



Ontario Community Support Association
June, 2000

Briefing Note

*The Effect of the Managed Competition Model
on Home Care in Ontario:
Emerging Issues and Recommendations*

**Ontario Community
Support Association**
**Association ontarienne
de soutien communautaire**

104 - 970 Lawrence Avenue West,
Toronto, ON M6A 3B6
(416) 256-3010;
1-800-267-OCSA
Fax: (416) 256-3021
www.ocsa.on.ca

The managed competition model of health care delivery is based on the belief that competition results in better quality and higher performance at less cost. When a provider has to compete for service, and is not guaranteed a contract renewal year after year, there is a strong incentive for top performance.

Managed competition came to Ontario's home care system in 1996, as part of a plan for Long-Term Care Reform that included the establishment of 43 Community Care Access Centres (CCACs). It was felt that the CCACs would be able to provide the "highest quality services at the best price" because community health providers would engage in a competitive bidding process to win service contracts.

After four years of managed competition in Ontario, it is clear that theory is much simpler than reality, and that there have been many unintended and unanticipated consequences of the implementation of this model. There is evidence to show that the managed competition focus on cost and competition is threatening the effectiveness of Ontario's home care system. An already fragile system is being further de-stabilized by a delivery model experiment.

The purpose of this paper is to highlight some of the concerns of not-for-profit providers of in-home services regarding the effect of managed competition on the home care sector. The paper also provides some recommendations to improve the quality of in-home services, and the effectiveness of the system.

A Preface: Caregiving and home care workers

Home care is the only health care sector expected to bid on contracts in order to provide care. "Care" is the service or "product," and high quality care depends on the special skills and dedication of the caregivers. Caregiving by front-line workers in private homes is unsupported by colleagues, services and technical support at hand when care is provided in an institution. The quality of home care depends overwhelmingly on the solid training, good judgement, sympathy and sensitivity of the care workers. It is difficult to overstate how tightly bound caregiver and quality of care are in examining any aspect of home care. To undervalue one is to jeopardize the other.

Lower Quality Service

There has been a deterioration in the quality of service received by home care clients since the introduction of managed care in Ontario. There is a direct link between this deterioration and the managed competition process, where costs rather than the quality of care are being measured and compared.

Continuity of care

Continuity of care is a recognized standard of quality. It is based on the invaluable experience that comes with consistent and continuous care by a home care worker with the condition, needs and health of individual clients. Understandably, continuity in care is highly appreciated and desired by clients.

When managed competition was introduced, it was expected that the clients would "take" their workers with them to the successful contractee when service providers changed as a result of CCAC decisions. It was thought that workers would naturally shift to the new provider. Experience is proving that clients and workers do not shift in tandem and that workers do not easily and naturally move from employer to employer.

- *Mrs. Bell in York Region, was assigned a new home care worker after the York Region CCAC contract decisions were made. The same Red Cross worker had been helping Mrs. Bell for 7 years. "It's terribly distressing. I'm apprehensive about how long I'll have to spend with her before she understands what I need. Who is this person?" was her reaction to the change.*

Continuity of care is dependent on the whole system that provides the care to clients. When service providers change, there is a loss of the personal knowledge about individuals, especially those who receive continuing care over long periods of time. This knowledge comes from knowing the clients as people, and is not part of the clinical chart.

Loss of the Therapeutic Relationship

The relationship between the client and the worker is, of course, an important aspect of care and rehabilitation.

Supportive, trusting relationships are difficult to develop and sustain when care is not provided consistently by the same worker, or when visits are rushed because they are made shorter and shorter. Clients are greatly affected when they lose the workers with whom they have developed caring therapeutic relationships.

The "choice" of care providers in the managed bidding process may give CCACs greater flexibility, but this choice does not extend to clients, who have little or no control over who provides their care, or who or how many people come into their homes. Nor do home care workers have "choice" when employers, working conditions, and their clients are subject to

regular change because of the bidding process. The "choice" in the system all belongs to the CCACs.

Loss of Cooperative Sharing of Best Practices

Both not-for-profit and commercial organization in the past have met and shared information about service delivery. This allowed active, cooperative development of a body of "best practices."

All organizational information is now considered to be part of the "competitive advantage." Sharing of efficiencies and systems improvements no longer takes place freely. Client care, too, is directly affected and has become more fragmented as information, which could benefit clients, is less easily shared.

The relationship between the CCACs and providers has also been altered by the competitive process, and it is now more correctly characterized as a purchaser-supplier relationship. This is a fundamental shift from the "team" approach to client care that was more common prior to the implementation of managed competition.

The Home Care Work Force has been De-Stabilized

One of the most critical effects of managed competition is the de-stabilization of the workforce. In the past two years home care provider organizations have experienced difficulty in recruiting and retaining staff at all levels of training and competency. There are numerous reasons for this; some of these stem directly from the competitive model.

Workers are not shifting with the contracts

When service providers change as a result of the competitive process, workers are not following the contracts.

Policymakers expected that workers would easily shift from the unsuccessful to the successful organizations when contracts were awarded by CCACs. Workers are not doing this. Losing a job is a traumatic event. It should not be surprising then that home care workers are taking more secure jobs elsewhere and are leaving the field, rather than shifting to new providers when contracts change.

- *In Hamilton when SEN Community Health Care ceased to provide visiting homemaking services, about 128 in-home workers lost their jobs. VHA - Hamilton-Wentworth actively recruited home care workers from this group, but fewer than 40 displaced workers chose to move to the new provider.*

Workers are leaving the field and new workers are not attracted to home care

There is little in the community care sector to attract workers. The competitive process has kept wages much lower than similar positions in other areas of health. The lack of job security

or the opportunity to build on job seniority do nothing to draw potential workers. In fact, even experienced home care workers are being lured to long-term care facilities and hospitals, where they can earn up to 50 per cent more per hour with the same qualifications while enjoying better benefits, better working conditions, and greater job security.

- *Some service provider organizations are reporting turnover rates of home care workers of 25% to 40%. The average turnover rate for health workers across Canada is 12%.*

Degradation of working conditions

In order to compete in price, home care providers are forced to make cuts that have a serious impact on the benefits and working conditions for the workers.

Full-time jobs do not exist. Home care jobs are part-time and casual, with few benefits. In order to make a living wage, some workers are having to cobble together enough hours by working with several providers.

- *Service providers report that they do not hire any full-time home care workers. Workers are not guaranteed a minimum number of hours.*

Home care is becoming the job of last resort. The morale of the workers is suffering. Waiting lists for home care services are becoming more common because of a growing shortage of qualified workers, and there is fear that the quality of workers may decline.

False Savings

The managed competition model has emphasized cost savings. But the savings attributed to the competitive process must be examined carefully. Some of the costs may simply be hidden, giving the appearance of savings where none exist. Other savings may be temporary, and are likely to disappear after several contract cycles.

Cost of the RFP Process

The Request for Proposal (RFP) process is the cornerstone of managed competition. The contract bidding begins with the release by the Community Care Access Centre (CCAC) of the RFP, which outlines the parameters of the contract, the information needed by the CCAC about the service provider organization, and information concerning the selection criteria.

Considerable CCAC resources are consumed in the development of the process and the RFP document, as well as in the review of submissions and in making decisions. Most CCACs have several staff members devoted solely to these tasks to accommodate the many contracts that each CCAC manages.

- *Most CCACs have at least two staff positions to manage the RFP process in their region. Between 5 and 12 additional people read and rate the submissions.*

The development of the proposals is also very costly for service providers. These costs are multiplied for the many service providers who bid on each RFP.

- *It has been estimated that the cost to each service provider preparing a response for a single RFP is approximately \$30,000.*

The cost of administering each contract competition by each CCAC, added to the costs of the providers' proposals, whether successful or not, total hundreds of thousands of dollars. These are resources that are not available for client care: they are hidden costs that have no direct service benefit.

Low-balling to stay in the field

The competition for contracts in the first few contract cycles has been brisk. There is a fear among providers that if they are not successful in getting a contract at the beginning, it will be impossible for them to gain a foothold at a later date. As a result, the per-hour costs in the first competitions have been very low. Some of the bids may be below the actual cost of providing service. There will be savings for the system, but they will be short-lived and will result in further instability to the system. Eventually the market will reimpose itself, as hourly contract costs quickly rise to reflect real costs. Comparable nursing and personal care are provided to residents of long-term care facilities. The compensation for workers in long-term care facilities is considerably higher than for workers in the community. Is it reasonable that the wages and benefits of similarly trained workers providing similar care should be less simply because the care is provided in the community?

- *A recent report by the Halton-Peel District Health Council indicated that the wages of workers providing personal care in the community range from \$9.65 to \$11.65 per hour. The wages of similar workers employed in long-term care facilities ranged from \$10.31 to \$16.98 per hour and in hospitals the wages were \$14.93 to \$15.22 per hour.*

Low labour costs a false economy

Keeping labour costs down is a false economy. Wages of home care workers are being kept artificially low, rather than being allowed to respond to the normal pressures of supply and demand. Home care workers, who are receiving the personal support worker (PSW) training with funds meant specifically for the home care sector, are being quickly hired upon completion of their course by long-term care facilities and hospitals. This is, in effect, subsidization of long-term care facilities and hospitals by the home care sector, the poorest of the three sectors.

The declining working conditions are clearly reflected in the increase in absenteeism, long-term disability claims and higher worker compensation fees. Workers rushing through their work and visits are falling prey to illness, stress, and accidents on the job. Short-term savings are resulting in long-term costs.

- *Workers compensation costs have risen. The Workplace Safety and Insurance Board (WSIB) is proposing a rate group change for provider organizations delivering personal support services. The new rate, \$2.10 per \$100.00 of payroll, is \$.22 more than the current \$1.88 per \$100.00 of payroll.*

In paring costs so much, budgets have become too tight to allow flexibility. There is simply no give, and providers are unable to respond to changes in the labour market or sudden increases or shifts in demand for services. Waiting lists for home care can cause delayed discharges from hospitals, or increased admissions to hospitals and long-term care facilities. Costs and stresses may just be transferred to other parts of the health care system.

- *Provider organizations are reporting that waiting lists for service are increasing. In some cases discharges from hospital are delayed because additional staff are not available on short notice.*

Managed Competition: A false solution for the wrong problem

The managed competition model has focused on costs and efficiency in the home care sector. The assumption to be taken from this is that home care's "problem" is a management issue. This is not the case. The real problem in home care is insufficient funding.

Complexity of care is increasing

Home care is under pressure from two directions to provide more service: the aging population and changing health care delivery. The elderly population is the fastest growing of all other population groups; the elderly are also the greatest users of health services. Advances in treatment and pharmaceuticals mean fewer and shorter hospital admissions; earlier discharges and the increasing number of out-patient procedures have shifted care to home and community. The funding of home care has not kept up to these rapid and profound changes; the result has been cuts to long-term home care.

No matter how current home care resources are managed, they are insufficient to meet demand pressures. It is a funding issue.

- *One community agency has determined that there has been a 33% increase in acuity (the seriousness of ailment or disability) of clients receiving personal support in the past year, yet the average amount of care each client has received has decreased by 26%.*
- *It has been estimated that the "acute" care portion of services provided in the home has increased from 40% to 60% in the past year.*

The home care sector is the only sector in our health care system where an RFP process is used to select health care providers. The expertise, talents and caring of the home care workers

are seen as more disposable, easier to replace, and easier to manipulate than the buildings and resources of other health care sectors. Hospitals and long-term facilities are not expected to tender for three year service contracts. Yet the infrastructure, including personnel, built in the community by home care service providers are just as essential to quality care as modern well-equipped health care facilities.

Home care services are the key to health care reform

Home care services are the key to health care reform. To under-fund this sector is to jeopardize the successful reformation of the whole health care system. If health care is to be delivered in the community and in the home, it will depend on a stable home care sector capable of delivering high quality care.

Managed competition was implemented to ensure efficient delivery of home care services. It is clear that this has not been the result.

Recommendations:

In order that we have a health care system that can provide quality services to meet growing demands we need to:

- Establish an independent, impartial review of the managed competition model to evaluate the changes in home care service delivery as a result of the competitive process. Reviewers must be credible and acceptable to all key stakeholders: consumers, government, the Community Care Access Centres, and the providers. It is imperative that this review take place as soon as possible.
- Equalize the compensation and working conditions of workers with similar training and responsibilities across the entire health care system to stabilize the workforce, prevent further attrition of trained workers and attract new, qualified workers.
- Provide a funding mechanism to recognize that two very different services are provided by the home care system.
 - a) The funding for acute care clients should reflect the relationship between reduced stays in hospital and the increased need for and cost of acute home care.
 - b) The funding for long-term home care services should be sufficient to sustain our aging population in their own homes with an adequate level of care.