

Report FR-SS-20-16

To: Chair Burley and Members of the Social Services Committee
From: Doug Johnstone, Financial Analyst
Lynne Johnson, Director of Long Term Care
Meeting Date: July 13, 2016
Subject: **Long Term Care Financial Update and Year-End Projection as of May 31, 2016**
Status: Recommendation adopted by Committee as presented per Resolution SSC55-16; Endorsed by County Council August 2, 2016 per Resolution CC97-16;

Recommendation(s)

THAT the Social Services Committee receive Report FR-SS-20-16 regarding a Financial Update and Year-End Projection as of May 31, 2016 for those budgets under the direction of the Long Term Care Department;

AND FURTHER THAT staff be authorized to utilize \$50,000 in unbudgeted funding provided by Classic Care Pharmacy in 2016 to support quality improvement and educational activities within the long term care homes.

Background

The purpose of this report is to provide members of the Social Services Committee with a financial update for those budgets under the direction of the Long Term Care Department based upon financial statements as of May 31, 2016.

Summary

The financial statements have been reviewed with the respective Administrator and their comments have been taken into account for the preparation of this report. This report is based upon May 2016 financial statements and the unbudgeted funding changes as described below, as well as having taken into account known expenses that have been incurred since that time as well as calculating best estimates for the

remainder of the year.

Effect of Changes to the Case Mix Index

The projections take into account the annual change in the Case Mix Index (CMI).

The CMI calculation is based on quarterly resident assessment data that is uploaded electronically to the Canadian Institute of Health Information (CIHI) and combined to establish an average level of care during the reporting period. CMI funding for April 1, 2016- March 31, 2017 is calculated on assessments submitted between April 2014 and March 2015. Due to the weighted case mix formula that is based on provincial data, it is difficult to predict whether the CMI will increase or decrease on an annual basis. For that reason, the 2015 CMI was used when preparing the 2016 budget.

The 2016 CMI increased at Rockwood Terrace and decreased at both Grey Gables and Lee Manor, resulting in changes to revenue as detailed in the following table.

| | 2015/2016 CMI | 2016/2017 CMI | 2016 Unbudgeted CMI Increase/(Decrease) |
|------------------|------------------|------------------|---|
| Grey Gables | 1.0328 | 0.9839 | (\$83,757) |
| Lee Manor | 1.0374 | 1.0238 | (\$52,941) |
| Rockwood Terrace | 1.0728 | 1.1178 | \$116,783 |
| Total | | | (\$19,915) |

"Envelope" Funding Increases

The Ministry of Health and Long Term Care (MOHLTC) announces increases to funding during the year, after the County has set its budget. In the past, an increase to funding was not included in the budget, as the amount was not known. However, for the 2016 budget, an estimate was made, and funding increases were included in budgeted revenue.

In the 2016 budget, it was assumed that there would be a 2% increase in funding for the four "envelopes" – Nursing and Personal Care (NPC), Program and Support Services (PSS), Raw Food (RF) and Other Accommodation (OA).

At this time, an increase of 2% has been announced by the MOHLTC for the NPC and PSS envelopes. No announcement has yet been made for the RF and OA envelopes.

Summary of Projected Long Term Care Year-End Surplus/(Deficit)

| Departmental Budget | Projected Year-End Operating Surplus/(Deficit) | Projected Year-End Capital Surplus/(Deficit) | Total Projected Year-End Surplus/(Deficit) |
|---------------------|--|--|--|
| Grey Gables | (\$80,000) | \$15,000 | (\$65,000) |
| Lee Manor | (\$75,000) | \$9,000 | (\$66,000) |
| Rockwood Terrace | \$147,000 | \$0 | \$147,000 |
| Total | (\$8,000) | \$24,000 | \$16,000 |

Grey Gables Operating Budget

Upon review of Grey Gables' financial statements at May 31, 2016, it is projected that the home will experience an operating deficit of approximately \$80,000 at year-end. The change in CMI reduced revenue by \$84,000. Medical supplies expense is projected to be \$15,000 higher than budget due to an increase in resident acuity and associated needs. Based on a favourable renewal, it is expected that there will be savings of \$19,000 in group benefit costs.

Lee Manor Operating Budget

A review of the Lee Manor financial statements to the end of May indicates that the operating budget will have a projected deficit of \$75,000 at year-end. The change in CMI reduced revenue by \$53,000. It is anticipated that there will be \$35,000 in overexpenditure in staff costs, primarily because of an overage in modified duty expense. Other overexpenditures totaling \$14,000 include hydro and major kitchen equipment repairs. Group benefit savings of \$27,000 will help to offset these overexpenditures.

Rockwood Terrace Operating Budget

Rockwood Terrace is expected to have an operating surplus of approximately \$147,000 at year-end. The CMI increase provided unbudgeted revenue of \$117,000. It is projected that there will be \$56,000 savings in wage expense. Wage expense is lower than budget, mainly because modified duties have been less than previous years, and because of savings due to staffing changes. Savings in group benefit expense are expected to be \$29,000. Overexpenditures totaling \$55,000 are expected within utility budget lines (\$15,000) and medical supplies (\$40,000). The increase in medical supplies is in line with the Ministry's assessment that the medical needs have increased as evidenced by the increase in CMI. There was an unexpected repair to the floor drains in the boiler room. The cost to repair this was \$6,000. Although the "maintenance of buildings" account is currently within budget, the floor drain repair was unplanned and may impact the overall budget line by year-end.

Capital Projects Budget Update

Work on capital projects is underway. This report only comments on those projects which have been finished and/or whose final costs are fairly certain.

Grey Gables Capital Budget

The hot water heater project had a budget of \$15,000 in 2016; however the project was completed on an emergency basis in 2015. For this reason, there is a surplus of \$15,000 within the capital budget.

Lee Manor Capital Budget

The purchase of a whirlpool tub and lift has come in under budget, with savings of \$7,000. Consulting for storm water management came in under budget, with savings of \$2,000. It is anticipated that this savings of \$2,000 will be used to pay for the storm water management work to be done in 2017.

Rockwood Terrace Capital Budget

Wiring for maglocks has been completed, with savings of \$20,000. This project was funded from reserves, so the savings will remain in the reserve for future projects. The purchase of shower chairs has come in just under budget.

Pharmacy

In the fall of 2015, Grey County received notice from Classic Care Pharmacy that due to a change in ministry funding they would not be able to provide the homes with previous funding that supported staff education and resident enhancement programs. Staff has recently been notified that the pharmacy has been able to evaluate the impact on the changes and they have agreed to provide \$50,000 in funding for 2016. Staff recommend that the funding be used for opportunities to support quality improvement and educational opportunities.

Financial / Staffing / Legal / Information Technology

Considerations

A review of the actual to budget, as of the end of May, projects that the Long Term Care budgets will have an operating budget deficit of \$8,000, and a capital surplus of \$24,000, for a total surplus of \$16,000 at year-end. Any capital surplus at the end of the year will go to reserve and will not be used to fund any operating deficit. The unbudgeted funding from the Pharmacy will be used to offset budgeted expenses where applicable, and any remaining amount will be used to enhance quality improvement and educational programs.

Staff will continue to monitor the financial statements; financial projections will be updated and presented to the Social Services Committee later this year.

Link to Strategic Goals / Priorities

The analysis of current financial statements compared to the approved budget is a key mechanism to ensure Council's goals of ensuring financial sustainability and ongoing public accountability are maintained.

Attachments – none

Respectfully submitted by,

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Financial Analyst

Lynne Johnson

Director of Long Term Care