2016 Report of the Auditor General of New Brunswick

Volume I
Presentation Topics

2016 Volume I Report contains:

• Chapter 1 - Introductory Comments by the Auditor General
• Chapter 2 - Nursing Homes
• Chapter 3 - Public Trustee Services
• Chapter 4 - Agricultural Fair Associations
Department of Social Development
Nursing Homes
Nursing Homes
Why did we do this work?

• To determine the current situation & capacity within the system to meet the growing demand for services

• To provide objective information on the current status of nursing homes
What We Found
Future Nursing Home Demand

• Nursing home beds increased by 332 in last decade, at 4,400 beds in NB (March 2015)

Over the next 20 years (year 2036):
• Number of seniors aged 75+ in NB is expected to double
• If demand remains consistent, an estimated 10,700 nursing home beds could be needed
Aging Nursing Home Infrastructure

• Requiring significant investments for maintenance, repair and renewal

• The 2011-2016 Nursing Home Renovation and Replacement Plan (NHRPP) estimated nursing home construction projects at $285 million
Nursing Homes Operating at Capacity

Average Annual Bed Utilization Rate in NB Nursing Homes from 2009 to 2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Utilization Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-2010</td>
<td>97.8%</td>
</tr>
<tr>
<td>2010-2011</td>
<td>99.3%</td>
</tr>
<tr>
<td>2012-2013</td>
<td>98.9%</td>
</tr>
<tr>
<td>2013-2014</td>
<td>97.9%</td>
</tr>
<tr>
<td>2014-2015</td>
<td>96.8%</td>
</tr>
</tbody>
</table>
People on Waitlist

In 2014-15 these individuals:

• Waited an average of nearly 4 months for placement

• Occupied approx. 20% of the acute care beds in NB hospitals
## Average wait time for a nursing home placement in hospital 2014-15

<table>
<thead>
<tr>
<th>Region</th>
<th>Average wait time in hospital for a nursing home bed</th>
<th>Number of individuals on waitlist for bed at 31 March 2015</th>
<th>Number of beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moncton</td>
<td>7 months</td>
<td>136</td>
<td>1,099</td>
</tr>
<tr>
<td>Miramichi</td>
<td>6.3 months</td>
<td>54</td>
<td>279</td>
</tr>
<tr>
<td>Saint John</td>
<td>5.8 months</td>
<td>148</td>
<td>1,090</td>
</tr>
<tr>
<td>Fredericton</td>
<td>3.4 months</td>
<td>88</td>
<td>874</td>
</tr>
<tr>
<td>Campbellton</td>
<td>3.4 months</td>
<td>14</td>
<td>190</td>
</tr>
<tr>
<td>Edmundston</td>
<td>3 months</td>
<td>40</td>
<td>362</td>
</tr>
<tr>
<td>Bathurst / Acadian Peninsula</td>
<td>1.4 months</td>
<td>41</td>
<td>544</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-</strong></td>
<td><strong>521</strong></td>
<td><strong>4,438</strong></td>
</tr>
</tbody>
</table>

**Volume I - Chapter 2**

**Exhibit 2.1 (Modified)**
Waitlist Higher in the Province’s Three Largest Cities

Number of People on Waitlist and Planned New Nursing Home Beds at 31 March 2015, by region

- Moncton
- Saint John
- Fredericton
- Edmundston
- Restigouche
- Chaleur
- Miramichi
- Acadian Peninsula

Volume I - Chapter 2
2.45, Exhibit 2.14
Nursing Home Waitlist Impacted by Policy Changes
April 1997 to October 2015

Volume I - Chapter 2
2.52, Exhibit 2.18
60% of Those Waiting are in Hospital

Nursing Home Waitlist: April 2012 to April 2015

- Total waiting List
- Waiting in Hospital
- Waiting at Home
- Waiting in Special Care Home
- Other

Volume I - Chapter 2
2.53, Exhibit 2.19 (Modified)
Impacts of Waiting in Hospital

Individuals could be receiving more appropriate care for their needs (with a lower cost to the taxpayer)

Contributing factor to:

• Longer wait times in emergency rooms
• Longer wait times for elective surgeries
• Inappropriate use of hospital resources
Percentage of acute care hospital days used by patients who no longer require acute care

<table>
<thead>
<tr>
<th></th>
<th>2012-13</th>
<th>2013-14</th>
<th>2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>NB</td>
<td>23%</td>
<td>24.3%</td>
<td>25.9%</td>
</tr>
<tr>
<td>National average</td>
<td>13.6%</td>
<td>13.5%</td>
<td>14.11%</td>
</tr>
</tbody>
</table>
## Cost of Care is Higher in Hospital

<table>
<thead>
<tr>
<th>Description</th>
<th>2014-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of cases</td>
<td>796</td>
</tr>
<tr>
<td>Average LOS in days</td>
<td>114</td>
</tr>
<tr>
<td>Average daily cost in hospital</td>
<td>$303</td>
</tr>
<tr>
<td>Average daily cost in nursing home</td>
<td>$229</td>
</tr>
<tr>
<td>Estimated annual excess cost of hospital over nursing home</td>
<td>$6.7 million</td>
</tr>
</tbody>
</table>
Estimated $42 million in last 5 years

Estimated annual excess cost of hospital over nursing home

<table>
<thead>
<tr>
<th>Year</th>
<th>Services in Hospital</th>
<th>Services in Nursing Home</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-11</td>
<td>$30</td>
<td>$17.8</td>
</tr>
<tr>
<td>2011-12</td>
<td>$22.8</td>
<td>$17.5</td>
</tr>
<tr>
<td>2012-13</td>
<td>$15.1</td>
<td>$16.7</td>
</tr>
<tr>
<td>2013-14</td>
<td>$7.8</td>
<td>$10.1</td>
</tr>
<tr>
<td>2014-15</td>
<td>$6.7</td>
<td>$8.4</td>
</tr>
</tbody>
</table>

Difference:
- 2010-11: $12.2 million
- 2011-12: $7.7 million
- 2012-13: $7.4 million
- 2013-14: $7.8 million
- 2014-15: $6.7 million

Volume I - Chapter 2
2.11, Exhibit 2.25 (Interpreted)
Growing costs are not sustainable

Nursing Home Services Budgeted Expenditures

285% Increase

$110 to $313

Years

Millions ($)

Multi-faceted Solution Needed

• Solution to sustainable care in the future is not as simple as adding more nursing home beds

• Multi-faceted solution needed involving nursing homes, other long term care facilities, in-home care, family support or other options
Department Strategy

To respond to the growing need for nursing home beds, the Department developed the 2011-2016 Nursing Home Renovation and Replacement Plan (NHRARP) and a Home First strategy

• Plan calls for 354 new beds, replacement and renovation of 844 beds

• Strategy includes 36 initiative to support seniors to remain in their own homes
Limited Public Performance Reporting

Implementation status and outcomes of initiatives from NHRRP and the Home First strategy, including impact on waitlist, have not been publicly reported by the Department in its annual report or on its website.
AGNB Recommendations

We recommend the Department of Social Development:

• In consultation with the Department of Health, develop a comprehensive long term plan to ensure the Province can continue to provide sustainable services to NB seniors; and

• Report publicly on the measures and outcomes of current and future initiatives as part of the comprehensive long term plan.
Nursing Home Public-Private Model

- In 2008, Department of Social Development partnered with Shannex New Brunswick to pilot a public-private initiative

- 2009 *Report of the Auditor General* recommended the Department evaluate the pilot project with Shannex

- 2013 follow-up work: we found the Department assessed the service delivery and working conditions of Shannex facilities

- Department did not evaluate economic benefit of public-private model
AGNB Recommendation

Restating the incomplete part of our prior recommendation from 2009

We recommend the Department of Social Development:

• Evaluate whether there is an economic benefit to providing nursing home beds under the public-private model versus the traditional model.
Nursing Homes - Highlights

- Over last 15 years, nursing home services budget almost tripled to $313 million
- On average 98% utilization of current beds
- Average 4 month wait for placement
- 60% of those waiting are in hospital and occupy 1 in 5 acute care beds
- In 20 years, number of seniors will double
- Along with aging infrastructure, lack of capacity to meet current & future demand
- System not sustainable
Public Trustee Services

• Provides trustee and guardianship services to vulnerable New Brunswickers

• Protects the financial and personal interests of the elderly, the mentally challenged, children, missing or deceased persons, when there is no one else able and willing to do so
Public Trustee Services

• **Legal counsel**: lawyers obtain court orders, facilitate sale of real property, provide legal services

• **Financial**: trust officers manage trusts of adults and minors, and estates of deceased clients; financial officer processes invoices for client costs

• **Guardianship**: guardianship officers consult with medical professionals and make personal care and healthcare decisions on behalf of clients
Public Trustee Services
Why did we do this work?

• Public Trustee’s clients are extremely vulnerable
• Client base will continue to grow with aging population
• We previously identified an elevated risk of fraud due to control weaknesses
• Cases of fraud found in other jurisdictions
## Public Trustee Services

### Number of Actively Managed Client Files, at March 31

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Clients</td>
<td>216</td>
<td>275</td>
<td>336</td>
<td>393</td>
</tr>
</tbody>
</table>

### Net Cost of Public Trustee Services (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Expense</td>
<td>$990</td>
<td>$945</td>
</tr>
<tr>
<td>Fee Revenue</td>
<td>188</td>
<td>172</td>
</tr>
<tr>
<td>Net Cost</td>
<td>$802</td>
<td>$772</td>
</tr>
</tbody>
</table>
Net Assets Held in Trust

<table>
<thead>
<tr>
<th>Year</th>
<th>Millions ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2.5</td>
</tr>
<tr>
<td>2010</td>
<td>4.0</td>
</tr>
<tr>
<td>2011</td>
<td>7.0</td>
</tr>
<tr>
<td>2012</td>
<td>7.5</td>
</tr>
<tr>
<td>2013</td>
<td>9.0</td>
</tr>
<tr>
<td>2014</td>
<td>10.0</td>
</tr>
<tr>
<td>2015</td>
<td>$10 Million</td>
</tr>
</tbody>
</table>

Volume I - Chapter 3
Exhibit 3.5
Safeguard & Administration of Client Assets Held in Trust

Improvements needed to address:

**Policies outdated and lacking**

**Investment policy not implemented**

- Majority of client investment portfolios are converted to cash
- No documented strategy or policy for investing client funds
Safeguard & Administration of Client Assets Held in Trust

Improvements needed to address:

Inadequate information system
• Inefficient and difficult to use, which is a concern considering the growing client base

No regular review of client files
Care Decisions Made on Behalf of Clients

• Processes in accordance with legislation and policies

• Improvements are needed in documentation of care decisions
Need for Performance Reporting

• No annual report prepared since 2011

• No audited financial statements for trusts made public since 2011

• Inadequate case management software is a significant barrier for developing performance measures
AGNB Recommendations

We recommend the Public Trustee:

• Establish goals, objectives and measurable targets for its services, measure its performance against the targets, and publicly report on its performance; and

• Make available publicly all audited financial statements of Trusts under the Administration of the Public Trustee.
Other Findings

Issues requiring legislation changes:

• lengthy process to obtain authority to act as Public Trustee for a client;
• loss of authority upon death of a client;
• limitations in fees that can be charged to clients; and
• inability to distribute unclaimed property.
Public Trustee Services - Highlights

• Increasing caseload / net assets held in trust
• Improvements needed to safeguard and administer client assets
• Inadequate case management info. system
• Legislative impediments to administer affairs of clients
• No public reporting since 2011
Department of Agriculture, Aquaculture and Fisheries

Agricultural Fair Associations
13 Agricultural Fair Associations in NB

Fredericton Exhibition Ltd.
Miramichi Agricultural Exhibition Association
Saint John Exhibition
Albert County Fair
Woodstock Old Home Week Agricultural Exhibition
Stanley Fair
Exposition régionale de Saint-Isidore
Queens County Fair
Kings County Agricultural Fair
Napan Agricultural Show
Port Elgin Agricultural Fair
Westmorland County Fair
Kings County Agricultural Fair
Saint John Exhibition
Albert County Fair
Agricultural Fair Associations
Why did we do this work?

• In 2013, Auditor General received a letter from a stakeholder citing governance concerns regarding operations of an Agricultural Fair Association (AFA)

• Performed preliminary exercise and identified potential risk related to government oversight

• AFAs can benefit from (and often depend on) significant exemptions and revenue opportunities through government programs
Various Departments Involved

Our observations, conclusions and recommendations are presented under the following headings:

• **Department of Agriculture, Aquaculture and Fisheries (DAAF)** - Governance and oversight of AFAs;

Eligibility for benefits and/or opportunities:

• **Service New Brunswick (SNB)** - Property tax exemptions;

• **Department of Public Safety (DPS)** - Charitable gaming privileges; and

• **Department of Finance (DOF)** - Income tax exemptions.
What We Found

DAAF – Association Oversight

DAAF does not:

• Perform supervision or control as mandated under the *Agricultural Associations Act*

• Acknowledge its oversight role over the existing fairs and has not updated the *Act* to be current

• Monitor or address AFA non-compliance with the *Act*, or have procedural documentation
AGNB Recommendations

We recommend DAAF:

• Fulfill its legislated mandate under the *Agricultural Associations Act; or* pursue legislative amendments

• Define, communicate, and monitor minimum reporting requirements for all agricultural associations and societies it is required to oversee under the *Act*
SNB - Property Tax Exemptions

• Agricultural societies and fair associations are specifically exempted from payment of property tax under the *Assessment Act* if the property is *occupied* by the society or fair association *solely* for exhibition purposes.
## SNB - 2015 AFA Property Tax

<table>
<thead>
<tr>
<th>Agricultural Fair Association</th>
<th>SNB Assessed Property Value</th>
<th>Estimated Forgone Property Tax Revenue*</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madawaska</td>
<td>$154,000</td>
<td>$5,000</td>
<td>Not operating as a fair since at least 2011 - remains SNB exempt</td>
</tr>
<tr>
<td>Fredericton</td>
<td>3,980,000</td>
<td>108,000</td>
<td>Overdue for 10-year reassessment</td>
</tr>
<tr>
<td>Miramichi</td>
<td>1,842,000</td>
<td>88,000</td>
<td>Overdue for 10-year reassessment</td>
</tr>
<tr>
<td>Queens County</td>
<td>173,000</td>
<td>7,000</td>
<td>Overdue for 10-year reassessment</td>
</tr>
<tr>
<td>Saint John</td>
<td>4,365,000</td>
<td>213,000</td>
<td>Due for reassessment in 2016</td>
</tr>
<tr>
<td>Other</td>
<td>2,257,000</td>
<td>47,000</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$12,771,000</strong></td>
<td><strong>$468,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Provincial & municipal tax revenue

**Volume I - Chapter 4**  
Exhibit 4.7 (Condensed, Modified)
## Other Finding

### SNB - Property Tax Exemptions

<table>
<thead>
<tr>
<th>Taxation Authority</th>
<th>Tax Class 50 Properties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal, LSD, &amp; Rural Communities</td>
<td>$ 25,065,000</td>
</tr>
<tr>
<td>Provincial</td>
<td>26,518,000</td>
</tr>
<tr>
<td>Provincial assessment cost levy</td>
<td>284,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 51,867,000</strong></td>
</tr>
</tbody>
</table>
What We Found
DPS - Charitable Gaming

• Eligibility of AFAs for Charitable Gaming licensing is based solely on status as agricultural fairs and not-for-profit entities

• DPS does not regularly review or monitor AFA financial records or eligibility for Charitable Gaming activities
What We Found
DOF – Income Tax Exemptions

• Under terms of agreement, DOF relies solely on Federal government to monitor AFA eligibility for income tax exemptions
AGNB Conclusions

• No government oversight of agricultural fair associations by DAAF as required by legislation

• By virtue of being classified as AFAs, the 13 entities can be exempted from property taxes along with income taxes and benefit from charitable gaming privileges
Questions?