

**Analyst Briefing Notes**  
**Budget Committee**  
**(March 26, 2007)**

**2007 OPERATING BUDGET**

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**2007 OPERATING BUDGET**

**Executive Summary**

- Homes for the Aged (HFA) projects a net under-expenditure of \$2.2 million at year-end, primarily the result of a reduction in sick time and WSIB costs and a minor increase in base subsidy.
  - The savings experienced during 2006 are expected to re-occur in 2007, and have been used to offset pressures in 2007 in order to meet the “0” increase target.
- HFA is responsible for providing a continuum of care and services to eligible adults in long term care homes, at supportive housing sites and in client’s own homes. The 2007 Recommended Operating Budget has no significant impact on current service levels.
  - A major challenge for 2007 and beyond is to continue to advocate for new legislative guidelines that support stable funding that matches the level of care requirements, and to continue to work with the City’s health-care partners under the Ministry’s new structure to develop operational improvements in the delivery of health care services to the Program’s diverse clientele.
- The 2007 Recommended Operating Budget for Homes for the Aged of \$32.652 million net is at target, mainly as a result of efficiency measures, minor service level adjustments, and a draw of \$3.499 million from the HFA Stabilization Reserve Fund, following the Ministry of Health and Long Term Care (MOHLTC) reconciliation of the Homes for the Aged audited returns from prior years.

**Table 1: 2007 Recommended Budget**

	2006		2007 Recommended Operating Budget			Change 2007 Recommended from		FY Incremental Outlook	
	2006 Appvd. Budget	2006 Projected Actual	2007 Base	2007 New /Enhanced	2007 Operating Budget	2006 Approved Budget		2008	2009
	\$	\$	\$	\$	\$	\$	%	\$	\$
(In \$000s)									
<b>GROSS EXP.</b>	186,005.2	177,171.8	192,320.2	0.0	192,320.2	6,315.0	3.4	7,908.1	3,085.7
<b>REVENUE</b>	153,353.3	146,694.7	159,668.3	0.0	159,668.3	6,315.0	4.1	(1,998.5)	1,500.0
<b>NET EXP.</b>	32,651.9	30,477.1	32,651.9	0.0	32,651.9	0.0	0.0	9,906.6	1,585.7
<b>Approved Positions</b>	2,126.8	2,126.8	2,121.4	0.0	2,121.4	(5.4)	(0.3)	25.0	25.0

<b>TARGET</b>	<b>32,651.9</b>	<b>32,651.9</b>
<b>\$ Over / (Under) Program Target</b>	<b>0.0</b>	<b>0.0</b>
<b>% Over / (Under) Program Target</b>	<b>0.0%</b>	<b>0.0%</b>

- The 2007 Recommended Operating Budget of \$32.652 million net is comprised of base funding, with no new/enhanced service priorities.
  - The 2008 and 2009 Outlook net increase of \$9.907 or 30.3% and \$1.586 million or 4.8% respectively. 2008 includes ongoing cost of living allowance (COLA), merit and step increases, reversal of one-time funding of the 2003 and 2004 Provincial settlement, inflationary increases for materials and supplies, offset by an increase of \$1.5 million in Provincial subsidy; 2009 includes merit and step increases, inflationary increases for materials and supplies, offset by an increase of \$1.5 million Provincial subsidy.
  - Key Cost Drivers include on-going COLA totalling \$4.774 million gross (partially funded by the Province); merit and step increases of \$1.840 million; and \$0.942 million for inflationary increases in gas, utility costs, equipment and materials / supplies (fully funded by the Province).
  - Service efficiencies of \$1.329 million gross and net have been included as recommended reductions of \$0.960 million in materials and supplies; and reductions of \$0.369 million in salaries and benefits.
  - The Program has decreased Approved Positions by 5.1 due to reductions recommended in food handler staffing standards for non-resident meals, totalling \$0.278 million gross and net. This change for non-resident services reduces the standard hours from 0.42 hours per resident meal day to 0.22 hours for non-resident meal services.
- A multi-year divisional plan has been developed to address the mayor's priorities that include the recruitment of youth from at-risk communities for entrepreneurship landscaping and or indoor plant maintenance programs.
- Included in the 2007 Recommended Operating Budget is one-time funding of \$3.499 million, reflecting the 2003 and 2004 Provincial subsidy settlements, following MOHLTC year end audit of HFA operations. As this is one-time funding, this amount will be reversed in 2008, creating a pressure of \$3.499 million.

**Recommendations**

The City Manager and Chief Financial Officer recommend that:

- (1) The 2007 Recommended Operating Budget for Homes for the Aged of \$192.320 million gross and \$32.652 million net, comprised of the following services, be approved:

<u>Service:</u>	Gross <u>(\$000's)</u>	Net <u>(\$000's)</u>
Division Office	1,697.2	335.0
Toronto Homes	180,329.5	30,493.6
Community Based Services	<u>10,293.5</u>	<u>1,823.3</u>
 Total Program Budget	 <u><u>192,320.2</u></u>	 <u><u>32,651.9</u></u>

## Section A: 2006 Budget Variance Analysis

### Table 2: 2006 Budget Variance Review

(In \$000s)	2005 Actuals	2006 Approved Budget	2006 Projected Actuals*	2006 Apprvd. Budget vs Projected Actuals Variance	
	\$	\$	\$	\$	%
<b>GROSS EXP.</b>	174,087.7	186,005.2	177,171.8	8,833.4	4.7
<b>REVENUES</b>	146,925.6	153,353.3	146,694.7	6,658.6	4.3
<b>NET EXP.</b>	27,162.1	32,651.9	30,477.1	2,174.8	6.7
<b>Approved Positions</b>	2,106.5	2,126.8	2,126.8	0.0	0.0

Source: \*Projected Actuals Based on the Preliminary Year-End Variance Report.

### 2006 Experience

The gross and net favourable preliminary year-end expenditure variances are \$8.8 million or 4.7 %, and \$2.2 million or 6.7 % respectively. The net variance is primarily attributed to a reduction in sick time and Workplace Safety and Insurance Board (WSIB) costs, and minor base Provincial subsidy increases.

Also contributing to the favourable gross and revenue variances are reduced expenditures in both the community-based services and homes programs, reflecting the implementation of specific expenditure reductions, necessary to offset lower than anticipated Provincial subsidies and grants. Other services, such as high intensity needs, supportive housing, which are claims-based and receive 100% subsidy, were lower than budget, as were grants provided for diagnostic medical equipment and lifts, which also receive 100% Provincial subsidy

### Impact of 2006 Operating Variance on 2007 Recommended Budget

The savings experienced during 2006 are expected to re-occur in 2007, and have been used to offset pressures in 2007 in order to meet the "0" increase target.

Specifically, 2007 budgeted savings have been realized by implementing modified work protocol as an alternative to WSIB claims; as well, the City's attendance management protocol resulted in improved attendance and reduced sick-time replacement costs. Additional savings have been realized through the reduction of material and supplies, and reductions for capital equipment replacements/ upgrades.

## **Section B: 2007 Operating Budget Overview**

### **3-Year Operating Budget Overview**

The Homes for the Aged Program is responsible for providing a continuum of care and services to eligible adults in long term care homes, at supportive housing sites and in client's own homes. The Program is comprised of three services with a total of 1,299 full-time employees and 828 part-time Approved Positions.

The 3-Year strategic direction and priorities are as follows:

- To influence positive outcomes for Toronto's communities and the broader health system through providing leadership and expertise in long-term care;
- To establish and maintain a culture of quality and safety that responds to the well-being, comfort and safety needs of residents and staff;
- To promote integration and efficiency within the healthcare system through collaboration with other healthcare providers; and
- To continue to realign community-based services, based on stakeholder/client assessment and emerging community needs.

The MOHLTC is responsible for ensuring that legislation and regulations relevant to long-term care homes and programs are consistently and fully adhered to throughout the Province. MOHLTC provides operating funds for nursing and personal care, programming and support services, and will cover a portion of residents' accommodation costs, if needed (based on a standardized income test). Residents contribute toward their accommodation costs (e.g. housekeeping, food, laundry, lighting and heating) through a "resident co-payment." The City funds approximately 17% of the Program's Operating Budget.

### **Service Delivery – Challenges and Issues**

HFA operates ten homes across the City, ranging in size from 127 bed to 456 bed homes. The Program utilizes these homes to provide a continuum of long-term care and services through both permanent admission and short-stay programs to over 2,600 residents, primarily adults whose average age is 85 +, with multiple diagnoses and varying degrees of physical frailties, cognitive impairment and complex care needs.

HFA works in response to the growing and changing needs of residents and clients, and in response to the diversity of the City (including ethno-racial, cultural and linguistic communities). The Program works closely with external partners and stakeholders, community agencies and health care organizations. HFA strives to maintain high client satisfaction levels through the provision of high quality care, while ensuring that services are delivered efficiently.

Services provided to residents in the homes include recreational programming, nursing and medical

services, housekeeping, maintenance, dietetics and food services, laundry, social work, volunteer services, spiritual and religious care, rehabilitative and therapy services, trust and administrative services.

HFA also provides the following Community-based services:

- Homemakers and Nurses Services are provided to clients in their own homes. Service levels are approximately 110,000 client visits, of whom 50% are frail and elderly; 28% have a chronic illness; 8% are physically disabled; and 10% have a psychiatric disability.
- Supportive Housing provides personal support services to approximately 300 clients in a number of contracted sites. The majority of the clients are over 59 years of age.
- Four of the City's homes offer Adult Day services to clients who live in the community (approximately 11,000 client days annually), of whom the majority are over 75 years of age and exhibit a variety of physical and cognitive deficits.

Homes for the Aged, as the provider of a wide range of services to a diverse clientele, is faced with several challenges in delivering services, as the both the funding model and organizational structure at the Province are evolving.

Since 1993, the Ministry of Health and Long Term Care (MOHLTC) has been providing long-term care (LTC) funding based on a model referred to as level of care funding. This model has been used to fund all LTC homes in Ontario on a per diem basis through three funding envelopes that include nursing and personal care, program and support services, and accommodation.

In 2006, the Province introduced new long term care legislation through Bill 140, the "Long-Term Care Homes Act, 2006," that followed the 2004 release of the Provincial discussion paper, "Future Directions for Legislation Governing Long-Term Care Homes." While this new legislation outlines changes in standards of care that are reflective of the need to "improve the health and quality of life of people living in long-term care homes," the proposed legislation provides little clarification on pending funding reforms.

At the same time, with the Local Health Integration Networks Act receiving Royal Assent, the Province has introduced a health reform agenda that provides a new reporting structure: local health integration networks (LHINs). Five geographical boundaries have been created in the City, with the homes now reporting to these five administrative bodies. These structural changes have been introduced by the Ministry to increase community health care capacity and improve system integration.

The City of Toronto has established a collaborative round-table with other health-care service providers that meets quarterly to discuss LHIN cross-boundary issues that affect the City's citizens. These forums provide the opportunity to communicate the health-care needs of City's diverse population, and afford the opportunity to develop operational improvements that may result in cost effectiveness and enhance the system's accountability, which may in turn, impact the funding received in the City's homes.

The Ministry of Health and Long-Term Care will be conducting a review of the current funding mechanisms, with the goal of creating a fair, streamlined and stable funding approach with increased

accountability and enhanced reporting mechanisms. The Ministry has already initiated work in the creation of an alternative assessment system to measure the level of care required, which will facilitate the development of a revised funding formula.

The long-term care homes sector requires a commitment to multi-year, sustainable funding from the MOHLTC. Currently, the funding is variable and based on complex formula that fluctuates from year-to-year, which requires that the Program aggressively pursue all available grants, subsidies and revenues.

The Program will continue to advocate for new legislative guidelines for the operation of Ontario's long-term care homes, and remains committed to working co-operatively with MOHLTC to build the new legislative governance framework.

### **Mayor's Mandate**

Homes for the Aged has developed a multi-year plan that prioritizes and aligns initiatives over a four year period that directly contributes towards the Mayor's priorities. Some of these initiatives include the following: the Division will work on creating opportunities for youth in priority neighbourhoods, through the development of a targeted recruitment strategy for entry-level or internship positions geared towards hiring youth from at-risk communities. Other initiatives include youth entrepreneurship landscaping and / or indoor plant maintenance programs. Another area of focus will be on building new partnerships with community groups and agencies through continued growth of the Toronto Challenge, which is an event that supports agencies serving seniors throughout the City. As well, HFA will continue to participate in ongoing collaboration and joint planning with the five Local Health Integration Networks (LHINs) that serve the various areas across the City of Toronto.

**Section C: 2007 Recommended Base Budget**

**Table 3: 2007 Recommended Base Budget**

	2006 Appvd. Budget	2007 Recommended Base	Change		FY Incremental Outlook	
			2007 Recommended Base v. 2006 Appvd. Budget		2008	2009
(In \$000s)	\$	\$	\$	%	\$	\$
<b>GROSS EXP.</b>	186,005.2	192,320.2	6,315.0	3.4	7,908.1	3,085.7
<b>REVENUE</b>	153,353.3	159,668.3	6,315.0	4.1	(1,998.5)	1,500.0
<b>NET EXP.</b>	32,651.9	32,651.9	0.0	0.0	9,906.6	1,585.7
<b>Approved Positions</b>	2,126.8	2,121.4	(5.4)	(0.3)	25.0	25.0

<b>TARGET</b>	<b>32,651.9</b>		<b>0.0</b>	<b>0.0</b>
<b>\$ Over / (Under) Program Target</b>	<b>0.0</b>		<b>9,906.6</b>	<b>1,585.7</b>
<b>% Over / (Under) Program Target</b>	<b>0.0%</b>		<b>30.3%</b>	<b>4.9%</b>

**2007 Recommended Base Budget**

The 2007 Recommended Base Budget of \$32.652 million net meets the 2007 target and includes the implementation of on-going efficiencies, without a significant impact on service levels.

Operating pressures of \$6.315 million have been offset by one-time funding from the 2003 and 2004 Provincial subsidy settlements, following MOHLTC reconciliation of the audited annual results of the Homes for the Aged from prior years.

**2007 Base Budget Key Cost Drivers**

The 2007 Recommended Budget includes an increase of \$6.315 million, or 3.4% gross, and \$0 net is mainly due the following:

- Inflationary increases related to on-going COLA and harmonization costs totalling \$4.774 million gross and \$2.945 million net (partially funded by the Province); \$0.924 million gross and \$0 net for on-going non labour inflationary increases for gas, utility costs, equipment and materials/ supplies (fully funded by the Province); and merit and step increases of \$1.840 million gross and net.
- An increase in MOHLTC long term care standards for food and infection control, results in increases totalling \$0.366 million gross and net. The change in standards increased the cost of essential supplies that are used to deliver care and services in the homes.
- These pressures are offset by the continued implementation of program-wide service efficiencies

that total \$1.329 million (0.3 reduction in Approved Positions) and a reduction in staffing standards for non-resident food handling services that total \$0.278 million (or 5.1 Approved Positions).

**2008 and 2009 Outlook: Net Incremental Impact**

The 2008 Outlook includes \$9.907 million net (or a 30.3% increase from the \$0 net target), for the following: \$6.803 million increase in salaries and benefits for COLA and merit and step increases; \$1.105 million for inflationary increases such as gas, utility costs, equipment and materials/ supplies, reflecting a general increase of 6.6% from 2007. Also included is the reversal of \$3.499 million in one-time funding for the 2003 and 2004 Provincial settlements. To accommodate increases in level of care due to changing acuity levels, the Program has included 25 additional Approved Positions. These pressures are expected to be partially offset by increases in Provincial funding of \$1.5 million.

The 2009 Outlook includes additional pressure of \$1.586 million net (or a 4.9% increase from the \$0 net target), comprised of a \$1.908 million increase in salaries and benefits for merit and step increases; \$1.178 million for inflationary increases such as gas, utility costs, equipment and materials/ supplies, reflecting a general increase of 6.6% from 2008. These pressures are expected to be partially offset by increases in Provincial funding of \$1.5 million. To accommodate increases in level of care due to changing acuity levels, the Program has included 25 additional Approved Positions. COLA is not included, as salaries and benefits are subject to future negotiations.

**Section D: 2007 Recommended Service Priorities**

There are no New / Enhanced Service Priorities recommended for 2007.

**Issues for Discussion****2007 Operating Budget Issues****Service Level Changes***Service Efficiencies*

After conducting an extensive review of administrative activities and operating processes, the Program has been successful in introducing a number of service improvements that result in savings that total \$1.329 million gross and net. The savings are based on reviewing the 2006 experience and include the following recommended reductions: materials and supplies \$0.838 million; salaries and benefits \$0.291 million, with a reduction of 0.3 Approved Positions; continence care products \$0.122 million; and WSIB costs of \$0.078 million.

*Food Handler Standards*

Included in the 2007 Recommended Budget is a minor service level adjustment of \$0.278 million gross and net for food-handler costs, with further savings of \$0.046 million net in 2008. The Ministry has approved changes in staffing standards for food production services related to non resident meals, such as Meals-on-Wheels, Adult Day programs and cafeteria services, as long as the non-resident meals can be produced from the residents' menu. This change in standards for non-resident meal services reduces the standard hours of 0.42 hours per resident meal day to 0.22 hours for any non-resident meal that meets this criterion, without impacting the standard for residents. This reduction in staffing standard translates into a reduction of 5.1 Approved Positions in 2007. This change will accordingly have no impact on the number of meals prepared and served, but the reduction in staffing levels will stretch the limited resources currently available in the homes and may impact on customer service.

**2008 and 2009 Outlook Issues**

Included in the 2007 Recommended Operating Budget is one-time funding of \$3.499 million, reflecting the 2003 and 2004 Provincial subsidy settlements, following MOHLTC year end audit of HFA operations. As this is one-time funding, this amount will be reversed in 2008, creating a pressure of \$3.499 million.

Due to pending legislative changes at the MOHLTC, the Program projections indicate that it may be difficult to sustain its operations within the 2008 operating target of a "0" increase. HFA management will continue to monitor the progress of the pending Provincial legislation reform and continue to be a strong advocate for adequate funding required to support client needs.

At the same time, HFA will continue to aggressively look for cost savings through the use of continuous quality improvement initiatives and through the adoption of best practices throughout the Division.

## Appendix 1

## Summary of Recommended Base Budget Changes

## From 2006 Approved Budget

(\$000's)	Summary of 2007 Base Budget Adjustments				Net Incremental Outlook	
	Approved Positions	Gross Expenditures	Revenues	Net	2008	2009
		\$	\$	\$	\$	\$
<b>2006 Approved Operating Budget</b>	<b>2,126.8</b>	<b>186,171.3</b>	<b>153,353.3</b>	<b>32,818.0</b>	<b>0.0</b>	<b>0.0</b>
In-year approvals and technical adjustments		(166.1)		(166.1)		
<b>2006 Approved Operating Budget</b>	<b>2,126.8</b>	<b>186,005.2</b>	<b>153,353.3</b>	<b>32,651.9</b>	<b>0.0</b>	<b>0.0</b>
Prior year impacts		1,839.7	45.5	1,794.2	7,953.6	3,085.7
Zero base items						
Economic factors		5,716.4	2,771.0	2,945.4		
<b>Adjusted Base Budget</b>	<b>2,126.8</b>	<b>193,561.3</b>	<b>156,169.8</b>	<b>37,391.5</b>	<b>7,953.6</b>	<b>3,085.7</b>
Other base changes		366.0		366.0		
Base revenue changes					(1,500.0)	(1,500.0)
Recommended Service Level Adjustments						
Service efficiencies	(0.3)	(1,329.3)		(1,329.3)		
Revenue adjustments			3,498.5	(3,498.5)	3,498.5	
Minor service impact	(5.1)	(277.8)		(277.8)	(45.5)	
Major service impact						
<b>Total Recommended Base Adjustments</b>	<b>(5.4)</b>	<b>(1,241.1)</b>	<b>3,498.5</b>	<b>(4,739.6)</b>	<b>1,953.0</b>	<b>(1,500.0)</b>
<b>2007 Recommended Base Budget</b>	<b>2,121.4</b>	<b>192,320.2</b>	<b>159,668.3</b>	<b>32,651.9</b>	<b>9,906.6</b>	<b>1,585.7</b>
<b>2007 Program Operating Target</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>32,651.9</b>	<b>0.0</b>	<b>0.0</b>
<b>% Over (Under) Program Target</b>				<b>0.0</b>	<b>30.3%</b>	<b>4.9%</b>
<b>% Over (Under) 2006 Approved Budget</b>				<b>0.0</b>	<b>30.3%</b>	<b>4.9%</b>

**Appendix 2**  
**Summary of Service Level Adjustments**

**Appendix 4**

**Inflows / Outflows from Reserve & Reserve Funds**

(In \$000s)

Reserve / Reserve Fund Name	Reserve / Reserve Fund Number	Balance as of December, 2006 \$	Proposed Withdrawals (-) / Contributions (+)		
			2007 \$	2008 \$	2009 \$
Sick Leave Reserve Fund	XR1007	60,860.0	415.0	415.0	415.0
Insurance Reserve Fund	XR1010	5,341.4	379.9	379.9	379.9
HFA Stabilization Reserve Fund	XR1110	4,044.9	(3,498.5)		
<b>Total Reserve / Reserve Fund Draws / Contributions</b>			<b>(2,703.6)</b>	<b>794.9</b>	<b>794.9</b>