

PRESS RELEASE

14 March 2024

Report to the Flemish Parliament

Flemish residential care centers - Financing, financial flows and deployment of healthcare staff

At the request of the Flemish Parliament, the Court of Audit investigated the financial situation of residential care centers (RCCs) and the deployment of care staff. It noted some differences between RCCs in public, private non-profit and private profit sectors. Weighted average daily prices are highest in the profit sector. The basic care allowance (which the RCC invoices to the resident's healthcare fund) is lower in the profit sector than in the public and non-profit sectors. Ownership structures are also very different: in the profit sector, almost no RCCs own the real estate themselves. However, financial figures of the RCCs in the public and private sectors are difficult to compare due to the lack of sector-specific accounting and reporting. With regard to deployment of healthcare staff, the Court of Audit calculated that a public RCC deploys an average of 6.5 FTEs more than a profit RCC and an average of 3.9 FTEs more than a non-profit RCC.

Classification

As the RCC sector is very diverse, the Court of Audit has classified RCCs into nine types for its analyses. The public sector consists of public centers for social welfare (PCSWs), welfare associations with only RCCs and mixed welfare associations. In addition to caring for the elderly, the mixed types also perform other activities, such as childcare. The private non-profit sector is divided into stand-alone non-profits, network RCCs (more than two RCCs) and mixed groups. Finally, the private profit sector includes stand-alone profit, national groups (various RCCs having a Belgian parent company) and international groups (various RCCs having a parent company abroad). As the Healthcare Department does not have complete and reliable information about the group structure of the organizing bodies of RCCs and their affiliated entities, the Court of Audit had to rely on alternative sources to classify RCCs into types.

Financial analysis

The Court of Audit has analyzed RCC organizing bodies accounts for the financial years 2019-2022. The fixed assets share in the balance sheet total is noticeably lower in the profit sector than in the other sectors because they rarely own the real estate. Equity share is also considerably lower. Among international groups, this share is even negative on average. Not all differences can be explained as numbers are hard to compare. First of all, RCCs use different annual accounts schedules. In addition, billing rules also differ. For example, certain organizing bodies book the basic healthcare allowance as turnover, while others book

that allowance as a subsidy or other operating income. Finally, figures, mainly for mixed groups and PCSWs, are distorted by activities other than residential care activity.

Important revenue items in 2019-2022 are daily prices paid by residents, basic healthcare allowances and infrastructure subsidies. Weighted average daily prices are highest among international and national profit sector groups. Basic healthcare allowances, on the other hand, are lowest in the profit sector. This can be explained by lower average care intensity and lower deployment of healthcare staff. In the past, infrastructure subsidies were obtained more often in the public sector than in the private sector and hardly any were obtained in the profit sector. This financing result spreads over the property's depreciation period and will therefore influence RRC financial figures for several years to come. However, since 2018, all new and renovated RCCs are eligible for a fixed infrastructure sum, regardless of their legal status.

Results of most RRC types developed negatively, especially in 2021 and 2022. In 2022, more than 50% of the organizing bodies per type showed worse results than in 2021, with the exception of national groups. However, it is important to take into account group structure of the various organizing bodies. A poor ratio at the individual organizing body level may not be problematic if this body belongs to a healthy group or is financially supported by a municipality or PCSW.

As figures of the different RRCs are difficult to compare, the Court of Audit recommends imposing sector-specific accounting and reporting on all types of RRCs, with clear instructions on all categories and unambiguous charging rules. In order to gain a clear view of RRC group structures, it is also desirable to develop a basic administrative file with complete, reliable and up-to-date information about the organizing bodies and their affiliated entities.

Deployment of healthcare staff

With regard to healthcare staff deployment, the Court of Audit calculated that 33,752 FTEs worked in RRCs 1 July 2021 to 30 June 2022. This does not take into account effective presences on the work floor and only concerns staff subsidized by the Flemish government. About half of them consist of healthcare professionals, one third of nurses and one tenth of reactivation personnel (e.g. physiotherapists). In relation to the number of residents, this amounts to an average of 13 FTEs staff per 30 residents. Public sector employs an average of 13.9 FTEs per 30 residents, compared to 13.2 FTEs by the non-profit sector and 11.8 FTEs by the profit sector. Each sector therefore complies with staff standards imposed by the Flemish government. The public sector employs proportionately more healthcare professionals and residential care assistants (the former animators), while the non-profit sector employs more reactivation staff. Taken into account RRCs daily prices and numbers of residents and their need for care, the Court of Audit's analysis confirms the differences in staff deployment between the three sectors: in a public RRC on average 6.5 more FTEs are employed as compared to the profit sector and on average 3.9 FTEs more than in the non-profit sector. Non-profit RRCs employ on average 2.6 FTEs more than profit RRCs.

The Court of Audit found that profit sector types differ more in deploying staff categories. Both national groups and stand-alone profit employ on average more nurses, healthcare professionals and reactivation staff than international groups. National groups also employ, on average, more residential counselors than international groups. Comparison of all nine types showed that the stand-alone profit sector employs approximately the same number of staff as the non-profit sector.

Response from the minister

The Flemish Minister of Welfare listed actions already taken as well as further Flemish Government intentions. For example, the minister referred to the ongoing project to introduce sector-specific accounting in RRCs. She also pointed out that government is looking into possibilities of gaining insight into underlying entities connected to healthcare actors, that supervision of the Healthcare Inspectorate will be expanded for this purpose and that the ban on profit from healthcare will be included as an operating principle in regulations. Finally, the minister indicated that a number of measures would be taken at the end of 2023 to strengthen RRCs financial resilience and to avoid complex financial structures being set up to withdraw capital.

Information for the press

The Court of Audit exerts an external control on the financial operations of the Federal State, the Communities, the Regions and the provinces. It contributes to improving public governance by transmitting to the parliamentary assemblies, to the managers and to the audited services any useful and reliable information resulting from a contradictory examination. As a collateral body of the Parliament, the Court performs its missions independently of the authorities it controls.

The audit report on the *Flemish residential care centers - Financing, financial flows and deployment of healthcare staff* has been sent to the Flemish Parliament. The full version and this press release can be found on the Court's website: www.courtofaudit.be.