



April 3, 2014

VIA EMAIL

Fraser Health
Suite 400, Central City Tower
13450 – 102nd Avenue
Surrey, BC V3T 0H1
nigel.murray@fraserhealth.ca

Attn: Dr. Nigel Murray, President & Chief Executive Officer

Dear Dr. Murray:

Re: Request for Independent Review
76 Residential Care Beds

As B.C.'s residential care industry association, we are deeply concerned about several issues that have arisen due to the Fraser Health Authority's (FHA) impending decision to end its Affiliation Agreement with the Burquitlam Lions Care Centre (BLCC), a 76 complex care facility owned by the Burquitlam Care Society (BCS), and directly award the 76 beds to Baltic Properties.

In particular, it appears that FHA's actions lacked administrative fairness and transparency, which could have a significant negative financial impact on B.C.'s continuing care sector. FHA's actions appear to be arbitrary and do not support the long-term interests of B.C.'s seniors, provincial taxpayers or residential care operators.

Brief Background

In 2012, FHA issued a Request for Proposals (RFP) for 403 residential complex care beds and 24 mental health beds.

FHA awarded part of the RFP to Baltic Properties (136 new residential care beds and 24 mental health beds). FHA also directly awarded BLCC's 76 beds to Baltic Properties. The 76 beds were not part of the RFP.

FHA retained John Singleton, QC, to act as a Fairness Advisor to review the direct award to Baltic Properties. Keith McBain, Executive Director, Residential Care, Assisted Living & Specialized Populations, has advised us that FHA's submissions to Mr. Singleton, and Mr. Singleton's opinion supporting the direct award, were both provided verbally.

In late January 2014, Mr. McBain advised BCS that FHA had decided it would be terminating its Affiliation Agreement with BLCC. The decision would see BLCC closed by mid-2016.

As reported in *The Tri-Cities Now*, David Dines, BLCC administrator, said “It will be a huge surprise to residents and families.” “It will be a shock.”

FHA did not provide BLCC with an opportunity to submit a redevelopment proposal.

Mr. McBain has advised us that operating care homes with less than 125 beds is not economically feasible.

Lack of Administrative Fairness & Transparency

The situation with BLCC has unfolded in a manner that lacks administrative fairness and transparency in at least two respects: (1) the RFP and direct award process, and (2) the failure to provide an opportunity to submit a redevelopment proposal.

1. RFP Process & Direct Award

The RFP issued in 2012 did not include BLCC’s 76 beds. This is despite the fact it has become apparent the FHA had no intention of continuing to fund BLCC’s beds beyond mid-2016.

Rather than proceeding with a formal RFP process for the 76 beds, FHA decided to provide a significant direct award.

Had the 76 beds been included in the 2012 RFP, there is a strong likelihood that taxpayers would have been able to achieve even further savings – as proponents would have been bidding on a larger package of beds.

In addition to a missed opportunity for further savings, it is troubling that the Fairness Advisor’s review process was conducted verbally. This is out of step with administrative fairness, transparency and accountability.

2. Lack of Opportunity to Submit Redevelopment Proposal

Further, FHA’s failure to provide an opportunity to submit a redevelopment proposal is contrary to fair business practice. It demonstrates a lack of respect for the business relationship between health authorities and operators.

Even more, the failure to provide operators with an opportunity to submit a redevelopment plan is contrary to provincial policy. It is our understanding that in 2005, after extensive consultation with the industry, Treasury Board staff drafted and the Ministry of Health approved, the *Policy on Managing Change* (the Policy).

The Policy applies to termination of contracts and preferential consideration of existing providers. It ensures an existing facility is given priority consideration and an opportunity to submit a redevelopment proposal, rather than having to compete in an open competitive tender.

The Ministry of Health placed the Policy in the Home and Community Care Policy Manual (the HCC Manual), as section 6D 1-2. When the Ministry of Health revised the HCC Manual in 2010, section 6D 1-2 was removed.

We have been advised that the FHA no longer considers the Policy as being in effect. However, our Association is not aware that the Ministry of Health has formally revoked the Policy. In particular, we are not aware of any correspondence from the Ministry advising the industry that the Policy is no longer in effect.

If FHA no longer considers the Policy to be in effect, we are deeply concerned about the negative financial implications on the sector. Without stability, the cost of borrowing goes up for all contracted care providers and that cost must be passed on to taxpayers.

The Policy is very positive for the sector, as it stabilizes the market – thus, providing confidence to financial lending institutions.

We acknowledge that government has a responsibility to ensure older seniors' facilities are refreshed, renovated and, when necessary, rebuilt. To do this, however, owners/operators need access to capital.

When contracts for funded beds are seemingly arbitrarily terminated, financial institutions become less willing to provide mortgages to anyone in the sector. Financial institutions need assurances of stable revenue from funded beds – something the Policy helps ensure. We believe that the lack of access to affordable mortgages will result in fewer operators being able to refresh, renovate or rebuild. This is contrary to the best interests of B.C.'s seniors in need of residential care.

We will be asking the Ministry of Health to reaffirm the *Policy on Managing Change*, and we will seek to establish a working committee between industry and government to determine best practices regarding the renewal and rebuild of older care home stock.

Managing Conflict of Interest

It is important to note that both BLCC and Baltic Properties are members of our Association. Further, Will McKay, a managing partner at Baltic Properties, is a member of our board. Given this situation, we have taken steps to manage this conflict of interest. For instance, Mr. McKay has recused himself from all board discussions regarding this matter.

Additionally, our Association's concerns are focused on the potential negative impact FHA's actions may have on the residential care sector as a whole, as well as B.C. seniors and provincial taxpayers.

Request for Independent Review

Based on the foregoing, and to help ensure the BLCC matter does not set a negative precedent, we request that the FHA confirm by April 11, 2014 that it will commission an independent review regarding:

1. FHA's direct award of BLCC's 76 beds to Baltic Properties, including but not limited to the decision to conduct the Fairness Advisor process verbally.
2. The 2012 RFP process for the 403 complex care beds and the 24 mental health beds.
3. FHA's impending decision to end its Affiliation Agreement with BLCC.

Should you require any clarification, please contact me directly at 604.736.4233 ext. 229 or dfontaine@bccare.ca.

I look forward to hearing from you, and continuing to work as a valued partner in the delivery of seniors care in B.C.

Sincerely,



Daniel Fontaine
Chief Executive Officer

cc: Fraser Health Authority
Board of Directors

About BCCPA: The BC Care Providers Association is the leading industry association for B.C.'s residential care, home and community care sectors. We have been serving private and non-profit community care providers for over 35 years. Our growing membership base includes over 115 residential care, assisted living and home support members, as well as over 110 commercial members across British Columbia.

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