The coronavirus exposes the perils of profit in seniors' housing

July 27 2020, by Martine August

In May 2020, Orchard Villa, a long-term care home in Pickering, Ont., made headlines for a bad COVID-19 outbreak. Just two months into Ontario's lockdown, 77 patients in the 233-bed home had died.

A report by Canada's military revealed horrifying conditions, short staffing and neglect. Some family members blamed for-profit ownership, arguing that COVID-19 had simply exposed, in tragic fashion, the impact of prioritizing profits in the operation of seniors housing.

Notably, Orchard Villa had been purchased in 2015 by private equity firm Southbridge Capital, adding it to Canada's growing stock of "financialized" seniors' housing—bought by financial firms as an investment product.

This has followed the trend of what's known as financialization in the global economy, in which finance has come to dominate in the operations of capitalism, prioritizing investor profits over social, environmental and other goals. In seniors' housing, financialization has arguably intensified the profit-seeking approach of private owners, with harmful outcomes for residents and workers alike.

Gray wave

Seniors' housing includes both government-subsidized long-term care

(LTC) homes (nursing homes), and "private-pay" retirement living. Canada's population is aging, with a so-called gray wave predicted to require 240,000 new spaces by 2046.

Industry experts call this "a rising tide that can't be denied." Investors are rushing to get on board, both with LTCs, where long waiting lists and government funding ensure steady income, and with retirement living—where hospitality services (housekeeping, laundry, meals) and private-pay health-care services can drive rents as high as $7,000 a month.

Financial operators have spent two decades consolidating ownership of Canadian seniors housing. These operators include Real Estate Investment Trusts (REITs), institutional investors and private equity firms.

In 1997, the first seniors housing REIT launched with 12 homes. What followed was a consolidation frenzy and the rise of financial firms like Chartwell, Sienna, Revera, Extendicare, Amica, Verve and others. By 2020, financial firms controlled about 28 percent of seniors housing in Canada, including 17 percent of LTCs and 38 percent of retirement homes.

American owners

Ownership has also become international. Today, Canada's biggest owners are the largest health-care REITS in the United States.

Ventas REIT and Welltower REIT entered Canada in 2007 and 2012, and have amassed major interests in 36,792 suites (225 homes). Canada has also seen a surge in U.S.-based private equity ownership by firms that recognize similarities between our private-pay retirement sector and privatized health care south of the border.

They are eager to capitalize on the growing number of seniors on LTC waiting lists who require care and are forced into private-pay retirement living.

Why should it matter if financial firms own seniors housing?

Researchers have found that for-profit facilities have lower staffing levels, lower quality of care and poorer resident outcomes, in both the U.S. and Canada.

Among for-profits, corporate chains are worse than independent operators.

Financialization, meanwhile, is like private ownership on steroids. In other sectors, financial firms view homes as assets for generating profit, and their large scale, sophistication and access to capital enable them to pursue it more aggressively.

In seniors housing, REITs are clear about prioritizing share value, growth and monthly investor distributions. But there are no objectives to deliver better care, dignified environments or good workplaces, which should be paramount in the operation of seniors housing.

Fatalities higher in 'financialized' homes

Pandemic mortality rates are highlighting the serious problems with financialization in the sector. Using data compiled by writer Nora Loreto on COVID-19 deaths in Ontario long-term care facilities as of June 23 and my own original database on seniors housing ownership, I found worse fatalities in for-profit homes.

In Ontario, for-profits own 54 percent of beds, but had 73 percent of deaths. Public homes, by contrast, include 20 percent of beds, but had only had 6 percent of deaths. Financial operators (REITs, private equity and institutions) had higher death rates than other for-profits, with 30 percent of beds and 48 percent of Ontario LTC deaths.

There were 875 deaths in Ontario's nearly 24,000 financialized long-term care beds, or a 3.7 percent rate of deaths per total beds. This is 1.5 times higher than other for-profits (at 2.5 percent), and five times higher than the rate in public homes (at 0.7 percent).

While more detailed studies are needed to compare features of the homes and their residents, this trend appears to support what researchers suggest—that financial operators may pursue profits at the expense of nursing home quality.

Orchard Villa was not the only private equity-owned property to experience crisis. Southbridge Capital had outbreaks in nine of its 26 Ontario homes, and a 7.4 percent death rate—more than 10 times that seen in public facilities.

Investors in Southbridge Care Homes are promised a yield-based investment with "upside market gain." While those profits roll in, 176 people have lost their lives to COVID-19 in the firm's investment properties.

These numbers underscore the need for transformative change in the seniors housing sector. All seniors deserve the right to affordable and safe housing, high-quality health care and a dignified environment. Staff deserve safe, well-paying and rewarding jobs. The pandemic has revealed the devastating mistake we've made in allowing homes to be treated as financial assets for investor gain.

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