Committee Report

To:	Chair and Members of the Committee of Management
Committee Date:	November 12, 2019
Subject / Report No:	LTCR-CM-43-19
Title:	3rd Quarter Financial Update
Prepared by:	Joanna Alpajaro, Deputy Treasurer and Jennifer Cornell, Director of Long-Term Care
Reviewed by:	Kim Wingrove, Chief Administrative Officer
Lower Tier(s) Affected:	All Grey County
Status:	Recommendation adopted by Committee as presented per Resolution CM57-19; Endorsed by Council November 14, 2019 per Resolution CC93-19

Recommendation

1. **That report LTCR-CM-43-19 regarding a Financial Update and Year-End Projections as of September 30, 2019 be received for information.**

Executive Summary

This report provides a financial projection to year-end for the Long-Term Care Homes based on revenues and expenditures to September 30, 2019. This report summarizes any variances that are projected. Each care community reviews its actual to budget figures and projects a year-end position by estimating results still to happen. These adjustments have been incorporated into each of their projections in this report.

A review of actual financial results as compared to budget as at the end of September 2019 for Long Term Care projects an overall year end deficit position of $170,000.00. This negative variance represents a 0.54% difference as compared to the 2019 budgeted gross expenditures of $31,445,792.

This negative variance includes a total decrease in Ministry of Long-Term Care funding of $80,299 as well as a total decrease in CMI funding of $113,230 for the three care communities. The 2019 budget was prepared on the basis of a 0% year over year increase in taxation levy from 2018, and still included a 1.65% increase in wages and associated benefits. Built-in contingency funds in each Long-Term Care budget were not fully able to offset the unexpected decreases in funding. Savings were recognized throughout the year in reduced professional and consulting fees and higher than expected preferred accommodation revenues.

Background and Discussion

In report LTCR-CM-32-19 Provincial Long-Term Care Funding Announcements and Impacts, County staff identified several changes in funding that were announced to be effective April 1, 2019 or August 1, 2019. Specifically, two funding programs, the High Wage Transition Fund and the Structural Compliance Premium, were scheduled to be cancelled on August 1, 2019. This would have had a very detrimental impact on the 2019 Long-Term Care budget year. After public pressure and lobbying by associations such as AdvantAge Ontario, the elimination of the High Wage Transition fund and the Structural Compliance Premium were delayed until December 31, 2020 and March 31, 2020 respectively. While this has helped to alleviate some of the budgetary pressures in 2019, there was still a CMI decrease that resulted in a $113,230 negative variance to budget.

In addition, the 2019 budget included a 2% increase in funding in the Nursing and Personal Care (NPC) envelope, the Program and Support Services (PSS) envelope and Raw Food (RF) envelope and a 1.6% expected increase in Other Accommodation (OA) funding. These anticipated funding increases were in line with what had been received over the past several years. Instead, the Ministry of Long-Term Care introduced a new funding formula called the Global Level of Care Subsidy of $1.77 per diem, which equates to a small increase of 1.1% in the NPC envelope for each care community. There were no funding increases in PSS, RF or OA envelopes.

The Executive Director from each home has reviewed the actual to budget figures and worked with finance staff to project a year-end position by estimating results still anticipated to occur. Highlights of the financial statements and variances are as follows:

<u>Grey Gables</u>

Grey Gables is expected to end the year with an operating budget shortfall of $100,000. The overall projected deficit is due mostly to higher than anticipated staffing costs and unbudgeted overtime costs. Two flu outbreaks in early 2019 resulted in higher than expected staffing costs in Housekeeping and Laundry departments. Staffing shortages have resulted in unbudgeted agency and overtime costs in the Nursing departments. At September 30, 2019, Grey Gables has $103,683 in unbudgeted overtime costs, most of which belongs to the Nursing envelope, and more is expected by year end. The overages in staffing are offset by lower than anticipated professional and consulting fees, as well as some unfilled staffing positions and unfilled shifts in some departments that resulted in savings.

While Grey Gables will be receiving $20,817 less funding in 2019 than expected due to Ministry of Long-Term Care funding changes, as well as a Case Mix Index funding decrease, a contingency that was built into the 2019 budget will offset this loss of funding.

The capital budget for Grey Gables is anticipated to end the year on target. There were three capital projects that will be re-budgeted in 2020 due to timing issues with contractors.

<u>Lee Manor</u>

Lee Manor is expected to end the year with an operating budget deficit of $200,000. Recent Ministry of Long-Term Care funding announcements, along with the decrease of Case Mix Index Classification (CMI) funding, has resulted in an $111,800 budget shortfall. While a contingency was built into the budget in the event of a decrease in CMI funding, this contingency did not fully cover the loss of funding for 2019.

This overall projected deficit also includes higher than anticipated staffing costs from staffing shortages, resulting in unbudgeted overtime and agency costs in the Nursing department. At September 30, 2019, Lee Manor has $191,881 in unbudgeted overtime costs, most of which belongs to the Nursing envelope, and more is expected by year end. Some of these staffing cost overages are offset by lower than budgeted professional and consulting fees, as well as some unfilled shifts that resulted in savings.

Lee Manor's capital budget is anticipated to end the year on budget.

Rockwood Terrace

Rockwood Terrace is expected to end the year with an overall operating budget surplus of $130,000. Despite unbudgeted overtime wages at September 30, 2019 of $91,795, there were unfilled staffing positions and unfilled shifts in many departments that resulted in lower than planned expenses. In addition, there were lower than anticipated professional and consulting fees, as well as savings in hydro, heat and maintenance of equipment.

These savings in salaries, wages, benefits and expenditure lines were offset by recent Ministry Long-Term Care funding announcements, along with the decrease of Case Mix Index Classification (CMI) funding. In total, Rockwood Terrace received $71,900 less in Ministry funding than expected. While a contingency was built into the budget in the event of a decrease in CMI funding, this contingency did not fully cover the loss of funding for 2019.

Rockwood Terrace's capital budget is anticipated to end the year on target. While several capital projects came in slightly under budget, an unbudgeted replacement of the water softener system will offset these savings.

Legal and Legislated Requirements

None

Financial and Resource Implications

The overall deficit across the three care communities is expected to be $170,000. This negative variance represents a 0.53% variance as compared to the 2019 budgeted gross expenditures of $31,956,235. This deficit will be funded by each care communities' respective reserves.

Relevant Consultation

Internal- Long Term Care Executive Directors, CAO, Director of Corporate Services, Deputy Treasurer, Director of Long-Term Care

External- None

Appendices and Attachments

None