



## STAFF REPORT ACTION REQUIRED

### Provincial Health System Funding Reform related to Long-Term Care Homes & Services

<b>Date:</b>	October 24, 2013
<b>To:</b>	Community Development and Recreation Committee
<b>From:</b>	General Manager, Long-Term Care Homes & Services
<b>Wards:</b>	All
<b>Reference Number:</b>	

#### SUMMARY

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This report provides an update on provincial Health System Funding Reform (HSFR) related to Long-Term Care Homes & Services (LTCHS) and informs Council about the potential impact of pending funding policy changes currently under review by the Ministry of Health and Long-Term Care (MOHLTC). It also seeks City Council support in urging the provincial government to provide an adequate level of operating and construction funding and to ensure all funds are distributed equitably across the entire long-term care sector.

#### RECOMMENDATIONS

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**The General Manager of Long-Term Care Homes & Services recommends that City Council:**

1. Urge the provincial government to meet the urgent need for additional resources to adequately care for the frail elderly and other vulnerable individuals served by the long-term care sector by increasing operating funding by \$4.00 per resident day;
2. Request that the provincial government ensure health system funding reform results in funding equity by making an investment of at least \$2.00 per resident day to mitigate the impact of redistributing supplementary funding streams between long-term care homes;
3. Ask the provincial government to increase the long-term care home construction per diem by \$4.20 per resident day; and

4. That the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.

## **Financial Impact**

Long-Term Care (LTC) homes are legislated and regulated by the provincial government under *The Long-Term Care Homes Act, 2007*. Funding for LTCHS is provided through direct transfer and through five (5) Local Health Integration Networks (LHINs) who administer the funds through per diem funding envelopes: Nursing and Personal Care, Program and Support Services, Accommodation; and special purpose supplemental funding streams such as high intensity needs, pay equity, physiotherapy, etcetera. In addition to a City contribution, there is also a resident co-payment currently set at \$56.14 per day with a process in place for individuals who cannot afford the basic co-pay. For those that can afford, private and semi-private accommodation is available at additional cost.

An increase in operating funding of \$2.00 per resident day based on LTCHS total approved number of beds would increase operating subsidies by \$1.9 million per annum if added to the current per diem. However, if all supplemental funding streams were equalized, this adjustment would ensure that the City's current funding level would not be eroded. A general per diem increase of \$4.00 would increase funding to the City by \$3.8 million and would better enable LTCHS to care for hard to serve individuals, such as those with challenging behaviours. An increase in the construction per diem of \$4.20 would produce additional debt recovery subsidy of \$47.2 million for the City based on the mandatory redevelopment of five (5) homes that have a total of 1,232 beds.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

2008.CD.21.6 Long-Term Care System Challenges and Opportunities for the City of Toronto <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.CD21.6>

## **ISSUE BACKGROUND**

DPRA, in association with SHS Consulting, submitted a Service Efficiency Study (SES) on LTCHS to the City Manager in August 2012. One of the recommendations was for the City to intensify its advocacy efforts to the Ministry of Health and Long-Term Care for adequate and equitable funding. In their report, they note that the LTCHS leadership have historically been strong advocates in attempting to have the province adjust the funding formula to recognize the unique needs of the City of Toronto. However, there is an opportunity for City Council to play a more active role and collaborate with divisional leadership and intensify advocacy efforts with the provincial government.

The current LTC home funding model is both complex and variable, and does not recognize and consistently fund all major legitimate differences in the cost of operations across LTC homes. The MOHLTC needs to recognize and fund more of the uncontrollable cost differences that exist between service providers or equalize funding across all LTC homes at a time when an investment can be made into the LTC system.

HSFR may result in a redistribution of funding across the sector. The current funding model is a combination of base funding plus a multitude of supplemental funds that create inequities across the sector. As the province reviews the funding model, LTCHS and City Council need to ensure that the provincial government and MOHLTC recognize the importance in providing adequate and equitable funding across the entire sector, for the current and future residents and clients in need of care and services.

In the Province of Ontario, long-term care home services are delivered by a mix of private for-profit (57%) and not-for-profit licensees (43%) comprising private not-for-profit, charitable and municipal LTC homes. For many years, the sector has been funded on an activity-based model, a partially acuity-based Level-of-Care funding model and multiple supplementary funding streams. It is recognized that HSFR seeks to build on this model through enhancing acuity-based funding by simplifying the funding envelopes and collapsing at least some of the supplementary funding streams. By moving in this direction it is essential that funding be provided fairly and equitably to all LTC homes. Currently, there is disparity in the amount of funding provided and some streams of supplemental funding inadvertently create inequity.

This report highlights the need for increases in operating and construction funding and the need for all long-term care homes to be treated fairly and equitably from a funding policy standpoint.

## **COMMENTS**

### **Health System Funding Reform**

HSFR is a major provincial initiative to move away from global funding in health care to patient-based funding (acute care sector model) whereby health care organizations are to be compensated based on how many patients they look after, the services they deliver, the quality of those services and specific needs of the population served. Long-term care homes are already funded based on resident need as measured through RAI-MDS (Resident Assessment Instrument-Minimum Data Sets).

It is essential that HSFR result in funding that is equalized across all LTC homes or achieve equity by equalizing the amount of supplemental funding provided to the various sub sectors that operate within the LTC system. Most of the supplemental funding that is provided is subsidy that is targeted to support LTC home operators manage their unique cost pressures that arise because of factors beyond the operator's control.

For HSFR to succeed, all supplemental funding streams need to be integrated (no exceptions as each sub sector benefits from each stream in a different way) and the provincial government must make a new investment into LTC homes to ensure LTC homes that are currently receiving more than average funding levels are not negatively impacted following equalization. It is estimated that a per diem increase of \$2.00 would cost approximately \$57 million when applied to all long-term care homes across the province. In addition, a careful examination of the impact that this change will have on individual LTC homes must be undertaken and where necessary a mitigation strategy or transition plan will need to be developed and implemented.

**Level of Care Funding**

The Province of Ontario funds over 600 long-term care homes that provide care to about 77,000 residents. Funding for long-term care homes is based on a model referred to as Level-of-Care (LOC) funding. All LTC homes in Ontario are funded on a per diem basis through primarily three funding envelopes. Nursing and personal care funding is based on the assessed resident care needs which is determined by the home's Case Mix Index (CMI) established from the provincial resident classification system.

The MOHLTC ensures that funds provided for the nursing and personal care envelope and for the program and support services envelope are spent for those purposes. Any unspent funds in these two envelopes are recovered by the MOHLTC. Homes are reimbursed for their actual expenses through a reconciliation process. Any surplus funds from the accommodation funding envelope can be retained by the home with the exception of the raw food allowance, which must be spent as required or returned to the MOHLTC.

As of August 1, 2013, the LOC per diem rates (i.e. rate per resident day) of the three funding envelopes are as follows:

Nursing and Personal Care	\$ 88.93 <sup>(1)</sup>
Program and Support Services	8.87
Accommodation	<u>60.56</u> (Includes Raw Food @ \$7.80)
Total LOC per diem	<u>\$158.36</u>

<sup>(1)</sup> This is the per diem amount for an average home with a Case Mix Index value of "100". If a home has higher than average care levels, then the per diem will be more; if the home is below the average, the per diem will be less. LTCHS has always had a CMI above 100.

**Case-Mix Index**

Case-mix is by definition a system that classifies people into groups that are homogeneous in their use of resources. A good case-mix system also gives meaningful clinical descriptions of these individuals. The application of case-mix is broad; it provides the basis, not only for reimbursement, but also for comparing healthcare facilities or programs, practice patterns, as an adjunct to quality of care and efficiency measurement, a staff planning tool, etcetera. Case-mix weights reflect relative resource use between case-mix groups.

In Ontario, the Nursing and Personal Care funding envelope is case mix adjusted based on data within and the RAI-MDS system. A Resource Utilization Grouper (RUGs) III is used to calculate the data from RAI-MDS. Membership in a RUG category is based on how much care a resident needs, types of treatments or care received, and whether or not the resident has certain conditions or diagnoses.

There is currently not a defined approach for the MOHLTC to measure year over year changes in province-wide acuity, so the case mix index is used to reallocate funding within the LTC homes sector and not to measure the overall rise in acuity throughout the province. The case mix index is used to determine the care needs of each LTC home's resident population relative to other LTC homes in order that funds can be redistributed between homes from one year to the next. Annual adjustments in LOC funding have occurred, but these funding increases have been by and large applied to offset economic pressures.

### **Resident Acuity Levels**

Adequate funding is needed to address the true rising cost of care based on resident acuity levels which are not currently financially supported because these requirements are not currently being measured by RUGs within the RAI-MDS system. Acuity, which measures care levels, continues to increase year-over-year. LTCHS have residents that require more complex interventions including challenging behaviours, associated dementias, mental illness, and aging of the developmentally delayed and young adults with complex care needs.

In order to maintain the same level of care and continue to meet residents' needs, a long-term care home must add resources year-over-year. These additional costs do not represent cost escalations nor do they signify program enrichments or expansion. Increase in acuity means that higher levels of service, more complex interventions and additional registered nursing staff, personal support workers and others are needed to maintain service levels consistent with the relative intensification of residents' needs. An adjustment of \$4.00 per resident day will enable LTC homes to better meet the complex care needs of residents and will help support those LTC homes that serve well special populations, such as those with challenging behaviours.

### **Residents with Challenging Behaviours**

A recent study estimated that 45% of residents in long-term care in Canada "exhibited one or more behavioural symptoms, which included verbal or physical abuse, social inappropriateness, and resistance to care and wandering." Often such behaviour can present a risk to residents, staff, visitors and others as well as interfere with the efficient provision of care. (Source: Canadian Institute for Health Information)

As recognized leaders in behavioural support, LTCHS has a long history of demonstrated knowledge of dementia, delirium, and mental health issues in the delivery of care. These leading practices, recognized by the MOHLTC, LHINS, Accreditation Canada and Ontario Association of Non-Profit Homes and Services for Seniors (OAHNSS) promote

individualized, compassionate care and comforting support; promote healthy aging and enhanced quality of life.

While RAI-MDS data captures some of the key information related residents with challenging or aggressive behaviours, the RUGs tool does not at present properly measure the impact on resource requirements for these residents. Based on relevant research, it is widely accepted that serving this population results in a resource demand of about 10% more than most other residents. Work has been underway by MOHLTC in consultation with the academic community that developed RUGs for several years now, but a solution has not yet been incorporated into the funding model. Since this resourcing implication is not captured in RUGs, there has been no base funding adjustment provided to LTC homes such as LTCHS that serve well this population.

### **Economic pressures**

Sector stakeholders have been calling for the establishment of minimum staffing standards since the release of the 2008 report *People Caring for People: Impacting the Quality of Care of Residents of Long-Term Care Homes* (the "Sharkey Report").

LTCHS has identified adequate and sustainable funding to be a priority for both long-term care homes and community-based services. The current MOHLTC funding model fails to recognize and allocate sufficient dollars to fund legitimate price differentials. Many of the differences in operating circumstances exist due to provincially controlled factors. The higher than average salary and benefit costs in many municipal long-term care homes can be directly traced to arbitration awards, pay equity and city amalgamations, which are all provincially controlled processes. The cost of providing the same level of care and service to residents varies between long-term care homes for a number of reasons, but factors that are beyond the control of individual long-term care providers need to be properly funded to create equity within long-term care. LTC homes require a commitment of multi-year, sustainable funding from the MOHLTC. Currently, funding is variable and based on a complex formula that fluctuates from year-to-year.

### **Special Grant and One Time Funding**

From time the time the MOHLTC announces special grants and one time funding for specific high priority initiatives. For example, in 2012 the MOHLTC announced one-time funding, to be provided in 2012 and 2013, for all qualified LTC homes to enhance fire protection. Unfortunately, none of the City of Toronto's LTC homes received this funding as only homes without sprinkler systems were deemed to qualify for the funding. In the 1990's LTCHS conducted retrofits to install sprinklers to ensure the highest safety for residents. LTCHS and many other LTC home operators strongly objected to the approach of penalizing pro-active organizations, resulting in a revised funding approach for 2013.

In 2013 the second wave of the Fire Code and Electrical Safety funding was announced, with slightly less rigid qualification. Under the new criteria, funding was extended to LTC homes without sprinklers as well as homes classified as "B" or "C", making now

five of the City's homes eligible for the funding. This funding will represent about \$370,000 and must be used for enhanced fire and electrical safety prior to March 31, 2014. It is important that the MOHLTC ensure that their funding policies provide fair and equitable access to all LTC homes.

### **Funding Equity – Supplemental Funding Initiatives**

The MOHLTC recently announced a number of policy changes related to the LOC funding formula that were designed to make it easier for LTC homes to manage funding pressures within their unique home environments by enhancing their ability to utilize their funding allocations, reduce administrative burden and improve focus on preventive efforts. The policy changes allowed LTC homes to begin using unspent funds from the Nursing and Personal Care or Program and Support Services envelopes and applying these funds to offset pressures in the Nursing and Personal Care, Program and Support Services or Raw Food envelopes subject to the eligible expenditure criteria for each envelope. These flexibilities support the Ministry's HSFR agenda and its ongoing transition to a patient-centred and outcome-focused funding system.

While flexibilities have been built into the LOC funding formula, the MOHLTC has continued to create new supplemental funding streams with restrictive rules that limit an organization's ability to effectively utilize these funds in a way that best meets its operating priorities and resident population care and service requirements. While the funding enhancements are welcomed by the LTC sector as a whole, the restrictive rules create funding inequities. One example of funding inequity within the LTC system resulted from the Registered Practical Nurse (RPN) Funding Initiative funding policy.

In 2008, the provincial government targeted the creation of 1,200 new RPN Full-Time Equivalent (FTE) positions within the long-term care homes sector over a 4-year period. While the funding increases the hours of care provided to residents the initiative was meant to mitigate predicted losses in the nursing workforce due to retirements by creating secure stable full-time employment for nurses in Ontario. The funds were treated as an increase in funding within the Nursing and Personal Care envelope, but are dedicated and cannot be spent for any purpose other than on increasing RPN FTEs through an increase in RPN hours of care. In order to receive this targeted funding, LTC homes were required to maintain their existing contribution levels and strictly adhere to the terms and conditions that are specified in their Long-Term Care Home Service Accountability Agreements (L-SAA). These funds are in addition to and are provided outside of the LOC per diem and are part of the supplementary funding streams.

### **Construction Funding**

In addition to operating funding there is a serious need to increase capital (construction) funding for LTC homes that need to redevelop their physical plants. Toronto has six (6) LTC homes classified as "B" and "C" that will need to be redeveloped over the next 10 to 15 years. One home, Kipling Acres (337 beds), is currently under construction. The remaining five (5) homes include Castlevue Wychwood Towers (456 beds), Fudger

House (250 beds), Seven Oaks (249 beds), Lakeshore Lodge (150 beds) and Carefree Lodge (127 beds) for a total of 1,232 beds.

On July 31, 2007, the provincial government announced plans to redevelop 35,000 older long-term care beds in five (5) phases over a 10-15 year period. The MOHLTC planned to redevelop all B and C homes at a rate of 7,000 beds every two (2) years commencing in 2009. Kipling Acres was included as part of Phase I.

The construction per diem base is \$13.30 that is provided for a 25-year period and an additional \$1.00 for meeting the Leadership in Energy and Environmental Design (LEED) Green Building Rating System™ which encourages and accelerates global adoption of sustainable green building and development practices through the creation and implementation of universally understood and accepted tools and performance criteria. Not-for-profit providers (including municipalities) are able to apply for a grant up to \$250,000. The \$13.30 per diem is paid by the MOHLTC on a monthly basis for a period of 25 consecutive years based on a minimum construction cost of \$121,363.00/bed.

The construction per diem is considered too low by most LTC home operators and this is one of the reasons that the MOHLTC has not announced Phase II of their capital renewal program. An increase of \$4.20 in the construction per diem is needed and this would move construction funding back to more of a 50-50 capital cost sharing arrangement between the province and the operator.

Both the Provincial and City's Seniors Strategies note the clear demographic imperative to address the needs of an aging population and to make Ontario and Toronto more age-friendly through service provision. Adequate levels of operating and construction funding for the entire long-term care sector will benefit the most vulnerable in this growing group.

## **CONTACT**

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## **SIGNATURE**

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Staff report for action on Provincial Health System Funding Reform related to Long-Term Care Homes & Services