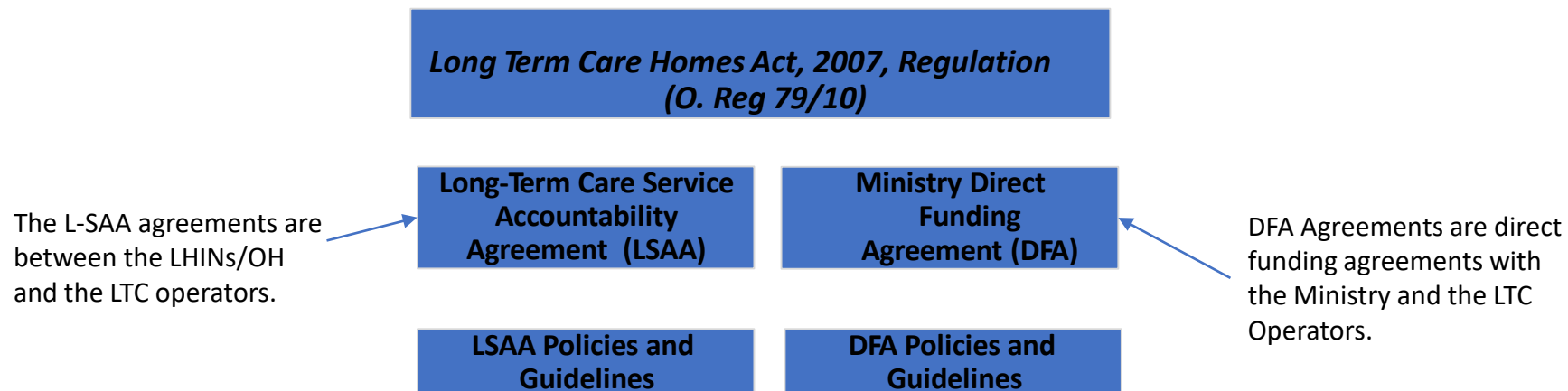


**Overview of Long-Term Care
Funding – *Level of Care Funding
Envelopes and Reconciliation
Process***

LTC Funding and Accountability Framework

The Long-Term Care funding model combines **Level-of-Care (LOC) per diems, targeted supplementary funding streams, and claims-based funding.**

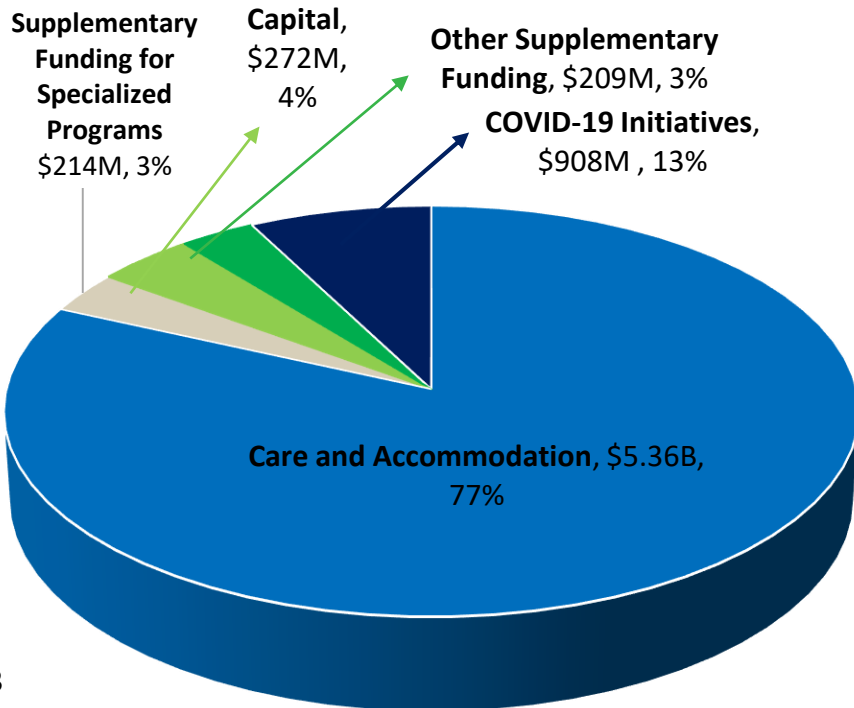
Accountable delivery of the framework is supported by a series of **Long-Term Care Accountability Agreement** and **Direct Funding Agreement** policies that work together with the reconciliation process to ensure that funds are spent as intended.



LTC program policies are available at http://www.health.gov.on.ca/en/public/programs/ltc/lcaa_policies.aspx

LTC Sector Funding: How We Fund LTC Homes

- The majority of long-term care funding is used for staffing, supplies, equipment and for accommodation-type expenses (food, housekeeping, maintenance).
 - Funding is provided to homes on a per diem basis through a Long-Term Care Home Service Accountability Agreement (L-SAA). The ministry also provides supplementary funding for specialised supports, capital and other initiatives through both the L-SAA and the Direct Funding Agreement (DFA).
- Almost **\$7B** is spent on long-term care (2020-21). The program is funded by the government (\$5.4B) and by resident co-payments (\$1.6B).
 - Note: In addition to the annual allocation, the government has invested an additional \$908M for COVID-19 prevention and containment and temporary surge capacity to date. A portion of this funding combined with an investment from the federal government also enabled an investment of \$321M in temporary pandemic pay to LTC staff.



2020-21 Funding Metrics



\$7.0B for Long Term Care
5.4 B Ministry Funds
1.6 B Resident Co-Pay



Resident Co-payment
Residents contribute towards the cost of meals and accommodation through co-payments of \$62.18 per day. ~35% receive financial assistance (from the Ministry) to pay for accommodation.



~\$68,500 per resident per year
Annual base operating funding



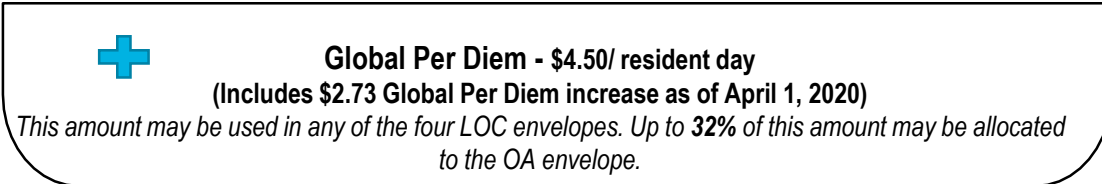
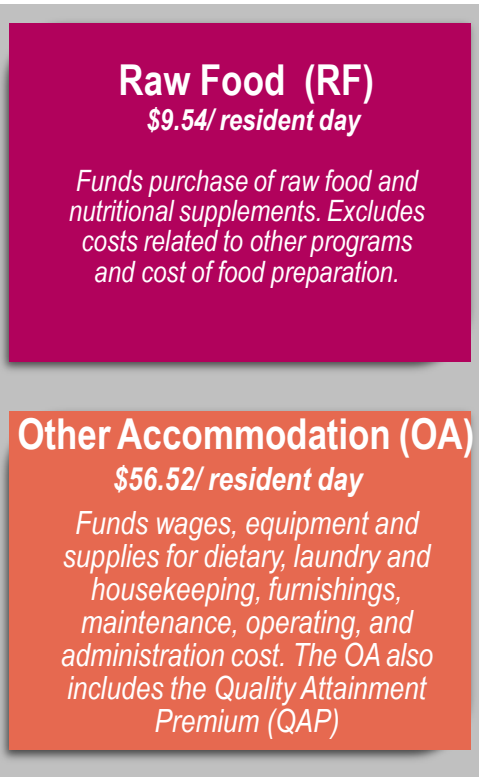
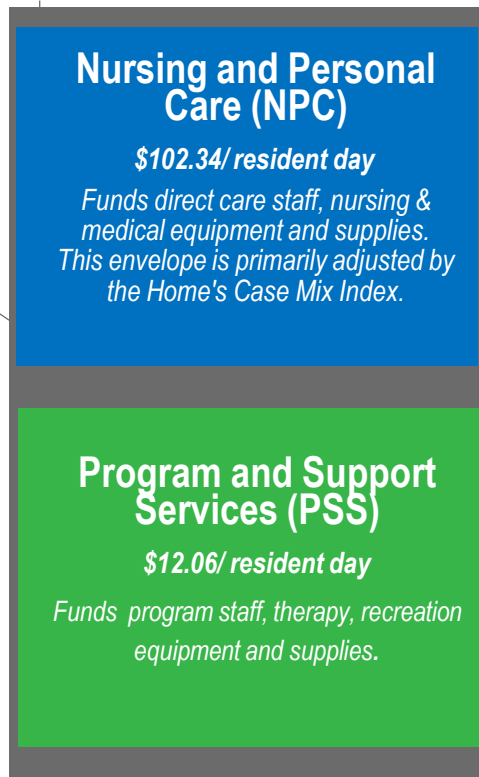
~\$6,000 per resident per year
Estimated subsidy for additional nursing care, specialized supports, and other program initiatives

Level-of-Care Funding

LTC homes are funded through the Level-of-Care (LOC) funding envelopes, supplementary funding streams, and claims based funding. The majority of LTC funding is targeted at care and accommodation which consists primarily of the **LOC envelopes**.

LOC Envelopes - \$184.96 per diem (April 1, 2020)

The **government funds the full cost of the direct care envelopes** (i.e., NPC and PSS)



RF and OA envelopes are **funded with some subsidy from the government.**

As outlined in regulation, LTC residents are required to **contribute a co-payment** towards the cost of their meals and accommodation.
(Basic Co-payment amount of \$62.18)

The **government provides a rate reduction** to low income residents so that **income is not a barrier** to accessing LTC.

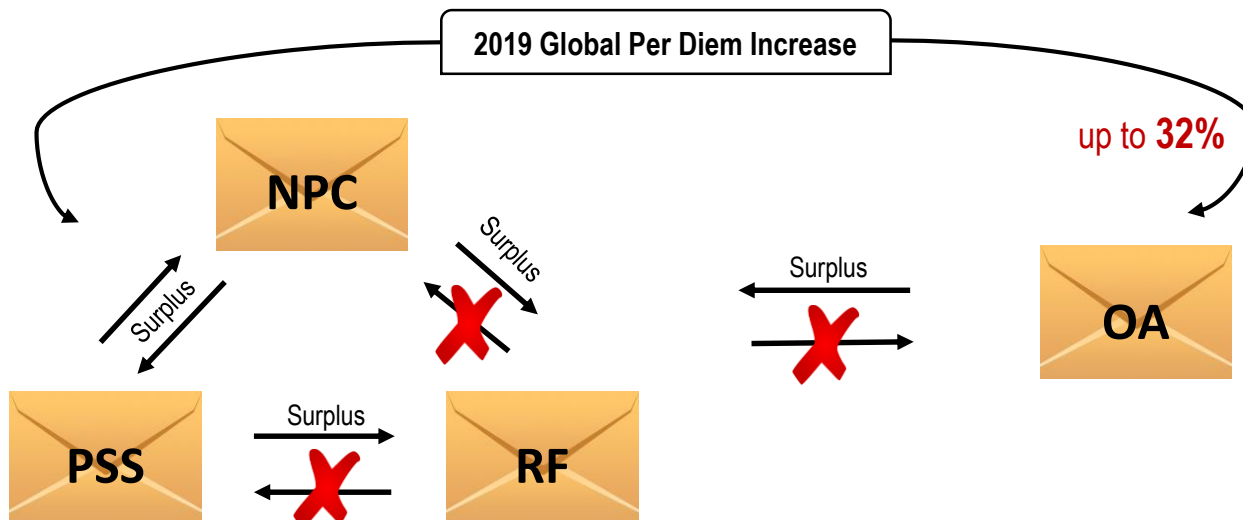
Operators may retain a portion of the OA envelope as income. Any surplus (unused) amounts from the other envelopes are recovered by the ministry.

Balancing Across Envelopes

LTC homes can use **surplus funds** to balance expenditures **across envelopes** as needed, however, the following restrictions apply:

- ❖ Surplus funds from other envelopes can be used towards the Raw Food (RF) envelope, however, funds from the RF envelope cannot be used for expenditures in other envelopes.
- ❖ Funds allocated to the Other Accommodation (OA) envelope may be used to supplement expenditures in the other envelopes. However, funds from the other envelopes cannot be used for OA expenditures.
- ❖ LTC homes may allocate up to 32% of the global per diem funding amount to the OA envelope. The greater of the remaining balance or 68% of the global per diem funding amount must be applied against eligible expenditures in the NPC, and/or PSS, and/or Raw Food envelopes.

Expenditures must be reported in the appropriate envelopes. The actual balancing will be done by the ministry as part of the **annual reconciliation** process.



Level of Care Envelopes: Annual Increases



LOC Per Diem by Envelope	2016-17	2017-18	2018-19	2019-20	2020-21
Nursing and Personal Care (NPC) – Case Mix Index (CMI) Adjusted	\$94.37	\$96.26	\$100.26	\$100.26	\$100.26
<i>Supplementary NPC - non-CMI adjusted*</i>	-	\$0.64	\$0.65	\$2.08	\$2.08
Programs and Support Services (PSS)**	\$9.41	\$9.60	\$9.79	\$12.06	\$12.06
Raw Food (RF)	\$8.33	\$9.00	\$9.54	\$9.54	\$9.54
Other Accommodation (OA)	\$54.33	\$55.28	\$56.16	\$56.16	\$56.16
<i>Supplementary OA</i>	-	-	\$0.36	\$0.36	\$0.36
Global Per Diem	-	-	-	\$1.77	\$4.50
<i>Global Per Diem Increase (%)</i>	-	-	-	1%	1.5%
Total Per Diem Rates	\$166.44	\$170.78	\$176.76	\$182.23	\$184.96

Note: In April 2019, the ministry introduced a global increase adjustment in addition to the four level-of-care per diem categories. Homes can use this adjustment as needed to address priority areas. The global per diem increase is included in the table above.

* Effective August 1, 2019, RAI-MDS funding was allocated as a supplementary line in the NPC envelope. The supplementary per diem of \$2.08 is comprised of \$0.65 (High Intensity Needs Fund-NPC) plus \$1.43 (RAI-MDS).

**Effective April 1 2019, physiotherapy funding was embedded in the PSS envelope resulting in a \$2.27 per diem increase in the PSS envelope. As such, these amounts are not included in the LOC envelopes prior to April 1 2018 and April 1 2019, respectively.

Surplus Funds: How LTC Homes Make a Profit

1. Level-of-Care (LOC) Funding



- LTC homes may retain surplus funding from the OA envelope as profit.
- **Note:** While homes may allocate up to 32% of the global per diem into the Other Accommodation envelope, this does not suggest all 32% of the global per diem funding is profit. Funds allocated to the Other Accommodation (OA) envelope may be used to supplement expenditures in the other envelopes.

2. Preferred Accommodation Premiums



- For residents who request preferred accommodations, LTC homes may retain the preferred accommodation premiums for semi-private and private rooms.
- The premium charged for semi-private and private accommodations is up to \$13.02 and \$27.15 per day respectively.

Surplus Funds Continued

3. Optional Programs and Services



- Revenue generated through resident charges for optional services requested (e.g. hairdressing, cable T.V., telephone, parking etc.) are retained by the operator.
- Optional Services represent services not paid for through accommodation charges and that do not fall within the category of non-allowable charges as outlined in section 245 of O. Reg. 79/10 under the Long- Term Care Homes Act, 2007.

4. Related Operations

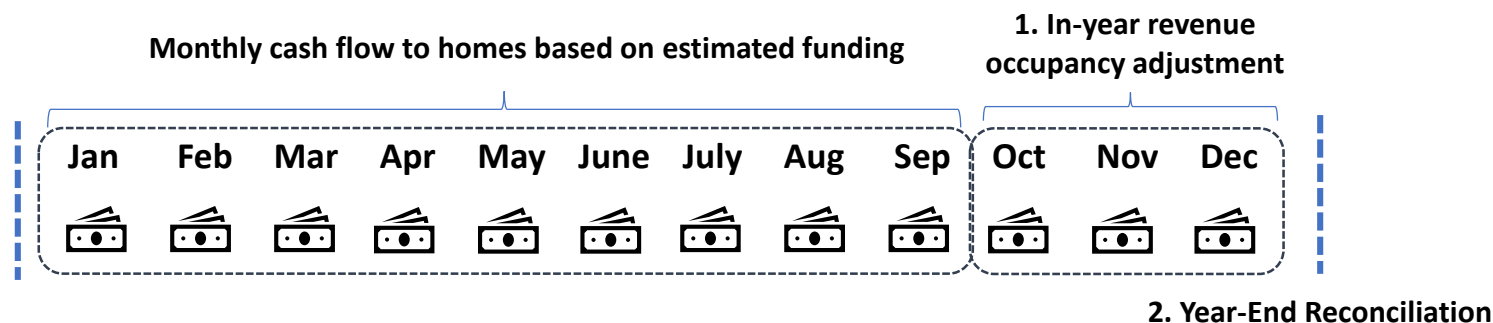


- LTC homes may also realize revenue/profit from a related operation which is not part of the funded home, e.g. a private retirement residence.

Annual Reconciliation Process

- Delivery of the funding framework is supported by a series of Long-Term Care Accountability Agreement and Direct Funding Agreement policies working together with the reconciliation process to ensure that funds are spent as intended.
- For the purpose of providing cash flow, **funding is advanced to homes in monthly payments based on estimates** of funding. The funding advanced to licensees in monthly installments is approximately **one-twelfth** of the estimated annual funding.

Annual Cash Flow Allocations



1. **In-Year Reconciliation** – primarily to align cash flows with resident revenues collected by homes (in-year revenue occupancy adjustment)
2. **Year-End Reconciliation** – a final review to align eligible funding with cash flows and other policy requirements.



LTC program policies are available at
http://www.health.gov.on.ca/en/public/programs/ltc/lcaa_policies.aspx

Annual Reconciliation Process Continued



Long-Term Care Homes are required to submit an Audited Annual Report on a Ministry prescribed template to enable the year-end reconciliation process.



The reconciliation process compares ministry cash flows with the total amount that each home is eligible for based on funding policies to determine there should be a recovery or a final settlement.



The ministry issues the Annual Report Technical Instructions and Guidelines, typically by March of the following year to provide further guidance on the submission requirements.

Factors considered to determine whether there is a recovery or settlement include whether:

- ✓ Funds have been used in accordance with the eligible expenditure policy and other program policy guidelines.
- ✓ The estimated revenue used for monthly cashflows aligns with the total amount that the home is eligible to receive.
- ✓ The total reported resident co-payment revenues aligns with the estimates used to determine ministry monthly cash flows for level of care funding.
- ✓ The home has achieved required occupancy targets for their respective programs.



LTC program policies are available at
http://www.health.gov.on.ca/en/public/programs/ltc/ltaa_policies.aspx

Annual Reconciliation Process Continued

Step 1: Homes Complete Annual Audit Report

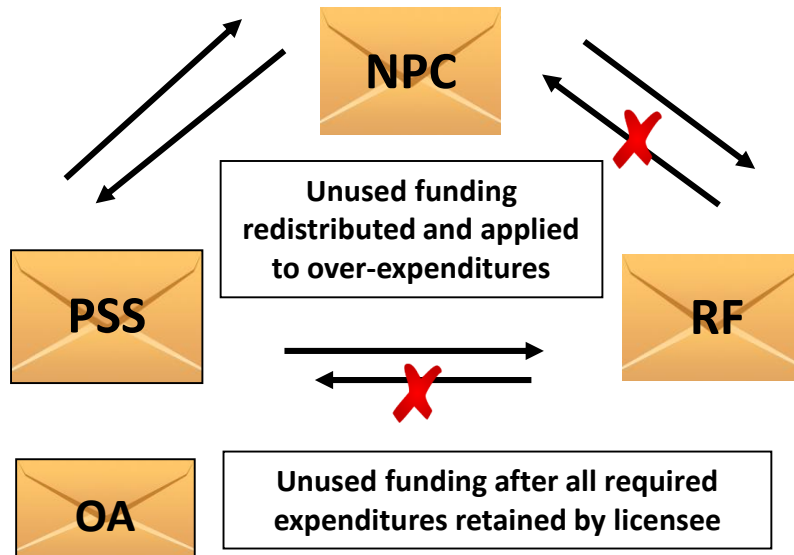
Due September 30th each year



- Homes submit an audited annual report using a ministry developed template for the **previous calendar year period**.
- Homes report on revenues (e.g. Co-payment fee charges), operating expenditures by envelope, and bed utilization.



Step 2: Ministry initiates Reconciliation



- Unused funding in the NPC and PSS envelopes is redistributed and applied against any over-expenditures in the NPC, PSS and RF envelopes.
- Any surplus (from the NPC, PSS, and Raw Food envelopes) remaining after redistribution is recovered by the ministry.
- Unused funding in the OA envelope is retained by the licensee.

Annual Reconciliation Process Continued

Step 3: Consider Other Funding and Expenditures



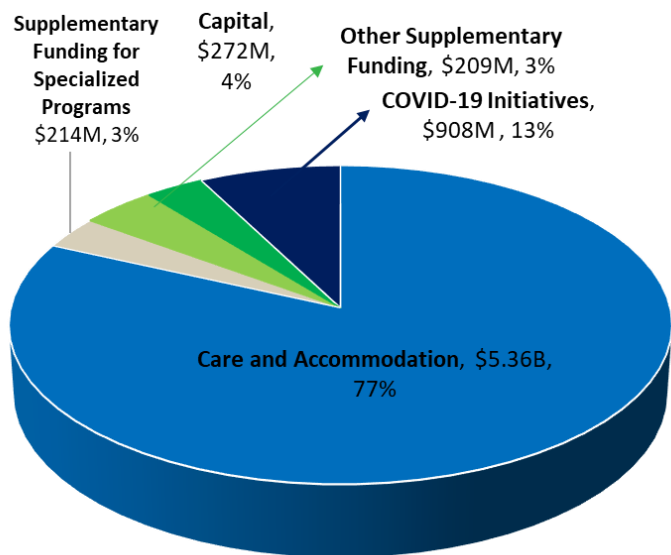
- Ministry considers funding and expenditures not allocated by envelope, including: claims based, one-time funding, bad-debt expenses, etc.
- ▼
- Ministry subtracts the home's reported recoverable revenues (e.g. basic portion of copayment charged to residents). This number is used to determine the allowable or approved subsidy.
- ▼
- Approved subsidy is compared to sum of payments made for the calendar year to determine the final settlement amount .
- ▼
- If the payments exceed the approved subsidy, funding is recovered from the home otherwise funding is owed to the home.

Appendix



Appendix A: Supplementary Funding Streams

In addition to the LOC funding, LTC homes receive **targeted supplementary funding** for basic care and accommodation, specialized supports, capital and other initiatives. Some of these funding streams are claims based funding. 2020/21 supplementary funding streams include:



Specialized Supports (\$214 M - 3%)

- Behavioural Support Ontario (BSO)
- High Intensity Needs Fund (HINF) (*claims based funding*)
- Falls Prevention
- Assistive Devices Programs – LTC Expansion
- Convalescent care beds
- Attending Nurse Practitioner
- Nurse Practitioner

Capital (\$272 M - 4%)

- Construction Funding Subsidies and Grants (e.g. CFS, Development Grants)
- Minor Capital

Other (\$209 M - 3%)

- Clinical and education supports
- Personal Support Worker (PSW) Training Fund
- eClinical Support Tools
- Municipal Tax Allowance Fund (*claims based funding*)
- Laboratories Services Funding
- Pay Equity Funding & Equalization Adjustment
- Physician On-Call (POC) Program

Care and Accommodation (excluding Level of Care - \$75M)

- Direct Care Staffing

COVID-19 Investments (\$908 M – 13%)

- Prevention and Containment
- Stabilization of Operations
 - Occupancy Reduction
 - High Wage Transition Funding
 - Infection Prevention and Control (IPAC) Minor Capital
 - IPAC Personnel and Training
- Surge Capacity and Other Initiatives
- Pandemic Pay (Provincial portion)
- Personal Support Worker Temporary Wage Enhancement