City of Peterborough

To:	**Members of Committee of the Whole**
From:	**Allan Seabrooke, Chief Administrative Officer**
Meeting Date:	**November 7, 2016**
Subject:	**Report CAO16-011** **Long-Term Care Overview**

Purpose

An information report to Council on all aspects of the provision of long-term care (LTC) as it relates to Fairhaven, the City's municipal long-term care home.

Recommendations

That Council approve the recommendations outlined in Report CAO16-011, November 7, 2016, of the Chief Administrative Officer, as follows:

a) That Report CAO16-011 be received for information purposes.

b) That Council recommends to Fairhaven's Committee of Management that they consider engaging an external party to conduct an operational/financial review at the home to be presented to the City and County as part of Fairhaven's 2018 budget submission.

c) That Council authorize staff to send a letter to the Ministry of Health and Long-Term Care pressing for necessary changes to the Long-Term Care Homes Act, funding formulas, and funding levels.

Budget and Financial Implications

There are no direct financial implications associated with receiving Report CAO16-011. However, the 2017 budget request from Fairhaven for the City's portion of its net operating expenses is $1,066,579. This represents a 70% increase from the 2016 amount of $626,700. If this were approved, the total funding from the City would amount to 5% of Fairhaven's 2016 operating budget.

The 2017 Draft Operating Budget includes an amount of $846,579 representing 50% of the additional ask, an increase of $219,909 or 35.1%. If Council is prepared to provide all or some of the $220,000 difference between the 35.1% increase reflected in the draft budget and the Committee's 70% request, it will need to either add to the 2017 Draft Budget tax levy requirement or reduce the tax requirement included in another area of the Draft Budget.

This report may provide some context for the budget deliberations.

Background

This report is in response to previous Council direction authorizing staff to proceed with a general review of all aspects of the provision of municipal long-term care, and to report the findings to Council.

Fairhaven is an accredited municipal long-term care home jointly owned by the City and County of Peterborough. Long-term care is a complex and heavily regulated sector governed by the Ministry of Health and Long-Term Care under the **Long-Term Care Homes Act, 2007**. The Act is a comprehensive, complex, and prescriptive piece of legislation. Under the Act, the City must provide a long-term care home and cannot sell, transfer, or close approved long-term care beds within the home.

Fairhaven Ownership and Governance

The City and County entered into an Agreement in 1972 to become co-owners of Fairhaven with the City owning a two-thirds interest and the County owning a one-third interest. Fairhaven is an independent legal entity from the City and County. Fairhaven is administered by a Committee of Management, which has complete and exclusive control, management of, and supervision over the maintenance and operation of the home. The Committee consists of 7 members, 2 of which are City Council members and 2 of which are County Council members. The only role that the City has in terms of Fairhaven, other than the Council representatives that sit on the Committee of Management, is through the funding support that it provides.

In terms of municipal funding support, the Agreement stipulates that it is the expectation of the City and County that Fairhaven will operate within a balanced operational budget. However, in the event that Fairhaven experiences an operating deficit, the Agreement states that such deficit shall be funded by the City and County on the basis of two-thirds from the City and one-third from the County.

City and County Funding of Fairhaven

As per the City-County Fairhaven Agreement, funding is provided on the basis of two-thirds from the City and one-third from the County. A detailed chart summarizing City-

County funding to Fairhaven from 1995 to 2017 is provided as part of the Information Paper: Long-Term Care Overview, attached as Appendix A.

Prior to 1998, the City and County had been providing annual operating and capital funding to Fairhaven. However, in December 1996, the City notified Fairhaven through their annual budget letter that the City was facing a severe financial crisis where it must offset an anticipated $1.9 million reduction in provincial grants in 1997 and quite likely a full $6.0 million by 1999. The amount to be paid to Fairhaven in 1997 was reduced to $578,400 and no operating funding was provided for 1998 and after.

To assist during the transition, in September 1997, Council resolved to allow Fairhaven to retain the unused surpluses for 1995 to 1997 (previously they were returned to the City and County) and they were placed in a Working Capital Transition Reserve Fund. The Fairhaven Board of Management developed a business plan to ensure continued operations without municipal support. Also, in March 1998, City Council also approved a request from Fairhaven to write off a $110,508 Long Term Working Capital Receivable.

From 1998 to 2013, the City and County did not provide operating funding to Fairhaven, and did not resume providing regular yearly capital funding until 2013. The City and County did however provide long-term debt servicing in the amount of $1.05 million per annum to fund the rebuild of Fairhaven in 2003. The debt servicing commitment began in 2004 and is set to expire in 2021. In addition, the City and County provided $1.6 million in bridge financing between 2001 and 2003. The City also permitted Fairhaven to retain the proceeds from the sale of land from the former Fairhaven site. The land sale took place in 2008 providing Fairhaven with $1.4 million in proceeds.

At Fairhaven's request, and in response to budget pressures, the City and County resumed its operating support to Fairhaven in 2014. The City and County's operating contributions to Fairhaven for 2014 were $349,999, for 2015 were $499,999, and for 2016 were $940,005. While this represents an overall increase of $590,006 between 2014 and 2016, the $940,005 amount is comparable to the operating funding support that the City and County had been providing to Fairhaven prior to 1998, and in fact is less than what the City and County provided in 1995.

For the 2017 budget year, Fairhaven is requesting the City and County to increase its operating support by $659,864 to $1,599,869, which represents a 70% increase over the previous year. While the increase is significant, it still leaves the City and County at the bottom in terms of funding support provided by municipalities to their long-term care homes. Based on a survey completed by the Ontario Association of Non-Profit Homes and Services for Seniors (OANHSS) of 55 municipalities, the average municipal operating contributions per bed, per annum based on 2014 data was $16,153. The annual operating contributions that the City and County provided per bed for 2016 totalled $3,672.

Fairhaven Funding Pressures

Long-term care costs are escalating while provincial funding is effectively decreasing. Annual per diem increases have stagnated to an average of 50% of what they were between 2001 and 2011. Case Mix Index (CMI) funding levels have dropped significantly due to provincial funding caps and changes to how CMI is calculated. At the same time, LTC home costs have risen dramatically. Raw food and electricity costs have both experienced double digit inflationary increases that far outstrip annual per diem increases. Nursing costs have also risen significantly over the last several years due to the increased cost of providing care as a result of significant increases in resident acuity levels resulting from changes to LTC home eligibility criteria.

Fairhaven contends that it is at a point where it can no longer continue to operate, while providing the same level of quality care and legislative compliance, without increased funding support. While Fairhaven was able to operate without additional funding support from the City and County between 1998 and 2013, Fairhaven was relying heavily on its investment reserves during this time, which are quickly becoming depleted. In addition, Fairhaven was able to rely on the proceeds from the sale of the former Fairhaven site to assist with its operating and capital needs.

With provincial funding continuing to decrease, and home costs continuing to increase, Fairhaven is seeking added operating funding from the City and County. In a study completed by the City of Kawartha Lakes of over 40 municipalities, the findings were consistent with the OANHSS survey results; the City and County place close to the bottom in terms of operating support provided by municipalities to their municipal homes.

Issues with Provincial Funding of Long-Term Care

All long-term care homes, regardless of provider type, receive the same 3 primary sources of funding from the province. The province uses funding ‘caps’ to restrict the amount of funding provided so that aggregate provincial funding pots do not grow. Long-term care homes are now more similar to chronic care units in hospitals but are still being funded for a lighter level of care. Provincial funding is not sufficient to provide for the full and true cost of long-term care. Provincial per diems are not keeping pace with rising home costs and a more complex resident mix. Homes are facing large and unplanned deficits related to provincial caps placed on funding creating an unstable and volatile financial situation.

Challenge for Municipalities

Under the Act, long-term care homes have very little flexibility to bring about creative changes to address issues related to escalating long-term demand and funding pressures. Provincial funding is simply not sufficient to cover the true costs of long-term care and municipalities are left to fund the difference. Municipalities, however, are questioning their ability to continue to afford their long-term care obligations. The costs of operating long-term care homes, and the demand for long-term care, continue to escalate at alarming rates to the point of what many are labelling a crisis situation.

The Information Paper, attached as Appendix A, provides an overview of all aspects of long-term care provision. To prepare the Information Paper, staff conducted a comprehensive review of LTC related legislation and policies, strategies, studies, and statistical reports from various government and non-government organizations, agencies, and associations. Staff also conducted a thorough review of all Fairhaven documents and information.

In addition, staff contacted the Ministry of Health and Long-Term Care, the Central East Local Heath Integration Network (LHIN), the Central East Community Care Access Centre (CCAC), the Ontario Association of Non-Profit Homes and Services for Seniors (OANHSS), the Ontario Long-Term Care Association (OLTCA), other municipalities operating municipal long-term care homes, other non-municipal long-term care home operators, and met with the staff of Fairhaven on several occasions.

The Information Paper will provide helpful and necessary background information to Council as it makes decisions regarding funding support to Fairhaven.

The Information Paper is comprised of the following sections:

- Overview of Long-Term Care
- City's Obligation to Maintain a Long-Term Care Home
- Fairhaven
  - Ownership and Governance
  - An Independent Entity from the City and County
- Management Contracts
- Municipal vs. For-Profit Provision of Care
- Funding of Long-Term Care in Ontario
- Issues with Provincial Long-Term Care Funding
- Municipal Reviews of Long-Term Care
- Long-Term Care Home Funding Support by Municipalities
- City/County Funding to Fairhaven
- Fairhaven Current Financial Status
- Fairhaven Accountability and Operational Performance
- Fairhaven, Lobbying for Changes
- Future Options for Fairhaven's Consideration

Summary

Council authorized staff to conduct a general review of all aspects of the provision of municipal long-term care, and to report the findings to Council. Staff conducted a comprehensive review of key legislation, published research, and information specific to Fairhaven. In addition, staff contacted various industry experts, other long-term care home operators, and Fairhaven staff.

Through the review staff confirmed the City's legislative obligation to maintain a municipal long-term care home. Staff also confirmed the independence of Fairhaven's Committee of Management in managing and operating Fairhaven, and that the City's primary role and discretionary authority is with respect to the funding it provides. As outlined in the City-County Fairhaven Agreement, the City and County expect Fairhaven to operate within a balanced budget, but are responsible to fund the operating deficits of Fairhaven should they be incurred.

The City and County provided operating and capital funding to Fairhaven up to and including 1997. Due to significant financial pressures at the time, and the belief that

Fairhaven could operate without additional funding support, the City and County ceased providing operating funding from 1998 until 2014. The City resumed providing operating support in 2014, in response to budget pressures presented by Fairhaven, and has continued to do so in each subsequent year.

Each year, the level of funding being requested by Fairhaven continues to increase. This is due to significant and unanticipated decreases in provincial funding while home costs continue to increase. For the 2017 budget, Fairhaven is requesting a 70% increase over its 2016 municipal funding. When compared against the funding support provided by other municipalities to their municipal long-term care homes, the City and County are at the bottom of the list, well below the municipal funding average. The increases in operating support are of concern to the City and as such staff is recommending that the Committee of Management conduct an operational/financial review and that the City advocate to the province to address LTC funding concerns.

Submitted by,

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Attachments:
Appendix A – Information Paper: Long-Term Care Overview

Information Paper: Long-Term Care Overview

By Janet Sheward, Corporate Policy Coordinator
Date: TBD

Summary of Research

Long-term care (LTC) is a complex and heavily regulated sector governed by the **Long-Term Care Homes Act, 2007** (Act), along with other legislation. To prepare this report, staff conducted a comprehensive review of LTC related legislation and policies, strategies, studies, and statistical reports from various government and non-government organizations, agencies, and associations. Staff also conducted a thorough review of all relevant Fairhaven documents and information. A full listing of the documents referenced in the preparation of this report is included as Appendix A.

In addition, staff contacted the Ministry of Health and Long-Term Care (MOHLTC), the Central East Local Heath Integration Network (LHIN), the Central East Community Care Access Centre (CCAC), the Ontario Association of Non-Profit Homes and Services for Seniors (OANHSS), the Ontario Long-Term Care Association (OLTCA), other municipalities operating municipal long-term care homes, other non-municipal long-term care home operators, and met with the staff of Fairhaven on several occasions.

Information requests from non-municipal long-term care home operators were not returned. Where such information was needed for comparative purposes, this report relied on the findings of broader research studies. While these studies have produced reliable and consistent findings on a broader scale, they have not been validated to test for uniformity with local circumstances and conditions.

Overview of Long-Term Care

What is Long-Term Care?

LTC homes are places where those 18 and over, who require assistance with most or all daily activities, can live and have access to 24-hour nursing care. To be eligible for long-term care, residents must have care needs which cannot be met in the community through community-based services or other care-giving support. Since 2010, when the Ontario government changed the admission criteria for long-term care, only those with high or very high care needs are eligible for long-term care placement. This is significant because it has changed the resident mix in long-term care homes and the complexity and cost of care provision.

LTC homes are different than retirement homes. Retirement homes are privately owned facilities that rent private accommodation to seniors who can live independently with little or no outside assistance. Residents are not provided with 24-hour nursing care and must pay for their own care and living costs.

Provision of Long-Term Care in Ontario

In Ontario, LTC homes are provided through for-profit, not-for-profit, and municipal providers. According to the Ontario Long Term Care Association (OLTCA), there are 626 LTC homes in Ontario, of which 57% are privately owned, 24% are not-for-profit/charitable, and 17% are municipal homes.

Regulation of Long-Term Care in Ontario

All LTC homes, regardless of provider type, are regulated by the Ministry of Health and Long-Term Care under the Act and Ontario Regulation 79/10. The Act was revised in 2010 and replaced 3 previous Acts: Nursing Homes Act and Regulation; Charitable Institutions Act and Regulation; and the Homes for the Aged and Rest Home Act and Regulation.

The fundamental principle under the Act is that a LTC home is primarily the home of its residents and is to be operated so that it is a place where they may live with dignity and in security, safety and comfort and have their physical, psychological, social, spiritual and cultural needs adequately met.[1]

The Act, along with the Regulation, is a comprehensive, complex, and prescriptive piece of legislation that essentially governs all aspects of LTC including, but not limited to, the following examples:

- Licensing/approval requirements for LTC homes
- Requirements regarding the services that homes must provide
- Residents' rights, resident eligibility and application requirements, and resident fees
- Requirements regarding the management of waiting lists and approval or denial of LTC applications
- Detailed program, policy, and safety requirements
- Staff orientation and training requirements
- Incident management, reporting, and records management requirements
- Requirement for written care plans for each resident
- Requirements regarding use of restraints
- Requirements regarding annual inspections and enforcement for instances of non-compliance; and
- Requirements to have at least one registered nurse on duty at all times.

In addition to the Act and Regulation, there are many other pieces of legislation that LTC homes have to comply with, including, but not limited to: Health Care Consent Act; Substitute Decisions Act; Personal Health Information and Protection Act; Accessibility for Ontarians with Disabilities Act; Fire Code; Occupational Health and Safety Act.

[1] Long-Term Care Homes Act, 2007.

City's Obligation to Maintain a Long-Term Care Home

Under the Act, every upper or single-tier southern municipality is mandated to maintain at least one municipal home (either individually or jointly with another municipality). Northern municipalities, that are an upper or single-tier municipality, and have a population of more than 15,000, have the option of establishing and maintaining a municipal home.

Municipal homes must be approved by the Minister of Health and Long-Term Care. Through the approval, the Minister provides for the number of beds that are to be established considering what is in the public interest in terms of:

- long-term bed capacity;
- other available facilities and services;
- the current and predictable demand for LTC home beds;
- funds available for LTC homes in Ontario; and
- any other relevant matters.

Within the approval, the Minister sets out a number of 'non-amendable components'. These are components of the approval that may not be amended under any circumstances as outlined in the Act, section 100 (4). Examples include: the number, class, and type of beds approved. These same non-amendable components apply in the case of licensed beds.

Transfer or Closure of Municipal Beds

Unlike for-profit and not-for-profit organizations, municipal beds are not licensed beds; they are approved beds. Approved beds do not expire and, for those beds that a municipality is required to provide under the Act, may not be transferred and/or closed. Licensed beds may be transferred and/or closed but only as set out in the Act.

Where a municipality has more than one LTC home, it may close (not transfer) the beds in the additional home but must provide the Ministry with 5 years notice. However, the municipality runs the risk of losing the allocation of those LTC beds within their community. The 'closed' beds get transferred back to the Ministry, and the Ministry then decides whether to reallocate the beds elsewhere in the province.

Fairhaven

Ownership and Governance

Fairhaven is an accredited, 256 bed municipal LTC home (municipal home) that was established in 1960, and is jointly owned by the City and County of Peterborough. The City and County entered into an agreement in 1972 to become co-owners of Fairhaven with the City owning a two-thirds interest and the County owning a one-third interest.

As outlined in the Agreement between the City and County, Fairhaven is administered by a Committee of Management. This is a requirement under the Act that each municipal home have a committee of management that includes elected representatives from the municipality (or municipalities in the case of a joint home). The Committee consists of 7 members, 2 of which are City Council members and 2 of which are County Council members.

An Independent Entity from the City and County

Under the Fairhaven Agreement, the Committee has complete and exclusive control, management of, and supervision over, the maintenance and operation of Fairhaven, including the employment of such staff as are required for the proper administration of Fairhaven. The Committee is to provide an annual report to City and County Councils.

While Fairhaven is a municipal home under the Act, it is a separate legal entity from the City and County. The only role that the City has in terms of the operation of Fairhaven, other than the Council representatives that sit on the Committee of Management, is through the funding support that it provides. The City has the authority and discretion to review and decide on Fairhaven's funding requests through the City's annual budget process.

This arrangement is different from some of the other municipal homes in Ontario where the LTC home is part of a City department and the staff are City employees.

Management Contracts

Municipalities have the ability under the Act to enter into management contracts for the management of their municipal homes. The City and County, however, do not have this option because Fairhaven is its own separate legal entity managed completely independently by the Committee of Management, as mentioned above. Only the Committee of Management has the legal authority to make a determination regarding moving to a management contract for the management of its home.

Of over 40 municipalities researched, only 4 rely on the use of a management contract, and the nature of the relationship varied from one of full home administration to just the purchase of certain administrative services. In those instances where municipalities did enter into management contracts, it was generally not for the express purpose of achieving significant cost savings. It was often because they lacked the necessary expertise in-house to ensure the full and effective management of the home.

While some homes mentioned the cost savings they were able to achieve related to administrative and ancillary functions, the opportunity for overall cost savings was limited due to 'fixed' staffing costs. Given that management contractors are required to honour collective agreements of home staff, the salary and benefits remain the same under a new contractor. This is in accordance with labour laws and collective agreement provisions related to successor rights. As staffing costs are by far the greatest expenditure of LTC homes, the opportunity for staffing related cost savings is limited.

Municipal vs For-Profit Provision of Care

When comparing municipal and not-for-profit provision of long-term care, municipal homes tend to have higher staffing levels and provide a higher quality of care, as demonstrated below. In addition, demand for municipal LTC home beds tends to be higher according to waiting list statistics and related studies.

Staffing Levels

The Institute for Research on Public Policy (IRPP) noted through their research that "Staffing differences between for-profit and nonprofit facilities are one of the most consistent findings in the literature; numerous studies have found that nonprofit and publicly owned facilities have higher nurse staffing levels than for-profit facilities."[1] These findings are also consistent with the data presented through the Ministry of Health and Long-Term Care Data Staffing Report as outlined in the table below.

Direct Staff Hours of Care (RNs, RPNs, PSWs)	
Provider Type	**Hours per Resident Day**
Municipal	3.315
Charitable (not-for-profit)	3.224
Nursing Home (not-for-profit)	3.169
Nursing Home (for-profit)	3.094
Long Term Care Sector Average	3.201

(Source: MOHLTC, 2012 Staffing Data Report)

Municipal homes are at the top of the list with the highest hours of direct care, while for-profit homes are at the bottom of the list with the lowest number of direct care hours.

In addition, municipal homes tend to maintain the highest percentage of registered staff as illustrated by the table below. The table shows the percentage differences in number of staff hours by staff type, with municipal homes having the highest percentage of Registered Nurse (RN) hours and the lowest percentage of Personal Support Worker/Health Care Aide (PSW/HCA) hours.

Percent of Care Hours by Staff Type				
	Municipal	**NFP**	**Charitable**	**For Profit**
RN	10.4%	9.8%	9.5%	10.0%
RPN	21.9%	18.4%	19.2%	17.6%
PSW/HCA	67.7%	71.8%	71.3%	72.4%
Total	100.0%	100.0%	100.0%	100.0%

(Source: MOHLTC 2012 Staffing Data Report)

[1] Institute for Research on Public Policy, "Residential Long-Term Care for Canada's Seniors – Non-Profit, For-Profit or Does It Matter?" 2011.

Quality of Care

A subsequent finding of the IRPP is the relationship between higher staffing levels and quality of care. Through their research they identified a strong correlation between the two. “The relationship between ownership and residential care quality has been examined across a large number of jurisdictions in the US, with data from Pennsylvania (Aaronson, Zinn, and Rosko 1994), California (O’Neill et al. 2003), Maryland (Zimmerman et al. 2002) and the US as a whole (Castle 2000a; Harrington et al. 2001). Studies from a number of Canadian provinces (Berta, Laporte, and Valdmanis 2005; Doupe et al. 2006; McGregor et al. 2005; McGregor et al. 2006; Shapiro and Tate 1995), from Taiwan (Lee et al. 2002) and from Australia (Pearson et al. 1992), while fewer in number, have also demonstrated a significant association between publicly funded for-profit delivery and care of inferior quality.”[2]

Staffing Costs

Municipal salary and benefit costs also tend to be higher than the other provider types. One of the reasons identified for the higher salary and benefit costs is arbitrated settlements. Provincial arbitrators view municipalities as having ‘deep pockets’ and the ability to afford higher settlements. Often, collective bargaining is decided through the provincial arbitration process and homes are left the task of determining how to fund arbitrated settlements. Collective bargaining increases are excluded from provincial long-term care funding. Staffing costs also tend to be higher due to legislated requirements such as pay equity which municipal homes are required to maintain and are held to more costly comparators.

Funding of Long-Term Care in Ontario

Under the Canada Health Act, long-term care falls under the category of ‘extended health services’. These are services that are not deemed ‘medically necessary’ and as such are not an insured service under the Canada Health Act. Provinces and territories provide, and publicly fund, long-term care services at their own discretion.

In Ontario, long-term care homes, regardless of provider type, receive funding from 3 primary sources: Level of Care Funding; Supplementary Funding; and Resident Co-Payments.

Level of Care Funding

All homes, whether for-profit, non-profit, or municipal, are funded according to the same base Level of Care funding. Level of Care funding is provided by the Ministry and is separated into 4 funding envelopes on a per bed, per diem basis as outlined in the table below.

[2] Institute for Research on Public Policy, “Residential Long-Term Care for Canada’s Seniors – Non-Profit, For-Profit or Does It Matter?” 2011.

Long-Term Care Home Per Diems	
Funding Envelope	**Average Rate Per Day**
Nursing and Personal Care (NPC) (based on a CMI of 100)	$94.37
Programming and Support Services (PSS)	$9.41
Raw Food (RF)	$8.33
Other Accommodation (OA)	$54.52
Total	$166.63

(Source: Ministry of Health and Long-Term Care)

Envelopes are reconciled annually, with the exception of the OA and PSS Envelopes, and any unspent funds must be returned to the Ministry.

The NPC envelope, which generally constitutes over half of a home's provincial funding, gets adjusted by 3 factors to determine the actual annual level of NPC funding that a home will receive. This is explained in more detail under the section called Adjustments to NPC envelope, and is significant because the annual adjustments can have a major impact on a home's level of funding and create large, unanticipated funding deficits.

Supplementary Funding

Supplementary funding, also referred to as non-level of care funding, refers to supplementary funding streams provided to qualifying homes. Each funding stream has distinct terms and conditions that must be met for a home to be eligible for that stream. The supplementary funds or "pots" vary from home to home and across the different types of long-term care providers. The pots remain relatively static from year to year for any given home, other than the high intensity needs funding which can vary depending on the resident case mix each year. For Fairhaven, the supplementary funding amounts to approximately 10% of their overall provincial funding.

Examples of supplemental funding, for which homes may be eligible include, but are not limited to: construction subsidy funding, high wage transition funding, pay equity funding, municipal tax allowance funding, accreditation funding, physician on-call funding, structural compliance premium, MDS early adopter funding, high intensity needs funding, laboratory services funding, etc.

Resident Co-Payments

Under the Act, residents are required to pay a portion of their accommodation charges to the long-term care home. A resident who is unable to pay the full charge for accommodation may be eligible for a rate reduction in accordance with Ontario Regulation 79/10 under the Act.

Accommodation costs are set by the Ministry of Health and Long-Term Care and are standard across Ontario regardless of provider type. This means that residents pay the same for accommodation regardless of whether they are in a for-profit, non-profit, or municipal home.

Accommodation costs are set out for both basic and preferred (semi-private or private) accommodation as outlined in the table below.

Maximum Accommodation Rates (as of July 1, 2016)		
Type of Accommodation	**Daily Co-Payment**	**Monthly Co-Payment**
Basic	$58.99	$1,794.28
Semi-Private*	$67.08 - $71.12	$2,040.35 - $2,163.24
Private*	$77.19 - $84.27	$2,347.87 - $2,563.22
*Varies depending on the ‘class of bed’ and date of admission		

(Source: Ontario Long-Term Care Association)

The Act limits the percentage of preferred accommodation that each home is permitted to provide. Under Ontario Regulation 79/10, each home must ensure that no more than 60% of the licensed (or approved) bed capacity is designated as preferred accommodation.

Adjustments to NPC Envelope

As mentioned earlier, the NPC envelope gets adjusted by 3 factors to determine the actual amount of NPC funding a home will receive each year. The 3 factors are: the Case Mix Index (CMI), the Special Rehabilitation (SR) Limit, and the province’s Re-indexing Factor.

These adjustments can have a significant impact on a home’s level of funding and create financial uncertainty and hardship year over year, which will be illustrated later under the section called Issues with Provincial Long-Term Care Funding.

Case Mix Index (CMI) Adjustment

The CMI is a numeric value assigned to each long-term care home. It is a measure of the average care requirements of residents (resident acuity) of each home. Each home’s ‘Funded CMI’ is multiplied by the base Level of Care per diem to determine the total amount of funding for the NPC envelope. To arrive at the Funded CMI amount, the base CMI gets further adjusted by the SR Limit and the Re-Indexing Factor.

SR Limit

The SR Limit is an adjustment that gets applied to each home’s CMI to limit the number of ‘assessed days’ that it can assign for Special Rehabilitation funding. Under the SR Limit, a maximum of 5% of a home’s assessed days can be assigned to the SR category regardless of how many days the home actually incurs. This can also have significant impacts for homes because they are not able to fully recoup such resident care costs.

The Ministry’s rationale for limiting the percentage of SR assessments is because “the LTC home reporting of SR in Ontario has been significantly higher than in any other jurisdiction”[3]. According to the Ministry, “the limit on SR was necessary to avoid inequitable allocation of funding across the sector”[4].

The CMI number, after the SR Limit is applied, is referred to as ‘SR Limited CMI’. The SR Limited CMI gets further adjusted by the province’s Re-indexing Factor to arrive at each home’s Funded CMI.

Re-Indexing Factor

The Re-indexing Factor is a limiting adjustment that is applied to each home’s SR Limited CMI to ensure that the aggregate funding to all LTC homes across the province does not change. In other words, it is used to ensure that the overall funding pot does not increase. LTC funding is re-indexed by the province in order to maintain fiscal neutrality.

Funded CMI

Funded CMI is the final CMI after it has been decreased by both the SR Limit and the Re-indexing Factor. The Funded CMI gets applied to each home’s NPC per diem to determine the home’s yearly NPC funding.

Issues with Provincial Long-Term Care Funding

Municipalities are struggling with their ability to continue to afford the growing financial demands of long-term care now and in the future. While long-term care homes are funded through the province and resident co-payments, municipalities are increasingly having to provide significant levels of funding support to their municipal homes. Provincial funding is simply not sufficient to cover the true costs of long-term care and municipalities are left to fund the difference. The costs of operating long-term care homes, and the demand for long-term care, continue to escalate at alarming rates to the point of what is being labelled a crisis situation.

While there are numerous issues that can be identified in terms of the province’s approach and commitment to long-term care funding, this report attempts to summarize a few of the key issues.

1. Ministry funding has not kept pace with rising LTC home costs

While Level of Care per diems have increased over the years, the increases have only been equal to (or less than) average inflation rates. At the same time, a number of home costs have witnessed significant increases, including Raw Food (RF) costs and utilities costs, which are adding to overall funding pressures for LTC homes.

[3] Ministry of Health and Long-Term Care, “Long-Term Care Case Mix Index Results for 2016-17” 2016.
[4] Ministry of Health and Long-Term Care, “Long-Term Care Case Mix Index Results for 2016-17” 2016.

Fairhaven Per Diem Increase History (2012 – 2016)				
Year	**NPC**	**PSS**	**RF**	**OA**
Average	1.80%	1.80%	2.22%	1.31%
2016	2.00%	2.00%	3.70%	1.10%
2015	2.00%	2.00%	2.00%	1.50%
2014	2.00%	2.00%	0.90%	0.70%
2013	2.00%	2.00%	1.50%	1.13%
2012	1.00%	1.00%	3.00%	2.10%

As an example, fresh fruit costs rose by 12.5% and vegetable costs rose by 11.4% between November 2014 and November 2015. Meat costs experienced a similar increase, between November 2013 and 2014, of 12.2%. The RF per diem increase during this same period was 2.0%. The immediate result for homes is a significant deficit in their RF funding. Raw Food costs for Fairhaven rose by a cumulative 14% between 2012 and 2015, and that percentage is expected to climb to 23% as of the end of 2016. Under the Act, homes are responsible for meeting the daily nutrition needs of residents. For RF costs, Fairhaven is in the 14th percentile out of 57 municipal homes surveyed by OANHSS.

Electricity costs are another example of soaring expenses that far exceed annual per diem increases. Electricity costs for Fairhaven have increased 40% between 2012 and 2015, and that percentage is anticipated to increase to 71.14% by the end of 2016. Utilities costs have increased 34% between 2012 and 2015, and that percentage is anticipated to increase to 58% by the end of 2016.

Increases in electricity costs are due to both rate increases and the loss of the Ontario Clean Energy Benefit (up to approximately $4,000 per month). The Clean Energy Benefit ended December 2015. The absence of the Benefit has had a huge impact on Fairhaven’s electricity costs.

In addition to rising home operating costs, LTC homes are increasingly facing new reporting, documentation, and accountability requirements that place increasing burdens on a home’s resources without added funding to address these new requirements.

2. Ministry funding has not kept pace with the changing LTC demographic

Due to changes in the Act regarding LTC eligibility requirements, and the province’s Aging at Home Strategy, people are entering LTC homes at a much older age and with much more complex care needs than ever before. For example:

- 62% of residents live with Alzheimer’s disease or other dementias

- 46% exhibit some level of aggressive behaviour related to their dementia or mental health condition
- 40% have a psychiatric diagnosis such as anxiety, depression, bipolar disorder, or schizophrenia
- 97.4% have two or more chronic diseases such as arthritis and heart disease[5]

The changed LTC eligibility requirements mean that, only those who require assistance with most or all daily activities and whose care needs cannot be met through community-based services or other care giving support, are eligible for LTC placement. In other words, only those with high or very high care needs are eligible for long-term care placement, as referenced earlier in this paper.

"The system for long-term care was established and funded to provide the elderly with a safe, comfortable place to live that provided a light degree of care."[6] However, today's long-term care homes are now more similar to hospital chronic care units, but their funding is "still geared to what homes were like in the past."[7]

Long-term care homes continue to be funded for a less complex resident mix while the increasingly complex level of care adds significant funding pressures related to increased staffing levels, specialized staff training, resident and staff safety and security measures, medical equipment/supplies, etc.

3. Provincial funding 'caps' create significant funding shortfalls and financial instability for LTC homes

As mentioned earlier, the CMI numeric value is an attempt to adjust each home's base Level of Care funding so that homes with higher levels of resident acuity receive greater funding to address care needs. However, the SR Limit and the Re-indexing Factors that get applied to the CMI, to restrict provincial funding, result in "considerable annual swings in funding levels [creating] considerable instability both financial and in terms of service continuity."[8]

- For the 2013/2014 funding year, Fairhaven's Funded CMI dropped from 104.23 to 98.23, a drop of 5.8%. This translated into a $434,000 funding reduction from the previous year even though Fairhaven's acuity had not changed.
- For the 2014/2015 funding year, Fairhaven's Funded CMI decreased once again from 98.23 to 95.92, a decrease of 2.4%. This resulted in a decrease of funding of $146,000. Over the course of the 2 funding years, Fairhaven's Funded CMI dropped by 8.2% which resulted in a massive cumulative decrease of over $1 million in funding.

[5] OLTA, "This is Long-Term Care 2015" 2015.
[6] OLTA, "This is Long-Term Care 2015" 2015.
[7] OLTA, "This is Long-Term Care 2015" 2015.
[8] OANHSS, "The Need is Now: Addressing Understaffing in Long Term Care" 2014.

- For the 2015/2016 funding year, Fairhaven's Funded CMI increased from 95.92 to 102.21, an increase of 6.6% from the previous year. However, this number was still 7% lower than Fairhaven's raw CMI and 2% lower than Fairhaven's funding 3 years prior in 2012/2013.

4. Demand for long-term care is growing but no new beds or funding are being added into the LTC system

Aging Population

The demand for long-term care in Ontario continues to grow at an accelerated rate. According to a report by the Association of Municipalities of Ontario (AMO), we have begun to see what some are calling the 'Grey Tsunami' as a result of the aging of the Baby Boom generation. "What will follow is the greatest increase in our senior population that has ever been seen before and over a relatively short period of time."[9] "By 2017, for the first time, Ontario will be home to more people over 65 than children under 15."[10]

This is echoed in Ontario's Action Plan for Seniors which identifies that Ontario is going to experience a huge demographic shift and that the number of seniors in Ontario will more than double by 2036. According to the Action Plan, "the oldest age groups in Ontario are increasing in number faster than any others. The 75+ group is projected to increase by approximately 144 per cent by 2036. The 90+ group will triple in size."[11] By 2036, the senior population will account for almost 25% of the population as a whole.

Wait Times for a Long-Term Care Bed

Already, "the overall demand for beds is increasingly outstripping supply. Waitlists are growing and there are virtually no beds available."[12] In its 2011 report, AMO reported that the average wait time for a long-term bed was 105 days for someone in hospital, 173 days for people waiting at home, and that from 2005 to 2011 wait times had tripled. At the same time, the Ministry has announced no plans to add new long-term care beds into the system, but is investing heavily in its Aging at Home Strategy.

There are currently 9,050 individuals on the waiting list for the Central East Community Care Access Centre, within which Peterborough falls. The total number of long-stay long-term care beds in the Central East area is 9,529. There are almost as many people on the waiting list as there are licensed or approved beds, which are already full. This demand, and the pressure on municipalities to help fund long-term care, only promises to grow as the population continues to age.

[9] AMO, "Coming of Age: The municipal role in caring for Ontario's seniors" 2011.
[10] Ontario Seniors' Secretariat, "Ontario's Action Plan for Seniors" 2013.
[11] Ontario Seniors' Secretariat, "Ontario's Action Plan for Seniors" 2013.
[12] AMO, "Coming of Age: The municipal role in caring for Ontario's seniors" 2011.

5. LTC funding model is too restrictive and is administratively burdensome

The LTC funding model is restrictive and limits flexibility to ensure the optimal use of funds for direct care. There is little flexibility for homes to use direct care funds in ways that best meet the needs of their residents. There is inadequate movement between direct care envelopes and funding rules are unnecessarily rigid and burdensome. As a result, LTC homes must be conservative in their use of funds to adhere to the balanced budget requirement (i.e. no deficits). This can result in an underutilization of funds as homes do not have the surplus revenue to offset envelope spending that is greater than the per diems provided. In addition, there appears to be inequities across the sector related to access to funding pots due to potential issues with the accurate and reliable reporting of CMI data. Funding inequities across the sector impact each home because the aggregate provincial funding is relatively fixed or static.

6. Heavy regulation of LTC sector impedes creative solutions

Almost every aspect of long-term care is covered under the Act and/or Regulation leaving very little room to find creative solutions to what is an escalating and serious problem. Municipalities 'hands' are tied in terms of being able to determine how best to address long-term needs within their communities. There is very little opportunity to introduce change because almost everything is prescribed by the Act.

Municipal Reviews of Long-Term Care

As mentioned earlier, many municipalities in Ontario are questioning their ability to continue to afford their long-term care beds. Many have conducted operational reviews to increase efficiencies and reduce costs or reviews to evaluate their options under the Act and their role in long-term care. Examples of such municipal reviews include: Guelph, Hamilton, Niagara Region, Peel Region, Timmins, and Toronto, to name a few. Below are brief summaries of the findings from a few of the reviews. In each of the evaluations, the decision was made by the municipality to maintain its role in the provision of its long-term care homes. Several of the municipalities conducting the reviews owned and operated more than one long-term care home. The reasons behind the decisions were generally related to legislative restrictions, limited opportunity for cost savings, quality of service delivery, and risk of potential loss of long-term care beds.

Guelph

The City of Guelph conducted its long-term care review in 2013 through Klejman & Associates Consulting Inc. While the City had been meeting its obligations under the Act through a purchase of service agreement with the County of Wellington, the City wanted to explore a range of options to enable it to best address current and future long-term care needs of its growing elderly population. The range of options included: establishing and operating a small stand-alone home; purchase of service arrangement with another municipality; acquisition of an existing LTC Home licence; joint ownership with another municipality; and partnership with a LTC Home operator other than a municipality.

The two options that the City of Guelph ranked highest were 1) the purchase of service agreement with another municipality; and 2) partnership with an operator that is not a municipality, with the assumption of control (The Elliott). The Elliott is a not-for-profit home that the City has been providing funding support to for many years. Throughout the years, the City has sought to have The Elliott designated as its municipal home, but has been unsuccessful in securing Ministry approval. Reasons for eliminating the other options from the list range from: significant capital investment and start-up time to legislative restrictions, higher municipal staff wages, likelihood of MOHLTC approval, etc.

Hamilton

The City of Hamilton conducted reviews in 2003 and 2012. The 2012 review was conducted by KPMG and recommended the transfer of one of the City's two LTC homes to a non-profit operator. Council rejected the transfer based on findings that had been reached during the 2003 review. According to a summary prepared by Peel Region, City Council concluded in 2003 that transferring ownership or management of the home to a non-profit or private operator, or closing and restructuring the home would not be fiscally responsible or feasible.

> "Council's decision outlined that there were no sufficient cost savings due to significant labour issues (i.e. successor rights for union contracts and severance costs) and that there were no guarantees that the beds would remain in Hamilton if they were returned to the province." (Region of Peel, 2013)

Niagara Region

Niagara, in its comprehensive Long-Term Care Home Redevelopment review conducted by Deloitte LLP, reached the following findings regarding the possible closure of transfer of its long-term beds:

> "Any project delivery options that involve the Region transferring its responsibility for the LTC beds is not viable based on a combination of MOHLTC regulations restricting transfers of municipal bed approvals, and the Region's constraint that an option should not carry a risk that LTC beds could be moved by MOHLTC outside of the Region" (Regional Municipality of Niagara, "LTC Preliminary Business Case")

> "Due to the Region's existing collective bargaining agreements with LTC staff, the Region is restricted from any option in which Region staff are replaced by a third party's staff; however, the Region is permitted to pursue an arrangement where Region staff are transferred to a third party entity provided the collective agreement remains in place/is adhered to by the new employer of the transferred employees" (Regional Municipality of Niagara, "LTC Preliminary Business Case")

At the time of the review, Niagara region owned and operated 957 long-term care beds in 8 accredited long-term care homes. The review was dealing specifically with 3 of Niagara's homes that required redevelopment. What Niagara learned was that if it were to notify "MOHLTC that it no longer intends to operate the three LTC homes, MOHLTC would have the discretion to reallocate some or all of the LTC beds in these homes to another area in the Province." (Niagara Region, 2016) It also confirmed that increasing the number of LTC beds operated by the Region was not an option because MOHLTC confirmed "that it will not be increasing the number of LTC beds in the foreseeable future." (Niagara Region, 2016)

Toronto

The City of Toronto conducted a core services review through KPMG in 2011, followed by a Service Efficiency Study conducted by DPRA Canada & SHS Consulting in 2012. At the time of the review, the City was providing 10 long-term care homes, but under the Act is only required to provide 1 long-term care home. Through these reviews, the recommendation was made that the City should maintain its current role in the municipal Long-Term Care sector and focus on finding efficiencies within their current operations. Rationale for the decision included the following:

> "…the City plays a crucial role within the Long-Term Care sector that few other operators have the capacity to fulfill. It meets the needs of those at the lowest end of the income scale, provides unique care for Lesbian Gay, Bisexual and Transgendered people, assists persons with complex care needs, those in need of behavioural support, persons with mental health issues, persons who are brain injured, and others whose needs require a high level of specialist expertise and training that many operators would be unable to deliver." (DPRA Canada & SHS Consulting, 2012)

> "The findings by KPMG from the City's core service review noted that legislatively, municipalities need only operate one home and KPMG suggested the City could transfer nine of its homes to other operators. There are significant barriers to the transfer of homes. First…the City cannot simply sell the beds: the province owns the beds and the legislation notes at least a 5-year notification in the event an operator wanted to give up the beds." (DPRA Canada & SHS Consulting, 2012)

Long-Term Care Home Funding Support by Municipalities

As referenced by OAHNSS in their 2014 report, most municipalities are unable to rely solely on provincial funding and are forced to contribute municipal funds over and above what the province provides in order for their homes to operate without a deficit. "In fact some have suggested that without this additional revenue stream, some municipal homes would be in crisis."[13]

[13] Canadian Health Care Association, "New Directions for Facility-Based Long Term Care", Ottawa: Canadian Healthcare Association, 2009.

The level of funding support varies across the province as outlined in the table below. As you can see, the City/County funding contribution is at the lowest level in terms of municipal operating contributions per resident day. A detailed explanation of City-County funding support to Fairhaven is provided in the following section City-County Funding to Fairhaven, and a summary chart is provided as Appendix B.

Municipal Operating Contributions Per Resident Day	
Average	$45.24
Minimum	$3.75
Maximum	$157.85
City/County of Peterborough	$3.75

(Source: OANHSS, Benchmarking 2015, 2014 preliminary data)

Staff confirmed with OANHSS that the calculations provided above do not include capital funding or contributions to long-term debt servicing for any of the municipalities surveyed. Based on the OANHSS survey, the average municipal operating contributions per bed, per annum, based on the 2014 data, is $16,153. The annual operating contributions that the City and County provided per bed for 2016 was $3,672.

In addition to the research conducted by OANHSS, staff reviewed research conducted by the City of Kawartha Lakes and the County of Peterborough comparing municipal funding contributions. Their findings were consistent in that the City and County place close to the bottom in terms of operating support provided. Staff contacted a number of the municipalities contained in the City of Kawartha Lakes research to confirm that the funding contributions listed for each municipality were truly comparable (i.e. only included operating funding and did not also include capital funding or long-term debt servicing costs). Of the 20 plus municipalities contacted, the funding contributions only represented their operating support and did not include the capital and long-term debt servicing funding that they were also contributing. The average funding support per bed per annum across the municipalities in the City of Kawartha Lakes research was $20,100. This is compared to the $3,672 that the City and County fund per bed per annum.

City-County Funding to Fairhaven

Attached, as Appendix B, is a table that outlines the municipal funding support that the City and County have provided to Fairhaven since 1995. As per the City-County Fairhaven Agreement, funding is provided on the basis of two-thirds from the City and one-third from the County. The City/County Fairhaven Agreement stipulates that it is the expectation of the City and County that Fairhaven will operate within a balanced operational budget. However, in the event that Fairhaven experiences an operating deficit, the Agreement states that such deficit shall be funded by the City and County on the basis of two-thirds from the City and one-third from the County. Operating deficit excludes any capital contribution.

Prior to 1998, the City and County had been providing annual operating and capital funding to Fairhaven as outlined in Appendix B. However, in December 1996, the City notified Fairhaven through their annual budget letter that the City was facing a severe financial crisis where it must offset an anticipated $1.9 million reduction in provincial grants in 1997 and quite likely a full $6.0 million by 1999. The amount to be paid to Fairhaven in 1997 was reduced to $578,400 and no operating funding was provided for 1998 and after.

To assist during the transition, in September 1997, Council resolved to allow Fairhaven to retain the unused surpluses for 1995 to 1997 (previously they were returned to the City and County) and they were placed in a Working Capital Transition Reserve Fund. The Fairhaven Board of Management developed a business plan to ensure continued operations without municipal support. Also, in March 1998, City Council also approved a request from Fairhaven to write off a $110,508 Long Term Working Capital Receivable.

From 1998 to 2013, the City and County did not provide operating funding to Fairhaven, and did not resume providing regular yearly capital funding until 2013. The City and County did however provide long-term debt servicing in the amount of $1.05 million per annum to fund the rebuild of Fairhaven in 2003. The debt servicing commitment began in 2004 and is set to expire in 2021. In addition, the City and County provided $1.6 million in bridge financing between 2001 and 2003. The City also permitted Fairhaven to retain the proceeds from the sale of land from the former Fairhaven site. The land sale took place in 2008 providing Fairhaven with $1.4 million in proceeds to be used for ongoing operating support.

At Fairhaven’s request, and in response to budget pressures, the City and County resumed its operating support to Fairhaven in 2014. As outlined in Appendix B, the City and County’s operating contributions to Fairhaven for 2014 were $349,999, for 2015 were $499,999, and for 2016 were $940,005. While this represents an overall increase of $590,006 between 2014 and 2016, the $940,005 amount is comparable to the operating funding support that the City and County had been providing to Fairhaven prior to 1998, and in fact is less than what the City and County provided in 1995.

For the 2017 budget year, Fairhaven is requesting the City and County to increase its operating support by $659,864 to $1,599,869, which represents a 70% increase over the previous year. While this increase is significant, it accounts for only 3.1% of Fairhaven’s 2016 operating budget and it still leaves the City and County at the lower end of municipal operating contributions according to both the OANHSS Benchmarking data and the survey data from the City of Kawartha Lakes. According to the 2014 OANHSS data, the average annual operating contributions for 2014 were $16,153 per bed while the City of Kawartha Lakes has the 2016 average at $20,100. The per bed, per annum amount that the City and County would be contributing based on Fairhaven’s 2017 budget request is $6,249.

While the data from OANHSS and the City of Kawartha Lakes provides a useful comparator across municipalities, it is important not to assume that the ‘average’ is the right or minimum number for all municipal homes given that funding need is specific to the circumstances of each home.

Fairhaven Current Financial Status

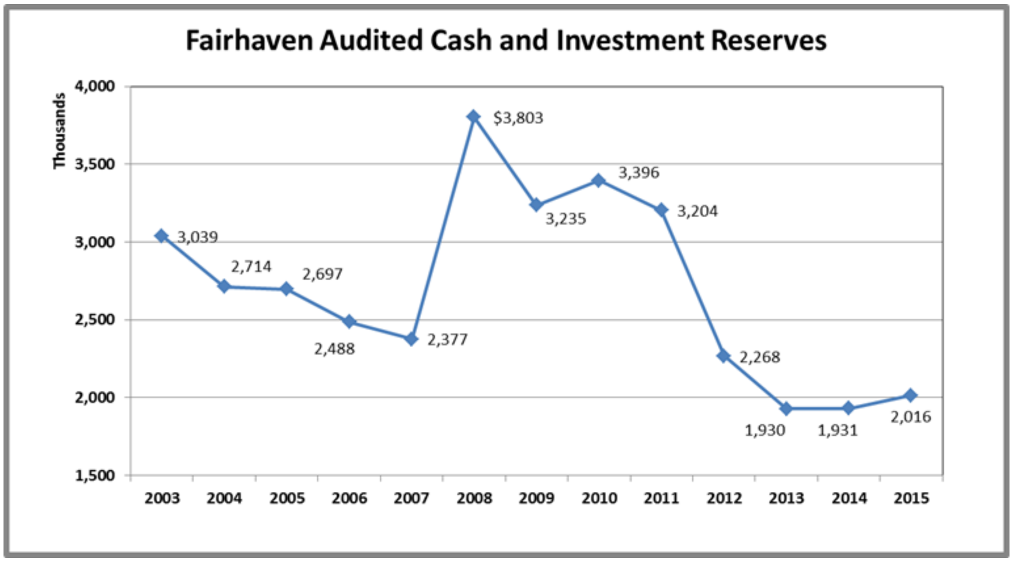
Fairhaven contends that it has reached a point where it can no longer continue to operate at current service levels without added funding support from the City and County - funding support that has become a standard for most other municipal homes due to insufficient provincial funding. Provincial funding is not sufficient to meet current obligations and rising home costs, and the funding gaps appear to be worsening rather than getting better.

Between 2001 and 2011, average per diem increases were $5.05 per bed. Between 2012 and 2016, average per diem increases fell to $2.73, a drop of almost 50% in annual per diem increases. In addition to stagnating annual per diem increases, CMI funding experienced huge dips as the province introduced: new methods for assessing case mix; funding caps to restrict overall provincial funding levels; and an unwritten policy of not funding inflationary increases. The impact of these changes has created large and unanticipated decrease in Fairhaven's core funding.

At the same time as growth in per diem funding slowed, and CMI funding was capped and frozen at 2008 levels, Fairhaven began experiencing significant year to year cost increases that quickly outpaced provincial funding levels. Since 2007, Fairhaven's costs have increased 40%, but the share of provincial revenue covering those costs has decreased, on average, 4.4% per annum. While Fairhaven has relied on various cost-cutting measures over the years to contain or reduce costs, their overall costs are generally in the lowest quartile relative to other municipal homes according to OANHSS benchmarking. This leaves little to no room for further cost-cutting.

Raw food and electricity costs have experienced double digit inflationary increases that have far outstripped annual per diem increases. Nursing costs have also risen significantly over the last several years due primarily to higher resident acuity levels from the changed eligibility criteria for LTC homes. Nursing costs have also risen as a result of the increased reporting and accountability requirements that LTC homes now face due to the changes to the Act.

While Fairhaven was able to operate without additional funding support from the City and County between 1998 and 2013, Fairhaven was relying heavily on its investment reserves during this time, as illustrated in the table below.



The upward trend in 2008 was as a result of the proceeds from the sale of the former Fairhaven site. The chart shows that even back as far as 2003, when year to year per diem increases were almost 50% higher, Fairhaven was relying on its investment reserves. Of the draws from reserves between 2011 and 2015, 60% were used for operating expenditures while 40% were used for capital.

Below is a brief summary of some of the funding challenges that Fairhaven has identified it is facing:

- Fairhaven's cash and investment balance was 97% higher in 2008 than in 2014, and 145% higher than in 2015.
- Over the course of two years (2013-2015), Fairhaven's funded CMI dropped by 8.2% or a cumulative decrease of over $1 million. Fairhaven's funded CMI continues to be less than what they received four years ago.
- For 2016-17, Ministry funding of Fairhaven's case mix is $631,000 short of Fairhaven's actual assessed case mix needs.
- The CMI funding "pot" has been static for years as a result of the Ministry's re-indexing factor. The impact of the re-indexing factor on Fairhaven's 2016 budget is a reduction of $343,000.
- The Special Rehab cap resulted in a further decrease to Fairhaven's funding in the amount of $288,000 less than the assessed funding need for the 2016 budget.
- Average per diem increases, in all four envelopes, have been less than 2% over the course of four years (2012 to 2015). This does not address any material adjustments for resident acuity increases, and in many instances, is less than inflationary costs.
- Raw food per diem funding is no longer meeting Fairhaven's raw food funding need resulting in a cumulative funding deficit of $90,000 between 2014 and 2016. Several staples of the food that Fairhaven serves to its residents have seen enormous increases in price.

- In November, 2015, the Dieticians of Canada released “Raw Food Cost Funding in Ontario Long Term Care Homes Survey Report.” This document stated that we have a “crisis in long term care raw food funding.”
- The cost of electricity has risen rapidly and Hydro One has also removed the clean energy benefit from Fairhaven’s monthly electricity billing. Unlike multi-residential dwellings such as retirement homes, Fairhaven is ineligible for the exemption from the debt retirement charge. These factors could result in a 50% increase in electricity expense between the 2015 and 2016 budgets.

Fairhaven Accountability and Operational Performance

In the absence of a detailed operational review and financial audit, this report relies on a number of indicators to suggest that Fairhaven manages its home with a high level of operational and financial accountability.

- Fairhaven has an occupancy rate of 99% and has the largest wait list in the area, presumably due to its positive reputation and the level of care it provides.
- Fairhaven completes annual Resident Satisfaction Surveys. 91% of residents and family members indicated they would recommend Fairhaven to family and friends looking for long-term care placement. 97% of respondents said they feel safe in the home and on the external property. 90% of respondents stated that staff and volunteers treat them respect, politeness and courtesy. Survey results are reviewed by all levels of the organization, and focus groups are created to address areas for improvement.
- Fairhaven is continually seeking new opportunities to enhance resident care and generate additional revenue. Examples include:
  - Fairhaven was one of the ‘early adopters’ for the Behavioural Support Ontario (BSO) program that resulted in approximately $430,000 in new base funding to Fairhaven for added behavioural support within the home. Fairhaven was involved in helping to develop the BSO Model of Care, standardized tools, processes and practices, and as an early adopter is recognized as a BSO leader responsible for transferring knowledge to other homes in the Northeast Cluster.
  - Fairhaven has initiated a process to seek approval to be able to provide Peritoneal Dialysis (PD) to improve resident access to kidney care. LTC homes that provide PD care receive an additional $16,502 per annum for each assisted PD resident.
- According to the latest data from the OANHSS Benchmarking Comparative study, Fairhaven’s expenses are in the lowest quartile for 3 of the 4 funding envelopes (Nursing and Personal Care, 7th percentile; Programs and Support Services, 4th percentile, Raw Food, 14th percentile; Other Accommodation 42nd percentile). Results were similar for the prior year’s benchmarking with Fairhaven’s expenses in the lowest quartile for all 4 envelopes. According to Fairhaven, this is a testament to their financial stewardship and operational efficiency.

- Fairhaven was awarded Accreditation with Exemplary Standing by Accreditation Canada, the highest award provided by Accreditation Canada. The award is recognition of achievement of excellence and the highest level of performance as a long-term care home.
- Fairhaven has had to absorb years of inflationary pressures and wage and benefit increases, while faced with significant reductions in provincial and municipal funding. Fairhaven has achieved this in part through quality improvement and waste reduction initiatives.
- Fairhaven's insurance costs are decreasing while overall coverage has been increasing. Fairhaven has an excellent track record relative to other homes in terms of insurance claims against the home. This speaks to the correlation between higher staffing levels and higher quality of care (referenced earlier in this paper related to municipal homes) resulting in fewer incidents and lower potential liability for the home.

Fairhaven, Lobbying for Changes

Fairhaven has undertaken numerous measures to advocate for changes to the current system of long-term care funding and to educate the province on challenges faced by long-term care homes.

Between January 17, 2013 and April 8, 2014, Fairhaven sent 18 separate letters and emails to the Ministry of Health and Long-Term Care; the Member of Provincial Parliament, Jeff Leal; and OANHSS to outline concerns regarding significant decreases to Fairhaven's Funded CMI.

In addition, Fairhaven staff met with former Associate Minister for Long-Term Care, Dipika Damerla, on two occasions in 2015 and 2016 to relay concerns about long-term care funding. Fairhaven presented a comprehensive overview of the home's current funding and operational climate, as well as a look into future pressures facing the home.

Fairhaven will also have an opportunity to provide direct input into per diem and CMI policy development as a representative of the Provincial Funding Policy committee of OANHSS. Fairhaven has been advised that they will have the next vacant seat on the committee. In addition, Fairhaven has been invited to sit on the Benchmarking Advisory Committee (started in June 2016) and the CMI Technical Working Group which began this fall.

Future Options for Fairhaven's Consideration

In the immediate term, Fairhaven has requested that the City and County increase their level of funding support to Fairhaven. As mentioned earlier, the level of funding support provided by the City and County to Fairhaven is significantly lower relative to other municipalities represented in the OANHSS survey. However, the key question faced by municipalities is what is the correct and necessary level of funding support particularly given limited municipal budgets that are already stretched over competing municipal priorities and interests? To address this question, a number of municipal homes have initiated a comprehensive financial review and comparative analysis conducted externally to evaluate true funding needs.

As the population continues to age, and the demand for long-term care continues to grow at increasing rates, funding pressures on municipal governments will also continue to escalate as provincial funding gaps presumably continue to widen. At both the provincial and municipal levels, the intense competition for funding dollars leaves no easy solutions to address funding shortages. The immediate options available with respect to long-term care funding are limited. LTC homes should be taking a longer-term approach and looking for creative solutions to address the growing pressures of LTC provision and funding within their communities. Below are some of the options highlighted throughout the LTC research consulted for this paper.

1. **Advocate for important changes to legislation, funding formulas, and levels of funding**

   Fairhaven should continue to advocate for changes to legislation, funding formulas, and levels of funding. This can be done directly with the Ministry or through the various Associations that are already pushing for change (e.g. AMCTO, AMO, OANHSS, OLTCA etc.).

   The Act needs to become less prescriptive and more flexible to enable municipalities to determine how best to meet long-term care obligations within their communities. This could encompass many changes within the Act to enable it to become more permissive and less prescriptive and inflexible. The Act should set out some broad principles that municipalities need to achieve with respect to long-term care, and then let municipalities determine how best to achieve compliance in accordance with their broader community need.

   Some of the changes that need to happen relate to the funding formulas and administrative rules for how funding gets allocated. These changes would not necessarily impact overall funding levels but would facilitate improved planning, utilization, tracking, and reporting on funding. The 4 funding envelopes, for example, are administratively burdensome and restrictive, and only allow for limited movement of funds between envelopes. A suggestion that has been made by OANHSS would be to move to a 2 envelope system – one for direct care and one for administration and maintenance of the home. This would minimize administrative tracking and reconciliation of funding and ensure that homes have the ability to utilize funds for their greatest direct care needs. This would also make for a more cost effective and efficient process lessening demand on home resources.

   Another change that needs to happen with respect to funding formulas is to eliminate the adjustments to CMI and enable homes to be funded based on their true resident care needs. In addition, the SR limits need to be removed from the CMI equation. Homes should be funded for the true special rehabilitation requirements of their residents. If there is concern by the Ministry that numbers seem too high for either resident acuity or special rehabilitation needs, an auditing function should be introduced to ensure accurate and reliable reporting by homes.

Funding levels also need to be adjusted to capture the true cost of providing long-term care. This includes such things as home maintenance, collective bargaining increases (particularly those arbitrated by provincial arbitrators), acuity related home improvements etc. Per diem increases need to reflect true inflationary costs, otherwise homes are faced with funding deficits and declining purchasing power year over year.

2. Seek creative, long-term solutions to offset growing long-term care costs

Homes of all provider types (for-profit, not-for-profit, municipal) are increasingly looking for ideas and opportunities to help offset costs either through streamlining or additional revenue generation. Some homes, for example, are providing outreach and consultancy services, particularly in light of the provincial government's Aging at Home Strategy. Such homes are providing outreach services within their communities that enable people to stay at home longer. The outreach services are compatible with services already provided by the home and so can generally be provided quite cost-effectively and result in extra revenue for the home.

Another strategy that a number of homes have been implementing is the campus of care concept where compatible, age-friendly services are brought together to provide a continuum of care on the same 'campus'. Within a campus of care, also called community hubs, a range of housing opportunities (e.g. independent, assisted living, long-term care) can be provided along with space for shared services, potential co-location of community agencies, small retail shops etc. While moving to a campus of care model is not a short-term solution, it does create opportunities for revenue generation that can be used to help offset long-term care costs. And, it is the type of solution that can be implemented gradually over time following the campus of care philosophy. Given that issues facing long-term care provision and funding are not a short-term issue, with population projections seeing the senior population doubling by 2036, it may well be worth investigating and investing in forward thinking, longer-term solutions.

3. Operational review to find efficiencies and cost savings

While Fairhaven has had to rely on finding efficiencies to deal with significant and unexpected deficits related to changes in their Funded CMI, there may be merit in having a detailed and more formal review conducted to examine all aspects of operational efficiency and cost savings. While this may result in an added expenditure in the short-term, the expenditure is relatively minor when compared to the increased level of funding support that Fairhaven anticipates it will require year after year.

Summary

Long-term care is a complex and heavily regulated sector governed by the Ministry of Health and Long-Term Care under the Long-Term Care Homes Act. The Act is a comprehensive, complex, and prescriptive piece of legislation. Under the Act, the City must provide a long-term care home and cannot sell, transfer, or close approved long-term care beds within the home.

All long-term care homes, regardless of provider type, receive the same 3 primary sources of funding from the province. The province uses funding 'caps' to restrict the amount of funding provided so that aggregate provincial funding pots do not grow. Long-term care homes are now more similar to chronic care units in hospitals but are still being funded for a lighter level of care. Provincial funding is not sufficient to provide for the full and true cost of long-term care. Provincial per diems are not keeping pace with rising home costs and a more complex resident mix. Homes are facing large and unplanned deficits related to provincial caps placed on funding creating an unstable and volatile financial situation.

Fairhaven is the municipal long-term care home of the City and County. Under the City-County Fairhaven Agreement, Fairhaven is an independent entity form the City and County. Fairhaven is administered by a Committee of Management, which has complete and exclusive control, management of, and supervision over the maintenance and operation of the home. The only role that the City has in terms of Fairhaven is through the funding support that it provides. The operating funding that Fairhaven has been receiving from the City and County is at the lowest level of municipal funding relative to over 55 other municipalities surveyed. Long-term care costs are escalating while provincial funding is increasingly insufficient to meet the true costs of LTC provision. According to Fairhaven, it has reached a point where it can no longer continue to operate while providing the same level of quality care and legislative compliance without increased funding support.

Under the Act, long-term care homes have very little flexibility to bring about creative changes to address issues related to escalating long-term demand and funding pressures. Provincial funding is simply not sufficient to cover the true costs of long-term care and municipalities are left to fund the difference. Municipalities, however, are questioning their ability to continue to afford their long-term care obligations. The costs of operating long-term care homes, and the demand for long-term care, continue to escalate at alarming rates to the point of what many are labelling a crisis situation. Advocacy is critical to bring about important and necessary changes, as is moving forward with a long-term and innovative approach.

Appendix A – Summary of Research

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