KEY TALKING POINTS

One Voice Tool – ASCHA Advocacy Priorities

Operational Viability

November 2017

Pulling together to create positive outcomes!

Issue

The viability of seniors housing operations is being challenged because current funding does not align with operational needs and no additional funding is being allocated to compensate for rising resident expectations and the ever-increasing requirements for compliance.

Key Points

- Rental revenues and/or accommodation fees from residents have had limited minor annual increases, if any, as most seniors are on fixed incomes. Rents are regulated in the Seniors Self-Contained Program, in Supportive Living (including Seniors Lodge Program), and in Designated Supportive Living.
- In the Seniors Self-Contained Program, revenues are based on 30 percent of the resident's income. Revenue sources for the Seniors Lodge Program are from the resident, municipal requisitions, and Lodge Assistance Program (LAP) grant. Alberta Health sets the maximum accommodation rates in Designated Supportive Living.
- As revenue increases are not granted and fixed costs steadily creep, and/or additional costs/responsibilities are added (e.g., carbon levy, policy/regulatory amendments), reducing variable costs becomes the only means to balance the accounts. If variable costs are not reduced, the viability of seniors' housing operations is at risk.
- New residents have expectations not previously encountered, such as demands for internet connections, better furnishings, a greater variety of foods and more activities. Family expectations for new senior residents are also increasing. All these expectations come at an additional cost that is not currently funded.
- Reducing fixed costs in not an option as employees are needed to operate safely.
- Reducing variable costs directly affects the residents. Reducing costs for services such as food, housekeeping, maintenance, groundskeeping, recreation and life enhancement programs diminishes the quality of life for residents.

Operational funding is not sufficient to support the diverse needs and expectations of senior residents, or the rising costs of compliance.

Current Situation

- On June 26, 2017, the Ministry of Seniors and Housing announced the Provincial Affordable Housing Strategy. The document entitled "Making Life Better: Alberta's Provincial Affordable Housing Strategy" states, under initiative 5. A Sustainable System, that "The financial sustainability of the housing system will improve because mixed income models will result in decreased operating costs. Decreased operating costs means more financial flexibility to meet the needs of tenants". *Mixed income models may result in increased revenues due to the inclusion of some market rents; however, mixed income models do not decrease operating costs.*
- The Strategy also states "Energy-efficient building standards in construction projects will reduce environmental impacts and improve energy efficiency of affordable housing units. This will reduce operating costs for housing providers." *This initiative may have an impact on any new housing projects and housing projects undergoing major renovations; however, it does little to address the myriad of other issues affecting financial sustainability. Some current buildings are so antiquated that it will be difficult to gain any energy efficiencies without major investments.*
- The Strategy states under 1. Investing Now and for the Future that "The regeneration of units will help housing providers with revenue streams and vacancies caused by units closing because they need major renovations". *Some new and renovated seniors' housing may save operating costs in the long term for projects that involve energy efficient design, as well as energy efficient upgrades for items such as furnaces, doors, windows and lighting. If the regeneration of units are in an area where there is a substantiated need for seniors' housing according to the capital development plan, this could increase revenue through filling vacancies; however, if there is no need for accommodation in the area, the vacancies will continue to contribute to lost revenue.*

Anticipated Unintended Consequences

- Some seniors' housing operators may be forced to reduce staff to reduce deficits. This directly affects residents, as layoffs would begin with "non-essential" staff (e.g., recreation staff). Other staff reductions in areas of housekeeping, maintenance and food services will result in reduced services to the senior residents, as well as stressed and overworked remaining staff. This is turn leads to staff retention issues, due to burn out and low morale, as well as recruitment issues.
- When operating deficits for a Housing Management Body's (HMB) seniors lodge increase, one option is to increase municipal requisitions. Municipalities may object, as they will view this as the province passing their costs down to the local municipalities. Despite Government Legislation, some municipalities may simply refuse to pay the requisition amount requested leaving some HMBs unsustainable, with little recourse to address the issues.

Recommendations for Government Consideration

- That any new legislation/amendments/requirements allow for some flexibility such that housing providers can comply without negatively impacting existing operations and the residents.
- That the expectations of current and future senior residents be reviewed with the intent to determine validity, as well as funding increases needed to satisfy changing demographic needs.
- That, in the case of cost sharing models between communities, the Province and providers, each party is accountable for their share, and accommodation rates are set accordingly to ensure sustainability.
- That the Province consider graduated programs with proportional funding relative to size of building and more flexibility in eligibility cut-offs (i.e., too many seniors are just above the income threshold).
- That the Province provide subsidy to residents living in Designated Supportive Living (DSL) to allow them to pay the maximum accommodation charge allowing for sustainable DSL operations and that the DSL accommodation rate be aligned with the true cost of operations.
- That a multi-year budgeting process for regulated seniors housing replace the annual budget review process to ensure more consistent and predicable funding, as well as a more efficient and streamlined process. Therefore, providers would have a three-year funding allocation based on an approved three-year budget, unless exceptional circumstances necessitated an interim review.
- That the budget review process ensures that all necessary operating costs and essential maintenance are fully funded by the Province ensuring residents that they are living in safe, well managed and maintained housing.
- That the per diem rate for the LAP grant aligns with the true cost of operations based on the number of units, not the number of eligible residents, such that the Seniors Lodge Program does not put an unnecessary burden on municipalities, and residents do not experience a reduction in housing services.

Operational Viability

Background Information to Supplement Key Talking Points

Background

Seniors Self-Contained Housing

Housing providers of Seniors Self-Contained Housing have the following revenue sources:

- Residents – A resident's rent (which includes heat, water and sewer expenses) is based on 30 percent of a household's adjusted income. The resident is responsible for electricity, telephone and cable television, as well as any additional requested services (e.g., parking).
- The province owns most Seniors Self-Contained Housing under this program and any operating deficits are supposed to be fully funded by the province through an annual budget review process. Ideally this is the case; however, there are examples where the province does not recognize all requests and that leads to situations where units are left vacant, as they are not in an acceptable state of repair; or residents are living in units with outstanding repairs (e.g., leaking windows, poor heating).
- In 2016, HMBs received the first 2 percent operating budget increase in four years. Any future increases are unknown.

Seniors Supportive Living (Includes Lodges)

Housing providers of Seniors Supportive Living options have the following revenue sources:

- The local HMB sets the rates, so they may vary between communities. Lodge rates are often based on a resident's total income. To protect lower income residents, HMBs must adjust the monthly rate to ensure that each resident has at least $315 per month in disposable income.
- The HMB, through municipal requisitions, funds operating deficits. HMBs may also apply to the Province for Lodge Assistance Program (LAP) grant funding that provides financial assistance to lodges through an annual per diem grant for each eligible resident. The last major increase to the LAP grant was in 2013 when they combined the LAP grant with the Special Services grant. There was a 2 percent increase in the LAP grant in 2016 and there is no certainty of any increases in the future. Eligibility is based on income testing.
- Average Monthly Accommodation Rate: $1,418
  Average Monthly Operating Cost: $2,200 (Varies depending on number of units in building, age of building, etc.)
- Deficit: -$782

Designated Supportive Living

Housing providers of Designated Supportive Living (DSL) have the following revenue sources:

- All DSL spaces have a service contract with Alberta Health Services (AHS) outlining their care funding and resident placement. Seniors' housing operators are regulated to charge the equivalent of the maximum accommodation fee for a private room in a long-term care facility over the term of the agreement.
- Alberta Health sets the maximum accommodation charge in DSL.
- Residents in DSL pay an accommodation charge to cover the costs of accommodation-related services such as rooms, meals, housekeeping, routine building maintenance and health care related services.
- In DSL, if a resident cannot pay the accommodation charges, they may qualify for the supplementary accommodation benefit, which will top up their earnings and ensure they have $315 in disposable income.
- The DSL program recently had a 2.2 percent increase; however, future increases are unknown.

- Maximum Monthly Accommodation Rate: $1,992
  Average Monthly Cost: $2,300 (excludes health care costs)
  Deficit: -$308
- Rate increases up to 2017 were linked to the Consumer Price Index and increase annually (e.g., 2 to 3%). Future rate increases are unknown.

Factors Affecting Operating Expenditures

- Fixed cost increases
  - Utility costs - energy rate increases (power, gas, carbon levy), water and sewer increases, waste disposal increases
  - Wages and benefits – including working alone cost increases, minimum wage requirements
  - Property Taxes
  - Debt servicing – Interest rate increases
- Variable cost increases
  - Nutrition and food services
  - Housekeeping
  - Recreation and resident enhancement programs
  - Ongoing maintenance / deferred maintenance
  - Groundskeeping
- Unanticipated costs
  - Emergency repairs
  - Modifications necessary to comply with regulations, codes and standards
  - Environmental – excess snow removal, storm damage
  - Administration

When the Province of Alberta announces major capital funding initiatives for new or refurbished seniors housing, these announcements do not help with current operations. Operational challenges are left unmet because the focus of funding is on new construction and major renovations.