care is part of CBI Home Health Group. ParaMed Home Health Care is part of Extendicare. Both are based in Ontario.

Related to the use of private companies are concerns that Priority Home will not include the social support that has been part of home care in Manitoba. Priority Home will follow the model used in many other places where workers are given a set number of minutes to do each task.

This model is an attempt to take a process intended for factories—and it was controversial when used in factories—to save money in health care, community services, and other sectors. Assigning a set number of minutes for each task makes no allowance for the social needs of either people receiving care or workers. In its most extreme form, assigning times to each task can include things like giving workers only 30 minutes to follow up on a death.[18]

No matter how it's done, there are serious problems with contracting out

When competitive bidding is used to determine who gets contracts, large for-profit companies have squeezed out community-based non-profit agencies. Because for-profit companies have fewer qualms about pushing down wages or cutting corners on service, it is easier for them to submit lower bids. Large for-profit companies can afford to lose money on a contract in the short term, particularly if doing so helps drive competitors out of business. As a result of competitive bidding, even large non-profit agencies like the Victorian Order of Nurses (VON) are struggling to survive.

When large for-profit companies are able to bid on contracts, it will affect how non-profit, or public, agencies deliver services. When contracts are awarded through competitive bidding, non-profit, or public, agencies have to be able to underbid large for-profit companies. That puts pressure on non-profit, or public, agencies to behave more like for-profit companies to hang onto contracts.

Ontario is a good illustration of the impact of competitive bidding. After competitive bidding was introduced in 1997, for-profit companies successfully underbid non-profit agencies for contracts. This led to competitive bidding being suspended in 2002/03, while the province reviewed the procurement policy.

Attempts were made to resume competitive bidding in 2003 and 2007, but in both cases competitive bidding was suspended the following year. In each of the 3 periods when competitive bidding was used, there were concerns about community-based agencies being forced out of business by for-profit companies and the impact this was having on patient care.

Non-profit home care providers that did manage to do well with competitive bidding were increasingly indistinguishable from for-profit companies. For people working on the front lines, many of the problems with for-profit companies are now also present in non-profit agencies. For this reason, to undo the damage caused by privatization, even though non-profits have a better track record than for-profit companies, publicly delivered home care services are the best option.

Restructuring a backdoor way to privatize services

The New Brunswick provincial government has shown that restructuring how home care is delivered provides a backdoor way to privatize services. In 2016, the New Brunswick government signed a contract with Medavie to take over management of the province's Extra-Mural Program, which provides home health services and Tele-Care. Medavie already operated ambulance services in the province, and the justification for having them manage home health services is that it would improve coordination. While Medavie tries to use its not-for-profit status to divert attention away from its role in privatizing public services, the way it operates looks very like a for-profit corporation running privatized services.

Medavie taking over management of the Extra-Mural Program means that part of the home health program had been privatized. As a study by the New Brunswick Health Council showed, this has contributed to home care services failing to meet the needs of 42% of people needing support.[19]

PEI next target for Medavie

In 2018, the PEI government announced that Island EMS, the company operating ambulance service in the province, would be running some new home care programs.[20] Island EMS is a subsidiary of Medavie, and it's clear that Medavie was hoping to repeat what happened in New Brunswick.

Medavie also appears to be targeting home care services in Ontario. In April 2019, a company that is registered as a lobbyist for Medavie, Grosso McCarthy Inc., helped produce a report that suggests "paramedics providing in-home care." This looks very similar to what Medavie is already doing in New Brunswick.

Individualized funding also has the effect of privatizing services

With individualized funding, instead of being provided with a certain number of hours of care, people receive a payment from the province that they can use to purchase home care services. The exact services a person chooses to purchase are up to the individual. Currently, both Saskatchewan and Newfoundland and Labrador provide individualized funding as an option for people who are eligible for home care.

People receiving funding, or the people managing their affairs, are responsible for fulfilling all the responsibilities of an employer. These include taking care of all the paper work and arranging for backup if the people they hire are sick, are taking vacation, or quit. People may also have the option of hiring a person or company to provide management and administrative services, but that comes out of the funding they receive.

For most people, individualized funding comes with the same problems as other forms of privatization. The money people receive under individualized funding means that they are going to have to pay low wages. In most cases, they will only be employing people on a part-time basis. The workers they employ are unlikely to receive benefits. If people receiving individualized funding contract out all their services with a company providing services, the limited funding they receive means it will likely be a company with low wages that cuts corners on quality.

Social impact bonds an emerging threat

Social impact bonds are a new form of privatization that has been used increasingly in Canada in the last few years. These are a type of social finance specifically developed to privatize public services.

With social impact bonds, investors front the money for a service, and the amount they get back depends on how well the service does at meeting agreed-upon targets. If a service fails to meet its targets, investors can lose their investment. If an investment surpasses the targets, the rate of return could be quite generous.

When social impact bonds are used, control over publicly funded services is transferred to investors or intermediaries. No matter how good their intentions, the priority for investors is not losing their money. That is going to affect how services are provided.

Among the problems we have seen so far with social impact bonds in Canada are that the most vulnerable are excluded and overhead costs are high. Gaming the system to increase investor profits is a common problem. Because projects are only for a few years, there is also a problem with continuity.

In spite of the problems with social impact bonds, they are attractive for governments that believe it's possible to "do more with less." The federal government has already funded 2 social impact bond projects. There are fears that much of the $855 million the federal government is spending on its Social Finance Fund will go to social impact bonds and other attempts to use social finance for privatization. At the provincial level, Manitoba and Saskatchewan have both funded social impact bond projects.

Role of retirement residences

Another problem that needs to be addressed is the role played by retirement residences. In most cases, retirement residences provide services that would normally be provided through home care or long-term care. However, they are run by private for-profit companies, and residents receiving medical care through them generally pay the full cost. The delivery of health care services for people living in retirement residences will have to be addressed as part of the effort to integrate home care fully into the health care system.

For-profit home care companies rely on privatization

Most of the revenue for-profit home care companies receive is from provincial Ministries or departments for privatized services. In the case of ParaMed, the one company that is required to make financial information public, 98% of its revenue comes from contracts with provincial government agencies. Only 2% comes from private paying clients.

While other for-profit home care companies are allowed to keep their books hidden, there is no reason to think their situations are any different.

Growing share of contracts held by a few large companies

Many of the contracts for privatized home care in Canada are dominated by a small number of for-profit companies. Most of these companies also operate other health care services.

By far the biggest companies based in Canada are Bayshore Health Care, CBI Health Group and ParaMed Home Health Care. All 3 have over 10,000 staff. Bayshore Health Care, ParaMed, and CBI are all based in Ontario.

Most for-profit home care companies are privately owned, meaning they don't have shares that are traded on stock exchanges. When companies are privately owned, they are not required to make financial information public. That means even though most of their revenue may come from the public sources, information about the companies is limited.

Because it is a subsidiary of Extendicare, which does have shares traded on stock exchanges, ParaMed is the one company that has to disclose some financial information. In addition to owning ParaMed, Extendicare also owns nursing homes in several provinces. Like other for-profit companies, ParaMed has expanded through mergers and acquisitions. In 2015, ParaMed purchased the home health division of Revera Inc. Since that acquisition, ParaMed operates in 5 provinces.

Bayshore Home Health operates in 9 provinces. In addition to home care services, it operates community health clinics.

CBI Health Group also operates in 9 provinces. In 2013, it took over We Care, a franchisor of home care services. CBI also operates community clinics. It is owned by the Ontario Municipal Employees Retirement System (OMERS).

Another major player is SE Health, formerly Saint Elizabeth Health Care. While SE Health is a non-profit, it has expanded to the point where it is one of the largest providers of home care in Ontario.

Companies using the franchise model are growing rapidly

Several for-profit home care companies use a franchise model. In much the same way someone would purchase a franchise to operate a Tim Hortons or a McDonalds, people can purchase franchises to operate a local branch of a home care company.

We Care, which is owned by CBI Health Group, uses this model. 2 other companies that use this model are Nurse Next Door and Home Instead.

While Home Instead is an American company, it also has a significant presence in Canada. Home Instead currently has franchises in 12 countries that employ 65,000 workers. In Canada, Home Instead has a presence in 8 provinces.

Nurse Next Door started in Vancouver in 2001. It now has over 200 franchises in Canada, the United States, and Australia. In Canada it has over 80 franchises in 6 provinces. As mentioned above, among those who purchased franchises are former Ontario premier Mike Harris and his wife.

Investors are entitled to transparency, but the public is not

Even though the companies operating privatized home care services get most of their revenue from governments, the public isn't allowed to see if it is getting value for money. In Canada, there are almost no reporting requirements for privately owned companies. We're not even allowed to know who owns them. Much of the information we do have about companies operating privatized services is only because companies with shares traded on stock exchanges are required to let potential investors know about their finances. But while the law provides some protection for investors, it provides none for the public.

Even charities are subject to more rigorous reporting requirements than agencies running privatized services. When the Red Cross and CarePartners co-owned Red Cross Care Partners, some financial information was reported as part of the Red Cross financial statements. When CarePartners took over the entire operation the public no longer had access to even limited financial information.

Fighting Privatization

NUPGE Components have had success fighting home care privatization. Across Canada, our Components have succeeded in blocking privatizing, or getting it scaled back. Recent events in BC show that the fight against privatization is a fight we can win.

Privatization can be reversed

In BC, in March 2019, it was announced that most contracting out of home support services in the Victoria area, in Greater Vancouver, and in the Fraser Valley would end. Contracts with for-profit and non-profit providers will not be renewed. Instead health authorities will deliver services directly.

This decision came after audits of contracted-out services by Vancouver Coastal Health and Fraser Health.[21] Public delivery of home support is also seen as the best way to integrate it with other services.

Stopping privatization only the first step

Stopping home care services from being privatized, or reversing past privatization efforts, is only the first step in fixing home care. The extra funds that will be available when we end the waste that comes with privatization will make a huge difference, but they will still not be enough to fund the level of service the public needs. What is also needed is for governments to increase funding for home care to match the increase in demand.

And, because large amounts of public funding attract the privatization industry, we will still need to be fighting to make sure money for home care is spent on front-line services, not corporate profits and consultants.

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