 Committee Report

# Report LTCR-CW-09-17

**To**: Warden Barfoot and Members of Grey County Council

**From**: Lynne Johnson, Kevin Weppler

**Meeting Date:** May 25, 2017

**Subject: Long Term Care Review**

**Status**: Recommendation adopted by Committee as presented per Resolution CW-96-17; Endorsed by County Council June 29, 2017 per Resolution CC27-17

## Recommendation

1. **That report LTCR-CW-09-17 regarding a Long Term Care review be received for information.**

## Background

This report provides updated financial projections and a recap of items recommended for council consideration in Report LTCR-CW-05-17.

## Financial Projections

There are two components to the financial projections that need to be considered.

1. Redevelopment Costs
2. Annual Operating Costs

Staff completed an additional review and updated the financial analysis provided in 2016 by Sienna Senior Living Services to reflect the most current information.

### Assumptions

The following assumptions have been used in the redevelopment financial projection scenarios.

* 166 beds built to the most current (2015) design standards
* Construction cost of $230,000 per bed for 166 beds
* Reserve funding and sale proceeds $9.3M
* Provincial construction funding subsidy of $635,100 annually for 25 years
* 3.5% interest rate
* 60% preferred accommodation
* No rental revenue from external parties
* Administrative wages and benefit savings per Sienna updated to 2017 budget
* Nursing Envelope Savings per Sienna updated to 2017 budget
* Optimal Revenues for Private Accommodation – occupancy at 80% of available preferred accommodation

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| **Net Operating Income** |  |  |  | **Budget** |   |
| **Scenario - 166 beds on New Site** |  |  |  | **2017** |   |
|   |  |  |  |  |  |  |  |   |
| Grey Gables - Loss of Rental Revenue - External |  | $69,649  |   |
| Administrative - Wages and Benefits - Savings |  | ($251,100) |   |
| Nursing Envelope Savings |  |  |  | ($177,900) |   |
| Private Premium Revenues - Increase |  |  | ($272,080) |   |
|   |  |  |  |  |  |  |  |   |
| **Scenario - 166 beds on New Site - Reduction in Levy** |  | **($631,431)** |   |
|   |   |   |   |   |   |   |   |   |
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|   |   |   |   |   |   |   |   |   |
|  **Net Operating Income** |  |  |  | **Budget** |   |
| **Scenario - 100 beds on New Site** |  |  |  | **2017** |   |
|   |  |  |  |  |  |  |  |   |
| Grey Gables - Loss of Rental Revenue - External |  | $0  |   |
| Administrative - Wages and Benefits - Savings |  | $0  |   |
| Nursing Envelope Savings |  |  |  | $0  |   |
| Private Premium Revenues - Increase |  |  | ($173,000) |   |
|   |  |  |  |  |  |  |  |   |
| **Scenario - 100 beds on New Site - Reduction in Levy** |  | **($173,000)** |   |
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**Net Impact to Levy**

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| **Scenario - 166 beds on New Site** |  |  |  |   |
| Annual Debt Payment Calculation using the following inputs: |  |   |
| Number of Beds |  |  |  | 166 |   |
| Total Construction Cost |  |  |  | $38,180,000  |   |
| Less: Reserve and Sale Proceeds |  |  | ($9,300,000) |   |
| Debenture Amount |  |  |  | $28,880,000  |   |
| Interest Rate (Note: Current Infrastructure Ontario Rate 3.32%) | 3.5% |   |
| Term |  |  |  |  | 25 Years |   |
| Annual Principal and Interest Payment |  |  | $1,752,266  |   |
|   |  |  |  |  |  |   |
| **Cash Flow Projection** |  |  |  |  |   |
| Construction Subsidy |  |  |  | ($635,100) |   |
| Net Operating Income |  |  |  | ($631,431) |   |
| Principal and Interest Payment |  |  | $1,752,266  |   |
| Adjusted Incremental Cost - Impact to Levy |  | $485,735  |   |
| Less: 2017 Budget - Transfer to Reserve for Redevelopment | ($1,361,010) |   |
| Less: Capital Levy Savings - Reduction of 3 to 2 Buildings | ($160,000) |   |
| **Estimated Impact to Levy - 166 beds on New Site** |  | **($1,035,275)** |   |

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| **Scenario - 100 beds on New Site** |  |  |  |   |
| Annual Debt Payment Calculation using the following inputs: |  |   |
| Number of Beds |  |  |  | 100 |   |
| Total Construction Cost |  |  |  | $23,000,000  |   |
| Less: Reserve and Sale Proceeds |  |  | ($2,800,000) |   |
| Debenture Amount |  |  |  | $20,200,000  |   |
| Interest Rate (Note: Current Infrastructure Ontario Rate 3.32%) | 3.5% |   |
| Term |  |  |  |  | 25 Years |   |
| Annual Principal and Interest Payment |  |  | $1,225,616  |   |
|   |  |  |  |  |  |   |
| **Cash Flow Projection** |  |  |  |  |   |
| Construction Subsidy |  |  |  | ($635,100) |   |
| Net Operating Income  |  |  |  | ($173,000) |   |
| Principal and Interest Payment |  |  | $1,225,616  |   |
| Adjusted Incremental Cost - Impact to Levy |  | $417,516  |   |
| Less: 2017 Budget - Transfer to Reserve for Redevelopment | ($1,361,010) |   |
| Less: Capital Levy Savings - Reduction of 3 to 2 Buildings | $0  |   |
| **Estimated Impact to Levy - 100 beds on New Site** |  | **($943,494)** |   |

Further Consolidation Considerations

The financial projections were developed using conservative values. In addition to the annual levy savings, the recommended option of consolidating the two homes into a single 166 bed facility in Durham offers the following benefits:

* Addresses staffing shortages through an improved ability to create additional full-time and stable part time positions
* Reduces duplication of some services i.e. staff training, report submissions, annual program reviews etc.
* Increased availability of specialized services to support changing resident needs, and staff education i.e. Dietitian, Social Worker, Physiotherapist
* Provides an environment that supports the safe, efficient delivery of care for a population with increasingly complex needs
* Increases the availability of long term care beds in an area with a high projected growth of seniors aged 75 and older
* Provides an efficient building design to maximize work flow and support a fast paced work environment
* A new building that meets the most current – 2015 Design Standards
* An opportunity to enhance available housing options for seniors living in South Grey
* Supports economic development in Grey Highlands

## Management Company

Staff report LTCR-CW-05-15 recommended a Request for Proposal to obtain the services of a management company to support the planning and development of a new long term care home and provide daily operational support for the current homes and new home once it is operational.

### Input into Planning and Development

Grey County is required to redevelop 100 beds. The engagement of a management firm would provide the required expertise to navigate the approval process and support the project through the readiness, construction and occupancy phases of redevelopment.

#### Operations

Considerable information has been provided that identifies some of the challenges in managing the increasing complexities and acuity of long term care. Working with a management company, the homes would have access to a team of experts and an extensive peer network to understand and manage industry trends, risks and challenges. Other operational supports provided by a management contract would include:

* Development and implementation of programs to support the implementation of best practices
* Provision of policies and procedures to cover all aspects of operations
* Education and support in navigating the Ministry of Health and Long Term Care (MOHLTC) and Local Health Integration Network (LHIN) policy changes and reporting requirements
* Regular reviews and scorecard reporting

There has been an increasing dependency on the county levy to support operations and without concerted effort to find efficiencies this trend is expected to continue. In addition to the above mentioned benefits, a management company would be able to identify opportunities to reduce the levy though economies of scale and centralized purchasing.

Grey County will always be required to maintain a governance role for the beds we operate. The management company would report to Council through a Committee of Management that is comprised of County Councilors. The mission, vision, values and culture of Grey County would continue to be reflected in the homes.

Each management contract is tailored to meet the needs of the organization with the cost dependent on the scope of the services that are provided. A Request for Proposal would provide an opportunity to further explore this option.

## Project Plan

The development of a detailed project plan is an important first step in redevelopment to clarify responsibilities, organize workflow and provide context to the vision. Timelines would be established to ensure that the project proceeds as planned and financial resources are aligned. Some milestones for a long term care redevelopment project would include MOHLTC/LHIN approvals, design and property acquisition, construction, pre-occupancy approvals and disposal of property.

Additional plans would be required throughout the process that would deal with operational responsibilities including staffing plans, training and occupancy transition.

## Terms of Reference

The final portion of the recommendation was the creation of a RFP Project Committee. This committee or taskforce would work with staff to consider the many details and options inherent in a project of this scope. Any recommendations from the Committee will be forwarded to County Council for consideration. A draft terms of reference and the selection of County Councilors to sit on the committee will be addressed at a future meeting.

## Financial/Staffing/Legal/Information Technology Considerations

There are no immediate financial or staffing implications to the recommendations. The outcome of the RFP process for a management company and for a design firm will provide further costing details. The installation of a management company may have implications for staffing and information technology in the future.

## Link to Strategic Goals/Priorities

Supporting Healthy Connected Communities

* Improved sustainability of services and service delivery for Grey County Communities

Delivering Excellence in Governance and Service

* Governance model for the future
* Greater operational efficiencies

Enhancing Economic Opportunity and Growth

* Improved prosperity and quality of life

Respectfully submitted by,

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Kevin Weppler

Director of Finance