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April 11, 2014

Mr. Daniel Fontaine
Chief Executive Officer
BC Care Providers' Association
301 – 1338 West Broadway
Vancouver, BC V6H 1H2

Dear Mr. Fontaine:

I write in response to your letter of April 3, 2014 and your request for independent review of 76 residential care beds. Thank you for taking the time to raise the concerns of your Association.

Burquitlam Lions Care Centre (BLCC) Funding Agreement Termination

As you are aware, the Fraser Health issued a Notice of Intent to give 365 Day Notice of Termination to BLCC in January 2014. This decision to terminate funding was not made in advance of the issuance, or even the closure, of the 2012 RFQ/RFP. As a result, there simply was no opportunity to include the 76 BLCC beds in the 2012 RFQ/RFP.

Further, the decision to terminate funding was not made lightly or arbitrarily. Rather, it was made in response to a specific set of circumstances made known to Fraser Health by the Burquitlam Care Society (BCS), and further investigated by Fraser Health, in the fall of 2013. The results of our investigation, combined with the aging physical plant at BLCC that does not adequately meet current and future complex care needs or support ongoing economic viability, underpin our decision to terminate the funding agreement.

It would be inappropriate for me to share the details of communications between Fraser Health and BCS regarding the circumstances that BCS made known to us, absent authorization from BCS enabling us to release its business information.

I can, however, share that Fraser Health has taken steps to ensure that BCS, as well as the residents of BLCC and their families, have received and will continue to receive fair treatment in the context of this termination. This included providing notice to BCS of our intention to terminate as soon as we finalized that decision (i.e., well in advance of the contractually required 365 days' notice of termination). It also included consideration of the serviceability of the BLCC mortgage, as we are keenly attuned to the lending environment for care home providers in British Columbia.

Fraser Health Authority
Office of the President and CEO

Suite 400, Central City Tower
13450 102nd Avenue
Surrey, BC
V3T 0H1 Canada

Tel (604) 587-4625
Fax (604) 587-4666
www.fraserhealth.ca

Opportunity to Submit a Redevelopment Plan for BLCC

I must take issue with your assertion that Fraser Health failed to provide an opportunity to BCS to submit a redevelopment proposal for BLCC, contrary to fair business practice and provincial policy.

With respect to the provincial *Managing Changing Need* policy, it is our understanding that this policy is no longer effective. Fraser Health has, however, conducted itself within the spirit of this policy.

Specifically, BCS was granted an opportunity to submit a redevelopment plan in the context of the 2012 RFQ/RFP process that had just been completed. The outcome of that process, which was monitored and reported on by a fairness advisor, saw two successful proponents awarded the available bed capacity for the Tri-Cities area. BCS was not one of the two successful proponents.

As Keith McBain, Fraser Health's Executive Director, Residential Care, Assisted Living and Specialized Populations, has previously advised your Association, based on our experience we know that the operation of a residential complex care facility is no longer economically feasible with a capacity of fewer than 125 beds, and in fact this number was specified in the 2012 RFQ/RFP process.

Accordingly, the redevelopment of BLCC at its current 76 bed capacity is not a viable option that would serve the interests of seniors, care home operators or taxpayers. And given that all additional bed capacity in the Tri Cities has just recently been awarded to two other care home operators, the redevelopment of BLCC with enhanced bed capacity is also not an option.

Direct Award of 76 Beds to Baltic Properties

Fraser Health's decision to direct award 76 beds to Baltic Properties was made only after careful consideration of our procurement obligations and principles of fairness. It was also made in consultation with Health Shared Services British Columbia (HSSBC), which ran the 2012 RFQ/RFP process, and with the fairness advisor who monitored that process.

The decision that it was appropriate to direct award to Baltic Properties was made primarily on the basis that Fraser Health had just completed a comprehensive procurement process that gave us a clear and current sense of the capacity, capabilities and financial wherewithal of the care home providers who were looking to operate in the Tri-Cities area and elsewhere.

Of the two successful proponents for Tri-Cities, only one – Baltic Properties – had the capacity to build out to include an additional 76 beds. Further, the per diem offered by Baltic Properties is highly attractive and represents good value for taxpayer dollars.

I do acknowledge the concern voiced in your letter regarding the consultation with the fairness advisor having been conducted orally. On reflection we agree that this process should have been conducted in writing. We therefore recently contacted the fairness advisor to request that he produce a written summary of the conversation based on his file notes. A copy of the fairness advisor's April 7, 2014 letter is enclosed for your reference.

Thank you for taking the time to write.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nigel Murray', with a stylized flourish at the end.

Dr. Nigel Murray
President and Chief Executive Officer

NJM/tls

Cc: Fraser Health Board of Directors
Lois Dixon, Vice President Clinical Operations
Keith McBain, Executive Director, Residential Care, Assisted Living and Specialized Populations

Encl.