

Extendicare is not a model for medicare

A submission to the
Standing Senate Committee on Social Affairs, Science and Technology

In response to its September 2001 Interim Report:
The Health of Canadians – The Federal Role
Volume Four - *Issues and Options*

by the

Canadian Health Coalition

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www.healthcoalition.ca

Summary

Senator Michael Kirby chairs the Standing Senate Committee on Social Affairs, Science and Technology, which is reviewing the future of health care in Canada. Senator Kirby is also a Director of Extendicare Inc. and sits on three committees of the board. In this capacity with Extendicare, Senator Kirby has a fiduciary duty to serve the interests of the company. As a senator, he has a duty to serve the public interest.

The Interim Report - *Issues and Options* - called for the transformation of medicare into a “21st century service industry”. The report advocates a course of action that would benefit private health care interests, and provides potential for further expansion of Extendicare services and business opportunities. This violates the Conflict of Interest Code for Public Office Holders. A reasonable citizen could conclude that Senator Kirby’s dual role tarnishes the integrity of the Committee’s work. Therefore, the Canadian Health Coalition calls on Senator Kirby to remove himself from this Committee’s review of the health care system.

One expects that Senator Kirby’s experience and knowledge of Extendicare and the nursing home industry informed the Committee’s recommendation to transform medicare using the service industry as the delivery model. The Canadian Health Coalition tested the validity of this recommendation by examining the performance of a prominent service industry - the nursing home industry. Scientific evidence suggests it is unwise to entrust the sick and the powerless to profit-seeking firms. Investor-owned nursing homes, for example, provide worse care than do not-for-profit homes because profit seeking diverts funds and focus from clinical care.¹ Our study concludes that the ability to dispose of assets, avoid liabilities, pursue opportunities for growth, and maximize profits, should not be the goal of health care reform in Canada.

Issues and Options: The 21st Century Service Industry

“Under the control of a financially motivated stranger, elder citizens are vulnerable.”

-U.S. Department of Justice, 2000

The *Issues and Options* report is consistent with the public statements of the committee Chair, Senator Kirby.² The report is ideological, biased and not evidence based. An underlying assumption throughout the report is that health care is a commodity and that the health care system must be transformed into a “21st century industry”:

The Committee believes that many of the problems facing the health care sector can be successfully addressed only if the industry is prepared to transform itself into a 21st century service industry, rather than remaining mired in a 19th century structure and outlook. As part of its role dealing with the health care infrastructure (see Chapters 10 and 11), the federal government could provide assistance to encourage this transformation. (Issues and Options, p. 27-28).

¹ Harrington, C et al, “Does Investor Ownership of Nursing Homes Compromise the Quality of Care?”, *American Journal of Public Health*, September 2001, Vol 91, No.9, pp. 1452-1455.

² Justine Hunter, “Crack the medicare mould: Kirby”, *National Post*, July 3, 2001.

Senator Wilbert Keon also shares the fundamental assumption found throughout the report. Senator Keon has written about the need “to transform the traditional ways in which health care is delivered. In short, we need to change our health care system into a modern business capable of meeting the needs of health care consumers”.³ Senator Keon is Chair of the Clinical Advisory Board of the WorldHeart corporation (www.worldheart.com). Another member, Senator Yves Morin, is currently mandated by the federal Minister of Health to facilitate the commercialization of health research in Canada, a mandate that is consistent with the fundamental conclusion of the report.

How many committee members agree with the reversal of virtue reflected in the question on page xv of the report: “*Is it fair to deny people who can afford to buy health services the right to buy those services?*”⁴ A moral reflection would pose the question differently: *Is it fair to give preferential access to health care to those most able to pay privately?*

The Canadian Health Coalition is an organization that has worked with the fathers and mothers of medicare in Canada to build one of the most efficient, effective, and equitable health care systems in the world. We find the ideological attack on the public health care system in the *Issues and Options* report to be morally suspect and intellectually dishonest.

Specific examples of bias in the *Issues and Options* report include:

- The report asserts that the problems in the health care system are related to the five principles of the *Canada Health Act* and that substantial modifications of the *Act* are required (*Issues and Options*, p.xvi), but offers no evidence to support this;
- The report lists options to expand for-profit delivery of publicly insured services, including hospitals and clinics, based on Alberta’s Bill 11 model without any evidence that it saves money or reduces waiting lists (*Issues and Options*, Chapters 7 and 8);
- The report cites no evidence to support the committee’s proposal that private funding options are needed to address the issue of timely access to services (*Issues and Options*, p. 40)
- The report presents, without critical scrutiny, options supporting user fees and Medical Savings Accounts, citing the Fraser Institute and David Gratzer but no reference to the evidence that these options don’t work (p.59);
- The report sets out options to address high prescription drug costs that are slanted in favour of the model proposed by the pharmaceutical industry which seeks to expand sales and to avoid drug cost containment (p. 69);

³ *The Hill Times*, May 1, 2000.

⁴ Senator Keon expressed similar sentiments in 1995. He is quoted in a published report as saying: “We’re at the point where we have to question the morality of a one-tiered system.” Editorial, “Unhealthy criticism: Dr. Wilbert Keon is barking up the wrong tree in blaming medicare for the waiting list at his Heart Institute”, *Ottawa Citizen*, September 25, 1995.

- The report lists options for home care that favour a piece-meal, individualistic approach with tax credits that benefit for-profit home care industries instead of a national comprehensive public system recommended by the National Forum on Health (pp. 80-84);
- The report's options on health research fail to address alarms expressed in leading medical journals that the values of the marketplace corrupt the integrity of health research through public/private partnerships (p. 89ff)

The report's options are presented in an uncritical, unbalanced and inaccurate manner that favours the interests of commercial health industries. The Committee's most fundamental and comprehensive recommendation – transforming medicare into a 21st century service industry - would in fact transform health care back into a 19th century laissez-faire market driven model. The committee's diagnosis of the problem as well as its prescribed treatment are not based on evidence and are not in the public interest.

A 21st Century Service Industry: Nursing Homes and Extendicare Inc.

“Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.”

-Milton Friedman, economist, 1962

“For-profit health care is an oxymoron. The moment care is rendered for profit; it is emptied of genuine caring. This moral contradiction is beyond repair. It entails abandoning values acquired over centuries of professionalizing health care into a humanitarian service.”

- Dr. Bernard Lown, Professor emeritus, Harvard School of Public Health, 1999

To test the validity of the Senate Committee's fundamental recommendation, the Canadian Health Coalition conducted research into a leading Canadian health service industry of the 21st century, Extendicare Inc. based in Markham, Ontario. Extendicare owns hundreds of nursing homes and other facilities throughout North America. Senator Michael Kirby, the Chair of the Senate Standing Committee is a member of the Board of Directors of Extendicare, Inc. and sits on three board committees: Quality/Standards, Human Resources, and Corporate Governance (www.extendicare.com/key/key.html).

We expect that Senator Kirby's experience and knowledge of both the company and the nursing home industry informed the Committee's recommendation that medicare be transformed into a 21st century service industry.

The Canadian Health Coalition's research identified serious issues in the U.S. nursing home industry. First, the nursing home industry in the United States, based on extensive evidence compiled by U.S. government agencies, fails to meet acceptable standards for care of nursing home residents. Worse, the industry is riddled with abuse of residents.

Finally, instances of billing fraud are also widespread. Government agencies in Canada, and especially in Ontario, have inadequate regulation and enforcement mechanisms for nursing homes. Absence of evidence in Canada is not evidence of absence.

In 2001, the U.S. Health Care Fraud and Abuse Control Program reported its success in identifying and prosecuting the most egregious instances of health care fraud. In 2000, federal prosecutors filed 457 criminal indictments in health care fraud: a 23% increase over the previous year. 467 defendants were convicted of health care fraud-related crimes in 2000. A further 995 civil matters were pending, and 233 more civil cases were filed in 2000. Also in 2000, the Department of Health and Human Services excluded 3,350 individuals and entities from participating in the Medicare and Medicaid programs.⁵

The U.S. Department of Health and Human Services, in a January 2001 report to the U.S. General Accounting Office, noted their 1999 estimate that 15 percent of the U.S.'s 17,000 nursing homes were being cited in consecutive years for serious care problems. Serious care problems include malnutrition, dehydration, and pressure sores. Serious care problems are those that cause "actual harm" to residents and those that place residents' health, safety, or lives in "immediate jeopardy."

The U.S. General Accounting Office found that when federal and state enforcement agencies identified serious deficiencies, those agencies did not ensure that the deficiencies were addressed and remained corrected. The GAO concluded that U.S. federal and state oversight of nursing home care was flawed in the following areas: 1) annual standard surveys failed to identify serious care deficiencies or classified them as less serious than was appropriate; 2) a lax approach to sustained compliance with federal regulations resulted in "repeat offenders", i.e. nursing homes that were cited in at least two consecutive annual surveys for actual harm or immediate jeopardy deficiencies; and 3) some states did not address complaints well. Complainants had difficulty filing complaints; state survey agencies understated the seriousness of complaints; and serious complaints were not investigated promptly.⁶

Nursing homes are not like other businesses: they are guaranteed to have virtually no competition. Nursing homes both in Canada and the United States have assured clients and they are assured payment. A nursing home license, which is given free by government, becomes an asset like a taxi license, which can be bought and sold in an open market. To receive a nursing home license is like winning a lottery – huge capital gain, zero risk or cost. In the words of Senator Michael Kirby, "The reality is that anyone in an Extendedicare home is already paid for by the public sector. The only way you can get into a nursing home in Canada is to come in off a provincial government list."⁷

⁵ The Department of Health and Human Services and The Department of Justice, Health Care Fraud and Abuse Control Program, Annual Report for FY 2000, January 2001, www.usdoj.gov:80/dag/pubdoc/hipaa00ar21.htm

⁶ United States General Accounting Office, Major Management Challenges and Program Risks, Department of Health and Human Services, January 2001, GAO-01-247, (www.gao.gov).

⁷ *Ottawa Citizen*, February 24, 2000.

The concern, then, is how to verify that an acceptable service is actually provided to nursing home residents. This requires mechanisms of inspection, financial audit, and enforcement. Such U.S. mechanisms reveal an industry that is plagued by widespread fraud, mismanagement and corruption. A statement issued by the U.S. Department of Justice in February 2000 sums up the nursing home industry in the United States: “A number of highflying nursing home chains appear to have incorporated defrauding Medicare as part of their business strategy.”

According to Globeinvestor.com, “nursing home giant Extencicare Inc. has been one of the most spectacular flameouts on the Canadian market in recent years”. Extencicare Inc., Markham, Ontario based, and its wholly owned subsidiary, Extencicare Health Services Inc., became North America’s fourth-largest private health-care provider. But “profits were ...savaged by changes to Medicare and Medicaid, the U.S. health systems that aid the elderly and the poor, and by a raft of liability lawsuits in Florida and Texas. The industry’s problems have bankrupted scores of Extencicare’s U.S. competitors. Modern Healthcare, a U.S. trade publication, reported this May on ‘the rubble of the financially ruined nursing home industry.’ It quoted one gloomy analyst who warned that ‘at the end of the day, nursing homes are just a bare-bones business with slim margins, massive labour shortages and regulations.”⁸

Extencicare Inc. announced in October 2001 that its wholly owned subsidiary, Extencicare Health Services Inc., is withdrawing from the Texas market by leasing four facilities and subleasing 13 others. According to Mel Rhineland, Extencicare President and Chief Executive Officer, “During the third quarter, we realized a major goal by leaving the Texas market and eliminating our exposure to litigation there for incidents occurring after September 31, 2001. This followed our cessation of operations in Florida at December 31, 2000 and demonstrated our determination to dispose of assets that do not advance our growth plans or expose the Company to undue risk. Looking forward, we expect that our quarterly accrual for resident care liability costs will decrease significantly...” (www.extencicare.com)

Extencicare’s withdrawal from operations in Florida followed the largest nursing home abuse and neglect verdict in Florida history. Records of the Extencicare owned nursing home in Pinellas County, Florida, showed an Alzheimer’s patient may have gone unfed for a month, was not given medication, and did not receive treatment for a bed sore infection that turned gangrenous and required portions of a bone removed. The patient died soon after. His family’s attorneys presented evidence that the nursing home lacked enough nursing aides, and that the facility altered its records to show it had provided care that was never delivered. The jury decided that the nursing home parent company, Extencicare Inc., should pay the victim’s family \$17 million in punitive damages on top of nearly \$ 3 million in compensation to the family.⁹ An appeal of this verdict was later settled on a confidential basis.

⁸ Andrew Bell, “The Walking Wounded”, July 22, 2000 (www.globeinvestor.com/portfolio/walking.html).

⁹ *St. Petersburg Times*, September 28, 2000.

Having left the Texas and Florida “markets” to eliminate “exposure to litigation” Extencicare is now “focused on maximizing the potential returns from our remaining assets. Our best performing U.S. facilities achieve returns on average in the mid-to-high teens. ... We intend to enhance their performance through such measures as improving census and payor mix, as well as controlling costs. We continue to pursue appropriate opportunities for growth.” Mr. Rhineland said.¹⁰

One way the nursing home industry “controls costs” and “maximizes potential returns from assets” is by minimizing labour costs in general and nursing costs in particular. Reducing nursing care levels is a deliberate corporate strategy of the nursing home industry. The nursing home industry also locates in jurisdictions where there is little or no risk of litigation.

The Canadian Health Coalition recently researched a sample of U.S. nursing homes that Extencicare’s web site lists as part of their company. Extencicare’s website shows it owns several nursing homes in Kentucky under the name “Medco”. A search on the official U.S. government Medicare website¹¹ for Kentucky nursing homes under the name “Medco” located seven nursing homes with that name. Inspection reports for the year 2001 show that the seven Extencicare nursing homes in the sample provided average nursing staff hours ranging from 3.01 to 3.82 nursing staff hours per resident per day. This is significantly below the state average for Kentucky of 4.7 hours and the national average in the United States of 4.2 hours.

Nursing home inspection results for one of these homes, Extencicare’s Medco Center of Bowling Green, KY, listed 17 health deficiencies for the year 2001. The average number of health deficiencies in nursing homes in the United States is 6. The Level of Harm for two of the deficiencies reported is Level 3 - causing actual harm. Level 4 means residents are in immediate jeopardy.¹²

These statistics may underreport concerns about the quality of care. Incidence of abuse in nursing homes is underestimated because abuse cases involving the sick elderly are especially likely to go undetected or unreported, according to the U.S. House of Representatives Report entitled “Abuse of Residents Is a Major Problem in U.S. Nursing Homes”, July 30, 2001.¹³

Ontario is one of the places Extencicare is implementing its new corporate strategy of “pursuing appropriate opportunities for growth”. Many of the long-term beds promised by the Harris government have been awarded to for-profit companies like Extencicare and Central Park Lodges. During the 2001 second half, Extencicare opened three facilities with 352 beds. The company also plans to open a 150-bed facility in Brampton by the end of 2001, as well as four others in 2002. These eight facilities will increase Extencicare’s capacity in Ontario by 1,100 residents, or 23%. (www.extencicare.com/news).

¹⁰ “Extencicare Exiting Texas Market and Lowering Liability Exposure”, October 9, 2001 www.extencicare.com/news/Texas.

¹¹ www.medicare.gov/NHCompare/Search/.

¹² www.medicare.gov/NHCompare/Search/InspResults.asp.

¹³ www.house.gov/reform/min/pdfs/pdf_inves/pdf_nursing_abuse_rep.pdf.

Coming Soon to a Province Near You ?

Professor Ernie Lightman of the Faculty of Social Work, University of Toronto describes a trend in Canada towards warehousing our elderly population in large institutions run by for-profit conglomerates. What does this say about Canadian society? In the absence of effective regulation, there is an unacceptable risk that this trend towards for-profit operators will lead to the performance found in the U.S. - fraud, abuse of residents causing actual harm or immediate jeopardy of death or serious injury. The key problem in Canada is the lack of effective regulation to protect the rights of residents.

There is one very significant difference for the nursing home industry between Canada and the U.S. The United States enforces laws to protect vulnerable citizens in nursing homes. Canada does not. Unlike the U.S., there is no effective enforcement of regulations in Ontario nursing homes. The Nursing Home Branch of the Ontario Ministry of Health has renamed its inspectors “consultants”. Their mandate is to work collaboratively with the nursing home industry. Professor Lightman raises issues about the safety and well-being of our growing population of seniors. “It’s a complete jungle. And if you think the story is bad in nursing homes, you should check retirement homes because they’re far worse.”¹⁴

The perspective on home care and long-term care set out in the Senate Committee report is consistent with the profit-making perspective of the private nursing home industry. It is not consistent with the public interest in high quality care and universal access. Where you stand makes a difference on what you see:

“is it reasonable for tax dollars to be used to pay the cost of long-term and palliative care for an individual who has the personal resources to be able to pay for their care, even if that care is provided in a long-term care institution, such as a nursing home? In other words, should individuals be subsidized by government so that they can leave a larger legacy to their children? (Issues and Options, p.82).

The Canadian Health Coalition would reframe the issue in this way:

is it reasonable for tax dollars to be used to pay for long-term care in for-profit nursing homes without an adequate fraud and abuse control program¹⁵ like the one that protects residents in Florida and Texas? In other words should shareholders of for-profit nursing homes be subsidized by government so that they can maximize profits whether or not they provide the services they are paid to provide?

Private nursing home facilities charge the same rates as non-profits and receive the same amount of money from government, yet they are also required to maximize profits for shareholders. Many non-profit nursing homes have decided that, faced with cuts in provincial funding, they will run a deficit rather than jeopardize the well-being of residents (*Toronto Sun*, June 11, 2001). For-profits don’t have that option. Extencicare Inc.

¹⁴ Michele Mandel, “How to stop the care crisis from getting worse?” *Toronto Sun*, June 11, 2001.

¹⁵ The Department of Health and Human Services and The Department of Justice Health Care Fraud and Abuse Control Program, www.usdoj.gov/dag/pubdoc/hipaa00ar21.htm

announced it will enhance performance and maximize the potential returns from their remaining assets through measures like controlling costs (www.extendicare.com/news/Texas). The impact of the company's cost control measures on the number of nursing staff hours per resident per day should be examined, together with other quality and safety indicators. Wages and supplies are major cost items that the industry can vary. Mortgages etc, are all relatively fixed costs.

The Profit-Motive And Nursing Home Care

An evidence-based approach demonstrates that the public interest is better served through non-profit delivery of long-term and home care services. A recent scientific study reported that **investor-owned nursing homes provide worse care and less nursing care than do not-for-profit or public homes.**¹⁶ Moreover, investor-owned facilities usually are part of a chain, and chain ownership per se is associated with a further decrement in quality. The most obvious explanation for the findings is that profit seeking diverts funds and focus from clinical care.

The nation's largest nursing home chain generated 1997 profits of \$5.28 per patient-day, enough money, at prevailing wages, to erase more than half of the investor-owned homes' nursing staffing deficit relative to nonprofit homes. This report concluded: "Nursing homes care for many people who are too frail, too sick, too poor, and too powerless to choose or even protest their care. We believe that it is unwise to entrust such vulnerable patients to profit-seeking firms" (p. 1455).

Recent Canadian research reported that for-profit long-term care is of inferior quality, more expensive, increases administrative and regulatory costs, and leads to pressure to lower standards.¹⁷

Defending the human dignity of Canada's elderly citizens, our loved ones, must come before fiduciary duties to shareholders. Public, non-profit health care is the body and soul of our system, and one of its unique assets. Public services are not merely more efficient, less costly and of higher quality than for-profit services. Public services are also in step with Canadian core values: the dignity of the human person, prevention, independence, partnerships of family and care providers, and social equality. Public investment also fosters the deeper civic benefits that flow from people caring, and being cared for, in a meaningful community context.

The Senate Committee investigating standards of nursing home care in Canada rather than undermining the core ethical values of medicare would better serve the public interest.

¹⁶ Harrington, C et al, "Does Investor Ownership of Nursing Homes Compromise the Quality of Care?", *American Journal of Public Health*, September 2001, Vol 91, No.9, pp. 1452-1455.

¹⁷ Vogel, D Rachlis, M and Pollak N, *Without Foundation: How Medicare is Undermined by Gaps and Privatization in Community and Continuing Care*, November 2000 www.policyalternatives.ca/bc.

Extendicare Is Not A Model For Health Reform

Is Extendicare Inc. or the nursing home industry the kind of “21st century service industry” that the Committee has in mind as the service delivery model for the public health care system? Or is it a throwback to the rugged individualism of the 19th century where the rich thrived and the poor died?

Why should the ability to dispose of assets, avoid liabilities, pursue opportunities for growth, and maximize profits be the goals of health care reform in Canada?

Does the 21st century pharmaceutical industry embody the values and corporate behaviour that Canada’s public health care system should emulate?

The late Cardinal Bernardin pointed out in a 1995 speech to the Harvard Business School Club of Chicago, that the value of human life and the quality of the human condition are seriously diminished when reduced to purely economic considerations. Advocates of health care privatization, and some members of this Senate Committee, appear to believe that health care services should be treated as commodities determined by market exchanges, “Medical Savings Accounts” and “consumer” choice.

The ideology which permeates the *Issues and Options* report, as well as a number of published pronouncements of the Committee Chair, Senator Kirby, run the risk of becoming, in the words of Pope John Paul II, an ‘idolatry of the market, an idolatry which ignores the existence of **goods which by their nature are not and cannot be mere commodities**’.¹⁸

In light of evidence that the service delivery model of the nursing home industry contains economic incentives to cut costs, potentially putting elderly residents at serious risk, is this Committee also recommending that governments in Canada invest hundreds of millions of dollars in regulatory enforcement and quality control programs to enforce standards?

Why does this report assume that Canadian medicare values – equal access to health care services based on need not ability to pay – are the values of a “19th century cottage industry”? Are we to assume that the “21st century” means everything is for sale?

A number of the Committee’s recommendations in the Interim Report advocating the expansion of private funding and private delivery would result in significant financial gain for a number of health industry interests. If acted on, these recommendations would result in billions of dollars in additional health care spending and produce negative outcomes of care. There is a fortune to be made in wrecking medicare by bringing for-profit health industries in under the umbrella of public health insurance.

The application of a public/private partnership hybrid - with little or no public accountability - to the entire spectrum of health care services, including clinics, hospitals, home care, and pharmacare, raises the issue of financial conflict of interest.

¹⁸ Joseph Cardinal Bernardin, “Making the Case for Not-for-profit Healthcare”, January 12, 1995.

Conflict of Interest

Senator Michael Kirby chairs the Standing Committee reviewing the future of health care in Canada. Senator Kirby is also a Director of Extendicare Inc. and sits on three committees of the board. In this capacity with Extendicare, Senator Kirby has a fiduciary duty to serve the interests of the company. As a senator, he has a duty to serve the public interest. Kirby's committee recently tabled a report that called for the transformation of medicare into a "21st century service industry". His company - a major health service industry - stands to benefit significantly. A reasonable citizen could conclude that Senator Kirby's dual role tarnishes the integrity of the Committee's work.

The Ethics Counsellor ruled otherwise. In a letter to Senator Kirby tabled in the Senate on November 27, 2001, Mr. Wilson developed a weak argument based on the fact Senator Kirby's Committee report will not be binding on the federal government. He concluded: "I do not find that you are in a conflict of interest."

In the opinion of the Canadian Health Coalition Senator Kirby has violated two principles in the Conflict of Interest Code for Public Office Holders. Principle (3) states: "Public office holders, in fulfilling their official duties and responsibilities, shall make decisions in the public interest and with regard to the merits of each case. Principle (4) states: "Public office holders shall not have private interests, other than those permitted pursuant to this Code, that would be affected particularly or significantly by government actions in which they participate."

In tabling a report and making public pronouncements that are not evidence-based, Senator Kirby is violating principle 3 of the Code of Ethics. The recommendations, including options for user fees and Medical Savings Accounts, have generated strong opposition in the Committee hearings across the country because they are not evidence-based. The merits of the case aren't made. Instead, Kirby's report cites advocates for market medicine, like the Fraser Institute and David Gratzner, without critical scrutiny or supporting evidence.

Senator Kirby dismisses the conflict of interest concern about private interests potentially benefiting significantly from his committee's work. The Senator claims there's nothing he can do as chairman of the Senate committee to influence the company's earnings. But isn't Extendicare in the business of providing "a continuum of services" including home care? (ParaMed is the home care division of Extendicare Inc.) Didn't the Kirby report present options on pages 80-84 for home care that favour private for-profit delivery over public home care? This violates principle 4 of the Code of Ethics.

Conclusion

Senator Kirby's private interests as a board member undercut the credibility of the Committee. It is a fundamental principle that not only must actual conflicts of interest be avoided, but also the perception of conflict of interest. Senator Kirby's conflicting roles do not meet this test. Moreover, the committee's Interim Report, issued under the name of the Chair, advocates a course of action that would destroy public health care. The report

presents unbalanced and inaccurate options that favour the commercialization of health care services.

At the same time the Committee in its report ignores a comprehensive body of international and Canadian evidence that demonstrates a greater role for the market and for-profit delivery of services produces inferior performance – inequity, inefficiency, high cost, loss of accountability, criminal fraud and public dissatisfaction.¹⁹

Seventy-three organizations that represent millions of Canadians recently endorsed a joint statement entitled: *Standing Together for Medicare: A Call to Care*.²⁰

This statement contains the principles and values that the Canadian Health Coalition believes should shape the future direction of health care in Canada. Health care is a public good in which the few must not profit at the expense of the many. **Canadians will fight to ensure that their governments adhere to this principle.**

Future generations are depending on our vigilance.

RECOMMENDATIONS

1. **That Senator Michael Kirby, Chair of the Standing Senate Committee on Social Affairs, Science and Technology, remove himself from the Committee's examination of Canada's health care system.**
2. **That this Committee undertake an investigation of retirement homes and the nursing home industry in Canada, including an examination of staff ratios and quality of care.**
3. **That national standards in long-term care are desirable, and federal involvement is essential to protect the rights of residents in long-term care facilities, including nursing homes and retirement homes.**
4. **That provincial auditors be called on to investigate value-for-money in publicly financed nursing homes.**
5. **That the federal government incorporate community care, including home care and long-term care, into medicare and subject to the five principles of the *Canada Health Act*.**
6. **That the phasing out of public funding of investor-owned nursing homes become one of the national objectives of health care reform in Canada as the scientific evidence demonstrates worse care than that provided in not-for-profit or public homes.**

¹⁹ Canadian Health Coalition's Submission to the Romanow Commission on the Future of Health Care in Canada, 2.1 "Protecting Health Care from Commercial Interests" www.healthcoalition.ca/rhc.pdf.

²⁰ <http://www.healthcoalition.ca/oct12.html>.

FOR-PROFIT HEALTH CARE IS AN OXYMORON

The U.S. Balanced Budget Act, 1997, created tough anti-fraud initiatives and closed loopholes in the regulations for the nursing home industry. The "legislative and regulatory assaults" came in the wake of the 1995 General Accounting Office (GAO) Report "Medicare: Tighter Rules Needed to Curtail Overcharges for Therapy in Nursing Homes".

How do you get "strong and profitable growth" from labour intensive long-term nursing care? Many non-profit nursing homes have decided, faced with cuts in government funding, they will run a deficit rather than jeopardize the well being of residents. Extencicare gets the same rate as not-for-profits and yet it boasts that: "our best performing U.S. facilities achieve returns on average in the mid-to-high teens". According to the *American Journal of Public Health* Sept. 2001, profit seeking diverts funds and focus from clinical care.

EXTENCICARE INC. ANNUAL REPORT 2000

Fellow Shareholders:

Since assuming the title of Chief Executive Officer in mid-2000, I've thought a lot about leadership – not only in relation to my own role but also for our Company. Leadership requires not only a plan for today but also a vision of tomorrow.



Mel Rhinelander
President and
Chief Executive Officer

I can tell you that the core values that have made our Company a respected leader in North American long-term care will not change. They have kept Extencicare viable through legislative and regulatory assaults. In my view, our core values reflect the character necessary for strong and profitable growth over the long term. They involve consistently providing quality care and service, irrespective of the complexity of the task. They require that we operate honestly, professionally and responsibly. And they entail doing our best to meet our obligations to all of our stakeholders.

But they are not all that is required. Our conduct – not just our character – will determine our future. Can we anticipate the evolution of long-term care needs sufficiently to capitalize on the opportunities this provides? Do we have the proper resources and strategies in place to achieve our goals? The answers to these questions are crucial to Extencicare's long-term performance.

We have adopted three major approaches that are improving shareholder value. And we will continue to use them vigorously. The distorting impact of resident care liability costs notwithstanding, these three approaches are guiding our Company toward renewed profitability – and positioning it for future growth.

- First, we will continue divesting non-strategic assets, reducing U.S. debt and lowering exposure to excessive resident care liability claims;
 - Second, we will persist in implementing measures to improve near-term operating earnings;
 - And third, we will remain vigilant in our pursuit of important growth initiatives.
- We expect these approaches to have a positive effect on our bottom line.
- One of Extencicare's greatest strengths is its high concentration of property ownership, which sets us apart from many providers. As the owner of 86 percent of the facilities we operate – with purchase options on another 10 percent – we have virtually eliminated lease costs as a risk for our Company. This gives us great flexibility for the future.

Extencicare's withdrawal from Florida followed the largest nursing home abuse and neglect verdict in Florida history. The nursing home industry likes to locate in jurisdictions with a low risk of liability. Following the withdrawal from Florida and Texas thereby "lowering exposure to excessive resident care liability claims", Extencicare expanded in Ontario with 8 new facilities.

"For-profit health care is an oxymoron. The moment care is rendered for profit, it is emptied of genuine caring."

- Dr. Bernard Lown, Harvard School of Public Health

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