Output Measurement for the Nursing and Residential Care Facilities Industry (NAICS 623)

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Virtual Touch-Base Voorburg meeting, October 29, 2024

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Presentation Outline

- Introduction
- Descriptions and Characteristics of the Industry
  – Industry Classification
  – Market Conditions
- Turnover and output measurement
  – General framework
  – Measurement methods
  – Measurement issues
- Conclusion

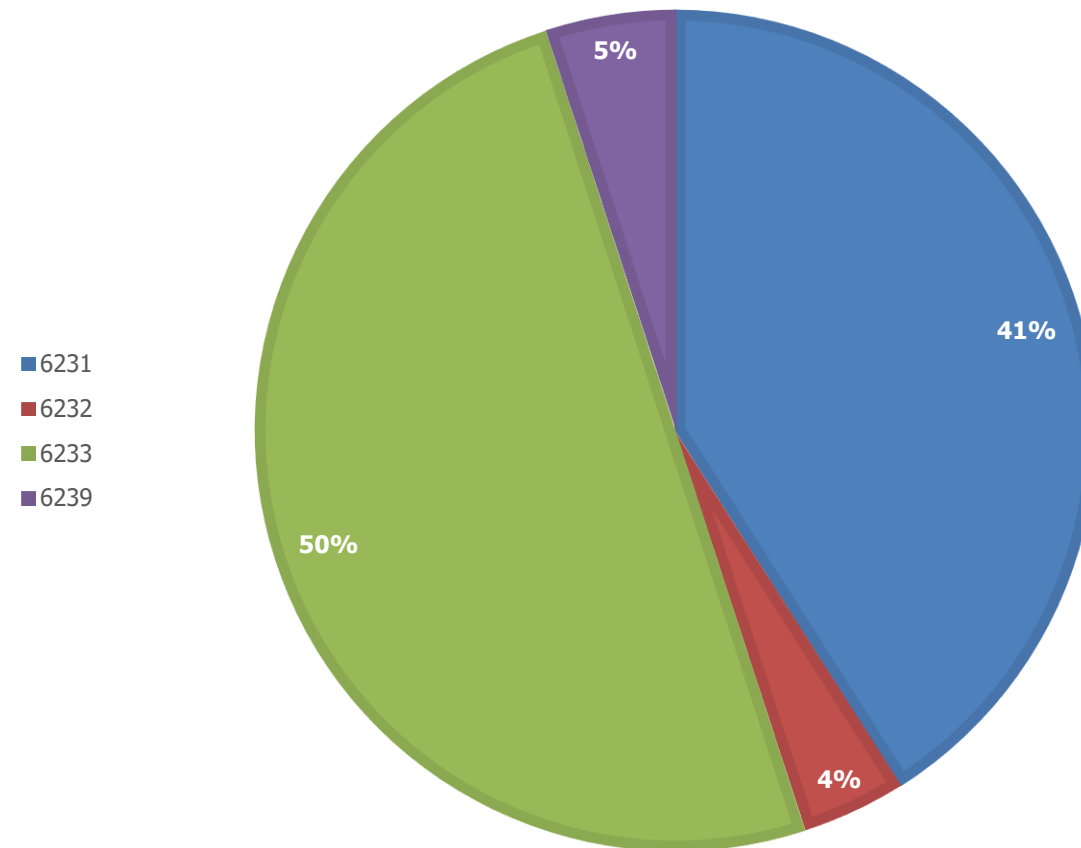Statistics Canada   Statistique Canada

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Introduction

- The last time ISIC Section Q - Human Health and Social Work Activities was addressed was in Dublin in 2014. It covered Division 86 Human Health Activities, but did not include 87 - Residential Care Activities and 88 - Social Work Activities without Accommodation.

- The NRCF industry is comprised of establishments engaged in providing residential care combined with either nursing, supervisory or other types of care as required by the residents. In this subsector, the facilities are a significant part of the production process and the care provided is a mix of health and social services, with the health component being largely nursing services.

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ISIC Rev. 4	NAICS Canada 2022 Version 1.0	NACE Rev. 2.1
Q8710 Residential nursing care facilities	623110 Nursing care facilities	R87.10 Residential nursing care activities
Q8720* Residential care activities for mental retardation, mental health and substance abuse	623210 Residential facilities for persons with a developmental disability	R87.20* Residential care activities for persons living with or having a diagnosis of a mental illness or substance abuse
Q8720* Residential care activities for mental retardation, mental health and substance abuse	623221 Residential facilities for persons with a mental health or substance use condition	R87.20* Residential care activities for persons living with or having a diagnosis of a mental illness or substance abuse
Q8720* Residential care activities for mental retardation, mental health and substance abuse	623222 Homes for persons with a psychiatric disability	R87.20* Residential care activities for persons living with or having a diagnosis of a mental illness or substance abuse
Q8730 Residential care activities for the elderly and disabled	623310 Community care facilities for the elderly	R87.30* Residential care activities for older persons or persons with physical disabilities
Q8790* Other residential care facilities	623991 Transition homes for victims and survivors of abuse and domestic violence	R87.99* Other residential care facilities
Q8790* Other residential care facilities	623992 Home for children with a mental health condition or disability	R87.99* Other residential care facilities
Q8790* Other residential care facilities	623993 Homes for persons with a physical disability	R87.99* Other residential care facilities
Q8790* Other residential care facilities	623999 All other residential care facilities	R87.99* Other residential care facilities
Q8791 Intermediation service activities for residential care activities	**?**	**R87.91** Intermediation service activities for residential care activities

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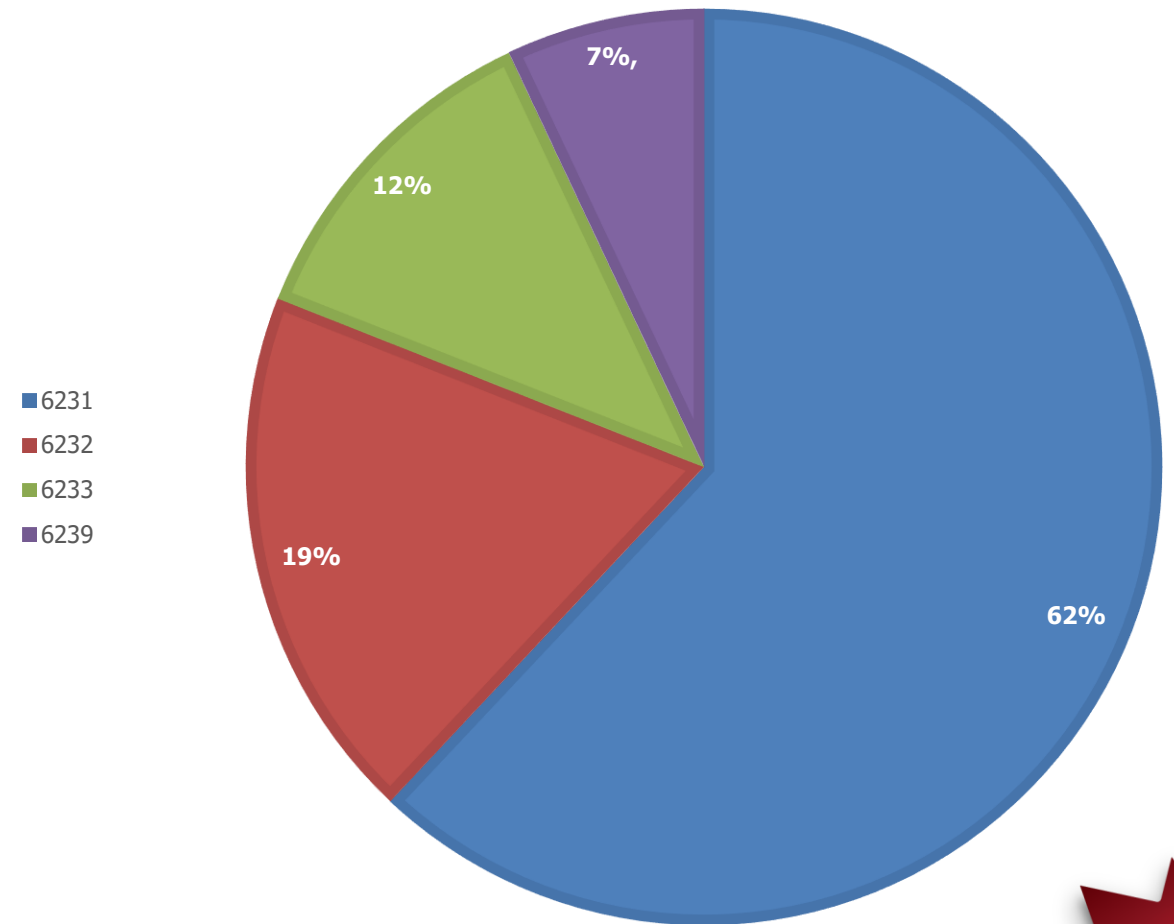
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Public versus private sector

- **623110 - Nursing care facilities**
- 623210 - Residential facilities for persons with a dev. disability
- 623221- Residential substance abuse facilities
- 623222 - Homes for the psychiatrically disabled
- **623310 - Community care facilities for the elderly**
- 623991 - Transition homes for women
- 623992 - Homes for emotionally disturbed children
- 623993 -Homes for the physically handicapped or disabled
- 623999 - All other residential care facilities

% OF REVENUE FROM SALES AND SERVICES (PRIVATE)

Legend:
- 6231
- 6232
- 6233
- 6239

Pie chart values: 41%, 4%, 50%, 5%

Public versus private sector

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Legend:
- 6231
- 6232
- 6233
- 6239

Pie chart values: 62%, 19%, 12%, 7%

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Descriptions and characteristics of the industry: Market conditions

A few words about Canada's health care system

- Shared Responsibilities: Health care roles are divided between provincial/territorial and federal governments.
- Provincial/Territorial Role: Manage, organize, and deliver health care services to residents.
- Federal Role: Set and administer national standards (public administration, comprehensiveness, universality, portability, accessibility).
- Funding: Federal government provides funding through the Canada Health Transfer to support funding for provincial and territorial health care services

Descriptions and characteristics of the industry: Market conditions

Importance of the industry

- Aging Population: Seniors (65+) will rise from 18.9% to 23.3% in the next 10 years.
- Increased Demand: Health and long-term care systems will face more pressure.
- Nursing/Residential Care: Essential for supporting older adults and those with disabilities.
- Economic Contribution:
  - $27.0 billion in 2020.
  - 1.2% of Canada's GDP.
  - 1.6% of total output impact.
  - 2.9% of total employment.
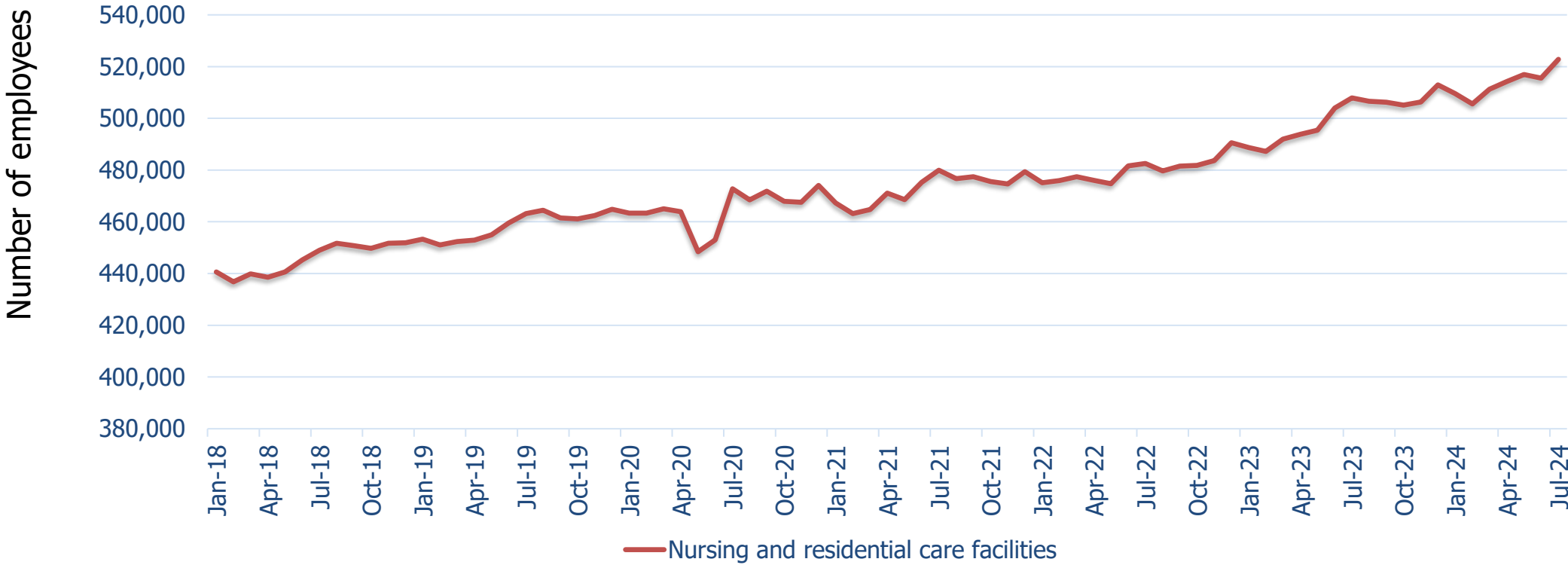
Descriptions and characteristics of the industry: Market conditions

Importance of the industry

Employment, monthly, unadjusted for seasonality, 2018-2024, Canada

— Nursing and residential care facilities

Descriptions and characteristics of the industry: Market conditions

Importance of the industry – Business counts

- **2023 Data**: 23,940 active establishments in the NRCF industry (app. 65% are private facilities)
- **Proportion**: Represents 0.33% of total establishments in Canada.
- **Business Size**: Many businesses (49%) are very small.
- **Data Adjustment**: Excludes unincorporated, non-employer businesses with annual revenues below $30,000 to reduce volatility.
- **Employment Size:** Slightly more than three-quarters (76.2%) of businesses with employees were classified as small establishments (5-99 employees). Large employers, those with more than 500 employees, made up only 0.4% of total establishments.
- **Survival Rate**: Only 55.8% of businesses with employees in the services-producing sector were still operating after five years.

Year	NAICS	Businesses with employees	Businesses without employees	Total
2023	6231	2,423	2,224	4,647
	6232	4,091	313	4,404
	6233	3,493	1,033	4,526
	6239	2,028	1,252	3,280
	Total	12,035	4,822	**16,857**
2022	6231	2,329	1,278	3,607
	6232	3,707	243	3,950
	6233	3,532	909	4,441
	6239	1,891	1,008	2,899
	Total	11,459	3,438	**14,897**
2021	6231	2,352	844	3,196
	6232	3,569	242	3,811
	6233	3,588	922	4,510
	6239	1,877	943	2,820
	Total	11,386	2,951	**14,337**
2020	6231	2,401	786	3,187
	6232	3,661	245	3,906
	6233	3,742	983	4,725
	6239	1,975	965	2,940
	Total	11,779	2,979	**14,758**
2019	6231	2,165	764	2,929
	6232	3,672	285	3,957
	6233	2,790	1,029	3,819
	6239	2,079	1,027	3,106
	Total	10,706	3,105	**13,811**

Descriptions and characteristics of the industry: Market conditions

**Level of market concentration for the <mark>private</mark> NRCF industry, 2022**

NAICS 623 / ISIC Q87	Number of establishments	Total operating revenue ($)	Revenue of largest firms as percent of total revenue (%)
All firms	13,606	12.6 billion	100.0
10 largest firms	361	5.0 billion	28.5
50 largest firms	681	6.2 billion	35.1

Barriers to Entry
- Market Competition
- High Initial Investment
- Operational Complexity
- Regulatory Requirements
- Staffing Challenges

Summary statistics, nursing and residential care facilities industry (623), Canada, 2016 to 2022
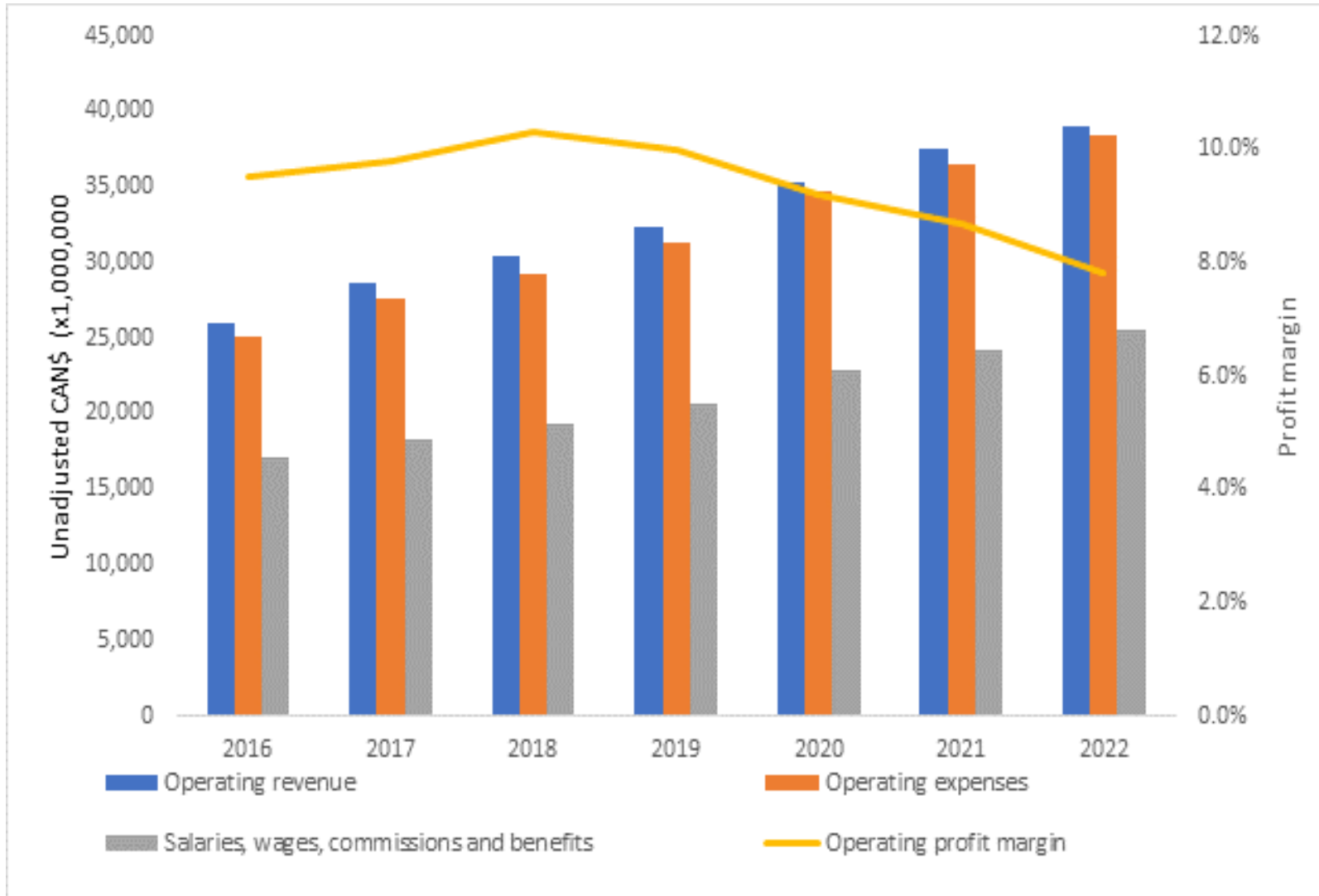
- Operating revenues grew by 4.2% to $39.1 billion in 2022.
- Government grants/subsidies comprise 39.9% of total revenue.
- Operating expenses grew by 5.3% to $38.5 billion in 2022 (Covid-19 costs, regulatory compliance, rising care costs, worker shortage).
- Salaries, wages, commissions, and benefits rose by 5.1% to $25.5 billion, making up 66.2% of operating expenses.
- Profit margins for private sector facilities have been steadily decreasing since 2018. PM stood at 7.8% in 2022, the lowest level observed since 2014.

Descriptions and characteristics of the industry: Market conditions

Distribution of operating revenue by province, 2022

The operating revenues are in millions of dollars

68.8
(0.2%)

31.8
(0.1%)

17.1 (0.0%)

4736.2
(12.1%)

4302.4
(11.0%)

1556.7
(4.0%)

1668.3
(4.3%)

12012.4
(30.7%)

11536.7
(29.5%)

- NFLD 523.4 (1.3%)
- P.E.I. 229.5 (0.6%)
- Nova Scotia 1510.8 (3.9%)
- New Brunswick 903.6 (2.3%)

•**Distribution:** Establishments in this industry are mostly concentrated in Ontario, Quebec, British Columbia, and Alberta.
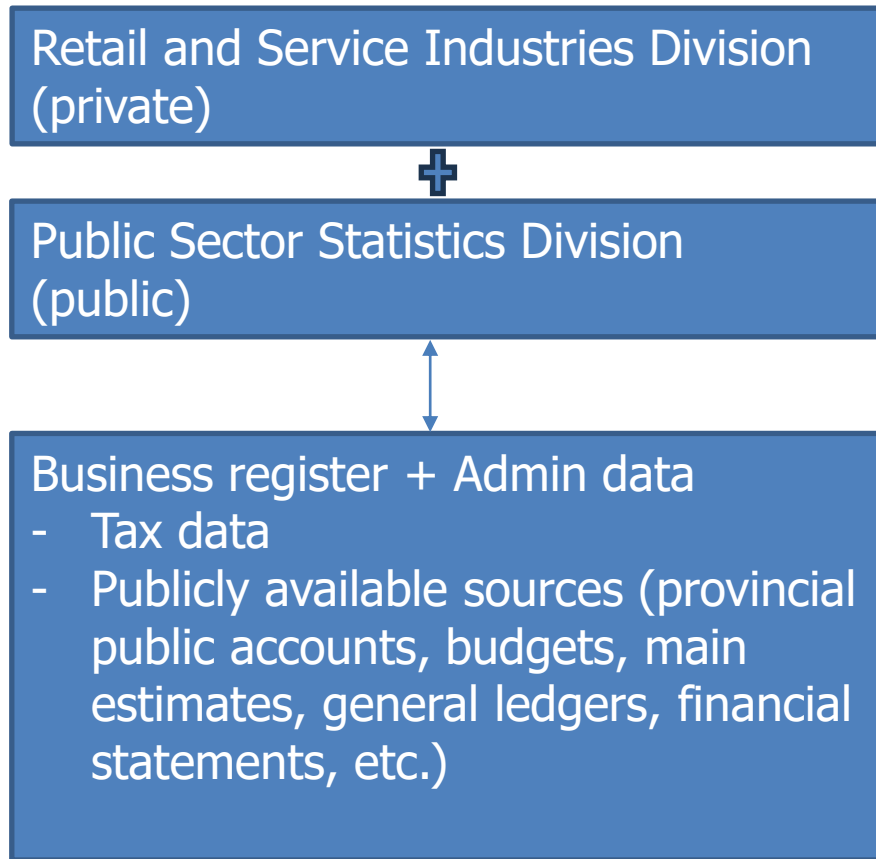
•**Quebec**: Higher proportion of operating revenue due to more residents aged 65+.

•**Factors Influencing Industry Size**:

- Number and type of facilities.
- Provincial healthcare policies and funding.
- Cultural preferences.
- Economic factors.

•**Private vs. Public**: Ontario has a more predominant private sector.

Turnover and output measurement: General framework and measurement methods

```
Retail and Service Industries Division
(private)
            +
Public Sector Statistics Division
(public)
            ↕
Business register + Admin data
-   Tax data
-   Publicly available sources (provincial
    public accounts, budgets, main
    estimates, general ledgers, financial
    statements, etc.)
```

- Generic Published Data:
  - Operating Revenue

  - Operating Expenses
  - Salaries, Wages, Commissions & Benefits
  - Operating Profit Margin
  - Operating surplus or deficit

- Generic Published Data (when there is a survey):
  - Detailed revenues and expenses
  - Personnel and hours worked
  - Type of services offered on-site
  - Number of beds
  - Number of residents (age, gender)
  - Covid-19 (infection prevention and control measures, changes made to the facility, the number of confirmed COVID-19 cases, and the proportion of residents and employees fully vaccinated against COVID-19, etc.)

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- Measures industries' outputs, intermediate consumption and value-added in current and constant prices.
- Measurement of the industry's structure and change over time in the annual supply and use tables, which in turn serve as benchmarks for monthly GDP and provincial GDP.

Conclusion

- The Nursing and Residential Care Facilities Annual Program exclusively relies on administrative data sources to produce official estimates for key financial variables. Continued efforts are necessary to review and update methods to publish more timely data without compromising quality and accuracy. Occasionally, Statistics Canada conducts surveys to collect more elaborate information on various characteristics.

- The main challenges of the program are maintaining an up to date 'clean' Business Register/survey frame while minimizing coverage errors, such as omissions, erroneous inclusions, duplications, and misclassifications of units in the survey frame. Additionally, integrating multiple sources of administrative data to derive coherent statistics is challenging and time-consuming.

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