

# Long-Term Care Licensing and Capital Development Program Highlights

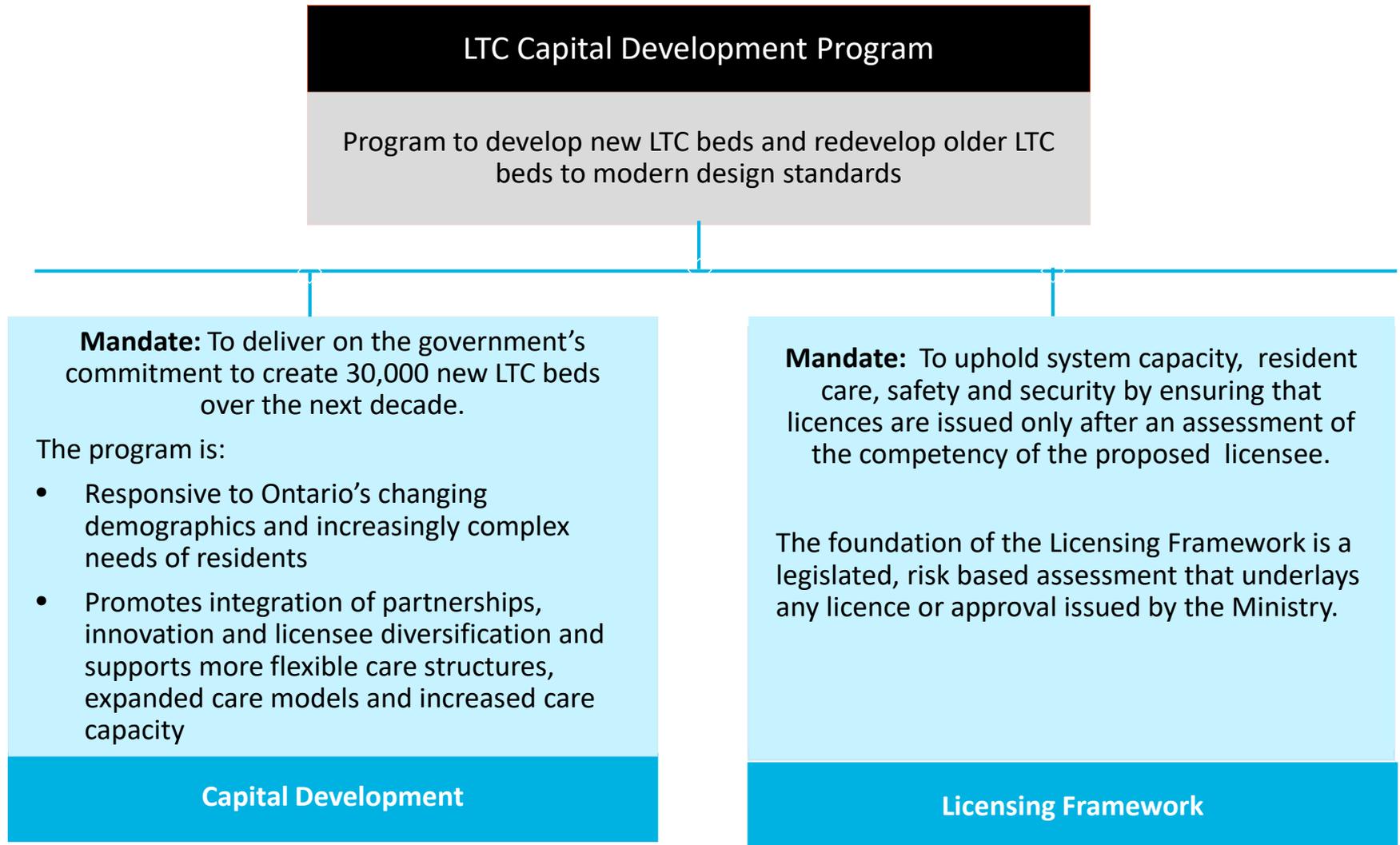
Prepared for the Long-Term Care Covid-19 Commission

November 2020

# Overview of the Capital Development Program

- The ministry is working to create a **21st century long-term care (LTC) system** that is resident-centered and builds capacity and access for residents and caregivers to ensure people get the care they need, when they need it
- Through program, policy and process improvements, the ministry has identified and implemented strategies that better align the Long-Term Care Home Development Program with provincial priorities that focus on generating LTC capacity, eliminating hallway health care and improving the residents experience.
- As part of these broader modernization efforts, the ministry released the **2019 Application for Long-Term Care Home Development** in October 2019 under the Long-Term Care Home Development Program, focused on developing net **new LTC spaces** in new or existing homes, as well as **redeveloping LTC beds** by either renovating an existing home or replacing an older existing home with a new home that meets current design standards.
- These program objectives aim to deliver on the government's commitment to create 30,000 new LTC beds over the next decade.
- In response to COVID-19 pandemic, the ministry extended the application deadline to September 25, 2020 and received over 300 applications.

# LTC Capital Development - Program Components



# Historical Context of LTC Home Development

- The current LTC system in Ontario is faced with increasing capacity pressures and is putting additional strain on the province's health care system as a whole. At the same time, the province is experiencing a rapidly growing aging population with increasingly complex and diverse LTC needs.
- Coupled with the changing demographics and increased demand for various care options, a limited number of LTC projects have been constructed in the province as ongoing barriers to development have been left unaddressed for over a decade.
- Previous attempts to develop LTC in the province failed because:
  - 1) The focus was on redevelopment, without attempting to add capacity. Many proposed projects rely on increasing bed capacity to make redevelopment financially viable.
  - 2) The funding model did not incentivize development of new beds and redevelopment of older beds.
  - 3) Prior to the *Long-Term Care Homes Act, 2007* (LTCHA), licences had a term of one year. In the transition to the LTCHA, all existing homes were issued a licence with a set term (4 – 25 yrs.), depending on the structural classification of the home. Motivation to redevelop an existing home increases as the end of the licence terms approaches. Most homes eligible for redevelopment have licences that expire in 2025.
- Please see **Slide 7**, which outlines additional information on the limited uptake of LTC development projects since 2007.

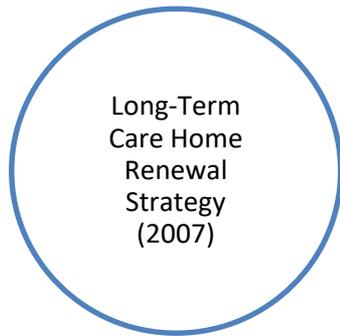
# Barriers to Development

- The ministry has heard consistently from sector stakeholders about the barriers they face at each stage in the development process.
- These key barriers to LTC development have resulted in less overall construction of LTC homes over the past decade, as outlined in **slide 6**.



# Historical Context of LTC Development

- Ongoing barriers to development have been left unaddressed for over a decade, resulting in a limited number of LTC projects being constructed in the province, out of step with aging demographics.



- Goal set to redevelop approximately 35,000 older long-term care beds.
- By 2009, the uptake was less than anticipated and led to approximately 2,500 beds being redeveloped.



- In response to the low uptake, the ministry consulted with the sector to understand challenges and in October 2014 announced the Enhanced Long-Term Care Home Renewal Strategy to redevelop the remaining 30,000 eligible beds by 2025.
- Approximately 250 additional beds were redeveloped.



- Between 2011 and 2018, there were 611 net new beds placed into operation.
- In February 2018, the ministry released a Call for Applications for funding to support the development and redevelopment of long-term care capacity in the province. More than 250 applications were received, but only 9 beds have opened.



- From 2023-24 to 2033-34, the growth rate in the population of Ontarians aged 85 and older is projected to average 4.7% every year.
- The FAO projects that waitlist for long-term care will increase by about 2,000 over the next five years, from 34,900 in 2018-19 to approximately 36,900 in 2023-24. With a peak waitlist of 40,20 in 2020-21.

# Why Modernize LTC?

- Too many of our most vulnerable people are unable to access the care they need, when they need it – and the level of care when they do receive it, is not always appropriate.
- The current LTC system is faced with increasing capacity pressures and is putting additional strain on the province's health care system as a whole.
- Few new beds are being built to meet the needs of a rapidly growing aging population that experiences increasingly complex and diverse care needs.
- Without additional capacity, these challenges will worsen and the government's goal of eliminating hallway health care will not be achieved.
- Modernization of the long-term care system **puts people first** by addressing the need for access to high quality care for those who need it and makes the sector **open for business** for creating new investment and job opportunities.
- LTC demand is determined based on population growth and projected placement patterns. These estimates, in addition to the projected LTC bed supply at the Census Division level, are used to estimate the projected gap between demand and supply for up to 10 years (Please see **Appendix A** for more detail).



**70,873** long-stay residents across the province (August 2020)



**38,375** people on the long-term care wait list (August 2020)



**3.59** average hours of direct care per resident per day (2017 calendar year)

# LTC Modernization Framework

**A plan to create a 21st century long-term care sector that is resident-centred and provides access to the highest quality of care for our most vulnerable people where and when they need it.**

## **Building Long-Term Care Beds:**

Modernize and improve the development process of long-term care beds to create 30,000 new LTC beds over the next decade

## **Ensuring Safe, Quality Resident Centred Care:**

Implement a staffing strategy to retain and recruit personal support workers and regulated health professionals as well as enhance training for long-term care staff.

Refine the Inspections and Compliance Framework so it is a timely, balanced and supportive oversight model.

Expand day programs, virtual care and community paramedicine in long-term care.

## **Transforming Care Delivery:**

Coordinate long-term care with broader Health System Transformation and integrate with communities.

Ensure the funding model for homes is flexible and sustainable.

Reduce regulatory burden for long-term care home operators while maintaining necessary protections.

# Levers to Modernize LTC Development

- The ministry has consistently heard about the barriers to LTC development, especially funding sufficiency. The table below outlines the ministry’s innovative approach to move away from a **one-size-fits-all** model of funding that has not taken into consideration **regional differences** and how they impact construction, land, among other costs of a development project.

Current Model	Modified Funding Model/Levers	Impact
One Construction Funding Subsidy (CFS) across Ontario.	Increase current provincial CFS (currently \$18.03 - \$23.03 per diem) by identified market segments: + \$5.75 large urban + \$2.50 urban + \$2.50 mid-size + \$2.75 rural	Proposed funding approach would incentivize development (sufficient return on equity) and would distinguish between markets.  The proposed funding model, including the upfront payment and increased CFS, would support a Return on Equity of approximately 7%, which is significantly higher than the current amount.
No up front portion of funding option available.	Provide a portion of funding up front – specific to each market segment: 17% large urban/urban 10% mid-size 12 % rural	
Initial steps taken to streamline the process in place (new streamlined application).  No additional levers are currently available to address development expertise, high development charges costs, etc.	Additional policy levers seek to: <ul style="list-style-type: none"> <li>• address barriers related to high construction costs and bring stability/predictability to operators to develop and operate homes.</li> <li>• Clearly documented and defined milestones to develop a sense of predictability to move projects forward.</li> <li>• Implementation of Vendor of Record to allow the sector to gain access to expertise.</li> </ul>	Additional suite of policy levers will provide additional support to get LTC projects started.

# Overview of the LTC Licencing Framework

*The LTCHA and Ontario Regulation 79/10 requires that all long-term care beds be licensed or approved by the ministry and also establishes the framework for this process.*

- A long-term care home licence provides the Licensee with:
  1. The rights to operate the home;
  2. A committed funding stream; and,
  3. The ability to monetize the licence.
  - All for up to 30 years (in accordance with the LTCHA and Regulation 79/10 and subject to ministry approval where required.)
- The licensing framework enables a due diligence process to determine the competency of the Licensee to operate a LTC home without compromising the delivery of care and services to residents.
- At the core of the licensing framework are three key decision variables:
  1. An assessment of the competency, past conduct, demonstrated capacity of the Applicant/Licensee
  2. Public interest tests consisting of a public consultation and a determination by the Minister of Long-Term Care, on the need for beds and impacts to sector balance and market concentration.
  3. A decision by the Director to issue a licence
- These elements ensure that the safety and security of residents, remains critical when deciding on the issuance of a licence.

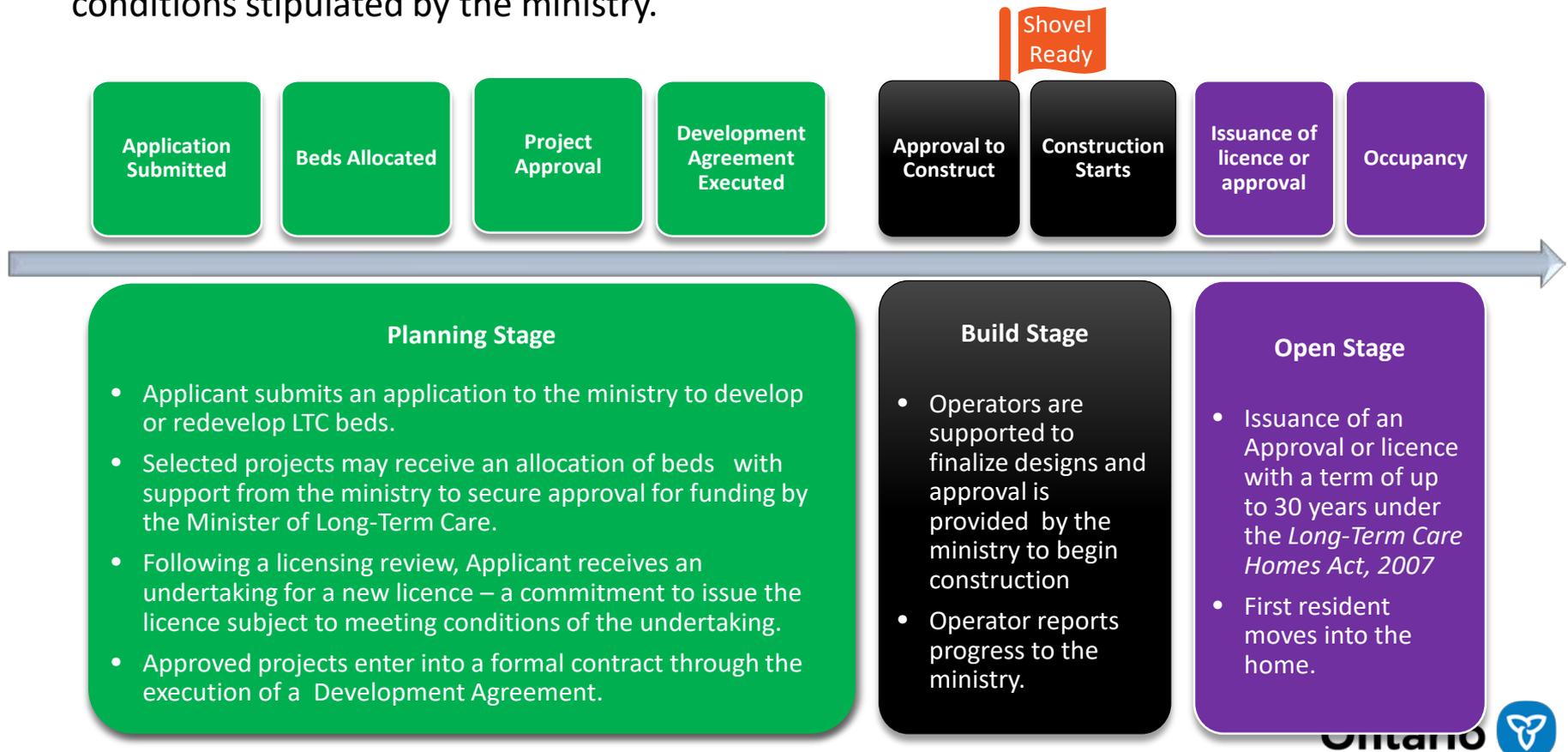
# Licence Review Process

*The review process is a risk-based assessment, designed to 1) determine the competency of the proposed licensee to operate the home and provide both appropriate resident care and system stability and 2) ensure the beds are placed where most needed .*



# Streamlined Capital Approval Pathway

- The timeline for each project is dependent on a number of factors, such as the size and scope of the project, and the completion of applicable requirements.
- Generally, once the LTC home applicant has secured land and financing, LTC beds take an average of 36 months to develop.
- After a LTC home development project is complete, a new licence (for up to 30 years) or approval (no expiry) is issued upon meeting requirements in the LTCHA, and other conditions stipulated by the ministry.



# LTC Bed Development and Redevelopment

Since fall 2018, there were two calls for applications, one held in Winter 2018 and a subsequent call for applications in the Fall of 2019. As a result of these two calls for applications, 4 tranches of allocations have been made, including:

- Tranche 1—Fall 2018
  - Tranche 2—Winter 2019
  - Tranche 3—Spring 2019
  - Tranche 4—Fall 2020
- The evaluation criteria associated with each tranche reflect new and additional concerns that emerged through the intervening period.

# Historical Timeline of LTC Bed Development and Redevelopment

1998

- **20,000 New Beds Program**- Multi-year strategy to develop approximately 20,000 new beds
- **“Redeveloped D Beds” Program**- Redevelop ~16,000 beds with a “D” structural classification, which did not meet 1972 Nursing Home Act Regulation

2009

- **LHIN-Requested Beds**- 296 new and redeveloped LHIN-requested beds funded by the LHINs, in conjunction with Long-Term Care Home Renewal Strategy projects

2017

- **Aging with Confidence: Ontario’s Action Plan for Seniors**-5,000 new LTC beds to be in operation by 2022

2006-2007

- **Emergency Department Action Plan Program**- strategy which added 1,750 new and replaced 662 beds
- **Long-Term Care Home Renewal Strategy\***- Redevelop over 35,000 older LTC beds structurally classified as “B”, “C” or “Upgraded D” beds

2014

- **Enhanced Long-Term Care Home Renewal Strategy\***- Increased incentives to enable the redevelopment of the remaining 30,000 older beds by 2025

Winter 2018

- **New LTC beds allocated**- Allocation of 6,075 new LTC beds prior to July 2018

\*Enhanced Long-Term Care Home Renewal Strategy sought to redevelop the remainder of the older LTC beds that were not redeveloped under the Long-Term Care Home Renewal Strategy

# Timeline of Key Decisions & Accomplishments of the LTC Home Development Program

## July 2018 to December 2018

- ❖ Announcement of public commitment to develop 15,000 new and 15,000 older beds in 5 years with overall commitment to build 30,000 new beds in a decade (**July 2018**)
- ❖ Confirmation of allocation of 6,075 new LTC beds, representing Tranche 1 of allocations (**October 3, 2018**)

## July 2019 to December 2019

- **Modernize public consultations for licencing (July 1, 2019)**
- **Modernized Application Form Released (October 1, 2019)**
- ❖ Health and Social Policy Committee Approval to Launch Modernization of the Long-Term Care Home Development Program (**December 5, 2019**)

## June 2020 to September 2020

- **New Long-Term Care Home Capital Development Funding Policy, 2020 Released & Announced (September 14, 2020)**
- **2019 Application for Long-Term Care Home Development closed (September 25, 2020)**

## January 2019 to June 2019

- ❖ Iterative process with Infrastructure Ontario on the modernization strategy begins (**January 2019**)
- ❖ Treasury Board approval of implementation and funding plan (**March 5, 2019**)
- ❖ Treasury Board Report Back on Tranche 2: Allocation of 1,157 new beds (**March 19, 2019**)
- ❖ Budget 2019 confirmation of allocation of additional 1,157 new long-term care beds through 16 projects (**April 11, 2019**)
- ❖ Treasury Board Report Back on proposal to allocate 657 new LTC beds as part of Tranche 3 (**June 4, 2019**)

## January 2020 to June 2020

- **Stakeholder consultations on the funding model (January 9-13, 2020).**
- ❖ Cabinet approval to proceed with policy changes to the funding model (**February 19, 2020**)
- ❖ TB/MBC approval of funding model, program design & implementation details (**June 25, 2020**)
- ❖ TB/MBC approval to market six surplus provincial sites to be re-purposed for LTC spaces (**June 25, 2020**)
- ❖ TB/MBC Stage 1 (planning) approval of the four Accelerated Build Pilot Projects (*Lakeridge health, Trillium Health Partners and Humber River Hospital*) (**June 30, 2020**)

## October 2020 to November 2020

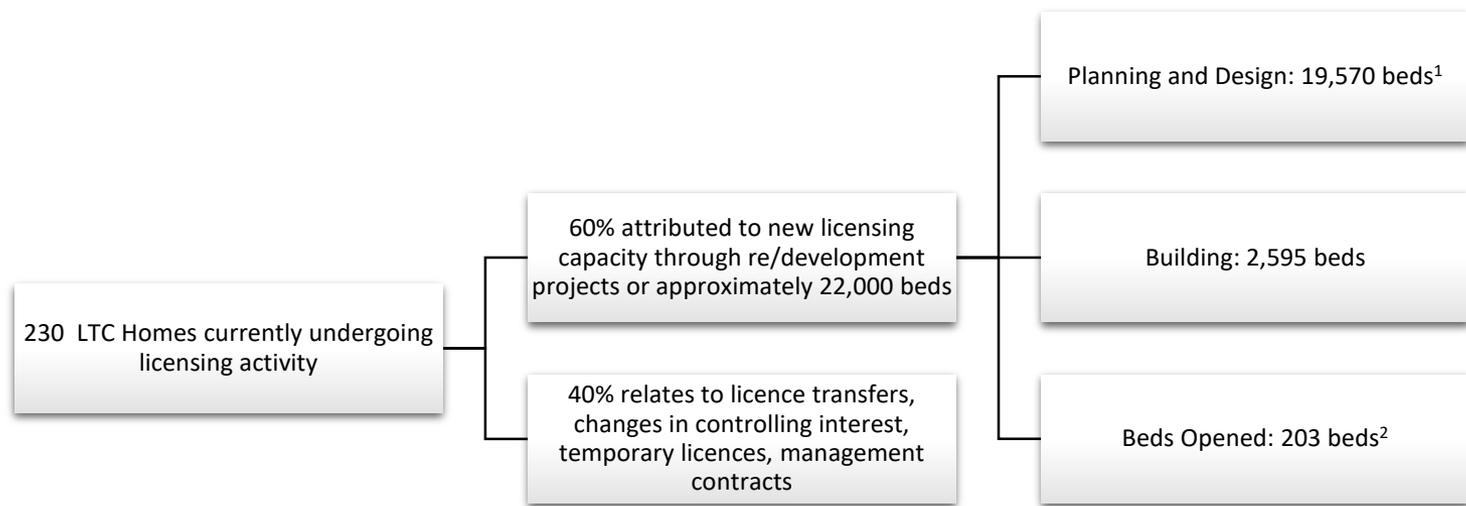
- ❖ TB/MBC Approval capital funding for Stage 2 (construction) of the Accelerated Build Pilot Program (**October 27, 2020**)
- ❖ Treasury Board approval on the ministry's plan to allocate 1,968 new LTC beds as part of Tranche 4 (**November 3, 2020**)
- **Initial Marketing Phase (Soft Launch) for 3 Surplus Lands sites and public announcements (November 3, 2020)**
- **Announcement of Tranche 4 allocations (November 20, 2020)**

### Legend:

- ❖ Key decisions
- Accomplishments

# Integration of Licensing and Capital Components

- Integrating the capital and licensing reviews was critical to:
  1. Managing operational and financial risks of projects that have a legacy as a licensee however carry higher risks to redevelop.
  2. Ensuring the assurance of and timely issuance of a licence upon completion of a development project.
  3. Ensuring that in the interest of time, many legislative processes could be synchronized and duplication would be eliminated.

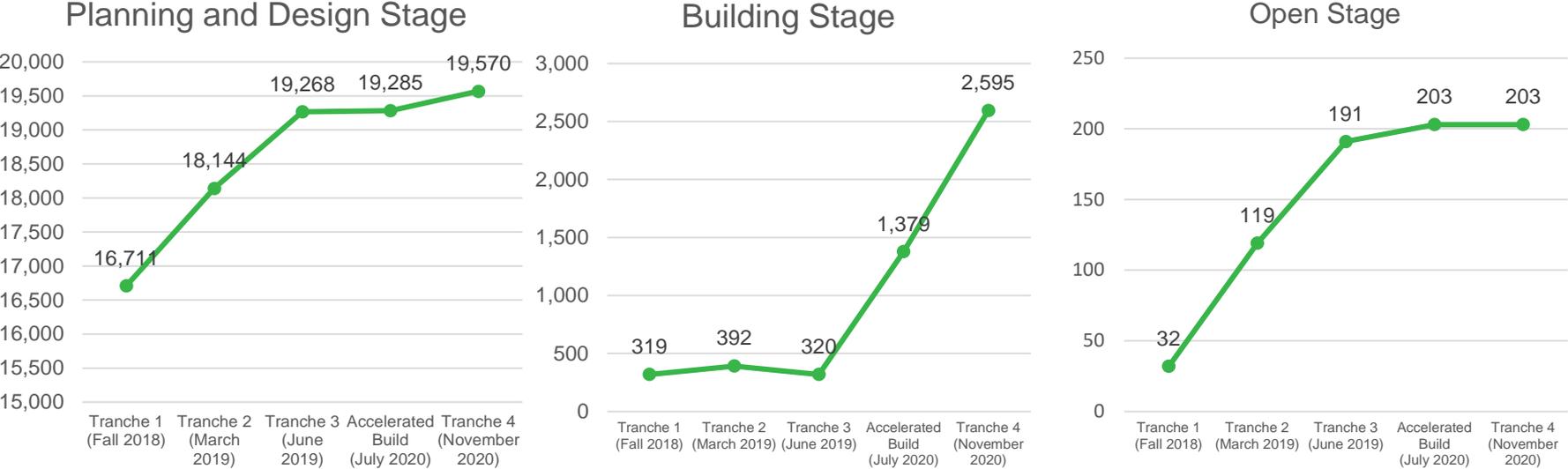


<sup>1</sup>Includes allocations from November 2020.

<sup>2</sup>Only includes projects that have opened since June 2018

# LTC Bed Development History

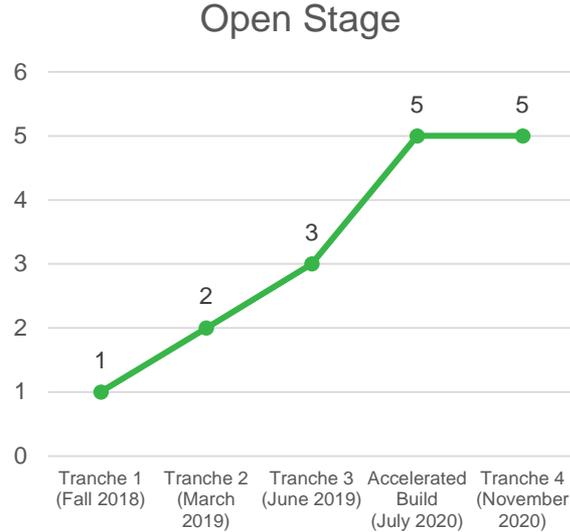
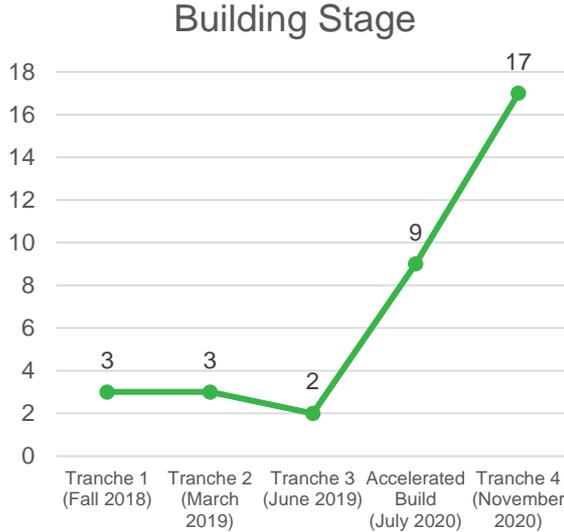
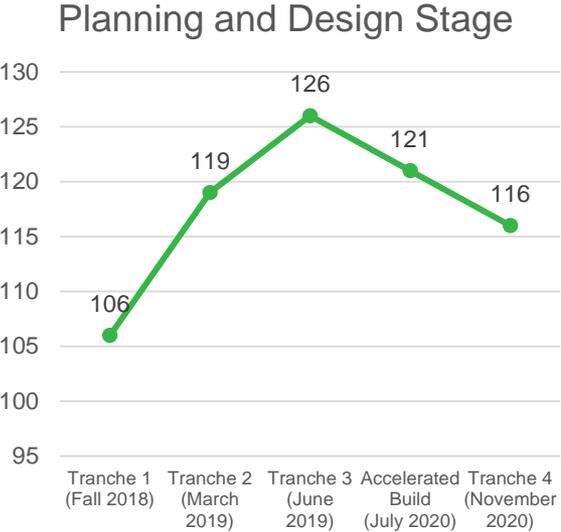
The charts below shows the cumulative total number of new and existing beds by tranches and project stage.



Note: Open Stage figures only include beds that have opened since June 2018.

# LTC Bed Development History

The charts below shows the cumulative total number of projects by tranches and project stage.



Note: Open Stage figures only include projects that have opened since June 2018.

# LTC Development Program Highlights: Process and Funding Enhancements

*Stakeholder feedback has centered on the length of approval processes, which is perceived as a barrier to moving capital projects from the planning to the building phase.*

## Licensing Process Improvements

- ✓ Legislative amendment as of July 1, 2019 to modernize the ministry's approach to **public consultations** by providing the Director with discretion to determine the breadth of consultation relative to the transaction. Launch of the online Long-Term Care Public Consultation Registry.
- ✓ Streamlining **financial reviews** – ‘Ask once’ for information, utilize publicly available information where possible, eliminate requirements no longer in line with accounting standards or where the requirement could be fulfilled by a vendor of record.
- ✓ Consolidated information required from Licensees into single request (ask once)
- ✓ Evolving from a “one size fits all review model” to a “risk-based **multi-stream licensing model**” for LTC development projects, resulting in rapid progress for eligible low-risk LTC Projects from the LTC planning to building phase
- ✓ Developed standardized approach for **lenders to demonstrate financial support** for new development projects to reduce financial risk to Ministry
- ✓ Eliminate the need for stakeholders to **validate corporation status** by acquiring ministry access to MGCS business registration system

## Capital Process Improvements

- ✓ **Continuous work with Infrastructure Ontario as a key advisor** to modernize the Long-Term Care Development Program. Ongoing engagement to streamline the program and make recommendations/improvements, where possible.
- ✓ **Introduced a modernized funding model**, including 4 market segments (large urban, urban, mid-size and rural), increasing the base construction funding subsidy and aligning it to specific market segments and a development grant that is specific to each market segment, ranging from 10 to 17 percent.
- ✓ **Introduction of 2 new innovative programs** to complement the conventional Long-Term Care Development Program, including the **Accelerated Built Pilot Program** to implement the accelerated construction and procurement schedules for four projects in three large urban centres and **leveraging provincial surplus lands** to sell surplus government properties with the goal of achieving LTC spaces on the sites.
- ✓ **Strengthened 2019 Call for Applications** – allowing for richer evaluation of financial viability, project and shovel readiness, operator evaluation, immediate readiness and policy priorities relating to LTC home for the 21<sup>st</sup> century

# Ongoing Program Refinements

*The Ministry continually reviews and refines the capital and licensing processes to meet the needs of internal and external stakeholders.*

- As part of the ministry's ongoing partnership with Infrastructure Ontario to modernize the Long-Term Care Home Development Program, Deloitte has been engaged as part of an advisory role to assess key elements of the modernization strategy, to identify opportunities and make potential recommendations for improvements.
- Additional opportunities include:
  - Further streamlining review processes using a portfolio approach that would apply to financial reviews and approvals of plans.
    - Provides Licensees with approvals on a portfolio of projects.
  - Delegation of authority (s.96/s.97) to Director for projects:
    - That have received an allocation of beds by the Minister already; or
    - Where the project has no loss of beds in an area.
  - Elimination duplication of approvals and to facilitate redevelopment of beds in existing locations.

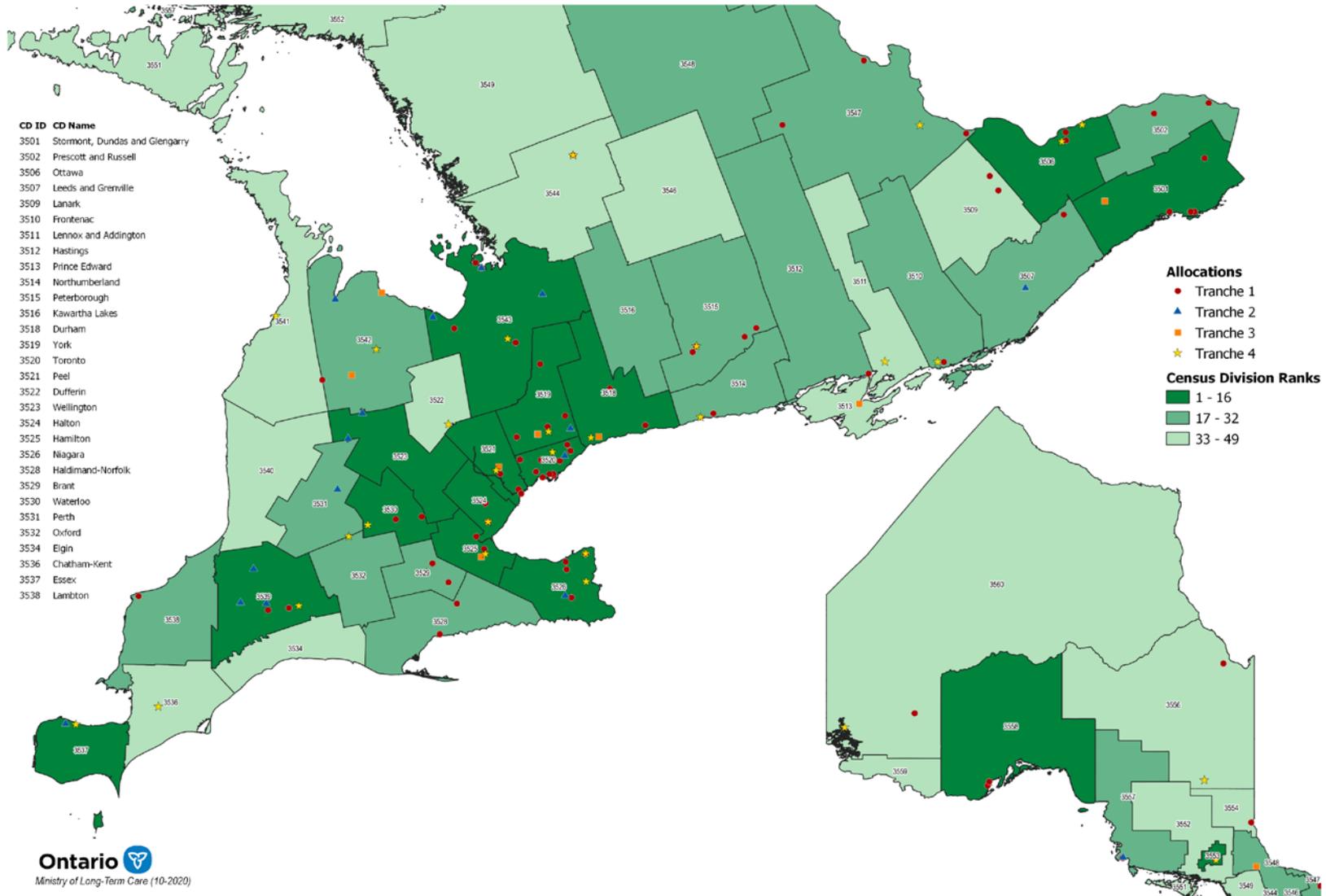
# Supply and Demand of Long-Term Care

- Health Analytics and Insights Branch provided an analysis of Supply and Demand for LTC beds in October 2018 with subsequent updates in May 2019 and September 2020.
- The Health Analytics and Insights Branch analysis estimates demand for LTC Home services based on population growth and projected placement patterns.
- These estimates, plus the projected LTC Bed Supply at the Census Division level, are used to estimate the projected gap between demand and supply for up to 10 years. The Census Divisions are then subsequently ranked based on how wide the gap is.
  - The purpose of this analysis is to help guide the allocation of future LTC beds.
- Based on the data gathered from the licensee survey in the summer of 2020, it is estimated that if rooms with capacity for 3 or more residents are restricted to accommodating 2 residents, the result would be a reduction in capacity of approximately 4,800 beds.

*The total # of beds in 3 and 4 bed rooms are based on the homes' self-reported numbers. To date, the ward bed data has not been ministry validated via site visits or inspections*

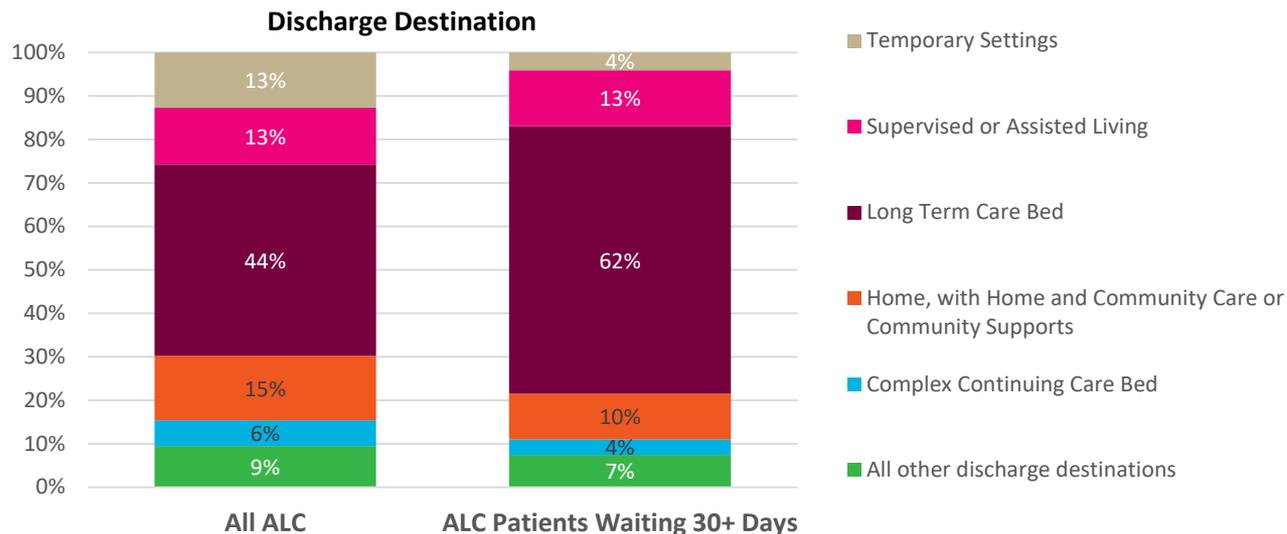
# Appendices

# Appendix A: LTC Demand in Ontario



# Appendix B: Alternative Level of Care Patients

- As of September 2019, 5,380 people were designated ALC. Approximately 60% of these individuals waiting for either long term care or home and community care. Other top ALC destinations include: supervised or assisted living, rehabilitation bed, and complex continuing care bed.
- Of total ALC patients, approximately 55% have been waiting 30 days or longer to be discharged to their appropriate care designation.



Source: Hallway health care: Daily Bed Census Summary (HDB, MOH). Extracted Nov 06, 2019

- ALC as a direct contributor to hallway health care – when a hospital bed is occupied by a designated ALC patient, it often means another patient is designated to an unconventional space while waiting for that bed to open up. **In the short term, moving ALC patients out of hospitals is the shortest path to ending hallway health care.**